verbio

Biofuel and Technology

# Annual Report 2018/2019

***The new biorefinery in Pinnow (Brandenburg, Germany)***

# To our shareholders



# Group management report



# Consolidated financial statements (IFRS)



# Further information

# Group key figures

**[in EUR million]**

| Profitability | 1 HY 2018/2019 | 2 HY 2018/2019 | 2018/2019 | 1 HY 2017/2018 | 2 HY 2017/2018 | 2017/2018 |
|---|---|---|---|---|---|---|
| Sales revenue | 380.2 | 399.1 | 779.3 | 352.2 | 333.7 | 685.9 |
| EBITDA | 57.3 | 37.8 | 95.1 | 30.4 | 14.4 | 44.8 |
| EBIT | 46.6 | 27.1 | 73.7 | 19.2 | 3.2 | 22.4 |
| EBIT margin (%) | 12.3 | 6.8 | 9.5 | 5.5 | 1.0 | 3.3 |
| EBT | 46.5 | 26.6 | 73.1 | 19.1 | 3.1 | 22.2 |
| Net result for the period | 33.0 | 18.7 | 51.7 | 13.3 | 1.8 | 15.1 |
| Earnings per share (EUR) | 0.53 | 0.31 | 0.84 | 0.21 | 0.03 | 0.24 |

| Operating data | 1 HY 2018/2019 | 2 HY 2018/2019 | 2018/2019 | 1 HY 2017/2018 | 2 HY 2017/2018 | 2017/2018 |
|---|---|---|---|---|---|---|
| Production (tonnes) | 361,031 | 360,095 | 721,126 | 366,718 | 355,793 | 722,511 |
| Production (MWh) | 337,969 | 368,677 | 706,646 | 295,544 | 312,768 | 608,312 |
| Utilisation Biodiesel/ Bioethanol (%) | 98.9 | 98.7 | 98.8 | 100.5 | 97.5 | 99.0 |
| Utilisation Biomethane (%) | 112.7 | 122.9 | 117.8 | 98.5 | 104.3 | 101.4 |
| Investments in property, plant and equipment | 35.4 | 28.4 | 63.8 | 10.1 | 16.5 | 26.6 |
| Number of employees [1] | 582 | 660 | 660 | 535 | 563 | 563 |

| Net asset position | 31.12.2018 | 30.06.2019 | 30.06.2019 | 31.12.2017 | 30.06.2018 | 30.06.2018 |
|---|---|---|---|---|---|---|
| Net financial assets | 96.5 | 64.2 | 64.2 | 106.9 | 90.1 | 90.1 |
| Equity | 332.0 | 338.9 | 338.9 | 309.6 | 300.2 | 300.2 |
| Equity ratio (%) | 76.5 | 79.8 | 79.8 | 81.1 | 82.0 | 82.0 |
| Balance sheet total | 433.9 | 424.9 | 424.9 | 381.6 | 366.0 | 366.0 |

| Financial position | 1 HY 2018/2019 | 2 HY 2018/2019 | 2018/2019 | 1 HY 2017/2018 | 2 HY 2017/2018 | 2017/2018 |
|---|---|---|---|---|---|---|
| Operating cash flow | 23.5 | 21.2 | 44.3 | –1.6 | 12.7 | 11.1 |
| Operating cash flow per share (EUR) | 0.37 | 0.34 | 0.71 | –0.02 | 0.2 | 0.18 |
| Cash and cash equivalents [2] | 104.4 | 74.2 | 74.2 | 108.3 | 90.5 | 90.5 |

[1] at the balance sheet date
[2] at the balance sheet date, including cash on segregated accounts

# Segment key figures

**[in EUR million]**

| **Biodiesel** | **1 HY 2018/2019** | **2 HY 2018/2019** | **2018/2019** | **1 HY 2017/2018** | **2 HY 2017/2018** | **2017/2018** |
|---|---|---|---|---|---|---|
| Sales revenue | 259.7 | 254.8 | 514.5 | 232.0 | 224.8 | 456.8 |
| EBITDA | 50.4 | 20.3 | 70.7 | 14.4 | 10.0 | 24.4 |
| EBIT | 48.0 | 17.7 | 65.7 | 12.0 | 7.6 | 19.6 |
| Production (tonnes) | 239,486 | 241,794 | 481,280 | 241,234 | 234,977 | 476,211 |
| Utilisation (%) | 101.9 | 102.9 | 102.4 | 102.7 | 100.0 | 101.3 |
| Number of employees [1] | 122 | 158 | 158 | 113 | 113 | 117 |

| **Bioethanol (incl. biomethane)** | **1 HY 2018/2019** | **2 HY 2018/2019** | **2018/2019** | **1 HY 2017/2018** | **2 HY 2017/2018** | **2017/2018** |
|---|---|---|---|---|---|---|
| Sales revenue | 115.6 | 139.1 | 254.7 | 114.8 | 104.3 | 219.1 |
| EBITDA | 6.9 | 16.9 | 23.8 | 15.7 | 4.2 | 19.9 |
| EBIT | −1.0 | 9.0 | 8.0 | 7.2 | −4.4 | 2.8 |
| Production (tonnes) | 121,545 | 118,301 | 239,846 | 125,484 | 120,816 | 246,300 |
| Production (MWh) | 337,969 | 368,677 | 706,646 | 295,544 | 312,768 | 608,312 |
| Utilisation Bioethanol (%) | 93.5 | 91.0 | 92.3 | 96.5 | 92.9 | 94.7 |
| Utilisation Biomethane (%) | 112.7 | 122.9 | 117.8 | 98.5 | 104.3 | 101.4 |
| Number of employees [1] | 293 | 332 | 332 | 257 | 260 | 275 |

| **Other** | **1 HY 2018/2019** | **2 HY 2018/2019** | **2018/2019** | **1 HY 2017/2018** | **2 HY 2017/2018** | **2017/2018** |
|---|---|---|---|---|---|---|
| Third party revenues | 8.2 | 8.5 | 16.7 | 8.0 | 7.7 | 15.7 |
| EBIT | −0.3 | 0.3 | 0.0 | 0.1 | −0.1 | 0.0 |

[1] at the balance sheet date

# Letter to our shareholders

*Dear shareholders,*

This time, instead of starting with a review of our business figures for the financial year just ended, I would like to begin by commenting on the astonishing changes in the social and political climate in Germany.

Actually, things should be looking so good. Germany is doing well. We have full employment, the economy is booming, wages are rising, fuel is cheap and we have had another wonderful summer. But then the young generation is standing up and telling the Federal Government in no uncertain terms what it thinks of Germany's climate protection measures to date. Nothing at all! Young people have shocked our politicians into action and made sure that the Federal Government is finally doing its homework on climate protection. Suddenly climate protection is right at the top of the political agenda. The "Climate Chancellor", now in the home stretch of her Chancellorship, presents a Climate Cabinet, perhaps in order to have a chance of keeping the Greens in check. All in all, these are good conditions and a fresh wind in our market environment. However, there is a danger that the green revolution will end up as just another paper tiger, if politicians and commercial interests simply continue to rub their hands in self-indulgence and incompetence. It is an important objective for our communications, lobbying and public relations work to help set the sails in such a way that the transport revolution in Germany can gain speed using this fresh wind. We have worked hard on this task over the past financial year, and we presented a catalogue of concrete demands for the decarbonisation of transport to the meeting of the Climate Cabinet on September 20, 2019.

## Commercially a complete success

With production of biodiesel and bioethanol totalling 721,126 tonnes in the financial year 2018/2019, we have kept up our record levels of production seen in the previous financial year. The Biomethane segment even saw a new production record, with 706,646 MWh of biomethane produced. We have also been able to increase to 125 the number of CNG filling stations that offer *verbio*gas. We are still the only biomethane supplier of note for this sector, and with our #StrohimTank branding we have a unique market position.

Claus Sauter
Chairman of the Management Board

Group revenue in 2018/2019 totalled EUR 779.3 million, which means that we were able to generate an increase of a solid 13 percent.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) benefited from the improved framework conditions and amounted to EUR 95.1 million, EUR 50.3 million ahead of the comparative period in the previous year. This means that we have achieved the highest EBITDA in the history of VERBIO, and significantly exceeded our original forecast for the financial year of approximately EUR 45 million.

As in the previous year, the Management and Supervisory Boards will propose to the annual general meeting to be held in January 2020 that the Company shall pay a dividend of EUR 0.20 per qualifying share in order to ensure that you, our shareholders, will receive an appropriate share in the success achieved over the past financial year.

## On course for growth in an international environment

The good earnings situation and the stable economic position form the basis of our international growth strategy, as well as the increasing diversification of our product range.

In this area we really have "stepped on the gas" in the true sense of the meaning in the financial year 2018/2019.

In addition to starting construction work on the straw biomethane plant in India, we acquired a cellulose ethanol plant at Nevada/Iowa, USA from DuPont in November 2018. Since the start of 2019 work has been ongoing there to establish straw biomethane production using existing plant components with significant added new machinery.

At the Pinnow location our second straw biomethane plant was connected to the gas network in August 2019, and has commenced full production operations. This is our second in Germany.

In the biodiesel sector we completed the third expansions of the sterol plants at the Bitterfeld and Schwedt/Oder locations, and started production there. With these capacity expansions we have now become the world's largest sterol manufacturer.

In addition, our Biodiesel segment has also ventured onto the international stage in North America, a growth market, and in July 2019 we acquired a biodiesel plant in Welland/Ontario, Canada. Within a short time we have made this plant ready for production again, and it commenced production operations at the end of August 2019. The growing biofuels market in North America requires approximately 9 million tonnes of biodiesel annually. We aim to benefit from this growth market with the acquisition and improvement of this plant.

## VERBIO = Biofuel + Technology

Time and time again we emphasise that VERBIO is more than "just" a manufacturer of biofuels. More than this: we see ourselves as a technology business, and we aim for technology leadership in suitable market segments. With this objective in mind we acquired the technology company XiMo in the financial year 2018/2019.

XiMo is a technology company that develops catalysts for the metathesis of organic compounds. In future, metathesis will offer VERBIO an opportunity to manufacture other chemical raw materials using vegetable oil materials in addition to biodiesel. In the medium term, the objective is to team up with XiMo to develop the catalysts and processes necessary achieve this aim, enabling us to enter into new markets which are outside the biodiesel market.

## It is people who make success happen

Our employees are the driving force behind our positive numbers and successful projects. There has been a significant increase in the number of employees in the financial year 2018/2019, as a result of the acquisitions made as well as due to the expansion of our production, administration and project development teams. We employed 660 people at June 30, 2019. This represents an increase of 97 compared to the previous year.

In the tight employment market in Germany it is important to offer convincing employment conditions, interesting work, and opportunities to progress, both for the existing staff and for new employees. For this reason, we have made investments in personnel over the past financial year.

Here I extend our heartfelt thanks to our motivated and engaged team for successfully meeting the challenges presented by new technologies and new markets on a daily basis!

## Summary and outlook

As I mentioned above, the Federal Government is currently under unprecedented political and social pressure concerning the climate issue.

Given the increase in the quota obligation from 4 to 6 percent in 2020 we anticipate that there will be an increase in demand for biofuels in Germany next year.

The energy turnaround on the streets cannot be achieved without the use of biofuels. A practical solution using the “all-electric” strategy which has been followed so far is not in sight. At this point I will allow myself to comment on the current discussion concerning the hesitant expansion in the use of wind power to generate more electricity from renewable sources.

Even if the sales of electric cars take off, this market is still starting from a comparatively low level. In addition, there is still no commercial solution, or no satisfactory commercial one, for an electro mobility option in a number of transport sectors, such as the long-distance freight transport and local passenger transport sectors, not to mention the missing recharging infrastructure system.

Accordingly, we continue to see the potential for the use of biodiesel and bioethanol in the additive market, as well as substantial growth potential for the use of pure biomethane as a fuel for CNG/LNG vehicles, in particular for heavy goods vehicles and buses.

The toll exemptions for low-emission heavy goods vehicles, which were put in place on January 1, 2019 for an initial period limited to two years, have led to an unprecedented increase in the sales of heavy goods and light commercial CNG and LNG vehicles. These heavy goods vehicles can be powered using our biomethane, and as a result they are almost $CO_2$ neutral overall.

We continue to devote our remaining efforts to maintaining our consistent strategy of expanding on the manufacture and sale of by-products in order to decrease the Company’s dependence on biofuel markets.

Based on the current level of sales and raw material prices, the planned plant utilisation and taking into account current investments, the Management Board expects to achieve an EBITDA of approximately EUR 65 million in the financial year 2019/2020 (original forecast for the 2018/2019 financial year: EUR 45 million).

The Group intends to further invest in capacity expansion and internationalisation in the current financial year. This will be financed from the Group’s own funds accumulated in prior periods as well as current operating cash flow. As a result, the Management Board expects a low balance of net debt at the end of the financial year 2019/2020.

We thank you for the trust you have placed with us until now, and we are appreciative of your continued support.

Yours, Claus Sauter
Chairman of the Management Board

*Under construction: Straw biomethane plant in India*

# Report from the Supervisory Board

*Dear shareholders,*

Once again – as on successive occasions – VERBIO is able to look back on a successful financial year in which both sales volumes and sale revenues increased and achieved new record levels. Over the past financial year, we have been able to prove that together we – that is, the Management Board, the employees and the Supervisory Board – have strategically positioned the Company in the right way.

Also, the Group's growth strategy, in particular the expansion into international markets, has been pursued systematically. The national and international competitiveness established in recent years, and with it VERBIO's technology leadership, has borne fruit again over the past year. However, we will not sit on this success and allow ourselves to relax.

The financial strength that the Company has now created, which is reflected in all the Group's significant ratios, make it possible for the Company to continue the determined pursuit of its growth strategy, which is energetically supported by the Supervisory Board.

Alexander von Witzleben
Chairman of the Supervisory Board

## Cooperation between the Supervisory and Management Boards

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

In the financial year 2018/2019 the members of the Supervisory Board of VERBIO AG have performed the tasks imposed on them by law, by the articles of association and by internal rules of procedure, discharging these duties in full and with the utmost care. The reporting obligations of the Management Board and the requirement to issue a catalogue of transactions requiring prior approval are legal requirements, and the detailed application of these requirements is set out in the Company's internal rules of procedure for the Management Board to follow.

We have provided support to the Management Board on a regular basis concerning the management and strategic development of the Group, we have regularly made ourselves available to provide advice, and we have accompanied and supervised the Board's management of the business on a continuous basis, and analysed in depth 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. Verbal reports made by the Management Board in the meetings were supported by comprehensive and relevant written documents provided to each member of the Supervisory Board on a timely basis in advance of each meeting, so that the members of the Supervisory Board had sufficient opportunity to form a critical assessment of the reports and the proposed resolutions submitted by the Management Board, and to contribute its own proposals. The Supervisory Board was able to assure itself of the lawful, appropriate and proper conduct of the Company's management.

The collaboration between the Supervisory Board and the Management Board was characterised by an intensive and open discourse at all times. We were provided with comprehensive information in good time and on a regular basis, 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. The Management Board provided detailed information on variances between the course of business and the business plans and objectives, and discussed in depth the reasons for the variances, as well as the measures taken in response to them, with the Supervisory Board. The reporting duties under § 90 (1) and (2) German Stock Corporation Act (Aktiengesetz – AktG) and the German Corporate Governance Code (Deutschen 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 the current course of business and concerning significant transactions. 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.

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, proper and economic manner, and we saw no need to use our audit rights provided for under § 111 (2) AktG.

## Formation of committees

In accordance with the articles of association, the VERBIO AG Supervisory Board consists of three members only, which means that it is of an appropriate size to ensure that it is able to discuss and make resolutions on all matters in the presence of the entire board. Accordingly, as in the previous year, no committees have been formed. All questions were handled by the board as a whole.

## Meetings and resolutions of the Supervisory Board

In the financial year 2018/2019 the Supervisory Board held four regular meetings. In addition, two extraordinary Supervisory Board meetings were held in the form of telephone conferences. Further, three resolutions were approved by written circulation procedure. 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, the current market situation, and the asset, financial and earnings positions of the Group and its segments, as well as the status of current projects. 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.

In addition, the Supervisory Board has examined VERBIO's foreign business activities and their associated opportunities and risks in an intensive and critical manner. It has kept itself informed on the progress of the foreign projects and the international business segments in each of its Supervisory Board meetings. The strategy followed by the Management Board in these ventures continues to receive support.

In addition to addressing each of the standardised agenda topics already described above, the Supervisory Board has examined the following significant issues in the reporting period.

The extraordinary Supervisory Board meeting on August 14, 2018, held in the form of a telephone conference, was convened in order to discuss potential foreign investment opportunities and the associated steps that needed to be taken in connection with these. As a result, the Supervisory Board approved the acquisition of 51 percent of the share capital of VNA Corporation, a United States registered company. In addition, a resolution was approved concerning the approval of the performance of non-audit services by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig.

The meeting to approve the financial statements was held on September 21, 2018. The meeting to approve the financial statements addressed the audit and approval of the annual and consolidated financial statements and the management reports of VERBIO AG and 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 prepared by the Management Board and adopted the consolidated financial statements. The Supervisory Board agreed with the

Management Board's proposal for the appropriation of profits. 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. In addition, at the same meeting the Supervisory Board approved the budget plan prepared by the Management Board for the financial year 2018/2019. A further topic was the preparation of a resolution on determining the variable compensation of the Management Board in accordance with the employment contracts of the Management Board.

The extraordinary Supervisory Board meeting held on October 30, 2018 in the form of a telephone conference included passing a resolution approving the USA investment project and associated approval of the acquisition of the ethanol plant in Iowa.

The meeting held on November 5, 2018 was primarily concerned with discussing the quarterly statement for the period ended September 30, 2018. The Supervisory Board also approved a resolution on the agenda topics to be proposed at the annual general meeting 2019. Reports were also submitted on the compliance topics relevant to the Group at this meeting. Further, the Supervisory Board voted on the investment plans for India and on the prolongation of a trust agreement, a transaction for which the Management Board is required to obtain approval under its rules of procedure.

In the meeting following the annual general meeting held on February 1, 2019, discussions took place on the draft half-year financial report for the period ended December 31, 2018. Also at this meeting resolutions were approved concerning transactions requiring approval. These concerned the formation of subsidiaries, both domestic and foreign, in connection with the Canada project as well as the approval of financing transactions. In addition, the Supervisory Board approved the financial reporting calendar for the financial year 2019/2020 at this meeting.

The meeting on May 6, 2019 was held at the production site in Bitterfeld and was combined with a visit to tour the biodiesel and sterol plants on site there. A significant issue at this meeting was the discussion of the quarterly report for the period ended March 31, 2019 as well as the presentation of the preliminary business planning for the financial year 2019/2020. In addition, 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, 2020. Ulrike Krämer abstained from voting in this matter. Also, resolutions were passed concerning a number of transactions requiring approval, in particular concerning the approval of the Canada investment project and the associated acquisition of the biodiesel plant. In addition, approval was given for the extension and expansion of the rental property arrangement for office space at Oelßner's Hof in Leipzig. As this contract is entered into with related parties, an examination was made to determine whether the rent is appropriate and comparable with an arm's length transaction before the resolution was approved.

In the financial year 2018/2019 there were three resolutions approved by circulation procedure, which concerned the acquisition of the share capital of XiMo AG as well as two resolutions in connection with the financing of the VERBIO North America Corporation.

## Conflicts of interest

The members of the Supervisory Board are required to disclose any conflicts of interest without delay. In compliance with the relevant recommendations of the German Corporate Governance Code, the Supervisory Board reports to the annual general meeting on any conflicts of interest arising and how these are managed.

In the financial year just ended no conflicts of interest affecting members of the Management or Supervisory Boards were noted which would have required disclosure to the Supervisory Board in accordance with section 4.3.4 and 5.5.2 of the German Corporate Governance Code (DCGK).

The Supervisory Board has approved the service agreement between the Company and Ulrike Krämer, extending the term of this agreement until June 30, 2020. She will continue to support VERBIO during ongoing external tax audits. Ulrike Krämer abstained from voting on the resolution concerning this engagement arrangement. No other contracts were entered into with members of the Management or Supervisory Boards which required the approval of the Supervisory Board.

## Corporate governance and declaration of conformity

The Supervisory and Management Boards are aware of the fact that good corporate governance is an important foundation for the Company's success. Accordingly, the Supervisory Board has again considered the recommendations and suggestions of the German Corporate Governance Code (in the version dated February 7, 2017) in the financial year 2018/2019. The Management Board reports jointly together with the Supervisory Board on corporate governance at VERBIO on an annual basis in accordance with section 3.10 of the German Corporate Governance Code.

There were no new regulations added to the German Corporate Governance Code in the financial year 2018/2019. Accordingly, the Management and Supervisory Boards reviewed and discussed the unchanged recommendations and suggestions of the German Corporate Governance Code in their meeting held on September 20, 2019 and issued a declaration of conformity in accordance with § 161 AktG, the content of which is unchanged compared to the previous declaration. With certain exceptions, which we have explained in that document, we have complied with all the recommendations of the code in its current version.

When the Act on the Implementation of the second Shareholders' Rights Directive (ARUG II) is implemented and the associated revised version of the German Corporate Governance Code is issued, the Supervisory Board will examine the declaration in its current form and, if necessary, make amendments to it appropriately.

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 in the investor relations section of the Company's website, together with the respective reports issued in previous years. The documents remain available for a period of five years.

## Efficiency audit

The VERBIO AG Supervisory Board performs audits of the efficiency of its work at regular intervals in the form of a self-evaluation procedure, using a comprehensive company-specific checklist. The checklist addresses significant issues such as cooperation with the Management Board, the preparation and conduct of meetings, the scope and content of documentation and the timeliness and appropriateness of information provided, in particular concerning financial reporting, compliance and audit, as well as controlling and risk management.

No efficiency audit has been performed on the work of the Supervisory Board in the financial year 2018/2019 as an audit had previously been performed in the financial year 2017/2018.

As a result of the efficiency audit performed in the financial year 2017/2018 the Supervisory Board approved measures taken to improve the efficiency of the work performed by the Supervisory Board. This included, as part of the Supervisory Board's further education and training, making visits to the Group's production plants to obtain a first-hand impression of the production conditions and the work performed by management. This has already been implemented with visits to the production plants in Schwedt and Pinnow on June 8, 2018 in the financial year 2017/2018, and in the financial year 2018/2019 we visited the biodiesel and sterol plants at Bitterfeld on May 6, 2019.

## Members of the Supervisory Board and Management Board

There have been no changes in the membership of VERBIO AG's Supervisory Board or Management Board in the reporting period.

Accordingly, the members of the Supervisory Board remain as follows:

- 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 an available substitute member.

Accordingly, the VERBIO Management Board consists of the following persons:

- Claus Sauter (Chairman of the management board)
- Dr. Oliver Lüdtke (Vice-Chairman of the Management Board)
- Theodor Niesmann
- Bernd Sauter

The individual responsibilities assigned to the members of the Management Board are unchanged. These are described in summary form on page 121 of this annual report.

## Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on February 1, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was reappointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2018/2019. In a letter dated September 21/26, 2018 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 June 26, 2019 in accordance with the resolution approved at the annual general meeting.

KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig has audited the annual financial statements of VERBIO Vereinigte BioEnergie AG prepared by the Management Board in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) for the financial year from July 1, 2018 to June 30, 2019, together with the management report for the financial year from July 1, 2018 to June 30, 2019. The auditor issued an unqualified audit opinion. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2018 to June 30, 2019 and the Group management report were prepared in accordance with § 315 a 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 financial statements, reports and proposal on the appropriation of profits in detail in the accounts review meeting held on September 20, 2019. 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 has determined that there are no objections to the results of the audit performed by the Company's auditor and have endorsed the financial statements of VERBIO Vereinigte BioEnergie AG and the consolidated financial statements for the Group prepared by the Management Board for the year ended June 30, 2019. The annual financial statements of VERBIO Vereinigte BioEnergie AG have therefore been adopted. The Supervisory Board has examined the proposal for the appropriation of profits submitted by the Management Board. In doing so, particular account has been taken of the Company's and the Group's liquidity, tax aspects and the financial results of operations, as well as the medium-term investment plans. In addition, the proposal was examined in the light of the dividend policy as well as the interests of investors. Following this examination, the Supervisory Board has agreed with the proposal for the appropriation of profits submitted by the Management Board and joins it in recommending the proposal. This includes the payment of a dividend and appropriation of the remaining profit to reserves.

## Dependency report

As in previous years, in the financial year 2018/2019 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 on a timely basis. Both reports were discussed in detail following the auditor’s report presented in person at the Supervisory Board meeting held on September 20, 2019. The Supervisory Board has taken note of the results of the audit work performed by the auditor of the financial statements, and based on the final results of its audit has not raised any objections to the closing remarks of the Management Board at the end of the dependency report. Accordingly, the Supervisory Board concurs with the auditor’s opinion.

## Separate non-financial statement

With the implementation of the German CSR Directive Implementation Act, VERBIO has issued a separate non-financial statement for the first time in the financial year 2018/2019. This was prepared in accordance with the German Commercial Law (Handelsgesetzbuch – HGB) and is presented separately to the management report. In this separate report, VERBIO presents selected non-financial information based on international sustainability standards issued by the Global Reporting Initiative (GRI).

The Supervisory Board has performed an audit of the contents of the non-financial statement for 2018/2019 in accordance with § 289 c and § 315 c HGB. The statement was discussed together with the Management Board in a meeting of the entire Supervisory Board held on September 20, 2019, with the Supervisory Board performing a detailed audit itself and not engaging a third-party auditor for this purpose. Following the final results of its audit, the Supervisory Board has not raised any objections and taken note of and approved the non-financial statement.

## Closing comments

Looking back at the financial year 2018/2019 we are able to conclude that the year ended with a pleasing annual result.

A large part of this success is due to the contributions made by employees of VERBIO AG and all of its Group companies. Thanks to their hard work and their high level of commitment, it has been possible to meet the challenges of the past financial year successfully and to improve the Group’s potential looking forward even further. I would like to express the same thanks to the members of the Management Board for their successful management of the Company, for the way in which they have, at all times, worked in a positive and trusting manner, and for all the work that they have done over the past year. I am looking forward to the Company’s continued progress with optimism.

Finally, I would also like to thank you, our shareholders, for the trust and commitment you have given to the Company, its management and its employees. In doing so you have made a significant contribution to VERBIO’s success.

Zörbig, September 20, 2019

For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

# The VERBIO share

VERBIO Vereinigte BioEnergie AG's shares are listed in the Prime Standard segment of the German stock exchange (ticker: VBK) and are traded on the electronic securities trading platform Xetra, among others.

## 2018 – German benchmark index (DAX) in fluctuation

From the start of the first half of the financial year 2018/2019 the German share index (DAX) was made to suffer losses on several occasions. Increasing international uncertainties, caused by the Italian budget crisis as well as by the trade war between the USA and China, among other things, led to new lows on the leading share index. In addition, the increasing likelihood of a "hard Brexit" has increased the risk of an economic downturn. At a meeting of the European Central Bank (ECB) held in June 2018 the Central Bank announced that it would not increase the base rate before the summer of 2019; accordingly, in the first half of the financial year 2018/2019 the rate remained firmly at 0.0 percent. The share price falls initiated by the uncertain political environments ended on December 27, 2018 with the index at 10,381.51, its lowest level during the financial year. The DAX ended the first half of the financial year 2018/2019 closing at 10,558.96 points on December 31, 2018, representing a fall of 13.29 percent over the first half-year.

In the USA the Dow Jones traded at levels consistently above the important 20,000-point mark during the first half of the financial year 2018/2019. The leading index staged a rally from the beginning of July 2018 until early October 2018, which ended on October 3, 2018 at 26,828 points, its highest level in the financial half-year period. The Dow Jones joined the downward trends recorded by all important share indexes from the beginning of October 2018 as President Trump announced penalty import duties against China. The stock market losses ended in the financial year 2018/2019 with a low of 21,792 recorded on December 24, 2018. Following that the Dow Jones recovered and was able to close the first half of the financial year 2018/2019 at 23,327 points on December 31, 2018. The US Central Bank, the Federal Reserve (Fed), increased the base rate of interest on September 26, 2018 and on December 19, 2018. At the end of 2018 the interest rate was at the 2.25–2.50 percent level.

## 1 half-year 2019 – Germany's leading index in an upward trend

The DAX recorded its lowest level in the financial half-year at the very beginning of 2019, recording 10,416.66 points on January 3, 2019. This was followed by a continuous upward trend which was only interrupted by temporary losses in mid-February and at the beginning of March 2019. Among other things, these share price falls were caused by the position taken by the US President Trump in the trade wars with Europe and with China, in which the ordering of new import duties worsened the already tense situation. In the second half of the financial year 2018/2019 the DAX was supported by the ECB decisions made in January and March 2019. The monetary authorities extended their resolution concerning the 0.0 percent interest rate until at least the end of 2019. As a result, the DAX was able to break through the 12,000-point barrier as early as April, and maintained this level almost continually up until the end of the second half of the financial year 2018/2019. The index only fell below the 12,000-point level in mid-May 2019 and at the end of May 2019.

Economic growth in the eurozone also followed a positive trend. In the third quarter of the financial year 2018/2019 the gross domestic product (GDP) in the eurozone recorded growth of 0.4 percent. In Germany, gross domestic product also grew by approximately 0.4 percent in the third quarter of the financial year 2018/2019, which was double the rate of growth shown in the second quarter of the financial year 2018/2019 (0.2 percent). According to the Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V. (Ifo Institute for Economic Research in Munich) the positive trend is due in particular to the increase in business sentiment index for the services and retail sectors. The economic upswing was halted from the end of April 2019 as a result of the ongoing economic risks in the eurozone. On April 17, 2019 the Federal Government reduced the growth forecast for German industry for the full year 2019 by half to 0.5 percent, due among other things to the threat of penalty tariffs being imposed by the USA on European automobile exports. Despite these risks the DAX ended the first half-year 2019 with a significant gain of approximately 17 percent.

## Turbulent start to the second half-year 2019

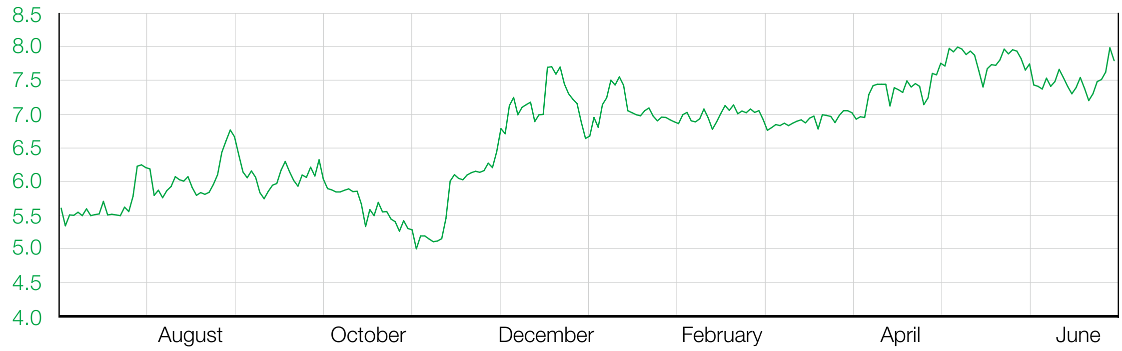
At the beginning of the second half of 2019 the DAX was able to continue the upward trend set in the first half of the financial year 2018/2019, recording an interim high of 12,629 points on July 4, 2019. The German economy had to accept lost growth in the fourth quarter of the financial year 2018/2019. This was reflected in a deterioration of the economic climate index published by the German Institute of Economic Research (Deutsches Institut für Wirtschaftsforschung e. V. – DIW), which registered only 95.8 points in the fourth quarter of the financial year 2018/2019 and represents a growth forecast of GDP for the period from April to June 2019 of approximately 0.1 percent. For the year 2019 as a whole the Organisation for Economic Co-operation and Development (OECD) forecasts GDP growth of 0.7 percent for Germany. The estimate made in the previous year had been 2.1 percent. Following the amendment to the economic growth forecast issued by the Federal Government in April 2019, the expected growth is unchanged at 0.5 percent.

The known uncertainties continued into the second half of 2019. These include, among other things, the ongoing trade war between the USA and China as well as the risks of a "hard Brexit". The tense situation in the United Kingdom deteriorated further with the resignation of Prime Minister Theresa May in May 2019.

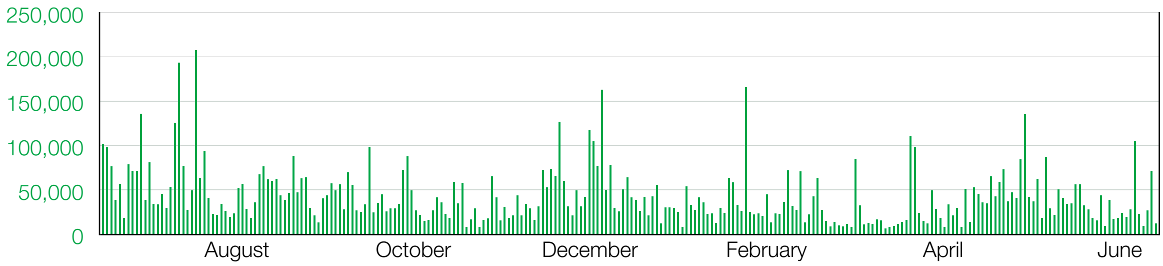
## A successful year for the VERBIO share in the financial year 2018/2019

The VERBIO share started the financial year 2018/2019 on July 2, 2018 priced at EUR 5.22 per share (Xetra). By the end of August 2018, the shares were able to resume their rally from the end of the financial year 2017/2018, resulting in an interim high of EUR 6.77 on August 27, 2018. Following that the VERBIO shares fell back, reflecting the general trend for shares in the

## Performance and trading volume of the VERBIO share (XETRA) from July 1, 2018 to June 30, 2019 (in euros)




Performance of the VERBIO share (XETRA)
from July 1, 2018 to June 30, 2019 (in euros)




Trading volume (XETRA)
from July 1, 2018 to June 30, 2019 (in number of shares)

German share indices. On September 26, 2018 VERBIO published the results for the financial year 2017/2018, reporting an EBITDA of EUR 45 million, which was approximately 51 percent below the same period in the previous year 2016/2017. The share price falls ended on October 29, 2018 with a low for the financial year of EUR 5.01. An upwards trend followed from the beginning of November; among other things this was initiated by the increasing margins for biodiesel and by the good order book. As a consequence, VERBIO made an upwards revision to its EBITDA forecast for the financial year 2018/2019 on December 11, 2018. The VERBIO share closed the first half of the financial year 2018/2019 on December 28, 2018 recording a share price of EUR 6.68.

The increased margins for biodiesel and for bioethanol were also reflected in the positive trend in the VERBIO share price in the third quarter of the financial year 2018/2019. From mid-January the share price maintained a sideways movement in which the VERBIO share price moved within a range of EUR 6.76 (February 28, 2019) and EUR 7.14 (February 18, 2019). VERBIO increased its EBITDA forecast for the financial year 2018/2019 again on April 2, 2019. Accordingly, the share recorded a gain of approximately 7 percent within the space of three days. In the course of this upward trend the VERBIO share was traded at the highest level recorded in the financial year, reaching EUR 7.99 on May 7, 2019. The VERBIO share closed the financial year 2018/2019 on June 28, 2019 with a share price of EUR 7.79. This represented a gain in the share price of 44.53 percent in the financial year 2018/2019.

In the first half of the financial year 2018/2019 the volume of shares traded on the Xetra stock exchange fell to an average of 49,182 shares/day. An average of 33,876 shares were traded daily in the second half of the year. Overall, however, the average daily trading volume fell to a daily average of 41,590 shares compared to the previous year (2017/2018: average of 150,372).

## Annual general meeting 2019

The VERBIO AG annual general meeting 2019 was held on February 1, 2019 in Leipzig. Shareholders representing 78.11 percent of the Company's total share capital were in attendance. The Management and Supervisory Boards answered questions and presented information on business developments, corporate strategy, and the legal environment and market trends. In the presence of approximately 100 shareholders, representatives of shareholder associations and guests, all of the resolutions proposed by management were approved with the necessary majority. The Management and Supervisory Boards of VERBIO AG view the voting results as evidence that shareholders have a great level of trust in the Company's management. Details of the voting results and further information on the annual general meeting are provided in the investor relations section of the Company's website (www.verbio.de).

## Communication with capital markets

In its communication with capital market participants, VERBIO has a policy of treating all capital market participants equally. Accordingly, we always publish up-to-date information which is relevant to the share price on a timely basis and in identical form, using both an electronic distribution system and the VERBIO AG internet site.

Interested capital market participants are provided with important information such as the Company's financial reports, stock market data, analysts' reports, financial calendar and corporate presentations in the investor relations section of the Company's website (www.verbio.de). Obligatory capital market communications such as disclosures of directors' dealings, ad hoc reports and Corporate News are provided there on a timely basis in German and in English. In addition, regular press and analysts' conferences (held as telephone conferences) are convened when half-year financial reports and annual reports are released.

In addition, the investor relations department makes itself available to institutional and private investors as well as financial analysts for an exchange of information via personal meetings or telephone calls. VERBIO also provides information on a regular basis in the form of media channels such as 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.

You will find the financial calendar, with all the important dates for the financial year 2019/2020, on the inside of the back cover of this annual report and in the investor relations section of the Company's website (www.verbio.de).

## Dividends

The Management and Supervisory Boards of VERBIO AG follow a long-term dividend policy which is aimed at making a fair arrangement between the interests of shareholders on the one hand, and the financing needs of the business on the other. This should provide shareholders with a reasonable dividend in order to share in the Company's success. At the same time, it is also in the interests of shareholders that the Company takes advantage of expansion opportunities to provide it with sustainable growth, and that it has sufficient cash to finance operating activities and provide a solid equity base. Accordingly, VERBIO AG's Management and Supervisory Boards make a careful examination of their dividend proposals every year, taking the interests of both the Company and its shareholders into account.

| EUR | 2013/ 2014 | 2014/ 2015 | 2015/ 2016 | 2016/ 2017 | 2017/ 2018 | 2018/ 2019 |
|---|---|---|---|---|---|---|
| Earnings per share (basic) | 0.80 | 0.43 | 0.77 | 0.82 | 0.24 | 0.84 |
| Dividends per share | 0.00 | 0.10 | 0.15 | 0.20 | 0.20 | 0.20 |
| Dividend distributions (in EUR millions) | 0.00 | 6.30 | 9.50 | 12.60 | 12.60 | 12.60 |

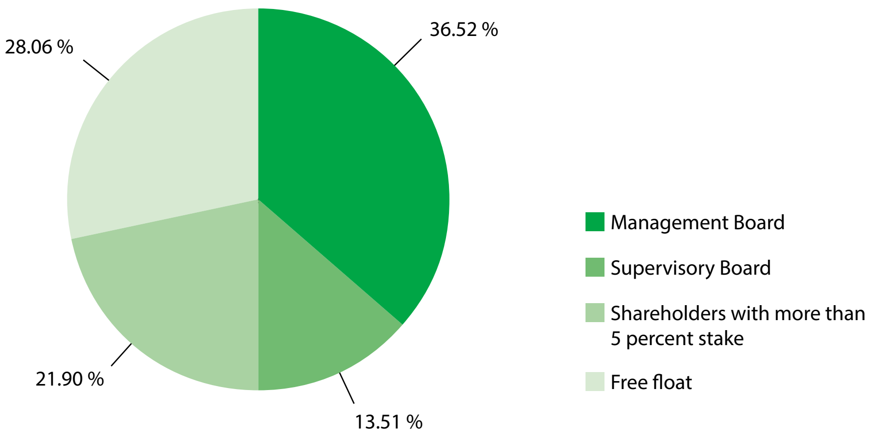
### Dividend payment of EUR 0.20 per share for the financial year 2017/2018

The VERBIO AG annual general meeting held on February 1, 2019 approved the proposal of the Management and Supervisory Boards to pay a dividend for the fourth successive year, approving the payment of EUR 0.20 per qualifying share for the financial year 2017/2018. Accordingly, VERBIO AG paid a total dividend of EUR 12.6 million to its shareholders for the financial year 2017/2018. This represents a yield of 3.71 percent based on the closing price of the VERBIO share of EUR 5.39 at June 30, 2018.

### Proposed dividend for the financial year 2018/2019

There has been no change in the dividend policy followed by the Management and Supervisory Boards in the current financial year. Particularly in view of the good results for the financial year 2018/2019, which were achieved in difficult market conditions, and in view of the continued positive liquidity position of the Company, the Management and Supervisory Boards of VERBIO AG have agreed to submit a proposal to the annual general meeting to be held on January 31, 2020 for the payment of a dividend of EUR 0.20 for each share carrying dividend rights. This represents a total payment of EUR 12.6 million (2017/2018: EUR 12.6 million). This dividend proposal, which is subject to the approval of the annual general meeting, represents an unchanged dividend payment compared to the previous year (2017/2018: EUR 0.20). This represents a yield of 2.57 percent based on the closing price of the VERBIO share of EUR 7.79 at June 30, 2019.

## Shareholder structure at June 30, 2019




There has been a change to the structure of shareholdings in VERBIO AG in the financial year 2018/2019 compared to the structure at June 30, 2018. The new structure is the result of multiple voting rights notifications submitted to VERBIO AG up until June 30, 2019.

On April 8, 2019, in accordance with § 38 WpHG, Albertina and Alois Sauter reported that they hold instruments representing a 7.94 percent share as a result of the completion of a conditional purchase agreement for the acquisition of 5,000,000 VERBIO AG shares. On May 22, 2019, in accordance with § 33 and § 34 WpHG on accession to the voting rights pool the voting rights report on meeting the reporting threshold with a voting rights share of 68.8 percent was effected, and on June 4, 2019 on completion of the purchase agreement the voting rights report for no longer meeting the reporting threshold for instruments held in accordance with § 38 WpHG was effected.

### 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 | HSBC Trinkaus & Burkhardt AG | |
| Number of shares | 63,000,000 | |
| Type | Ordinary shares | |
| Nominal value per share | EUR 1.00 | |
| | **2018/2019** | **2017/2018** |
| Final price (Xetra, June 30, 2019; June 30, 2018) | EUR 7.79 | EUR 5.39 |
| 52-week high (Xetra) | EUR 7.98 | EUR 13.80 |
| 52-week low (Xetra) | EUR 5.01 | EUR 3.96 |
| Market capitalisation (basis: final price Xetra) | EUR 490.77 million | EUR 339.57 million |
| Free float | 28.06 % | 28.43 % |
| Earnings per share (basic and diluted) | EUR 0.84 | EUR 0.24 |
| Operating cash flow per share | EUR 44.7 | EUR 0.18 |
| Book value per share | EUR 5.38 | EUR 4.77 |

# Group management report

***Under construction: Straw biomethane plant in Iowa, USA***

# Group Management Report

**for the financial year from July 1, 2018 to June 30, 2019**

## Fundamentals of the Group

### Group structure

VERBIO BioEnergie AG (hereinafter also referred to as "VERBIO AG" or "the Company"), Zörbig is the parent holding company of the VERBIO Group (hereinafter also referred to as "VERBIO" or "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, 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, Schwedt/Oder; hereinafter referred to as "VDS"
- VERBIO Agrar GmbH, Zörbig; hereinafter referred to as "VERBIO Agrar"
- VERBIO Logistik GmbH, Zörbig; hereinafter referred to as "VERBIO Logistik"
- VERBIO Polska Sp. z o. o., Stettin (Poland); hereinafter referred to as "VERBIO Polska"
- VERBIO Pinnow GmbH, Pinnow; hereinafter referred to as "VERBIO Pinnow"
- VERBIO India Private Limited, Chandigarh (Indien); hereinafter referred to as "VIP"
- VERBIO North America Corporation, Grand Rapids, Michigan (USA); hereinafter referred to as "VNA".

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

### Business model

VERBIO stands for biofuel and technology. VERBIO manufactures biofuels, biofertiliser and animal feed, as well as sterols and pharmaceutical glycerine for use as raw materials in the cosmetic and food industries in its large-scale production plants. The technologies used have been developed internally by VERBIO. The plants and processes are optimised and improved on an ongoing basis. Biofuel sales and the procurement of the necessary raw materials for their production are carried out by VERBIO AG. The biofuels are manufactured by the Group's subsidiaries at locations in Zörbig, Bitterfeld, Schwedt/Oder and Pinnow. These companies work for VERBIO AG on the basis of processing contracts.

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. The Group commenced production of VERBIO biodiesel in Canada at the end of August 2019. Currently there are ongoing projects to commence production of biomethane in the USA and in India. Biodiesel, bioethanol and biomethane are sold in Europe, sales of biodiesel have also been made in North America since August 2019, and pharmaceutical glycerine and sterols are sold worldwide. As a result of commencing production in foreign countries the marketing of biofuels will, in future, become a more international operation.

As a technology company, VERBIO is always searching for new technologies which can help to make use of the raw materials used in the core processes and the end products, biodiesel, bioethanol and biomethane, as well as the resulting by-products. The objective of this strategy is to develop and manufacture new products in order to improve and deepen the value-added chain, and consequently improve profitability.

With this objective in mind, VERBIO has acquired XiMo AG, with locations in Hungary and Switzerland. XiMo develops and markets metathesis catalysts. For VERBIO AG, metathesis will, in future, offer an opportunity to manufacture other chemical raw materials using vegetable oil materials in addition to biodiesel. In the medium term, the objective is to team up with XiMo to develop the catalysts and processes necessary to achieve this aim, enabling us to enter into new markets for vegetable oil methyl esters which are outside the biodiesel market.

### Goals and strategies

VERBIO is one of the leading independent manufacturers of biofuels, and at the same time the only large-scale global producer of biodiesel, bioethanol and biomethane. Management places emphasis on goods of the highest quality and on processes and production technologies that are particularly efficient. The basis for all our 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. In this way 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 the processing of by-products as feedstuffs and fertiliser products or as high-value input materials for the foodstuff and pharmaceutical industry, we make important contributions to strengthening the agricultural economy in the region, and to providing 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 manufacturing plant structures, efficient processes and a high level of flexibility regarding the use of raw materials, this also requires strong innovation skills and 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.

We 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 biorefinery technology, which we have established at our Schwedt/Oder and Pinnow locations. This technology is the primary focus of VERBIO's expansion projects in India and the USA. In addition, the acquisition of a biodiesel plant in Canada also contributes to the Group's increasing internationalisation.

In doing so, we maintain our focus on sustainable, profitable growth at all times in order to remain an attractive investment proposition 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, when our annual report is published.

### 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 and Supervisory Boards of VERBIO AG work together to manage and supervise the business, and their working relationship is a close and trusting one. Their objective is to create a sustained increase in the value of the Company for shareholders.

The Management Board of VERBIO AG consists of four members, and they carry joint responsibility for managing the business of the Company, with the objective of generating 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 indicator that we use to monitor profitability at Group level and at the Biodiesel and Bioethanol segment levels is EBITDA (operating result before interest, income taxes and depreciation and amortisation). In addition, analyses of gross margin, EBIT (operating result before interest and income taxes) and production-specific key data, such as production quantities and the associated capacity utilisation, are also used.

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, as well as currency and interest rate management. The most important key performance indicator used for this is the measurement of net cash (cash and cash equivalents, less bank loans and other loans).

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 system of generating reports on planning, expected and actual data is based on a reliable and meaningful financial and controlling information system.

## Research and development

VERBIO's research and development (R&D) departments make an important contribution to increasing our competitiveness and to the expansion of our business by developing new innovative production 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 2018/2019, 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 teams, which consist of process engineers, chemists, biotechnologists, laboratory technicians and chemicals technicians, we are in a position to work on many ideas in both theory and 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 our analysis proves that the process or process modification provides economic efficiencies, 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.

Participation in joint projects with public and private research institutes and universities also plays an ongoing role in our research and development work.

In total, EUR 3,132 thousand (2017/2018: EUR 1,406 thousand) was spent on research and development in the past financial year. Group-wide, an average of 38 (2017/2018: 16) employees 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. The Biodiesel segment's R&D department works very closely with the production department in order to maintain and extend our competitive advantage in biodiesel production.

The focus of research and development work in the Biodiesel segment in the financial year 2018/2019 was concentrated on developing new products based on biodiesel. In addition, with the acquisition of the shareholding in XiMo AG we have widened our research and development activities to include the development and acquisition of catalysts for the metathesis of olefins.

### *Research and development in the Bioethanol segment*

The focus of research and development work in the Bioethanol segment is to ensure that we make continuous improvement in the production process in our biorefineries. Our biorefineries are concentrated on making the most efficient possible use of the input raw materials. The high levels of integration of the individual elements in our production plants place heavy demands on the stability of the processes. In the financial year 2018/2019 the focus was on making further improvements to the economic performance of our straw biomethane technology and, at the same time, on developing technologies to obtain high-value products from the raw materials processed in our bioethanol plants.

In addition, we are continually observing and evaluating relevant technologies and market developments in order to secure our competitiveness and find new technological opportunities for our biorefineries.

## Employees

As of June 30, 2019 VERBIO employed a total of 660 employees (June 30, 2018: 563), of whom 308 were staff (June 30, 2018: 231), 329 were production employees (June 30, 2018: 310), 16 were trainees and apprentices (June 30, 2018: 15), and 7 were mini-job employees (June 30, 2018: 7).

## Economic report

### Economic and political environment

*Market conditions in Germany*

*Biodiesel and Bioethanol*
The upward trend for fuel prices seen in the calendar years 2017 and 2018 has not continued into the first half of 2019. The German automobile club (Allgemeiner Deutsche Automobil-Club e.V. – ADAC) reported that the price of one litre of E10 super petrol in the first six months of 2019 was EUR 1.407, compared to an average price of EUR 1.428 in the calendar year 2018. The price of diesel, at EUR 1.266, was also slightly below the average price of EUR 1.283 for the calendar year 2018.

At the time of writing, statistics are available from the German Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle – BAFA) for the 2019 calendar year through to June 2019. In contrast to the comparative period from January to June 2018, these include a slight increase in the consumption of diesel in Germany of 1.5 percent compared to the previous year. This is quite astounding as the intensive discussion concerning the use of diesel engines gave rise to expectations of a continued decline in the use of diesel and a trend among consumers towards the use of petrol-driven engines, as was the case in the same period in the previous year.

The use of biodiesel and vegetable oils (HVO) as additives fell sharply; the BAFA reported a decline of 6.6 percent in the first six months of 2019. In the previous year an increase of 11.2 percent was reported. The background to the falling blending rate may be in connection with the improvement in the greenhouse gas reduction achieved with the available biofuels, which reduced the volumes required to meet the quotas. In addition, it can be assumed that excess quotas from 2018 were used in 2019, since under the 38th Regulation on the Implementation of the Federal Emissions Protection Act the oil industry is not able to carry forward any excess from 2019 into 2020. These excess volumes can only be carried forward for 2021, one time only. This was in addition to the planned refinery shutdowns in spring and the contamination of the Drushba pipeline that followed, which caused a reduction in domestic production and a consequent reduction in blending volumes at the refineries.

The BAFA also reported a slight decrease in the consumption volume of petrol-based fuels for the first six months of 2019, a fall of 1.2 percent compared to the same period in the previous year. Again, this includes a decrease in the use of additives compared to the previous year, showing a fall of 2.8 percent. The use of ethyl-tert-butyl (ETBE) in petrol-based fuels fell very sharply in the first six months of 2019 compared to the same period in 2018, registering a decrease of 23.9 percent. The sales of E10 are approximately unchanged, with the sales of E10 petrol as a share of petrol in total in the period from January to June 2019 amounting to 13.6 percent.

*CNG (Compressed Natural Gas)/Biomethane*
The share of biomethane added to natural gas fuel had initially made good progress in the years 2011 to 2014. However, the biomethane share fell sharply from 2014 to 2015. There has been a slight increase in the biomethane share again since 2015. Reliable numbers are currently not yet available, but expectations are that these will show that there has been an increase in the volume of biomethane in circulation from 445 GWh to approximately 500 GWh. This should represent an increase in market share of CNG of around 15–20 percent.

The range of gas-powered passenger vehicles has increased significantly since 2012 due to the availability of new models. For the year 2018 the number of new registrations for passenger vehicles powered by all types of engine was approximately unchanged from 2017, at 3.44 million. In 2018 10,804 CNG vehicles, including vehicles with combined (bivalent) drive systems, were registered, an increase of 190.2 percent compared to 2017. In comparison, the rate of increase for electric vehicles was 43.9 percent, albeit from a significantly higher absolute number, with 36,062 vehicle registrations in 2018.

However, the half-year analysis after the first six months of 2019 shows a significant deterioration in the trend for CNG vehicles. Of the total 1.85 million new passenger vehicles registered in the period from January to June 2019, only 3,193 are powered by CNG. This represents a decline of 55.6 percent compared to the same period in the previous year. In the same period 31,059 electric passenger vehicles were registered, an increase of 80.2 percent.

The commitment to increasing 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) remains.

There are currently 846 CNG filling stations in operation in Germany as a whole. 100 percent Biomethane is offered at approximately 140 CNG filling stations, of which 125 offer *verbio*gas. In addition, the first LNG filling stations were installed in 2019. LNG is increasingly in demand as a fuel in the heavy goods vehicles segment in addition to CNG.

*Market situation 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 the individual EU member states. On the one hand, this situation offers arbitrage possibilities. However, it may also result in market entry barriers in certain countries.

However, on a global scale the competitiveness of biofuels compared to fossil fuels has been diminished by the comparatively low prices for diesel and petrol.

Biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, meaning that incentives for its use, for example tax incentives or compulsory blending requirements, are implemented. Here the primary factor is not so much environmental concerns but 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 price of biodiesel in the financial year 2018/2019 was EUR 111/tonne above the average for the same period in the previous year, while the price of rapeseed oil was approximately EUR 11/tonne higher than in the same period in the previous year.

Bioethanol was EUR 72/cbm in the financial year 2018/2019, significantly higher than in the same period in the previous year. The primary reason for this was that ethanol plants belonging to Vivergo in Hull (UK) and CropEnergies/Ensus in Wilton (UK) ceased production due to persisting low margins. The strong demand for ethanol in South America (Brazil in particular), China, South Korea and Japan limited the opportunities for arbitrage for imports and supported prices in the European Union.

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

*Historical price trends of selected raw materials*

| | 2017/ 2018 | Q1 2018/ 2019 | Q2 2018/ 2019 | Q3 2018/ 2019 | Q4 2018/ 2019 | 2018/ 2019 |
|---|---|---|---|---|---|---|
| Crude oil (Brent; USD/barrel) | 64 | 76 | 69 | 64 | 68 | 69 |
| Diesel FOB Rotterdam (EUR/tonne) | 479 | 575 | 560 | 518 | 543 | 549 |
| Biodiesel (FAME-10 RED; EUR/tonne) | 777 | 826 | 1,065 | 865 | 795 | 888 |
| Petrol FOB Rotterdam (EUR/tonne) | 547 | 773 | 626 | 565 | 600 | 641 |
| Bioethanol (T2 German Specs; EUR/cbm) | 481 | 489 | 541 | 578 | 605 | 553 |
| Rapeseed oil (EUR/tonne) | 724 | 729 | 747 | 733 | 729 | 735 |
| Palm oil (EUR/tonne) | 570 | 488 | 434 | 473 | 458 | 463 |
| Wheat (MATIF; EUR/tonne) | 165 | 199 | 202 | 197 | 182 | 195 |
| Sugar (EUR/tonne) | 249 | 204 | 249 | 246 | 240 | 235 |

*Political environment and legal framework for biofuels*
The Federal Government has indicated that it is committed to the Paris Climate Agreement. It remains to be seen how the important interim steps agreed for the years to 2030 will be implemented. It is positive to note that the coalition agreement includes a commitment that the Federal Government will continue to make progress on the GHG quota in order to support the production of biofuels – including production using waste materials as well as plant-based products. Under current arrangements, the responsibility for mobility policy is shared between the three ministries led by the CDU/CSU (the Federal Ministry for Economic Affairs and Energy [Bundesministerium für Wirtschaft und Energie – BMWi], the Federal Ministry for Transport and Digital Infrastructure [Bundesministerium für Verkehr und digitale Infrastruktur – BMVI] and the Federal Ministry for Food and Agriculture [Bundesministerium für Ernährung und Landwirtschaft – BMEL]), as well as the SPD-led Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit – BMUB). In our opinion, the previous Federal Government's climate protection plan 2050, as well as the energy reference forecast for 2030 included in that plan, show that an increase in the use of first and second generation biofuels is needed.

*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 European Union.

Details are provided in the annual report 2017/2018.

## Business report and the Group's position

*Results of operations*
Production of biodiesel and bioethanol totalled 721,126 tonnes in the financial year 2018/2019, almost matching the record levels of production set in the previous financial year (2017/2018: 722,511 tonnes). In addition, once again a new record level of biomethane was produced in the financial year 2018/2019, with total production amounting to 706,646 MWh (2017/2018: 608,312 MWh) – an increase of 98,334 MWh or 16.2 percent.

The Group's sales revenues for 2018/2019 totalled EUR 779.3 million (2017/2018: EUR 685.9 million). These figures include sales revenues from trading in biofuels of EUR 19.6 million, almost unchanged compared to the previous financial year 2017/2018 (EUR 18.2 million). Further details are provided in the reports on the individual segments.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) benefited from continued improvements to general conditions and amounted to EUR 95.1 million, EUR 50.3 million ahead of the comparative period in the previous year (2017/2018: EUR 44.8 million).

The Group operating result (EBIT) is EUR 73.7 million, also significantly higher than in the comparative previous period (2017/2018: EUR 22.4 million). The net result is also affected by current and deferred taxes of EUR 21.4 million (2017/2018: EUR 7.1 million), and amounted to EUR 51.7 million (2017/2018: EUR 15.1 million). Based on the result for the period, earnings per share (basic and diluted) was EUR 0.84 (2017/2018: EUR 0.24).

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 15.8 million (2017/2018: EUR 11.6 million) and primarily included grants and the release to income of deferred investment grants and subsidies (EUR 5.4 million; 2017/2018: EUR 3.9 million), electricity and energy tax rebates (EUR 2.9 million; 2017/2018: EUR 2.8 million) and gains on currency exchange of EUR 2.2 million (2017/2018: EUR 2.1 million).

The cost of materials amounted to EUR 635.9 million. Consistent with the corresponding sales revenues, this figure is higher than in the comparable year 2017/2018 (cost of materials in 2017/2018: EUR 597.1 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin amounted to EUR 158.9 million (2017/2018: EUR 93.7 million).

Personnel expenses in the financial year 2018/2019 amounted to EUR 37.2 million, approximately 39 percent higher than in the previous year (2017/2018: EUR 26.7 million). The increase is due to the higher number of employees as a result of expansion and the acquisition of new business activities. In addition, significant wage increases were awarded within the production departments in order to make a significant improvement in VERBIO's attractiveness as an employer in its market environment. Due to the business results the accruals made for variable remuneration are higher, and the additional profit-participation bonus awards for employees were also higher. There was an increase in the overall average personnel cost per employee as a result. The personnel expense ratio (as a proportion of sales revenue, change in inventories and own work capitalised) was 4.7 percent, an increase compared to the previous year period (2017/2018: 3.9 percent).

Other operating expenses amounted to EUR 40.5 million in the period (2017/2018: EUR 33.6 million). Other operating expenses primarily include outgoing freight costs and other sales costs, the costs of repair and maintenance, motor vehicle costs and the cost of insurances and contributions. Within the overall total, expenses for the significant expenses named above have changed by only insignificant amounts in comparison with the previous year, while the expenses incurred for a number of individual items included in sundry other operating expenses have increased.

The financial result amounted to EUR –0.6 million (2017/2018: EUR –0.2 million) and includes interest expenses of EUR 0.8 million (2017/2018: EUR 0.4 million) and interest income of EUR 0.2 million (2017/2018: EUR 0.2 million).

The increase in income tax expense (EUR 21.4 million; 2017/2018: EUR 7.1 million) corresponds to the higher profit before tax. The tax charge represented an effective tax rate of 29 percent (2017/2018: 32 percent) in the financial year 2018/2019, i.e. the expected rate.

### *Net assets and financial position*

The balance sheet total amounts to EUR 424.9 thousand at June 30, 2019 (June 30, 2018: EUR 366.0 million). The increase in the balance sheet total on the assets side is due in particular to the increases in property, plant and equipment and inventories. On the equity and liabilities side the increase is primarily in equity, in bank and other loans and in trade payables.

#### *Non-current assets*

Non-current assets increased by a total of EUR 42.5 million and amounted to EUR 214.2 million at the balance sheet date (June 30, 2018: EUR 171.7 million). The change resulted primarily from higher levels of additions to property, plant and equipment (EUR 63.8 million), which exceeded scheduled depreciation of EUR 21.2 million, which was at a comparable level with the previous year, and disposals with a remaining carrying value of EUR 1.5 million.

#### *Current assets*

Current assets amounted to EUR 210.8 million at June 30, 2019 (June 30, 2018: EUR 194.2 million), an increase of EUR 16.6 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2019: EUR 63.1 million; June 30, 2018: EUR 45.2 million). The increase in inventories compared to June 30, 2018 was primarily a result of higher quantities of inventories and the overall higher value of finished goods inventories.

In addition, the release of funds from the term deposits held in the previous year have also contributed to a significant increase in cash and cash equivalents. The details of the changes in the balance of cash and cash equivalents are provided in the comments on the cash flow statement.

#### *Equity*

Equity totalled EUR 338.9 million (June 30, 2018: EUR 300.2 million). The equity ratio amounts to 79.8 percent, a slight reduction compared to the previous year's balance sheet date (June 30, 2018: 82.0 percent).

#### *Non-current liabilities*

Non-current liabilities fell by an insignificant amount of EUR 0.6 million, from EUR 7.7 million at June 30, 2018 to EUR 7.1 million at June 30, 2019. As in previous years, no new long-term liabilities were entered into in the financial year 2018/2019.

#### *Current liabilities*

On the other hand, current liabilities are higher than they were at the end of the previous financial year (June 30, 2019: EUR 78.9 million; June 30, 2018: EUR 58.1 million). This was primarily a result of the increase in bank and other loans (EUR 10.0 million; June 30, 2018: EUR 0.4 million) and from the increase in trade payables due to timing effects around the year end (EUR 41.3 million; June 30, 2018: EUR 31.2 million).

#### *Cash flows*

The cash flow from operating activities for the reporting period totalled EUR 44.3 million, significantly higher than in the previous year (2017/2018: EUR 11.1 million). The increase is due to the significantly higher net income for the period, and, in addition, the effect of the increase in trade payables in the financial year 2018/2019.

Overall, due to the investment activities undertaken, cash outflows in the 2018/2019 reporting period totalled only EUR 1.40 million (2017/2018: EUR 23.1 million). Within this total the cash outflows for investments made in property, plant and equipment (EUR 61.9 million) were offset primarily by cash inflows resulting from the release of funds from term deposit accounts (EUR 60.0 million).

The cash flow from financing activities for the reporting period totalled EUR –3.9 million (2017/2018: EUR –14.1 million). This consists of new financial liabilities (EUR 8.7 million; 2017/2018: EUR –1.5 million) and dividend payments (EUR 12.6 million; 2017/2018: EUR 12.6 million).

As a result of the above, cash and cash equivalents increased by a total of EUR 39.4 million in the period July 1, 2018 to June 30, 2019. Cash and cash equivalents reported in the balance sheet at June 30, 2019 amounted to EUR 68.0 million.

*Net cash*

The bank and loan finance arrangements of EUR 10.1 million are more than offset by cash and cash equivalents of EUR 68.0 million and other cash balances held in segregated accounts of EUR 6.2 million, so that the reported net cash balance at the balance sheet date amounted to EUR 64.2 million (June 30, 2018: EUR 90.1 million).

*Investments*

Investments totalling EUR 64.6 million were made in the financial year 2018/2019 (2017/2018: EUR 26.7 million). These primarily relate to investments in property, plant and equipment of EUR 63.8 million (2017/2018: EUR 26.6 million).

The details of the investment activities in the individual segments are described in the segment reporting on the individual Biodiesel and Bioethanol segments.

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

Given the sales revenues and results of operations, the financial year 2018/2019 has been a very pleasing year overall. The EBITDA of EUR 95.1 million and the net cash position of EUR 64.2 million are significantly above and slightly below the original planning for the financial year 2018/2019, respectively. The forecast released in the previous year indicated an EBITDA of around EUR 45 million. The balance of net cash at the end of the financial year was expected to fall to around EUR 73 million, primarily as a result of the planned increase in investments which will be financed from the Group's own funds. The original EBITDA and forecast year-end net cash balance were corrected during the course of the financial year. In the latest forecast issued on April 2, 2019 an EBITDA of around EUR 95 million was forecast and a net cash balance of around EUR 75 million was expected by year end, based on current prevailing sales and raw material price levels.

The net assets and financial position continue to be very stable and sufficient to finance the Group's future activities.

The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.20 per qualifying share at the annual general meeting to be held on January 31, 2020, with the remaining profit for the period to be carried forward.

## Segment reporting

*Biodiesel*

| **Biodiesel** | **p.a.** | **1 HY 2017/2018** | **2 HY 2017/2018** | **2017/2018** | **1 HY 2018/2019** | **2 HY 2018/2019** | **2018/2019** |
|---|---|---|---|---|---|---|---|
| Production capacity (tonnes) | 470,000 | 235,000 | 235,000 | 470,000 | 235,000 | 235,000 | 470,000 |
| Production (tonnes) | | 241,234 | 234,977 | 476,211 | 239,486 | 241,794 | 481,280 |
| Utilisation production capacity (%) | | 102.7 | 100.0 | 101.3 | 101.9 | 102.9 | 102.4 |
| **Number of employees at the balance sheet date** | | **113** | **113** | **113** | **122** | **158** | **158** |

Once again new production records have been set, as has been the case in recent financial years. In the financial year 2018/2019 the production of biodiesel exceeded 480,000 tonnes for the first time, increasing to 481,280 tonnes (2017/2018: 476,211 tonnes). Sales also hit new record levels.

Sales revenues in the Biodiesel segment in 2018/2019 totalled EUR 514.5 million, following EUR 456.8 million in the corresponding period in 2017/2018. The increase in sales revenue, is also due to the higher average selling prices for biodiesel as sales volumes increased only slightly. Total sales revenues include revenues from sales of merchandise of EUR 4.2 million (2017/2018: EUR 7.4 million).

The cost of materials amounted to EUR 417.2 million (2017/2018: EUR 411.7 million), only slightly above the level of the previous year. Taking into consideration the change in inventories, gross profit increased from EUR 44.6 million to EUR 97.9 million. This is primarily a result of the fact that average raw material prices over the course of the financial year hardly increased, in contrast to the prices for biodiesel. This led to the higher reported gross margin for biodiesel, in particular in the first three quarters of the financial year, while a downward trend was noted for the fourth quarter.

Personnel expenses in the financial year 2018/2019 amounted to EUR 11.8 million (2017/2018: EUR 8.2 million). The increase is due to the higher number of employees as a result of the expansion of existing business operations, and to the acquisition of a business line. In addition, significant wage adjustments were made, particularly for production staff.

Other operating expenses totalled EUR 16.2 million (2017/2018: EUR 13.1 million). Taking into account the losses on futures transactions of EUR 3.1 million (2017/2018: EUR 1.2 million), the segment EBITDA for the period is EUR 70.7 million (2017/2018: EUR 24.4 million).

Investments in property, plant and equipment totalling EUR 27.9 million were made in the Biodiesel segment in the financial year 2018/2019 (2017/2018: EUR 5.9 million). Significant investments here were made in expanding the capacity for phytosterols (sterol plant).

*Bioethanol*

| **Bioethanol** | **p.a.** | **1 HY 2017/ 2018** | **2 HY 2017/ 2018** | **2017/ 2018** | **1 HY 2018/ 2019** | **2 HY 2018/ 2019** | **2018/ 2019** |
|---|---|---|---|---|---|---|---|
| Production capacity (tonnes) | 260,000 | 130,000 | 130,000 | 260,000 | 130,000 | 130,000 | 260,000 |
| Production (tonnes) | | 125,484 | 120,816 | 246,300 | 121,545 | 118,301 | 239,846 |
| Utilisation production capacity (%) | | 96.5 | 92.9 | 94.7 | 93.5 | 91.0 | 92.3 |
| *Biomethane* | | | | | | | |
| Production capacity (MWh) | 600,000 | 300,000 | 300,000 | 600,000 | 300,000 | 300,000 | 600,000 |
| Production (MWh) | | 295,544 | 312,768 | 608,312 | 337,969 | 368,677 | 706,646 |
| Utilisation production capacity (%) | | 98.50% | 104.3 | 101.4 | 112.7 | 122.9 | 117.8 |
| **Number of employees at the balance sheet date** | | **257** | **260** | **260** | **293** | **332** | **332** |

In the financial year from July 1, 2018 to June 30, 2019 bioethanol production totalled 239,846 tonnes (2017/2018: 246,300 tonnes), slightly below the previous year's level. On the other hand, the production of biomethane was increased significantly, with an increase of more than 16 percent compared to the previous year (2018/2019: 706.6 GWh; 2017/2018: 608.3 GWh). This pleasing development was achieved by a programme of ongoing optimisation in our plant and equipment.

In total, the Bioethanol segment generated sales revenues of EUR 254.7 million in 2018/2019 (2017/2018: EUR 219.1 million), higher than in the previous year. In the Bioethanol segment the increase in sales despite almost unchanged sales volumes was due to the higher sales prices. The volume of trading activities remained at a relatively low level, as in the previous year (2018/2019: EUR 15.4 million; 2017/2018: EUR 10.8 million).

The cost of materials increased compared to the previous year to EUR 211.0 million (2017/2018: EUR 177.9 million), with the consequence that the segment gross margin increased to EUR 58.5 million from EUR 46.6 million in the previous year, after taking the change in inventories into account.

Other operating income in this segment in the reporting period amounted to EUR 12.4 million (2017/2018: EUR 9.4 million). The increase was primarily the result of higher income from grants.

Personnel costs amounted to EUR 20.9 million (2017/2018: EUR 14.4 million). The increase is due to the higher number of employees as a result of expansion of the biomethane business. Here too, significant wage adjustments were made, particularly for production staff.

Other operating expenses amounted to EUR 28.0 million, compared to EUR 22.3 million in the financial year 2017/2018. These primarily include freight out and maintenance expenses, whereby the increase is primarily due to the changes in sundry other operating expenses.

The segment result EBITDA for the financial year 2018/2019 totalled EUR 23.8 million, in comparison with EUR 19.9 million in the financial year 2017/2018.

Investments in this segment totalled EUR 34.8 million (2017/2018: EUR 18.5 million). This primarily comprised investments in the expansion and optimisation of the existing biomethane plants in Pinnow, Schwedt/Oder, and Zörbig of EUR 10.5 million (2017/2018: EUR 15.5 million), in the acquisition of a cellulose ethanol plant in the USA, and in the construction of biomethane plants in the USA and India.

### *Other*

Sales revenues generated in the Other segment totalling EUR 16.7 million in the financial year 2018/2019 primarily represent revenues from transport and logistics services (2017/2018: EUR 15.7 million). The segment result amounted to EUR 0.0 million (2017/2018: EUR –0.1 million).

The Other segment had 123 employees at June 30, 2019 (June 30, 2018: 124 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.

On January 29, 2016 the annual general meeting of VERBIO Vereinigte BioEnergie AG resolved that the details of the remuneration and other agreed and paid benefits for 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 inclusive, 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 compliant 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 that was applicable up to and including October 31, 2015. The remuneration 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 a long-term bonus.

*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, telephones 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, whereby the total annual bonus payable to all members of the Management Board shall not be taken into consideration 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.

At September 30 of each year (the effective date) the reference bonus is converted into a number of fictional shares of the Company (fictional shares) for the preceding reference year such by dividing the reference bonus by the weighted three-month average of the share price of the Company's shares in the closing auction in the Xetra trading system of the Deutsche Börse AG (Xetra price) or an appropriate successor system.

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 payment.

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 replace monetary payments and instead grant the Management Board member the respective number of fictional shares in place of such payments. 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 is only permitted to sell them after the expiration of a vesting period of a further 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 monetary payments.

The reference bonus is granted on a pro rata basis in cases where an employment contract begins or ends during the year. If a retrospective calculation could not yet be made for previous reference years, 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 member of the Management Board, 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 (except on important grounds), stipulating a limit of two years' annual remuneration for termination payments (termination pay cap), but not more than the remuneration that would be payable for the remaining term of the employment contract. In the event of an early termination of 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 he may make 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.

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 2018/2019 amounted to EUR 3,041 thousand (2017/2018: EUR 3,088 thousand). Thereof, EUR 1,542 thousand (2017/2018: EUR 1,538 thousand) relates to the fixed salary portions including other remuneration components, and EUR 1,499 thousand (2017/2018: EUR 1,550 thousand) pertains to the variable remuneration components.

No loans were granted to members of the Management Board in the financial year 2018/2019 or in the financial year 2017/2018. 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 third member. 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 2018/2019 (2017/2018: 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 2018/2019 financial year were reimbursed by a total amount of EUR 5 thousand (2017/2018: EUR 6 thousand) for cash outlays.

In the financial year 2018/2019 the Company paid the Supervisory Board member Ulrike Krämer EUR 10 thousand for consultancy work under an ongoing consultancy agreement (2017/2018: EUR 19 thousand). Other that the above, no other remuneration paid or benefits granted by the Company to members of the Supervisory Board in the financial year 2018/2019 or in the financial year 2017/2018 for services rendered personally, in particular for consulting or referral services.

*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 Management Board members of at least 10 percent of the damage, up to 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 made a commitment 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, including in circumstances 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*

The VERBIO Group acquired a biodiesel plant in Welland, Canada on July 5, 2019. Production at this plant recommenced on Friday, August 23, 2019.

There have been no other significant events subsequent to the end of the financial year.

## 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 developments may differ significantly either 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 continues to see the biofuels market as a growth market, particularly the market for second generation biofuels. In particular, this includes the biomethane manufactured from straw by VERBIO and the biodiesel produced from waste and residue materials.

Without the use of biofuels from renewable energies, the energy turnaround on the streets and the binding climate goals set by the EU to be met by the year 2020 will not be achievable. It is unlikely 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. The sale of electric vehicles has started to take off to a limited extent, although the absolute level remains comparatively low. In our view this picture remains unaffected by current trends concerning diesel engines. Given the fact that the economics of the electric engine are still comparatively unattractive for the consumer, as well as its range problems, a mass market for this will remain unattainable for a substantial period of time.

However, a reliable business environment is needed to ensure a stable business development and a sustainable business for the company in the biofuels industry. The Federal Emissions Protection Act with its fixed GHG quota currently offers a fixed framework on which the business plan going forward is based.

The extremely good Biodiesel segment result for the financial year 2018/2019 just ended was due, among other things, to very favourable extraordinary framework conditions such as the very high biodiesel prices in the period from November 2018 to February 2019. This is unlikely to recur again in the same way in the current financial year 2019/2020.

With respect to the individual markets, we assume that the primary market for biodiesel will continue to be the blending market. Given the increase in the quota obligation from 4 to 6 percent in 2020 we anticipate high demand in Germany.

Bioethanol is also a product which is primarily used in the blending market. It remains to be seen whether this will be a growth market as a result of the expected slow ongoing growth in the consumption of petrol-based fuels in the light of the diesel discussion. Looking at the E10 market share, the most recent BAFA data indicates a stagnation or a marginal increase, for the first time in a long period. However, turning this around to any significant extent would, in our opinion, either require a massive information campaign from the motor industry and the oil sector, or there must be a significant price differential at filling stations to the benefit of E10. We expect that the latter will be implemented by the oil industry in 2020 as additional biofuels will be needed to meet the newly applicable 6 percent greenhouse gas savings, as a result of which the E10 segment will increase significantly.

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, by using it as a substitute for natural gas in passenger vehicles and trucks, and using it to generate electricity under the EEG (EEG: Renewable Energy Act – EEG) system. VERBIO aims to increase the biomethane share of natural gas fuels further in the medium term with its competitive offering to use biomethane as a low-emission substitute for natural gas, in particular for use in public regional traffic and for use by commercial vehicles operating in inner cities. However, it should be noted that the implementation of the 38th BImSchV (38th Regulation on the Implementation of the Federal Emissions Protection Act: Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV ), and with it the opportunity to credit the use of fossil natural gas for greenhouse gas quota purposes, makes the sale of biomethane to the operators of CNG filling stations increasingly difficult.

VERBIO will continue to promote the acceleration of the market launch of natural gas and biomethane in Germany. The biomethane produced by VERBIO reduces $CO_2$ emissions by approximately 90 percent for each kilometre of travel, and it is already available at almost a hundred natural gas filling stations in Germany.

There are also other uses for biomethane: in producing electricity to be supplied to the grid under the EEG system as a material, or for heating purposes. VERBIO uses such openings on an opportunistic basis.

*Trends in raw material prices*

The World Agricultural Supply and Demand Estimates (WASDE report) issued by the United States Department of Agriculture (USDA) on August 12, 2019 estimates that worldwide grain production for the season 2018/2019 will be 2,625.43 million tonnes. With this estimate the USDA increases world production by a further 9 million tonnes compared to the previous year's level of 2,616.6 million tonnes; for 2019/2020 the forecast is 2,664.78 million tonnes.

At 761.87 million tonnes the production of wheat in the 2017/2018 season has continued the increase seen over recent years; consumption was also slightly increased at 742.77 million tonnes (2016/2017: 739 million tonnes). However, wheat production for 2018/2019 is only expected to be 730.55 million tonnes, due to the continued dry weather in parts of Europe and Australia and to a reduction of the area under cultivation. However, the latest estimates also show that consumption is falling again to 736.23 million tonnes in 2018/2019, and the closing inventories are estimated to be 275.49 million tonnes compared to 270.53 million tonnes in the previous estimate. The closing inventories from the season 2017/2018 are 281.18 million tonnes. For the season 2019/2020 the August estimates are for wheat production of 768.07 million tonnes, a significant increase in consumption of 758.16 million tonnes, and closing inventories of 285.40 million tonnes.

In the EU 28 the total grain harvest is expected to be 301,032 million tonnes for the season 2018/2019 (COCERAL crop report issued on May 16, 2019, COCERAL), of which 140.283 million tonnes is wheat. With this, the EU grain production in the coming harvest will be 20.05 million tonnes greater than in the previous season. The heatwave in June and July appears to have caused less damage than had been feared. In the meantime, prices have weakened significantly in the second half of the calendar year 2018 and the first half of the calendar year 2019. While the spot price for wheat on the Chicago Board of Trade exchange (CBOT) reached 560 ct/bu (USD 205/tonne) due to the dry conditions in the major growing regions in the world, prices for wheat fell significantly and reached the 420 ct/bu (USD 155/tonne) level from February. The price falls were driven by very high yields in the USA and in Russia, that were better than expected. In August 2019 the price of wheat on the CBOT is once again in the range between 430 and 520 ct/bu (USD 160–175/tonne) following a price increase in June 2019 up to USD 200/tonne.

According to a USDA report issued on August 12, 2019, worldwide oil seed production for the 2017/2018 harvest year is expected to be approximately 580.67 million tonnes (latest estimates: 578.03 million tonnes). A better harvest result is again expected for 2018/2019. The coming soya harvest in Argentina is expected to yield 56 million tonnes, Brazil will harvest at least 117 million tonnes of soya, and 123.66 million tonnes of beans are expected in the USA. The area under cultivation for the current 2018/2019 season in the USA is stated as 88.1 million acres, slightly less than in the previous year (89.5 million acres).

The price situation has been extremely volatile since the start of the trade dispute between China and the USA. The price for US beans has fallen by approximately 15 percent since the end of May 2018, and is in the range of 800–920 ct/bu. In addition, the protein market will be affected by lower consumption in China, as African swine fever led to a significant reduction in the number of pigs in China, in particular in the first and second quarters of the calendar year 2019.

Current estimates for European rapeseed yields for 2018/2019 by COCERAL, the European agricultural association (Oil Seed Report dated May 16, 2019), are only 17.86 million tonnes; the estimated figure in December 2018 was 19.3 million tonnes (2017/2018: 19.71 million tonnes). Overall, COCERAL expects 30.276 million tonnes of seed oil in the EU in 2018, compared to 32 million tonnes estimated in December. The dry summer in 2018 continues to affect rapeseed in particular; the area under cultivation was reduced by approximately one million hectares to 5.79 million hectares. The oil content for the 2019 harvest is significantly lower at 39–42 percent below the level of earlier years.

In its August 16, 2019 issue Oil-World forecasts that worldwide production of rapeseed for 2019/2020 will be 62.3 million tonnes, 2.5 million tonnes lower than in 2018/2019. In particular in Europe the area under cultivation was reduced due to the dry conditions in 2018. The area under cultivation in Canada was also reduced and the harvest yield there will be 19.2 million tonnes, one million tonnes lower. The losses in Europe and Australia may be compensated by better harvests in Australia, Russia and the Ukraine. A stable level of production for sunflowers is expected with 52.56 million tonnes worldwide, of which 9.88 million tonnes is in the EU.

The continued price trends for vegetable oils are currently driven by changes in trading patterns. The dispute between the USA and China and other trading partners is leading to major uncertainties in the markets, and as a result to higher volatility. For rapeseed oil the prices remain robust in the new season as a result of tight supply; the current prices for delivery from November 2019 are in the range of EUR 790–810/tonne FOB.

The prices for palm oil have also been volatile. While the price of crude palm oil FOB in February hit highs of USD 538/tonne, a rapid price fall began thereafter, with a low point of USD 451/tonne in June 2019. The prices have increased again since then. The weak prices have led to stronger sales of fuels in Asia in the summer months. Since the fall in diesel prices from mid-July the differential between palm oil and diesel has been too small to permit further flows of palm oil into the fuels sector. An increase in production of palm oil is expected with 76.63 million tonnes from October 2018 to September 2019, compared to 71.76 million tonnes in the same period of 2017/2018. The increase in the production volumes has slowed in the past year and the growth in areas under cultivation is too slow; in particular small farmers are choosing not to use fertiliser, and there continue to be problems recruiting sufficient workers, which lead to harvest losses. Imports into China and India have increased further, and Indonesia will increase the national biodiesel mandate from January 1, 2020 to 30 percent. The world consumption of palm oil is estimated at 79.4 million tonnes for the period September 2019/October 2020. The production deficit can be covered by a reduction in inventory levels. Inventories worldwide at the end of 2018 were approximately 14.5 million tonnes.

*Sales price trends*

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, driven by new extraction methods such as fracking and tapping sources which were previously difficult to access. The USA has overtaken Saudi Arabia as the largest oil producer in the world, and the non-OPEC countries are increasing their oil production to the same extent that production is being reduced by OPEC. Given the additional capacity and the ongoing negotiations among the major oil exporting countries about limiting production, the consequences for future trends in oil prices are difficult to foresee. Market analysts currently expect the price of Brent crude oil to be around USD 60/bbl for the second half of 2019 and the full year 2020.

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.

An increase in the prices of fossil fuels increases the competitiveness of biofuels generally.

The introduction of the GHG quota since January 1, 2015 led to a reduction in the use of biofuels for blending purposes. This is a result of the good $CO_2$ efficiency properties of biofuels, which are significantly better than the lawmakers had expected. The greenhouse gas reduction has become a significant price determinant. The oil industry buys the fuels shown to have a high level of reduction in order to be able to use the smallest possible quantity of biofuels to reduce greenhouse gas emissions. As expected, we do not see a general increase in demand for biofuels as a result of the increase in the GHG quota in Germany from 3.5 percent to 4.0 percent in 2017. However, there will be an increase in demand for the biofuels offering the highest GHG saving. We expect higher demand for biofuels generally and a higher demand for biofuels with high levels of greenhouse gas savings in particular, as a result of the increase in the quota obligation from 4.0 percent to 6.0 percent.

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

The following legal framework applies:

In July 2018 the new version of the Renewable Energy Directive (RED II) was approved covering the period from 2021 to 2030 following a long trilogue procedure between the European Council, the European Parliament and the European Commission. This sets out binding targets for the use of renewable energy for member states in all sectors.

In addition, on May 30, 2018 the Effort Sharing Regulation (ESR) was published in the official Journal of the European Union. This directive is the direct implementation of the 2015 Paris Climate Agreement and provides binding greenhouse gas reduction targets for each member state for the sectors which are not represented in the European emissions trading system (ETS). These include road transport, agriculture and forestry as well as buildings. At the same time the ESR replaces the Fuel Quality Directive, among other things.

*Renewable Energy Directive, RED II*
In mid-July 2018 the European Commission, the European Parliament and the European Council agreed on a compromise for the new Renewable Energy Directive (RED II) covering the period from 2021 to 2030. The compromise consisted of the following. The renewable energies target increased from 20 percent in 2020 to 32 percent in 2030. The target for transport included in that figure was fixed at 14 percent by 2030, with an opportunity for review in 2023. Sub-quotas, rising over time, were fixed for the use of advanced biofuels made from raw materials included in Appendix IX Part A of RED II; these are set to rise from 2022 to 2030, increasing from 0.1 percent to 1.75 percent on a physical basis. The RED II provides comprehensive rules for advanced biofuels, maximum limits for biofuels from cultivated biomass, the phasing out of palm oil-based biofuels and other biofuels, as well as various methods of obtaining multiple credits towards the 14 percent objective. Given the multiple credit approach for various categories of biofuels, the RED II should be considered as lacking sufficient ambition. It remains to be seen how the Federal Government will implement RED II into national law.

*Effort Sharing Regulation – ESR*
In addition to the Renewable Energy Directive (RED II), another significant instrument resulting from the 2015 Paris Climate Agreement is the Effort Sharing Regulation (ESR). This addresses all industry sectors which are not part of the European Emissions Trading System (ETS). These are the road transport, agriculture and forestry and building sectors, known as non-ETS sectors, and they must cumulatively make a 30 percent GHG saving compared to 2005, as a contribution to the EU's climate protection target of a 40 percent saving compared to 1990. This directive was published on May 30, 2018 and applies from 2021 to 2030. Each member state is given a specific target for its non-ETS sectors. For Germany, the savings target is 38 percent compared to 2005. Although there are multiple and partially new flexibility options, for example to shift savings between member states where targets are exceeded (i. e. Effort Sharing), the targets are very ambitious. For road transport in particular it will not be possible to meet these targets without additional efforts over and above the RED II. This not only means major efforts in electro mobility, but in particular the further and increased use of biofuels from cultivated biomass, as well as significantly more ambitious targets and an appropriate minimum quota for advanced biofuels from waste products, for example straw.

As a result of the Effort Sharing regulation the Federal Government is forced to achieve the targeted results; otherwise significant penalties may be incurred. Economic institutes estimate the costs for the Federal budget to be EUR 30—60 billion. As these regulations follow over time until 2030 and there is more than a little doubt about the hopes placed on electro mobility and electricity as a fuel, the BMU will also need to acknowledge that penalties will be incurred by the Federal Government without the additional use of biofuels.

*Political situation (current state of the discussion)*
The current public debate is placing great pressure on the Federal Government to take concrete action on climate protection. The establishment of the Climate Cabinet may help, but the various Federal Ministries need to set themselves a strict timetable to implement all the necessary measures. The draft Climate Protection Act issued by the Federal Ministry for the Environment was an attempt to increase the pressure on the Ministries so that the responsible departments finally make sure that they have action plans in place. It remains open whether the Climate Protection Act will be

pursued in this form or whether a so-called integrated approach will be followed. In order to meet the medium-term targets approved by the ESR, immediate actions will need to be taken.

A 1:1 implementation of the RED II, which is required by June 30, 2021, will certainly not be sufficient to meet the target. According to the energy reference forecast issued by the Federal Government, it will be necessary to increase the proportion of renewable fuels in the total fuel used for transport purposes by 20 percent in order to meet the transportation target in the climate protection plan 2050, which means a greenhouse gas quota of 16 percent, a fourfold increase compared to today's levels. In terms of concrete actions this means that, taking into account the available options between now and 2030, it will initially be necessary to make use of all renewable fuels. However, it will also be necessary to examine what realistic contribution can be made by 2030 in substantial quantities, i.e. where there is already market readiness and where appropriate cost reductions are available. This aspect, that there should not be a sole reliance on electro mobility and that more openness to other technologies is required, has also been confirmed in a recent study issued by the German Council of Economic Experts. The assumptions made concerning electro mobility need to be seen in the light of this timeline. Whether it will be practical to get 6 million electric vehicles on the road by 2030, or 10 million, as has been stated recently by the Government, is very dependent on the conditions that will apply: the amount of subsidies offered, the type of vehicles offered, the cost of the vehicles, the availability of a refuelling infrastructure and so on.

The current discussions between the ministries concerned give reason for optimism that the role of biofuels will no longer be ignored as it has been until now. A quota for renewable fuels (of approximately 20 percent) is being discussed positively. There is a consensus that biofuels, meaning both biofuels from cultivated biomass as well as advanced biofuels (in particular biomethane from waste products) will be indispensable, at least until 2030, due to their positive characteristics – market readiness, availability, and cost reduction. They will provide significant assistance in reducing the possible burden on the Federal Budget. In a study issued by the DIW the savings to be achieved by 2030 using biofuels have been calculated to be in excess of EUR 10 billion. At the same time, the study notes that there will not be adequate alternatives by 2030, either in terms of availability or in terms of affordability for the consumer, so that at the end of the day also the objectives for 2030 cannot be achieved without the substantial use of biofuels.

*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 experience gained from this will be implemented in the new biorefinery that has been commissioned in Pinnow/Angermünde, near Schwedt. Production at this plant commenced in this financial year and is being ramped up on an ongoing basis.

Investment in production lines 1 and 2 of the phytosterol production plant at Bitterfeld is complete and the plant is in production with the output levels as expected. This plant increases the value added obtained from using rapeseed oil as a raw material, and has enabled VERBIO to commence production of fat-soluble substances used in the pharmaceutical and food industries. It is planned to make further technical measures to enable the production capacity to be optimised in the financial year 2019/2020 on an ongoing basis. The commissioning of the third line is planned for the first quarter of the financial year 2019/2020.

India and the USA are particularly in focus due to the good availability of straw, the unstable nature of energy supplies and appropriate subsidy instruments.

The Group acquired a biodiesel plant in Welland, Canada in July 2019. Production at this plant recommenced in late August 2019 with assistance from VERBIO's experienced staff and currently biodiesel is being produced there.

We expect that, given ongoing optimisation and expansion, this plant will provide a significant contribution to the VERBIO Group's annual results in future.

*Overall assessment of the expected development*

The GHG quota has now been in place in Germany for five years since its initial introduction on January 1, 2015. This change presented unique challenges for VERBIO in Europe, as it did for most of our competitors. Product sales, together with the marketing of the associated greenhouse gas reductions for customers and their demands, are becoming ever more complex and challenging. By regularly setting records for the sales of our biofuels VERBIO is demonstrating that it has mastered this challenge very well.

The statements made by us in the annual report 2015/2016 that the increase of obligatory greenhouse gas reduction quotas from 3.5 percent in 2016 to 4.0 percent in 2017, imposed by the Federal Emissions Protection Act, would in our opinion not lead to a significant increase in demand have proved to be accurate, and this continues to be the case in the years since. In line with our forecasts, the specific greenhouse gas reductions achieved by the biofuels in use have increased, and more than meet the increasing $CO_2$ savings obligations.

The Management Board also expects that plant utilisation for the financial year 2019/2020 in the VERBIO production plants will exceed 90 percent in both segments. Sales revenue levels are very much dependent on the market prices of raw materials and biofuels and on the potential for individual trading opportunities for biogene fuels.

Based on the current level of sales and raw material prices, the planned plant utilisation and taking into account current investments, the Management Board expects to achieve an EBITDA of approximately EUR 65 million in the financial year 2019/2020 (original forecast for the 2018/2019 financial year: EUR 45 million).

The Group intends to further invest in capacity expansion and internationalisation in the current financial year. This will be financed from the Group's own funds accumulated in prior periods as well as current operating cash flow. As a result, the Management Board expects a low balance of net debt at the end of the financial year 2019/2020.

## *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 risk early 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 risk early warning system is in accordance with statutory requirements and complies with the German Corporate Governance Code (DCGK).

### *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 improvement of the process.

Responsible individuals are assigned to each risk area who are 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 named a risk officer, who is known as a "reporting station" and who ensures compliance with periodic and/or ad hoc reporting.

The risk reporting (issue of ad hoc and/or periodic reports) 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, and 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 informally 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. References to compliance requirements implemented by VERBIO were added to the risk handbook in the financial year 2017/2018. A comprehensive inventory of risks was made on a cyclical basis in the fourth quarter of the financial year 2016/2017, in order to identify changes or potential risk eliminations. The amendments calculated were presented in a summary report to the Management Board.

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:

| Probability of occurrence | Description |
|---|---|
| x ≤ 5 % | Very low |
| 5 % < x ≤ 25 % | Low |
| 25 % < x ≤ 50 % | Medium |
| x > 50 % | High |

| Risk category | Description |
|---|---|
| Low | x ≤ EUR 1 million |
| Medium | EUR 1 million < x ≤ EUR 5 million |
| High | EUR 5 million < x ≤ EUR 15 million |
| Very high | x > EUR 15 million |

Based on the recommendations of the German Accounting Standards Board of the German Accounting Standards Committee e.V. (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, regulations and compliance, 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.

| Corporate risk | Probability of occurrence | Risk category |
|---|---|---|
| **Market and sales** | | |
| Sales-side risks | High | 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 | Low | Low |

*Market and sales*

*Sales-side risks*

A considerable sales and margin risk for VERBIO results from a potential inflow of biodiesel, bioethanol, and waste and residual products such as UCO (Used Cooking Oil) which is offered to the market at dumping prices, and which could lead to a massive distortion of competition and competitive disadvantages.

The risks from the lifting of import duties on biodiesel from Argentina and Indonesia are described in the section “Legal rules and regulations/regulatory risks”.

Should the level of imports of foreign biofuels increase, domestic production would be dampened further. There is currently a balance of supply and demand in the German market.

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. The motivation has been increased further with the increase in the greenhouse gas quota from 4 percent in 2017 and again further with the increase from 4.0 percent to 6.0 percent in 2020.

*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 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 – BImSchG) has no longer required the blending of defined quantities of biofuels, but instead requires the reduction of greenhouse gas emissions by 3.5 percent, rising to 4.0 percent from 2017 and 6.0 percent from the year 2020, through the use of biofuels or other greenhouse gas reduction measures (de-carbonising quota).

The legislators have recently issued several new regulations covering the biofuels market which are intended to adjust the reductions of fossil fuel greenhouse gas emissions to the current European Directives. The 37th Regulation on the Implementation of the Federal Emissions Protection Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV) issued on May 15, 2017, the 38th BImSchV issued on December 8, 2017, and the Upstream Emission Reductions Regulation (Upstream-Emissionsminderungs-Verordnung – UERV) issued on January 22, 2018 all result in significant changes. All of these regulations, which implement credits for electricity powered mobility and co-processing of biogene oils in oil refineries (37th BImSchV), further amendments for crediting biofuels and natural gas (38th BImSchV) as well as credits for upstream emission reductions (UERV) from 2020, the initial mandatory year, are determinants of the sales-side risk. As a result, the risk that the oil industry will also be able to partially achieve its greenhouse gas reduction obligations by other methods, which may result in a reduction in demand for conventional biofuels, has increased significantly.

### *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 needed for production purposes are purchased on an ongoing basis as and when sales contracts are 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 compliance 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 implement 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 continual expansion and optimisation of co-production manufacturing is one of the significant drivers of VERBIO's competitiveness, but at the current time it cannot be guaranteed that we will be able to operate our plant commercially should there no longer be sales channels for biofuels.

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 against natural disasters by property and business interruption insurance.

### *Finance*

#### *Financial and liquidity risks*

In order to ensure that the Group's ability to meet its payment obligations and its financial flexibility are maintained at all times, VERBIO holds a liquidity reserve in the form of cash and available credit lines of EUR 5 million.

There are no currently identifiable financing risks. Where there are covenants attached to loan agreements, these are monitored on an ongoing basis.

#### *Interest and exchange rate risks*

VERBIO is exposed to risks associated with a possible change in interest rates and exchange rates and their effect on the Group's assets, receivables 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 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 resulting payment obligations cannot be fulfilled in spite of available cash reserves and 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 made by 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, for example, NYMEX, ICE, CBOT and EURONEXT, 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 on a forward basis. 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 amounts.

#### *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 of impairment losses 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 are 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 thereby also to changes in their values in use. 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, changes in which can have direct effects on VERBIO's results of operations.

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

On December 6, 2018 the European Commission opened an anti-subsidy case against Indonesia in connection with its subsidy approach to importing biodiesel into the EU. In addition to the "DET" (Differential Export Taxes) mechanism already discussed in some detail – the export of raw material, in this case palm oil, is subject to significantly higher taxation than the export of finished goods, in this case palm oil methyl ester, PME, which leads to an artificial price discount for domestic Indonesian producers – Indonesia has a series of other, direct incentives which support domestic biodiesel production and distort competition. These include, among other things, direct money transfers, provision of palm oil at inappropriately low prices by government, the waiving of duties and charges by government, subsidies for industrial sites, and tax incentives.

The investigation indicated that there is damage to the European market and on August 13, 2019, with effect from August 14, 2019, the Commission approved preliminary anti-subsidy tariffs against Indonesian manufacturers. These apply for four months until December 13; by that date final tariffs shall be applied. Accordingly, the European biodiesel industry has reasonable hopes that these final tariffs will be implemented in practice. However, it is expected that Indonesia will raise a complaint with the WTO against the introduction of the tariffs. Regulatory risks are countered by VERBIO through memberships in various industry associations that 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.

The second renewable energy directive from 2021 (RED II), issued in December 2018, provides for a 7 percent limit on the use of cultivated biomass. Within this total, the maximum use of cultivated biomass for use in conventional biofuels (first generation fuels) is set at the volume level sold in 2020 in each member country, with provision for a 1 percent flexibility. This result provides significantly better planning security for the manufacturers of first generation biofuels, as it means that the sales levels will not fall further. For VERBIO, as a leading technologically innovative company, this result should provide further market opportunities after 2020. With RED II there will be an obligatory minimum quota for advanced second generation biofuels, which will open up potential additional market opportunities for VERBIO as a leading manufacturer of biomethane from straw.

There are uncertainties concerning the implementation of RED II in the respective countries, including in Germany. The process of implementing RED II in Germany has been started and must be completed by the end of 2020. We will accompany this process in a constructive manner as a Company, and in our role as a member of the associations we are part of.

*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 the 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 overall, 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 various different raw materials, dependent on whichever are offered at the most advantageous purchasing conditions 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*

An increased demand for biofuels is expected not only in Germany but also in particular in the Netherlands, France and Great Britain, especially for biodiesel. It is currently not possible to assess how Great Britain's exit from the EU will affect the European biofuels market.

The international crude oil markets are increasingly meeting demand, the prices for fossil fuels are rising, and with them the competitiveness of biofuels.

*Production and technology opportunities*

VERBIO's production facilities in Germany 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 on the one hand leads to a significant reduction in energy usage, and on the other hand produces higher or optimised yields.

The same objectives apply to the straw biomethane plants currently under construction and the biodiesel plant acquired in Canada. It is planned to achieve technical levels in Canada which are equivalent to those in the German plants.

*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 results 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 VERBIO's earnings power forms a solid basis for its future business development, in particular its efforts to enter new product and geographical markets by means of the expansion strategy already implemented, and that it provides the necessary resources needed in the 2019/2020 financial year and thereafter to pursue the opportunities offered to the Group and successfully confront the challenges from the risks described.

## Other reporting obligations

### *Internal control systems of the Company related to financial reporting*

The objective in respect to 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 comply with the relevant requirements. The organisation of this system ensures that all subsidiaries are included in this process.

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

The central organisation, the uniformity of the IT programmes used, in particular the planning and consolidation tools and the BI (business intelligence) interface – which is improved on an ongoing basis – as well as the clear assignment of responsibilities within accounting, controlling and Group financing, and the use of appropriate controls, are designed to ensure and facilitate appropriate risk management and controls, and ensure the compliance of the financial reporting. 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 VERBIO Corporate Governance Statement, issued in accordance with § 315 d HGB in connection with § 289 f HGB, is published in the investor relations section of the VERBIO Vereinigte BioEnergie AG website (www.verbio.de).

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

*Separate non-financial statement*

The non-financial statement for the financial year 2018/2019 issued in accordance with the implementation of the German CSR Directive Implementation Act in accordance with § 289 c and § 315 c HGB, which does not form part of this Group management report, will be published on the investor relations section of the VERBIO Vereinigte BioEnergie AG website (www.verbio.de).

In the report, selected non-financial information are presented based on international sustainability standards issued by the Global Reporting Initiative (GRI).

*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 in accordance with § 312 AktG. VERBIO has prepared this dependency 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 dependency report on its relationships with affiliated companies. No measures were undertaken or omitted in the interests of, or at the instigation of, the controlling company or one of its affiliated companies.

*Statutory takeover disclosures in accordance with § 315 a (1) 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. A new pooling contract was agreed in the financial year 2018/2019. The shareholders Albertina and Alois Sauter, who have joined as new members of the voting rights pool, are also subject to voting rights restrictions. The pooling contract cannot be cancelled earlier than April 5, 2021, and 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 49.03 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 61.70 percent; shares held under the voting trust agreement represent 68.80 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 up to EUR 31.5 million, by means of issuing additional no-par bearer shares in exchange for cash or non-cash contributions on one or more occasions until January 28, 2020 (authorised capital). The general shareholders' meeting on February 1, 2019 authorised the Management Board until January 31, 2024 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 Management Board activity resulting from a change in control, members of the Management Board have 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. The Company does not have any compensation agreements with employees.

Zörbig, September 20, 2019

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

# Consolidated financial statements (IFRS)


*VERBIO-biodiesel plant in Welland, Ontario, Canada*

# Consolidated statement of comprehensive income

**for the period July 1, 2018 to June 30, 2019**

| | EUR (thousands) | 01.07.2018 – 30.06.2019 | 01.07.2017 – 30.06.2018 | Notes |
|---|---|---|---|---|
| 1. | Sales revenue (including energy taxes collected) | 779,799 | 687,064 | |
| | less: energy taxes | –482 | –1,166 | |
| | **Revenue** | **779,317** | **685,898** | 3.14/6.1/9 |
| 2. | Change in unfinished and finished goods | 15,482 | 4,906 | |
| 3. | Own work capitalised | 2,063 | 1,181 | 6.2 |
| 4. | Other operating income | 15,841 | 11,568 | 3.14/6.3 |
| 5. | Cost of materials | –635,931 | –597,069 | 6.4 |
| 6. | Personnel expenses | –37,215 | –26,729 | 6.5 |
| 7. | Depreciation and amortisation | –21,448 | –22,381 | 3.2/3.3/6.6/7.1 |
| 8. | Other operating expenses | –40,536 | –33,559 | 6.7 |
| 9. | Valuation allowances on financial assets | –952 | 34 | 6.8/10,4,3 |
| 10. | Result from commodity forward contracts | –2,935 | –1,435 | 6.9 |
| **11.** | **Operating result** | **73,686** | **22,414** | |
| 12. | Interest income | 155 | 176 | 6.9/10.4 |
| 13. | Interest expense | –751 | –411 | 6.9/10.4 |
| **14.** | **Financial result** | **–596** | **–235** | 3.15/6.9 |
| 15. | Share of profit (loss) of associates and joint ventures accounted for using the equity method | 15 | 0 | |
| **16.** | **Result before tax** | **73,105** | **22,179** | |
| 17. | Income tax expense | –21,410 | –7,077 | 3.5/6.11 |
| **18.** | **Net result for the period** | **51,695** | **15,102** | |
| | Result attributable to shareholders of the parent company | 52,968 | 14,923 | |
| | Result attributable to non-controlling interests | –1,273 | 179 | 7,3,7 |
| Income and expenses recognised directly in equity: | | | | |
| | Items that may be reclassified subsequently to profit or loss: | | | |
| | Translation of foreign operations | 68 | –201 | |
| | Fair value remeasurement on cash flow hedges | –352 | 2,183 | 10.3 |
| | Deferred taxes recognised in equity | 104 | –658 | |
| **19.** | **Income and expenses recognised directly in equity** | **–180** | **1,324** | |
| **20.** | **Comprehensive result** | **51,515** | **16,426** | |
| | Comprehensive result attributable to shareholders of the parent | 52,788 | 16,247 | |
| | Comprehensive result attributable to non-controlling interests | –1,273 | 179 | 7,3,7 |
| **Result per share (basic and diluted)** | | **0.84** | **0.24** | 3.16/7,3,6 |

# Consolidated balance sheet

**at June 30, 2019**

| EUR (thousands) | 30.06.2019 | 30.06.2018 | Notes |
| --- | --- | --- | --- |
| **Assets** | | | |
| | | | |
| **A. Non-current assets** | | | |
| I. Intangible assets | 856 | 334 | 3.2/3.4/7,1,1 |
| II. Property, plant and equipment | 209,290 | 167,962 | 3.3/3.4/7,1,2 |
| III. Financial assets | 95 | 55 | 3.7/10.2 |
| IV. Deferred tax assets | 3,914 | 3,392 | 3.5/6.11 |
| **Total non-current assets** | **214,155** | **171,743** | |
| | | | |
| **B. Current assets** | | | |
| I. Inventories | 63,078 | 45,171 | 3.6/7,2,1 |
| II. Trade receivables | 48,540 | 45,233 | 3.7/7,2,2/10.2 |
| III. Derivatives | 2,990 | 3,392 | 3.8/7,2,3/10.3 |
| IV. Other short-term financial assets | 11,233 | 2,691 | 3.7/7,2,4/10.2 |
| V. Tax refunds | 628 | 195 | 3.5/7,2,5 |
| VI. Other assets | 16,296 | 9,006 | 3.7/7,2,6 |
| VII. Term deposits | 0 | 60,042 | 3.9/7,2,7 |
| VIII. Cash and cash equivalents | 68,025 | 28,516 | 3.10/7,2,8/10.2 |
| **Total current assets** | **210,790** | **194,246** | |
| | | | |
| **Total assets** | **424,945** | **365,989** | |

| EUR (thousands) | 30.06.2019 | 30.06.2018 | Notes |
|---|---|---|---|
| **Equity and liabilities** | | | |
| | | | |
| **A. Equity** | | | |
| I. Share capital | 63,000 | 63,000 | 7,3,1 |
| II. Additional paid-in capital | 487,681 | 487,681 | 7,3,2 |
| III. Other reserves | 770 | 1,018 | 7,3,3 |
| IV. Retained earnings | –212,076 | –252,444 | 7,3,5 |
| V. Reserve for translation adjustments | –165 | –233 | 7,3,4 |
| **Total equity attributable to owners of the parent** | **339,210** | **299,022** | |
| VI. Non-controlling interests | –293 | 1,195 | |
| **Total equity** | **338,917** | **300,217** | |
| | | | |
| **B. Non-current liabilities** | | | |
| I. Bank loans and other loans | 65 | 11 | 3.13/7,4,1/10.2 |
| II. Provisions | 156 | 155 | 3.12/7,4,2 |
| III. Deferred investment grants and subsidies | 4,013 | 5,102 | 3.11/7,4,3 |
| IV. Other non-current financial liabilities | 2,761 | 2,010 | 3.13/7,4,4/10.2 |
| V. Deferred taxes | 137 | 437 | 3.5/6.11 |
| **Total non-current liabilities** | **7,132** | **7,715** | |
| | | | |
| **C. Current liabilities** | | | |
| I. Bank loans and other loans | 9,992 | 369 | 3.13/7,5,1/10.2 |
| II. Trade payables | 41,316 | 31,185 | 3.13/7,5,2/10.2 |
| III. Derivatives | 3,354 | 2,159 | 3.8/7,5,3/10.3 |
| IV. Other current financial liabilities | 9,483 | 7,294 | 3.13/7,5,4/10.2 |
| V. Tax liabilities | 6,493 | 9,342 | 3.5/7,5,5 |
| VI. Provisions | 4,826 | 4,349 | 3.12/7,5,6 |
| VII. Deferred investment grants and subsidies | 1,017 | 1,035 | 3.11/7,4,3 |
| VIII. Other current liabilities | 2,415 | 2,324 | 3.13/7,5,7 |
| **Total current liabilities** | **78,896** | **58,057** | |
| | | | |
| **Total equity and liabilities** | **424,945** | **365,989** | |

# Consolidated cash flow statement

**for the period July 1, 2018 to June 30, 2019**

| EUR (thousands) | 01.07.2018 – 30.06.2019 | 01.07.2017 – 30.06.2018 | Notes |
|---|---|---|---|
| **Net result for the period** | **51,695** | **15,102** | |
| Income taxes expense | 21,410 | 7,077 | 6.11 |
| Interest result | 596 | 235 | 6.9/10.4 |
| Depreciation and amortisation | 21,448 | 22,381 | 6.6/7.1 |
| Non-cash expenses | 666 | 371 | 6,1,1/6,1,2 |
| Non-cash income | –288 | –234 | |
| Loss on disposal of property, plant and equipment and derecognition of investment grants | 76 | 210 | |
| Release of deferred investment grants and subsidies | –1,107 | –1,025 | 7,4,3 |
| Non-cash changes in derivative financial instruments | 1,245 | 994 | 10.3 |
| Increase in inventories | –17,906 | –10,825 | 7,2,1 |
| Increase in trade receivables | –3,304 | –6,744 | 7,2,2 |
| Increase (previous year: decrease) in other assets and other current financial assets | –16,180 | 1,809 | 7,2,4/7,2,5/7,2,6 |
| Increase in provisions | 392 | 2,456 | 7,4,2/7,5,6 |
| Increase in trade payables | 9,037 | 2,524 | 7,5,2 |
| Increase (previous year: decrease) in other current financial and non-financial liabilities | 2,358 | –9,326 | 7,4,4/7,5,4/ 7,5,5/7,5,7 |
| Interest paid | –752 | –411 | |
| Interest received | 157 | 111 | |
| Income taxes paid | –25,216 | –13,624 | |
| **Cash flows from operating activities** | **44,327** | **11,081** | |
| Cash inflows for term deposits | 60,042 | 0 | |
| Proceeds from investment grants | 83 | 2,265 | |
| Cash outflows for acquisition of intangible assets | –1,332 | –163 | |
| Cash outflows for acquisition of equity investment | –24 | 0 | |
| Cash outflows for acquisition of property, plant and equimpment | –61,940 | –25,198 | |
| Proceeds from disposal of property, plant and equipment | 1,182 | 42 | |
| Cash inflow arising on acquisition of a subsidiary, taking into account cash and cash equivalents of the company acquired | 1,010 | 0 | |
| Cash inflows from addition/disposal of non-current financial assets | 0 | 2 | |
| **Cash flows from investing activities** | **–979** | **–23,052** | |

| EUR (thousands) | 01.07.2018 – 30.06.2019 | 01.07.2017 – 30.06.2018 | Notes |
|---|---|---|---|
| Payments of dividends | –12,600 | –12,600 | |
| Cash outflows for the repayment of financial liabilities | –301 | –1,530 | |
| Proceeds from new financial liabilites | 8,970 | 0 | |
| **Cash flows from financing activities** | **–3,931** | **–14,130** | |
| Change in cash funds resulting from business transactions | 39,417 | –26,101 | |
| Change in cash funds due to effects of exchange rates | 92 | –105 | |
| Cash funds at beginning of year | 28,516 | 54,722 | |
| **Cash funds at end of year** | **68,025** | **28,516** | 8. |

# Consolidated statement of changes in equity

**for the period July 1, 2018 to June 30, 2019**

| EUR (thousands) | Share capital | Additional paid-in capital | Other reserves | Retained earnings | Reserve for translation adjustments | Total equity attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **July 1, 2017** | **63,000** | **487,680** | **−507** | **−254,766** | **−32** | **295,375** | **1,016** | **296,391** |
| Translation adjustments | 0 | 0 | 0 | 0 | −201 | −201 | 0 | −201 |
| Fair value changes on cash flow hedges (after tax) | 0 | 0 | 1,525 | 0 | 0 | 1,525 | 0 | 1,525 |
| **Income and expenses recognised directly in equity** | **0** | **0** | **1,525** | **0** | **−201** | **1,324** | **0** | **1,324** |
| Net result for the period | 0 | 0 | 0 | 14,923 | 0 | 14,923 | 179 | 15,102 |
| **Comprehensive result for the period** | **0** | **0** | **1,525** | **14,923** | **−201** | **16,247** | **179** | **16,426** |
| Dividend payments | 0 | 0 | 0 | −12,600 | 0 | −12,600 | 0 | −12,600 |
| **June 30, 2018** | **63,000** | **487,680** | **1,018** | **−252,443** | **−233** | **299,022** | **1,195** | **300,217** |
| **July 1, 2018** | **63,000** | **487,680** | **1,018** | **−252,444** | **−233** | **299,022** | **1,195** | **300,217** |
| Translation adjustments | 0 | 0 | 0 | 0 | 68 | 68 | 0 | 68 |
| Fair Value changes on cash flow hedges (after tax) | 0 | 0 | −248 | 0 | 0 | −248 | 0 | −248 |
| **Income and expenses recognised directly in equity** | **0** | **0** | **−248** | **0** | **68** | **−180** | **0** | **−180** |
| Net result for the period | 0 | 0 | 0 | 52,968 | 0 | 52,968 | −1,273 | 51,695 |
| **Comprehensive result for the period** | **0** | **0** | **−248** | **52,968** | **68** | **52,788** | **−1,273** | **51,515** |
| Dividend payments | 0 | 0 | 0 | −12,600 | 0 | −12,600 | 0 | −12,600 |
| Changes to the consolidated group | 0 | 0 | 0 | 0 | 0 | 0 | −215 | −215 |
| **June 30, 2019** | **63,000** | **487,680** | **770** | **−212,076** | **−165** | **339,210** | **−293** | **338,917** |

*VERBIO-location in Bitterfeld after expansion of the VERBIO-sterol plant (Saxony-Anhalt)*

# Notes to the consolidated financial statements

**for the financial year from July 1, 2018 to June 30, 2019**

## 1 Information about the Company

VERBIO Vereinigte BioEnergie AG (hereinafter also “VERBIO AG” or “the Company”) is a listed corporation. The VERBIO Group (hereinafter also “VERBIO” or “the VERBIO Group”), consisting of VERBIO AG (the parent) and its consolidated subsidiaries (see Section 2.2, “Entities included in the consolidation”), is engaged in 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 corporate office, and are also published in the German Federal Gazette (Bundesanzeiger) and 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). All amounts are presented in thousands of euros (EUR thousand) unless otherwise stated. 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 of the financial statements, 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 Entities included in the consolidation

In addition to VERBIO AG, the parent, the following companies in which VERBIO AG has a majority shareholding are included in the consolidated financial statements and represent the parent company's material shareholdings at June 30, 2019:

| Name of company | Location | Share of capital | Consolidation method |
|---|---|---|---|
| VERBIO Diesel Bitterfeld GmbH (VDB) | Bitterfeld-Wolfen/ OT Greppin | 100.00 % | Fully consolidated |
| VERBIO Diesel Schwedt GmbH (VDS) | 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 Finance 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 |
| VERBIO Hungary Trading Kft. | Budapest, Hungary | 100.00 % | Fully consolidated |
| VERBIO India Private Limited | Gurgaon, India | 100.00 % | Fully consolidated |
| VERBIO Pinnow GmbH | Pinnow | 100.00 % | Fully consolidated |
| VERBIO Renewables GmbH | Zörbig | 100.00 % | Fully consolidated |
| XIMO AG | Horw, Switzerland | 100.00 % | Fully consolidated |
| XIMO Kft. | Budapest, Hungary | 100.00 % | Fully consolidated |
| VERBIO North America Corporation | Grand Rapids/ Michigan, USA | 51.00 % | Fully consolidated |
| VERBIO Diesel Nordamerika GmbH | Zörbig | 100.00 % | Fully consolidated |
| VERBIO Diesel Canada Corp. | Toronto/Ontario, Canada | 100.00 % | Fully consolidated |
| VERUM GmbH (formerly: Wriezener Kraftfutter GmbH)** | Schwedt/Oder | 44.67 % | At-equity |

* 44,67 % held indirectly bei VERBIO Agrar GmbH.
** Indirectly held by VERBIO Agrar GmbH; Group's percentage holding.

The companies VERBIO Diesel Nordamerika GmbH, Zörbig and VERBIO Hungary Trading Kft., Budapest/Hungary were formed in the financial year 2018/2019. They have no operating businesses and represent shelf companies.

VERBIO North America Corporation, Grand Rapids/Michigan, USA ("VNA"), in which the Group holds a 51 percent share (held indirectly via VERBIO Renewables GmbH), has been included in the Group consolidated financial statements on a fully consolidated basis from October 1, 2018. In addition, XiMo AG, Horw, Switzerland, which is a wholly-owned subsidiary of VERBIO AG, together with its wholly-owned subsidiary XiMo Kft., Budapest, Hungary have been included in the Group consolidated financial statements on a fully consolidated basis from November 7, 2018. Wriezener Kraftfutter GmbH was renamed VERUM GmbH in the financial year 2018/2019. Following the sale of a shareholding in that company VERBIO AG's indirect shareholding in VERUM GmbH, held via VERBIO Agrar GmbH, amounts to 44.67 percent. Accordingly, VERUM GmbH is presented as an equity-accounted investment at June 30, 2019.

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. Gains and losses on inter-company transactions are eliminated on consolidation. 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 (EUR), 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 consistent with those applied in the previous year with the exception of the changes described below.

The following new and amended standards were required to be applied by the Group for the first time with effect from July 1, 2018:

- “Annual Improvements to IFRS Standards IFRS 2014–2016 Cycle” (extracts)
- IFRS 9 “Financial instruments – Classification and Measurement”
- Amendments to IFRS 2: “Share-based Payment”
- IFRS 15 “Revenue from Contracts with Customers”
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IFRS 9 enthält überarbeitete Leitlinien zur Einstufung und Bewertung von Finanzinstrumenten, darunter ein neues Modell der erwarteten Kreditausfälle zur Berechnung der Wertminderungen von finanziellen Vermögenswerten. VERBIO hat eine Analyse durchgeführt, die insgesamt keine Auswirkungen auf die Bilanz und das Eigenkapital ergeben hat, so dass zum 30. Juni 2019 auch kein zusätzlicher Wertminderungsbedarf erfasst wurde.

A review of VERBIO’s accounting policies for hedge accounting revealed that all instruments previously designated as effective hedging instruments also meet the criteria permitting them to be used for hedge accounting purposes under IFRS 9. As a result, there have been no significant amendments to the Group’s accounting for hedging transactions, as IFRS 9 does not change the general principles applied when accounting for effective hedging relationships.

IFRS 15 provides detailed guidance on whether, to what extent, and at what date sales revenue is recognised. IFRS 15 has replaced existing standards on recognising sales revenue, including IAS 18 “Revenue”, IAS 11 “Construction contracts” and IFRIC 13 “Customer Loyalty Programmes”. The initial application of the requirements of IFRS 15 resulted in no adjustments to amounts previously reported by VERBIO, and accordingly there has been no effect on equity as of July 1, 2018. Further information is presented in the detailed comments on sales revenue in note 3.14.

The implementation of other new standards and interpretations and amendments to existing accounting standards and interpretations applicable to the Group for the first time from July 1, 2018 have also had no material effect on the presentation of VERBIO’s financial statements.

### 3.2 Intangible assets

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 over the expected useful lives of the respective assets. 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, acquisition or construction costs include the expected cost for the retirement of those assets for which there is an asset retirement obligation.

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 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 Income taxes

The income tax expense for the period includes current and deferred taxes. Current and deferred taxes are recognised in the income statement with the exception of the tax effects recognised on items recorded directly in equity or within other comprehensive income.

Current tax receivables and payables for the current period are measured at the amount in which a refund from the tax authority 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 or which will be applicable shortly.

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. In accordance with IAS 12, no deferred taxes are recorded for goodwill arising from business combinations. 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 more than one product is created 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

Financial assets are held within a business model whose objective is achieved by holding those assets to collect the contractual cash flows associated with the assets. The contractual term of these financial assets gives rise to cash flows which are solely payments of principal and interest on the principal amount outstanding payable on specified dates.

Financial assets and other assets are initially recognised at fair value. Subsequent to initial recognition they are recognised at amortised cost using the effective interest method. The amortised costs are reduced by impairment expenses. Interest income, currency gains and losses and impairments are recognised in profit or loss. 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 of the derivatives, in particular of the accounting principles applied, in Section 10, “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 (IFRS 9, Appendix A) and are accounted for in accordance with the “own use exemption” (IFRS 9.2.4 and 9.2.5). These contracts are not within the scope of IFRS 9, but rather are handled as non-executory contracts.

### 3.9 Term deposits

Term deposits are not available for use on a daily basis. They are held until their respective maturity dates. These deposits have an original maturity period (term to maturity when the deposits are made) exceeding three months. The term deposits are measured at their amortised acquisition cost.

### 3.10 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.

### 3.11 Investment grants and subsidies

In accordance with the accounting option available under IAS 20, investment grants and subsidies are deferred 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.

### 3.12 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 result in an outflow of resources within the next twelve months are recognised as of the balance sheet date at the discounted settlement amount, taking into account the effect of expected cost increases. The settlement amount is discounted using market rates of interest, for liabilities carrying equivalent risk. An interest rate of 0.42 percent was applied for purposes of discounting in the financial year 2018/2019 (2017/2018: 0.43 percent).

### 3.13 Financial liabilities and other liabilities

Financial liabilities 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 3.8. The amortised acquisition cost of non-current financial liabilities is determined using the effective interest rate method.

### 3.14 Sales revenue

In accordance with IFRS 15 the VERBIO Group recognises sales revenue as soon as a customer obtains control of the goods. Revenue is reduced by rebates and discounts. Until the financial year 2017/2018 sales revenue generated by the sale of biofuels was recognised at the time that the goods were delivered to the customers, whereby the place of delivery was dependent on the specific terms and conditions of supply. The date of the delivery to the customer was the date on which the respective customer accepted the risks and opportunities associated with the transfer of ownership of the goods supplied. The changes implemented by IFRS 15 concerning the supply of goods did not result in a change in the date of revenue recognition. The amount of sales revenue recognised is also not affected by the changes implemented by IFRS 15.

Sales revenue for services is recognised in the period in which the services are rendered. The services primarily consist of transport services, whereby the individual transport services are invoiced as separate transactions. As a result, it is not necessary to allocate consideration received between transactions.

### 3.15 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 borrowing costs, the financial result also includes impairment losses recorded against non-current financial assets and gains on the disposal of such assets.

### 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 Standards that have been issued but which are not yet mandatory

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, 2019.

- IFRS 16 “Leases”
- “Annual Improvements to IFRS Standards 2015–2017 Cycle”
- IFRIC 23 “Uncertainty over Income Tax Treatments”
- Amendments to IFRS 9 “Financial instruments” – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures Amendments
- Amendments to IAS 19 – “Employee benefits” – Plan Amendment, Curtailment or Settlement

IFRS 16 “Leasing” introduces substantial new rules for accounting for leasing arrangement, and replaces the existing rules set out in IAS 17 “Leases” as well as certain IFRS Interpretations. IFRS 16 introduces a uniform accounting model under which leasing arrangements are to be recorded in the balance sheet of the lessee. A lessee records a right-of-use asset which represents its right to use the underlying leased asset, and in addition records a liability representing its obligation to make the payments under the terms of the lease. There are exceptions available for short-term leases and for leasing arrangements for the use of small value assets.

VERBIO is obliged to apply IFRS 16 “Leases” from July 1, 2019. VERBIO has made an assessment of the estimated effect of the initial application of IFRS 16 in the consolidated financial statements, as described below. The actual effect of the application of the standard from July 1, 2019 may vary from this estimate as VERBIO has not yet completed the tests and assessments of the ongoing calculations and it is possible that there will be changes to the accounting requirements by the date that the first consolidated financial statements are prepared following the date of initial application.

The initial application of IFRS 16 affects leasing arrangements in which VERBIO is a lessee under operating lease arrangements. VERBIO is not a lessee under finance lease arrangements and it does not have any leasing arrangements in which it is a lessor.

VERBIO will recognise new assets and liabilities arising from its operating lease arrangements for land and buildings, and to some extent from leases over machinery and factory and office equipment. The nature of expenses recorded for leasing arrangements will change, as VERBIO will recognise depreciation for right-of-use-assets and interest expenses for liabilities. Prior to the initial application VERBIO has recognised expenses under operating lease arrangements on a straight-line basis over the lease period and only recognised assets and liabilities to the extent that there was a timing difference between the actual lease payments made and the expenses recognised.

In the cash flow statement, the payments for operating lease arrangements will in future be reported as cash flows from financing activities, which will result in an improvement in cash flow from operating activities compared to the amounts reported under IAS 17.

Based on information currently available, VERBIO estimates that additional lease liabilities of EUR 9,458 thousand will be recognised at July 1, 2019.

VERBIO plans to apply the modified retrospective method for the initial application of IFRS 16 at July 1, 2019. As a consequence, the cumulative effect of the application of IFRS 16 will be recorded as an adjustment of the opening balances in revenue reserves at July 1, 2019. Comparative information will not be adjusted.

In addition, it is planned to apply the simplification procedure to retain the definition of a leasing arrangement on initial application. This means that VERBIO will apply IFRS 16 to all contracts which were entered into prior to July 1, 2019 and which were identified as leasing arrangements under IAS 17 and IFRIC 4.

The application of other standards and interpretations in addition to IFRS 16 will result in further disclosures in the notes to the consolidated financial statements required by those standards and interpretations.

## 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/expected losses on sales contracts

Impairment write-downs of EUR 310 thousand have been made against the calculated manufacturing cost of inventories of finished goods. These were necessary to reflect the expected net sales proceeds. Provisions include a provision for expected losses on sales contracts amounting to EUR 3,863 thousand, whereby this reflects sales contracts which cannot be satisfied by supplies made from inventories of finished goods. The estimates and assumptions made which affect finished goods inventories and the expected losses on sales contracts primarily relate to the expected revenue to be earned from accepting the quota obligations in connection with the use of biomethane fuel. This in turn affects the inventory of biomethane and biomethane quotas (June 30, 2019: EUR 27,068 thousand) as well as the amount of expected losses on sales contracts. For the valuation at June 30, 2019 estimates of market prices from July 2019 were applied over the maturity periods of the contracts entered into. Due to the fact that contracts for the quotas for the calendar years 2019–2021 will be entered into in periods of up to nine months after the respective balance sheet date, and the fact that the prices have proved to be very volatile, actual future revenue received 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.

### Identifying impairment reversals where the value of non-current assets has recovered

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. We refer to section 3.4. The assumptions and estimates made are based on the cash flow forecasts obtained in the Company's business plans. These take account of the circumstances existing at the time of the preparation of the consolidated financial statements and developments in the industry-specific environment as it affects the future business development of the VERBIO Group.

## 5 Business combinations

### 5.1 Acquisition of XiMo AG

On November 7, 2018 VERBIO AG acquired the entire share capital of XiMo AG, Horw, Switzerland and its wholly-owned subsidiary company XiMo Kft., Budapest, Hungary. XiMo AG and its subsidiary XiMo Kft. (together "XiMo") develop and market catalysts for the metathesis of organic compounds. The objective of the acquisition is to enable the Group, by making use of the catalysts developed by XiMo, to produce other chemical raw materials in future on the basis of vegetable oil alongside biodiesel. The acquisition has been accounted for under the purchase method of accounting. The results of XiMo for the period from November 7, 2018 to June 30, 2019 are included in the consolidated financial statements.

The fair value of the identifiable net assets acquired on the acquisition date totalled EUR 45 thousand, consisting of assets totalling EUR 746 thousand and liabilities of EUR 701 thousand.

The acquisition generated a net cash inflow of EUR 443 thousand as the subsidiary held cash and cash equivalents at the date of acquisition.

Since the acquisition date, XiMo has contributed EUR 192 thousand to Group sales revenue and EUR –528 thousand to the Group's result before tax. Had the business combination been effected as of the beginning of the financial year the Group's sales revenue would have been EUR 561 thousand higher and the result before tax would have been EUR 71 thousand higher.

### 5.2 Acquisition of shareholdings in VNA

On September 29, 2018 VERBIO Renewables acquired a 51 percent shareholding in VERBIO North America Corporation, Grand Rapids/Michigan, USA (VNA). Expenses of EUR 20 thousand were incurred in connection with the acquisition of the VNA shareholding.

## 6 Notes to the individual items in the consolidated statement of comprehensive income

### 6.1 Sales revenue

Sales revenue wholly comprises revenue from contracts with customers (EUR 779,317 thousand; 2017/2018: EUR 685,898 thousand).

We refer to the segment reporting (see Section 9, "Segment reporting") for an analysis of revenue by category.

As permitted under IFRS 15, no disclosures of remaining outstanding performance obligations at June 30, 2019 are made due to the fact that these mature within one year or less.

### 6.2 Own work capitalised

Production costs of own work capitalised amounted to EUR 2,063 thousand (2017/2018: EUR 1,181 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".

### 6.3 Other operating income

Other operating income comprises the following items:

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Release of investment grants and subsidies | 5,387 | 3,855 |
| Reimbursement of electricity and energy taxes | 2,872 | 2,782 |
| Realised exchange gains | 2,242 | 2,104 |
| Release of provisions and other liabilities | 669 | 151 |
| Other out-of-period income | 85 | 113 |
| Gains on the disposal of property, plant and equipment | 373 | 52 |
| Miscellaneous other operating income | 4,213 | 2,511 |
| **Other operating income** | **15,841** | **11,568** |

### 6.4 Cost of materials

The cost of materials was as follows:

| EUR (tousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Raw material and merchandise – biodiesel | 387,823 | 388,240 |
| Raw material and merchandise – bioethanol and biomethane | 163,079 | 146,149 |
| Additives | 24,906 | 21,525 |
| Addition to provision for expected contract losses | 1,685 | 4,005 |
| Use of provision for expected contract losses | –1,820 | –1,078 |
| Other | 9,534 | 7,647 |
| **Total raw material, consumables and supplies and purchased goods** | **585,207** | **566,488** |
| Energy costs | 27,642 | 21,972 |
| Procurement of quota obligations | 13,511 | 0 |
| Miscellaneous | 9,571 | 8,609 |
| **Expenses for purchased services** | **50,724** | **30,581** |
| **Total cost of materials** | **635,931** | **597,069** |

### 6.5 Personnel expenses

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Wages and salaries | 26,096 | 20,316 |
| One-off remuneration | 6,062 | 2,319 |
| **Wages and salaries** | **32,158** | **22,635** |
| Statutory social security costs | 4,356 | 3,513 |
| Employee's accident insurance association | 217 | 238 |
| Pension expense | 484 | 343 |
| **Total social security expenses** | **5,057** | **4,094** |
| **Total personnel expenses** | **37,215** | **26,729** |

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 2,061 thousand (2017/20218: EUR 1,674 thousand). In addition, Group companies have made contributions of EUR 484 thousand (2017/2018: EUR 343 thousand) to a defined contribution scheme, including pension fund contributions among others.

As of June 30, 2019 the Group employed 660 employees (June 30, 2018: 563), of whom 308 were staff (June 30, 2018: 231), 330 were production employees (June 30, 2018: 310), 16 were trainees and apprentices (June 30, 2018: 15), and 7 were mini-job employees (June 30, 2018: 7). No employees were on short-term contracts (June 30, 2018: 0).

In the financial year 2018/2019 the Group had an average of 608 employees (2017/2018: 541), of whom 269 were salaried employees (2017/2018: 227), 313 were production employees (2017/2018: 294), 19 were trainees and apprentices (2017/2018: 15), and 7 were mini-job employees (2017/2018: 4).

### 6.6 Depreciation and amortisation

We provide further information on depreciation and amortisation in Section 3.3, "Property, plant and equipment", Section 3.4, "Impairment of non-current assets", Section 7.1.1, "Intangible assets", and Section 7.1.2, "Property, plant and equipment".

### 6.7 Other operating expenses

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Repairs and maintenance | 11,716 | 10,466 |
| Outgoing freight and other selling expenses | 8,104 | 7,658 |
| Motor vehicle costs | 2,812 | 2,877 |
| Insurances and dues | 2,134 | 1,577 |
| Realised exchange losses | 2,125 | 2,066 |
| Legal and consulting costs | 1,485 | 879 |
| Rents and leases | 1,409 | 664 |
| Miscellaneous other operating expenses | 10,751 | 7,372 |
| **Sonstige betriebliche Aufwendungen** | **40,536** | **33,559** |

### 6.8 Impairment losses on financial assets
A detailed analysis of impairment losses on financial assets is presented in section 10.4.3 “Disclosure of impairment losses on financial assets”

### 6.9 Result from commodity forward contracts
The result from the valuation and the closing-out of forward contracts which do not qualify for hedge accounting totalled EUR −2,935 thousand (2017/2018: EUR −1,435 thousand).

### 6.10 Financial result

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---:|---:|
| Interest income | 155 | 176 |
| Interest expense | −751 | −411 |
| **Financial result** | **−596** | **−235** |

Further information on the composition of interest income and interest expense is provided in Section 10.4, “Other disclosures required by IFRS 7”, together with other disclosures about financial instruments.

### 6.11 Income taxes
The income tax expense comprises the following:

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---:|---:|
| Current tax expense | −22,127 | −8,105 |
| Deferred tax expense (previous year: income) | 717 | 1,028 |
| **Income tax** | **−21,410** | **−7,077** |

Income tax expenses include current tax expenses of EUR 246 thousand (2017/2018: EUR 824 thousand) which relate to earlier periods. Deferred tax includes income of EUR 194 thousand (2017/2018: EUR 798 thousand) which resulted from the recognition of previously unrecognised non-current deferred tax assets on other differences and tax losses carried forward, as it is probable that taxable income will be available to enable these deferred tax assets to be realised. In addition, deferred taxes include out of period income of EUR 1,027 thousand (2017/2018: expenses of EUR 238 thousand).

For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2017/2018: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2017/2018: 5.5 percent) plus (for the parent company) a trade tax rate of 13.87 percent (2017/2018: 13.87 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate is 29.70 percent (2017/2018: 29.70 percent). The trade tax relevant for domestic companies ranged from 12.25 percent to 13.87 percent depending on location.

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) | 2018/2019 | 2017/2018 |
|---|---|---|
| Result before taxes | 73,106 | 22,179 |
| Income tax rate | 29.70 % | 29.70 % |
| **Expected income tax** | **–21,712** | **–6,587** |

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

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Change in unrecognised deferred taxes | –991 | 385 |
| Difference in tax rates | –66 | 230 |
| Non-deductible expenses and permanent differences | 776 | 180 |
| Effects relating to prior periods | 781 | –1,063 |
| Other differences | –198 | –222 |
| **Reported income tax expense** | **–21,410** | **–7,077** |

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 | |
|---|---|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Property, plant and equipment | 2,689 | 2,982 | 263 | 1,094 | 2,426 | 1,888 |
| Inventories | 0 | 64 | 245 | 2 | –245 | 62 |
| Receivables | 0 | 0 | 144 | 113 | –144 | –113 |
| Derivatives | 615 | 64 | 507 | 430 | 108 | –366 |
| Investment subsidies (investment grants) | 0 | 0 | 216 | 591 | –216 | –591 |
| Other provisions | 1,016 | 1,634 | 1 | 410 | 1,015 | 1,224 |
| Other liabilities | 0 | 21 | 0 | 2 | 0 | 19 |
| Tax losses carried forward | 832 | 832 | 0 | 0 | 832 | 832 |
| | **5,152** | **5,597** | **1,376** | **2,642** | **3,776** | **2,955** |
| Netted | –1,239 | –2,205 | –1,239 | –2,205 | 0 | 0 |
| **Net deferred taxes** | **3,913** | **3,392** | **137** | **437** | **3,776** | **2,955** |

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 718 thousand (2017/2018: EUR –1,028 thousand) and changes recognised directly in equity of EUR 104 thousand (2017/2018: EUR 658 thousand). The changes recognised directly in equity result from changes in the value of derivatives recognised only in equity.

As of June 30, 2019, there were unrecognised deferred tax liabilities totalling EUR 27 thousand (2017/2018: EUR 22 thousand) for temporary differences in connection with investments in subsidiaries of EUR 1,836 thousand (2017/2018: EUR 1,513 thousand), because VERBIO AG can control their reversal and their reversal will not take place in the foreseeable future.

No deferred tax assets are recognised on domestic trade tax losses carried forward of EUR 17,080 thousand (2017/2018: EUR 18,088 thousand) and domestic corporation tax losses of EUR 21,725 thousand (2017/2018: EUR 22,729 thousand) as their realisation is currently not sufficiently assured. In addition, no deferred tax assets are recognised on foreign trade tax losses of EUR 6,736 thousand as their realisation is currently not sufficiently assured.

The taxable income of one VERBIO subsidiary for the year 2008 was amended as the result of a legal dispute dealt with by a tax court. This resulted in the establishment of repayments of corporation and trade taxes for the years 2008 to 2011 totalling EUR 850 (including interest). However, the tax office has issued revised assessments for those periods which do not show the repayment being due. VERBIO has appealed against these assessments. The repayments due have not been recorded as assets at June 30, 2019.

## 7 Notes to the individual items in the consolidated balance sheet

### 7.1 Non-current assets

*7.1.1 Intangible assets*

The intangible assets primarily include acquired software.

The movements in intangible assets in the financial year 2018/2019 included additions of EUR 809 thousand (2017/2018: EUR 163 thousand) as well as amortisation of EUR 287 thousand (2017/2018: EUR 161 thousand), resulting in a balance of EUR 856 thousand at June 30, 2019 (June 30, 2018: EUR 334 thousand). The total acquisition cost of other intangible assets at June 30, 2019 amounted to EUR 2,885 thousand (June 30, 2018: EUR 2,075 thousand); the carrying value is after deduction of accumulated amortisation totalling EUR 2,029 thousand (June 30, 2018: EUR 1,741 thousand).

*Research and development*

Research and development expenses of EUR 2,029 thousand are included in the statement of comprehensive income (2017/2018: EUR 1,406 thousand).

*7.1.2 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 5,041 thousand (2017/2018: EUR 5,418 thousand) are pledged as security for financial liabilities.

The changes in property, plant and equipment in the period from July 1, 2018 to June 30, 2019 were as follows:

| EUR (thousands) | Land, land rights and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| Acquisition costs as of July 1, 2018 | 41,979 | 321,963 | 18,344 | 34,153 | 416,439 |
| Additions | 5,813 | 5,232 | 2,829 | 49,961 | 63,835 |
| Changes t o the consolidated group | 45 | 0 | 116 | 0 | 161 |
| Reclassifications | 38 | 19,641 | 50 | –19,729 | 0 |
| Disposals | 1,777 | 348 | 867 | 126 | 3,118 |
| Currency effects | –4 | 47 | 0 | –57 | –14 |
| **Acquisition costs as of June 30, 2019** | **46,094** | **346,535** | **20,472** | **64,202** | **477,303** |
| Accumulated depreciation as of July 1, 2018 | 16,808 | 219,985 | 11,684 | 0 | 248,477 |
| Additions | 1,282 | 17,824 | 2,055 | 0 | 21,161 |
| Disposals | 580 | 310 | 738 | 0 | 1,628 |
| Currency effects | | 1 | 2 | 0 | 3 |
| **Accumulated depreciation as of June 30, 2019** | **17,510** | **237,500** | **13,003** | **0** | **268,013** |
| Carrying amount as of July 1, 2018 | 25,171 | 101,978 | 6,660 | 34,153 | 167,962 |
| **Carrying amount as of June 30, 2019** | **28,584** | **109,035** | **7,469** | **64,202** | **209,290** |

The changes in property, plant and equipment in the period from July 1, 2017 to June 30, 2018 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, 2017 | 42,245 | 319,003 | 15,719 | 15,700 | 392,667 |
| Additions | 712 | 383 | 3,137 | 22,329 | 26,561 |
| Reclassifications | 414 | 3,064 | 190 | −3,764 | −96 |
| Disposals | 1,367 | 483 | 698 | 112 | 2,660 |
| Currency effects | −25 | −4 | −4 | 0 | −33 |
| **Acquisition costs as of June 30, 2018** | **41,979** | **321,963** | **18,344** | **34,153** | **416,439** |
| Accumulated depreciation as of July 1, 2017 | 16,343 | 200,960 | 10,720 | 0 | 228,023 |
| Additions | 1,300 | 19,326 | 1,593 | 0 | 22,219 |
| Disposals | 835 | 299 | 626 | 0 | 1,760 |
| Currency effects | 0 | −2 | −3 | 0 | −5 |
| **Accumulated depreciation as of June 30, 2018** | **16,808** | **219,985** | **11,684** | **0** | **248,477** |
| Carrying amount as of July 1, 2017 | 25,902 | 118,043 | 4,999 | 15,700 | 164,644 |
| **Carrying amount as of June 30, 2018** | **25,171** | **101,978** | **6,660** | **34,153** | **167,962** |

## 7.2 Current assets

### *7.2.1 Inventories*

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Raw materials, consumables and supplies, gross | 26,357 | 24,365 |
| Less: allowances | 0 | 0 |
| **Raw materials, consumables and supplies** | **26,357** | **24,365** |
| | | |
| Work in process, gross | 1,505 | 2,805 |
| Less: allowances | 0 | 0 |
| **Work in process** | **1,505** | **2,805** |
| | | |
| Finished goods, gross | 35,076 | 19,161 |
| Less: allowances | –310 | –1,176 |
| **Finished product** | **34,766** | **17,985** |
| | | |
| **Merchandise** | **450** | **16** |
| | | |
| **Inventories** | **63,078** | **45,171** |

The inventories have a carrying value of EUR 43,057 thousand (June 30, 2018: EUR 32,006 thousand) and are carried at their acquisition and production cost. In addition, inventories with a carrying value of EUR 20,021 thousand (June 30, 2018: EUR 13,165 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 310 thousand (June 30, 2018: EUR 1,176 thousand) were made after the performance of net realisable value tests. The expense to record the allowances is reported in the statement of comprehensive income within “Change of finished and unfinished goods”, and amounted to EUR 318 thousand (2017/2018: EUR 1,176 thousand).

### *7.2.2 Trade receivables*

Trade receivables amounted to EUR 48,540 thousand at the balance sheet date (June 30, 2018: EUR 45,233 thousand) and are presented net of valuation allowances of EUR 1,195 thousand (June 30, 2018: EUR 1,251 thousand).

Of the valuation allowances recorded in the previous year, EUR 72 thousand (2017/2018: EUR 63 thousand) were released through profit or loss in the financial year; the release amount is included in “Impairment losses on financial assets”. Allowances of EUR 2 thousand (2017/2018: EUR 29 thousand) were recorded in the reporting period; the expense is included in “Impairment losses on financial assets”.

All of the receivables have a remaining term of up to one year.

### *7.2.3 Derivatives*

Information on the Group’s derivative financial assets with a carrying value of EUR 2,990 thousand at June 30, 2019 (June 30, 2018: EUR 3,392 thousand) is provided in Section 10.3, “Derivatives”.

### *7.2.4 Other current financial assets*

Other current financial assets comprise the following:

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Cash on segregated accounts | 6,197 | 1,968 |
| Loans granted | 2,800 | 0 |
| Security deposits resulting from security agreements and liability declarations | 1,181 | 422 |
| Deferral of unrealised results on forward contracts | 753 | 228 |
| Miscellaneous other financial assets | 302 | 73 |
| **Other financial assets** | **11,233** | **2,691** |

### *7.2.5 Tax refunds receivable*

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Reimbursement claims for trade tax | 428 | 172 |
| Reimbursement claims for corporation tax | 200 | 23 |
| **Tax refunds receivable** | **628** | **195** |

### *7.2.6 Other assets*

Other non-financial assets comprise the following:

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Investment grants and subsidies | 5,803 | 3,998 |
| Reimbursement of electricity and energy tax | 5,186 | 4,014 |
| Value added tax and interest due from tax authorities | 4,674 | 394 |
| Deferred expenses | 582 | 427 |
| Miscellaneous other assets | 51 | 173 |
| **Other non-financial assets** | **16,296** | **9,006** |

### *7.2.7 Term deposits*

The term deposits of EUR 60,042 thousand reported in the previous year's financial statements had a maturity exceeding three months. Interest at 0.15 percent was earned on these balances. All of the Group's term deposit accounts were transferred to cash and cash equivalents in the financial year 2018/2019.

### *7.2.8 Cash and cash equivalents*

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 68,025 thousand (June 30, 2018: EUR 28,516 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 68,019 thousand (June 30, 2018: EUR 28,509 thousand).

## 7.3 Equity

*7.3.1 Share capital*

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

The share capital at June 30, 2019 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 and/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 share rights and 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 that 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.

*7.3.2 Additional paid-in capital*

Additional paid-in capital results primarily from the acquisition costs incurred by VDB for the purchase of VES, VEZ, VDS and VERBIO STS AG in connection with the merger carried out in 2006, to the extent that these exceeded the amount reflected in share capital. Of this, EUR 168,937 thousand is restricted under German company law and is therefore 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 own shares, which were a component of the purchase price paid for the VERBIO Agrar shares in 2010.

*7.3.3 Other reserves*

The other reserves include the effective portion of 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, 2019.

*7.3.4 Reserve for translation adjustments*

We refer to Section 2.4, “Foreign currency translation”.

*7.3.5 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. The Management Board and the Supervisory Board of VERBIO AG will make a proposal to the annual general meeting held on January 31, 2020 recommending the payment of a dividend of EUR 0,20 per qualifying share, and further that the retained profits for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements decreased by EUR 40,368 thousand, representing the positive Group result attributable to the owners of the parent Company (EUR 52,968 thousand) less the dividend paid for the previous year (EUR 12,600 thousand).

*7.3.6 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 2018/2019 amounts to EUR 54,191 thousand (2016/2017: EUR 14,923 thousand).

The number of shares in issue in the financial year 2018/2019 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 the financial year 2018/2019, as in the previous financial years. The basic result per share from continuing operations amounts to EUR 0.84 (2017/2018: EUR 0.24). The diluted earnings per share from continuing operations in both periods is identical to the basic earnings per share.

| | **2018/2019** | **2017/2018** |
|---|---|---|
| Number of shares outstanding on June 30, 2019 and June 30, 2018 | 63,000,000 | 63,000,000 |
| Number of average shares outstanding as of the balance sheet date | 63,000,000 | 63,000,000 |
| Profit (Loss) attributable to owners of the parent (net profit (loss)) in EUR million. | 52,968 | 14,923 |
| **Result per share in EUR** | **0.84** | **0.24** |

*7.3.7 Non-controlling interests*

There are third-party non-controlling interests in VERBIO Agrar and its subsidiaries and in VNA. The following table provides information on non-controlling interests (before eliminations arising on consolidation).

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Sales revenues (before group eliminations) | 21,289 | 20,880 |
| Net result for the period | –1,819 | 1,683 |
| **Result attributable to non-controlling interests** | **–1,273** | **179** |

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Current assets | 11,811 | 6,480 |
| Non-current assets | 25,450 | 10,477 |
| Current liabilities | 29,565 | 6,102 |
| Non-current liabilities | –603 | 276 |
| Equity | 8,299 | 10,579 |
| **Non-controlling interests** | **–293** | **1,197** |

| EUR (thousands) | 2018/2019 | 2017/2018 |
|---|---|---|
| Cash flows from operating activities | 2,240 | 816 |
| Cash flows from investing activities | –17,083 | –1,616 |
| Cash flows from financing activities | 20,650 | –1,500 |
| **Net change in cash funds** | **5,807** | **–2,300** |

## 7.4 Non-current liabilities

*7.4.1 Bank loans and other loans*

Bank loans and other loans totalled EUR 10,056 thousand as of the June 30, 2019 balance sheet date (June 30, 2018: EUR 380 thousand). These are classified as follows (current and non-current portions):

| EUR (thousands) | 30.06.2019 | Due within one year | Non-current | Maturity | Interest rate p.a. in % | Payment modality |
|---|---|---|---|---|---|---|
| Other loans | 9,966 | 9,966 | 0 | 31.12.2019 | 7.00 | semi-annual/ annual [1] |
| Other loans | 90 | 26 | 64 | u. f. n. | 2.00 | monthly [1] |
| **Total** | **10,057** | **9,992** | **65** | | | |

[1] Fixes interest rate

The bank loans and other loans as of June 30, 2018 are presented below in their current and non-current components:

| EUR (thousands) | 30.06.2018 | Due within one year | Non-current | Maturity | Interest rate p.a. in % | Payment modality |
|---|---|---|---|---|---|---|
| Bank 1 | 31 | 31 | 0 | 31.01.2019 | 4.60 | annual [1] |
| Other loans | 270 | 270 | 0 | u.f.n. | 0.00 | semi-annual/ annual [1] |
| Other loans | 79 | 68 | 11 | u.f.n. | 2.00 | monthly [1] |
| **Total** | **380** | **369** | **11** | | | |

[1] Fixes interest rate

Details of the carrying values of collateral security provided are set out in the disclosures in Section 7.1.2, "Property, plant and equipment". We refer to explanations presented under Section 12.2.3 for details of loan agreements with related parties.

Details of the risks from changes in interest rates are provided in Section 11.2.3, "Market risks".

### *7.4.2 Non-current provisions*

Non-current provisions of EUR 156 thousand (June 30, 2018: EUR 155 thousand) include provisions for the costs of asset retirement obligations in connection with wind power plants of EUR 27 thousand (June 30, 2018: EUR 26 thousand) and provisions of EUR 129 thousand (June 30, 2018: EUR 129 thousand) for archiving costs.

### *7.4.3 Investment grants and subsidies*

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2018 to June 30, 2019 were as follows:

| EUR (thousands) | Investment subsidies | Investment grants | Total |
|---|---|---|---|
| July 1, 2018 | 5,724 | 414 | 6,138 |
| Additions | 0 | 0 | 0 |
| Release in current period | –900 | –203 | –1,103 |
| Disposal | –5 | 0 | –5 |
| **June 30, 2019** | **4,819** | **211** | **5,030** |
| Thereof: current | 905 | 112 | 1,017 |
| Thereof: non-current | 3,914 | 99 | 4,013 |

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2017 to June 30, 2018 were as follows:

| EUR (thousands) | Investment subsidies | Investment grants | Total |
|---|---|---|---|
| July 1, 2017 | 6,594 | 540 | 7,134 |
| Additions | 33 | 0 | 33 |
| Release in current period | –899 | –126 | –1,025 |
| Disposal | –4 | 0 | –4 |
| **June 30, 2018** | **5,724** | **414** | **6,138** |
| Thereof: current | 909 | 126 | 1,035 |
| Thereof: non-current | 4,814 | 288 | 5,102 |

Further information about the nature of the subsidies received and their respective conditions is provided in Section 12.1, "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 6.3, "Other operating income".

*7.4.4 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.

*7.4.5 Deferred tax liabilities*

Information on deferred taxes is provided in Section 6.11, "Income taxes".

### 7.5 Current liabilities

*7.5.1 Bank loans and other loans*

Current liabilities include other loans of EUR 9,992 thousand (June 30, 2018: EUR 338 thousand), which represent the current portion of bank loans described in Section 7.4.1, "Bank loans and other loans". The reported amounts in the previous year included bank loans of EUR 31 thousand.

*7.5.2 Trade payables*

Trade payables at the balance sheet date amount to EUR 41,316 thousand (June 30, 2018: EUR 31,185 thousand). All of the trade payables are payable within one year.

*7.5.3 Derivatives*

Information on the Group's derivative financial liabilities with a carrying value of EUR 3,354 thousand at June 30, 2019 (June 30, 2018: EUR 2,159 thousand) is provided in Section 10.3, "Derivatives".

*7.5.4 Other current financial liabilities*

Other current financial liabilities primarily include current liabilities for amounts payable to employees and trade account balances with customers with a credit balance.

*7.5.5 Tax liabilities*

The tax liabilities in the financial years 2018/2019 and 2017/2018 comprised the following:

| EUR (thousands) | July 1, 2018 | Utilisation | Release | Addition | June 30, 2019 |
|---|---|---|---|---|---|
| Trade tax | 4,935 | 3,428 | 46 | 2,082 | 3,543 |
| Corporate tax | 4,407 | 3,671 | 121 | 2,335 | 2,950 |
| **Tax liabilities** | **9,342** | **7,099** | **167** | **4,417** | **6,493** |

| EUR (thousands) | July 1, 2017 | Utilisation | Release | Addition | June 30, 2018 |
|---|---|---|---|---|---|
| Trade tax | 5,633 | 2,321 | 68 | 1,691 | 4,935 |
| Corporate tax | 9,442 | 5,684 | 48 | 697 | 4,407 |
| **Tax liabilities** | **15,075** | **8,005** | **116** | **2,388** | **9,342** |

### *7.5.6 Current provisions*

Current provisions at June 30, 2019 and June 30, 2018 included the following:

| EUR (thousands) | July 1, 2018 | Utilisation | Release | Addition | June 30, 2019 |
|---|---|---|---|---|---|
| Expected losses on sales and purchase contracts | 4,005 | 1,820 | 0 | 1,685 | 3,870 |
| Litigation risks | 210 | 0 | 0 | 304 | 514 |
| Other provisions | 134 | 0 | 0 | 308 | 442 |
| **Provisions** | **4,349** | **1,820** | **0** | **2,297** | **4,826** |

| EUR (thousands) | July 1, 2018 | Utilisation | Release | Addition | June 30, 2018 |
|---|---|---|---|---|---|
| Expected losses on sales and purchase contracts | 1,078 | 1,078 | 0 | 4,005 | 4,005 |
| Litigation risks | 300 | 21 | 75 | 6 | 210 |
| Other provisions | 154 | 23 | 0 | 3 | 134 |
| **Provisions** | **1,532** | **1,122** | **75** | **4,014** | **4,349** |

### *7.5.7 Other current liabilities*

Other current liabilities comprise the following:

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Value added tax | 608 | 1,038 |
| Wage and church taxes | 558 | 387 |
| Social Security | 592 | 621 |
| Miscellaneous other current liabilities | 657 | 278 |
| **Total other current liabilities** | **2,415** | **2,324** |

## 8 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 68,024 thousand (2017/2018: EUR 28,516 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2017/2018: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 44,327 thousand, significantly lower than in the previous year (2017/2018: EUR 11,081 thousand). This was due to the fact that the net result for the period was EUR 36,593 thousand higher, as well as to the increase in trade payables (EUR 9,037 thousand; 2017/2018: EUR 2,524 thousand). There were opposite effects on the cash flow from operations as a result of the increase in inventories of EUR 18,009 thousand (2017/2018: EUR 17,906 thousand); the increase in trade receivables of EUR 3,304 thousand (2017/2018: EUR 6,744 thousand); the increase in other financial assets of EUR 16,180 thousand (2017/2018: decrease of EUR 1,809 thousand) and taxes paid on income of EUR 25,216 thousand (2017/2018: EUR 13,624 thousand).

The cash flow from investing activities of EUR –979 thousand (2017/2018: EUR –23,052 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 61,940 thousand (2017/2018: EUR 25,198 thousand) less receipts from the release of the term deposits of EUR 60,042 thousand (2017/2018: EUR 0 thousand).

The cash flow from financing activities for the reporting period totalled EUR –3,931 thousand (2017/2018: EUR –14,130 thousand). The net amount of new financial liabilities less repayments resulted in net cash inflows of EUR 8,669 thousand (2017/2018: EUR 1,530 thousand), resulting in an increase in the reported balance of other loans to EUR 10,056 thousand (June 30, 2018: a reduction to EUR 380 thousand). A dividend payment of EUR 0.20 per share was approved for the financial year 2017/2018 at the annual general meeting held on February 1, 2019 (financial year 2016/2017: EUR 0.20 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 12,600 thousand (2016/2017: EUR 12,600 thousand), with a corresponding reduction in the retained earnings reported in the balance sheet.

## 9 Segment reporting

The risks and returns of the Group are primarily those of the Group's business 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

For internal management purposes, sales revenue is presented net of energy taxes of EUR 482 thousand (2017/2018: EUR 1,166 thousand). The Biodiesel and Bioethanol segments generate revenue from the sale of goods. In the Other segment, sales revenue is 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. Of the total investments in property, plant and equipment amounting to EUR 63,835 thousand in the financial year 2018/2019, a total of EUR 18,545 thousand were made in foreign production locations.

The acquisition costs of segment assets that are expected to be utilised for more than one reporting period amounted to EUR 64,643 thousand in the financial year 2018/2019 (2017/2018: EUR 26,724 thousand).

The VERBIO Group generated sales revenue of EUR 177,891 thousand in the reporting period (2017/2018: EUR 133,016 thousand) from sales and services outside Germany (primarily in Europe).

Sales revenue with one (2017/2018: two) external customer(s) amounted to more than 10 percent of total revenue in the reporting period; the sales revenue with this customer totalled EUR 142,877 thousand (2017/2018: two customers totalling EUR 194,828 thousand). Sales revenue of EUR 99,855 thousand (2017/2018: EUR 133,548 thousand) is attributable to the Biodiesel segment and sales revenue of EUR 43,022 thousand (2017/2018: EUR 61,280 thousand) is attributable to the Bioethanol segment.

## Segment reporting for the period from July 1, 2018 to June 30, 2019

*Segment revenues and results*

| EUR (thousands) | Biodiesel | | Bioethanol | | Other | |
|---|---|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Sales revenue | 514,535 | 456,808 | 254,713 | 219,130 | 16,685 | 15,710 |
| Change in finished and unfinished goods | 626 | −486 | 14,856 | 5,392 | 0 | 0 |
| Own work capitalised | 419 | 301 | 1,644 | 880 | 0 | 0 |
| Other operating income | 3,400 | 2,004 | 12,375 | 9,362 | 674 | 538 |
| Cost of materials | −417,246 | −411,710 | −211,040 | −177,946 | −9,378 | −8,676 |
| Personnel expenses | −11,834 | −8,218 | −20,904 | −14,394 | −4,477 | −4,117 |
| Other operating expenses | −16,156 | −13,076 | −27,987 | −22,327 | −2,836 | −2,945 |
| Result from commodity forward contracts | −3,077 | −1,220 | 142 | −215 | 0 | 0 |
| **Segment result** | **70,667** | **24,403** | **23,799** | **19,882** | **668** | **510** |
| Depreciation and amortisation | −4,937 | −4,768 | −15,757 | −17,040 | −754 | −573 |
| **Segment EBIT** | **65,730** | **19,635** | **8,042** | **2,842** | **−86** | **−63** |
| Interest income | 99 | 33 | 71 | 142 | 0 | 1 |
| Interest expense | −231 | −128 | −520 | −283 | 0 | 0 |
| **Result before taxes** | **65,598** | **19,540** | **7,593** | **2,701** | **−86** | **−62** |

*Reconciliation of segment revenue and results*

| TEUR | Segment totals | | Inter-segment sales revenues, expenses and other adjustments | | Group | |
|---|---|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Sales revenues | 785,933 | 691,648 | −6,616 | −5,750 | 779,317 | 685,898 |
| Change in finished and unfinished goods | 15,482 | 4,906 | 0 | 0 | 15,482 | 4,906 |
| Own work capitalised | 2,063 | 1,181 | 0 | 0 | 2,063 | 1,181 |
| Other operating income | 16,449 | 11,904 | −536 | −273 | 15,913 | 11,631 |
| Cost of materials | −637,664 | −598,332 | 1,733 | 1,263 | −635,931 | −597,069 |
| Personnel expenses | −37,215 | −26,729 | 0 | 0 | −37,215 | −26,729 |
| Other operating expenses | −46,979 | −38,348 | 5,419 | 4,760 | −41,560 | −33,588 |
| Result from commodity forward contracts | −2,935 | −1,435 | 0 | 0 | −2,935 | −1,435 |
| **Segment result** | **95,134** | **44,795** | **0** | **0** | **95,134** | **44,795** |
| Depreciation and amortisation | −21,448 | −22,381 | 0 | 0 | −21,448 | −22,381 |
| **Segment EBIT** | **73,686** | **22,414** | **0** | **0** | **73,686** | **22,414** |
| Interest income | 170 | 176 | 0 | 0 | 170 | 176 |
| Interest expense | −751 | −411 | 0 | 0 | −751 | −411 |
| **Result before taxes** | **73,105** | **22,179** | **0** | **0** | **73,105** | **22,179** |

*Segment assets*

| EUR (thousands) | Biodiesel | | Bioethanol | | Other | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| Intangible assets | 346 | 121 | 510 | 213 | 0 | 0 | 856 | 334 |
| Property, plant and equipment | 59,843 | 36,535 | 147,174 | 129,200 | 2,273 | 2,227 | 209,290 | 167,962 |
| Inventories | 12,484 | 15,741 | 50,451 | 29,295 | 143 | 135 | 63,078 | 45,171 |
| Trade receivables | 31,132 | 28,966 | 16,162 | 15,167 | 1,246 | 1,100 | 48,540 | 45,233 |
| Other assets and other financial assets | 11,561 | 3,345 | 16,046 | 8,302 | 17 | 105 | 27,624 | 11,752 |
| Cash and cash equivalents | 32,801 | 11,407 | 34,802 | 16,519 | 422 | 590 | 68,025 | 28,516 |
| **Total segment equivalents** | **148,167** | **96,115** | **265,145** | **198,696** | **4,101** | **4,157** | **417,413** | **298,968** |

*Segment liabilities*

| EUR (thousands) | Biodiesel | | Bioethanol | | Other | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| Deferred investment grants | 673 | 886 | 4,267 | 5,161 | 90 | 90 | 5,030 | 6,137 |
| Non-current provisions | 73 | 72 | 78 | 78 | 5 | 5 | 156 | 155 |
| Trade payables and other current provisions | 19,860 | 14,862 | 25,568 | 19,951 | 714 | 721 | 46,142 | 35,534 |
| Other current financial liabilities and other current liabilities | 5,061 | 3,746 | 5,847 | 5,093 | 990 | 779 | 11,898 | 9,618 |
| **Total segment liabilities** | **25,667** | **19,566** | **35,760** | **30,283** | **1,799** | **1,595** | **63,226** | **51,444** |

*Reconciliation segments assets and segment liabilities*

| EUR (thousands) | Group | |
|---|---|---|
| | 30.06.2019 | 30.06.2018 |
| Total segment assets | 417,413 | 298,968 |
| Derivatives | 2,990 | 3,392 |
| Deferred tax assets | 3,914 | 3,392 |
| Income tax refunds | 628 | 195 |
| Term deposits | 0 | 60,042 |
| **Total assets** | **424,945** | **365,989** |

| EUR (thousands) | Group | |
|---|---|---|
| | 30.06.2019 | 30.06.2018 |
| Total segment liabilities | 63,226 | 51,444 |
| Bank loans and other loans | 10,057 | 380 |
| Other tax liabilities | 6,493 | 9,342 |
| Other non-current liabilities | 2,761 | 2,010 |
| Deferred tax assets | 137 | 437 |
| Derivatives | 3,354 | 2,159 |
| **Total liabilities** | **86,028** | **65,772** |

*Investments*

| EUR (thousands) | Biodiesel | | Bioethanol | | Other | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| **Investments** | **27,898** | **5,876** | **34,782** | **18,537** | **1,963** | **2,311** | **64,643** | **26,724** |

## 10 Disclosures on financial instruments

### 10.1 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.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the contractual cash flow characteristics of the instrument. IFRS 9 eliminates the previous IAS 39 categories: held to maturity, loans and receivables, and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has only affected the names used to describe the classes of financial instruments in use. There have been no reclassifications of financial instruments.

Financial instruments originated by the Group classified as assets are primarily trade receivables, other financial assets and cash and cash equivalents, and are measured at amortised cost. The so-called “simplified approach” (IFRS 9.5.5.15) is applied to trade receivables. The “general approach” (IFRS 9.5.5.1) is applied to all other financial assets.

Financial instruments originated by the Group classified as liabilities are primarily the reported amounts of financial liabilities, trade payables and other financial liabilities. Financial instruments originated by the Group on the equity and liabilities side of the balance sheet are also classified as measured at amortised cost.

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. Forward commodity contracts used to hedge purchasing prices on the procurement market (see Section 10.3.1 A) qualify as cash flow hedges and have, accordingly, been classified as “Derivatives within hedging relationships”.

The subsequent remeasurement of derivatives within a hedging relationship used to hedge cash flows (cash flow hedges) are recorded at “fair value through other comprehensive income” directly in equity (within other reserves). This reserve is released as soon as the hedged raw material purchases are recorded in the income statement or, if applicable, when the cash flows of the underlying transaction are no longer highly probable.

Derivatives which are not or were not used for hedging relationship purposes (see Sections 10.3.2 B. and C.) are freestanding derivatives and as a result are strictly classified as “fair value through profit or loss”. Accordingly, 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”.

## 10.2 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** | | | **FVTPL** | | **FVOCI** | | | |
| **EUR (thousands)** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| Trade receivables | 48,540 | 48,540 | 0 | 0 | 0 | 0 | 48,540 | 48,540 |
| Other non-current and current financial assets | 11,328 | 11,328 | 0 | 0 | 0 | 0 | 11,328 | 11,328 |
| Derivatives | | | 612 | 612 | 2,378 | 2,378 | 2,990 | 2,990 |
| Cash and cash equivalents, term deposits | 68,025 | 68,025 | 0 | 0 | 0 | 0 | 68,025 | 68,025 |
| **Total (June 30, 2019)** | **127,893** | **127,893** | **612** | **612** | **2,378** | **2,378** | **130,883** | **130,883** |
| Trade receivables | 45,233 | 45,233 | 0 | 0 | 0 | 0 | 45,233 | 45,233 |
| Other non-current and current financial assets | 2,746 | 2,746 | 0 | 0 | 0 | 0 | 2,746 | 2,746 |
| Derivatives | | | 79 | 79 | 3,313 | 3,313 | 3,392 | 3,392 |
| Cash and cash equivalents | 88,558 | 88,558 | 0 | 0 | 0 | 0 | 88,558 | 88,558 |
| **Total (June 30, 2018)** | **136,537** | **136,537** | **79** | **79** | **3,313** | **3,313** | **139,929** | **139,929** |

*Liabilities*

| Valuation | At amortised cost | | At fair value | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| Measurement category | | | FVTPL | | FVOCI | | | |
| EUR (thousands) | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Liabilities to banks and other loans | 10,057 | 10,057 | 0 | 0 | 0 | 0 | 10,057 | 10,057 |
| Trade payables | 41,316 | 41,316 | 0 | 0 | 0 | 0 | 41,316 | 41,316 |
| Other financial liabilities | 12,244 | 12,244 | 0 | 0 | 0 | 0 | 12,244 | 12,244 |
| Derivatives | 0 | 0 | 2,071 | 2,071 | 1,283 | 1,283 | 3,354 | 3,354 |
| **Total (June 30, 2019)** | **63,617** | **63,617** | **2,071** | **2,071** | **1,283** | **1,283** | **66,971** | **66,971** |
| Liabilities to banks and other loans | 380 | 380 | 0 | 0 | 0 | 0 | 380 | 380 |
| Trade payables | 31,185 | 31,185 | 0 | 0 | 0 | 0 | 31,185 | 31,185 |
| Other financial liabilities | 9,304 | 9,304 | 0 | 0 | 0 | 0 | 9,304 | 9,304 |
| Derivatives | 0 | 0 | 294 | 294 | 1,865 | 1,865 | 2,159 | 2,159 |
| **Total (June 30, 2018)** | **40,869** | **40,869** | **294** | **294** | **1,865** | **1,865** | **43,028** | **43,028** |

*10.2.1 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 or 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.

*10.2.2 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.

### 10.3 Derivatives

The fair values and underlying nominal values of derivative assets and liabilities reported were as follows at the June 30, 2019 and June 30, 2018 balance sheet dates:

| EUR (thousands) | Nominal volume | Derivative assets = positive market value | Derivative liabilities = negative market value |
|---|---|---|---|
| **Stand-alone derivatives** | | | |
| Sales transactions | 19,000 t | 612 | 2,012 |
| Foreign currency hedges | 2,250 TUSD | 0 | 59 |
| **Derivatives in hedging relationships** | | | |
| Cash flow hedge | | | |
| Commodity future rapeseed oil | 106,800 t | 2,378 | 1,283 |
| **Derivatives at 30.06.2019** | | **2,990** | **3,354** |

| EUR (thousands) | Nominal volume | Derivative assets = positive market value | Derivative liabilities = negative market value |
|---|---|---|---|
| **Stand-alone derivatives** | | | |
| Sales transactions | 6,000 t | 79 | 258 |
| | 4,500 TUSD | 0 | 36 |
| **Derivatives in hedging relationships** | | | |
| Cash flow hedge | | | |
| Commodity future rapeseed oil | 51,000 t | 3,313 | 1,865 |
| **Derivatives at 30.06.2018** | | **3,392** | **2,159** |

| EUR (thousands) | 30.06.2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative assets | 0 | 2,990 | 0 | 2,990 |
| Derivative liabilities | 59 | 3,295 | 0 | 3,354 |

| EUR (thousands) | 30.06.2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative assets | 0 | 3,392 | 0 | 3,392 |
| Derivative liabilities | 36 | 2,123 | 0 | 2,159 |

The fair values of the derivatives are 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)

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

A. Forward contracts for rapeseed oil (assets: EUR 2,378 thousand; liabilities: EUR 1,283 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 rapeseed 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 effectiveness of cash flow hedges from rapeseed commodity forwards is determined prospectively using the critical terms match method. As the hedging instrument and the underlying instrument are entered into with identical parameters, a 100 percent effectiveness can be assumed. Accordingly there are no ineffective elements requiring recognition.

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 1,482 thousand (2017/2018: EUR 1,087 thousand) and is shown in the income statement under “Cost of materials”. There were no ineffective portions requiring recognition at the balance sheet date.

*10.3.2 Description of the Group’s significant freestanding derivatives*

B. Freestanding derivatives from sales transactions
In addition to the derivatives designated as hedging instruments, use has been made of Biodiesel swaps to hedge sales contracts which are linked to the quoted market price of biodiesel. Derivatives with a positive market value of EUR 612 thousand (2017/2018: EUR 79 thousand) and derivatives with a negative market value of EUR 2,013 thousand (2017/2018: EUR 259 thousand) were held at June 30, 2019.

C. Freestanding derivatives from currency hedging
As the hedging transactions entered into for sales contracts were denominated in US dollars, additional EUR/USD currency contracts were entered into in order to reduce the currency risk. The negative market value of these derivatives at June 30, 2019 amounted to EUR 59 thousand (June 30, 2018: EUR 35 thousand).

*10.3.3 Change in equity*

The effects on equity of the hedging transactions entered into in the financial year 2018/2019 and the previous year are presented below:

| EUR (thousands) | Rapeseed procurement | Bioethanol-/ Diesel/Petrol swaps | Interest rate swaps | Total |
|---|---|---|---|---|
| **July 1, 2018** | **1,448** | **0** | **0** | **1,448** |
| Recognition in the income statement (cost of materials) | –1,482 | 0 | 0 | –1,482 |
| Recognition in the income statement (sales revenue) | 0 | 0 | 0 | 0 |
| Change in fair value measurement | 1,129 | 0 | 0 | 1,129 |
| **At June 30, 2019** | **1,095** | **0** | **0** | **1,095** |
| Less: deferred taxes | | | | –325 |
| | | | | **770** |

| EUR (thousands) | Rapeseed procurement | Bioethanol-/ Diesel/Petrol swaps | Interest rate swaps | Total |
|---|---|---|---|---|
| **July 1, 2017** | **–735** | **0** | **0** | **–735** |
| Recognition in the income statement (cost of materials) | 1,087 | 0 | 0 | 1,087 |
| Recognition in the income statement (sales revenue) | 0 | 0 | 0 | 0 |
| Change in fair value measurement | 1,096 | 0 | 0 | 1,096 |
| **At June 30, 2018** | **1,448** | **0** | **0** | **1,448** |
| Less: deferred taxes | | | | –430 |
| | | | | **1,018** |

*10.3.4 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 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, 2019** | | | | |
| **Realisation of the underlying and hedging transactions** | | | | |
| Commodity forward contracts | | | | |
| Asset | 2,378 | 114,817 | 72,808 | 42,009 |
| Liability | 1,283 | 52,788 | 41,118 | 11,670 |
| **Effect on the income statement** | | | | |
| Commodity forward contracts | | | | |
| Asset | 2,378 | 2,378 | 1,752 | 626 |
| Liability | 1,283 | 1,283 | 1,249 | 34 |
| **June, 30, 2018** | | | | |
| **Realisation of the underlying and hedging transactions** | | | | |
| Commodity forward contracts | | | | |
| Asset | 3,313 | 69,144 | 47,850 | 21,294 |
| Liability | 1,865 | 36,146 | 36,146 | 0 |
| **Effect on the income statement** | | | | |
| Commodity forward contracts | | | | |
| Asset | 3,313 | 3,313 | 2,497 | 816 |
| Liability | 1,865 | 1,865 | 1,865 | 0 |

## 10.4 Other disclosures required by IFRS 7

### *10.4.1 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)** | **Writedown (Writedown financial instruments or other operating expenses)** | **Total** |
| **2018/2019** | | | | | | | |
| Loans and receivables | 155 | 0 | 85 | −1,024 | 0 | 0 | −784 |
| Financial assets measured at fair value: | | | | | | | |
| Financial instruments held for trading purposes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivatives used in 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 | −2,935 | 0 | −2,935 |
| Derivatives used in hedging relationships | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 0 | −751 | 0 | 0 | 0 | 0 | −751 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **155** | **−751** | **85** | **−1,024** | **−2,935** | **0** | **−4,470** |

| | 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) | Writedown (Writedown financial instruments or other operating expenses) | Total |
| **2017/2018** | | | | | | | |
| Loans and receivables | 176 | 0 | 73 | –29 | 0 | –55 | 165 |
| Financial assets measured at fair value: | | | | | | | |
| Financial instruments held for trading purposes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivatives used in 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 | –1,435 | 0 | –1,435 |
| Derivatives used in hedging relationships | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 0 | –411 | 0 | 0 | 0 | 0 | –411 |
| Interest rate swaps | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **176** | **–411** | **73** | **–29** | **–1,435** | **–55** | **–1,681** |

The reversal of write-downs of loans and receivables of EUR 85 thousand (June 30, 2018: EUR 73 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 1,024 thousand (June 30, 2018: EUR 29 thousand) primarily relate to write-downs of other financial assets.

### *10.4.2 Information on collateral*

The other financial assets represent cash and cash equivalents held in segregated accounts with a carrying value of EUR 6,197 thousand (June 30, 2018: EUR 1,968 thousand) which are provided as collateral for forward contracts entered into.

*10.4.3 Disclosure of impairment 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 2018/2019 were as follows:

| EUR (thousands) | July 1, 2018 | Addition | Release | Utilisation | Currency difference | June 30, 2019 |
|---|---|---|---|---|---|---|
| **Valuation allowances** | | | | | | |
| Trade receivables | 1,251 | 2 | 72 | 0 | 14 | 1,195 |
| Other current assets | 1,402 | 1,022 | 0 | 95 | 0 | 2,329 |
| **Valuation allowances** | **2,653** | **1,024** | **72** | **95** | **14** | **3,524** |
| **EUR (thousands)** | **July 1, 2017** | **Addition** | **Release** | **Utilisation** | **Currency difference** | **June 30, 2018** |
| **Valuation allowances** | | | | | | |
| Trade receivables | 1,482 | 29 | 63 | 175 | –22 | 1,251 |
| Other current assets | 1,402 | 0 | 0 | 0 | 0 | 1,402 |
| **Valuation allowances** | **2,884** | **29** | **63** | **175** | **–22** | **2,653** |

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 that their collectability is unlikely.

## 11 Financial risks and risk management, capital management

### 11.1 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 as part of the general responsibility of the Company's 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, 2015 and 2017 is reviewed for new or changed risks on an ongoing basis. 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.

For further information on the Group-wide risk management system please refer to the information provided in the Group management report under “Opportunity and risk report”.

### 11.2 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.

*11.2.1 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 default risks associated with all financial instruments recorded as assets; the carrying amount of the financial assets represents the maximum risk of default. Allowances are recorded to the extent that there are indications of individual risks on individual financial instruments.

*Maximum risk of default*

The maximum risk of default 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) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Trade receivables | 48,540 | 45,233 |
| Other non-current and current assets | 11,328 | 2,746 |
| Derivatives | 2,990 | 3,392 |
| Cash and cash equivalents | 68,025 | 88,558 |
| **Total** | **130,883** | **139,929** |

In order to address credit loss and default risks, credit checks are performed in respect of new customers before entering into business transactions, and thereafter regular updates are made, and internal ratings are prepared on a case by case basis. Credit limits are determined for individual customers based on the results of the credit checks and on the internal ratings, and these can only be exceeded in individual circumstances when doing so is justified and has been approved.

In order to further minimise the risk of non-collection of 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, 2018: 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*

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Oil companies | 31,092 | 28,660 |
| Processing industries (in particular oil mills and pharmaceutical companies) and trading companies | 9,994 | 11,004 |
| Electric utilities | 2,004 | 2,248 |
| Farmers | 1,980 | 874 |
| Transport companies | 1,238 | 0 |
| Other | 2,232 | 2,447 |
| **Total** | **48,540** | **45,233** |

*Concentration according to region*

| EUR (thousands) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Inland | 18,258 | 14,042 |
| Europe | 30,281 | 31,068 |
| Other foreign | 1 | 123 |
| **Total** | **48,540** | **45,233** |

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 assets measured at amortised cost as of the June 30, 2019 and June 30, 2018 balance sheet dates based on their maturity dates:

| EUR (thousands) | Carrying amount | Thereof at the balance sheet date | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Not impaired and not overdue | Not impaired and overdue in the following aging categories (in days) | | | | | |
| | | | Less than 30 | Between 30 and 60 | Between 61 and 90 | Between 91 and 180 | Between 181 and 360 | More than 360 |
| **June 30, 2019** | | | | | | | | |
| Trade receivables | 48,540 | 42,912 | 5,280 | 47 | 77 | 88 | 1 | 135 |
| Other long-term and short-term financial assets | 11,158 | 11,158 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **59,698** | **54,070** | **5,280** | **47** | **77** | **88** | **1** | **135** |
| **June 30, 2018** | | | | | | | | |
| Trade receivables | 45,233 | 44,063 | 801 | 78 | 40 | 31 | 65 | 155 |
| Other long-term and short-term financial assets | 2,746 | 2,746 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **47,979** | **46,809** | **801** | **78** | **40** | **31** | **65** | **155** |

*11.2.2 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 for goods and services, 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 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 account of 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, 2019 and June 30, 2018:

| EUR (thousands) | 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, 2019** | | | | | | |
| **Non-derivative financial liabilities** [1] | | | | | | |
| Liabilities to banks and other loans | 10,057 | 0 | 0 | 9,992 | 65 | 0 |
| Trade payables | 41,316 | 40,851 | 159 | 306 | 0 | 0 |
| Other financial liabilities | 12,244 | 9,483 | 0 | 0 | 2,761 | 0 |
| | **63,617** | **50,334** | **159** | **10,298** | **2,826** | **0** |
| **Derivative financial liabilities** | | | | | | |
| Derivatives used in hedging relationships | 1,283 | 878 | 241 | 164 | 0 | 0 |
| "Held for trading" derivatives | 2,071 | 988 | 1,083 | 0 | 0 | 0 |
| | **3,354** | **1,866** | **1,324** | **164** | **0** | **0** |
| **Financial liabilities** | **66,971** | **52,200** | **1,483** | **10,462** | **2,826** | **0** |

[1] incl. future interest payments

| EUR (thousands) | 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, 2018** | | | | | | |
| **Non-derivative financial liabilities** [1] | | | | | | |
| Liabilities to banks and other loans | 380 | 1 | 2 | 366 | 11 | 0 |
| Trade payables | 31,185 | 29,239 | 1,946 | 0 | 0 | 0 |
| Other financial liabilities | 9,304 | 7,294 | 0 | 0 | 2,010 | 0 |
| | **40,869** | **36,534** | **1,948** | **366** | **2,021** | **0** |
| **Derivative financial liabilities** | | | | | | |
| Derivatives used in hedging relationships | 1,865 | 876 | 659 | 330 | 0 | 0 |
| “Held for trading” derivatives | 294 | 294 | 0 | 0 | 0 | 0 |
| | **2,159** | **1,170** | **659** | **330** | **0** | **0** |
| **Financial liabilities** | **43,028** | **37,704** | **2,607** | **696** | **2,021** | **0** |

[1] incl. 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 64,149 thousand at June 30, 2019 (June 30, 2018: EUR 43,028 thousand). Interest and loan repayment obligations on all financial liabilities totalling EUR 64,149 thousand are serviced according to schedule.

### *11.2.3 Market risks*

Market risks arise from potential changes in risk factors that lead to a lowering of the 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 (USD) and Polish zloty (PLN).

In the financial year 2018/2019 sales invoices denominated in foreign currencies (in US dollars) were issued with a converted amount of EUR 101,128 thousand (2017/2018: EUR 71,070 thousand). Payments against these invoices are made into a US dollar denominated bank account. Trade receivables denominated in foreign currencies totalled EUR 14,930 thousand at June 30, 2019 (June 30, 2018: EUR 13,632 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. Such risks are present on the asset side of the balance sheet for balances at banks; on the liabilities side of the balance sheet the Group has no interest rate risks resulting from bank liabilities and other loans at variable interest rates (June 30, 2018: EUR 0 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 value of the derivatives to changes in the price of rapeseed oil is shown below.

- Sensitivity of the value of the derivatives to changes in the price of rapeseed oil
  A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2019 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 2,670 thousand.

*11.2.4 Risks in connection with government subsidy awards*
A detailed description of the risks associated with governmental subsidies is provided in Section 12.1, “Contingent liabilities and other financial commitments”.

*11.2.5 Other risks*
The VERBIO Group has safeguards against the usual types 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.

### 11.3 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, 2019 amounts to EUR 339,563 thousand (June 30, 2018: EUR 300,217 thousand), which represents an equity ratio of 79.8 percent (June 30, 2017: 82.0 percent). Debt capital amounted to EUR 85,882 thousand (June 30, 2018: EUR 65,772 thousand).

VERBIO is not subject to any minimum capital requirements.

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

# 12 Other disclosures

## 12.1 Contingent liabilities and other financial commitments

*12.1.1 Government grants and subsidies*

There were covenant obligations in respect of subsidies made to support the financing of investments made by VES, VEZ, VDS and VDB.

Subsidies are repayable if the terms of such covenants are not met. These covenants expired on June 30, 2019.

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 5,803 thousand are recorded in the balance sheet for NER 300 EU grants in connection with biomethane production from straw at the Schwedt plant, on which assessments have been issued (June 30, 2018: EUR 3,914 thousand). The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved.

*12.1.2 Guarantee credits and other collateral arrangements*

VERBIO and Swiss Re International SE, German branch, have entered into a security deposit insurance contract dated May 11, 2015 (and subsequently amended). Under this agreement a EUR 18,000 thousand credit line for customs duties is made available to VERBIO. An amount of EUR 16,917 thousand has been drawn down under this credit line as of June 30, 2019.

A guarantee facility was entered into between VERBIO India Private Limited and The Hongkong and Shanghai Banking Corporation Limited, India on May 2, 2019. Under this arrangement, VERBIO India Private Limited was provided with a guarantee facility for general guarantee purposes for an amount of INR 75,000 thousand (EUR 953 thousand). An amount of INR 6,350 thousand (EUR 81 thousand) has been drawn down under this credit line as of June 30, 2019.

*12.1.3 Litigation*

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2019. Provisions have been recognised, primarily for the costs of ongoing procedures.

*12.1.4 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 May 31 and December 31, 2053 and on December 31, 2054 respectively.

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

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) | 30.06.2019 | Up to 1 year | 1-5 years | Over 5 years |
|---|---|---|---|---|
| Leasehold rental VES | 5,077 | 129 | 530 | 4,418 |
| Rental and leasing contracts, properties, warehouses and buildings | 461 | 223 | 124 | 114 |
| Leasehold rental VDS | 1,203 | 29 | 104 | 1,070 |
| Rental for machinery and equipment | 5,766 | 2,854 | 2,912 | 0 |
| | **12,507** | **3,235** | **3,670** | **5,602** |

| EUR (thousands) | 30.06.2018 | Up to 1 year | 1-5 years | Over 5 years |
|---|---|---|---|---|
| Leasehold rental VES | 5,204 | 127 | 525 | 4,552 |
| Rental and leasing contracts, properties, warehouses and buildings | 479 | 284 | 74 | 121 |
| Leasehold rental VDS | 1,246 | 28 | 117 | 1,100 |
| Rental for machinery and equipment | 4,039 | 2,536 | 1,503 | 0 |
| | **10,967** | **2,975** | **2,219** | **5,774** |

Rental and leasehold expenses totalled EUR 5,424 thousand in the reporting period (2017/2018: EUR 4,424 thousand).

*12.1.5 Purchase commitments*
Commitments under open purchase orders are those typical for normal operations.

*12.1.6 Purchase commitments for investments in property, plant and equipment*
The VERBIO Group has commitments under open purchase orders for investments in property, plant and equipment totalling EUR 8,201 thousand at June 30, 2019 (June 30, 2018: EUR 13,577 thousand).

### 12.2 Disclosures concerning related persons and entities

*12.2.1 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 % | 30.06.2019 | 30.06.2018 | Change in %-points |
|---|---|---|---|
| Pollert Holding GmbH & Co. KG | 10.47 | 18.41 | −7.94 |
| Dr.-Ing. Georg Pollert | 0.01 | 0.01 | 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 | 5.51 | 5.95 | −0.44 |
| Albertina und Alois Sauter [1] | 9.24 | 0.00 | 9.24 |
| **Total** | **68.80** | **67.94** | **0.86** |

[1] Albertina and Alois Sauter held shares representing 1.30 % of the total at June 30, 2018.
Following the acquisition of a further package of shares they joined the pool in the financial year 2018/2019.

*12.2.2 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)

### *12.2.3 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 awarded in connection with the construction of a grain storage facility in Niemegk.

*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 10 thousand in the financial year 2018/2019 (2017/2018: EUR 19 thousand).

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

*Rental contracts*

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. A monthly rental charge of EUR 15 thousand plus operating overhead costs was agreed. The rental expenses (excluding operating expenses) incurred by VERBIO AG under this arrangement in the financial year 2018/2019 totalled EUR 180 thousand (2017/2018: EUR 180 thousand).

*Service contracts*

*VDB Wind power plant*

Sauter Verpachtungsgesellschaft receives annual rental payment of EUR 7 thousand for the use of land to accommodate a wind power plant belonging to VDB. In addition, Sauter Verpachtungsgesellschaft mbH receives EUR 3 thousand for the operation of the plant.

*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 EUR 0.10 per tonne.

The contract period commenced on September 1, 2014 and was due to end on August 31, 2015. The contract was extended until December 31, 2017, December 31, 2018 and December 31, 2019 respectively by three subsequent amendments dated March 27, 2017, November 6, 2017 and November 1, 2018. The management remuneration, including bonuses, accruing to Claus Sauter due to his work as member of the Management Board is provided as security for all VERBIO AG's costs arising under this contract.

*12.2.5 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 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG | Other deliveries and services | 0 | 4 | 2 | 8 |
| Autokontor Bayern GmbH | Sale of fuel | 0 | 0 | 0 | 363 |
| | Vehicle rentals | 0 | 0 | 0 | 82 |
| | Other deliveries and services | 0 | 163 | 0 | 268 |
| Sauter Verpachtungsgesellschaft mbH | Verhicle rentals | 8 | 10 | 0 | 27 |
| | Grain sales/purchases | 0 | 0 | 2,245 | 1,691 |
| | Transport services | 40 | 60 | 234 | 298 |
| | Feedstuffs | 0 | 172 | 0 | 0 |
| | Other deliveries and services | 185 | 152 | 184 | 181 |
| Landwirtschaftsgesellschaft mbH „Neukammer“ | Other deliveries and services | 33 | 50 | 0 | 0 |
| LANDGUT Coschen GmbH | Other deliveries and services | 2 | 4 | 0 | 0 |
| Farma Redlo Sp. z o.o. | Grain sales/purchases | 0 | 0 | 16,709 | 13,412 |
| | Feedstuffs | 387 | 114 | 0 | 0 |
| | Other deliveries and services | 78 | 339 | 208 | 416 |
| Oelßner's Hof GmbH & Co. KG | Office rental | 0 | 0 | 180 | 180 |
| | Other deliveries and services | 0 | 6 | 0 | 0 |
| Farma Serwis Sp. z o.o. | Transport services | 0 | 0 | 317 | 0 |
| | Other deliveries and services | 56 | 0 | 0 | 0 |
| Agro Beef Sp. z o.o. | Feedstuffs | 256 | 254 | 0 | 1 |

Sauter Verpachtungsgesellschaft mbH performed construction services (which were capitalised) totalling EUR 121 thousand. A tractor was purchased from Farma Serwis to a value of EUR 45 thousand.

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, 2019 and June 30, 2018:

| | Farma Serwis Sp. z o.o. | | Landwirtschafts-gesellschaft mbH „Neu-kammer“ | | Sauter Verpachtungs-gesellschaft mbH | |
|---|---|---|---|---|---|---|
| **EUR (thousands)** | **30.06.2019** | **30.06.2018** | **30.06.2019** | **30.06.2018** | **30.06.2019** | **30.06.2018** |
| | | | | | | |
| **VERBIO AG** | | | | | | |
| Receivables | 0 | 0 | 0 | 1 | 1,126 | 0 |
| Payables | 0 | 0 | 0 | 0 | 1,295 | 294 |
| **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 | 7 | 7 |
| Payables | 0 | 0 | 0 | 0 | 40 | 0 |
| **VEZ** | | | | | | |
| Receivables | 0 | 0 | 0 | 0 | 4 | 4 |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| **VERBIO Logistik** | | | | | | |
| Receivables | 5 | 0 | 0 | 2 | 2 | 5 |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| **VERBIO Agrar** | | | | | | |
| Receivables | 0 | 0 | 0 | 0 | 0 | 1 |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| **VERBIO Polen** | | | | | | |
| Receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables | 3 | 0 | 0 | 0 | 0 | 0 |
| **VNA** | | | | | | |
| Receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| **Summe** | | | | | | |
| **Receivables** | **5** | **0** | **0** | **3** | **1,139** | **17** |
| **Payables** | **3** | **0** | **0** | **0** | **1,335** | **294** |

| Farma Redlo Sp. z o.o. | | Agro Beef Sp. z o.o. | | Nelson GmbH | |
|---|---|---|---|---|---|
| 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| | | | | | |
| | | | | | |
| 36 | 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 |
| | | | | | |
| 1 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 4 | 5 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 45 | 2 | 84 | 0 | 0 |
| 2,192 | 218 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 9,966 | 0 |
| | | | | | |
| **41** | **50** | **2** | **84** | **0** | **0** |
| **2,192** | **218** | **0** | **0** | **9,966** | **0** |

### 12.3 Audit fees

Fees for KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor of the consolidated financial statements, recorded as expenses in the financial year 2018/2019, amounted to EUR 115 thousand (2017/2018: EUR 114 thousand) for annual audit services, EUR 38 thousand (2017/2018: EUR 16 thousand) for other attestation services and EUR 0 (2017/2018: EUR 0 thousand) thousand for other consultancy services.

### 12.4 Executive bodies and executive remuneration

Disclosures of the remuneration paid to the members of the Management and Supervisory Boards are presented in the remuneration report, which is part of VERBIO's Group management report.

Members of the Management Board of VERBIO AG in the financial year 2018/2019 were:

- Claus Sauter, Dipl.-Kaufmann, Leipzig (Chairman)
- Dr. Oliver Lüdtke, Engineer, Markkleeberg (Vice-Chairman)
- Bernd Sauter, Commercial Manager, Leipzig
- Theodor Niesmann, Engineer, Leipzig

The members of the Management Board received remuneration from VERBIO AG totalling EUR 3.041 thousand in the financial year 2018/2019 (2017/2018: EUR 3,088 thousand). This included fixed remuneration of EUR 1,500 thousand (2017/2018: EUR 1,500 thousand), variable remuneration of EUR 1,499 thousand (2017/2018: EUR 1,550 thousand) and other compensation elements of EUR 42 thousand (2017/2018: EUR 38 thousand). Details of the rules of the remuneration system are provided in the compensation report, which is included in the Group management report.

The variable compensation components include, among other things, the long-term bonus awards for members of the Management Board which are included in the other non-current and current financial liabilities and which total EUR 3,340 thousand (2017/2018: EUR 2,886 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 6 07/2015–06/2019** | **Fictional shares 7 07/2016–06/2020** | **Fictional shares 8 07/2017–06/2021** | **Fictional shares 8 07/2018–06/2022** |
|---|---|---|---|---|
| Average share price | 6.76 | 9.66 | 4.71 | 7.56 |
| Volatility | 47.77 % | 47.77 % | 47.77 % | 47.77 % |
| Interest rate | 0.000 | −0.364 | −0.386 | −0.375 |
| Payment date | October 15, 2019 | October 15, 2020 | October 15, 2021 | October 15, 2022 |

The expense recognised in comprehensive income with effect on profit or loss (personnel expense) in the financial year amounted to EUR 1,552 thousand (2017/2018: EUR 767 thousand released to income).

Members of the Supervisory Board of VERBIO AG in the financial year 2018/2019 were:

Alexander von Witzleben, Dipl.-Kaufmann, Weimar (Chairman of the Supervisory Board)
- Feintool International Holding AG, Lyss, Switzerland (President of the Board of Directors)
- Arbonia AG, Arbon, Switzerland (President of the Board of Directors and CEO)
- Artemis Holding AG, Aarburg, Switzerland (member of the Board of Directors)
- 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, Ludwigsburg (Vice-Chairman of the Supervisory Board)

Dr.-Ing. Georg Pollert, Dipl.-Chemiker, Berlin (member of the Supervisory Board)

The members of the Supervisory Board received ongoing remuneration of EUR 120 thousand for their Supervisory Board activities in the financial year 2018/2019 (2017/2018: EUR 120 thousand), as well as compensation for expenses of EUR 5 thousand (2017/2018: EUR 6 thousand). Details of the remuneration rules are provided in the remuneration report, which is included in the Group management report.

### 12.5 Shareholdings in VERBIO Vereinigte BioEnergie AG, reportable under § 33 (1) of the Securities Trading Act (WpHG)

On April 8, 2019, in accordance with § 38 WpHG, Albertina and Alois Sauter reported that they hold instruments representing a 7.94 percent share as a result of the completion of a conditional purchase agreement for the acquisition of 5,000,000 VERBIO AG shares. On May 22, 2019, on accession to the voting rights pool, the voting rights report on meeting the reporting threshold with a voting rights share of 68.8 percent was effected in accordance with § 33 and § 34 WpHG, and on June 4, 2019 on completion of the purchase agreement the voting rights report for falling below the reporting threshold for instruments was effected in accordance with § 38 WpHG. VERBIO AG made all such reports public without delay in accordance with the statutory requirements.

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

The declaration on the German Corporate Governance Code as required by § 161 AktG was published on September 20, 2019 on the Company's website (www.verbio.de) and thereby made accessible on a permanent basis.

### 12.7 Events subsequent to the balance sheet date

With effect from July 5, 2019, VERBIO Diesel Canada Corporation, a subsidiary of VERBIO AG, acquired a biodiesel plant in Welland, Ontario/Canada.

### 12.8 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 § 264 b HGB providing for an exemption from the statutory requirement to prepare, and to have audited and published, annual financial statements and a management report:

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

- VERBIO Pinnow GmbH, Pinnow,
- VERBIO Renewables GmbH, Zörbig,
- VERBIO Diesel Nordamerika GmbH, Zörbig.

### 12.9 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 20, 2019. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September 20, 2019

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 20, 2019

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

# Reproduction of the Auditor's Report

As a result of our audit we have issued the following unqualified audit report:

## Independent auditor's report

To Verbio Vereinigte BioEnergie AG, Zörbig

## Report on the audit of the consolidated financial statements and of the Group management report

### Audit opinions

We have audited the consolidated financial statements of VERBIO Vereinigte BioEnergie AG, Zörbig and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from July 1, 2018 to June 30, 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of VERBIO Vereinigte BioEnergie AG, Zörbig for the financial year from July 1, 2018 to June 30, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at June 30, 2019, and of its financial performance for the financial year from July 1, 2018 to June 30, 2019, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

### Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German generally accepted standards for financial statement audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

### Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from July 1, 2018 to June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

*Potential reversal of impairment losses recorded in the cash-generating unit "Bioethanol"*

We refer to note 3.4 and note 4 in the notes to the consolidated financial statements for details of the accounting policy affected.

*The financial statement risk*
The Company recorded an impairment loss of EUR 19.8 million against property, plant and equipment in the cash-generating unit "Bioethanol" in the financial year 2012/2013. No reversal of the impairment charge was recorded in the financial year 2018/2019. An impairment loss recorded to reduce the carrying value of an asset in prior periods shall only be recorded when there has been a change in the estimates that were used to determine the recoverable value of the assets since the last impairment loss was recognised.

The examination to determine whether a potential impairment loss reversal is required, and the deci-sion to maintain the existing carrying values in the financial year 2018/2019, were based on the Group's updated planning and the associated expectations of the Management Board concerning future expected net cash inflows of the segment. Given the inherent judgement involved in such assessments, there is a risk of inappropriate measurements being applied.

*Our audit approach*
We have convinced ourselves of the reasonableness of calculations of the net cash inflows used to calculate the recoverable amount as follows: the calculations were based on the business plan prepared by the Management Board and approved by the Supervisory Board for the financial year 2019/2020 and the three-year detailed business plan through to 2021/2022, together with the forward projections based on growth factors through to an assumed end of the useful life of the bioethanol plant in the year 2038/2039. We have compared the assumptions used in preparing the business plan concerning future trends in sales prices and manufacturing costs to market data and to publicly available information, and considered the reasonableness and consistency of assessments made by the Management Board of the effects of the regulatory environment on the planning calculations. In doing so we have performed a plausibility analysis of the growth factors used and the date assumed for the end of the useful life of the plant. In addition, we have examined the extent to which the business plan prepared in the prior year has been achieved in the current financial year 2018/2019. We have also assessed whether the amounts stated in the business plan and the assumptions on which it is based concerning plant utilisation, bioethanol sales prices and sales prices for the by-product biomethane, the prices of grain as the primary raw material, and the gross margins and EBITDA of the cash-generating unit are within reasonable ranges. We have also calculated our own expected values for sensitivity purposes based on the Company's planning model, in order to make an assessment of the assumptions on which the planning is based. For this purpose, we varied both the assumed levels of plant utilisation and the gross margin by 10 percent in order to determine the quantitative effect on the expected net cash inflows.

*Our Observations*
Overall, the assumptions used to determine the expected future net cash inflows during the performance of the impairment test on property, plant and equipment in the "Bioethanol" cash-generating unit are reasonable.

*Other information*
The Management Board is responsible for the other information. The other information consists of the annual report, with the exception of the audited consolidated financial statements, the Group management report, and our auditor's report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### Responsibilities of the Management and Supervisory Boards for the consolidated financial statements and the Group management report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Management Board is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It is also responsible for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it considers necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

### Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence, we evaluate in particular the significant assumptions used by management as a basis for the prospective infor-mation, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assump-tions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other legal and regulatory requirements

### Additional requirements in accordance with article 10 EU-AprVO

We were elected as Group auditor by the annual general meeting on February 1, 2019. We were engaged by the Supervisory Board on February 1, 2019. We have been the Group auditor of VERBIO Vereinigte BioEnergie AG without interruption since the short financial year from May 19 to June 30, 2006, including an extension in accordance with Section 318 (1a) HGB.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to providing financial statement audit services for the Company and its subsidiaries, we have performed the following services which are not disclosed within the consolidated financial statements and the Group management report:

In addition to performing the audit of the consolidated financial statements, we have audited the separate annual financial statements of VERBIO Vereinigte BioEnergie AG and the dependency report for the Management Board, as well as performing various audits of annual financial statements of subsidiary companies. Further, we performed other statutory audits, for example audits under energy legislation such as the EEG, KWK-G and StromNEV Acts.

## German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Burkhard Lauer.

Leipzig, September 20, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Signed Lauer<br>Certified Public Auditor | Signed Marschner<br>Certified Public 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 and CEO, Arbonia AG, Arbon, Switzerland
- Member of the Board of Directors, 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 Public Auditor and Certified Tax Advisor, Ludwigsburg

**Dr.-Ing. Georg Pollert**
*Member of the Supervisory Board*

Chemist and process engineer, Berlin

## Management Board

**Claus Sauter**
*Chairman of the Management Board*

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

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

Responsible for the Bioethanol/Biomethane segment (production, plant construction, 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*

Responsible for the Biodiesel segment (production, plant construction, technical investment planning, research and development, procurement of auxiliary materials and media, occupational safety), 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
> See '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.

### BImSchV
The Regulations on the Implementation of the Federal Emissions Protection Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV) are the legal instruments used in the Federal Republic of Germany used primarily to provide protection against environmental damage from air pollution and excessive noise. They are issued on the basis of the Federal Emissions Protection Act.

### 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).

### Biofuels
> See '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 (CNG) 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, for which detailed requirements have been issued covering the protection of nature and of the environment.

### Biofuel quota
The biofuel quota obliged the oil industry in Germany to distribute a minimum volume of biofuels by the end of 2014, the quantities being defined based on their annual total sales volumes of petrol-based and diesel fuels.

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 biofuel (CNG) 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.

### BMUB

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit – BMUB).

### 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

> See 'Biodiesel'

### $CO_2$

> See 'Carbon dioxide'

### Co-HVO

Co-hydrogentated vegetable oil. Co-HVO describes vegetable oils (mostly palm oil) used as an additional component in fossil fuel refinery processes. In the 38th BImschV which entered into effect from January 2018 this Co-HVO, a bio-component can be accredited as contributing to a reduction of greenhouse gas emissions when used in fossil fuels.

### Coceral
European umbrella organisation for the Cereals, Animal Feed, Oilseeds, Olive Oil, Oils and Fats and Agrosupply Trade.

### CNG (Compressed Natural Gas)
Natural gas as a fuel, in gas form, is injected into natural gas vehicles under pressure in special pressure tanks. The advantage of natural gas in compared to petrol and diesel is that natural gas burns more cleanly, and has a higher-octane ratio and a higher energy content. CNG combustion is almost free of particulate and nitrogen oxide emissions. CNG fuel benefits from tax advantages in Germany.

### CNG-Club e.V.
The CNG-Club e.V. was formed in early 2017 and is a non-profit organisation representing drivers of CNG powered vehicles as well as a consultant for public policy, natural gas science and for the automotive industry regarding matters concerning CNG mobility.

### Decarbonisation
Decarbonisation refers to shifts in the economy, particularly in relation to energy use, which have the goal of reducing $CO_2$ emissions further. 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
> See ‘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.

### DET’s
Differential export taxes are protective tariffs imposed by the European Union (EU) against biodiesel which has been unfairly subsidised by Argentina and Indonesia.

### 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 quota for second generation alternative fuels known as 'advanced biofuels' (biofuels that are created from surplus and waste). Member states were required to implement these rules into national law by 2017.

In July 2018 the new version of the Renewable Energy Directive (RED II) was approved covering the period from 2021 to 2030 following a long trilogue procedure between the European Council, the European Parliament and the European Commission. This sets out binding targets for the use of renewable energy for member states in all sectors.

### 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.

### ESR (Effort Sharing Regulation)

The ESR (Effort Sharing Regulation) is part of the European Union's climate and energy package. It includes binding targets for reducing emissions in industry sectors which are not part of the European Emissions Trading System, covering the years 2021 2030. The regulation is designed to ensure that the EU meets its target of reducing greenhouse gas emissions in the effort sharing sectors by 30 percent compared to 2005 levels by 2030. These include the building, agriculture, (non-$CO_2$-emissions), waste disposal and transport (with the exception of air transport and international sea transport) sectors.

### ETBE
ETBE (ethyl tert-butyl ether) is an additive component for petrol which is manufactured from bioethanol (approximately 44 - 47 percent) and from isobutene, which is obtained from natural gas. Given its very high-octane ratio ETBE is used to increase the octane ratio of petrol-based fuels.

### 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.

### ETS (Emissions Trading System)
The European Union Emissions Trading System (EU-ETS) is the central instrument of the European Union's climate policy which is aimed at reducing the emissions of greenhouse gases (including $CO_2$) by issuing a limited number of emission rights which are subsequently traded in a market. The EU-ETS is the first cross-border emission rights trading scheme and the largest worldwide. It was approved by the European Parliament and the European Council in 2003 and entered into effect from January 1, 2005. The EU-ETS registers emissions from approximately 12,000 power plants and energy intensive industrial plants across Europe. Taken together, these plants cause approximately 45 percent of Europe's greenhouse gas emissions. Air transport within Europe has also been included in the EU-ETS since 2012.

### 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
> See '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
> See '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 values
> See 'Lower and higher heating value'

### HVO (Hydrot 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
> See '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.

### LNG (Liquefied Natural Gas)
LNG, as is the case with CNG, is a fossil natural gas used to fuel passenger vehicles, heavy goods vehicles, buses and ships using combustion engines designed for CNG technology. For shipping purposes natural gas is converted to liquid form under high pressure and cold temperatures. LNG can be used as a fuel in shipping and passenger vehicle transportation over long distances as converting it into liquid form increases the volume which can be held in tanks, which extends the fuel range of CNG significantly.

### Metathesis
Metathesis is one of the most important reactions in organic chemistry. With the help of specific catalysts, it makes it possible to synthesise new molecule combinations and, as a result, create new chemical raw materials and active ingredients. The scientists Yves Chauvin, Richard Schrock and Robert Grubbs were awarded Nobel prizes for chemistry for ground breaking discoveries in this subject.

### 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.

### MYR
Currency code for the Malaysian Ringgit.

### 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.

### Paris climate accord
At the Paris climate protection conference (COP21) in December 2015 195 countries entered into an agreement for the first time to make commit themselves to a general, legally binding, global climate protection plan. The agreement provides for a global action plan which should limit the increase in global average tempera-

tures to less than 2° C, in order to counter dangerous changes to the climate.

### 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

> See 'Renewable Energy Directive'

### Sterols

> See '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, 2017, is at 4.0 percent and will be raised to 6 percent in 2020. For 2017, 2018 and 2019 this means that a reduction of 4.0 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.

### UER (Upstream emission reductions)

UERs describe the reduction of all emissions throughout the fuel value added production chain including the obtaining of raw materials, processing and transport. The Federal Government issued the UER regulation in January 2018, which permits the accreditation of reductions in upstream greenhouse gas emissions against the volume of fossil fuels supplied to the market in Germany independently of the geographic location of where those savings are made, i.e. where reductions which are relevant to climate change even if those savings are made in a completely different part of the world.

### 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

*verbio*diesel 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 *verbio*ethanol 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

*verbio*gas 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**

*verbio*glycerin 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 2019/2020

| | |
|---|---|
| **September 25, 2019** | Publication of the annual report 2018/2019,<br>Analyst's conference/annual financial statements press conference |
| **November 7, 2019** | Publication of the quarterly statement for the period ended September 30, 2019<br>(July 2019 to September 2019) |
| **January 31, 2020** | Annual general meeting in Victor's Residenz-Hotel, Leipzig |
| **February 6, 2020** | Publication of the half-yearly interim report 2019/2020<br>(July 2019 to December 2019) |
| **May 7, 2019** | Publication of the quarterly statement for the period ended March 31, 2020<br>(July 2019 to March 2020) |
| **September 23, 2020** | Publication of the annual report 2019/2020,<br>Analyst's conference/annual financial statements press conference |

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