

Die Bank, die Ihre Sprache spricht.

## Financing of Investments in Dairy Farms

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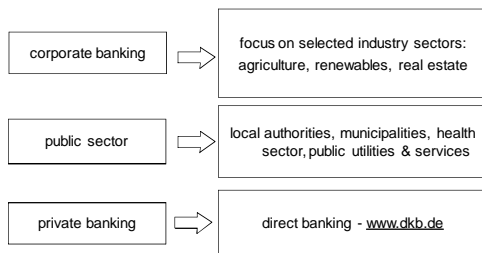
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### Deutsche Kreditbank AG

- § 1990 start of business
- § 1995 privatisation – subsidiary of BayernLB
  - § concentration on key accounts in selected industry sectors
  - § in early stage focus on agriculture
- § 2007 internet based multi functional bank in retail banking
  - § 17 subsidiaries
  - § 1.500 staff member
  - § 35 billion EUR total assets

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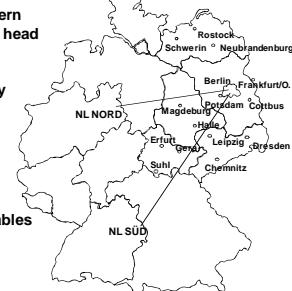
### Deutsche Kreditbank AG – an overview



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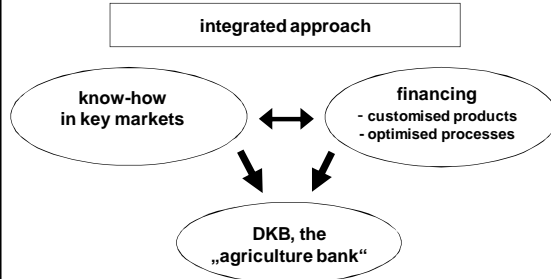
### Focus agriculture & renewables

- § historical home market is Eastern Germany (17 subsidiaries with head office in Berlin)
- § expansion to Western Germany
- § selected key markets:
  - agriculture
  - renewables
- § growth in agriculture & renewables to market & quality leadership



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### Business model

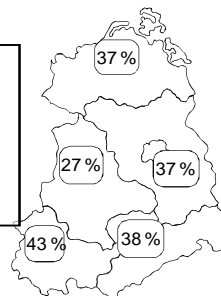


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### regional market shares in Eastern Germany agriculture

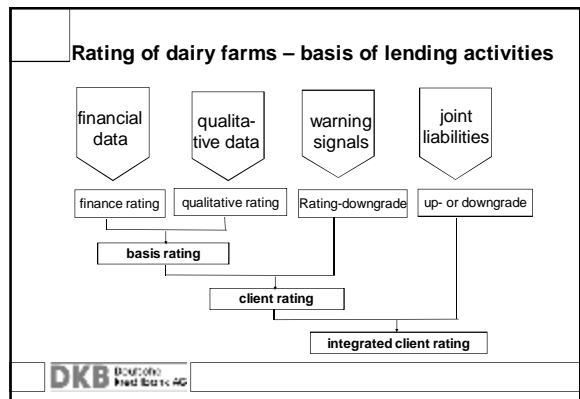
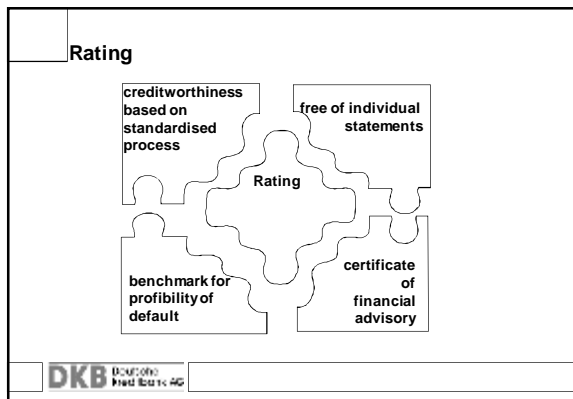
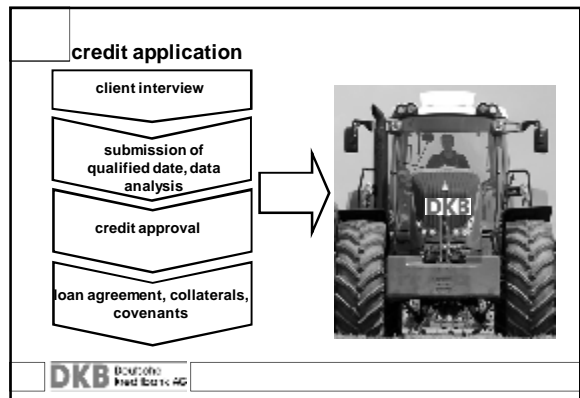
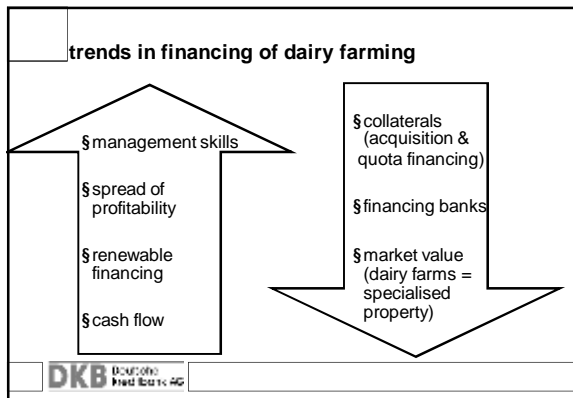
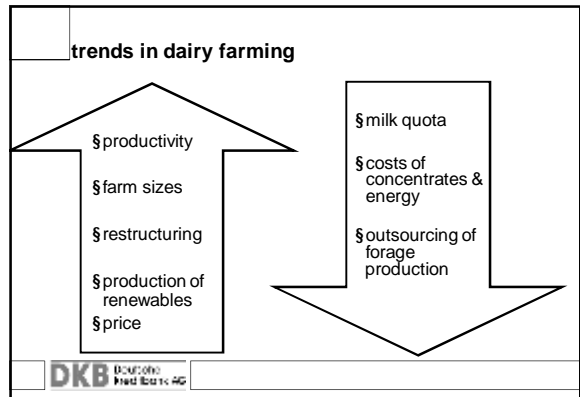
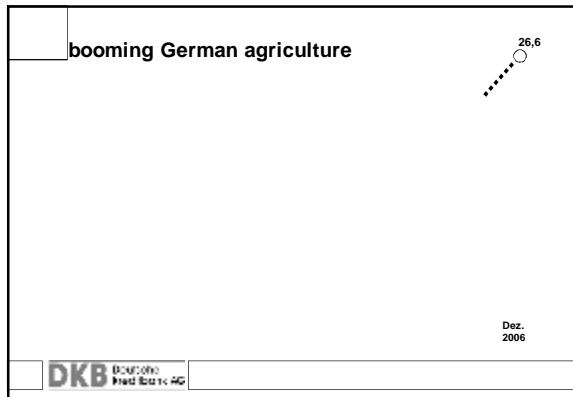
#### market share 05/2007

- § potential clients: 8.800
- § DKB-clients: 3.400
- § market share: 38 %



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**Rating: quantitative data**

net equity ratio	inventories
short term debt	↔ short term assets
EBITDA	net profit ratio

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**absolute variance of financial data of specialised 760 dairy farms**

	min. in %	max. in %
Equity to fixed assets	-4,5	12,1
Turnover of total assets	9,0	23,0
Cash flow rate	0,4	0,7
Equity ratio	66,9	110,3
Gearing	4,5	15,9
Net profit ratio	10,9	54,2

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**definition of debt service coverage**

**EBIT (Earnings Before Interest & Tax)**  
 + Depreciation (buildings, machinery, quota, etc.)  
 + Amortisation (goodwill i.e. acquisition costs)


**EBITDA = debt service coverage**  
 - repayment of a loan  
 - interest payments  
 - private payments (household, provisions) & dividends  
 - taxes  
 + private deposits to the company

**= +/- Net Cash Flow ÷ basis for credit decision**

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**EBITDA of dairy farms in Northern Germany**

§ 121 specialised dairy farms  
 § 32.912 cows  
 § ø 272/cows  
 § ø 2,25 Mio. kg milk quota  
 § 83.560 ha



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**EBITDA of dairy farms in Northeast Germany**

	average	25% best	10% best
total turnover	32,45	32,92	33,37
fodder costs	14,08	13,26	13,45
<b>sum of direct costs</b>	<b>18,59</b>	<b>16,53</b>	<b>16,64</b>
personal costs	6,16	5,24	5,43
stable equipment	2,90	2,28	1,71
<b>personal costs &amp; stable equip.</b>	<b>9,88</b>	<b>8,26</b>	<b>7,79</b>
<b>common costs (stable &amp; quota)</b>	<b>3,69</b>	<b>3,26</b>	<b>2,49</b>
costs of production	32,72	28,75	27,36
<b>EBIT</b>	<b>- 0,27</b>	<b>4,17</b>	<b>6,01</b>
<b>EBITDA</b>	<b>5,72</b>	<b>9,80</b>	<b>10,50</b>

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**strategies of dairy farming under milk quota conditions**

Ø same milk yield/cow in future

- increase of forage milk yield
- high life long milk yield/cow
- decrease of costs of work

**low cost strategy**

Ø increase in milk yield in future

- use of genetic potential
- optimal use of concentrates
- small investments in cow comfort
- smaller herd size

**high cost strategy**

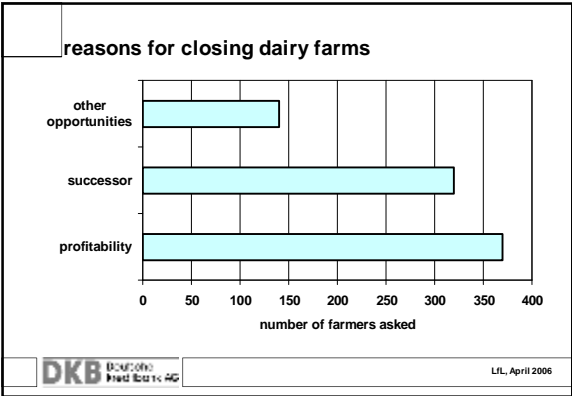
**max. quota rent = optimised factor allocation in dairy production**

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**Rating: qualitative factors**

- § management skills
- § foundation date of the company
- § quality of controlling instruments
- § quality of receivables
- § insurance of common risks
- § buying & product markets

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**Rating: warning signals**

- § overdrafts
- § delaying payments
- § uncovered cheques
- § accounts execution by law
- § frauds
- § uncovered debt service (net cash flow negativ)
- § other negative external data

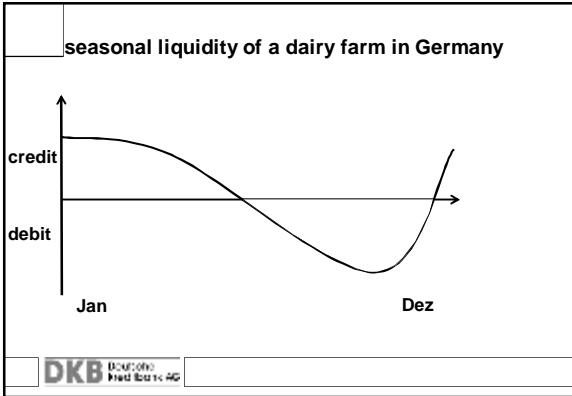
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**DKB- financing standards**

short  
time  
long

- § 3 monthly milk turnovers
- § max. 350 € for arable land / year
- § max. 300 € for grassland / year
- § max. maturity for milk quota financing 2015
- § 10 years for machinery & equipment
- § 20 years for buildings
- § 30 years for land

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**DKB-harvesting & seasonal financing account**


- § useful for all payment transactions on the farm
- § interest on credit account for the first Euro
- § disposable daily
- § free of account fees
- § revolving 364-day credit facility on the same account
- § cash payments directly from credit account
- § electronic banking
- § no cancellation period


**Gemeinsam stark bleiben!**

Für alle Mitglieder

2,85 % p.a. für DKB-Bank & Bank

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	<p><b>Summary</b>  <b>arguments against investments in dairy farming</b></p>
<div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <li>↓ negative net cash flow</li> <li>↓ production problems</li> <li>↓ inadequate management skills in crises</li> <li>↓ deficits in liquidity management</li> <li>↓ no successor</li> </ul> </div>	
	

	<p><b>Summary:</b>  <b>arguments for a positive credit approval</b></p>
<div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <li>ū sustainable production &amp; EBITDA margin for debt service</li> <li>ū moderate investment activities</li> <li>ū functional risk &amp; liquidity management systems</li> <li>ū knowledge of own creditworthiness</li> <li>ū financing rules (no long term investments with short term financing)</li> </ul> </div>	
	

	<p><b>Contact</b></p>
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