Verbio

Biofuel and Technology

Annual Report 2015/2016


eex

To our Shareholders

Group Management Report

Consolidated Financial Statements(IFRS)

Further information

Group key figures

[in EUR million]

Profitability	1 HY 2015/2016	2 HY 2015/2016	2015/2016	1 HY 2014/2015	2 HY 2014/2015	2014/2015
Sales	330.8	323.5	654.3	307.8	310.7	618.5
EBITDA	39.1	34	73.1	25.9	24.8	50.7
EBIT	28.7	23.3	52.0	14.7	13.8	28.5
EBIT margin (%)	8.7	7.2	7.9	9.5	9.0	4.6
EBT	28.1	22.5	50.6	13	11.7	24.7
Net result for the period	21.6	18.1	39.7	11.8	15.1	26.9
Earnings per share (EUR)	0.34	0.29	0.63	0.19	0.24	0.43

Operating data	1 HY 2015/2016	2 HY 2015/2016	2015/2016	1 HY 2014/2015	2 HY 2014/2015	2014/2015
Production (t)	346,007	342,355	688,362	343,248	347,722	690,970
Production (MWh)	264,003	256,956	520,959	227,541	241,644	469,185
Utilisation Biodiesel/ Bioethanol (%)	97.5	96.4	97.0	96.7	97.95	97.3
Utilisation Biomethane (%)	110.0	107.1	108.5	94.8	100.7	97.7
Investments in property, plant and equipment	6.0	6.8	12.8	6.4	6.8	13.2
Number of employees [1]	481	488	488	495	491	491

Net asset position	31.12.2015	30.06.2016	30.06.2016	31.12.2014	30.06.2015	30.06.2015
Net financial assets	40.5	65.6	65.6	−20.3	7.8	7.8
Equity	234.8	245.1	245.1	196.6	209.7	209.7
Equity ratio (%)	74.4	77.8	77.8	64.6	70.8	70.8
Balance sheet total	315.8	314.9	314.9	304.2	296.3	296.3

Financial position	1 HY 2015/2016	2 HY 2015/2016	2015/2016	1 HY 2014/2015	2 HY 2014/2015	2014/2015
Operating cash flow	28.0	48.3	76.3	14.2	32.4	46.6
Operating cash flow per share (EUR)	0.44	0.77	1.21	0.23	0.51	0.74
Cash and cash equivalents	56.2	77.5	77.5	28.7	26.7	26.7

[1] At the balance sheet date

Segment key figures

[in Mio. EUR]

Biodiesel	**1 HY 2015/2016**	**2 HY 2015/2016**	**2015/2016**	**1 HY 2014/2015**	**2 HY 2014/2015**	**2014/2015**
Sales	217.2	206.0	423.2	195.5	201.5	397.0
EBITDA	15.5	14.3	29.8	13.5	13.4	26.9
EBIT	13.4	11.9	25.3	11	10.7	21.7
Production (t)	227,101	222,202	449,303	217,954	224,913	442,867
Utilisation (%)	100.9	98.8	99.9	96.9	100.0	98.4
Number of employees [1]	110	114	114	105	111	111

Bioethanol (incl. biomethane)	**1 HY 2015/2016**	**2 HY 2015/2016**	**2015/2016**	**1 HY 2014/2015**	**2 HY 2014/2015**	**2014/2015**
Sales	109.1	113.0	222.1	108.1	104.8	212.9
EBITDA	22.7	19.5	42.2	11.5	10.9	22.4
EBIT	14.7	11.5	26.2	3.4	2.9	6.3
Production (t)	118,906	120,153	239,059	125,294	122,809	248,103
Production (MWh)	264,003	256,956	520,959	227,541	241,644	469,185
Utilisation Bioethanol (%)	91.5	92.4	92.0	96.4	94.5	95.4
Utilisation Biomethane (%)	110.0	107.1	108.5	94.8	100.7	97.7
Number of employees [1]	219	227	227	233	226	226

Other	**1 HY 2015/2016**	**2 HY 2015/2016**	**2015/2016**	**1 HY 2014/2015**	**2 HY 2014/2015**	**2014/2015**
Third party sales	8.3	7.5	15.8	7.5	8.3	15.8
EBIT	0.6	0.0	0.6	0.3	0.2	0.5

[1] At the balance sheet date

Letter to our shareholders

Dear shareholders,

Once again we have proved our commercial strengths, efficiency and prowess in innovation over the past financial year 2015/2016, and yet again we are able to say that this has been VERBIO AG's most successful year since its formation. With EBITDA of EUR 73.1 million and EBIT of EUR 52.0 million our results are not only significantly above the amounts forecast at the beginning of the financial year, but in addition we have almost doubled our results compared to the previous year. Accordingly we are able to meet our objective of paying a regular dividend. The Management and Supervisory Boards will propose the payment of a dividend of EUR 0.15 per dividend-bearing share at the annual general meeting of shareholders to be held in January 2017, to ensure you, our shareholders, receive an appropriate share in the Company's success.

Earnings growth based on full use of capacity and efficiency improvements in all segments

Once again we have been able to operate our current plant at full capacity in all segments in this financial year, while at the same time making further improvements in our production processes. The resulting scaling effects have resulted in further reductions in fixed costs, and as a result have made a significant contribution to earnings growth.

The production volume of biodiesel and bioethanol in the period July 1, 2015 to June 30, 2016 totalled 688,362 tonnes, similar to the level recorded in the previous year. In addition, 520 gigawatt hours of biomethane were produced, a significant increase compared to the previous year. The capacity utilisation for the biomethane plant even exceeded 100 percent. As a logical consequence of this we have driven forward an increase in the capacity of the Schwedt production plant in the financial year 2015/2016.

Technology of the future secures growth opportunities

Solving the technological challenge of generating biomethane from 100 percent straw in a large-scale production plant was the result of our intensive research project work over many years. In order to make use of a wide range of raw materials we have concentrated on all types of straw generally available on the market, such as wheat, rye, triticale and barley straw, and we are in the process of testing other types of straw.

VERBIO is a participant in one of only a small number of projects that were selected for financial support under the European NER 300 subsidy programme on the basis of their innovative technology and future potential. The subsidy granted to manufacture advanced second generation biofuels clearly shows that we are one of the technology leaders not only in Brandenburg, Saxony-Anhalt or nationally, but also internationally. This method of producing biomethane from straw using a mono fermentation process is unique.

The straw biomethane plant at our Schwedt/Oder production site has been operating on a stable basis since its opening in October 2014. The expansion of the plant capacity from 8 MW currently to 16.9 MW, scheduled for the end of 2019, is proceeding according to plan. VERBIO has proved that the large-scale manufacture of so-called second generation advanced biofuels on an industrial scale, avoiding the use of raw materials needed for the food chain, is technologically feasible, economically efficient and sustainable.

In the meantime VERBIO is not only marketing biomethane as a biofuel, but also to producers of electricity supplying certified electricity from renewable energy sources (Erneuerbare Energien Gesetz – EEG electricity). The low raw material costs and the scaling effects of the large production plant mean that we are able to offer our biomethane on competitive terms. In this way we are increasing our independence from the biofuels business. The intention of the Federal Government to place the future expansion of electricity production from renewable energy sources in the hands of the most competitive provider under a tender process is in line with our strategic approach, and offers the promise of increasing growth potential in Germany.

In addition, we are currently researching growth opportunities in Eastern Europe and Asia. Our technology is one potential solution to structural energy problems as it uses a supply overhang of straw to produce biomethane, increasing the security of energy supplies and reducing energy costs.

More than a hundred million tonnes of grain, rice and maize straw are burnt in the fields of Asia annually. The burning of straw leads to air pollution and smog, creating massive damage to the quality of life in these heavily populated regions. The use of straw biomethane plants can solve this problem and provide a source of sustainable energy at the same time. The governments in China and India support the reduction of straw burning with major investment and subsidy programmes.

Innovation opens new market potential

Our processes in the Biodiesel segment have always been trendsetters in terms of product quality, economy and sustainability. Our R&D activities in this segment in the financial year 2015/2016 were focussed on launching and optimising our phytosterol production plant.

In order to increase the value creation from the raw material rapeseed oil, we extended our biodiesel facility in Bitterfeld in the previous financial year by adding a phytosterol production plant. Phytosterols are fat-soluble substances which, among other uses, are used as dietary supplements as they have the effect of reducing cholesterol levels in humans.

Production started at this plant in November 2015. The planned production capacity has been met, the quality of the phytosterols produced has exceeded market expectations, and, given the demand, we have decided to double the production capacity of the plant at our Bitterfeld location by the third quarter of the financial year 2016/2017.

Currently we are working on increasing the value added generated by our biodiesel plant by utilising further by-products. We aim to make a decision on a production plant for tocopherols (Vitamin E) in the financial year 2016/2017. Tocopherols are also fat accompanying materials found in vegetable oils, used as anti-oxidants in the food and cosmetic industries.

We are also examining the possibility of expanding our biodiesel production from industrial waste with the use of an additional plant, taking advantage of optimal procurement and sales logistics. This technology, already used by us, is a source of advanced second generation biofuels, which avoid the use of raw materials needed for the food chain; this is further evidence of VERBIO's innovation strength, with its qualified and highly efficient R&D and plant construction team.

The energy turnaround is dead, long live the energy turnaround!

Dear shareholders, VERBIO is ready to use the solutions that it has developed to push on further with the energy turnaround. We are fired up to bring our potential to the street. However, political policy is putting the brakes on progress!

Shortly after the introduction of the greenhouse gas reduction quota (GHG quota) of 3.5 percent on January 1, 2015 in Germany, it was already abundantly clear that German biofuels, with a GHG reduction of up to 70 percent, were able to make a much larger contribution to greenhouse gas reductions in the transport sector than the set quotas allow. In addition, VERBIO, among other suppliers, has proved that it is possible to produced advanced second generation biofuels on a large scale. Despite this, the Federal Government has not demanded that the increase in the GHG quota to 4.0 percent be brought forward, nor has it introduced a separate partial quota for advanced biofuels.

As a consequence of this we have reduced the biomethane share offered at natural gas filling stations and are now increasingly marketing biomethane for the purposes of producing EEG electricity. A survey conducted by erdgas mobil revealed that the share of biomethane included in natural gas consumption has fallen from 23 percent to 16 percent. Despite this we want to re-emphasise that biomethane, as an advanced biofuel, can make a much better contribution to mobility than adding to the burden on the already overloaded electricity networks.

The increase of the GHG quota to 4.0 percent will now be effective from January 1, 2017, as originally planned. The Federal Government must decide on a separate partial quota for advanced biofuels by April 2017 at the latest, in accordance with the terms of the Renewable Energy Directive (Erneuerbare-Energien-Richtlinie – RED). The German biofuels industry could make a much bigger contribution to de-carbonisation in the transport sector, but the political will is missing.

However, positive signals are coming from Brussels: the discussion paper on de-carbonisation strategies up to the year 2030 provides for a focus on advanced second generation biofuels.

Summary and outlook

The most successful financial year to date since VERBIO AG completed its initial public offering is now behind us, and this at a time when the competitive intensity is greater than it has ever been. This strengthens our resolve that our strategy and the measures we have taken in recent years have taken us in the right direction to ensure the stability of the business, and to ensure that we remain competitive in the future.

VERBIO has a solid foundation on which we can and will build. The statutory outlook up until 2020 is fundamentally positive. The biofuels industry is system relevant for European agriculture. Without biofuels, European agricultural markets would collapse given the current agricultural surpluses, and new agricultural land set-aside programmes would be necessary. Thanks to our know-how and our innovative technologies we are in a position to play an active role in the de-carbonising of the transport sector. In addition, there are also alternative market segments and expansion possibilities open to us in growing non-European markets.

Clear and reliable objectives are the basis of all commercial activities and investments. VERBIO has played an active role in the discussions on energy and climatic change policy-making at both national and European level in the past, and will continue to do so in future.

The challenge in the coming years will be to establish VERBIO, with its core skills and with commercial prudence, on a broader and more international footing. Outside Europe, the variation in the political will and social pressure to use biomass as a source of renewable energy is in some cases very serious indeed.

We have the most powerful and efficient plant facilities and the most innovative technologies, operated by qualified and engaged employees. Furthermore, we can rely on you, our shareholders, to provide us with your long-term support. Once again, I express my heartfelt thanks.

Yours, Claus Sauter
Chairman of the Management Board

Claus Sauter
Chairman of the Management Board

Report from the Supervisory Board

Dear shareholders,

Good corporate governance and supervision is based, among other things, on a trusting relationship between Management and Supervisory Boards working together in the Company's interest.

In the financial year 2015/2016 the members of the Supervisory Board of VERBIO Vereinigte BioEnergie AG have performed the tasks imposed on them by law, by the articles of association, and internal rules of procedure, discharging these duties in full and with the utmost care.

We have advised and supervised the Management Board on a continuous basis, in particular in its fulfilment of its management role and in its initiatives to develop the company further, and we have involved ourselves intensively in the development of and perspectives for the biofuels market in general and VERBIO in particular. We were fully involved at an early stage in all decisions having a significant effect on VERBIO.

The collaboration between the Supervisory Board and the Management Board was characterised by an intensive and open discourse at all times. We were regularly provided with comprehensive information in good time, both orally and in writing, regarding all matters of importance for the Company, in particular concerning business trends, business planning, fundamental questions regarding company strategy, the profitability of the business and the course of business, as well as the risk situation including risk management and relevant topics regarding compliance. In addition, the Management Board reported on transactions which were of particular significance to the Company's profitability or liquidity. We always had sufficient opportunity to critically evaluate reports and resolutions from the Management Board and to express suggestions. Where there were divergences between actual business results and the plans and objectives that had been prepared, these were explained by the Management Board in detail, and the reasons for such divergences were explained. The reporting duties under § 90 (1) and (2) German Stock Corporation Act (Aktiengesetz – AktG) and the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) were complied with in full.

The Supervisory Board was in regular contact with the Management Board in addition to the fixed meeting dates and was kept informed on a continuous basis regarding important topics and the content of pending decisions. In addition, between the meeting dates in the reporting period I have been involved in regular discussions with members of the Management Board, in particular with the Chairman of the Management Board. I kept the Supervisory Board informed of these discussions.

Alexander von Witzleben
Chairmann of the Supervisory Board

On the basis of the comprehensive reporting provided by the Management Board we are convinced that the business of the Company and the Group was conducted in a lawful, appropriate and economic manner, and we saw no need to use our audit rights provided for under § 111 (2) AktG.

Formation of committees

The VERBIO Supervisory Board consists of three members only. As consequence it has been decided not to establish committees. All questions were handled in a plenary body.

Meetings and resolutions of the Supervisory Board

In the financial year 2015/2016 the Supervisory Board held four regular meetings. In addition, one extraordinary Supervisory Board meeting was held by telephone conference. All members of the Supervisory Board were present at all meetings.

Included in the agenda of all regular Supervisory Board meetings was a report from the Management Board regarding the current business situation and the development of the Company, the political environment for biofuels and the current market situation, as well as the asset, financial and earnings positions of the Group and its segments. A risk report is also always included in the agenda of the meetings, including information on market price change risk positions and the effect on the associated reporting and risk management system.

The key points discussed in the Supervisory Board meetings in the reporting period are summarised below.

In the Supervisory Board meeting held on September 2, 2015 by telephone conference agreement was reached on the terms of the Management Board employment contracts. This included discussions on the significant contract terms, in particular the remuneration system.

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The balance sheet meeting held on September 21, 2015 concerned the audit and approval of the annual and consolidated financial statements and the management reports of VERBIO Vereinigte BioEnergie AG and of the Group. The auditors responsible for the audit of the financial statement reported on the audit priorities and on the results of their audit. Following a detailed discussion, the Supervisory Board approved the annual financial statements and adopted the consolidated financial statements. In addition, we also dealt with the profitability of VERBIO AG and the VERBIO Group in accordance with § 90 (1) No. 2 AktG and with corporate governance issues. In this meeting the Supervisory Board and the Management Board jointly issued the statutory declaration of conformity and the corporate governance declaration in accordance with § 161 AktG. Additional topics included the adoption of the business plan 2015/2016, the resolution determining the Management Board's long-term remuneration component, the conclusion of the new employment contracts for members of the Management Board and the continued appointment of the members of the Management Board until October 31, 2020.

The meeting held on November 2, 2015 was primarily concerned with discussing the quarterly report for the period ended September 30, 2015. This meeting also covered the agenda and the proposed resolutions for the annual general meeting 2016.

Initial discussions at the meeting held immediately after the annual general meeting on January 29, 2016 concerned the constitution of the Supervisory Board, rendered necessary following the board elections. Alexander von Witzleben was elected Chairman of the Supervisory Board and Ulrike Krämer was elected Vice-Chairman of the Supervisory Board, with the respective elected persons abstaining from voting in their respective elections. Thereafter the regular agenda points were discussed, together with the half-yearly report for the period ended December 31, 2015.

A regular meeting of the Supervisory Board was held on May 2, 2016. This meeting was primarily concerned with discussing the quarterly report for the period ended March 31, 2016 and the presentation of the preliminary business plan for the financial year 2016/2017. In accordance with § 114 AktG, the Supervisory Board approved that a service agreement with Ulrike Krämer, a member of the Supervisory Board, shall be extended until June 30, 2017. Ulrike Krämer abstained from voting in this matter. In addition, the financial reporting calendar for the financial year 2016/2017 was approved at this meeting. Following this meeting we subjected ourselves to an efficiency audit and evaluated the results of this together.

Conflicts of interest

The members of the Supervisory Board are required to disclose any conflicts of interest without delay. There were no known conflicts of interest in the past financial year, with the exception of those applying to Ulrike Krämer. Ulrike Krämer abstained from voting on the matter concerned.

Corporate governance and declaration of conformity

As in previous years, the Supervisory Board has again dealt with the requirements and objectives of the German Corporate Governance Code (in the version dated May 5, 2015) in the financial year 2015/2016. The Management Board reported jointly on behalf of itself and the Supervisory Board on corporate governance at VERBIO in accordance with § 3.10 of the German Corporate Governance Code.

We discussed and approved the joint declaration of conformity with the German Corporate Governance Code issued by the Management Board and the Supervisory Board for the financial year 2015/2016 at the meeting held on September 19, 2016.

The current declaration of conformity, issued in accordance with § 161 AktG, is included in full in the Corporate Governance Declaration and the Corporate Governance Report, and is available for inspection by shareholders at any time in the investor relations section of the Company's website, together with the respective reports issued in previous years.

Efficiency audit

The VERBIO Supervisory Board performs audits of the efficiency of its work at regular intervals using a comprehensive, company – specific checklist which is issued to each member. The checklist addresses significant issues concerning the preparation and conduct of the meetings, the scope and content of the documentation and information used, in particular concerning financial reporting, compliance and audit, as well as controlling and risk management.

The Supervisory Board once again audited the efficiency of its work in the financial year 2015/2016. In addition to the fulfilment of roles and tasks we also assessed compliance with the Supervisory Board's own regulations. I presented the results on May 2, 2016; these were subsequently discussed in the Supervisory Board. The efficiency of the Supervisory Board's activities and the necessary independence of its members were confirmed.

Members of the Supervisory Board and Management Board

The VERBIO Supervisory Board consists of three members in accordance with the Company's articles of association. All current members of the Supervisory Board hold office for a specified period which ended on January 29, 2016 with the annual general meeting. Alexander von Witzleben, Ulrike Krämer, Dr. Georg Pollert and, as a replacement member, Dr. Claus Meyer-Wulf were proposed for appointment to the Supervisory Board at the annual general meeting. The candidates proposed at the annual general meeting were elected by a majority vote. Accordingly, the following persons continue in office from the end of the annual general meeting on January 29, 2016:

- Alexander von Witzleben
  (Chairman of the Supervisory Board)
- Ulrike Krämer
  (Vice-Chairman of the Supervisory Board)
- Dr. Georg Pollert

Dr. Claus Meyer-Wulf was appointed as a replacement member.

Ulrike Krämer and I are independent and have relevant expertise in the fields of accounting or annual audits as required under § 100 (5) AktG.

At its meeting held on September 21, 2015 the Supervisory Board resolved to renew the appointments of the members of the Management Board on the expiry of their current contracts, extending their appointments to October 31, 2020. As a result, new employment contracts were entered into with the members of the Management Board with effect from November 1, 2015.

Accordingly, the following persons continue in office:

- Claus Sauter (Chairman)
- Dr. Oliver Lüdtke (Vice-Chairman)
- Theodor Niesmann
- Bernd Sauter

The individual responsibilities assigned to the members of the Management Board are unchanged. These are described on page 117 of this annual report.

Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on January 29, 2016, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was appointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2015/2016. In a letter dated September 22, 2015, the audit company confirmed its independence from VERBIO and its board members to the Supervisory Board in writing in advance of the proposal being made to the annual general meeting. The audit engagement was issued by the Supervisory Board on April 13, 2016. tember 2014 bestätigt. Der Prüfungsauftrag durch den Aufsichtsrat wurde mit Datum vom 13. April 2016 erteilt.

KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig has audited the annual financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2015 to June 30, 2016 prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) by the Management Board, together with the management report for the financial year from July 1, 2015 to June 30, 2016. The auditor issued an unqualified audit opinion. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2015 to June 30, 2016 and the Group management report were prepared in accordance with § 315a HGB under International Financial Reporting Standards (IFRS), as applicable in the European Union. The auditor issued an unqualified audit opinion on both the consolidated financial statements and the Group management report. The auditor established that the Management Board has installed an appropriate information and monitoring system that is adequate to identify risks which could endanger the ability of the Company to continue as a going concern on a timely basis.

The financial statements and the audit reports were provided to the Supervisory Board for inspection in good time. We have discussed and examined the statements, reports and proposal on the appropriation of profits in detail in the accounts review meeting held on September 19, 2016. The auditor reported on the significant findings of his audit to the Supervisory Board and was available to us to provide information and answers to further questions.

After performing our own audit and holding discussions on all the documents, the Supervisory Board did not raise any objections to the results of the audit performed by the Company's auditor, and adopted the financial statements of VERBIO Vereinigte BioEnergie AG and the Group's consolidated financial statements prepared by the Management Board for the year ended June 30, 2016. The annual financial statements of VERBIO Vereinigte BioEnergie AG have therefore been approved. The proposal for the appropriation of profits made by the Management Board, which includes the payment of a dividend and appropriation of the remaining profit to reserves, has been approved by the Supervisory Board.

Dependency report

As in previous years, in the financial year 2015/2016 the Management Board again drew up a report on relationships with affiliated companies for VERBIO Vereinigte BioEnergie AG as a group company in accordance with § 312 AktG. In this report, the Management Board declared that VERBIO Vereinigte BioEnergie AG had received fair consideration – taking account of the circumstances known at the date that the transactions were entered into – for transactions entered into with affiliated companies, and that measures subject to reporting requirements were neither undertaken nor omitted in the financial year.

The auditor of the financial statements has audited the report on relationships with affiliated companies and issued the following unqualified audit certificate:

„Following our statutory audit and evaluation we confirm that

- the information stated in the report is correct,
- the Company did not pay excessive consideration for the transactions described in the report."

Both the report on the relationships with affiliated companies and the audit report thereon were made available to and examined by the Supervisory Board. Based on the conclusion of the audit performed by the Supervisory Board there were no objections to the closing statement in the Dependency report prepared by the Management Board. Accordingly the Supervisory Board concurs with the auditor's opinion.

Closing comments

Looking back at the financial year 2015/2016 we are able to conclude that the year ended with a positive net income result. The primary drivers of this were the high margins for bioethanol, continued high sales volumes in biodiesel and bioethanol, and high levels of capacity usage for the biomethane production plant.

Speaking on behalf of the Supervisory Board I would like to take this opportunity to thank all our employees for their hard work in the past year. Also I thank the members of the Management Board which has managed the Company very successfully. You have all worked hard to contribute to making the VERBIO Group a continued success, despite the difficult market conditions.

My particular thanks go to you, our shareholders, for placing your trust in our Company, its management and its employees over the past financial year.

Zörbig, September 19, 2016

For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

The VERBIO share

2015 – DAX robust despite numerous crises

The year 2015 proved to be a volatile year for stock markets. However, in the final analysis it was a successful year. The markets were initially focussed on the Greek financial market crisis with efforts to limit this crisis made at the European level, involving substantial loan programmes as well as requirements imposed to ensure that fundamental reform takes place. The European Central Bank (ECB) also implemented a dramatic loosening of monetary policy. It held the base rate at a record low of 0.05 percentage points and implemented a EUR 1.5 trillion bond-buying programme. On the other hand, the Federal Reserve Bank in the USA (FED) increased its base rate for the first time in nine years in December 2015 to 0.25–0.5 percent, on the basis of continued positive economic data.

In addition, geopolitical crises such as those in the Ukraine and Syria caused uncertainty on the international capital markets. In particular, the fight against IS in the second half of 2015 played a major role. China was also the source of significant turbulence on financial markets in 2015. Given increasing wage costs, an ageing population and cheaper competition from South-east Asia and Africa, the “workshop of the world” is no longer working as a business model as it has done in previous years, when China was still achieving double-digit growth rates. Driven by robust economic data, the DAX recorded an increase of 9.56 percent to 10,743.01 points. Although worries about the economic conditions in China caused the DAX to slip mid-year, the leading German stock index closed up for the fourth year in succession.

2016 – The DAX recovers after the British “Brexit” referendum

Geopolitical events such as the Ukraine crisis and the upheavals in the Middle East continue to dominate international stock markets in the first half of 2016. Stock market falls were primarily driven by economic weakness in Asia and the resulting crisis on the international raw materials markets, in particular the low price for oil. On top of these events there were the terror attacks in Paris, Brussels and Istanbul. The ECB, led by Mario Draghi, set the base rate at zero percent for the first time in March 2016 to combat the weak economic climate and the low level of inflation in the Eurozone. At the same time the bond-buying programme was increased of EUR 80 billion. However, the most severe shock in the first six months of 2016 was the result of the referendum in which the United Kingdom voted to leave the European Union. This “Brexit” vote led to major turbulence on international financial and currency markets.

Despite the events described, the German economy reported a moderate and stable rate of growth in the first half of 2016. After the DAX, fell back to 8,752 points on February 11, 2016 amid major volatility, it later recovered to 10,435 points by April 21, 2016, its highest level in the first half of 2016. However, the DAX fell back again following the British referendum vote, recording a new low of 9,268 points on June 27, 2016, although there was a subsequent recovery to 9,680 points by June 30, 2016.

Reliable forecasts for the DAX over the remaining course of the 2016 stock market year not possible

Experts also expect continued sufficiency of liquidity in the second half of the year as was the case in the year to date. Primary factors driving share prices will be the development of the world economy, primarily those of the USA, China and the Eurozone. In addition, the FED’s monetary policy will provide a decisive input. Here the question remains whether the FED will maintain its objective of increasing interest rates, and, should this be the case, whether the next interest rate change will take place this year or not until 2017. In addition, developments in the political situation in Turkey and, associated with that, its relationship with the European Union will be relevant.

According to leading German economic institutes the German economy will continue to grow in the second half of 2016. The drivers of growth will be buoyant domestic demand as well as positive employment trends. However, these trends are vulnerable in the light of the continuing international political crises. It remains to be seen how much effect the United Kingdom’s Brexit decision will have on the Eurozone economy.

The Bundesbank estimates that gross domestic product will grow by 1.7 percent for 2016 as a whole, and expects 1.4 percent for 2017.

The VERBIO share benefits from a sustainable business trend

The VERBIO share started the financial year 2015/2016 on July 1, 2015 priced at EUR 3.25 per share (XETRA).

The VERBIO share price increased to EUR 5.995 by December 30, 2015 as a consequence of the increased income levels in all segments and the high level of production capacity utilisation. The share price rose further after VERBIO AG increased its earnings guidance for the financial year 2015/2016 on January 25, 2016 following a strong second quarter and the expectation that the high level of production capacity utilisation could be maintained in the second half of the financial year 2015/2016. The changes in the forecasts were based on the strong second quarter for the financial year 2015/2016, together with the strong order book and favourable market margins for the second half of the financial year 2015/2016. Thereafter the VERBIO share price increased further, reaching a year's high of EUR 8.69 on April 19, 2016. The share price fell back following the publication of the results for the third quarter 2015/2016 since results in the third quarter did not maintain the trends previously set in the second quarter of the financial year. Over the nine-month period, however, EBITDA had increased by 33 percent to EUR 50.5 million compared to the previous year. In addition, VERBIO AG confirmed its EBITDA target of EUR 70 million for the year as a whole. The VERBIO share finally ended the financial year on June 30, 2016 priced at EUR 5.303, as noted on the XETRA exchange.

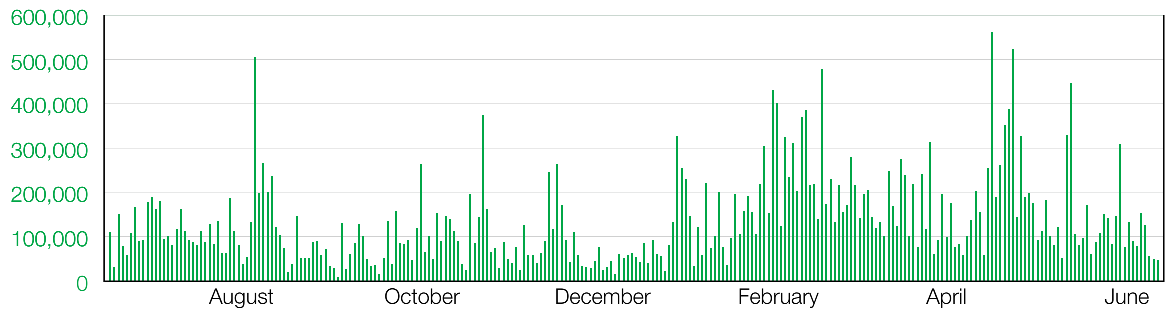
The trading volume on the XETRA exchange in the financial year 2015/2016 increased significantly from an average of 98,346 in the first half of 2015/2016 to an average of 172,388. Over the year as a whole the trading volume averaged 134,932 (2014/2015 average: 42,414).

Annual general meeting 2016

The VERBIO annual general meeting held on January 29, 2016 was attended by approximately 100 shareholders and representatives of shareholders' associations. The Management and Supervisory Boards answered questions and presented information on business developments, corporate strategy, and the

Performance and trading volume of the VERBIO share (XETRA) from July 1, 2015 to June 30, 2016 (in euros)

Performance of the VERBIO share (XETRA)
from July 1, 2015 to June 30, 2016 (in euros)



Trading volume (XETRA)
from July 1, 2015 to June 30, 2016 (in number of shares)

legal environment and market trends. All resolutions proposed by management were approved with a large majority. The Management and Supervisory Boards of VERBIO AG view the voting results as evidence that shareholders have a high level of trust in the Company's management.

Communication with capital markets

Our investor relations activities ensure that our shareholders, analysts and investors are kept informed quickly, precisely and in a targeted manner. We provide prompt and transparent information on all significant events, changes and dates relevant to the VERBIO Group.

The VERBIO AG internet presence is an important information medium for our communications with shareholders and with the capital market, and it is used intensively by VERBIO to provide shareholders with comprehensive financial reports and other capital market announcements (for example, directors' dealings, ad hoc reports and analysts' research reports). In addition, various documents are sent by email on request. Quarterly reports and Annual Reports are presented to the press, to analysts and to investors at press and analysts' conferences (held as telephone conferences) following their publication. In addition, the investor relations department makes itself available for an exchange of information in personal meetings or meetings by telephone. VERBIO also provides information using other media channels in the form of interviews, technical publications, and presentations about the development of the business, and by participating in industry events and discussions at conferences about market developments and the regulatory environment and its impact on the biofuels sector.

All the important reporting dates for the financial year 2016/2017 are included in the financial calendar which is provided on the inside cover of the back page of this annual report.

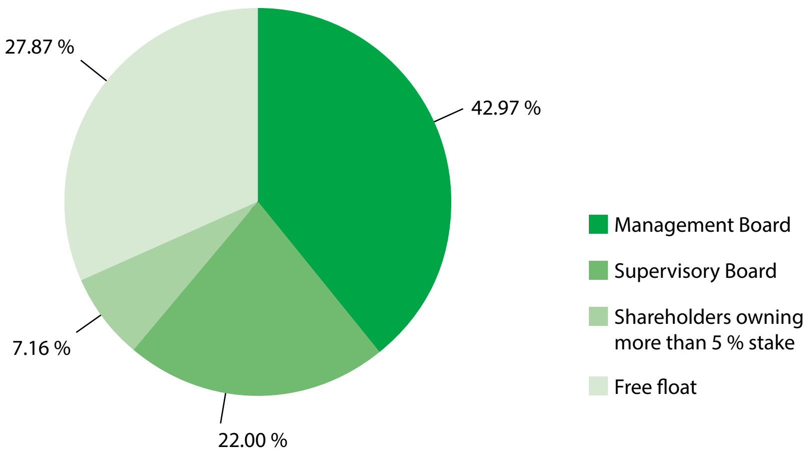
Dividend payment of EUR 0.10 per share

Management's proposal to make a distribution of EUR 0.10 for each share carrying dividend rights was approved by a large majority at the VERBIO AG annual general meeting held on January 29, 2016 in Leipzig. VERBIO AG paid a total dividend of EUR 6.3 million to its shareholders for the financial year 2014/2015. This represents a yield of 3.0 percent based on the closing price of the VERBIO share of EUR 3.34 at June 30, 2015.

Proposed dividend for the financial year 2015/2016

Following the very good results achieved for the financial year 2015/2016 and in view of the positive liquidity position of the Company, the VERBIO Management and Supervisory Boards have agreed to propose the payment of a dividend of EUR 0.15 for each share carrying dividend rights for the financial year 2015/2016. This represents a dividend payment totalling EUR 9.5 million (2014/2015: EUR 6.3 million). This dividend proposal, which is subject to the approval of the annual general meeting, represents an increase over the dividend payment in the previous year (2014/2015: EUR 0.10) of 50 percent. This represents a yield of 2.8 percent based on the closing price of the VERBIO share of EUR 5.30 at June 30, 2016.

Shareholder structure at June 30, 2016



The share at a glance

Code	VBK	
Bloomberg code (XETRA)	VBK:GR	
Reuters code (XETRA)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime standard	
Designated sponsor	Close Brothers Seydler Bank AG (until June 30, 2016) HSBC Trinkaus & Burkhardt AG (from June 1, 2015)	
Number of shares	63,000,000	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	
	2016/2015	**2014/2015**
Final price (XETRA, June 30, 2016, June 30, 2015)	EUR 5.30	EUR 3.34
52-week high (XETRA)	EUR 8.69	EUR 3.58
52-week low (XETRA)	EUR 3.47	EUR 1.10
Market capitalisation (basis: final price XETRA)	EUR 334.1 million	EUR 210.4 million
Free float	27.87 %	31.50 %
Earnings per share (basic and diluted)	EUR 0.77	EUR 0.43
Operating cash flow per share	EUR 1.21	EUR 0.74
Book value per share	EUR 4.04	EUR 3.33

Group Management Report

Dr. Oliver Lüdtke
Management Board,
Bioethanol/Biomethane
Vice-Chairman of the
Management Board

Group Management Report

for the financial year from July 1, 2015 to June 30, 2016

Fundamentals of the Group

Group structure

VERBIO Vereinigte BioEnergie AG (hereinafter also "VERBIO AG" or "the Company"), Zörbig is the parent holding company of the VERBIO Group (hereinafter also referred to as "VERBIO" or as "the VERBIO Group").

In addition to VERBIO AG itself, the significant entities belonging to VERBIO in the reporting period were as follows:

- VERBIO Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen/OT Greppin, hereinafter referred to as "VDB"
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig, hereinafter referred to as "VEZ"
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder, hereinafter referred to as "VES"
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder, hereinafter referred to as "VDS"
- VERBIO Agrar GmbH (formerly: Märka GmbH), Zörbig, hereinafter referred to as "VERBIO Agrar"
- VERBIO Logistik GmbH (formerly: Trans Märka GmbH), Zörbig, hereinafter referred to as "VERBIO Logistik"
- VERBIO Polska Sp. z o. o., Stettin (Poland), hereinafter referred to as "VERBIO Polska".

VERBIO AG also has further shareholdings in other companies. A detailed listing of the subsidiaries included in the Group can be found in the notes to the consolidated financial statements under Section 2.2, "Entities included in the consolidation".

Business model

VERBIO is a large-scale industrial manufacturer, using its own internally developed production facilities to produce biofuels, fertiliser, pharmaceutical glycerine, feedstuffs and sterols. The annual production capacity was adjusted as of July 1, 2016 and amounts to approximately 470,000 tonnes of biodiesel, 260,000 tonnes of bioethanol and 600 gigawatt hours of biomethane. Biofuel sales and the procurement of the necessary raw materials for their production are carried out by VERBIO AG. The biofuels are produced by the companies VDB, VDS, VEZ and VES. These companies work on the basis of processing contacts entered into with VERBIO AG.

VERBIO Polska and VERBIO Agrar are responsible for procuring and storing the agricultural raw materials needed for production purposes within the VERBIO Group, and in addition they market the feedstuffs and fertiliser that VERBIO AG produces as by-products in its bioethanol and biomethane production processes.

To date, VERBIO has produced biofuels solely in Germany. Biodiesel, bioethanol and biomethane are sold in Germany and other European countries.

Goals and strategies

VERBIO is one of the leading independent producers and suppliers of sustainably produced biofuels, and at the same time the only large-scale producer of biodiesel, bioethanol and biomethane in Europe. Management places emphasis on processes and production technologies that are particularly energy efficient, and on producing goods of the highest quality. The basis for all business activities and investments is meeting sustainability criteria in the production of biofuels throughout the entire value added chain – from the procurement of raw materials, through production and up to the sale of biofuels and by-products. Thus, we combine economic success with corporate responsibility and environmental protection. With our advanced technologies and the closed loop concept, which incorporates raw material procurement through to feedback of by-products as feedstuffs and fertiliser products, we make important contributions to strengthening the region's agriculture, and to sustainable mobility for the future.

In all of our segments, we have the necessary resources to be successful on a long-term basis and to attain a leading competitive position. In addition to flexible plant structures, efficient processes and a high level of flexibility regarding the use of raw materials, this also requires strong innovation skills as well as committed and qualified employees.

It is our objective to invest in the optimisation of existing plant and equipment and production processes in order to make further cost efficiency improvements and energy savings in production, and to make further improvements in the greenhouse gas (GHG) balance of our biofuels. In addition we aim to establish new technology concepts to make further use of by-products which can enable us to improve our competitiveness by entering new sales markets; the sterol production at our Bitterfeld location being a good example of this.

We also place particular focus on taking a leading role in the development and market launch of so-called advanced second generation biofuels. In particular, this includes our straw-biomethane technology, which we have established at our Schwedt location. This technology also offers good opportunities for further growth internationally, for example in India or China.

We are doing this at all times with a focus on sustainable, profitable growth, in order to offer an attractive investment to our investors, shareholders and the capital market.

The cornerstones of our strategy have been unchanged for a number of years. In our annual operative and strategic planning process we determine the key strategic issues for the following years and formulate specific objectives for the next financial year. We provide an annual outlook regarding the significant performance indicators for the current financial year in September of each year in the publication of our annual report.

Management system

VERBIO AG is a Company constituted under German law. A basic principle of German corporate law is the dual system of management, under which the Management Board and the Supervisory Board are established as separate corporate bodies with independent areas of responsibility. The Management Board and Supervisory Board of VERBIO AG work together to manage and supervise the business, and their working relationship is a close and trusting one. Their objective is creating a sustained increase in the value of the Company for shareholders.

The Management Board of VERBIO AG consists of four members, and together they have responsibility for managing the business of the Company, tasked with sustainable value creation. The Management Board does this under its own responsibility and in the interest of the Company. The Supervisory Board has provided the Management Board with rules of procedure, which, in addition to a catalogue of transactions requiring approval, also define the areas of responsibility that are assigned to individual members of the Management Board.

Our business dealings are directed to profitable growth as well as technology and cost leadership in the biofuels production sector. This forms the basis on which our key performance indicators are determined.

The key performance indicators for the monitoring of our profitability at the Group level and for the Biodiesel and Bioethanol segments are EBITDA (operating result before interest, income taxes and depreciation and amortisation) and EBIT (operating result before interest and taxes). In addition, analyses of gross margins and production-specific key data such as production quantities and the associated capacity utilisation are used. Revenues are not used as a significant management indicator due to the fact that they are highly dependent on the price levels of raw materials and biofuels.

Segment-specific targets are set for all key figures described above.

The effective and efficient management of capital is a key component of the VERBIO Group's integrated controlling system. This primarily comprises the management of liquidity, equity and borrowed capital. This is primarily measured using net cash (cash and cash equivalents, less bank loans and other loans) as a key performance indicator.

Another significant success factor is the strict control of investments. What we mean by this is the assessment of each individual project, taking into consideration the respective amortisation period and its strategic importance.

The corporate-wide management system and the planning, expected and actual data reporting system is based on a reliable and meaningful financial and controlling information system.

Research and development

VERBIO's research and development departments make an important contribution to increasing our competitiveness and to the expansion of our business by developing new innovative product technologies and transferring them to large-scale use, and by providing continuous further development and optimisation of existing production processes and plants in the Biodiesel and Bioethanol segments.

For this reason, we have continued to drive forward targeted research and development activities in the financial year 2015/2016 as we did in previous financial years. Existing processes were further developed and optimised with short- to medium-term time horizons. In addition, new research projects were initiated in order to enable us to continue to be successful in the future and to ensure the sustainable success of the Group.

With our R&D team consisting of process engineers, chemists, biotechnologists, laboratory technicians and chemicals technicians, we are in a position to work on many ideas both in theory and in practice.

We prepare the large-scale implementation of new processes and process improvements and analyse economic parameters such as yields, consumption, production quality etc. by performing tests in our laboratories and technical facilities. If the analyses show economic efficiency or the need to modify a process, then the production process is amended accordingly. R&D department employees support the process of implementing technical process changes and placing them into service in production facilities. The proximity and flexibility of our production plants guarantees a quick implementation of our research results.

Research cooperation with public research institutes and universities also represents a fixed component of our research and development work.

In total, EUR 1,098 thousand (2014/2015: EUR 796 thousand) was spent on research and development in the past financial year. Group-wide, 14 employees (June 30, 2015: 9) as of June 30, 2016 worked in the research and development departments.

Research and development in the Biodiesel segment

Our processes in the Biodiesel segment have always been a trendsetter in terms of product quality, economy and sustainability. Nevertheless, they are subject to a process of constant optimisation. In order to maintain and extend our competitive advantage in biodiesel production, the Biodiesel segment's R&D department works very closely with the production department.

The R&D department's efforts in the reporting period just ended were focussed on research and development work to support the start-up and optimisation of the phytosterol production equipment.

In order to increase the value creation from the raw material rapeseed oil, we extended our biodiesel facility in Bitterfeld by adding a phytosterol production plant in the financial year 2014/2015. Phytosterols are fat-soluble substances which, among other uses, are used as dietary supplements with the effect of reducing cholesterol levels in humans.

We completed construction of the production plant on time in October 2015. Production began using the plant in November. Since then the research and development department has provided intensive support to help optimise the operation of the plant. The plant has reached its planned production capacity and the quality of sterol produced exceeds market requirements.

Following the successful production and market launch of our own phytosterol production we have taken a decision to double our production capacity at the Bitterfeld location. We plan to start production with the additional capacity in the third quarter of the financial year 2016/2017.

In addition, we are working on increasing the value added generated by our biodiesel plant by utilising further by-products. We aim to make a decision on a further expansion of our tocopherols (Vitamin E) production plant in the financial year 2016/2017. Tocopherols are fat-soluble substances in vegetable oils used as antioxidants in the food and cosmetic industry. The process development stage is almost complete.

Finally, we were able to implement process optimisations in existing equipment in the financial year 2015/2016 that had been developed by the research and development team. In particular these have led to a stabilisation of the operational use of the equipment, a reduction in the quantity of consumables and indirect materials used, and, at the same time, an increase in the production capacity of the biodiesel plant. We were able to increase the capacity of our biodiesel plant from 450,000 tonnes to 470,000 annually while reducing the quantity of certain specific consumables and indirect materials used.

In total, the Biodiesel segment research and development department had 3 employees as of June 30, 2016 (June 30, 2015: 4 employees). Research and development expenses in the Biodiesel segment amounted to EUR 299 thousand in the financial year 2015/2016 (2014/2015: EUR 240 thousand).

Research and development in the Bioethanol segment

The focus of research and development work in the Bioethanol segment was on ensuring a continuous improvement in the production process in our biorefineries. Our biorefineries are concentrated on generating the most efficient possible utilisation of the input raw materials and their conversion into the various product streams. The high levels of efficiency in our production plants places heavy demands on the stability of the processes. One of the objectives of our R&D teams is to further optimise the process stability. As an example of this, new enzyme developments are being comprehensively tested in our laboratories and we are conducting intensive research into the manufacture of new by-products for our biorefineries.

We are also focussed on optimising the straw-biomethane plant in Schwedt. Following our intensive research and development efforts this plant left the test phase last year, and has achieved stable production on an industrial scale. A further ramp-up of production to achieve the planned biomethane production quantity is currently being planned.

In addition we are continually observing and evaluating the relevant technologies and market developments in order to secure our competitiveness and in order to find new technological opportunities for our biorefineries. For this purpose we work closely with a number of university institutions and participate in research projects.

Research and development expenses in the Bioethanol segment amounted to EUR 799 thousand in the financial year 2015/2016 (2014/2015: EUR 556 thousand). The Bioethanol segment research and development department had 11 employees as of June 30, 2016 (June 30, 2015: 6 employees).

Employees

As of June 30, 2016 VERBIO employed a total of 488 employees (June 30, 2015: 491), of which 200 were salaried employees (June 30, 2015: 204), 275 were non-salaried employees (June 30, 2015: 275), 12 were trainees and apprentices (June 30, 2015: 12) and one employee was employed on a part time "mini-job" contract.

Economic report

Economic and political environment

Market conditions in Germany

There was a downward trend in average fuel prices in Germany in the last two calendar years 2014 and 2015, with this decline reaching a low point in February 2016. Based on fuel price statistics collected by the ADAC, a litre of premium petrol E10 cost on average EUR 1.55 per litre in 2013, EUR 1.49 in 2014, EUR 1.37 in 2015 and just EUR 1.24 in February 2016. The price increased back to EUR 1.29 by July 2016. The fall in the price of diesel was even more marked: EUR 1.42 in 2013, EUR 1.35 in 2014, EUR 1.17 in 2015 and EUR 0.98 in February 2016. The average diesel price was EUR 1.09 in July 2016.

Preliminary statistics from the German Federal Office of Economics and Export Control (Bundesamtes für Wirtschaft und Ausfuhrkontrolle – BAFA) for the period from January 1, 2016 to June 30, 2016 show a remarkably strong increase of 7 percent compared to the same period in the previous year. While 17.4 million tonnes of diesel were sold in the period from January to June 2015, sales were almost 18.6 million this year. The blend of diesel (FAME) and HVO did not replicate this increase; an increase of only 0.6 percent was recorded, a modest increase of 6,950 tonnes in 2016 compared to 2015. In relative terms, and in tonnage, this means a fall in the blending total from 6.4 percent to only 6.0 percent. This can only point to the conclusions that the biodiesel greenhouse gas saving is clearly better than expected, and that again in 2016 the oil industry needs to blend less biofuels in order to meet the GHG quota (3.5 percent) than it did in 2015. The blending total had already fallen in 2015 compared to the previous year.

The BAFA figures for petrol-based fuels in Germany showed a very small increase in consumption of 0.5 percent for the period from January to June 2016, with a total consumption of 8,864 thousand tonnes in 2016 compared to 8,821 thousand tonnes in 2015. As with biodiesel, the trends for blending totals did not match the increase in fuels: the blending of bioethanol in the period from January to June 2016 fell by 1.3 percent or 6,642 tonnes compared to the same period in 2015. The continued decline in the share of E10 in the total petrol fuels mix may be the cause. The E10 mix was still holding up at approximately 14.1 percent in the period from January to June 2015, but had fallen to 12.9 percent this year. This had already been in decline in 2015 compared to 2014, the share of E10 in the total still being 15.5 percent at that point. The popular idea that the use of E10 can cause engine damage is stubbornly held. Unless the consumers are convinced otherwise by a targeted campaign E10 will be a market failure.

Market conditions in other sales markets

CNG/biomethane

The share of biomethane added to compressed natural gas (CNG) fuels has initially progressed well in recent years. Whereas in 2011 the blended share was 4.3 percent for the market as a whole, the share in 2012 was already at least 15.3 percent, rising to 21.6 percent in 2013 and 23.3 percent in 2014. Since 2015, however, the biomethane share is falling, and is currently standing at around 16 percent.

The statistical reports issued by the Federal Ministry of Finance used to provide data on the fulfilment of the biofuels quota only report separate data for biomethane from 2012. Figures are currently available up until 2014. There is a noticeable significant increase in the use of biomethane in the fuel sector from 2012 to 2013, followed by only a small increase in 2014. 333 GWh was credited for the purposes of the quota in 2012, 472 GWh in 2013 and 500 GWh in 2014. A downward trend for 2015 and 2016 can be assumed. This is due, among other things, to the fact that legislators amended the system for crediting the use of biomethane for the quota purposes from a higher heating value basis to a lower heating value basis in 2015, and based on this alone the quota use has fallen by 10 percent. In addition to this, from January 1, 2015 a party with a quota obligation is required to include the biomethane quantities in its reference figures on acquiring a quota obligation. The introduction of this so-called "fictitious quota" for biomethane reduces the quota value. These two measures have led to increased marketing for biomethane in the heating market.

With the introduction of new models, the number of natural gas passenger vehicles on offer has almost trebled over the period from 2012 to 2014, but the share of new passenger vehicle registrations in the same period only increased from 0.17 percent in 2012 to

0.27 percent in 2014. In 2015 the number of new passenger vehicle registrations reached a six-year high of 3.2 million. Alternative fuel vehicles, which includes natural gas vehicles, were hardly able to gain market share within this total despite a 10 percent increase compared to the previous year. Indeed, the number of new registrations of natural gas-powered vehicles fell by approximately 30 percent compared to 2014 to 5,300.

The significant fall is due to the fact that electro mobility has attracted more political and media interest, as well as to the uncertainty concerning the extension of the energy tax advantages accruing to natural gas sold for mobility purposes beyond 2018. An extension of the energy tax concessions is needed as well as price advertising at filling stations that enables consumers to make comparisons with conventional fuels, for example a price equivalent to the price of a litre of petrol. This is needed in order for participants in the motor industry such as filling station operators and potential buyers of natural gas vehicles to refocus on CNG (compressed natural gas) and biomethane fuels.

Currently there are 904 filling stations in Germany which offer CNG. More than a quarter of these are offering biomethane in various blends; 100 percent is offered at approximately 100 natural gas stations. The number of filling stations offering CNG as well as the number offering biomethane blends is falling for the reasons described above, although it will remain stable at this low level.

Irrespective of this, it is intended to increase the natural gas share of energy consumption in the transport sector significantly between now and 2020 in cooperation with the Deutsche Energie Agentur GmbH (dena).

Markets outside Germany

The sales markets for biofuels in Europe are still affected by the fact that the Renewable Energy Directive (RED) is being implemented very differently in different EU member states. On the one hand, this situation offers arbitrage possibilities. However, it can also result in market entry barriers in certain countries.

Biodiesel manufactured from palm and soya oil and bioethanol is and will continue to be traded at a discount compared to the local prices charged for premium petrol and diesel in some countries. However, the competitiveness of biofuels compared to fossil fuels has been diminished by the falling prices for diesel and petrol.

Biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, with incentives for its use, e.g. tax incentives or compulsory blending requirements being introduced or increased. Here the primary factor is not so much environmental concerns but more interest in supporting the local agricultural economy. The use of local raw materials strengthens the local value added chain, reduces energy imports and improves the balance of payments. As a result, investments are made in new local production capacity for biofuel materials, and jobs in the local agricultural industry are created or protected.

Trends in sales and raw material prices

The prices of biodiesel and ethanol in the financial year 2015/2016 have been higher than the average prices applying in the financial year 2014/2015.

Driven by demand factors, the average price of Fuel Grade Ethanol T2 FOB Rotterdam amounted to approximately EUR 529/cbm in the fourth quarter of 2015/2016. The expansion and additional use of previously idle production capacity helped compensate for the downtime at certain plants and limited the upward price pressure from demand. The strong demand for ethanol from South America and the USA meant that hardly any volumes were exported to Europe, which also supported the price of Ethanol.

The price of rapeseed oil, a raw material used in biodiesel production, increased by approximately EUR 40/t, while the price of palm oil fell by approximately EUR 30/t in the financial year 2015/2016. However, as rapeseed oil is the primary raw material used for biodiesel production in Germany due to the strict demands for low temperature properties, the increase has meant an increase in raw material costs compared to the previous year.

There was a slight downward trend in wheat prices in the financial year 2015/2016 compared to the financial year 2014/2015.

The following table shows the average price movements for selected raw materials and products on international markets.

Political environment and legal framework for biofuels

The often heated debates about biofuels held in the past have calmed down significantly and become more rational. In particular, the controversy concerning the use of first generation biofuels has diminished. Without doubt the increased recognition of the limited potential of advanced biofuels in the short and medium term at least has contributed to more objectivity in the debate.

Current regulatory situation in the European Union

The mandatory target of the European Union is that 10 percent (energetic) of the energy used in the transportation sector should be derived from renewable energy sources by the year 2020.

At the European level, the legal basis for achieving the defined targets in the transportation sector by 2020 are set out in the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD). These should pave the way for the improvement of climate protection and the safeguarding of energy supplies within the EU.

In addition, the minimum requirements for sustainable biomass production and processing were also defined. A precondition for market entry is an appropriate sustainability certification and evidence of defined greenhouse gas savings in comparison to fossil fuels (currently at least 35 percent, from 2017 at least 50 percent) as well as evidence for the source of the biomass.

Development for selected raw material prices

	2014/ 2015	Q1 2015/ 2016	Q2 2015/ 2016	Q3 2015/ 2016	Q4 2015/ 2016	2015/ 2016
Crude oil (Brent; USD/barrel)	73	50	44	35	47	44
Diesel fuel FOB Rotterdam (EUR/t)	555	439	381	290	365	369
Biodiesel (FAME -10 RED; EUR/t)	756	785	808	759	766	780
Gasoline FOB Rotterdam (EUR/t)	594	504	413	363	444	431
Bioethanol (T2 German Specs; EUR/cbm)	495	579	612	514	529	558
Rapseed oil (EUR/t)	677	699	739	703	710	713
Palm oil (EUR/t)	584	512	515	569	626	555
Wheat (MATIF; EUR/t)	180	176	177	157	159	167
Sugar (EUR/t)	267	224	296	287	333	285

The Renewable Energy Directive of the European Parliament has been formally adopted into national law in all EU member countries, although this does not necessarily mean that the requirements have actually been implemented in full.

The European Court of Auditors drew attention to the weaknesses in the EU biofuels sustainability certification system in its special report no. 18/2016 issued on July 21, 2016 entitled “The EU system for the certification of sustainable biofuels”, illustrating weaknesses in both the recognition assessment procedures as well as in the subsequent supervision of the voluntary systems. In its report the European Court of Auditors criticised weaknesses in the framework for the traceability of waste raw materials, weaknesses in the supervision of the operation of the recognised voluntary schemes, and the lack of consistency in identifying waste raw materials. In addition, insufficient account was taken of socio-economic effects such as working conditions, land tenure conflicts, and the impact of indirect land-use changes.

Amendment to the Renewable Energy Directive and the Fuel Quality Directive

The central goal of the Commission is to improve the climate balance in the future through the production of biofuels, to limit the utilisation of first generation biofuels, i.e. biofuels from crops such as grain, sugar plants and oil seed, and to create larger incentives for the use of second generation biofuels. These second generation, so-called alternative or advanced biofuels, i.e. biofuels from waste, algae and residues, do not only represent a high potential for CO_2 savings but also and primarily for the use of non-food raw materials, respectively from raw materials that do not lead to any direct or indirect changes in land use. In the future, biofuels should have neither a direct nor an indirect effect on the use of land or on the provision of foodstuffs.

The environmental sub-committee of the European Parliament approved the reform of the biofuels policy on April 14, 2015. The Renewable Energy Directive amending Directive 2009/28/EC and the Fuel Quality Directive (98/70/EC) were published in the Official Journal of the EU on September 15, 2015. This provides that 10 percent of energy consumed in the transport sector should be sourced from renewable energy sources in 2020. Of this, a maximum of 7 percent (energetic) may be sourced from traditional first generation biofuels. To drive forward the introduction of advanced second generation biofuels member states are recommended to apply a minimum quota of 0.5 percent. Member states are required to inform the Commission of the measures they intend to take in their respective countries to promote advanced biofuels by April 2017. There will be no binding iLUC factors; these will initially only be used for reporting purposes. It is also proposed that advanced biofuels will be counted with a factor of 2, renewable electricity used for rail transport purposes counted with a factor of 2.5, with a factor of 5 for electrical road mobility use.

The proposals for further promotion of second generation biofuels are consistent with VERBIO's business strategy of increasing production of biofuels from raw materials which are not in competition with foodstuffs. We are generally pleased about the introduction of a minimum quota for second generation biofuels as currently large quantities of unused agricultural waste products such as cereal straw, maize straw and dung remain unused in for biogenic fuel production. Unfortunately the non-binding recommendation made by the EU is not a basis for making investments. It remains to be seen how the individual member states, and Germany in particular, go about reforming the RED.

We expect that the current market volume will remain, as a result of the 7 percent upper limit being placed on the share of first generation biofuels.

Greenhouse gas quota since January 1, 2015

Since January 1, 2011 biofuels can only count to the biofuels quota and/or can only be eligible for an energy tax relief as pure biodiesel if they have been produced according to the provisions of the Biofuel Sustainability Regulation (Biokraftstoff-Nachhaltigkeitsverordnung – Biokraft-NachV) and are made available to the general market. These requirements continue to apply under the new GHG quota regime. In Germany quotas ceased to be based on energy values from January 1, 2015; since then they are dependent on the fulfilment of the 3.5 percent greenhouse reduction quota. The amount counted towards the quota, and with it the biofuel value, is solely measured based on the GHG savings potential. The lower the biofuel emission level or the greater the GHG saving compared to the statutory defined fossil fuel base value of 83.8 kg CO_2 eq/gigajoule, the higher the quota value and the higher the potential market price that can be achieved. A higher potential saving means that the quantity of biofuels required by persons obliged to satisfy a quota is also lower. Accordingly the biofuels sector will be a victim of its own success in optimising its GHG emissions.

We have drawn the positive climatic policy benefits of biomethane to the attention of the Federal Ministry of Finance. However, it has also been made clear that the economic and administrative conditions for biomethane have been deteriorating for years. We are asking for a solution to the higher/lower heating value issue (return to higher heating value). In addition, the introduction of a "fictitious" quota for transferred greenhouse gas reduction quantities in quota trading described under market conditions – CNG/biomethane above – is a significant worsening for biomethane. We consider the demand for free mobility of biomethane via the natural gas pipeline network, at least within the EU, to be important.

Tax concessions for natural gas

Tax benefits are granted to natural gas and liquid petroleum gas. These are subject to a reduced tax rate of 1.39 cents/kWh or 18.03 cents/kilogram until 2018. An agreement to provide for the continued application of reduced tax rates for natural gas and liquid petroleum gas beyond 2018 was included in the coalition agreement. The objective is to improve the market acceptance of natural gas in particular, given the better CO_2 values.

Towards the end of 2015 the Institute for Energy and Environment (Institut für Energie- und Umweltforschung Heidelberg GmbH – IFEU) issued an expert opinion report commissioned by the Federal Ministry of Finance (BMF). As the current political and commercial environment are not sufficient to make the purchase of natural gas vehicles attractive, the BMF was responding to a demand by the coalition parties to extend the concessions for natural gas. The report largely confirmed the position we hold and is in favour of extending the tax concession. The IFEU draws attention to the importance of biomethane in making further CO_2 emission reductions in several passages.

In a letter dated April 26, 2016 the BMF has presented a draft version of a second law to amend the energy and electricity tax law for departmental review. This does not foresee a date limit for the subsidy applied to natural gas and liquid gas. However, the draft includes a proposal to extend tax privileges for liquid petroleum gas, declining from 2019 and limited to a three year period. For CNG (natural gas) the tax privileges should be extended for a further six years, including 2024, and declining from 2022.

Currently it can be assumed that a cabinet draft will be presented in September 2016.

We continue this discussion at the political level together with the German Energy Agency (Die Deutsche Energie-Agentur GmbH – dena). We want to accelerate the necessary changes to the price signing system at the pumps (Swiss model). However, the responsibility for this is with Brussels.

Heating market

The Renewable Heating Amendment Act (Erneuerbare-Wärme-Gesetz – EWärmeG), which came into force with effect from July 1, 2015 in Baden-Wuerttemberg, requires the use of 15 percent renewable energies. This obligation can be fulfilled by the use of bioheating oil which includes at least 10 percent biodiesel. This also applies to biomethane.

The reform of the EWärmeG has not yet been well received either by home owners or by the plumbing, heating, and cooling trade. However we await the release of the findings of the comprehensive monitoring exercise conducted by the State of Baden-Württemberg which is planned for 2017.

The Act provides for new uses of bioheating oil and biomethane. It remains to be seen whether other Federal States will follow this example. This is significant given that the Federal Government has been repeatedly hesitant to consider a Heating Act for existing applications. The federal government continued to rely on financial incentives, especially for modernisation, and is against regulation policy. Most initiatives for tax concessions promoted by market participants are defeated by opposition from the BMF.

The EU Commission presented a strategy paper on the subject of heating and cooling on February 16, 2016. The paper itself is not very concrete. On the one hand it demands a significant expansion of the use of renewable energy in domestic homes. However, it is not specific about how much will be achieved in the time period. Accordingly this paper should be understood as a working document which leaves the member states free to make their own policy initiatives.

Business report and the Group's position

Results of operations

With production of biodiesel and bioethanol totalling 688,362 tonnes in the financial year 2015/2016, VERBIO has almost matched the record level of production set in the previous financial year (2014/2015: 690,970 tonnes). In addition, once again a new record level of biomethane was produced, with a total 520,959 MWh produced in the financial year 2015/2016 (2014/2015: 469,185 MWh), an increase of 11 percent.

The Group's revenues for 2015/2016 totalled EUR 654.3 million (2014/2015: EUR 618.5 million). These figures include revenues from fossil and biofuel trading of EUR 41.0 million, above the level of the previous financial year 2014/2015 (EUR 22.0 million). Further details are provided in the reports on the individual segments.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) benefited from the improved framework conditions and amounted to EUR 73.1 million, EUR 22.4 million ahead of the comparative period in the previous year (2014/2015: EUR 50.7 million).

The Group operating result (EBIT) is EUR 52.0 million, significantly higher than in the comparative prior period (2014/2015: EUR 28.5 million). The significantly lower interest expenses also contributed to the year-on-year improvement in the Group's result before taxes (EBT), which totalled EUR 50.6 million (2014/2015: EUR 24.7 million). The net result is also affected by current and deferred taxes of EUR 2.7 million (2014/2015: EUR 2.1 million); the net result for the period is EUR 48.9 million (2014/2015: EUR 26.9 million). Based on the result for the period, earnings per share (basic and diluted) is EUR 0.77 (2014/2015: EUR 0.43).

The reporting on the business and earnings development of the individual segments is found in the section "Segment reporting".

Trends in individual income and expense categories

Other operating income amounted to EUR 12.7 million (2014/2015: EUR 8.9 million) and primarily includes electricity and energy tax rebates (EUR 3.6 million; 2014/2015: EUR 2.1 million), the release of investment grants and subsidies (EUR 3.1 million; 2014/2015: EUR 1.8 million) and out of period income from the release of provisions and other liabilities of EUR 1.5 million (2014/2015: EUR 0.5 million).

Material costs amounted to EUR 541.5 million. Consistent with the corresponding revenues this figure is higher than in the previous year (2014/2015: EUR 527.3 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin amounted to EUR 116.0 million (2014/2015: EUR 89.4 million).

Personnel expenses in the financial year 2015/2016 amounted to EUR 26.5 million (2014/2015: EUR 25.0 million). Personnel expenses increased slightly compared to the previous year, with the number of employees almost unchanged. This is primarily due to higher accruals made for variable compensation payable as a result of the continued pleasing business results for the financial year 2015/2016. In addition, the Company's employees were awarded a one-off bonus as well as individual pay increases to enable them to participate in our success, which contributed to the increase in the average personnel cost per employee. The personnel expense ratio (in relation to revenue, change in inventories and own work capitalised) totalled 4.0 percent (2014/2015: 4.1 percent), almost unchanged compared to the previous year's figures.

Other operating expenses amounted to EUR 31.1 million in the reporting period (2014/2015: EUR 24.9 million). Other operating expenses primarily include the costs of repair and maintenance, outgoing freight costs and other sales costs, motor vehicle costs, and the cost of insurances and contributions. The increase is primarily due to the increased levels of repair and maintenance costs and outgoing freight costs compared to the previous year.

The financial result amounted to EUR –1.4 million (2014/2015: EUR –3.8 million) and consists almost entirely of interest expenses (EUR 1.4 million; 2014/2015: EUR 4.4 million). Interest expenses in the financial year 2014/2015 included, among other items, early repayment penalties resulting from the early repayment of financial liabilities.

Net assets and financial position

The balance sheet total amounts to EUR 323.0 thousand at June 30, 2016 (June 30, 2015: EUR 296.3 million). The increase in the balance sheet total on the assets side is due in particular to the increased level of cash and cash equivalents. On the equity and liabilities side of the balance sheet, the increase reflects the significant increase in equity.

Non-current assets

Non-current assets fell, amounting to EUR 176.7 million at the balance sheet date (June 30, 2015: EUR 184.7 million). The change resulted from additions to property, plant and equipment (EUR 12.8 million), less scheduled depreciation of EUR 20.9 million and disposals with a remaining carrying value of EUR 1.4 million. In addition, deferred taxes increased to EUR 8.5 million (June 30, 2015: EUR 4.5 million).

Current assets

Current assets amounted to EUR 146.3 million at June 30, 2016 (June 30, 2015: EUR 111.6 million), an increase of EUR 34.7 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2016: EUR 26.3 million; June 30, 2015: EUR 22.2 million). The increase in inventories compared to June 30, 2015 is the result of the higher quantities of inventories of finished goods, raw materials, consumables and supplies, while the inventory of merchandise has fallen significantly.

In addition to inventories, the level of cash and cash equivalents has also increased significantly. Details of changes in the balance of cash and cash equivalents are provided in the comments on the cash flow statement.

On the other hand the level of trade receivables fell by EUR 9.8 million due to timing factors around the year end. The fall in other current financial assets of EUR 8.2 million is primarily due to lower levels of forward commodity contracts being recorded in the balance sheet, as well as lower levels of collateral deposits.

Equity

Equity totalled EUR 253.3 million (June 30: 2015: EUR 209.7 million). The equity ratio amounts to 78.7 percent, a significant increase compared to the previous year's balance sheet date (June 30, 2015: 70.8 percent).

Non-current liabilities

Non-current liabilities fell by EUR 11.7 million, from EUR 24.6 million at June 30, 2015 to EUR 12.9 million at June 30, 2016. The fall was primarily due to the repayment of bank and other loans and to their shorter remaining terms to maturity. No new non-current liabilities were entered into in the financial year 2015/2016.

Current liabilities

Current liabilities are also lower than they were at the end of the previous financial year (June 30, 2016: EUR 55.8 million; June 30, 2015: EUR 62.0 million), primarily due to the lower level of derivatives, trade payables and other current liabilities totalling EUR 10.3 million. On the other hand, bank loans presented within current liabilities increased slightly by EUR 3.1 million, primarily due to their shorter remaining terms to maturity.

Cash flows

The operating cash flow for the reporting period totalled EUR 76.3 million (2014/2015: EUR 46.6 million). The cash increase was primarily a result of the significant increase in the net result for the period, accompanied by the cash flow effects of the decrease in trade receivables and other assets (2015/2016: EUR 15.9 million; 2014/2015: a cash increase of EUR 10.5 million).

Cash outflows from investment activities in the 2015/2016 reporting period totalled EUR 12.2 million (2014/2015: EUR 10.7 million). This primarily resulted from payments made for investments in property, plant and equipment. In addition to payments for investments in property, plant and equipment, investing activities in the reporting period include receipts from the disposal of property, plant and equipment (2015/2016: EUR 0.5 million; 2014/2015: EUR 2.3 million) and receipts of investment grants and subsidies (2015/2016: EUR 0.5 million; 2014/2015: EUR 0.7 million).

The cash flow from financing activities for the reporting period totalled EUR –13.3 million (2014/2015: EUR –33.6 million). This includes repayments of financial liabilities (EUR 9.6 million), the payment of dividends (EUR 6.3 million) and draw-downs of financial liabilities (EUR 2.7 million).

As a result of the good operating performance the cash funds increased by EUR 50.8 million in the period from July 1, 2015 to June 30, 2016. The cash funds at June 30, 2016 total EUR 77.5 million.

Net financial liabilities

The Company has remaining bank and loan liabilities of EUR 11.9 million and cash and cash equivalents of EUR 77.5 million, so that net financial assets at the balance sheet date amount to EUR 65.6 million (June 30, 2015: EUR 7.8 million).

Investment

Investments totalling EUR 13.0 million were made in the financial year 2015/2016 (2014/2015: EUR 13.4 million). These primarily relate to investments in property, plant and equipment of EUR 12.8 million (2014/2015: EUR 13.2 million).

The investments were primarily made in the Bioethanol segment, with investments totalling EUR 5.0 million (2014/2015: EUR 4.3 million) in order to optimise and expand the current biomethane plants at Schwedt/Oder and Zörbig and to construct a phytosterol (sterol) production plant at Bitterfeld at a cost of EUR 3.1 million.

Overall statement on the net assets, financial position and results of operations and comparison of actual and forecast business developments

The financial year 2015/2016 was the most successful year in the history of VERBIO AG. Given the revenues and results of operations, the financial year 2015/2016 has been a very pleasing year overall. In particular, the EBITDA of EUR 73.1 million, the EBIT of 52.0 million and the net cash position of EUR 65.6 million are ahead of the original planning for the financial year 2015/2016. The forecast published in the previous year indicated an EBITDA of approximately EUR 50 million and an operating result (EBIT) of around EUR 27 million. The net cash level was expected to increase to around EUR 38 million by the end of the financial year. The original EBITDA and EBIT forecasts and forecast net cash balance were increased during the course of the financial year. In the forecast issued on January 25, 2016 an EBITDA of around EUR 70 million was forecast and a net cash balance of around EUR 58 million was expected by the financial year end.

The net assets and financial position have, overall, improved again compared to the previous year and are adequate to finance the Group's future business operations.

The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.15 per qualifying share at the annual general meeting to be held on January 27, 2017, and that the remaining profit for the period shall be carried forward.

Segment reporting

Biodiesel

In the financial year 2015/2016 VERBIO was able to report a record level production of biodiesel in its now ten-year company history. A total of 449,303 tonnes of biodiesel was produced (2014/2015: 442,867 tonnes). A new record level of sales was also achieved. In total, 486,447 tonnes of biodiesel were sold, 3.5 percent more than in the previous year.

Revenues in the Biodiesel segment in 2015/2016 totalled EUR 423.2 million, following EUR 397.0 million in the corresponding period in 2014/2015. The increase in revenues is due both higher sales volumes and to the higher average selling prices for biodiesel. Total revenues include revenues from sales of merchandise of EUR 30.8 million (2014/2015: EUR 12.0 million).

The cost of materials amounted to EUR 378.3 million (2014/2015: EUR 349.4 million), higher than in the previous year and consistent with the trend in revenues. Taking into consideration the change in inventories, gross profit increased from EUR 43.6 million to EUR 48.3 million as a result of the technical improvements, the launch of the sterol production, and the sale of biofuel quotas.

Personnel expenses in the financial year 2015/2016 amounted to EUR 9.0 million (2014/2015: EUR 8.2 million).

Other operating expenses totalled EUR 12.3 million (2014/2015: EUR 11.3 million). Together with the gains on futures transactions of EUR 0.7 million (2014/2015: EUR 0.6 million), the segment-EBITDA for the period is EUR 29.8 million (2014/2015: EUR 26.9 million).

Investments in property, plant and equipment totalling EUR 4.4 million were made in the financial year 2015/2016 (2014/2015: EUR 6.0 million).

Bioethanol

In the financial year from July 1, 2015 to June 30, 2016 bioethanol production totalled 239,059, not quite matching the record production levels set in the previous year (2014/2015: 248,103 tonnes). Sales totalled 254,151 tonnes, also slightly behind the very high levels recorded in the previous year (2014/2015: 265,376 tonnes). On the other hand the production of biomethane in the reporting period amounted to 521 GWh, significantly higher than in the previous year (2014/2015: 469 GWh).

The trend in bioethanol reflects the fact that VERBIO has been able to maintain its market share of the bioethanol to petrol blending market. Raw material prices were comparatively low and stable throughout the financial year, while sales prices increased again in the final quarter of the year. These conditions had a positive effect on utilisation levels and on the results of operations of the segment.

In total, the Bioethanol segment generated revenues of EUR 222.1 million in 2015/2016, higher than in the previous year (2014/2015: EUR 212.9 million). The increase in revenues in the Bioethanol segment, despite the slight fall in production and sales quantities, was due to the overall higher level of sales prices. The size of the merchandising business remained almost unchanged compared to the previous year.

The cost of materials fell compared to the previous year to EUR 155.7 million (2014/2015: EUR 171.2 million), with the consequence that segment gross margin increased to EUR 66.0 million from EUR 44.0 million in the previous year, after taking the change in inventories into account. It was possible to generate significant savings by improving the efficiency of energy and raw material consumption by the use of targeted process technology improvements.

Other operating income in this segment in the reporting period amounted to EUR 10.6 million (2014/2015: EUR 6.2 million); the increase was primarily the result of higher grants and out of period income following the reversal of provisions.

Personnel costs amounted to EUR 13.9 million (2014/2015: EUR 13.1 million).

Other operating expenses amounted to EUR 21.6 million, after EUR 16.0 million in the financial year 2014/2015. These primarily include freight out and maintenance expenses, whereby the increase is primarily due to the maintenance programme carried out during the financial year 2015/2016. The Bioethanol segment reports gains on futures transactions of EUR 0.9 million (2014/2015: EUR 1.3 million).

The segment-EBITDA for the financial year 2015/2016 totalled EUR 42.2 million, after EUR 22.4 million in the financial year 2014/2015.

Investments in this segment totalled EUR 7.8 million (2014/2015: EUR 7.0 million). This primarily comprised investments of EUR 5.0 million (2014/2015: EUR 4.3 million) for optimising and adjusting the biomethane plants at the Schwedt/Oder and Zörbig sites.

Biodiesel	p.a.	1. HJ 2014/ 2015	2. HJ 2014/ 2015	2014/ 2015	1. HJ 2015/ 2016	2. HJ 2015/ 2016	2015/ 2016
Production capacity (t)	450,000	225,000	225,000	450,000	225,000	225,000	450,000
Production (t)		217,954	224,913	442,867	227,101	222,202	449,303
Utilisation production capacity (%)		96.9%	100.0%	98.4%	100.9%	98.8%	99.9%
Number of employees (at the balance sheet date)		**105**	**111**	**111**	**110**	**114**	**114**

Other

Revenues generated in the Other segment totalling EUR 15.8 million in the financial year 2015/2016 primarily represent revenues from transport and logistic services (2014/2015: EUR 15.8 million). The segment result amounted to EUR 0.6 million (2014/2015: EUR 0.5 million).

The Other segment had 108 employees at June 30, 2016 (June 30, 2015: 113 employees).

Remuneration report

The following remuneration report presents the principles followed by VERBIO in determining the remuneration to be paid to the Management and Supervisory Board, and in addition, explains the structure and amounts of remuneration paid.

No disclosure is made of the total amount accruing to each named individual member of the Management Board, split between fixed and variable remuneration components. In the Company's view, the advantages of such disclosure for the general public and for shareholders are not of such significance that the associated disadvantages – including for the privacy of the individual members of the Company's corporate boards – should be disregarded.

The annual general meeting of VERBIO Vereinigte BioEnergie AG resolved on January 29, 2016 that the details of the remuneration and other agreed and paid benefits of each member of the management board shall not be disclosed for a period of five years, i.e. for the annual financial statements for the financial years from 2015/2016 to 2019/2020, either in the Company's annual financial statements or in the consolidated financial statements. Accordingly, the remuneration report does not include disclosure of the remuneration attributable to individual members of the Management Board.

Remuneration of the Management Board

In accordance with the Appropriateness of Management Board Remuneration Act (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) which came into effect on August 5, 2009, as well as the respective rules in the Supervisory Board's rules of procedure, the full Supervisory Board is responsible for the determination of remuneration paid to individual members of the Management Board. The remuneration structure currently in place for the Management Board was approved by the Supervisory Board at its meeting held on September 21, 2015 and is effective from November 1, 2015. It is in compliance with the German Corporate Governance Code, applicable case law and the applicable legal regulations. The system is based on the remuneration system previously in place applicable up to and including October 31, 2015. The remunerations system in place since November 1, 2015 was approved by a majority of 96.69 percent of the shareholdings represented at the general shareholders' meeting held on January 29, 2016.

The remuneration of the Management Board contains fixed annual remuneration as well as non-cash benefits in kind and a variable remuneration component, which in turn comprises an annual bonus and long-term bonus.

Bioethanol	p.a.	1. HJ 2014/ 2015	2. HJ 2014/ 2015	2014/ 2015	1. HJ 2015/ 2016	2. HJ 2015/ 2016	2015/ 2016
Production capacity (t)	260,000	130,000	130,000	260,000	130,000	130,000	260,000
Production (t)		125,294	122,809	248,103	118,906	120,153	239,059
Utilisation production capacity (%)		96.4%	94.5%	95.4%	91.5%	92.4%	92.0%
Biomethane							
Production capacity (MWh)	480,000	240,000	240,000	480,000	240,000	240,000	480,000
Production (MWh)		227,541	241,644	469,185	264,003	256,956	520,959
Utilisation production capacity (%)		94.8%	100.7%	97.8%	110.0%	107.1%	108.6%
Number of employees (at the balance sheet date)		**233**	**226**	**226**	**219**	**227**	**227**

Fixed remuneration not related to performance

The annual fixed remuneration is paid in monthly instalments as a salary and is not related to performance.

The members of the Management Board additionally receive other benefits in the form of non-cash benefits in kind; these consist primarily of the use of company cars, telephone and insurance premiums.

Variable remuneration related to performance

The amount of the annual bonus for the respective financial year (reference year) for the Chairman of the Management Board and for each of the remaining members of the Management Board amounts to 1 percent of the positive consolidated net income exceeding EUR 7,800 thousand as shown in the consolidated financial statements of the reference year. No annual bonuses payable to members of the Management Board are taken into account in determining the consolidated net profit for this purpose.

The annual bonus is limited to a maximum of half of the annual fixed remuneration (annual bonus cap). The Supervisory Board can increase the annual bonus by awarding an additional bonus to recognise special performance in the reference year, where appropriate. It resolves the amount of the annual bonus in each case together with the adoption of the Company's annual financial statements. The annual bonus is payable to the Management Board member by October 15 following the respective financial year. The annual bonus is granted on a pro rata basis in cases where an employment contract begins or ends during the year.

The long-term bonus is calculated and paid as follows:

The reference bonus is to be converted as of September 30 of each year (effective date) for the last reference year into a number of fictional shares of the Company (fictional shares), such that the reference bonus is divided by the weighted three-month average of the share price of the Company shares in the closing auction in the Xetra trading system of the Deutsche Börse AG (Xetra price) or a functional successor system. The last three months of the respective reference year are relevant for the purposes of this calculation.

The fictional shares so converted are to be maintained for each reference year separately as fictional shares 6, fictional shares 7, fictional shares 8, etc. Three years after the respective effective date, thus on September 30 of the respective following year (payment year), the related fictional shares are to be reconverted into a sum of money such that the number of fictional shares is multiplied by the Xetra price for the period of the last three months of the latest year end before the payment date.

The long-term bonus for each reference year is limited to an amount which is double the fixed remuneration (long-term bonus cap).

VERBIO is entitled to substitute the monetary payment and grant the Management Board member the respective number of fictional shares in place of that payment. This power of substitution can be exercised by VERBIO for the fictional shares for each respective year separately. If it is exercised, VERBIO can, in each case, only exercise the power uniformly for all fictional shares of the year in question. If shares are allocated to the Management Board member, he or she is only permitted to sell them after the expiration of a vesting period of one year after the allocation. The Supervisory Board determines the calculation and retrospective calculation of the long-term bonus, as well as the potential substitution of shares for a monetary payment.

The reference bonus is granted on a pro rata basis in cases where an employment contract begins or ends during the year. If for previous reference years a retrospective calculation could not yet be made, this is to be carried out on the day of the termination of employment. The Xetra price for the period of the last three months before the termination of the employment contract is relevant for the purposes of this calculation. The monetary amount so calculated is to be paid two months after termination of the employment contract.

The same applies to the exercise of the power of substitution.

The remuneration of the members of the Management Board is borne in full by VERBIO. No direct pension commitments have been made to members of the Management Board by the Company. Accordingly the Company records no provisions for the cost of such commitments.

Other contractual payments

All employment contracts of the Management Board members provide that in the event of the death of a Management Board member, his widow and children under 25 years of age are entitled to receive his full monthly fixed salary for the month in which the death occurs and the three months thereafter, but no longer than until the end of the respective employment agreement.

Management Board contracts also provide for the case where the Management Board activity is prematurely ended without reasonable cause, stipulating a limit of two years' annual remuneration for termination payments (termination pay cap), but not more than the remaining term of the employment contract. In the event of an early termination of the Management Board activity resulting from a change in control the Management Board member has a one-off special right of termination, and, on exercising this right, a claim for a termination payment that is calculated by capitalisation of the expected total remuneration for the remaining contract term; this amount may not, however, exceed the amount of three years' remuneration consisting of the fixed and variable contractual components.

If, during the term of the employment agreement, a permanent incapacity to work is determined, the contract is terminated on the day that the permanent incapacity is determined.

The employment contracts of the Management Board members contain no other provisions regarding the payment of remuneration on termination of employment.

Total remuneration

The total remuneration of members of the Management Board in the financial year 2015/2016 amounted to EUR 2,706 thousand (2014/2015: EUR 2,632 thousand). Thereof, EUR 1,463 thousand (2014/2015: EUR 1,319 thousand) relates to the fixed salary portions including other remuneration components and EUR 1,243 thousand (2014/2015: EUR 1,313 thousand) pertains to the variable remuneration components.

No loans were granted to members of the Management Board in the financial year 2015/2016 or in the financial year 2014/2015. No advances were granted, and no remuneration was paid or benefits provided to members of the Management Board for services rendered personally or for consulting or procurement services.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is governed by § 14 of the Company's articles of association.

According to this, at the end of the business year each Supervisory Board member receives annual fixed remuneration of EUR 30 thousand. The Chairman receives twice this amount. In contrast to the function-specific, significantly higher workload of the Chairman of the Supervisory Board, the workload of the Vice-Chairman does not differ significantly from the workload of the other members. Accordingly, no additional remuneration is paid to the Vice-Chairman of the Supervisory Board.

The members of the Supervisory Board were paid remuneration of EUR 120 thousand for their activities in the financial year 2015/2016 (2014/2015: EUR 120 thousand).

In addition, the Company reimburses the Supervisory Board members for cash outlays as well as value-added tax provided they are entitled to invoice the tax separately and avail themselves of this right. The Supervisory Board members who were in office in the 2015/2016 financial year were reimbursed by a total amount of EUR 7 thousand (2014/2015: EUR 8 thousand) for cash outlays.

In the financial year 2015/2016 the Company paid the Supervisory Board member Ulrike Krämer EUR 29 thousand (2014/2015: EUR 5 thousand) for services rendered personally under an existing consulting agreement. No other remuneration was paid or benefits granted by the Company to members of the Supervisory Board in the financial year 2015/2016 or in the financial year 2014/2015 for services rendered personally, in particular for consulting and referral services.

Fixe Bezüge TEUR	**2014/2015**	**2013/2014**
Alexander von Witzleben	60	60
Ulrike Krämer	30	30
Dr.-Ing. Georg Pollert	30	30
Gesamtbezüge	**120**	**120**

Other

The Company has entered into a financial loss/liability group insurance (so-called D&O insurance) for members of its corporate boards and its key management personnel. The insurance covers the legal liability in the event that claims for financial losses are made against this group of individuals in connection with their activities. Accordingly, the insurance also covers the members of the Management Board and the Supervisory Board. The D&O insurance provides for a deductible for the Management Board members of at least 10 percent of the damage up to at least one and a half times the fixed annual remuneration, and is thereby in compliance with § 93 (2) (3) German Stock Companies Act (Aktiengesetz – AktG).

With declarations dated March 22, 2010, July 13, 2010 and October 24, 2011, the Supervisory Board members promised to VERBIO to reimburse financial losses in the amount of up to 10 percent of the damages, but with a maximum up to the amount of one and a half times the fixed annual remuneration when the D&O insurance accepts the loss (so-called internal deductible).

The legal regulations covering the liability of Supervisory Board members of a stock company are neither restricted nor expanded by this concluded declaration of obligation. The provisions of the German Corporate Governance Code are accordingly fully complied with.

Events subsequent to the balance sheet date

Significant events subsequent to the balance sheet date

There have been no significant events subsequent to the balance sheet date.

Outlook, opportunity and risk report

Outlook

The following report provides the outlook of the VERBIO Management Board regarding the future course of the business and describes the expected development of significant economic and industry-specific conditions. It represents the knowledge of the Management Board at the time of its preparation, acknowledging that actual development may significantly differ positively or negatively from this outlook due to the occurrence of risks and opportunities as described in the risk and opportunity report.

VERBIO does not intend to and does not undertake, except as required by legal disclosure requirements, any obligation to update or revise any forward-looking statements contained in this report or to adapt them to events or developments after the publication of this Group management report.

Market and industry development

The Management Board sees the market for second generation biofuels as a growth market. This includes the biomethane produced by VERBIO and the biodiesel produced from waste and residue materials.

Without the use of biofuels from renewable energies, an energy turnaround on the streets has no chance of success, and the binding climate goals set by the EU which should be met by the year 2020 will not be achievable. It is not to be expected that electro mobility will mean a significant displacement of conventional fuels with an associated reduction in the consumption of blended biofuels in the medium term.

However, a stable business development and sustainable company development in the biofuel industry requires a reliable business environment. The Federal Emissions Protection Act with its fixed GHG quota currently offers a fixed framework on which the business plan going forward can be based.

Although VERBIO's production capacity in both the Biodiesel and Bioethanol segments was fully utilised in the financial year just ended, contrary to the general market trend, and the Group has been able to report record results, this does not give us any security for the future. In the current market environment efforts will be required in every part of the business to maintain the utilisation and margins achieved and to improve margins further where possible.

With respect to the individual markets, we assume that the primary market for biodiesel will continue to be the blending market.

Bioethanol is also primarily a product for the blending market, whereby consumers' acceptance of filling up with E10 in Germany is still not increasing. On the contrary, demand is declining due to the reduced price differential, currently 2 cents/litre in comparison with Super E5. In order to achieve a significant increase in the share of the petrol market for E10, either a massive information campaign is required from the motor industry and the oil sector, or there must be a significant price differential at filling stations to the benefit of E10. As the oil industry does not currently appear to have any interest in increasing E10 volumes, it can be expected that the E10 market share will remain at a level of around 12 to 15 percent of the petrol fuels market for a long period of time.

We still see substantial growth potential to reduce climate damaging CO_2 emissions using various techniques to use biomethane as an energy source, for example using it as a substitute for natural gas in passenger vehicles and trucks and in using biomethane to generate electricity under the EEG programme. VERBIO aims to increase the biomethane share of natural gas fuels further with its competitive offering to use biomethane as a substitute for natural gas and due to its use for low emission local traffic particularly in regional public transport systems, mostly for heavy vehicles used in inner cities.

VERBIO will continue to promote the acceleration of the market launch of natural gas and biomethane in Germany. Biomethane produced by VERBIO reduces CO_2 emissions by approximately 80 percent for each kilometre of travel, and it is already available at approximately one hundred natural gas filling stations in Germany.

There are also other potential routes which VERBIO to sell its biomethane on an opportunistic basis – creating electricity to supply the grid with electricity from renewal sources under the Renewable Energy Act (Erneuerbare Energien Gesetz – EEG), or for heating purposes.

Trends in raw material prices

According to a publication from the United States Department of Agriculture (USDA) published on August 12, 2016, the worldwide grain harvest, including rice, is expected to amount to approximately 2,514.55 million tonnes in the financial year 2016/2017, above the previous year's level.

Based on the USDA estimates, wheat production in 2016/2017 will be 743 million tonnes, exceeding the record harvest of 734 million tonnes in the previous year. The consumption of wheat increased to 729 million tonnes, primarily due to an additional consumption of 5.5 million tonnes of fodder wheat.

Overall, the relationship between demand and supply continues to be in balance; it can be assumed that prices overall will be lower as a result of the higher closing inventory levels worldwide. However, the picture in Europe is characterised by a disappointing harvest in France, Germany and Great Britain, the primary growing countries. Here, the harvests are expected to be around 12 million tonnes below the level in the 2015 harvest year. According to the USDA, at 543.5 million tonnes the worldwide production of oilseed in the 2016/2017 harvest year will significantly exceed the record of 536.8 million tonnes set in 2014/2015. The main factors stabilising the production of oilseed worldwide is the expansion of land under cultivation in North and South America and the higher soya yields in the USA in 2016.

Current predictions for the EU rapeseed harvest issued by the EU Commission indicate a figure of 19.4 million tonnes. There are significant shortfalls reported in France, Germany, Great Britain and Poland. The causes of the low yields are primarily to be found in the growth conditions in recent months. In addition, there were some substantial losses due to winter damage in Poland.

Estimates for the future trends for vegetable oils are currently significantly affected by price movements for palm oil. The production numbers in 2016 have been weakened significantly by the El Niño effect and were approximately 2 million tonnes below the previous year at 60.6 million tonnes. The prices for soya oil are also stable despite the higher soya harvest. The significantly lower rapeseed production in the EU continues to contribute to a stabilisation of vegetable oil price levels.

Sales price trends

The energy markets worldwide are undergoing a process of comprehensive change. The production of crude oil and natural gas in the USA – the largest consumer worldwide – has increased significantly until 2015, driven by new extraction methods such as fracking and tapping sources which were previously difficult to reach. According to a study issued by the International Energy Agency the USA will replace Saudi Arabia as the world's largest producer of oil by 2018, and will export more oil in future due to the surplus. Given the additional capacity and the ongoing negotiations between oil-producing companies about limiting production, the consequences for future trends in oil prices are difficult to foresee. Market analysts currently have wide-ranging expectations, in a range between 40 USD/bbl and 80 USD/bbl for the second half of 2016 and for the full year 2017 respectively.

The short- and medium-term crude oil price is primarily dependent on the political stability of oil extracting countries and their readiness to reduce the quantities of oil produced as well as the global economic trend with its associated demand.

The current low prices for fossil fuels have resulted in a situation where the price differential between fossil fuels and biofuels has grown so much that the use of biofuels is limited to those blending markets in which biofuels are subsidised.

The introduction of the GHG quota with effect from January 1, 2015 led to a reduction in the blending of biofuels due to the good CO_2 efficiency of biofuels, these fuels being better than originally anticipated by legislators. The greenhouse gas reduction has become a significant price determinant. The oil industry buys the fuels shown to have high level of reduction in order to be able to use the smallest possible quantity of biofuel to reduce greenhouse gas emissions. We are not expecting a general increase in demand for biofuels as a result of the increase in the GHG quota in Germany from 3.5 percent to 4 percent in 2017. There will be an increase in demand for the biofuels offering the highest GHG saving.

Political environment

In addition to the future raw material and selling price development, the political environment has a major effect on the future development of the Company.

The future development of the biofuel value creation chain as a whole is dependent on European Union and German government policy through 2020 and beyond. Here, reliable, clear and ambitious goals are required for the transportation sector, which can and must be fulfilled with biofuels.

Climate protection after 2020

In recent times voices in the political and scientific community have been stronger in their calls that the transport sector must increase its contribution to climate protection. The Paris climate protection conference has certainly added energy to this, even if this remains unquantified.

The European Commission presented the framework for climate and energy policies until 2030 on January 22, 2014. According to this, the Commission proposes that by 2030 EU member countries should increase their energy efficiency by 30 percent compared to 2007 levels and increase their use of renewable energy to 27 percent of total energy consumption.

At the EU summit on October 24, 2014 an agreement was reached concerning a comprehensive climate and energy package with targets up to 2030. This now includes a non-binding energy efficiency target of 27 percent instead of the 30 percent planned to date. The target is binding at the EU level but not at national level, due to resistance from countries such as Great Britain. Carbon dioxide emissions should be reduced by at least 40 percent compared to 1990.

The EU Commission presented its proposal for a regulation on determining annual national targets for the reduction of greenhouse gases in the 2020 to 2030 period on July 20, 2016. Germany should achieve a 38 percent GHG emissions reduction compared to the basis year 2005. In addition the non-ETS (ETS = Emissions Trading System) sectors should be included, i.e. primarily transport and buildings. However, the Commission wants to leave it to the member states to determine how the targets should be achieved.

In this connection the Commission has presented proposals for a European strategy for low-emissions transport, which, among other things, focuses on transport efficiency, low GHG or GHG-free energy, and low GHG or GHG-free vehicles. The Commission is particularly considering incentives for alternative fuels with an increase in the use of advanced biofuels which should successively replace conventional biofuels. An increase in the use of natural gas is discussed, in particular looking at biomethane or power to gas (PtG). There is a demand for a speedier ramp-up of the infrastructure needed for the use of electric vehicles and for natural gas. Similar themes – especially on natural gas – can be found in the latest Shell Goods Vehicle Study. Other research analysts also demand a change in direction in the transport sector.

It remains to be seen how the agreement between the Commission, Parliament and the governments of the EU member states will look. In any case it is clear that the efforts to date, for example that the transport sector uses 10 percent renewable energy by 2020, are insufficient looking forward to 2030. The Commission's position effectively sees an opening, and accordingly a competitive situation, between alternative sources of energy for motorisation. The energy sources will prevail based on their commercial viability, sustainability, and on the infrastructure required for their use. Without doubt, biomethane, being produced using waste and residue products, is very well placed.

Future development of the VERBIO Group

In the current financial year VERBIO will continue to be primarily engaged in an ongoing process of optimising and expanding its existing production plant with the associated necessary investments.

There is an ongoing process of improving, optimising and expanding the straw plant at Schwedt in order to increase production output.

The investment in the phytosterol production plant at Bitterfeld is complete and the plant is in production with the output levels as expected. This plant increases value added obtained from the rapeseed oil raw material supply, and enables VERBIO to enter production of fat-soluble substances used in the pharmaceutical and food industries. The production capacity will be doubled in the financial year 2016/2017.

In the financial year 2016/2017 VERBIO plans to consolidate the market position it has gained in the biodiesel and bioethanol sector. Following the start of sterol production and the successfully marketing of the phytosterol production we will double the production capacity at Bitterfeld. In addition to optimising production at the straw biomethane production plant at Schwedt, preparations are under way to make successive increases in the capacity there.

The biomethane segment is currently examining potential international sites for a stand-alone straw biogas plant, including sites in both European and non-European countries.

The use of waste and residues in biofuel production remains our highest priority. To realise this, and to do justice to our claim to be the innovation leader in our sector, we plan more expenditure in the financial year 2016/2017 for the systematic and continuous process of identifying new process technologies, their evaluation, and converting them into new research and development projects, as well as on the optimisation of existing plant and equipment.

Overall assessment of the expected development

The implementation of the GHG quota system which came into effect in Germany from January 1, 2015 is now in its second year and has presented the bioenergy sector in general, including VERBIO, with a new set of challenges. VERBIO was well prepared for the GHG quota system implementation, as can be seen from the fact that our plants have been operating almost at full capacity utilisation since 2015. Our efficient production plants, optimal procurement policies and comprehensive product portfolio of biodiesel, bioethanol and biomethane put us in a position to be able to offer the oil industry tailor-made solutions to help them meet their GHG targets.

We do not expect that the increase in the oil industry quota obligation from 3.5 to 4.0 percent at the 2016/2017 year end that is required by the Federal Emissions Protection Act will lead to a noticeable push in demand, as the greenhouse gas reduction potential of the individual biofuels is also constantly improving, with the result that it will be possible to meet the increased obligation with stable blending volumes.

The Management Board expects that the plant capacity utilisation rate will continue at the current high levels of over 90 percent in the financial year 2016/2017. Revenue levels are very much dependent on the market prices of raw materials and biofuels, and the potential for individual trading opportunities for biogenic fuels. Based on current sales volumes and raw material prices as well as the planned production capacity usage, the Management Board expects to achieve an EBITDA for the financial year 2016/2017 of around EUR 55 million. The net cash level is expected to be around the EUR 88 million level by the end of the financial year. When reliable political conditions for the further development of biofuels for the years after 2020 are known it will necessary to examine the requirement to reverse the partial impairment charges of EUR 19.8 million recorded against property, plant and equipment in 2012/2013.

Risk and opportunity report

Risk management system

VERBIO's commercial success is affected by the smooth running and continuous operation of its production facilities, optimal raw material procurement logistics, and its sales and marketing activities, including the greenhouse gas reductions achieved by the products it manufactures. Additional critical factors affecting the results of business operations are the trends in raw material and sales prices and associated achievable production margins, and the statutory quota, regulatory and energy tax policy environment. All of these processes and influencing factors are subject to opportunities and risks which are capable of affecting VERBIO's status quo, growth and corporate success. The consideration of risks and the exploiting of opportunities thus serve to safeguard the company and to increase its competitiveness.

Risk strategy and risk policy

In accordance with § 91 (2) AktG the Management Board is required to take appropriate measures, in particular the creation of a monitoring system, to ensure that developments which could threaten the ability of the Company to continue as a going concern are identified at an early stage. This provision is supplemented for listed companies by § 317 (4) of the German Commercial Code (Handelsgesetzbuch – HGB). In order to identify and manage company-specific risks and opportunities at an early stage, the Management Board of VERBIO has implemented a Group-wide risk management system.

As part of its engagement to perform the statutory audit of the annual financial statements and the Group's consolidated financial statements pursuant to § 317 (4) HGB, the auditor examines whether the early risk warning system is suitable for the purpose of identifying risks and developments which could threaten the ability of the Company to continue as a going concern on a timely basis. The VERBIO early risk warning system is in accordance with statutory requirements and complies with the German Corporate Governance Code.

Organisation of the risk management system

VERBIO's risk management system ensures that existing risks are systematically recognised, analysed, evaluated and reported on a timely basis. The risk management system ensures that all organisational units and processes are included in the risk management process, thereby ensuring that all risks are identified, evaluated and communicated.

The entire risk management process is evaluated and carried out by a risk manager tasked with the ongoing implementation, coordination and ongoing improvement of the process.

Responsible individuals are assigned to every risk area responsible for the monitoring of risks in their area, including the responsibility for reporting when the early warning system threshold limits are exceeded. For this purpose each company of the VERBIO Group has a named risk officer, who is known as a "reporting station" and who ensures compliance with periodic and/or ad hoc reporting.

The risk reporting (ad hoc and/or periodic reporting) is carried out using risk reporting sheets on a quarterly basis, with the subsidiaries' management and the other responsible employees defined within the reporting process reporting to the Group's risk manager on predetermined reporting dates. The reporting includes all risks that exceed specified materiality limits which are expected to have an effect on the net assets, financial position and results of operations. These materiality limits are set by the VERBIO Management Board and approved by the Supervisory Board, whereby these limits are adjusted over time if required by changes in the reference values.

This information forms the basis for the Group risk report, which is provided to the Management Board by the risk manager in a summarised form on a quarterly basis, together with a risk map. If risks requiring immediate action arise outside the periodic reporting of significant risks, these are addressed promptly and formally to the risk manager, and the Management Board is informed immediately.

The risk management system is adjusted according to the changing external environment and the resulting internal organisational structures on an ongoing basis, most recently in the fourth quarter of 2014/2015 with adjustments to the risk classes, the risk categories and the assessed probability of occurrence in order to better reflect the market conditions and numerical values and wording that was appropriate to VERBIO's current situation; more details are presented in the next section. A comprehensive inventory of risks will be made on a cyclical basis in the fourth quarter of 2016/2017 in order to identify changes or potential risk eliminations.

In addition, VERBIO uses additional instruments to identify and avoid risks. These include a unified and process-orientated quality management system (QMS), the systematic implementation of work safety practices and systematic complaints management.

Risks

Risk assessment

The characteristics "probability of occurrence" and "risk category" are used for risk assessment purposes. Based on the corporate goals, the risks are then categorised as low, medium, high or very high dependent on their potential financial damage. The following assessment measurements are used:

Eintritts-wahrscheinlichkeit	**Beschreibung**
x <= 5%	Sehr gering
5% < x <= 25%	Gering
25% < x <= 50%	Mittel
x >50%	Hoch

Risikokategorie	**Beschreibung**
Gering	x <= 1 Mio. EUR
Mittel	1 Mio. EUR < x <= 5 Mio. EUR
Hoch	5 Mio. EUR < x <= 15 Mio. EUR
Sehr hoch	x > 15 Mio. EUR

Based on the recommendations of the German Accounting Standards Board of the German Accounting Standards Committee (GASC) regarding the reporting of opportunities and risks, VERBIO Group's risks were categorised under the following opportunity and risk factors: market and sales, procurement, environment, tax and commercial law, production and technology, finance, human resources, organisation, legal rules and regulations, and other events.

The analysis below describes all (significant) corporate risks and opportunities identified for the VERBIO Group which, from today's perspective, could affect the net assets, financial position and results of operations.

There are no risks that threaten the ability of VERBIO and its subsidiaries to continue as a going concern as of the balance sheet or the date of preparation of the consolidated financial statements.

Market and sales

Sales side risks

A considerable sales and margin risk results for VERBIO from a potential inflow of biodiesel and bioethanol which is offered into the market at dumping prices, which could lead to a massive distortion of competition and competitive disadvantages.

The risk is substantially reduced by the levying of anti-dumping duties by the European Union on imports of biodiesel from Argentina and Indonesia, and on bioethanol from the USA.

It can also not be excluded that biodiesel will be imported into Europe in future and offered at significantly cheaper prices in the market due to tax privileges in the producing countries.

In addition, for the German market there is a high level of motivation for fraudulent claims when determining GHG savings made by biofuels, with an associated risk to sales in Germany.

This motivation will be increased further with the increase of the GHG quota to 4 percent in 2017.

Sales risks associated with the Biofuel Sustainability Regulation and the Federal Emissions Protection Act.

Since January 1, 2011 biofuels can only count towards the biofuels quota and/or can only give claim to an energy tax relief as pure biofuels if they have been produced according to the provisions of the Biofuel Sustainability Regulation and are made available to the general market.

VERBIO matches raw material and sales quantities on an ongoing basis and maintains control over the balance of volumes at all times as part of regular contract controlling procedures. In addition, this is examined by the certification authority in annual audits performed under the Biofuel Sustainability Regulation.

Since 2015, the Federal Emissions Protection Act (Bundes-Immissionsschutzgesetz – BImSchV) has no longer required the blending of defined biofuel quantities, but instead requires the reduction of greenhouse gas emissions by 3.5 percent through the blending of biofuels (de-carbonising quota), rising to 4.0 percent from 2017 and to 6.0 percent from the year 2020.

Significant negative effects on biofuel blending quantities would result should the average CO_2 savings potential of biofuels blended in Germany amount to significantly more than 65 percent in 2015 or in subsequent years, for example through imports from third countries, due to the absence of uniform international rules for calculating the CO_2 savings.

As part of the reform of the BImSchV, and given the demands of the EU directive, the federal government has reserved the right to make a number of legislative changes which could have a significant effect on the market situation for first generation biofuels, including among other things the Upstream Emission Reduction (UER) and the value of electricity created from renewable energy supplies. We see the risk that biofuels manufactured using regenerative electricity (PtX) can gain a significant part of the fuels market to be at the most a long term prospect. On the other hand, an unlimited approval for UER to count to the quota does have the potential to make the use of biofuels unnecessary to achieve savings on GHG emissions from fossil fuels.

A discussion draft of the 37th Directive for implementing the Federal Emissions Protection Act (Bundes-Immissionsschutzgesetz – BImSchV) was published by the Federal Ministry for the Environment, Nature Conservation, Construction and Nuclear Safety on August 19, 2016. The 37th BImSchV governs the quota value of electricity-based fuels from non-biogenic sources as well as the quota value of fuels based on hydrated vegetable oil manufactured using refinery joint processes together with oils from petroleum oil sources. The latter in particular, known as joint processes, represents a high sales risk for the conventional biofuels industry as the quotas, in Germany at least, could be wholly met given the ready availability of the raw materials used, and because it represents an opportunity for oil companies to keep the entire value added chain internal. The prohibition of joint processing which has been in place until now in the Federal Emissions Protection Act ceases to apply in the 37th BImSchV.

Procurement

Risks of raw material purchasing

The results of VERBIO are extremely dependent on the availability and prices of the raw materials used. For biodiesel this is predominantly vegetable oil; for bioethanol it is grain.

Generally, the raw materials that are required for the production of the sold quantities are procured directly once a sales contract has been entered into. This reduces the risk of price changes and the associated volume for which hedging is required.

Procuring raw materials on short-term contracts carries the risk of being exposed to potential physical supply limitations.

Current market developments are monitored closely. Noticeable market developments are immediately communicated and risk limitation measures are taken.

Environment

Risks due to contaminated sites and other building, land and environmental risks

VERBIO is exposed to the risk that the land and buildings it owns could be contaminated with pollution, soil contamination or other harmful substances. Currently, there are no decontamination or monitoring obligations.

Tax and commercial law

Risks of non-compliance with ongoing tax obligations

VERBIO is particularly exposed to the risks that ongoing tax obligations are not completely fulfilled or are not fulfilled in conformity with the law, particularly with respect to energy taxes, sales taxes and income taxes due to the multiple layers and complexity of the tax regulations. Additional risks arise in this connection on transactions with foreign companies and our own operations abroad.

VERBIO counters this risk through appropriate internal tax compliance measures, and by taking external advice in particularly complex instances and in the case of special issues abroad.

Risks from tax audits

VERBIO is exposed to the risk that retroactive taxes become payable if additional taxes are determined to be payable during tax audits. Currently, beyond the amounts already recognised as liabilities or provisions in the consolidated financial statements, there are no known issues which could result in significant demands for retrospective tax payments.

Production and technology

Production and technology risks

The continued success of the VERBIO Group is driven by the Group's highly competitive technologies. On the basis of the technology standards already achieved for large-scale production of biofuels (biodiesel, bioethanol and biomethane) the VERBIO Group is positioned well, and also has the process know-how to make further ongoing and coherent programmes for the further development and optimisation of the current production processes. The production of biofuels is exposed to the risk that entirely different and more efficient production and process technologies could arise suddenly, and that the operation of existing plants could, as a result, no longer be possible in such a way that their operating costs are covered.

The production plants are technically state of the art and are subject to constant maintenance. Accordingly, from the viewpoint of the Company's management, environmental risks are minimised to the greatest extent possible. Nevertheless, potential environmental damage is insured through environmental liability insurance. All plants are insured by property and business interruption insurance against natural disasters.

Finance

Financial and liquidity risks

VERBIO holds a liquidity reserve in the form of cash and available credit lines to ensure that its ability to meet its payment obligations and its financial flexibility are maintained at all times.

There are no currently identifiable financing risks. The significant short-term debt financing arrangements contain contractual financial ratios, known as loan covenants, which are to be complied with. These have been met without problems to date. In addition, contractual loan covenants are monitored on an ongoing basis.

Interest and exchange rate risks

VERBIO is exposed to a low level of risk associated with a possible change in interest rates and exchange rates and their effect on the Group's assets, receiva-

Corporate risk	Probability of occurrence	Risk quantification
Market and sales		
Sales side risks	Low	High
Biofuel Sustainability Regulation and the Federal Emissions Protection Act	Low	Medium
Procurement		
Risks of raw material purchasing	Low	Low
Environment		
Risks due to contaminated sites and other building, land and environmental risks	Very low	Low
Tax and commercial law		
Risks of non-compliance with ongoing tax obligations	Very low	Low
Risks from tax audits	Low	Low
Production and technology		
Production and technology risks	Very low	Very high
Finance		
Financial and liquidity risks	Very low	Medium
Interest and exchange rate risks	Very low	Medium
Risks from derivatives	Low	Medium
Credit and default risks	Very low	Medium
Risks from impairment of assets	Low	Low
Legal rules and regulations		
Regulatory risks	Medium	High
Risks from legal disputes	Low	Low
Other risks		
IT risks	Very low	Low

bles and payables. Interest and currency risks are managed with the help of a systematic risk management system and hedged through the use of derivatives and non-derivative financial instruments.

Risks from derivatives

The risks from derivatives depend on the risk structure of the individual derivatives. The derivatives used by the VERBIO Group belong to different risk groups and are used to hedge both raw material purchases and to hedge sales contracts, as well as to hedge interest rate and currency risks. For this purpose, hedging transactions are concluded and assigned to individual underlying transactions. There is exposure to the risk of inadequate hedging effectiveness with respect to the underlying transaction and in connection with certain price developments that additional payment obligations cannot be fulfilled in spite of available trading facilities.

The price change risks on the procurement and sales side in the Biodiesel and Bioethanol segments are hedged to the extent possible based on market estimates of the Management Board and within ranges defined by the Management Board by the use of effective and ineffective derivatives on the relevant exchanges, such as NYMEX, ICE and CBOT, as well as through OTC transactions. Through the use of derivative contracts, a production margin in the respective segment is fixed to the extent possible. Nevertheless, it cannot be excluded that in spite of the use of hedging instruments, undesirable market developments may lead to negative effects on results. The timing and chronological order in which the underlying transactions and the hedging transactions are entered into may also lead to deviations.

However, the Group-wide risk management procedures ensure that these risks are limited to acceptable levels.

Credit and default risks

Credit and default risks are primarily associated with a deterioration in the economic situation of suppliers, customers or other contracting parties of the Company. As a result there is a risk of partial or complete loss of contractually agreed payments or services and, additionally, the decrease in value of financial instruments due to a deterioration of creditworthiness. In order to minimise the risk of default the payment behaviour of debtors is monitored on a continuous basis, and additionally customer-specific credit insurance is obtained and internal creditworthiness assessments carried out. The risk management system ensures that these risks are kept to a minimum.

Risks from impairment of assets

The carrying amounts of individual non-current assets are subject to changes in market and business conditions and, accordingly, their values in use are subject to change. Individual impairment tests are performed in accordance with IAS 36 if there are indications of an impairment of property, plant and equipment.

In particular, when the assumptions underlying the planning prove to be inaccurate, it cannot be ruled out that future additional write-downs with profit or loss effect may be made against the carrying value of non-current assets up to their entire carrying amount, with an effect on VERBIO's net assets, financial position and results of operations. However, the additional financial effects of such a write-down are assessed to be minor.

Legal rules and regulations

Regulatory risks

VERBIO is subject to multiple political and regulatory framework conditions at the national, European and international levels, change in which can have direct effects on VERBIO's results of operations.

In addition, changes in political or economic environment, in particular in countries such as the USA, China, India, Brazil, Malaysia or Indonesia, could have a direct impact on VERBIO's activities.

Regulatory risks are countered by VERBIO through memberships in various industry associations, which represent the interests of the biofuel industry at the national and also at the European level. In addition, the regular, intensive and direct dialogue with political decision-making bodies and decision makers represents the core element of the political activities of VERBIO.

Currently there is no successor to the Renewable Energy Directive after 2020. On the other hand the Federal Emissions Protection Act has no time limit, and accordingly provides for a certain quantity of greenhouse gas reduction using a quota system at national level beyond 2020. However, it is currently not possible to foresee whether this will be amended again by unregulated objectives set at the European level. In addition, the lack of regulation at the European level could lead to a cessation of biofuel blending in some countries, and with it an excess supply with an associated fall in margins in Europe.

The calculation of new reference values for the life cycle greenhouse gas emissions of fuels determined in 2010 (the reference values for the calculation of GHG savings in subsequent years through to 2020) could, should higher reference values be determined, result in a lower demand for biofuels.

The EU directive 2015/652 permits the unlimited use of UERs to determine the life cycle greenhouse gas emission intensity of fuels. As a result there is a risk that measures taken to reduce GHG emissions during the process of extracting fossil fuels could be implemented at a lower commercial cost than using biofuels for blending purposes. Accordingly, UER measures could have the effect of partially displacing biofuels.

Risks from legal disputes
Currently there are no significant risks arising from legal disputes. VERBIO attempts to minimise these risks through the appropriate management of legal proceedings and adequate drafting of contracts in advance.

Other risks

IT risks
IT risks with an effect on business results can materialise when information is not available or is incorrect. The effect of a failure of IT applications used for the Company's operational and strategic management and its effect on the net assets, financial position and results of operations are considered to be low due to the relevant migration measures taken, a well-functioning continuity plan and the low likelihood of occurrence.

Opportunities

Opportunities from raw material purchasing
VERBIO follows a "multi-feedstock strategy" which means that it is possible to produce biodiesel and bioethanol using the most advantageous purchasing conditions available on agricultural markets. This can result in price advantages and therefore competitive advantages. VERBIO is in a position to convert its plants to use different raw materials at short notice.

Agricultural raw materials are traded internationally and are generally available in sufficient quantities at all times.

Sales side opportunities
A number of European countries are increasing the blending quota in 2017. As a result an increased demand for biofuels is expected not only in Germany but also in the Netherlands, France and Great Britain, in particular for biodiesel. It is currently not possible to assess how Great Britain's exit from the EU will affect the European biofuels market.

The ongoing excess supply of fossil fuels and the associated price pressure on fossil fuels lead to a significant price differential between fossil fuels and biofuels, supporting the value of fulfilling complementary quotas using biomethane.

Production and technology opportunities
VERBIO's production facilities are state of the art, and in almost all cases they have been conceived and built mainly with the Company's own processing know-how. Therefore, it is possible to optimise the production facilities or adjust them for different raw materials using the Company's own resources.

The production facilities are positioned well with respect to their energy balance. All plants and production processes are optimised further on an ongoing basis, which leads on the one hand to a significant reduction in energy usage, and on the other to higher or optimised yields.

Financial opportunities
VERBIO's stock exchange listing gives the Company access to the capital market, enabling it to generate financial resources to reduce indebtedness or to finance growth.

Overall assessment of the risks and opportunities by the Company's management

VERBIO consolidates and aggregates all risks reported by the Group's various divisions and functions in accordance with its risk management guidelines.

The result of the overall assessment of all of the risks described give no indication that current risks, considering the likelihood of their occurrence and their effects, could, either individually or in the aggregate, endanger the Company's ability to continue as a going concern. The cash reserves currently available are also a source of risk minimisation, as potential damage can be dealt with more easily.

The Company's management is convinced that the VERBIO's profitability forms a solid basis for its future business development and provides the necessary resources to pursue the opportunities offered to the Group and successfully confront the challenges from the mentioned risks in the 2016/2017 financial year.

Other reporting obligations

Internal control systems of the Company related to financial reporting

The objective of the financial reporting processes is to identify risks that could hinder the preparation of the annual financial statements, consolidated financial statements and the (Group) management report in a manner which is compliant with the relevant rules. By establishing appropriate controls, the internal control system should ensure that, despite the identified risks, the annual and consolidated financial statements are in compliance. The organisation of this system ensures that all subsidiaries are included in this process.

The Management Board takes the overall responsibility for the scope and direction of the internal control and risk management system, including for the financial reporting system.

The central organisation, the uniformity of the IT programmes used, in particular the planning and consolidation tools and the business intelligence overview implemented in the financial year just ended, the clear assignment of responsibilities within the accounting, controlling, and the Group's financing functions, and the use of appropriate controls should ensure and facilitate the risk management, control and that the financial reporting system is in compliance. Also, all tasks associated with the consolidated financial statements such as consolidation measures, reconciliation of intercompany balances, reporting requirements etc. are clearly assigned, and the processes are defined in the internal control and risk management system.

The extent and effectiveness of the internal control and early warning system for risks with respect to financial reporting are evaluated in connection with the annual process of preparing the annual financial statements. The internal monitoring is carried out by the Group controlling department which reports directly to the Management Board.

Statement on corporate governance

The Corporate Governance Statement of VERBIO in accordance with § 289a HGB is published on the investor relations section of the VERBIO Vereinigte BioEnergie AG website (www.verbio.de).

In addition to providing a description of the Management Board and Supervisory Board's working methods, the statement includes the corporate governance report, the declaration of conformity according to § 161 AktG and relevant disclosures regarding significant corporate governance practices.

Report on relationships with affiliated companies

The Management Board of VERBIO Vereinigte BioEnergie AG is required to prepare a report on its relationships with affiliated companies according to § 312 AktG. VERBIO and its subsidiaries, as dependent companies, have prepared such a dependence report. Under the circumstances known to the Management Board at the time of undertaking the transactions, VERBIO and its subsidiaries received appropriate consideration for every transaction listed in the dependence report on transactions with related parties. No measures were undertaken or omitted in the interests of or at the instigation of the controlling company or of one of its affiliated companies.

Disclosures required under the Takeover Law in accordance with § 315 (4) HGB

The following information relates to the corporate legal structure and other legal relationships. It should allow a better overview of the Company and any obstacles to a takeover.

The share capital of VERBIO Vereinigte BioEnergie AG is unchanged and consists of 63,000,000 no-par bearer shares. Each share grants the holder the same rights and grants one vote in the general shareholders' meeting.

Restrictions on voting rights of shares could result from regulations of the German Stock Companies Act. Thus, under certain circumstances shareholders are subject to a voting prohibition (§ 136 AktG). Furthermore, the Company has no voting rights on its treasury shares (§ 71b AktG). By entering into a pooling contract, the old/founder shareholders have entered into a voting trust agreement. There are no further restrictions of voting rights or share transfer restrictions. Special rights or control authority are not connected to the pooling relationship. The pooling contract extends automatically in each case by six months, if it is not cancelled prior to three months before the conclusion of its term.

Claus Sauter and Bernd Sauter, both members of the Management Board, as well as the Supervisory Board member Dr.-Ing. Georg Pollert, have direct holdings in VERBIO in excess of 10 percent. They hold directly, or via affiliated companies controlled by them, a total of 55.39 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 68.50 percent; the voting trust agreement represents 68.50 percent.

The provisions regarding the appointment and withdrawal of members of the Management Board as well as the change to the articles of association are in accordance with the statutory requirements (§ 84, § 95, § 179 AktG) in conjunction with § 6, § 13 and § 18 of the articles of association.

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 29, 2015 the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 31.5 million in exchange for cash or non-cash contributions on one or more occasions until January 28, 2020 (authorised capital). The general shareholders' meeting on January 24, 2014 authorised the Management Board until January 23, 2019 to purchase treasury shares up to 10 percent of the capital shares at that time, in one or several purchases. The authorisation is not to be used for the purpose of trading in treasury shares. The powers of the Management Board to issue or repurchase shares are comprehensively described and governed in the authorisation resolved by the general shareholders' meeting.

In the event of an early termination of the Management Board activity resulting from a change in control the Management Board member has a one-off special right of termination, and, on exercising this right, a claim for a termination payment that is calculated by capitalisation of the expected total remuneration for the remaining contract term; however, this amount may not exceed the amount of three years' remuneration consisting of the fixed and variable contractual components. The Company does not have any compensation agreements with employees.

Zörbig, September 19, 2016

Claus Sauter
Vorstandsvorsitzender

Dr. Oliver Lüdtke
Stellvertretender Vorstandsvorsitzender

Theodor Niesmann
Vorstand

Bernd Sauter
Vorstand

Consolidated financial statements (IFRS)

Theodor Niesmann
Management Board,
Biodiesel, Plant Engineering
and Human Relations

Consolidated cash flow statement

for the period July 1, 2015 to June 30, 2016

EUR (thousands)		01.07.2015 – 30.06.2016	01.07.2014 – 30.06.2015	Notes
1.	Revenue (including energy taxes collected)	658,786	629,173	
	less: energy taxes	–4,457	–10,681	
	Revenue	**654,329**	**618,492**	3.13/5.1
2.	Change in unfinished and finished goods	3,212	–1,760	
3.	Own work capitalised	338	344	5.2
4.	Other operating income	12,687	8,940	3.13/5.3
5.	Cost of materials	–541,534	–527,312	5.4
6.	Personnel expenses	–26,480	–25,050	5.5
7.	Depreciation and amortisation	–21,057	–22,207	3.2/3.3/3.4/5.6
8.	Other operating expenses	–31,062	–24,865	5.7
9.	Result from commodity forward contracts	1,606	1,906	5.8
10.	**Operating result**	**52,039**	**28,488**	
11.	Interest income	39	671	5.9
12.	Interest expense	–1,437	–4,449	5.9
13.	**Financial result**	**–1,398**	**–3,778**	3.14/5.9
14.	**Result before tax**	**50,641**	**24,710**	
15.	Income tax expense	–1,695	2,149	3.15/5.10
16.	**Net result for the period**	**48,946**	**26,859**	
	Result attributable to shareholders of the parent company	48,746	26,780	
	Result attributable to non-controlling interests	200	79	6.3.7
Income and expenses recognised directly in equity:				
	Items which will subsequently be reclassified to profit and loss:			
	Translation of foreign operations	–81	–3	
	Fair value measurement on cash flow hedges	3,037	–1,296	9.3
	Deferred taxes recognised directly in equity	–941	560	
17.	**Items which will subsequently be reclassified to profit and loss:**	**2,015**	**–739**	
18.	**Translation of foreign operations**	**50,961**	**26,120**	
	Fair value measurement on cash flow hedges	50,761	26,041	
	Deferred taxes recognised directly in equity	200	79	6.3.7
Earnings per share in euros (basic and diluted)		0.77	0.43	3.16/6.3.6

Consolidated balance sheet

at June 30, 2016

EUR (thousands)	30.06.2016	30.06.2015	Notes
Assets			
A. Non-current assets			
I. Other intangible assets	238	148	3.2/3.4/6.1.1
II. Property, plant and equipment	167,947	180,044	3.3/3.4/6.1.2
III. Financial assets	56	57	3.7/9.2
IV. Deferred taxes	8,497	4,472	3.5/5.10
Total non-current assets	**176,738**	**184,721**	
B. Current assets			
I. Inventories	26,277	22,190	3.6/6.2.1
II. Trade receivables	31,574	41,429	3.7/6.2.2/9.2
III. Derivatives	331	2,062	3.8/6.2.3/9.3
IV. Other current financial assets	718	8,878	3.7/6.2.4/9.2
V. Tax refunds	19	1,153	3.5/6.2.5
VI. Other assets	9,873	9,253	3.7/6.2.6
VII. Cash and cash equivalents	77,483	26,657	3.9/6.2.7/9.2
Total current assets	**146,275**	**111,622**	
Balance sheet total	**323,013**	**296,343**	

EUR (thousands)	30.06.2016	30.06.2015	Notes
Equity and liabilities			
A. Equity			
I. Share capital	63,000	63,000	6.3.1
II. Additional paid-in capital	487,680	487,680	6.3.2
III. Other reserves	−183	−2,279	6.3.3
IV. Retained earnings	−296,815	−339,261	6.3.5
V. Reserve for translation adjustments	−90	−9	6.3.4
Total equity owners of the parent company	**253,592**	**209,131**	
VI. Non-controlling interests	733	533	
Total equity	**254,325**	**209,664**	
B. Non-current liabilities			
I. Bank loans and other loans	1,531	11,554	3.12/6.4.1/9.2
II. Provisions	153	152	3.11/6.4.2
III. Deferred investment grants and subsidies	7,550	9,012	3.10/6.4.3
IV. Other non-current financial liabilities	3,333	3,588	3.12/6.4.4/9.2
V. Deferred taxes	347	337	3.5/5.10
Total non-current liabilities	**12,914**	**24,643**	
C. Current liabilities			
I. Bank loans and other loans	10,352	7,283	3.12/6.5.1/9.2
II. Trade payables	27,543	31,250	3.12/6.5.2/9.2
III. Derivatives	597	5,346	3.8/6.5.3/9.3
IV. Other current financial liabilities	7,504	6,170	3.12/6.5.4/9.2
V. Tax liabilities	6,225	3,899	3.5/3.14/6.5.5
VI. Provisions	389	1,745	3.11/6.5.6
VII. Deferred investment grants and subsidies	1,012	1,025	3.10/6.4.3
VIII. Other current liabilities	2,152	5,318	3.12/6.5.7
Total current liabilities	**55.774**	**62,036**	
Balance sheet total	**323,013**	**296,343**	

Consolidated cash flow statement

for the period from July 1, 2015 to June 30, 2016

EUR (thousands)	01.07.2015 – 30.06.2016	01.07.2014 – 30.06.2015	Notes
Net result for the period	**48,946**	**26,859**	
Income taxes	1,695	–2,149	5.10
Interest result	1,398	3,778	5.9
Depreciation and amortisation	21,057	22,207	5.6/6.1.1/6.1.2
Non-cash expenses	421	1,452	6.1.1/6.1.2
Gains on disposal of property, plant and equipment and disposal of investment grants	350	–604	
Release of deferred investment grants and subsidies	–1,021	–1,133	6.4.3
Non-cash changes in derivative financial instruments	19	–1,442	9.3
Increase (prior year period: decrease) in inventories	–1,451	8,041	6.2.1
Decrease (prior year period: increase) in trade receivables	9,855	–7,577	6.2.2
Decrease (prior year period: increase) in other assets and other current financial assets	6,055	–2,969	6.2.4/6.2.5/6.2.6
Change in provisions	–1,410	–387	6.4.2/6.5.6
Decrease (prior year period: increase) in trade payables	–3,536	881	6.5.2
Decrease (prior year period: increase) in other financial and non-financial liabilities	–2,104	4,002	6.4.4/6.5.4/ 6.5.5/6.5.7
Interest paid	–1,262	–4,454	
Interest received	505	134	
Income taxes paid	–3,231	–27	
Cash flows from operating activities	**76,286**	**46,612**	
Proceeds from investment grants	473	652	
Acquisition of intangible assets	–196	–133	
Acquisition of property, plant and equipment	–12,952	–13,518	
Proceeds from disposal of property, plant and equipment	498	2,314	
Payments (prior year period: proceeds) from additions/disposals of non-current financial assets	1	–4	
Cash flows from investing activities	**–12,176**	**–10,689**	

EUR (thousands)	01.07.2015 – 30.06.2016	01.07.2014 – 30.06.2015	Notes
Payment of dividends	–6,300	0	
Payments for the redemption of financial liabilities	–9,629	–51,892	
Proceeds from the assumption of financial liabilities	2,675	18,341	
Cash flows from financing activities	**–13,254**	**–33,551**	
Cash-effective change in cash funds	50,856	2,372	
Change in cash funds due to effects of exchange rates	–30	–3	
Cash funds at beginning of year	26,657	24,288	
Cash funds at end of year	**77,483**	**26,657**	7.
Cash funds at year end comprise the following:			
Restricted cash and cash equivalents	0	100	
Cash and cash equivalents	77,483	26,557	
Cash funds at end of year	**77,483**	**26,657**	

Consolidated statement of changes in equity

for the period from July 1, 2015 to June 30, 2016

EUR (thousands)	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Reserve for translation adjustments	Total equity owners of the parents company	Non-controlling interests	Total equity
July 1, 2014	**63,000**	**487,680**	**–1,543**	**–366,041**	**–6**	**183,090**	**454**	**183,544**
Translation adjustments	0	0	0	0	–3	–3	0	–3
Fair value changes on cash flow hedges (after tax)	0	0	–736	0	0	–736	0	–736
Income and expenses recognised directly in equity	**0**	**0**	**–736**	**0**	**–3**	**–739**	**0**	**–739**
Net result for the period	0	0	0	26,780	0	26,780	79	26,859
Comprehensive result for the period	**0**	**0**	**–736**	**26,780**	**–3**	**26,041**	**79**	**26,120**
June 30, 2015	**63,000**	**487,680**	**–2,279**	**–339,261**	**–9**	**209,131**	**533**	**209,664**
July 1, 2015	**63,000**	**487,680**	**–2,279**	**–339,261**	**–9**	**209,131**	**533**	**209,664**
Translation adjustments					–81	–81		–81
Fair value changes on cash flow hedges (after tax)	0	0	2,096	0	0	2,096	0	2,096
Income and expenses recognised directly in equity	**0**	**0**	**2,096**	**0**	**–81**	**2,015**	**0**	**2,015**
Net result for the period	0	0	0	48,746	0	48,746	200	48,946
Comprehensive result for the period	**0**	**0**	**2,096**	**48,746**	**–81**	**50,761**	**200**	**50,961**
Dividend payments	0	0	0	–6,300	0	–6,300	0	–6,300
June 30, 2016	**63,000**	**487,680**	**–183**	**–296,815**	**–90**	**253,592**	**733**	**254,325**

Bernd Sauter
Management Board,
Procurement and Logistics

Notes to the consolidated financial statements

for the financial year from July 1, 2015 to June 30, 2016

1 Information about the Company

VERBIO Vereinigte BioEnergie AG (hereinafter also "VERBIO AG" or "the Company") is a publicly held stock company. The VERBIO Group (hereinafter also "VERBIO" or "the VERBIO Group"), consisting of VERBIO AG (the parent) and its consolidated subsidiaries (see Chapter 2.2, "Entities included in the consolidation"), operates in the field of the production and distribution of fuels and finished products manufactured using organic raw materials.

VERBIO AG is registered in the commercial register of the district court in Stendal under the number HRB 6435. The Company's registered office is at 06780 Zörbig, Thura Mark 18. The Company maintains business facilities at 04109 Leipzig, Ritterstraße 23 (Oelßner's Hof). The consolidated financial statements are available at the Company's registered office and at its business facilities, and are published in the German Federal Gazette (Bundesanzeiger) on the Company's website (www.verbio.de).

2 Consolidated financial statements

2.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS/IAS), as well as with the Interpretations of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC), as adopted with mandatory effect in the European Union (EU) as of the balance sheet date. The consolidated financial statements are presented in euro (EUR). Unless otherwise stated, all amounts are presented in thousands of euros (EUR thousand). Figures have been rounded in accordance with commercial practice; rounding differences may occur.

In accordance with IAS 1, the statement of comprehensive income has been prepared using the total cost method; the balance sheet is presented based on maturities. In order to improve the clarity of the presentation certain items in the statement of comprehensive income and in the balance sheet have been combined; these are explained in the notes.

The consolidated financial statements were prepared on the basis of historical acquisition and manufacturing/construction costs or net realisable value, where appropriate, with the exception of derivative financial instruments which are measured at fair value.

The consolidated financial statements have been prepared under the assumption that the business is a going concern.

2.2 Konsolidierungskreis

In addition to VERBIO AG, the parent, the following companies are included in the consolidated financial statements and represent the parent company's shareholdings at June 30, 2016:

Name of company	Location	Share of capital	Consolidation status
VERBIO Diesel Bitterfeld GmbH & Co. KG (VDB)	Bitterfeld-Wolfen / OT Greppin	100,00%	Fully consolidated
VERBIO Diesel Bitterfeld Verwaltung GmbH	Bitterfeld-Wolfen / OT Greppin	100,00%	Fully consolidated
VERBIO Diesel Schwedt GmbH & Co. KG (VDS)	Schwedt/Oder	100,00%	Fully consolidated
VERBIO Diesel Schwedt Verwaltung GmbH	Schwedt/Oder	100,00%	Fully consolidated
VERBIO Ethanol Zörbig GmbH & Co. KG (VEZ)	Zörbig	100,00%	Fully consolidated
VERBIO Ethanol Zörbig Verwaltung GmbH	Zörbig	100,00%	Fully consolidated
VERBIO Ethanol Schwedt GmbH & Co. KG (VES)	Schwedt/Oder	100,00%	Fully consolidated
VERBIO Ethanol Schwedt Verwaltung GmbH	Schwedt/Oder	100,00%	Fully consolidated
VERBIO STS AG (STS) ****	St. Gallen/Switzerland	100,00%	Fully consolidated
VERBIO Cert GmbH	Zörbig	100,00%	Fully consolidated
Lüneburger Lager- und Agrarhandelsgesellschaft mbH*	Lüneburg	94,67%	Fully consolidated
Verbio Agrar GmbH	Zörbig	89,35%	Fully consolidated
Verbio Logistik GmbH**	Zörbig	89,35%	Fully consolidated
VERBIO Polska Sp. z o.o.	Stettin/Poland	100,00%	Fully consolidated
Getreide- und Agrarhandel Halle GmbH**	Halle	89,35%	Fully consolidated
Wriezener Kraftfutter GmbH**	Wriezen	67,10%	Fully consolidated
VERBIO Gas Pápa Kft.****	Pápa/Hungary	100,00%	Fully consolidated
VERBIO Gaz Polska Sp. z o.o.	Stettin/Poland	100,00%	Fully consolidated
VERBIO Hungary Trading Kft.	Budapest/Hungary	100,00%	Fully consolidated
VERBIO Gáz Tisza-tó Kft.***/****	Budapest/Hungary	100,00%	Fully consolidated

* 44,67 % held directly by VERBIO Agrar GmbH.
** indirectly held by VERBIO Agrar GmbH. Group's percentage holding.
*** indirectly held by VERBIO Hungary Trading Kft., Budapest, Hungary
**** in liquidation

Märka GmbH, which was part of the consolidated Group at June 30, 2016, was renamed in the reporting period as VERBIO Agrar GmbH. Trans Märka GmbH and VERBIO Gas Seitschen GmbH were renamed in the reporting period as VERBIO Logistik GmbH and VERBIO Cert GmbH respectively.

VERBIO Cert GmbH, Getreide- und Agrarhandel Halle GmbH, Wriezener Kraftfutter GmbH, VERBIO Gaz Polska Sp. z o.o. and VERBIO Hungary Trading Kft. are dormant companies. These are either held as off-the-shelf companies or are companies which have ceased their business activities. VERBIO Gas Pápa Kft., VERBIO Gáz Tisza-tó Kft. and VERBIO STS AG are currently being dissolved. All companies included in the consolidated financial statements are hereinafter referred to as "VERBIO" or "the VERBIO Group".

2.3 Consolidation principles

The financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements are prepared applying uniform accounting and measurement policies. The capital consolidation is performed using the acquisition method, under which the acquisition costs at the time of purchase of the investment are compared to the fair value of the (proportionally) acquired assets, liabilities and contingent liabilities. Expenses and income, as well as receivables and payables between consolidated entities, are eliminated. Intercompany results are eliminated. Deferred taxes are determined in accordance with the balance-sheet oriented approach in accordance with IAS 12.

2.4 Foreign currency translation

The consolidated financial statements are prepared in euro, since the major portion of the Group transactions are realised in this currency and it represents the functional currency of VERBIO AG.

Transactions denominated in a currency other than the euro are translated into the functional currency of the entity at the spot rate applicable on the date of initial recognition. Monetary assets and liabilities denominated in currencies other than the euro are remeasured into the functional currency of the Company at each balance sheet date at the spot rate prevailing on the reporting date. All differences arising from the translation of monetary items are recognised in profit or loss.

The assets and liabilities of companies with a functional currency other than the euro are translated into euros at the balance sheet rate on consolidation. Equity transactions are converted at the historical exchange rate at the date of the transaction. Income and expenses are converted at average rates for the period. Income and expenses resulting from translation differences arising on consolidation are recognised directly in equity in the reserve for translation adjustments.

3 Summary of accounting policies

3.1 Changes in accounting policies

The accounting policies applied are, in principle, consistent with those applied in the previous year.

The following new and amended standards were required to be applied by the Group for the first time with effect from July 1, 2015:

- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”
- Improvements to IFRSs 2011-2013 cycle
- Improvements to IFRSs 2010-2012 cycle (with the exception of amendments to IFRS 2 and IFRS 3 applied with effect from July 1, 2014)

The new standards and interpretations and amendments did not have a significant effect on VERBIO.

3.2 Intangible assets

Other intangible assets purchased by the VERBIO Group are measured at acquisition costs less accumulated scheduled amortisation and any accumulated impairment losses.

Scheduled amortisation is recorded in the income statement under the heading “Depreciation and amortisation” on a straight-line basis and over expected useful lives. The expected useful lives for other intangible assets range from three to five years.

3.3 Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated scheduled depreciation and, where applicable, accumulated impairment losses. Assets generated internally include all costs directly attributable to the construction process, as well as an appropriate portion of production-related overheads. Production-related overheads include manufacturing-related depreciation and an appropriate portion of directly attributable administrative expenses. In addition, the acquisition or construction costs include the present value of the expected cost for the decommissioning of an asset after its use if the recognition criteria for a provision are met.

In accordance with IAS 23, borrowing costs have not been included in determining acquisition and construction costs as there were no borrowing costs which were directly attributable to the production of a qualifying asset.

Scheduled depreciation is recorded in the income statement on a straight-line basis and over expected useful lives. The expected useful lives were as follows:

Useful lives of property, plant and equipment	
Buildings	33 to 50 years
Technical equipment and machinery	8 to 18 years
Office furniture and equipment	3 to 12 years

3.4 Impairment of non-current assets

Non-current intangible assets, as well as property, plant and equipment, are tested for impairment if there are indications that the assets may be impaired, such as significant deviations from business planning.

An impairment loss is recorded if the carrying value of an asset or cash-generating unit is higher than the recoverable amount at the balance sheet date. The recoverable amount for this purpose is the higher of the fair value less costs to sell and the value in use, whereby the value in use represents the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

If there are indications that impairment write-downs of assets recognised in prior periods are no longer required or the impairment has decreased in amount, an appropriate write-up is recognised.

3.5 Taxes

Current tax receivables and payables for the current period are measured at the amount in which a refund from the tax authority is expected or a payment to the tax authority is expected. The calculation of the amount is based on the tax rates and tax law that are in effect at the balance sheet date.

Deferred taxes are determined on the basis of the balance sheet orientated liability method. Under this method, deferred taxes are calculated on temporary differences which arise between the IFRS carrying values of assets and liabilities and their tax values. In addition, deferred tax assets are recognised on tax losses carried forward. No deferred taxes are recorded for goodwill arising from business combinations in accordance with IAS 12. Deferred taxes are measured at the tax rate that is applicable at the time the temporary differences are expected to reverse and the tax losses are expected to be used, respectively. For this purpose, the tax rates used are those in effect or announced at the balance sheet date.

Deferred tax assets are only recorded to the extent that offsetting deferred tax liabilities are available or it is probable that future taxable income will be available against which the deferred tax asset can be offset.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to taxes of the same taxable entity with the same taxation authority.

3.6 Inventories

Inventories are measured at the lower of acquisition or production costs and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In the case of impairment of inventories, a write-down to the net realisable value is made, and the lower net realisable value is recorded.

Acquisition costs represent the purchase price, less purchase price deductions, plus costs incurred in order to bring the inventories to their present location and condition. Acquisition costs are determined by the weighted average method. Production costs comprise direct costs of materials and direct production costs, as well as overheads that are incurred in order to bring the inventories to their present location and condition. Idle capacity costs are eliminated in determining production costs. In the event that co-products arise from one production process, the allocation of the production costs to the individual products is carried out according to an allocation formula based on the relationship between the sales prices of the respective end products.

3.7 Financial assets and other assets

Subsequent to their initial recognition, financial assets and other assets are carried at amortised acquisition cost, less any respective valuation allowances. Allowances are recognised on individual balances or for groups of receivables with comparable default risk profiles. Where there is concrete information that indicates that a balance is non-collectable, a write-off of the related receivables and assets is made.

3.8 Derivatives

The VERBIO Group uses derivative financial instruments such as raw material forward contracts, interest rate swaps and currency forward exchange contracts to hedge against raw material price risks, interest rate risks and currency risks. These derivative financial instruments are recognised at fair value at the time a contract is entered into and are remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their fair value is positive and as financial liabilities if their fair value is negative.

We have provided detailed explanations on the derivatives, in particular on the accounting principles applied, in Section 9, “Disclosures on financial instruments”.

VERBIO has forward fixed-price supply contracts for the purchase of raw materials for use in production which meet the definition of derivatives (IAS 39.9) and are accounted for in accordance with the “own use exemption” (IAS 39.5 f.). These contracts are not within the scope of IAS 39, but rather are handled as non-executory contracts.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash holdings and cash at banks, and are measured at nominal value. Included in cash and cash equivalents are cash holdings and cash at banks which have an original term of three months or less. Currency balances which are restricted as collateral for utilised guaranteed credit lines and for bank loans granted are also shown under cash and cash equivalents.

3.10 Investment grants and subsidies

In accordance with the accounting option available under IAS 20, investment grants and subsidies are recognised on the liability side of the balance sheet and are released to income over the average useful lives of the assets for which the grants and subsidies have been received. Subsidies are recognised in the balance sheet if there is reasonable assurance that the relevant group company will fulfil the conditions related to the granting of the subsidy, and that the subsidies will be granted.

3.11 Provisions

Provisions are recognised if there is a present obligation to a third party resulting from a past event which is expected to result in a future outflow from the entity of economic resources and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the amount required to fulfil the obligation. Provisions for obligations that will not yet result in an outflow of resources in the following year are recognised as of the balance sheet date at the discounted settlement amount, taking into account expected cost increases. The settlement amount is discounted using market rates of interest, for liabilities carrying equivalent risk. An interest rate of 0,76 percent was applied for purposes of discounting in the financial year 2015/2016 (2014/2015: 1.31 percent).

3.12 Financial liabilities and other liabilities

Financial liabilities in the sense of IAS 39 are initially recognised at fair value.

The financial liabilities of the VERBIO Group comprise trade payables and other liabilities, overdrafts, loans and derivative financial instruments.

With the exception of derivative financial assets, subsequent to initial recognition financial liabilities are carried at amortised acquisition cost. Further information on derivative financial instruments is provided in Section 3.9. The amortised acquisition cost of non-current liabilities is determined using the effective interest rate method.

3.13 Revenue and other operating income

Revenue from the sale of VERBIO Group products and other operating income is recognised at the time of the rendering of the respective performance, provided the amount of income can be measured reliably and it is probable that the economic benefits will flow to the entity. Revenue is reduced by rebates and discounts.

For sales to customers of Group manufactured products and merchandise the performance is rendered when the significant risks and rewards of ownership of the manufactured products and merchandise are transferred to the customer.

3.14 Financial result

Interest income and interest expense are recorded in the appropriate period in accordance with the effective interest method. In addition to interest income and interest expenses, the financial result also includes impairment losses and gains on the disposal of non-current financial assets.

3.15 Income taxes

Income taxes on the result for the period include current and deferred income taxes. Current taxes are determined in accordance with the respective legal requirements. Deferred taxes are determined in accordance with the explanations provided in Section 3.6, “Taxes”.

3.16 Earnings per share

Earnings per share was calculated in accordance with IAS 33. The earnings per share is calculated by dividing the earnings for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding.

3.17 Issued standards that are not yet required to be applied

As of the date of publication of the consolidated financial statements, additional IFRS and IFRICs have been issued by the IASB, some of which have not yet been endorsed by the EU and are not required to be adopted until a date subsequent to the balance sheet date. We present below only those standards which can reasonably be expected to be applicable to VERBIO. VERBIO intends to apply these standards when their application becomes mandatory. Unless otherwise stated, the application of these standards is mandatory for financial years commencing on or after January 1, 2016.

- Amendments to IAS 1 “Notes Disclosures”
- Amendments to IAS 7 “Statement of Cash Flows” as part of the disclosure initiative (not endorsed, January 1, 2017)
- Amendments to IAS 12 “Income Taxes” clarifications on recognising deferred tax assets on unrealised losses (not endorsed, January 1, 2017)
- Amendments to IAS 16 and IAS 38: “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to IAS 16 and IAS 41: “Agriculture: Bearer Plants”
- IFRS 9 “Financial instruments” – Classification and Measurement (not endorsed, January 1 2018)
- Amendments to IFRS 2 “Share-based Payment” (not endorsed, January 1, 2018)
- Amendments to IFRS 11: “Accounting for Acquisitions of Interests in Joint Operations”
- Amendments to IFRS 15 “Revenue from Contracts with Customers” (not endorsed, January 1, 2018)
- IFRS 16 “Leases” (not endorsed, January 1, 2019)
- “Improvements to IFRS 2012–2014 cycle”

With the exception of IFRS 16, we do not expect the presentation of the consolidated financial statements to be significantly affected by the initial application of the above changes. However, the changes may result in amendments to the scope of disclosures. The effects on the Group of the implementation of IFRS 16 have not yet been determined.

4 Significant judgemental decisions, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the use of judgement and assumptions and the making of estimates. These affect the carrying amounts of assets and liabilities, the disclosure of contingent liabilities and commitments as of the balance sheet date, and the presentation of expenses and income.

Estimates and assumptions

The most important assumptions made concerning future events as well as other main sources of estimation uncertainty as of the balance sheet date, on the basis of which there is a considerable risk that a significant adjustment of the carrying amounts of assets and liabilities will be required in the next financial year, are explained below.

Inventories

Impairment write downs of EUR 3,130 thousand have been made against the calculated manufacturing cost of finished goods to reduce their carrying values to their estimated net realisable amount. Estimates and assumptions were made, in particular when determining the amount of expected revenue from accepting the quota obligation for the use of biomethane fuel. In turn, this affects the valuation of inventories of biomethane and biomethane quantities (June 30, 2016: EUR 6,468 thousand). The net proceeds received in the previous year were used as a basis for the valuation at June 30, 2016. Due to the fact that contracts for the quotas for the 2016 calendar year will first be entered into up until nine months after the balance sheet date, and the fact that the prices have proved to be very volatile, actual future revenue received in the future may differ from the amounts estimated.

Taxes

The assumptions and estimates made relate to the realisation of future tax relief. The amount of recognised deferred taxes on deductible tax losses carried forward is based on estimates which are highly dependent on future levels of income. The estimates made may therefore differ from the actual amounts which will be realised in later periods. Changes in the required assumptions and estimates are reflected in income at the time they become known. The estimates are based on circumstances existing at the time of the preparation of the consolidated financial statements and the future development of the industry-specific environment as it affects the future business development of the VERBIO Group.

Deferred tax assets on deductible temporary differences and tax losses carried forward are only recognised to the extent that deferred tax liabilities are available against which they can be offset, or it is probable that future taxable income will be available which can be applied to realise the deferred tax assets.

5 Notes to the individual items in the consolidated statement of comprehensive income

5.1 Revenues

We refer to the segment reporting (see Section 8, “Segment reporting”) for an explanation of revenues (including the deduction of energy taxes).

5.2 Own work capitalised

Production costs of own work capitalised in the financial year amounted to EUR 338 thousand (2014/2015: EUR 344 thousand) and represent the production costs of technical plant and equipment manufactured internally. We have provided explanations of the nature of these costs in Section 3.3, “Property, plant and equipment”.

5.3 Other operating income

Other operating income comprises the following items:

EUR (thousands)	2015/2016	2014/2015
Reimbursement of electricity and energy taxes	3,568	2,093
Release of investment grants and subsidies	3,076	1,804
Gains on the disposal of property, plant and equipment	255	848
Other out-of-period income	892	768
Release of provisions and other liabilities	1,483	483
Realized exchange gains	783	611
Miscellaneous other operating income	2,630	2,333
Other operating income	**12,687**	**8,940**

5.4 Cost of materials

The cost of materials was as follows:

EUR (thousands)	2015/2016	2014/2015
Raw material and merchandise biodiesel	357,059	322,014
Raw material and merachandise bioethanol and biomethane	125,088	142,431
Additives	17,491	19,863
Use of provision for pending loss contracts	−377	−827
Addition to provision for pending loss contracts	101	377
Other	6,856	6,679
Total raw material, consumables and supplies and purchased goods	**506,218**	**485,311**
Energy costs	21,728	24,815
Expenses of wind power	11	20
Miscellaneous	13,577	11,940
Expenses for purchased services	**35,316**	**42,001**
Total cost of materials	**541,534**	**527,312**

Fuel costs have been shown within raw materials, consumables and supplies in the financial year 2015/2016. These costs were originally presented under other expenses in the previous year. Figures for the previous year have been adjusted for comparison purposes.

5.5 Personnel expenses

EUR (thousands)	2015/2016	2014/2015
Wages and salaries	17,875	17,617
On-off remuneration	5,008	4,025
Wages and salaries	**22,883**	**21,642**
Statutory social security	3,009	2,912
Employee's accident insurance association	228	196
Pension expense	360	300
Total social security expenses	**3,597**	**3,408**
Total personnel expenses	**26,480**	**25,050**

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 1,414 thousand (2014/2015: EUR 1,435 thousand). In addition, Group companies have made contributions of EUR 360 thousand (2014/2015: EUR 300 thousand) to a defined contribution scheme, including pension fund contributions, among others.

As of June 30, 2016 the Group employed 488 employees (June 30, 2015: 491), of whom 200 were salaried employees (June 30, 2015: 204), 275 were non-salaried employees (June 30, 2015: 275) and 12 were trainees and apprentices (June 30, 2015: 12), with one employee on short working hours.

In the financial year 2015/2016 the Group had an average of 484 employees (2014/2015: 498), of whom 199 were salaried employees (2014/2015: 204), 270 were non-salaried employees (2014/2015: 277) 14 trainees and apprentices (2014/2015: 17) and one part time "mini-job" employee.

5.6 Depreciation and amortisation

We provide further information on depreciation and amortisation in Section 3.4, "Property, plant and equipment", Section 3.5, "Impairment of non-current assets", Section 6.1.1, "Goodwill and other intangible assets" and Section 6.1.2, "Property, plant and equipment".

5.7 Other operating expenses

EUR (thousands)	2015/2016	2014/2015
Repairs and maintenance	9,747	6,249
Outgoing freight and other selling expenses	7,625	5,554
Motor vehicle costs	2,489	2,682
Insurances and dues	1,498	1,649
Miscellaneous other operating expenses	9,703	8,731
Other operating expenses	**31,062**	**24,865**

5.8 Result from commodity forward contracts

The result from the valuation and from closing forward contracts which do not qualify for hedge accounting totalled EUR 1,606 thousand (2014/2015:EUR 1,906 thousand).

5.9 Financial result

EUR (thousands)	2015/2016	2014/2015
Interest income	39	671
Interest expense	–1,437	–4,449
Financial result	**–1,398**	**–3,778**

Further information on the composition of interest income and interest expense is provided in Section 9.4, “Other disclosures required by IFRS 7”, together with other disclosures about financial instruments.

5.10 Income tax expense

The income tax expense comprises the following:

EUR (thousands)	2015/2016	2014/2015
Current tax expense	–6,644	–1,336
Deferred tax income (previous year: deferred tax expense)	4,949	3,485
Income tax expense	**–1,695**	**2,149**

Income tax expenses includes current tax expenses of EUR 476 thousand (2014/2015: EUR 1,294 thousand) which relates to earlier periods. In addition, current tax expenses for the financial year 2015/2016 were reduced by EUR 4,726 thousand (2014/2015: EUR 3,643 thousand) due to the use of previously unrecognised tax losses brought forward. Deferred taxes include income of EUR 8,486 thousand which resulted from the recognition of deferred tax assets on losses carried forward, as it is probable that taxable income will be available to enable these deferred tax assets to be realised. On the other hand, deferred taxes include out of period income of EUR 75 thousand (2014/2015: out of period expenses of EUR 39 thousand).

For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2014/2015: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2014/2015: 5.5 percent) plus (for the parent company) a trade tax rate of 15.32 percent (2014/2015: 15.17 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate is 31.15 percent (2014/2015: 31.0 percent). The trade tax relevant for domestic companies ranged from 11.20 percent to 15.32 percent (2014/2015: 11.20 percent to 15.17 percent), the applicable rate being dependent upon the location of the respective Group entity.

The material differences between the expected and effective income tax expense for the reporting period and for the comparative period are explained below:

EUR (thousands)	2015/2016	2014/2015
Result before taxes	50,641	24,710
Income tax rate	31.15%	31.0%
Expected income tax	**–15,775**	**–7,660**

The difference between the effective and expected income tax expense was due to the following effects:

EUR (thousands)	2015/2016	2014/2015
Change in unrecognised deferred taxes	13,322	7,495
Non-deductible expenses and permanent effects	856	540
Difference in tax rates	660	343
Effects relating to prior periods	–400	1,255
Other differences	–358	176
Reported income tax expense	**–1,695**	**2,149**

The deferred tax assets and liabilities in the consolidated balance sheet result from tax losses carried forward, and from temporary differences between the carrying values reported in the IFRS consolidated financial statements and the tax carrying values of the following assets and liabilities as follows:

EUR (thousands)	Deferred tax assets		Deferred tax liabilities		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Property, plant and equipment	2,653	2,337	1,955	2,392	698	–55
Inventories	0	101	104	19	–104	82
Receivables	0	0	54	113	–54	–113
Derivatives	83	1,656	0	639	83	1,017
Investment subsidies (investment grants)	19	65	1,431	1,852	–1,412	–1,787
Other provisions	263	232	277	45	–14	187
Other liabilities	0	34	0	0	0	34
Additional tax upon distribution of retained earnings	0	0	10	10	–10	–10
Loss carryforwards	8,963	4,780	0	0	8,963	4,780
	11,981	**9,205**	**3,831**	**5,070**	**8,150**	**4,135**
Netted	–3,484	–4,733	–3,484	–4,733	0	0
Net deferred taxes	**8,497**	**4,472**	**347**	**337**	**8,150**	**4,135**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 4,949 thousand (2014/2015: EUR 3,485 thousand) and changes recognised directly in equity of EUR 934 thousand (2014/2015: EUR 560 thousand). The changes recognised directly in equity result from changes in the value of derivatives reported directly in equity.

As of June 30, 2016 there were unrecognised deferred tax liabilities on timing differences totalling EUR 23 thousand (2014/2015: EUR 19 thousand) and unrecognised deferred tax liabilities in connection with investments in subsidiaries of EUR 1,508 thousand (2014/2015: EUR 1,240 thousand), because VERBIO AG can control their reversal and their reversal will not take place in the foreseeable future.

No deferred tax assets were recognised on trade tax losses carried forward of EUR 30,348 thousand (2014/2015: EUR 81,127 thousand) and on corporation tax losses carried forward of EUR 34.676 thousand (2014/2015: EUR 64,327 thousand) since their recoverability is currently not sufficiently certain.

6 Notes to the individual items in the consolidated balance sheet

6.1 Non-current assets

6.1.1 Goodwill and other intangible assets

Goodwill has been written down in full in previous years. Accordingly goodwill is no longer reported in the consolidated balance sheet.

The movements in other intangible assets in the financial year 2015/2016 included additions of EUR 196 thousand (2014/2015: EUR 133 thousand), amortisation of EUR 111 thousand (2014/2015: EUR 176 thousand) and a reclassification of EUR 5 thousand, giving a carrying value of EUR 238 thousand at June 30, 2016 (June 30, 2015: EUR 148 thousand). The total acquisition cost of other immaterial assets at June 30, 2016 amounted to EUR 1,700 thousand (June 30, 2015: EUR 1,502 thousand) and the carrying value is after deduction of amortisation totalling EUR 1,462 thousand (June 30, 2015: EUR 1,354 thousand).

Research and development

Research and development expenses of EUR 1,098 thousand are included in the statement of comprehensive income (2014/2015: EUR 796 thousand).

6.1.2 Property, plant and equipment

Property, plant and equipment include properties, property rights, buildings, technical equipment and machinery, other equipment, office furniture and fixtures and construction in progress.

Property, plant and equipment with a carrying value of EUR 6,201 thousand (2014/2015: EUR 6,591 thousand) are pledged as security for financial liabilities.

The changes in property, plant and equipment in the period from July 1, 2015 to June 30, 2016 were as follows:

EUR (thousands)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progess	Total
Acquisition costs as of July 1, 2015	44,168	289,062	14,996	21,547	369,773
Additions	12	4,103	1,485	7,167	12,767
Reclassifications	11	14,675	267	–14,953	0
Reclassifications as available for sale	0	2,636	0	0	2,636
Disposals	2,287	430	1,684	319	4,720
Currency effects	0	–3	–10	–1	–14
Acquisition costs as of June 30, 2016	**41,904**	**307,771**	**15,054**	**13,441**	**375,170**
Accumulated depreciation as of July 1, 2015	15,429	164,325	9,975	0	189,729
Additions	1,408	18,264	1,274	0	20,946
Disposals	1,715	400	1,331	0	3,446
Currency effects	0	–2	–4	0	–6
Accumulated depreciation as of June 30, 2016	**15,122**	**182,187**	**9,914**	**0**	**207,223**
Carrying amount as of July 1, 2015	28,739	124,737	5,021	21,547	180,044
Carrying amount as of June 30, 2016	**26,782**	**122,584**	**5,140**	**13,441**	**167,947**

The changes in property, plant and equipment in the period from July 1, 2014 to June 30, 2015 were as follows:

TEUR	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progess	Total
Acquisition costs as of July 1, 2014	39,929	285,906	18,926	14,183	358,944
Additions	383	1,889	415	10,548	13,235
Reclassifications	–8	2,936	49	–2,977	0
Reclassifications as available for sale	3,895	370	154	0	4,419
Disposals	31	2,039	4,548	207	6,825
Currency effects	0	0	0	0	0
Acquisition costs as of June 30, 2015	**44,168**	**289,062**	**14,996**	**21,547**	**369,773**
Accumulated depreciation as of July 1, 2014	11,237	145,633	12,431	0	169,301
Additions	1,487	18,868	1,651	26	22,032
Reclassifications as available for sale	2,713	362	97	0	3,172
Disposals	8	538	4,204	26	4,776
Currency effects	0	0	0	0	0
Accumulated depreciation as of June 30, 2015	**15,429**	**164,325**	**9,975**	**0**	**189,729**
Carrying amount as of June 30, 2016	**28,739**	**124,737**	**5,021**	**21,547**	**180,044**

Assets which had been previously presented as non-current assets held for sale in the proceeding year 2013/2014 were reclassified to property, plant and equipment in the financial year 2014/2015.

6.2 Current assets

6.2.1 Inventories

EUR (thousands)	30.06.2016	30.06.2015
Raw materials, consumables and supplies, gross	13,265	11,423
Less: allowances	–1	0
Raw materials, consumables and supplies	**13,264**	**11,423**
Work in process	**1,326**	**857**
Finished product, gross	14,723	8,871
Less: allowances	–3,127	–18
Finished product	**11,596**	**8,853**
Merchandise, gross	91	1,057
Less: allowances	0	0
Merchandise	**91**	**1,057**
Inventories	**26,277**	**22,190**

The inventories have a carrying value of EUR 19,809 thousand (June 30, 2015: EUR 21,837 thousand) and are carried at acquisition and production costs. In addition, inventories with a carrying value of EUR 6,468 thousand (June 30, 2015: EUR 353 thousand) are carried at their lower net realisable value.

Allowances to write down the value of inventories to market or net realisable value totalling EUR 3,128 thousand (June 30, 2015: EUR 18 thousand) were made after the performance of net realisable value tests. The inventory write-downs attributable to raw materials, consumables and supplies and write-downs of merchandise totalled EUR 1 thousand (2014/2015: EUR 0 thousand) and are reported in the statement of comprehensive income within “Cost of materials”, and write-downs of finished products of EUR 3,127 thousand (2014/2015: EUR 18 thousand) are included in “Change in finished and unfinished goods”.

In the financial year 2015/2016 spare parts with a carrying value of EUR 2,636 thousand previously reported within property, plant and equipment have been reclassified and reported as inventories at June 30, 2016 within raw materials, consumables and supplies. The reclassification was made due to the turnover rate of the affected items.

Inventories with a carrying value of EUR 0 thousand (June 30, 2015: EUR 20,578 thousand) have been pledged as security.

6.2.2 Trade receivables

Trade receivables amounted to EUR 31,574 thousand at the balance sheet date (June 30, 2015: EUR 41,129 thousand) and are presented net of valuation allowances of EUR 1,439 thousand (June 30, 2015: EUR 1,537 thousand).

Of the valuation allowances recorded in the previous year, EUR 64 thousand (2014/2015: EUR 144 thousand) were released through profit or loss in the financial year; the release amount is included in “Other operating income". Allowances of EUR 25 thousand (2014/2015: EUR 155 thousand) were recorded in the reporting period; the expense is included in "Other operating expenses".

No trade receivables were assigned as loan collateral at June 30, 2016 (June 30, 2015: EUR 0 thousand).

The receivables have a remaining term of up to one year.

6.2.3 Derivatives
Information on the Group's derivative financial assets with a carrying value of EUR 331 thousand at June 30, 2016 (June 30, 2015: EUR 2,062 thousand) is provided in Section 9.3, "Derivatives".

6.2.4 Other current financial assets
Other current financial assets comprise the following:

EUR (thousands)	**30.06.2016**	**30.06.2015**
Deferral of unrealised results on forward contracts	191	5,763
Security deposits resulting from security agreements and liability declarations	418	2,462
Miscellaneous other financial assets	109	653
Other financial assets	**718**	**8,878**

6.2.5 Tax refunds receivable

EUR (thousands)	**30.06.2016**	**30.06.2015**
Reimbursement claims for trade tax	0	253
Reimbursement claims for corporation tax	19	900
Tax refunds receivable	**19**	**1,153**

6.2.6 Other assets
Other non-financial assets comprise the following:

EUR (thousands)	**30.06.2016**	**30.06.2015**
Investment grants and subsidies	5,276	4,422
Reimbursement of electricity and energy tax	2,546	3,425
Deferred expenses	461	781
Value-added tax receivable	190	546
Miscellaneous other assets	1,456	79
Other non-financial assets	**9,929**	**9,253**

6.2.7 Cash and cash equivalents
Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 77,483 thousand (June 30, 2015: EUR 26,557 thousand) and restricted cash of EUR 0 thousand (June 30, 2015: EUR 100 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 77,460 thousand (June 30, 2015: EUR 26,543 thousand).

The restricted cash and cash equivalents reported in the previous year served as security for credit guarantees. The cash funds reported in the cash flow statement included both the unrestricted and restricted cash and cash equivalents.

6.3 Equity

6.3.1 Share capital

The movements in equity in the period are presented in the statement of changes in equity.

The share capital at June 30, 2016 was unchanged at EUR 63,000 thousand, and is divided into 63,000,000 no-par shares registered in the name of the holders. The ownership of the shares entitles the holder to exercise voting rights at the general shareholders' meeting and the right to participate in dividend distributions, provided that a distribution is approved.

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 29, 2015, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital in exchange for cash or non-cash contributions on one or more occasions until January 28, 2020 by a total of EUR 31,500 thousand (authorised capital). The previous authorised capital was cancelled under the same resolution.

The Management Board is empowered, subject to the approval of the Supervisory Board, to exclude existing shareholders' subscription rights for shares issued in exchange for contributions in kind of up to an amount of EUR 9,450 thousand. This also includes the use of the authorised capital to fulfil purchase obligations or purchase rights for the Company's shares based on agreements made or to be made with members of the Company's Management Board under Management Board remuneration agreements. Existing shareholders shall have a right to subscribe for shares issued in a share issue made in exchange for cash contributions. However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders if the share issue price of shares issued on the same terms is not significantly less than the stock market price.

The Management Board is also authorised, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in order to issue new shares up to a proportional amount of EUR 500,000.00 to employees of VERBIO Vereinigte BioEnergie AG or its affiliated companies.

The Management Board is empowered, subject to the approval of the Supervisory Board, to exclude existing shareholders' rights for fractional share amounts.

In addition, subject to the approval of the Supervisory Board, the Management Board may make further specifications concerning the share rights and the conditions for the issuance of shares.

The Supervisory Board is authorised to revise the wording of Article 4 of the articles of association consistent with the utilisation of the authorised capital, and, in the event the authorised capital is not or is not completely utilised by January 28, 2020, to amend the authorisation after its expiry.

The above was registered at the commercial register of the Company on March 3, 2015.

6.3.2 Additional paid-in capital

Additional paid-in capital results primarily from the acquisition costs of VDB for the purchase of VES, VEZ, VDS and STS in connection with the merger carried out in 2006, to the extent that it was not reflected in share capital.

The entire amount of the additional paid-in capital is restricted under German company law and is not available for distribution to the shareholders. It was reduced in 2006 by EUR 49,900 thousand as a result of a share capital increase from the Company's own resources. The excess of the proceeds of the initial public offering in 2006 over the nominal amount of the capital increase was added to the paid-in capital (EUR 175,500 thousand). Set off against this was the cost of the initial public offering which was recorded as a reduction of paid-in capital in accordance with IAS 32.37.

In 2010 a further EUR 4,021 thousand was added to paid-in capital. The amount represents the difference between the carrying amount and the fair value of the own shares, which were a component of the purchase price paid for the VERBIO Agrar shares in 2010.

6.3.3 Other reserves

The other reserves include the cumulative change in value of the valuation changes of forward commodity contracts that qualify as cash flow hedges to the extent that these transactions had not yet been closed out by June 30, 2016.

6.3.4 Reserve for translation adjustments

We refer to Section 2.4, "Foreign currency translation".

6.3.5 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on the annual financial statements of VERBIO AG, which are prepared under German commercial law requirements. At the annual general meeting to be held on January 27, 2017 the Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.15 per qualifying share, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements attributable to owners of the parent Company decreased by the positive Group result in the amount of EUR 48,746 thousand.

6.3.6 Earnings per share

VERBIO AG has 63,000,000 no-par shares with an arithmetic nominal value of EUR 1 each. The Group result attributable to the shareholders of the parent company for the financial year 2015/2016 amounts to EUR 48,746 thousand (2014/2015: EUR 26,780 thousand).

The number of shares in issue in the financial year 2015/2016 was unchanged at 63,000,000. Accordingly the weighted average number of shares outstanding during the reporting period was 63,000,000.

There were no dilutive effects on earnings per share in either the financial year 2015/2016 or in the previous year. The basic result per share amounts to EUR 0.77 (2014/2015: EUR 0.43). in both years the diluted earnings per share and the basic earnings per share are identical.

	2015/2016	**2014/2015**
Outstanding shares on June 30, 2016 and 2015	63,000,000	63,000,000
Number of average shares outstanding as of the balance sheet date	63,000,000	63,000,000
Result for the year (in EUR thousands)	48,746	26,780
Result per share in EUR	**0.77**	**0.43**

6.3.7 Non-controlling interests

Non-controlling interests represent interests in VERBIO Agrar and its subsidiaries. The following table provides information on non-controlling interests (before eliminations arising on consolidation).

EUR (thousands)	2015/2016	2014/2015
Sales Revenues (without group eliminations)	20,816	25,316
Net result for the period	1,882	743
Result attributable to non-controlling interests	**200**	**79**

EUR (thousands)	2015/2016	2014/2015
Current assets	8,504	7,920
Non-current assets	10,045	10,847
Current liabilities	10,487	6,600
Non-current liabilities	1,848	7,853
Equity	6,214	4,314
Non-controlling interests	**733**	**533**

EUR (thousands)	2015/2016	2014/2015
Cash flows from operating activities	3,556	7,779
Cash flows from investing activities	−316	1,561
Cash flows from financing activities	−1,999	−7,659
Cash-effective change in cash funds	**1,241**	**1,681**

6.4 Non-current liabilities

6.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 11,883 thousand as of the June 30, 2016 balance sheet date (June 30, 2015: EUR 18,837 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance 30.06.2016	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Bank 1	2,031	1,000	1,031	30.11.2021	4.60	monthly (1)
Other loans	9,770	9,270	500	31.12.2017	7.50	semi-annualy/ annualy (1)
Other loans	82	82	0	b.a.w,	2.00	monthly (1)
Total	**11,883**	**10,352**	**1,531**			

(1) fixes-interest rate

The bank loans and other loans as of June 30, 2015 are presented below in their current and non-current components:

EUR (thousands)	Balance 30.06.2015	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Bank 1	3,030	1,000	2,030	30.11.2021	4.60	monthly (1)
Bank 2	5,000	5,000	0	b.a.w.	Euribor +1.8%	u.t.n. (2)
Other loans	10,770	1,270	9,500	31.12.2017	7.50	semi-annualy/ annualy (1)
Other loans	37	13	24	b.a.w.	2.00	monthly (1)
Total	**18,837**	**7,283**	**11,554**			

(1) fixes interest rate
(2) variable interest rate

We refer to explanations presented under Section 11.2.3 for detains of loan agreements with related parties. The carrying amounts of security are provided in Sections 6.1.2, “Property, plant and equipment”, 6.2.1, “Inventories”, 6.2.2, “Trade receivables” and 6.2.7, “Cash and cash equivalents”.

The only significant risks from changes in interest rates are in connection with the overdraft facility, which is subject to a variable interest rate agreement. Details of the risks from changes in interest rates are provided in Section 10.2.3, “Market risks”.

6.4.2 Provisions

Non-current provisions of EUR 153 thousand (June 30, 2015: EUR 152 thousand) include asset retirement obligations of EUR 24 thousand (June 30, 2014: EUR 23 thousand) for wind power plants. The liability is included in the acquisition and construction cost of the plants in accordance with IAS 16.16c. The measurement represents the net present value arrived at using a discount rate of 0.76 percent p.a. (June 30, 2015: 1.31 percent p.a.). In addition, provisions include EUR 129 thousand (June 30, 2015: EUR 129 thousand) for archiving costs.

6.4.3 Deferred investment grants and subsidies

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2015 to June 30, 2016 were as follows:

EUR (thousands)	Investment subsidies	Investment grants	Total
July 1, 201	9,245	792	10,037
Additions	28	0	28
Release in current period	–896	–126	–1,022
Disposal	–481	0	–481
June 30, 2016	**7,896**	**666**	**8,562**
Thereof current	886	126	1,012
Thereof noncurrent	7,010	540	7,550

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2014 to June 30, 2015 were as follows:

TEUR	Investment subsidies	Investment grants	Total
July 1, 2014	10,269	921	11,190
Additions	0	0	0
Release in current period	–962	–129	–1,091
Disposal	–62	0	–62
June 30, 2015	**9,245**	**792**	**10,037**
Thereof current	899	126	1,025
Thereof noncurrent	8,346	666	9,012

Further information about the nature of the subsidies received and their respective conditions is provided in Section 11.1, “Contingent liabilities and other financial commitments”. The release of the deferred investment grants and subsidies is made through the income statement. Details are provided in Section 5.3, “Other operating income”.

6.4.4 Other non-current financial liabilities

The other non-current financial liabilities primarily include the non-current portion of the bonus commitments to members of the Management Board.

6.4.5 Deferred tax liabilities

Information on deferred taxes is provided in Section 5.10, “Income taxes”.

6.5 Current liabilities

6.5.1 Bank loans and other loans

Current liabilities include bank loans of EUR 1,000 thousand (June 30, 2015: EUR 6,000 thousand), which represent the current portion of bank loans described in Section 6.4.1, “Bank loans and other loans”, and other loans of EUR 9,352 thousand (June 30, 2015: EUR 1,283 thousand).

6.5.2 Trade payables

Trade payables at the balance sheet date amount to EUR 27,543 thousand (June 30, 2015: EUR 31,250 thousand).

6.5.3 Derivatives

Information on the Group’s derivative financial liabilities with a carrying value of EUR 597 thousand at June 30, 2016 (June 30, 2015: EUR 5,346 thousand) is provided in Section 9.3, “Derivatives”.

6.5.4 Other current financial liabilities

Other current financial liabilities primarily include current liabilities for amounts payable to employees and realised losses arising on forward contracts.

6.5.5 Tax liabilities

The tax liabilities in the financial years 2015/2016 and 2014/2015 comprised the following:

EUR (thousands)	01.07.2015	Utilization	Release	Addition	Reclassification	30.06.2016
Trade tax	1,807	1,369	45	2,822	0	3,215
Corporate tax	2,092	1,443	0	2,361	0	3,010
Tax liabilities	**3,899**	**2,812**	**45**	**5,183**	**0**	**6,225**

EUR (thousands)	01.07.2014	Utilization	Release	Addition	Reclassification	30.06.2015
Building deduction tax (VDS)	5,918	0	5,918	0	0	0
Trade tax	1,269	468	9	1,126	–111	1,807
Corporate tax	719	131	0	1,393	111	2,092
State, local and federal tax 2009 (STS)	157	157	0	0	0	0
Tax liabilities	**8,063**	**756**	**5,927**	**2,519**	**0**	**3,899**

6.5.6 Provisions

Current provisions at June 30, 2016 and June 30, 2015 included the following:

EUR (thousands)	01.07.2015	Utilization	Release	Addition	30.06.2016
Impending losses on sales and purchase contracts	377	377	0	101	101
Litigation risks	147	0	44	31	134
Other provisions	1,221	1,065	6	4	154
Provisions	**1,745**	**1,442**	**50**	**136**	**389**

EUR (thousands)	01.07.2014	Utilization	Release	Addition	30.06.2015
Impending losses on sales and purchase contracts	827	827	0	377	377
Litigation risks	130	0	0	17	147
Other provisions	589	0	0	632	1,221
Provisions	**1,546**	**827**	**0**	**1,026**	**1,745**

Other provisions

Other provisions at June 30, 2015 included provisions for the repayment of investment grants and subsidies of EUR 425 thousand, and provisions for the repayment of energy taxes of EUR 632 thousand.

6.5.7 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	30.06.2016	30.06.2015
Value added tax	1,063	4,445
Wage and church taxes	348	324
Social Security	430	117
Miscellaneous other current liabilities	311	432
Total other current liabilities	**2,152**	**5,318**

7 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 77,483 thousand (2014/2015: EUR 26,657 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2014/2015: EUR 100 thousand). The restricted balances in the previous year resulted from agreements with banks.

The operative cash flow in the financial year 2015/2016 has been positively affected by an increase in other current liabilities of EUR 9,855 thousand (2014/2015: an increase of EUR 7,577 thousand) and the reduction of other assets of EUR 6,055 thousand (2014/2015: an increase of EUR 2,969 thousand).

Cash flows were decreased by other movements, in particular the decrease in trade payables of EUR 3,536 thousand (2014/2015: an increase of EUR 881 thousand) and the increase of inventories of EUR 1,451 thousand (2014/2015: a decrease of EUR 8,041 thousand).

The cash flow from investing activities of EUR –12,176 thousand (2014/2015: EUR –10,689 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 12,952 thousand (2014/2015: EUR 13,518 thousand).

The cash flow from financing activities for the reporting period totalled EUR –13,254 thousand (2014/2015: EUR –33,551 thousand). Net repayments of financial liabilities amounted to EUR 6,954 thousand (2014/2015: EUR 33,551 thousand). A dividend payment of EUR 0.10 per share was approved for the financial year 2014/2015 at the annual general meeting held on January 29, 2016. The payment of the dividend resulted in a cash outflow from financing activities of EUR 6,300 thousand.

8 Segment reporting

The risks and returns of the Group are primarily those of the Group's segments. The VERBIO Group consists of the segments Biodiesel, Bioethanol and Other, in line with the Group's internal organisation and management structure. The Other segment is a collective segment that includes the Group's transport and logistics activities and the energy division.

Segmentation on a geographical basis is not reported as this is not used for the VERBIO Group's internal management purposes.

Segments according to internal corporate management

Revenues are presented net of energy taxes of EUR 4,457 thousand (2014/2015: EUR 10,681 thousand). The Biodiesel and Bioethanol segments generate revenues from the sale of goods. In the Other segment, revenues are generated through the rendering of services. The valuation and accounting methods used for segment reporting purposes and for the purposes of reporting transactions between reportable segments are identical to those used by the Group as a whole in preparing its consolidated financial statements.

Operating assets are almost exclusively located in Germany, and investments made in production facilities were made wholly in Germany.

The acquisition costs of segment assets that are expected to be utilised for more than one reporting period amounted to EUR 12,969 thousand in the financial year 2015/2016 (2014/2015: EUR 13,369 thousand).

The VERBIO Group generated revenues of EUR 139.059 thousand in the reporting period (2014/2015: EUR 120,792 thousand) from sales made and services provided outside Germany (primarily in Europe).

Revenues with three external customers exceeded 10 percent of total revenues in the reporting period; the revenues with these three customers totalled EUR 228,965 thousand (2014/2015: three customers totalling EUR 244,744 thousand). Revenues of EUR 167,465 thousand (2014/2015: EUR 171,217 thousand) are attributable to the Biodiesel segment and revenues of EUR 61,500 thousand (2014/2015: EUR 73,527 thousand) are attributable to the Bioethanol segment.

Segment reporting for the period from July 1, 2015 to June 30, 2016

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Sales revenues	423,163	396,980	222,091	212,861	15,839	15,750
Change in finished and unfinished products	3,530	–4,016	–318	2,256	0	0
Capitalized production of own plant and equipment	178	172	160	172	0	0
Other operating income	1,891	2,028	10,585	6,224	395	937
Cost of materials	–378,346	–349,424	–155,736	–171,170	–8,707	–8,696
Personnel expenses	–9,046	–8,233	–13,858	–13,135	–3,576	–3,682
Other operating expenses	–12,340	–11,258	–21,610	–16,020	–2,805	–2,957
Result of forward contract transactions	706	633	900	1,273	0	0
Segment-EBITDA	**29,736**	**26,882**	**42,214**	**22,461**	**1,146**	**1,352**
Depreciation and amortization	–4,477	–5,170	–16,033	–16,137	–547	–900
Segment-EBIT	**25,259**	**21,712**	**26,181**	**6,324**	**599**	**452**
Finanzergebnis	–447	0	–953	–3,714	2	–64
Result before taxes	**24,812**	**21,712**	**25,228**	**2,610**	**601**	**388**

Reconciliation segment revenues and results

TEUR	Total segments		Intersegment reveneus and expenses		Group	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Sales revenues	661,093	625,591	–6,764	–7,099	654,329	618,492
Change in finished and unfinished products	3,212	–1,760	0	0	3,212	–1,760
Capitalized production of own plant and equipment	338	344	0	0	338	344
Other operating income	12,871	9,189	–184	–249	12,687	8,940
Cost of materials	–542,789	–529,290	1,255	1,978	–541,534	–527,312
Personnel expenses	–26,480	–25,050	0	0	–26,480	–25,050
Other operating expenses	–36,755	–30,235	5,693	5,370	–31,062	–24,865
Result of forward contract transactions	1,606	1,906	0	0	1,606	1,906
Segment-EBITDA	**73,096**	**50,695**	**0**	**0**	**73,096**	**50,695**
Depreciation and amortization	–21,057	–22,207	0	0	–21,057	–22,207
Segment-EBIT	**52,039**	**28,488**	**0**	**0**	**52,039**	**28,488**
Financial result	–1,398	–3,778	0	0	–1,398	–3,778
Result before taxes	**50,641**	**24,710**	**0**	**0**	**50,641**	**24,710**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015
Other intangible assets	135	83	102	65	1	0	238	148
Property, plant and equipment	35,997	35,847	130,239	142,136	1,711	2,061	167,947	180,044
Inventories	11,745	6,912	14,428	15,140	104	138	26,277	22,190
Trade receivables	19,928	25,862	10,603	14,275	1,043	1,292	31,574	41,429
Other assets	1,191	3,211	9,232	14,612	224	365	10,647	18,188
Cash and cash equivalents	35,696	11,317	40,655	14,969	1,132	371	77,483	26,657
Total segment assets	**104,692**	**83,232**	**205,259**	**201,197**	**4,215**	**4,227**	**314,166**	**288,656**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015	30.06. 2016	30.06. 2015
Deferred investment grants	1,280	1,340	7,169	8,442	113	255	8,562	10,037
Non-current provisions	70	46	78	78	5	28	153	152
Trade payables and other current provisions	13,833	15,777	13,322	16,215	777	1,003	27,932	32,995
Other current financial liabilities	3,520	4,011	5,399	6,753	737	724	9,656	11,488
Total segment liabilities	**18,703**	**21,174**	**25,968**	**31,488**	**1,632**	**2,010**	**46,303**	**54,672**

Reconciliation segment assets and segment liabilities

EUR (thousand)	Group	
	30.06.2016	30.06.2015
Segment assets	314,166	288,656
Derivatives	331	2,062
Deferred tax assets	8,497	4,472
Income tax refunds	19	1,153
Assets	**323,013**	**296,343**
Segment liabilities	46,303	54,672
Bank loans and other loans	11,883	18,837

EUR (thousand)		Group
	30.06.2016	30.06.2015
Other lax liabilities	6,225	3,899
Other non-current liabilities	3,333	3,588
Deferred tax liabilities	347	337
Derivatives	597	5,346
Liabilities	**68,688**	**86,679**

Investments

EUR (thousands)		Biodiesel		Bioethanol		Other		Group
	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015
Investments	**4,428**	**5,999**	**7,798**	**6,955**	**742**	**415**	**12,968**	**13,369**

9 Disclosures on financial instruments

9.1 General information

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. The financial instruments of the Group can be differentiated between financial instruments originated by the Group and derivative financial instruments.

Financial instruments originated by the Group classified as assets are primarily trade receivables, other financial assets and cash and cash equivalents.

Financial instruments originated by the Group classified as liabilities are primarily the reported amounts of financial liabilities, trade payables and other financial liabilities.

Included in derivative financial instruments are instruments used to hedge price risks relating to procurement and sales transactions. Derivative financial instruments are recognised and measured at their fair value upon acquisition. Subsequent to initial recognition they are remeasured to fair value. The financial instruments relating to commodity forward contracts for the hedging of purchase prices in the procurement market (see Section 9.3.1 A) and certain swap transactions (see Section 9.3.1 B) to hedge sales prices linked to the prices of mineral diesel/ petrol or biodiesel and bioethanol qualify as cash flow hedge transactions, and are classified accordingly as derivatives within a hedging relationship.

The subsequent remeasurement of derivatives within a hedging relationship used to hedge cash flows (cash flow hedges) are recorded directly in equity (within other reserves) without affecting the income statement. This reserve is released as soon as the hedged raw material purchases and/or the hedged revenues are recorded in the income statement or, as the case may be, the cash flows of the underlying transaction are no longer highly probable.

Derivatives which are or were not in a hedging relationship (see Section 9.3.2 C) are freestanding derivatives and as a result are strictly classified as “held for trading”. Gains or losses resulting from the subsequent remeasurement will be, or have been, respectively, recognised with profit or loss effect in the consolidated statement of comprehensive income under the heading “Result from commodity forward contracts”.

None of the Group’s financial assets and financial liabilities are classified to the measurement classifications “fair value option”, “held to maturity financial instruments” or “available for sale financial instruments”.

9.2 Categories of financial assets and financial liabilities

The fair values and carrying amounts of financial instruments are presented below by class of financial instruments as defined by IFRS 7. The carrying amounts represent their fair values.

Assets

Valuation	At amortised cost		At fair value				Total	
Measurement	Loans and receivables		Held for trading financial instruments		Derivatives with hedging relationships			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	31,574	31,574	0	0	0	0	31,574	31,574
Other non-current and current financial assets	774	774	0	0	0	0	774	774
Derivatives	0	0	0	0	331	331	331	331
Cash and cash equivalents	77,483	77,483	0	0	0	0	77,483	77,483
Total (June 30, 2016)	**109,831**	**109,831**	**0**	**0**	**331**	**331**	**110,162**	**110,162**
Trade receivables	41,429	41,429	0	0	0	0	41,429	41,429
Other non-current and current financial assets	8,935	8,935	0	0	0	0	8,935	8,935
Derivatives	0	0	25	25	2,037	2,037	2,062	2,062
Cash and cash equivalents	26,657	26,657	0	0	0	0	26,657	26,657
Total (June 30, 2015)	**77,021**	**77,021**	**25**	**25**	**2,037**	**2,037**	**79,083**	**79,083**

Liabilities

Valuation	At amortised cost		At fair value				Total	
Measurement category	Other financial liabilities		Held for trading financial instruments		Derivatives with hedging relationships			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to banks and other loans	11,883	11,883	0	0	0	0	11,883	11,883
Trade payables	27,543	27,543	0	0	0	0	27,543	27,543
Other financial liabilities	10,837	10,837	0	0	0	0	10,837	10,837
Derivatives	0	0	0	0	597	597	597	597
Total (June 30, 2016)	**50,263**	**50,263**	**0**	**0**	**597**	**597**	**50,860**	**50,860**
Liabilities to banks and other loans	18,837	18,837	0	0	0	0	18,837	18,837
Trade payables	31,250	31,250	0	0	0	0	31,250	31,250
Other financial liabilities	9,758	9,758	0	0	0	0	9,758	9,758
Derivatives			7	7	5,339	5,339	5,346	5,346
Total (June 30, 2015)	**59,845**	**59,845**	**7**	**7**	**5,339**	**5,339**	**65,191**	**65,191**

9.2.1 Measurement in the individual measurement categories

a. The fair values of derivatives in the measurement categories “Held for trading financial instruments” and “Derivatives within hedging relationships” were determined using the mark-to-market method based on prices quoted on an exchange or market prices.

b. The fair values of the “loans and receivables” and “other financial liabilities” measured at amortised acquisition cost are as follows:

ba. The fair values of trade receivables and other current and non-current financial assets are equal to the respective nominal values of the assets after deduction of any necessary allowances; these balances include no non-interest bearing or low-interest loans and receivables with a remaining term of more than one year.

bb. The fair value of cash and cash equivalents is equal to their nominal values.

bc. The fair values of all liabilities included in the measurement category “other financial liabilities” are equal to their repayment amounts; these balances include no non-interest bearing or low-interest liabilities with a remaining term of more than one year.

9.2.2 Reconciliation to balance sheet headings

The categories of financial instruments as defined in IFRS 7 are consistent with the headings reported in the consolidated balance sheet.

9.3 Derivatives

The fair values and underlying nominal values of derivative assets and liabilities reported were as follows at the June 30, 2016 and June 30, 2015 balance sheet dates:

EUR (thousands)	Nominal volume	Asset derivative = positive market value	Liability derivative = negative market value
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	7,500 t	331	597
Derivatives (June 30, 2016)		**331**	**597**

EUR (thousands)	Nominal volume	Asset derivative = positive market value	Liability derivative = negative market value
Stand-alone derivatives			
Sales transactions	9,000 t	25	7
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	4,200 t	2,037	1,481
Sales transactions	51,000 t	0	3,858
Derivatives (June 30, 2015)		**2,062**	**5,346**

EUR (thousands)	30.06.2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	331	0	331
Derivative liabilities	0	597	0	597

EUR (thousands)	30.06.2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	2,062	0	2,062
Derivative liabilities	0	5,346	0	5,346

The fair values of the derivatives is based on the mark-to-market method. The following table shows an analysis of the financial instruments measured at fair value based on the respective “fair value hierarchy levels” of the instruments. The fair value hierarchy levels are defined as follows:

- Level 1: Quoted prices on an active market (not adjusted) for identical assets or liabilities.
- Level 2: Directly observable (as price) or indirect (derived from price) inputs for the asset or liability, other than quoted Level 1 price inputs.
- Level 3: Inputs applied to the asset or liability that are not based on observable market data (non-observable input data).

9.3.1 Description of derivatives held and used as hedging instruments at the balance sheet date

A. Forward contracts for rapeseed oil (assets: EUR 331 thousand; liabilities: EUR 597 thousand).
Under the responsibility of risk management personnel, derivatives in the form of purchased forward contracts (forwards) are used to hedge the price of rapeseed oil, a raw material. The underlying hedged transactions are highly probable purchases of vegetable oil; the hedging instrument is the purchase of forwards; and the risk being hedged is the risk of price increases that could result in a negative effect on the profit margin. The hedging begins approximately one year in advance of the physical requirements, and the objective is to hedge at least 80 percent of the required quantities no later than four months prior to delivery. The transactions are standard forward contracts with an effectiveness of 100 percent; accordingly there is no ineffectiveness that requires recognition through profit or loss.
The effectiveness of cash flow hedges from rapeseed commodity forwards is determined prospectively using critical terms matches and retrospectively through a dollar-offset method (hypothetical derivative method). As long as the hedge is effective in a range of 80 to 125 percent, hedge accounting is continued; otherwise, the entire hedging relationship is recognised through profit or loss. In the month of purchase, which is the scheduled or unscheduled occurrence of the underlying transaction, the results of the hedging transaction recognised in equity are set off in profit or loss against the cost of materials. The amount transferred from equity to profit or loss in connection with cash flow hedge accounting in the reporting period amounted to EUR 966 thousand (2014/2015: EUR 1,289 thousand) and is shown in the income statement under “Cost of materials”. There were no ineffective portions requiring recognition at the balance sheet date.

B. Derivatives on sales transactions (in hedging relationships)
Sales swaps were entered into to hedge revenues from sales contracts based on bioethanol market prices. At the June 30, 2016 balance sheet date there were no open transactions (2014/2015: EUR 3,858 thousand).

9.3.2 Description of the Group’s significant freestanding derivatives

C. Freestanding derivatives from sales transactions
In addition to those derivatives entered into designated as hedging transactions, further diesel swaps were entered into to hedge revenues from sales contracts with sales prices based on the mineral diesel price in order to achieve a certain flexibility with respect to hedging policy. At the June 30, 2016 balance sheet date there were no outstanding transactions (2014/2015: transactions with a positive value of EUR 25 thousand and transactions with a negative value of EUR 7 thousand).

9.3.3 Change in equity

The effects on equity of the hedging transactions entered into in the financial year 2015/2016 and the previous year are presented below:

EUR (thousands)	Rapeseed procurement	Bioethanol-/Diesel/Gasoline swaps	Interest rate swaps	Total
July 1, 2015	**556**	**–3,859**	**0**	**–3,303**
Recognition in the income statement (Cost of materials)	–966	0	0	–966
Recognition in the income statement (Interest expense)	0	0	0	0
Recognition in the income statement (Revenue)	0	5,456	0	5,456
Change in fair value measurement	144	–1,597	0	–1,453
Balance (June 30, 2016)	**–266**	**0**	**0**	**–266**
Less: deferred taxes				83
Derivatives released (interest rate swap)				0
				–183

EUR (thousands)	Rapeseed procurement	Bioethanol–/Diesel/Gasoline swaps	Interest rate swaps	Total
July 1, 2014	**–734**	**0**	**–764**	**–1,498**
Recognition in the income statement (Cost of materials)	1,289	0	0	1,289
Recognition in the income statement (Interest expense)	0	0	918	918
Recognition in the income statement (Revenue)	0	778	0	778
Change in fair value measurement	1	–4,637	–154	–4,790
Balance (June 30, 2015)	**556**	**–3,859**	**0**	**–3,303**
Less: deferred taxes				1,024
Derivatives released (interest rate swap)				0
				–2,279

9.3.4 Realisation of the underlying and hedging transactions

The following table shows when the cash flow hedges will affect cash flows and when they are expected to have an impact profit or loss in the statement of comprehensive income.

EUR (thousands)	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months
June 30, 2016				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	331	23,686	22,191	1,495
Liability	597	20,607	19,800	807
Comprehensive income statement effect				
Commodity forward contracts				
Asset	331	331	303	28
Liability	597	597	591	6
June 30, 2015				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	2,037	27,920	25,028	2,892
Liability	1,481	29,564	29,564	0
Interest rate swap				
Liability	3,858	24,099	24,099	0
Comprehensive income statement effect				
Commodity forward contracts				
Asset	2,037	2,037	1,997	40
Liability	1,481	1,481	1,481	0
Interest rate swap				
Liability	3,858	3,858	3,858	0

9.4 Other disclosures required by IFRS 7

9.4.1 Information on income and expense positions

The following table shows the net result of financial assets and financial liabilities summarised by valuation category:

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Write-down (Write-down financial instruments or other operating expenses)	Total
2015/2016							
Loans and receivables	39	0	94	–25	0	–5	103
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	0	0
Derivatives with hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	1,606	0	1,606
Derivatives with hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	–1,437	0	0	0	0	–1,437
Interest rate swaps	0	0	0	0	0	0	0
Total	**39**	**–1,437**	**94**	**–25**	**1,606**	**–5**	**272**

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Write-down (Write-down financial instruments or other operating expenses)	Total
2014/2015							
Loans and receivables	671	0	195	–155	0	–37	674
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	0	0
Derivatives with hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	1,906	0	1,906
Derivatives with hedging relationships	0	0	0	0	–778	0	–778
Other financial liabilities	0	–3,531	0	0	0	0	–3,531
Interest rate swaps	0	–918	0	0	0	0	–918
Total	**671**	**–4,449**	**195**	**–155**	**1,128**	**–37**	**–2,647**

The reversal of write-downs of loans and receivables of EUR 94 thousand (June 30, 2015: EUR 195 thousand) relates primarily to the release of the specific allowances on trade receivables.

Allowances made for the impairment write-down of loans and receivables of EUR 25 thousand (June 30, 2015: EUR 155 thousand) relate to write-downs made to reflect non-recoverable trade receivables.

9.4.2 Information on collateral

The following table shows the carrying value and classification of financial assets which serve as collateral security:

EUR (thousands)	30.06.2016	30.06.2015
Other assets	0	2,001
Cash and cash equivalents	0	100
Trade receivables	0	0
Total	**0**	**2,101**

The customs guarantees credit line reported within collateral for other assets in the previous year has been wound down in the reporting period.

9.4.3 Information regarding allowances for credit losses on financial assets

The allowances made relate to the risk of credit losses on trade receivables and other current assets. The movements on the allowances in the financial year 2015/2016 were as follows:

EUR (thousands)	01.07.2015	Addition	Release	Utilisation	30.06.2016
Valuation allowances					
Trade receivables	1,537	25	64	59	1,439
Other current assets	1,405	0	0	3	1,402
Valuation allowances	**2,942**	**25**	**64**	**62**	**2,841**
EUR (thousands)	**01.07.2014**	**Addition**	**Release**	**Utilisation**	**30.06.2015**
Valuation allowances					
Trade receivables	1,659	155	144	133	1,537
Other current assets	1,405	0	0	0	1,405
Valuation allowances	**3,064**	**155**	**144**	**133**	**2,942**

The credit risks of all doubtful receivables are assessed and valued individually, with particular attention paid to overdue receivables, receivables from customers with known payment difficulties or receivables that are in dispute. Appropriate allowances are made where required.

Receivables are derecognised at the time when their recoverability is highly unlikely.

10 Financial risks and risk management, capital management

10.1 Organisation

In addition to its operating risks, the VERBIO Group sees itself exposed to credit risks, liquidity risks and market risks which arise from the use of financial instruments within the course of its normal operating activities. The Company has established a clear functional organisation for the risk control process.

Accordingly, as part of a risk-oriented and future-directed management approach, VERBIO AG has developed and installed a risk management system for the Group. The implementation of a functional risk management system is seen here as part of the general responsibility of management. Individual risks defined in advance are monitored on a continuous basis using early warning indicators, and are included in the quarterly reporting to the risk manager by management of the subsidiaries. The risk inventory carried out in 2006 and repeated in full in 2008, 2009 and 2015 is continually reviewed for new or changed risks. A detailed risk handbook is available.

Responsibilities are clearly assigned to the organisational units that form part of the risk management process, as follows:

Management Board

The risk management process starts with the Management Board, which, in the course of overall management based on risk-bearing capacity, provides a clear definition of the strategy, the types of transactions and the acceptable and unacceptable risks, as well as the allowable total risk.

Risk management

Risk management is responsible for the active management and supervision of risks. Risk is reduced via risk limitation measures and is controlled by compliance with limits.

Risk controlling

Through risk controlling, the group-wide identification, measurement and evaluation of all risks is carried out in a uniform manner. Risk controlling monitors the compliance of internal limits by measuring the risks and the utilisation of limits.

Supervisory Board

The Supervisory Board carries out a control function relating to all measures dealing with risk limitation and risk management within the Company.

10.2 Risk groups

In addition to operating risks, in conducting its business operations the VERBIO Group is subject to a number of financial risks such as credit risks, liquidity risks and market risks, which are described below.

10.2.1 Credit risks

Credit risk results from the deterioration of the economic situation of customers or other contracting parties of the Company. As a result there is a risk of partial or complete loss of contractually agreed payments or services and, additionally, a decrease in the value of financial instruments due to a deterioration of creditworthiness.

There are non-collection risks associated with all financial instruments recorded as assets; the carrying amount of the financial assets represents the maximum risk of non-collection. Allowances are recorded to the extent that there are indications of individual risks on individual financial instruments.

Maximum risk of non-collection
The maximum risk of non-collection associated with financial assets, without considering possible collateral security received or other credit enhancements (e.g. right of offset agreements), is as follows:

EUR (thousands)	**30.06.2016**	**30.06.2015**
Trade receivables	31,574	41,429
Other non-current and current assets	774	8,935
Derivatives	331	2,062
Cash and cash equivalents	77,483	26,657
	110,162	**79,083**

In order to minimise the risk of non-collection trade receivables certain receivables are insured using trade credit insurance. At the balance sheet date the Group had commercial credit insurance policies whereby the insurer guarantees a maximum sum of at least EUR 6.0 million (June 30, 2015: EUR 6.0 million) for all damages in each insurance year. Large customers are excluded from this agreement.

In addition, the General Terms and Conditions include reservation-of-title clauses for all products sold.

Concentration of credit risks
Credit risks relating to trade receivables are distributed among the following customer groups and regions (the respective carrying amounts represent the respective credit risk):

Concentration according to customer groups

TEUR	**30.06.2016**	**30.06.2015**
Oil companies	17,696	27,409
Processing industries (in particular, oil mills, pharmaceutical companies) as well as trading companies	10,637	9,612
Electric utilities	1,769	1,877
Farmers	685	534
Other	787	1,997
	31,574	**41,429**

Concentration according to region

TEUR	**30.06.2016**	**30.06.2015**
Inland	16,384	22,205
Europe	15,190	18,683
Other foreign	0	541
	31,574	**41,429**

The Company monitors its concentration of credit risk by industry sectors as well as by region.

Ageing analysis

The following table provides an overview of the age structure of unimpaired loans and receivables as of the June 30, 2016 and June 30, 2015 balance sheet dates:

EUR (thousands)	Carrying amount	Thereof as of the balance-sheet date						
		Not impaired and not overdue	Not impaired and overdue in the following aging categories (in days)					
			To 30	Between 30 and 60	Between 61 and 90	Between 91 and 180	Between 181 and 360	More than 360
June 30, 2016								
Trade receivables	31,574	30,731	767	8	1	1	4	62
Other non-current and current financial assets	774	774	0	0	0	0	0	0
	32,348	**31,505**	**767**	**8**	**1**	**1**	**4**	**62**
June 30, 2015								
Trade receivables	41,429	38,942	2,204	39	123	64	9	48
Other non-current and current financial assets	8,935	8,935	0	0	0	0	0	0
	50,364	**47,877**	**2,204**	**39**	**123**	**64**	**9**	**48**

10.2.2 Liquidity risks

Liquidity risk, in a narrow sense, is the risk that the Company could find itself in a position where it does not have adequate funds to settle its ongoing payment obligations. Payment obligations result primarily from investment activities, trade payables, interest payments and loan repayments, margin calls in connection with futures contracts, and tax liabilities.

The Group's liquidity is managed by use of weekly, monthly and medium-term planning forecasts generated to ensure that at any time adequate funds are available to settle its liabilities as they fall due and to ensure that potential risks are identified as early as possible.

The central treasury department (three employees) is responsible for the management of liquidity.

The task of liquidity management is to ensure that the VERBIO Group has the ability to meet its liabilities at all times and to optimise interest income.

The central treasury department receives the required information from subsidiaries via the weekly reporting procedure, enabling it to generate a liquidity profile. All financial assets, financial liabilities and other expected cash flows from planned transactions are included.

The Company uses the yearly and weekly liquidity planning as well as sensitivity analyses to manage its liquidity risk.

A large portion of the liquidity required by the business is ensured by working capital management.

The available instruments ensure the liquidity of the business at all times and are suitable to fulfil additional future liquidity needs, taking into account the requirements identified in the business plan.

The following table presents an analysis of the maturities of all contractually agreed financial liabilities as of June 30, 2016 and June 30, 2015:

TEUR	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
June 30, 2016						
Non-derivative financial liabilities						
Liabilities to banks and other loans	11,883	8,285	38	2,451	1,699	0
Trade payables	27,543	27,465	78	0	0	0
Other financial liabilities	10,837	7,763	0	0	3,074	0
	50,263	**43,513**	**116**	**2,451**	**4,773**	**0**
Derivative financial liabilities						
Derivatives with hedging relationships	597	182	265	150	0	0
	597	**182**	**265**	**150**	**0**	**0**
Financial liabilities	**50,860**	**43,695**	**381**	**2,601**	**4,773**	**0**

TEUR	Carry-ing amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
June 30, 2015						
Non-derivative financial liabilities						
Liabilities to banks and other loans	18,837	5,080	160	3,032	12,800	0
Trade payables	31,250	30,895	336	0	19	0
Other financial liabilities	9,758	6,170	0	0	3,588	0
	59,845	**42,145**	**496**	**3,032**	**16,407**	**0**
Derivative financial liabilities						
Derivatives classified as "held for trading"	7	0	0	7	0	0
Derivatives with hedging relationships	5,339	2,764	2,408	167	0	0
	5,346	**2,764**	**2,408**	**174**	**0**	**0**
Financial liabilities	**65,191**	**44,909**	**2,904**	**3,206**	**16,407**	**0**

* Including future interest payments

Information on financial liability ratios
There are no indications of any matters that indicate a payment delay or contract violation in respect of the financial liabilities totalling EUR 50,860 thousand at June 30, 2016 (June 30, 2015: EUR 65,191 thousand). Interest and loan repayment obligations on all financial liabilities totalling EUR 50,860 thousand are serviced according to schedule.

10.2.3 Market risks
Market risks arise from potential changes in risk factors that lead to a lowering of market value of transactions containing these risk factors. General risk factors relevant for the Company are currency risks, interest rate risks and commodity price risks.

Currency risks
The VERBIO Group is exposed to currency risks associated with procurement and price hedging for its purchasing and sales. The currency risk is minimised with the help of an ongoing review of exchange rate expectations and the use of appropriate financial instruments. In the financial year under report this was primarily achieved by netting of foreign currency receipts and disbursements.

Very little use is made of currency forward exchange contracts. The VERBIO Group is primarily exposed to currency risks in US dollars and Polish zloty.

In the financial year 2015/2016 sales invoices denominated in foreign currencies (in US dollars and PLN) were issued with a converted amount of EUR 34,047 thousand (2014/2015: EUR 39,878 thousand). Payments against these invoices are made into US dollar and PLN denominated bank accounts. Trade receivables denominated in foreign currencies totalled EUR 4,694 thousand at June 30, 2016 (June 30, 2015: EUR 8,480 thousand).

Interest rate risks

Due to the fact that long-term financing arrangements with banks provide for fixed rates of interest, the Group has only a minor exposure to interest rate risk. Interest rate risks result only from instruments with variable interest rates. There are balances subject to variable interest rates on the asset side from bank balances carrying variable interest rates. There is no exposure to changes in interest rates from variable interest bank loan and other loan balances (June 30, 2015: EUR 5,000 thousand).

There were no loans denominated in foreign currencies as of the balance sheet date.

Commodity price risks

Derivatives are entered into to manage price risks in procurement and sales and to hedge/optimise margins in the biofuels production business.

Risks of price changes arise primarily through the procurement of raw materials and the sale of end products. Price risks are hedged using appropriate financial instruments based on reviews of market price expectations performed on a continuous basis. In the reporting year, futures and swaps were utilised as hedging instruments.

The sensitivity of the derivatives valuations to changes in the price of rape seed oil is analysed below.

- Sensitivity of the hedging derivatives to changes in rape seed oil prices
  A decrease (increase) in the market proce of EUR 25/tonne at the June 30, 2016 balance sheet date would have resulted in an increase (decrease) in equity of EUR 188 thousand.

10.2.4 Risks in connection with government subsidy awards

A detailed description of the risks associated with governmental subsidies is provided in Section 11.1, "Contingent liabilities and other financial commitments".

10.2.5 Other risks

The VERBIO Group has safeguards against the usual type of hazards.

In addition, in considering the overall presentation of risks, the regulatory and political environment should be noted. A change in the existing climate protection goals of the EU and the Federal Government as well as the underlying regulatory implementation, especially the Biomass Sustainability Regulation (BioNachV), could have a significant effect on VERBIO's results.

10.3 Capital management

VERBIO's capital management is primarily aimed at ensuring the sustained financial flexibility of the Group. VERBIO AG develops guidelines for effective capital management based on the strategic objectives of the business. The focus is on a long-term increase in the value of the business in the interests of investors, customers and employees.

The objective is to increase the profitability of the VERBIO Group through efficiency increases in production and procurement, as well as on the sales side. In order to achieve this, management focusses on the operating and financial risks and also on the Group's financial flexibility. This also applies to cash flow generation.

A further goal for the VERBIO Group is to maintain a strong capital base, in order to finance future growth as soon as the political environment regarding biofuels allows competitive growth. The equity of VERBIO as of June 30, 2016 amounts to EUR 254.325 thousand (June 30, 2015: EUR 209,664 thousand), which represents an equity ratio of 78.7 percent (June 30, 2015: 70.8 percent). Debt capital amounted to EUR 68.688 thousand (June 30, 2015: EUR 86,679 thousand).

VERBIO is no longer subject to minimum capital requirements following the repayment of loans in the financial year 2015/2016.

VERBIO AG is not subject to any capital requirements under its articles of association.

11 Other disclosures

11.1 Contingent liabilities and other financial commitments

11.1.1 Government grants and subsidies

The following table shows the amounts of grants awarded or applied for, for which the restricted covenant periods have not yet expired based on the applicable investment grant law:

EUR (thousands)	30.06.2016	30.06.2015
VES	1,767	2,364
VEZ	713	1,454
VDS	87	110
VDB	332	481
	2,900	**4,409**

The grants are repayable in case of non-compliance with the covenants.

The investment subsidies were granted under the conditions that the assets subsidised belong to a business in the development area qualifying for the subsidy for at least five years after their purchase or construction, the assets remain in a business qualifying for development assistance, and that their private use does not exceed 10 percent.

The VERBIO Agrar Group was awarded investment grants of EUR 4,383 thousand, for which the covenant period has not yet expired. According to the funding guidelines of the State of Brandenburg, these covenants expire between five and twelve years after the completion of the investment project.

Further, claims of EUR 2,618 thousand (June 30, 2015: EUR 671 thousand) have been recorded in the balance sheet for EU subsidies (NER 300) awarded in connection with the straw biomethane production plant at Schwedt. The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved.

11.1.2 Guarantee credits and other collateral arrangements

With effect from May 11, 2015 (and subsequently amended), VERBIO and Swiss Re International SE, German branch, have entered into a security deposit insurance contract. Under this agreement a EUR 18,000 thousand credit line for customs duties is made available to VERBIO. An amount of EUR 15,628 thousand has been drawn down under this credit line as of June 30, 2016.

11.1.3 Litigation

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2016. Provisions have been recognised, primarily for the costs of ongoing procedures.

11.1.4 Rental and lease contracts

The companies VES and VDS have leasehold rights from PCK Raffinerie GmbH, Schwedt, as landowner, to erect and operate bioethanol and biogas/biodiesel production plants on land owned by that company. The leasehold rights end on December 31 and May 31, 2053 and on December 31, 2054 respectively.

VERBIO Agrar and VDB have entered into rental and lease contracts for the use of land and warehouse space. In addition, VERBIO AG, VEZ and VES have entered into leasing agreements for machinery and other operating equipment.

The rental, lease contracts and leasehold arrangements described above are treated as operating leases for financial reporting purposes. The future financial obligations in the amount of the minimum lease payments on these contracts are presented below:

EUR (thousands)	30.06.2016	Up to 1 year	1-5 years	Over 5 years
Leasehold rental VES	5,455	125	513	4,817
Rental and leasing contracts, properties, warehouses and buildings	319	76	49	194
Leasehold rental VDS	1,302	28	115	1,159
Rental for machinery and equipment	7,470	3,334	4,136	0
	14,546	**3,563**	**4,813**	**6,170**

EUR (thousands)	30.06.2015	Up to 1 year	1-5 years	Over 5 years
Leasehold rental VES	5,578	123	507	4,948
Rental and leasing contracts, properties, warehouses and buildings	2,354	481	1,431	442
Leasehold rental VDS	1,318	27	112	1,179
Rental for machinery and equipment	5,718	2,554	3,164	0
	14,968	**3,185**	**5,214**	**6,569**

Rental and leasehold expenses totalled EUR 4,886 thousand in the reporting period (2014/2015: EUR 3,647 thousand).

11.1.5 Purchase commitments

Purchase obligations are those typical for normal operations.

11.1.6 Purchase commitments for investments in property, plant and equipment

The VERBIO Group has open purchase orders for investments in property, plant and equipment totalling EUR 1,327 thousand at June 30, 2016 (June 30, 2015: EUR 2,341 thousand).

11.2 Disclosures concerning related persons and entities

11.2.1 Shareholders of VERBIO AG, who form a pool based on contractual agreements (ultimate controlling party within the definition of IAS 24.13)

Portion of share capital of VERBIO AG in %	30.06.2016	30.06.2015	Change in %-points
Pollert Holding GmbH & Co. KG	18.96	18.96	0.00
Dr.-Ing. Georg Pollert	0.02	0.02	0.00
Bernd Sauter	15.23	15.23	0.00
Claus Sauter	21.18	21.18	0.00
Daniela Sauter	7.16	7.16	0.00
Marion Sauter	5.95	5.95	0.00
Total	**68.50**	**68.50**	**0.00**

11.2.2 Key management personnel

- Claus Sauter (member of the Management Board of VERBIO AG)
- Bernd Sauter (member of the Management Board of VERBIO AG)
- Dr. Oliver Lüdtke (member of the Management Board of VERBIO AG)
- Theodor Niesmann (member of the Management Board of VERBIO AG)
- Alexander von Witzleben (member of the Supervisory Board of VERBIO AG)
- Ulrike Krämer (member of the Supervisory Board of VERBIO AG)
- Dr.-Ing. Georg Pollert (member of the Supervisory Board of VERBIO AG)

11.2.3 Presentation of the relationships with pool members and key management personnel

Guarantees and other security rights

Claus Sauter and Bernd Sauter have provided a guarantee on behalf of VERBIO Agrar GmbH in respect of subsidies of EUR 4,383 thousand in connection with the construction of a grain storage facility in Niemegk.

Bernd Sauter and Claus Sauter have each pledged security portfolios for a loan granted to VERBIO Agrar GmbH. The loan has a balance of EUR 2,031 thousand as of June 30, 2016 (June 30, 2015: EUR 3,031 thousand).

Loan agreements

Bernd Sauter provided VERBIO Agrar GmbH with a loan in the financial year 2006. Under a subsequent amendment to the loan agreement dated March 26, 2015, a maturity date of December 31, 2017 was agreed for the loan balance remaining at that date which amounted to EUR 2,500 thousand. Loan repayments of EUR 500 thousand are now being made twice annually. The balance at June 30, 2016 stands at EUR 1,500 thousand. Bernd Sauter has entered into a declaration that his loan is a subordinated loan.

In addition, Claus Sauter provided two loans totalling EUR 9,545 thousand to VERBIO AG and VERBIO Agrar GmbH GmbH in the financial year 2013/2014. These loans had a fixed maturity date of March 31, 2015. Repayments of EUR 1,545 thousand were made in the financial year 2014/2015 and, under a subsequent amendment to the loan agreement dated March 26, 2015, a fixed maturity date of December 31, 2017 was agreed for both loans. Two contract amendments were agreed on July 20, 2016 to the effect that early repayment of both loans on July 31, 2016 was agreed, together with an early payment compensation fee of EUR 53 thousand.

The loans carried an annual interest rate of 7.5 percent from April 1, 2015.

Interest expenses of EUR 846 thousand were incurred on the above loans in the financial year 2015/2016 (2014/2015: EUR 901 thousand).

Consultancy contracts

Ulrike Krämer has provided consultancy services since January 1, 2014 under an agreement with VERBIO AG. The expense for these services totalled EUR 29 thousand in the financial year 2015/2016 (2014/2015: EUR 5 thousand).

11.2.4 Presentation of relationships with companies in which pool members and key management members have a significant interest

Rental contracts

Autokontor Bayern GmbH has a rental agreement for a site used for parking and a motor vehicle business with VEZ. The monthly rent under this agreement is EUR 10 thousand. The contract period was subsequently amended on September 22, 2010. Under this amendment the contract was extended until June 30, 2015. Autokontor Bayern GmbH has the right to cancel the contract as of June 30 of each calendar year with a notification period of six months, as well as an option to extend the rental contract by an additional five years to June 30, 2020. By letter dated June 30, 2014, Autokontor Bayern GmbH has exercised its right to extend the rental contract until June 30, 2020. VEZ has accepted the contract extension. VEZ generated revenues of EUR 120 thousand from this contract in the financial year 2015/2016 (2014/2015: EUR 120 thousand).

In addition, a rental agreement for commercial property was entered into between VERBIO AG and Oelßner's Hof GmbH & Co. KG with effect from November 1, 2014. Under this agreement VERBIO AG has rented office space from Oelßner's Hof GmbH & Co. KG. The rental agreement is for a period of five years, and continues for a further year at the end of the fixed rental period unless cancelled by either party with a notice period of six months prior to expiry. Rental expenses of EUR 180 thousand were incurred by VERBIO AG in the financial year 2015/2016.

Service contracts

VDB Wind power plant

Für die Nutzung eines Grundstücks zum Betrieb einer Windkraftanlage der VDB erhält die Sauter Verpachtungsgesellschaft eine jährliche Pacht in Höhe von TEUR 7. Darüber hinaus erhält die Sauter Verpachtungsgesellschaft mbH für die Betriebsführungstätigkeit der Windkraftanlage eine jährliche Vergütung von TEUR 3.

Contract for the administration of hedging arrangements (trust agreement) with Sauter Verpachtung GmbH

Dated May 5, 2015, Sauter Verpachtungsgesellschaft mbH and VERBIO AG entered into a contract for the administration of forward contracts on commodity exchanges. For this purpose Verbio AG acts as trustee and is obliged to enter into and administer hedging transactions for the raw material inventories and raw material purchases and sales on behalf of Sauter Verpachtungsgesellschaft.

It was agreed that Sauter Verpachtungsgesellschaft shall recompense VERBIO AG for all internal and external costs resulting from its activities as trustee. The internal costs are based on the trading volume by transaction, and are charged at 0.10 EUR per tonne.

The loan granted to VERBIO AG by Claus Sauter, Chairman of the Management Board, is provided as security for all costs arising under this contract. The loan has a balance of EUR 4,000 thousand at June 30, 2016.

The contract period commenced on September 1, 2014 and ended on August 31, 2015, jowever it has been extended without amendment in the financial year 2015/2016.

11.2.5 Summary of business relationships with related-party companies

The following table summarises revenues and expenses from transactions with related-party companies of the VERBIO Group:

EUR (thousands)		Revenue/Income		Expense	
Contract partner	**Transaction**	**2015/2016**	**2014/2015**	**2015/2016**	**2014/2015**
Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG	Sale of fuel	0	0	3	19
	Other deliveries and services	28	32	2	4
Autokontor Bayern GmbH	Sale of fuel	2	23	613	903
	Vehicle rentals	0	0	210	196
	Other deliveries and services	162	154	211	296
Sauter Verpachtungsgesellschaft mbH	Verhicle rentals	7	0	56	308
	Grain sales/purchases	0	0	4.322	6.506
	Transport services	174	201	252	53
	Other deliveries and services	308	674	215	129
Landwirtschaftsgesellschaft mbH „Neukammer“	Grain sales/purchases	0	11	0	0
	Other deliveries and services	38	66	0	50
LANDGUT Coschen GmbH	Other deliveries and services	4	9	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	2.735	1.084
	Other deliveries and services	72	104	10	46
FUPRORA GmbH	Other deliveries and services	0	0	0	7
Compos GmbH	Other deliveries and services	0	20	20	0
Oelßner‘s Hof GmbH & Co. KG	Office rental	0	0	180	105

The revenues and income from other services with Sauter Verpachtungsgesellschaft mbH primarily relate to the sale of feedstuffs (EUR 203 thousand) and plant construction services rendered to VERBIO AG (EUR 41 thousand).

The expenses from other deliveries and services from Autokontor Bayern GmbH relate primarily to repair expenses for the Company’s own vehicle fleet.

Income from other deliveries and service with Landwirtschaftsgesellschaft mbH Neukammer and Farma Redlo primarily relate to sales of fertiliser.

Transactions with related parties are on arm’s length conditions.

11.2.6 Summary presentation of receivables and payables of all VERBIO Group companies to companies in which pool members or key management members hold shares

The following table shows the receivables and payables balances recorded by Group companies resulting from transactions with related-party companies as of June 30, 2016 and June 30, 2015:

	Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG		Autokontor Bayern GmbH		Landwirtschaftsgesellschaft mbH „Neukammer“		
EUR (thousands)	**30.06.2016**	**30.06.2015**	**30.06.2016**	**30.06.2015**	**30.06.2016**	**30.06.2015**	
VERBIO AG							
Receivables	0	2	0	0	1	1	
Payables	0	0	2	3	0	0	
VDB							
Receivables	0	0	0	0	0	0	
Payables	0	0	0	0	0	0	
VDS							
Receivables	0	0	0	0	0	0	
Payables	0	0	0	0	0	0	
VES							
Receivables	0	0	0	0	0	1	
Payables	0	0	0	2	0	0	
VEZ							
Receivables	0	2	15	21	0	0	
Payables	0	0	6	21	0	0	
VERBIO Logistik							
Receivables	0	0	0	0	0	0	
Payables	0	0	29	51	0	0	
VERBIO Agrar							
Receivables	0	0	0	0	0	1	
Payables	0	0	2	2	0	0	
VERBIO Poland							
Receivables	0	0	0	0	0	0	
Payables	0	0	0	0	0	0	
Total							
Receivables	**0**	**4**	**15**	**21**	**1**	**3**	
Payables	**0**	**0**	**39**	**79**	**0**	**0**	

	Sauter Verpachtungs-gesellschaft mbH		LANDGUT Coschen GmbH		Farma Redlo Sp. z o.o.		Compos GmbH	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	621	407	4	0	0	0	0	24
	827	580	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	2	0	0	2	5	0	0
	5	5	0	0	0	0	0	0
	2	0	0	0	0	0	0	0
	1	0	0	0	0	0	0	0
	28	10	0	0	0	2	0	0
	6	0	0	0	0	0	0	0
	0	17	0	5	0	0	0	0
	1	0	0	0	0	0	0	0
	0	0	0	0	0	71	0	0
	0	0	0	0	61	0	0	0
	651	**436**	**4**	**5**	**2**	**78**	**0**	**24**
	840	**585**	**0**	**0**	**61**	**0**	**0**	**0**

11.3 Audit fees

Fees for the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, recorded as expenses in the financial year 2015/2016, amounted to EUR 128 thousand (2014/2015: EUR 161 thousand) for annual audit services, EUR 9 thousand (2014/2015: EUR 10 thousand) for other attestation services and EUR 3 thousand for other consultancy services (2014/2015: EUR 1 thousand).

11.4 Executive bodies and executive remuneration

Disclosures required under Section 314 (1) No. 6a (5) to (9) German Commercial Law (Handelsgesetzbuch – HGB) and additional information regarding the compensation of members of the Management Board and the Supervisory Board, the structure of the compensation system and individual compensation amounts are presented in the compensation report, included in the VERBIO Group management report.

Members of the Management Board of VERBIO AG in the financial year 2015/2016 were:

- Claus Sauter, Dipl.-Kaufmann, Buch-Obenhausen (Chairman)
- Dr. Oliver Lüdtke, Engineer, Markleeberg (Vice-Chairman)
- Bernd Sauter, Businessman, Buch-Obenhausen
- Theodor Niesmann, Engineer, Leipzig

The members of the Management Board received remuneration from VERBIO AG totalling EUR 2.706 thousand (2014/2015: EUR 2,632 thousand) during the financial year 2015/2016. This included fixed remuneration of EUR 1.433 thousand (2014/2015: EUR 1,300 thousand), variable remuneration of EUR 1,243 thousand (2014/2015: EUR 1,313 thousand) and other compensation elements of EUR 30 thousand (2014/2015: EUR 19 thousand). Details of the remuneration rules are provided in the compensation report, which is included in the Group management report.

The variable compensation components and the other non-current financial liabilities and the other current financial liabilities partially include the long-term bonus awards for members of the Management Board totalling EUR 5,581 thousand (2014/2015: EUR 3,722 thousand). The fair values of the long-term bonus awards were measured using a Black-Scholes option pricing model. The variables used in the calculation are shown in the following table:

	Fictional shares 3 07/2012- 10/2016	**Fictional shares 4 07/2013- 10/2017**	**Fictional shares 5 07/2014- 10/2018**	**Fictional shares 6 07/2015- 10/2019**
Average share price	0.95	1.99	2.79	6.75
Volatility	59.53%	59.53%	59.53%	59.53%
Interest rate	−0.168	−0.173	−0.155	−0.110
Payment date	Oktober 31, 2016	Oktober 31, 2017	Oktober 31, 2018	September 30, 2019

The long-term bonus awards recognised with profit or loss effect as an expense in comprehensive income (personnel expense) amounted to EUR 2,357 thousand (2014/2015: EUR 1,889 thousand).

Members of the Supervisory Board of VERBIO AG in the financial year 2015/2016 were:

Alexander von Witzleben, Dipl.-Kaufmann (Chairman of the Supervisory Board)
- Feintool International Holding AG, Lyss, Switzerland (President of the Board of Directors)
- AFG Arbonia-Forster-Holding AG, Arbon, Switzerland (President of the Board of Directors since April 17, 2015, interim CEO since July 1, 2015)
- Artemis Holding AG, Aarburg, Switzerland (member of the Board of Directors since May 20, 2015)
- PVA TePla AG, Wettenberg (Chairman of the Supervisory Board)
- Siegwerk Druckfarben AG & Co. KGaA, Siegburg (member of the Supervisory Board)
- Kaefer Isoliertechnik GmbH & Co. KG, Bremen (member of a comparable advisory committee)

Ulrike Krämer, Certified Auditor and Certified Tax Advisor (Vice-Chairman of the Supervisory Board)

Dr.-Ing. Georg Pollert, Dipl.-Chemiker, Berlin (member of the Supervisory Board)
Chairman of Arbeitsgemeinschaft Qualitätsmanagement Biodiesel e.V. (AGQM)

The members of the Supervisory Board received ongoing remuneration of EUR 120 thousand for their Supervisory Board activities in the financial year 2015/2016 (2014/2015: EUR 120 thousand) and reimbursements of expenses amounting to EUR 7 thousand (2014/2015: EUR 8 thousand). Details of the remuneration rules are provided in the remuneration report, which is included in the Group management report.

11.5 Shareholdings in VERBIO Vereinigte BioEnergie AG, reportable under § 21 (1) of the Securities Trading Act (WpHG)

VERBIO AG has not been informed of any shareholdings reportable under § 21 (1) of the Securities Trading Act (WpHG) in the reporting period 2015/2016.

11.6 Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG)

The declaration regarding the Governmental Commission on the German Corporate Governance Code as required by § 161 AktG was published on September 19, 2016 on the Company's website (www.verbio.de) and thereby made accessible on a permanent basis.

11.7 Events subsequent to the balance sheet date

There were no reportable events subsequent to the balance sheet date.

11.8 Use of exemptions available under § 264 (3) HGB and § 264 b HGB

The following subsidiaries have taken advantage of an option under § 264 (3) and § 264b HGB providing for an exemption from the statutory requirement to prepare, and have audited and published annual financial statements and a management report:

- VERBIO Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen OT Greppin
- VERBIO Diesel Bitterfeld Verwaltung GmbH, Bitterfeld-Wolfen
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig
- VERBIO Ethanol Zörbig Verwaltung GmbH, Zörbig
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder
- VERBIO Diesel Verwaltung GmbH, Schwedt/Oder
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder
- VERBIO Ethanol Schwedt Verwaltung GmbH, Schwedt/Oder
- VERBIO Cert GmbH, Zörbig

11.9 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 19, 2016. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether it approves them.

Zörbig, September 19, 2016

Claus Sauter
Chairman of the Management Board

Dr. Oliver Lüdtke
Vice-Chairman of the Management Board

Theodor Niesmann
Member of the Management Board

Bernd Sauter
Member of the Management Board

Affirmation of the legal representatives

We affirm that to the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the group management report includes a fair presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Zörbig, September 19, 2016

Claus Sauter
Chairman of the Management Board

Dr. Oliver Lüdtke
Vice-Chairman of the Management Board

Theodor Niesmann
Member of the Management Board

Bernd Sauter
Member of the Management Board

Auditor's report

We have audited the consolidated financial statements prepared by VERBIO Vereinigte BioEnergie AG, Zörbig, comprising the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the financial year from July 1, 2014 to June 30, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Para. 1 HGB [Handelsgesetzbuch, "German Commercial Code"] are the responsibility of the Management Board of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development. Without qualifying our opinion, we refer to the Management Board's remarks in the group management report. In the section "Overall assessment of the expected development", it is explained that the prolongation of the syndicated loan to the planned extent is required for the continuation of VERBIO as a going concern.

Leipzig, September 19, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Strom
Auditor

Dr. Schneider
Auditor

Further information

Executive bodies of the Company

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

- President of the Board of Directors
  Feintool International Holding AG, Lyss, Switzerland
- President of the Board of Directors (since April 17, 2015), interim CEO (since July 1, 2015)
  AFG Arbonia-Forster-Holding AG, Arbon, Switzerland
- Member of the Board of Directors (since May 20, 2015)
  Artemis Holding AG, Aarburg, Switzerland
- Chairman of the Supervisory Board
  PVA TePla AG, Wettenberg
- Member of the Supervisory Board
  Siegwerk Druckfarben AG & Co. KGaA, Siegburg
- Member of a comparable advisory committee
  Kaefer Isoliertechnik GmbH & Co. KG, Bremen

Ulrike Krämer
Vice-Chairman of the Supervisory Board

Certified Auditor and Certified Tax Advisor, Ludwigsburg

Dr.-Ing. Georg Pollert
Mitglied des Aufsichtsrats

Chemist and process engineer, Berlin

Chairman, Arbeitsgemeinschaft Qualitätsmanagement Biodiesel e.V.

Management Board

Claus Sauter
Chairman of the Management Board

Responsible for strategic corporate development, business development, sales and trading, procurement (liquid primary products), contract management, finance and accounting, taxes, press and publicity, investor relations and legal matters

Dr. Oliver Lüdtke
Management Board, Bioethanol/ Biomethane
Vice-Chairman of the Management Board

Responsible for the Bioethanol/Biomethane segment (production, technical investment planning, research and development, procurement of auxiliary materials and media, occupational safety), controlling, risk management and data protection

Theodor Niesmann
Management Board, Biodiesel, Plant Engineering and Human Relations

Responsible for the Biodiesel segment (production, technical investment planning, research and development, procurement of auxiliary materials and media, occupational safety), plant engineering, human relations, quality management, occupational safety and IT

Bernd Sauter
Management Board, Procurement and Logistics

Responsible for procurement of solid raw materials, logistics and transport, storage, contract management, vehicle fleet and facility management, occupational safety (procurement and logistics) and insurance

Technical glossary

Advanced Biofuels
> Second generation biofuels

BAFA
'BAFA' is the German language abbreviation for the German Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle). It is carries out important administrative responsibilities for the Federal Government regarding exports, business subsidy programmes, energy policies and audit oversight. In the energy sector the BAFA is responsible for subsidy programmes supporting the increased use of renewable energies, energy saving measures and for the German coal mining industry and plays a role in crisis prevention polices in the oil sector.

Biodiesel
Biodiesel is a biosynthetic fuel used in a manner similar to mineral diesel fuels. In Europe, it is usually created by the transesterification of rapeseed oil with methanol (rapeseed methyl ester). Biodiesel can be used as a mix with mineral diesel oil, or in modified engines in its pure form, known as B100.

Bioethanol
Bioethanol is a chemical alcohol manufactured in a fermentation process from sugar and raw materials containing starch. Ethanol-based fuels are now used throughout the world as a source of biogenic energy for internal combustion engines. In Germany, filling stations offer E10 (with up to 10 percent bioethanol) and Super E5 (with 5 percent ethanol).

Biofuel
> Biofuels

Biogas
Biogas is a gas mix containing methane manufactured by means of the anaerobic fermentation of energy crops or organic waste (for example, slops, straw and manure from animal farming) at temperatures of 35–55°C. It is used for power or heat generation. It can be processed into biomethane (i.e. biogas with the properties of natural gas) and fed into the natural gas network. In this way it can also be used as fuel for vehicles powered by natural gas, or used in the chemical industry.

Biofuels
Liquid or gaseous fuels produced from biomass are known as 'biofuels' – for example, bioethanol, biodiesel, biomethane and vegetable oil. They are predominantly used for combustion engines in mobile and stationary applications.

First generation biofuels
First generation biofuels are all fuels produced from either oilseed plants or plants containing starch and sucrose. Oilseed plant based diesel fuel is primarily produced by a process in which the material is pressed and subsequently estericated. A typical example is "biodiesel". Bioethanol is produced by fermentation of plants containing starch and sucrose such as grain, sugar beet or sugar cane.

Second generation biofuels
Second generation biofuels use surplus or waste plants that are not used for food production and are not created by intensive agricultural production. In contrast to conventional biofuels, these have the added advantage that no additional agricultural land is required, greenhouse gas emissions are significantly lower, and they do not compete with the production of foodstuffs.

Biofuel Sustainability Regulation (Biokraft-Nachhaltigkeitsverordnung – Biokraft-NachV)
The Biofuel Sustainability Regulation was issued on September 30, 2009 to implement the requirements of the European Union's "Renewable Energy Directive". Essentially the regulation requires that statutory subsidies of biofuels are only permitted if the energy produced by biofuels reduces CO_2 by at least 35 percent (50 percent from 2017 and 60 percent from 2018). Equally, only raw materials from sustainable cultivation may be used and detailed requirements are set out for the protection of nature and of the environment.

Biofuel quota
The biofuel quota obliged the oil industry in Germany to distribute a minimum amount of biofuels by the end of 2014, the quantities being defined based on their annual total sales volumes of petrol and diesel. The quota could be achieved by adding biofuels to fossil fuels or by the use of pure biofuels. The total quota was 6.25 percent (energetic) for the years 2010 to 2014. In addition, up until and including 2014, companies marketing diesel fuels had to meet a minimum quota, by supplying biofuels replacing diesel with a minimum of 4.4 percent (energetic). A minimum quota of 2.8 percent (energetic) of biofuel petrol substitutes applied to companies supplying petrol fuels. From the start of 2015 the energetic quota has been replaced by the net greenhouse gas reduction (GHG) quota.

Biofuel Quota Act (Biokraftstoffquotengesetz – BioKraftQuG)

The Biofuel Quota Act (Act Introducing a Biofuel Quota by Amending the Federal Emissions Protection Act and to Amend Energy and Electricity Tax Provisions) is an amendment act which provides statutory requirements and regulations for adding biofuels to motor vehicle fuels in Germany. The act was passed by the German parliament on October 26, 2006 and implemented a requirement that a minimum level of biofuel shall be added to petrol and diesel engine fuels from January 1, 2007. The BioKraftQuG obliges the oil industry to distribute a fixed minimum share of fuels from biofuel sources.

Biomass

Biomass refers to stored solar energy in the form of energy crops, wood or residues such as straw, compost or manure. Electricity, heat and fuel can be obtained from solid, liquid and gaseous biomass.

Biomethane

The term biomethane refers to biogas processed to the standard of natural gas. As part of the natural gas processing the raw gases, produced by fermentation and saturated with steam, are largely purified from water, CO_2 and hydrogen sulphide before being conditioned and compressed and fed into the natural gas network. The chemical structure of biomethane is identical to natural gas, and in addition to being used to generate electricity and heat it can also be used as a fuel for natural gas-powered vehicles or used in the chemical industry.

Biorefinery

The biorefinery concept developed by VERBIO is based on the closed loop circuits system and the use of whole plants in the biofuel production process. Combining biomethane, bioethanol, animal foodstuff and manure production enables a 40 percent higher energy generation from raw materials used compared to existing bioethanol plants, with a 40 percent lower energy consumption in the integrated production plant. Additionally, the CO_2 savings amount to up to 90 percent compared to petrol over the entire value-added chain.

Blending

Blending refers to the mixing of fuels with additives to e.g. adding biofuels to fossil fuels.

Lower and higher heating value

Lower and higher heating values refer to measurements made from different perspectives of the amount of energy in the form of heat released by burning a fuel (such as gas).

The lower heating value (LHV) represents the thermal energy released by burning when the steam in the gas is not condensed.

The higher heating value (HHL) refers to the energy released by burning together with the exhaust/latent heat released during condensation.

BTL (Biomass to liquid)

Biomass to liquid is a synthetic fuel manufactured in various processes from biomass, which is returned to liquid form following various intermediate processes so that, in its final form, it can be offered as a liquid fuel from renewable raw materials with properties very similar to those of fossil fuels.

B100

> Biodiesel

CO_2

> Carbon dioxide

CNG (Compressed Natural Gas)

Natural gas as a fuel, in gas form, is injected into natural gas vehicles under pressure in special pressure tanks. In comparison with petrol and diesel, natural gas has the advantage of burning more cleanly. CNG will receive tax incentives in Germany until December 31, 2018.

Decarbonisation

Decarbonisation refers to shifts in the economy, particularly in relation to energy use, which have the goal of further reducing CO_2 emissions. This includes replacing actions and processes which emit CO_2 with processes that minimise or compensate for these emissions. Decarbonisation is a key tool for climate protection and a main pillar of the transition to sustainable energy. The long-term goal is a carbon-neutral economy.

Decarbonisation quota

> Greenhouse gas reduction quota

dena (Deutsche Energie-Agentur GmbH)
The German Energy Agency GmbH (DENA) is a competence centre for energy efficiency and regenerative energies. Formed as a limited company, DENA operates on a cost and performance basis. It finances its projects using public grants and income from private business.

German Corporate Governance Code
The German Corporate Governance Code presents essential statutory regulations concerning the management and supervision of German listed companies and contains internationally and nationally recognised standards of good and responsible company management in the form of recommendations and suggestions.

German Accounting Standards Committee e.V. (DRSC)
The German Accounting Standards Committee (DRSC) was founded as a standards developing organisation and has since functioned as the supporting organisation for its expert committees. The core tasks of the DRSC are the development of recommendations for the implementation of consolidated accounting standards, advisory activities related to planned changes to accounting legislation at the national and at EU level, preparing interpretations of international accounting standards in accordance with § 315(a) (1) of the German Commercial Code (Handelsgesetzbuch – HGB), and improving the quality of accounting.

erdgas mobil
Two industry initiatives, erdgas mobil and Zukunft ERDGAS have merged to become one organisation. The new organisation is correctly known as Zukunft ERDGAS e.V., while it is still more widely known under the more well-known erdgas mobil name. The association is active in the mobility and heating market.

E5
E5 is a fuel used in petrol engines, manufactured in accordance with standard DIN EN 228, which contains 5 percent (by volume) bioethanol and 95 percent (by volume) petrol.

E10
E10 is a petrol fuel which contains 10 percent (by volume) bioethanol and 90 percent (by volume) petrol. This fuel has been available at filling stations in Germany since January 1, 2011.

E85
Particularly worth promoting is fuel for Flexible Fuel Vehicles (FFV), consisting of 85 percent bioethanol blended with 15 percent petrol.

El Niño effect
El Niño is a climatic anomaly occurring primarily in the Pacific region between the west coast of South America and the South-East Asia region (Indonesia, Australia). It results in a reversal of normal weather patterns. El Niño affects weather patterns across the world, in particular rainfall patterns.

Emissions
The term ‘emission’ can cover any type of discharge of solid, fluid or gaseous material as well as noise, smells, rays or disturbance to the environment. Mostly this term is used to refer to pollutants (exhaust gases, exhaust fumes, waste water, solid or fluid waste, electro-smog, radioactivity, etc.) produced by industrial activity.

Energy crops
Energy crops are agricultural plants that are mainly grown for use in energy production, as opposed to crops grown for food production, fodder, or plants grown for industrial purposes. A large number of plants are suitable for energy use; in Europe plants that are traditionally grown on farms are preferred, such as rape or feed grains. Increasingly purely energy plants are being grown and used, such as energy grains.

Renewable energies
Renewable energies such as solar power, wind energy or hydroelectric power are – in contrast to fossil fuels – available in unlimited amounts. The renewable energy available for use is classified into heat, electricity and fuel.

Renewable Energy Act (EEG)
The German legislation for expanding the use of renewable energy, the short title of which is the Renewable Energy Act (Erneuerbare Energien Gesetz – EEG) governs the priority given to and remuneration for electricity from renewable sources supplied to the electricity grid.

Renewable Energy Directive (RED)
The EU Renewable Energy Directive European Directive 2009/28/EG is part of the political European climate and energy package agreed upon by the European Council in December 2008 following a year of

negotiations. The EU member states must prepare a national energy plan based on an agreed format.

The EU Renewable Energy Directive sets ambitious, obligatory targets for the entire European Union. The target is 20 percent of the end user energy consumption and a minimum of 10 percent renewable energy in the transportation sector by 2020. This directive introduces an overall European regulation in all areas of renewables (electricity, heating/cooling and transport) for the first time.

The most recent amendment to the Renewable Energy Directive, made in April 2015, provided that first generation biofuels shall be limited to 7 percent and for the introduction of a non-binding 0.5 percent minimum quote for second generation alternative fuels known as 'advanced biofuels' (biofuels that are created from surplus and waste). Member states must implement these rules into national law by 2017.

Renewable Energy Heating Act (EEWärmeG)

The Renewable Energy Heating Act (EEWärmeG) is a German federal law which, together with the Renewable Energy Act (Erneuerbare-Energien-Gesetz – EEG), which addresses electricity production, and the Biofuel Quota Act (Biokraftstoffquotengesetz – BioKraftQuG), which regulates the use of renewable energy used for fuels, is intended to promote the expansion of renewable energy in the heating and cooling sector in the field of energy provision for buildings. It came into effect on January 1, 2009. The law is part of the Integrated Energy and Climate Programme (Integriertes Energie- und Klimaprogramm – IEKP), which was approved by the federal government on December 5, 2007, and, for the first time, created a national requirement to use renewable energy in the construction of new buildings.

Ethanol

Ethanol, also called ethyl alcohol, belongs to the alcohol family and is in a narrow sense a synonym for alcohol. Ethanol is the main product of alcoholic fermentation and the primary component of spirits and potable alcohol. It is used as a fuel additive (bioethanol) and on its own as a fuel, but also in the chemical and pharmaceutical industries.

FAME (Fatty Acid Methyl Ester)

Fatty acid methyl ester (FAME) is manufactured by transesterification of fats or oils (triglyceride) with methanol. Today, fatty acid methyl ester is primarily used to manufacture biodiesel and can be used in its pure form as fuel or combined in any quantity with conventional diesel fuels. The most common fatty acid methyls used in biodiesel production are soya oil methyl ester (SME; primarily used in North and South America, and imported into Europe), rapeseed methyl ester (RME; primarily in central Europe), palm oil methyl ester (PME) and methyl ester obtained from animal fats (FME).

Advanced biofuels

> Second generation biofuels

Fossil fuels

Fossil energy is obtained from flammable materials which were created from dead plants and animals in geological prehistoric times. These materials include brown coal, black coal, peat, natural gas and crude oil. Fossil fuels include natural gas/CNG as well as diesel and petrol, which are manufactured from crude oil.

FQD - Fuel Quality Directive

> Fuel Quality Directive

Fracking

Fracking is a method of generating, hollowing and stabilising of fissures in stone storage areas deep below ground in order to increase the porousness of the stone. Using this technique the gas or liquid in the stone flows more freely, enabling it to be extracted more easily. Fracking is used to obtain natural gas, crude oil and ground water.

Heating and Cooling

The English language is generally used when creating and naming laws, regulations and papers at the European level.

Heating value

> Lower and higher heating value

HVO (Hydro Treated Vegetable Oil)

The term Hydrogenated or Hydrotreated Vegetable Oils (HVO) describes vegetable oils which are converted to hydrocarbons by means of a catalytic reaction with hydrogen (hydrogenation). In this process the properties of vegetable oils are processed so that they can be used as fossil fuels (in particular diesel fuels), enabling them to be used as additives or as substitutes for the fuel.

Indirect land-use change (iLUC)

The additional agricultural production of bioenergy fuels is changing the pressure on available agricultural space. iLUC occurs when raw materials, i.e. energy plants for the production of biofuels, are grown using space that has previously been used for producing foodstuffs and livestock feed, and the previous applications are removed to space that was not previously used for agricultural purposes. All available space worldwide is considered for this purpose.

Carbon dioxide (CO_2)

CO_2 is produced by the combustion of carbon-based material. It serves as a starter material for the creation of plant biomass using photosynthesis. The combustion of biomass only releases as much CO_2 as was previously captured during the growth cycle. Carbon dioxide is the most significant greenhouse gas.

Conventional fuels

> Fossil fuels

By-products

By-products are products which can be marketed and sold but are in fact manufactured as a technical side-effect of a different, primary production process, or which result from the intelligent use of technology, for example better use of raw materials. At VERBIO, by-products include feedstock, fertiliser, phytosterols and pharmaceutical glycerine from biodiesel and bioethanol/biomethane production.

Fuel Quality Directive

Directive 98/70/EG of the European Parliament and of the Council of October 13, 1998 which sets out the minimum requirements for the composition and presentation of fuel quality data. The commitment is to reduce greenhouse gas emissions from fuels by 10 percent by 2020 in three accelerating phases. This can be achieved by replacing fossil fuels with biofuels and by the use of modern technology in the production of crude oil. Only biofuels produced sustainably can be used to meet the greenhouse gas reductions targets set out in the directive.

Multi-Feedstock

A production facility which can be used with a range of raw materials. The VERBIO plants are multi-feedstock capable when used for production processes using bioethanol and biodiesel raw materials, using the best priced materials available in the market at the time.

Sustainability

The concept of sustainability describes the use of a regenerative system in such a way that the main properties of the system are preserved, and in which stocks are replenished in a natural manner.

Sustainability criteria

Biofuels which are used to achieve the objectives of the Renewable Energy Directive and biofuels benefiting from national support schemes must fulfil certain criteria in order to prove their ecological sustainability. These criteria are described as sustainability criteria. Examples of sustainability criteria are the minimum reduction targets set for greenhouse gases and the protection of areas with high biological diversity. The criteria are catalogued in the Biofuel Sustainability Regulations.

NER 300 – EU funding programme

The EU’s NER-300 programme is the largest funding programme in the world for innovative energy projects with low CO_2 emissions and is furthermore a key element of the EU strategy for combating climate change. The programme aims to fund at least 42 projects in eight different categories of technology (bioenergy, concentrated solar energy, photovoltaics, geothermal energy, wind power, tidal and wave power, hydropower, decentralised management of renewable energy), and each category includes various subcategories. A minimum of one project and not more than three projects are to be funded in each member country. .

Pharmaceutical glycerine

Pharmaceutical glycerine refers to a product synthesised by the purification and distillation of raw glycerine. It is used in the chemical and pharmaceutical industries. Glycerine is a by-product of biodiesel production, among other things.

Phytosterols

Phytosterols (also phytosterols or sterols) are a group of chemical compounds found in plants which are part of the steroid category. Phytosterols are fat-accompanying substances which, among other uses, are used as dietary supplements and have the effect of reducing cholesterol levels in humans.

RED - renewable energy directive

> Renewable Energy Directive’

Sterols

> Phytosterols

Tocopherols (Vitamin E)

Vitamin E is a collective term for fat-soluble substances with antioxidant and non-antioxidant effects. The most common form of Vitamin E are described as Tocopherols. Vitamin E has numerous important roles in the human body. It cannot be created by the human body, so it must be obtained from an external source.

Greenhouse gases
In addition to methane, nitrogen dioxide and CFCs, carbon dioxide is the most important anthropogenic greenhouse gas. The rise in the concentration of greenhouse gases in the atmosphere is responsible for climate change. The main cause of CO_2 emissions is industry, followed by the property sector (space heating, electric appliances etc.) and the transport sector.

Greenhouse gas reduction quota (GHG quota)
Since January 1, 2015, Germany has been the first country in the world to institute a so-called GHG quota for biofuels. Fulfilment of the quota is based exclusively on a maximum level of CO_2 savings.

The GHG quota in effect since January 1, 2015, is at 3.5 percent and will be raised to 4 percent in 2017 and 6 percent in 2020. For 2015 and 2016 this means that a reduction of 3.5 percent in CO_2 emissions from fuels must be ensured. In order to reach this goal, the oil industry must use biofuels.

UCOME (Used Cooking Oil Methyl Ester)
UCOME refers to biodiesel produced from waste material such as used edible oils and fats.

Upstream emissions reductions
Upstream emissions reductions relate to industrial activities, including the obtaining of raw materials, processing and transport; in simple terms all the valued added stages in the process of manufacturing through to the consumer.

The German Biofuel Industry Association (Verband der Deutschen Biokraftstoffindustrie e.V. – VDB)
The VDB has represented the German biofuels industry (primarily the biodiesel producers) at national and European level since 2001. Its two primary activities are contributing to the development of the general conditions for competition and publicly representing the industry.

*verbio*diesel
verbiodiesel is produced from vegetable oil and as pure fuel (B100) it saves up to 62 percent CO_2 compared to fossil fuel. For production purposes we primarily use domestic rapeseed oil as well as other vegetable oils and fatty acids.

*verbio*ethanol
Bioethanol is alcohol manufactured from sugar and raw materials containing starch. We primarily use poor-quality grain which does not meet the high quality standards of the foodstuff and livestock feed industries. In its pure form verbioethanol saves approximately 81 percent CO_2 compared to fossil fuels. It is marketed as an additive for premium grade petrol, for use in E5 and E10 fuel. In addition it is marketed as E85 to power so-called flexible-fuel vehicles.

*verbio*gas
verbiogas is a second generation biofuel for natural gas vehicles which is manufactured without the use of foodstuffs. verbiogas is produced solely from agricultural waste, for example slops, a residue from bioethanol production, or from straw. The biogas is processed into biomethane of natural gas quality and fed into the natural gas network. The use of verbiogas saves 90 percent CO_2 compared to the use of petrol.

*verbio*glycerin
verbioglycerin is a by-product of our verbiodiesel production, generated by the chemical process of esterification of vegetable oils with methanol. The high-value verbioglycerin process product is used in the chemical and pharmaceutical industries.

Notes

Financial calendar 2016/2017

September 21, 2016	Publication of the Annual Report 2015/2016, Analyst conference/annual financial statements press conference
November 10, 2016	Publication of the Quarterly interim statement for the period ended September 30, 2016
January 27, 2017	Annual General Meeting, Radisson Blu Hotel, Leipzig
February 9, 2017	Publication of the half-yearly interim report 2015/2016 (July 2015 to December 2015)
May 11, 2017	Publication of the Quarterly interim statement for the period ended March 31, 2016
September 27, 2017	Publication of the Annual Report 2016/2017, Analyst conference/annual financial statements press conference

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Forward-looking statements
The Annual Report includes various statements concerning forecasts, expectations and information that relate to the future development of the VERBIO Group and VERBIO Vereinigte BioEnergie AG. These statements are based on assumptions and estimates and may be associated with known and unknown risks and uncertainties. Actual developments and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions stated. Such differences may be due, among other things, to market fluctuations, changes in worldwide market prices for raw materials as well as financial markets and exchange rates, changes in national and international laws and directives, or fundamental changes in the economic and political climate. VERBIO does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this Annual Report.

This annual report is published in German (original version) and in English (non-binding translation). It is available for download at http://www.verbio.de in both languages.

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