Biofuel and Technology

Annual report 2020/2021

Contents

Group key figures

[in EUR million]

Profitability	**1. HY 2020/2021**	**2. HY 2020/2021**	**2020/2021**	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**
Sales revenue	479.1	546.9	1,026.0	436.6	435.8	872.4
EBITDA	80.4	85.9	166.3	53.9	68.2	122.1
EBIT	65.0	71.6	136.6	39.9	52.0	91.9
EBIT margin (%)	13.6	13.1	13.3	9.1	11.9	10.5
EBT	64.5	70.9	135.4	39.2	51.8	91.0
Net result for the period	44.2	49.3	93.5	25.3	38.5	63.8
Earnings per share basic (EUR)	0.70	0.78	1.48	0.40	0.61	1.01
Earnings per share diluted (EUR)	0.70	0.77	1.47	0.40	0.61	1.01
Operating data	**1. HY 2020/2021**	**2. HY 2020/2021**	**2020/2021**	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**
Production (tonnes)	425,626	408,915	834,541	402,788	393,623	796,411
Production (MWh)	414,172	380,645	794,817	376,918	407,496	784,414
Utilisation Biodiesel/Bioethanol (%)[1]	92.5	88.9	90.7	87.6	85.6	86.6
Utilisation Biomethane (%)[1]	92.0	84.6	88.3	100.5	108.7	104.6
Investments in property, plant and equipment	32.3	35.4	67.7	41.5	25.0	66.5
Number of employees [2]	780	820	820	702	725	725
Net asset position	**31.12.2020**	**30.06.2021**	**30.06.2021**	**31.12.2019**	**30.06.2020**	**30.06.2020**
Net financial assets	79.2	100.2	100.2	52.8	55.9	55.9
Equity	433.5	509.8	509.8	368.8	390.8	390.8
Equity ratio (%)	75.8	75.1	75.1	73.1	73.8	73.8
Balance sheet total	571.6	678.6	678.6	504.4	529.2	529.2
Financial position	**1. HY 2020/2021**	**2. HY 2020/2021**	**2020/2021**	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**
Operating cash flow	63.0	54.2	117.2	37.9	33.8	71.7
Operating cash flow per share (EUR)	1.00	0.86	1.85	0.60	0.54	1.14
Cash and cash equivalents [3]	109.2	130.2	130.2	81.5	86.1	86.1

[1] At of July 1, 2020 the annual production capacity of the production plant was amended as follows:
biodiesel: 660,000 tonnes (unchanged); bioethanol: 260,000 tonnes (unchanged); biomethane: from 750 GWh to 900 GWh
[2] At balance sheet date
[3] At the balance sheet date, including cash on segregated accounts

Segment key figures

[in EUR million]

Biodiesel	1. HY 2020/2021	2. HY 2020/2021	2020/2021	1. HY 2019/2020	2. HY 2019/2020	2019/2020
Sales revenue	321.2	408.7	729.9	288.3	299.9	588.2
EBITDA	27.4	65.8	93.2	25.1	21.0	46.1
EBIT	21.9	60.4	82.3	20.8	14.7	35.5
Production (tonnes)	307,230	294,027	601,257	280,993	278,742	559,735
Utilisation (%) [1]	93.1	89.1	91.1	85.1	84.5	84.8
Number of employees [2]	219	224	224	199	208	208

Bioethanol (incl. Biomethane)	1. HY 2020/2021	2. HY 2020/2021	2020/2021	1. HY 2019/2020	2. HY 2019/2020	2019/2020
Sales revenue	153.1	133.5	286.6	143.6	131.6	275.2
EBITDA	51.4	19.2	70.6	27.6	46.4	74.0
EBIT	42.4	11.2	53.6	18.7	37.2	55.9
Production (tonnes)	118,396	114,888	233,284	121,795	114,881	236,676
Production (MWh)	414,172	380,645	794,817	376,918	407,496	784,414
Utilisation Bioethanol (%) [1]	91.1	88.4	89.7	93.7	88.3	91.0
Utilisation Biomethane (%) [1]	92.0	84.6	88.3	100.5	108.7	104.6
Number of employees [2]	371	401	401	338	340	340

Other	1. HY 2020/2021	2. HY 2020/2021	2020/2021	1. HY 2019/2020	2. HY 2019/2020	2019/2020
Sales revenue	8.2	8.5	16.7	8.0	7.8	15.8
EBIT	0.6	0.2	0.8	0.4	0.2	0.6

[1] At of July 1, 2020 the annual production capacity of the production plant was amended as follows:
biodiesel: 660,000 tonnes (unchanged); bioethanol: 260,000 tonnes (unchanged); biomethane: from 750 GWh to 900 GWh
[2] At the balance sheet date

Letter to our shareholders

Claus Sauter
Chairman of the Management Board

Dear shareholders,

The financial year just ended has primarily been characterised by the internationalisation of VERBIO AG and by the implementation of the RED II directive into German law. The construction of our biorefineries in India and the USA has been completed, and the commissioning of the two new straw biomethane plants is in progress. In these markets we expect that we will be able to make the first deliveries of biomethane into the network and to market, respectively, before the end of the current calendar year. For VERBIO this is a massive step, and an important basis for further growth and increased diversification.

At almost "half-time" as far as the financial year 2020/2021 was concerned, the VERBIO share has been promoted to the SDAX. This was a particular highlight for us, as our excellent commercial performance and our immense development potential has finally been, and is being, noticed and recognised in the financial markets. The market valuation of VERBIO AG has increased five-fold within a year as a result.

Over the course of the second half of the financial year the framework conditions in society at large and in politics have taken a very positive turn in our favour. After a standstill of almost 15 years the greenhouse gas reduction quota in Germany will increase from 6 percent now to 25 percent in 2030. The demand for advanced biofuels will soon be many times the size of the conventional biofuels market. We see similar trends in the other EU member states. Finally, the formulation of ambitious European climate protection objectives is being followed by concrete action and clear implementation requirements. The transport sector has the biggest backlog in respect of emissions, and accordingly the targets for this sector are particularly ambitious as a result. We at VERBIO have been waiting for this for 15 (!) years. Finally, the time has come.

Breaking the "sound barrier" of one billion sales revenues annually

The Group's sales revenues in the financial year 2020/2021 totalled EUR 1,026.0 million, an increase of EUR 153.6 million compared to the previous year. We have exceeded sales revenues of one billion euros annually for the first time in VERBIO's history.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) were EUR 166.3 million, an increase of EUR 43.9 million compared to the previous year, despite the difficult situation in the biofuels market.

The production volume of biodiesel and bioethanol in the financial year 2020/2021 totalled 834,541 tonnes, compared with 796,411 tonnes in the financial year 2019/2020. This represented a capacity usage of 90.7 percent. The biomethane production also increased to 794,817 MWh compared to 784,414 MWh in the financial year 2019/2020.

Significant success factors for the renewed record results were the good margins in the Biodiesel and Bioethanol segments, as well as the strong increase in demand for advanced biomethane from distillation waste and straw.

The Management and Supervisory Boards of VERBIO AG will propose to the annual general meeting to be held in February 2022 that the Company shall pay an unchanged dividend of EUR 0.20 per qualifying share in order to ensure that you, our dear shareholders, will receive an appropriate share in the success achieved over the past financial year. At this juncture I would like to thank you for your trust and support.

It is people who make success happen

At June 30, 2021 VERBIO employed 820 employees worldwide. My thanks and recognition also go to them for their incredible team performance. The technical competence, engagement, innovative ideas, flexibility and increasingly international nature of our workforce are all important success factors. For this reason, we make efforts to ensure that we provide transparency in our communications and promote an open feedback culture, a fair remuneration system, flexible working hours arrangements, and employee loyalty programmes to promote a high level of identification with the company and to keep employee turnover low. The know-how of each and every employee is enormously important and must be kept within the VERBIO business for the long term. This strategy strengthens the innovation power of our business in these times, where skilled workers are in short supply.

Exemplary employee leadership, an innovative strategic focus, and a forward-looking corporate culture with excellent key financial numbers – in May 2021 these criteria led VERBIO Vereinigte BioEnergie AG to be judged the winner of the "Axia Best Managed Companies Award 2021". The award is a seal of approval awarded annually by Deloitte, the WirtschaftsWoche magazine, Credit Suisse and the Federal Association of German Industry to medium-sized companies that are judged to be outstandingly well managed. We are proud of this, and regard the award as an indication that our work is valued and recognised.

The lights are on green for further growth – both nationally and internationally

The measures that the Federal Government put forward for the national implementation of the RED II in mid-2021, following on from difficult negotiations and discussions, can be assessed as a very satisfactory result. The Act was approved by the German Parliament on May 21, 2021 and is enacted by the Federal Assembly on September 17, 2021. It codifies the step-by-step increase in the greenhouse gas reduction quota from its current level of 6 percent to 25 percent in 2030, and for the first time defines an obligatory minimum quota for advanced biofuels such as biomethane from distillation waste and straw. In order to provide a particular motivation for investment in new plants for the production of advanced biofuels, volumes in excess of the minimum quota will even be credited twice for the purposes of the overall quota calculation.

At the European level, in July 2021 the EU Commission published a package of twelve statutory measures in its "Fit for 55" programme, making changes to existing regulations and directives and creating new statutory measures. The measures are intended to meet the increased climate protection objective of greenhouse gas savings of 55 percent (net) in 2030 compared to 1990. A decisive emphasis will be placed on the reform of energy taxation: Fuels and powertrains will in future be taxed based on their energy content and environmental performance (greenhouse gas emissions).

The toll exemptions which apply in Germany until the end of 2023 and a vehicle-fleet exchange programme initiated by the Federal Ministry of Transport for low-emission heavy goods vehicles have finally paved the way for the victory parade for CNG/LNG powered heavy goods vehicles. These vehicles can be powered with 100 percent biomethane. In particular, in our opinion, in the medium term this is the only technically available, cheap, climate-friendly alternative to classic diesel power for the heavy goods vehicle sector. It can be expected that the already clear trend towards exchanging fleet vehicles will continue, and that in the near future numerous further transport companies will convert at least part of their heavy goods vehicle fleets to CNG/LNG powertrains in order to benefit from the CO_2 and efficiency benefits to be had from the use of biomethane fuel, as well as to make use of the cost advantage to be obtained from the toll exemptions and fleet exchange programme.

Currently 10 percent of newly registered articulated trucks are powered by gas engines. We are surprised that LNG power is the significant leader here, although there are currently only 70 public LNG filling stations in Germany. With the construction of a large-scale liquefaction plant for BioLNG at the Zörbig location and the construction of up to 20 VERBIO-owned LNG filling stations across the country, we aim to make use of the potential offered by this growth sector.

The capacity for the production of biodiesel, bioethanol, and biomethane will be expanded massively by the end of 2023 with a comprehensive investment programme. In bioethanol and biodiesel, too, the focus here will also be on advanced biofuels in accordance with Appendix IX part A of RED II.

The increasing trend towards decarbonisation in the chemicals, steel and cement industries, and also the CO_2 reduction targets in the air and shipping transport sectors, open up additional new marketing opportunities for bioethanol, biodiesel and biomethane. We have prepared for this with the acquisition of XiMo AG. Our focus is now directed at finding appropriate applications for our products in organic chemistry. For this, we need the catalysts developed by XiMo. In addition to the construction of a plant for the manufacture of industrial catalysts in Budapest, we plan to construct our first ethenolysis plant in Germany.

As you see, dear shareholders, we continue to make efforts to always stay ahead of our time. The investments in large scale plants for the manufacture of advanced biomethane in Germany, India and the USA were, and are, the right way forward. In the coming years our task will be to maintain our market lead and to expand production capacity in Europe on a massive scale, both at our existing locations and at new ones. We have already gained important experience in the USA and India and are ready to expand and be profitable in these markets too. We have, for example, already entered into a declaration of intent with IndianOil, India's largest oil company, for the construction of further plants in India.

In India in particular the use of excess waste straw for use in the local manufacturing of high-value green energy is a highly effective way of meeting climate protection requirements. Until now, excess wheat and rice straw was burned in the fields after the harvest. In April and October clouds of smoke rise up in the shadows of the Himalayas, spreading across the entire subcontinent and worsening the smog already created by transport and industry, especially in India's huge cities which are home to millions of people. Using our technology, we not only help the Indian economy become more independent of expensive crude oil and gas imports, but we also contribute to stopping the straw burning in future. This is efficient climate protection, and at the same time development help for one of the most populated and poorest countries in the world.

Outlook

Based on current levels of sales volumes and current raw material prices, as well as the planned production capacity usage and planned investments, the Management Board expects an EBITDA for the financial year 2021/2022 of around EUR 150 million. Net cash is expected to be around EUR 50 million at the end of the financial year.

With the European Union's new ambitious objectives for decarbonising our society, with the increasing numbers of industries involved (cement, steel, chemicals), and with the implementation of a greenhouse gas accounting for imported industrial products (carbon border adjustment), important conditions are being fulfilled for a broad-based decarbonisation approach to our industrial society which will finally enable battle to commence in the struggle of the century against global warming.

No biofuels manufacturer worldwide has the potential that VERBIO AG has. We are in a position to take any raw materials or waste products from agriculture and convert it into a source of renewable energy, from chicken dung to straw through to valuable rapeseed oil. In addition, our portfolio includes high-value, particularly efficient CO_2 by-products for the chemical and pharmaceutical industries.

We are the largest manufacturer of advanced biomethane in Europe and possibly the world. Biomethane from straw is not only climate-neutral, it is even CO_2 negative when the CO_2 emissions that would otherwise be generated by leaving straw to rot in the fields is taken into account. Until now, however, the CO_2 emissions avoided in agriculture were not included in the emissions accounting for biomethane from straw. Accordingly, something remains to be done here. The commissioning of our plants in India and in the USA has commenced as planned, with a minor time delay as a result of the effects of the pandemic. We are on the starting blocks ready to expand our internationalisation strategy in future and to make a significant contribution to decarbonising the world.

BioLNG will be a global mega trend. We want to be the driver of this global market. For the next ten years our focus will not only be on the production of biomethane, but also on the trade and logistics associated with this new product.

At the same time, we are preparing for the emergence of new segments. The chemical industry will soon make a significant contribution to our business. Great challenges, great opportunities, but we will also face some risks. It is our objective to use these opportunities successfully over the next ten years and to keep a close eye on the risks closely at all times. VERBIO is very determined to play a part in shaping up to this challenge with its highly qualified and engaged employees, its leading technologies and its solid financial resources, and to continue to offer you, dear shareholders, and our investors and the capital market an attractive and sustainable investment.

Yours, Claus Sauter
Chairman of the Management Board

Report from the Supervisory Board

Dear shareholders,

The financial year 2020/2021 was again characterised by the coronavirus pandemic. This has presented VERBIO with numerous challenges. The Management Board has reacted to these challenges quickly, judiciously and decisively. In retrospect, the Management Board took the correct steps in order to protect the Group's employees and maintain its production and business operations, and in doing so led the business through the pandemic in the best possible manner. During this process the Supervisory Board remained in regular contact with the Management Board and convinced itself of the effectiveness of the measures taken.

Our employees worldwide were exposed to significant burdens as a result of the ongoing coronavirus pandemic. In addition to the general restrictions that were in place, these primarily consisted of the particular challenges associated with mobile working arrangements, and with the fact that it was not possible to maintain personal contacts with colleagues, customers and business partners. We express our personal thanks to all of them for conducting themselves with such a high level of discipline when implementing the infection prevention measures on a daily basis, as well as for their exemplary efforts to avoid coronavirus infections at all of the VERBIO locations.

The ongoing internationalisation and the associated increased levels of investment have made it possible for VERBIO to take further steps forward towards becoming an international technology company. The financial strength that the Company has now created, which is reflected in all the Group's significant ratios, makes it possible for the Company to continue its determined pursuit of its growth strategy, which is energetically supported by the Supervisory Board. The Supervisory Board will continue to do all it can to support the Management Board in this process; it will be available to provide advice as needed, and it will closely examine proposals and decisions in the interest of the Company.

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. The Supervisory Board and the Management Board have a shared objective of increasing the value of the business on a sustainable and long-term basis.

In the financial year 2020/2021 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.

Alexander von Witzleben
Chaiman of the Supervisory Board

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, we have accompanied and supervised the Board's management of the business on a continuous basis, and we have analysed in depth the development of and perspectives for the biofuels market in general and VERBIO in particular. The Supervisory Board was involved, in a direct and timely manner, in all matters of fundamental importance for the Company or matters in which it should be consulted in accordance with the law, the articles of association and its rules of procedure. If necessary, in matters requiring its urgent attention, the board was able to approve resolutions using written circulation procedures. Due to the regular, timely and comprehensive provision of information by the Management Board, the Supervisory Board was able to perform its supervisory and advisory role at all times. Verbal reports made by the Management Board in our 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 their 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 that 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 (Deutsche 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, particularly in view of the coronavirus pandemic. 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.

Following the introduction of § 107 (4) AktG introduced by the German Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität – FISG) dated June 3, 2021, the Supervisory Board of a public interest entity under § 316 a (2) HGB is required to establish an audit committee. If a Supervisory Board consists of only three members, that committee is also regarded as the audit committee. Accordingly, in accordance with the legal requirements, as VERBIO AG's Supervisory Board consists of three persons, the Supervisory Board is also the audit committee.

Meetings and resolutions of the Supervisory Board

The coronavirus pandemic has again had an effect on the activity and the working methods of the Supervisory Board in the financial year 2020/2021. The contact and travel restrictions mean that it was not possible for the Supervisory Board to hold meetings in person during the financial year 2020/2021. In the light of this it was decided to hold the meetings of the Supervisory Board by video conference. The participants taking part in the meetings of the Supervisory Board were connected using secure communication platforms, were able to follow the presentations screen, and were able to take part and make verbal contributions at all times during the meetings. Although, due to the unusual circumstances, it was not possible to hold the meetings of the Supervisory Board in person, the board was still able to work together intensively on a virtual basis.

In the financial year 2020/2021 the Supervisory Board held four regular meetings. In addition, one extraordinary Supervisory Board meeting was held by video conference. Further, on six occasions resolutions were approved using a 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 effects 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.

Further, at all meetings, the Management Board reported on the effects of the coronavirus pandemic on the work of the VERBIO Group, for example its effects on production or the infection rates among employees.

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

In an extraordinary meeting of the Supervisory Board held on August 24, 2020 information was provided on the current political framework conditions and the planned launches of new business ventures. A potential investment project was also discussed.

The meeting to approve the financial statements was held on September 18, 2020. 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 participated in the meeting and reported on the key matters addressed in the audit 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 examined the Management Board's proposal for the appropriation of profits, taking into account the interests of the Company and of its shareholders, and has concurred with the proposal. In addition, we also dealt with the profitability of VERBIO AG and the VERBIO Group in accordance with § 90 (1) No. 2 AktG, approved the non-financial statement in accordance with § 315 b HGB, and discussed corporate governance issues. In this meeting the Supervisory Board and the Management Board jointly issued the statutory declaration of conformity in accordance with § 161 AktG and the corporate governance declaration. In addition, at the same meeting the Supervisory Board approved the budget plan prepared by the Management Board for the financial year 2020/2021. A further topic was the resolution on determining the variable compensation of the Management Board in accordance with the employment contracts of the Management Board. Additionally, approval was granted for the formation of a new company, VERBIO Farm Services LLC, Michigan/USA, a company formed under Michigan law. In particular, this company will in future be responsible for the procurement and supply of raw materials for the biorefinery in Nevada.

The meeting held on November 2, 2020 was primarily concerned with discussing and approving the quarterly statement for the period ended September 30, 2020. The Supervisory Board also approved resolutions concerning the holding of the annual general meeting 2021 in virtual format due to the prevailing circumstances, and on the resolutions to be proposed at the annual general meeting 2021. In addition, the revised versions of the rules of procedure for the Supervisory Board and the Management Board were approved. Further, a resolution was approved concerning the approval of the performance of non-audit services by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig. Also at this meeting the Supervisory Board, in the absence of the Management Board, performed an efficiency audit of its activities and evaluated the results of its self-examination.

In its initial meeting held immediately following the annual general meeting on January 29, 2021 the Supervisory Board and Management Board welcomed Dr. Klaus Niemann to the Supervisory Board following his election on January 29, 2021 as a new member of the Supervisory Board in place of Dr. Pollert, who did not put himself forward for re-election. Alexander von Witzleben was re-elected Chairman of the Supervisory Board and Ulrike Krämer was elected as deputy chair of the Supervisory Board. In addition to discussing and approving the preliminary half-year financial report for the period ended December 31, 2020, the Supervisory Board also approved the financial calendar for the financial year 2021/2022. Further, the VERBIO AG compliance officer reported on relevant compliance issues affecting the Group.

The significant issue discussed at the meeting held on May 3, 2021 was the discussion and approval of the quarterly report for the period ended March 31, 2021. Other issues considered by the Supervisory Board in this meeting included the future composition of the Management and Supervisory Boards, and a competence and diversity concept for the Management and Supervisory Boards was approved. In addition, a concept for a Management Board succession plan was prepared and approved. Resolutions for the formation of VERBIO India GmbH and the provision of a loan by VERBIO AG to the newly-formed company were approved. In addition, a resolution was approved concerning the approval of the performance of non-audit services by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig. In a further resolution the Supervisory Board approved a new schedule of responsibilities for the Management Board, which is part of the Management Board's rules of procedure, stating that the audit of the non-financial statement for the current further shall be performed by the Supervisory Board itself, and approved an amendment to the wording of the rules of procedure for the Supervisory Board concerning the procedure for the appointment of an honorary member.

Six resolutions were approved using a written circulation procedure in the financial year 2020/2021. The resolution dated November 25, 2020 concerned an increase of the investment volume for the biorefinery in the USA. On October 13, 2020 in a written circulation procedure the Supervisory Board formed a resolution, which was expanded and clarified on February 1, 2021, March 1, 2021 and May 25, 2021, on the issue of long-term bonus arrangements for the Management Board in the form of a capital increase making use of the approved capital increase. A further resolution was approved on June 8, 2021 by written circulation procedure concerning the tender for the audit of the annual financial statements for the financial year 2021/2022.

Annual general meeting

For the first time since its formation, VERBIO AG's annual general meeting was held as a purely virtual event. It was necessary to hold the annual general meeting in a virtual format because of the ongoing coronavirus pandemic. While we entered new legal and organisational territory in doing so, the event was held in a smooth manner. Travel limitations meant that it if was not possible for the Chairman of the Supervisory Board to attend the annual general meeting in person. As a result, the annual general meeting held on January 29, 2021 was chaired by Ulrike Krämer, Vice-Chairman of the Supervisory Board.

I thank our shareholders, who would have been pleased to attend the annual general meeting, and who were understanding of the situation that a meeting in person was not possible.

Conflicts of interest

The members of the Supervisory Board are expected 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 recommendations E.1 and E.2 of the German Corporate Governance Code (DCGK) and which would have needed to be reported to the annual general meeting in this report.

None of the members of the Supervisory Board hold positions as board members or consultancy positions with companies which are, in the assessment of the Company, significant competitors of the Company. No contracts were entered into with members of the Management or Supervisory Boards that required the approval of the Supervisory Board.

Corporate governance

The Supervisory Board and the Management Board place great importance on ensuring good corporate governance. This includes the Supervisory Board dealing with the corporate governance requirements applying to German listed companies on a regular and comprehensive basis, in particular the requirements under the German Stock Corporation Act and the revised German Corporate Governance Code (Deutsche Corporate Governance Kodex – DCGK) in the version dated December 16, 2019.

Accordingly, the Supervisory Board has again considered the recommendations and suggestions of the German Corporate Governance Code in the financial year 2020/2021. The Management Board reports jointly together with the Supervisory Board on corporate governance at VERBIO on an annual basis in accordance with principle 22 of the German Corporate Governance Code. In accordance with the amended recommendation F.4 of the DCGK the Company has not prepared a separate declaration of conformity for the financial year 2020/2021 in accordance with

§ 161 AktG; the relevant disclosures are now presented in the corporate governance declaration. This is made available for inspection by shareholders for a period of five years in the investor relations section of the Company's website.

In its meeting to approve the financial statements held on September 17, 2021 the Supervisory Board and Management Board approved the updated declaration of conformity in accordance with § 161 AktG. With certain exceptions, which we have explained in that document, we have complied and we will comply with all the recommendations of the code in its current version.

The Supervisory Board had already examined the remuneration system for the Management Board and the amounts of the remuneration paid in the financial year 2019/2020 in light of the Act Implementing the Second Shareholders' Directive (Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie – ARUG II), issued on December 12, 2019 and which entered into force on January 1, 2020, and the associated amendments to the German Corporate Governance Code. An amendment made to the remuneration system is reflected in the new Management Board employment contracts in effect from July 1, 2020. The remuneration system for the Management Board, prepared in accordance with § 87 a AktG, was presented to and approved by the annual general meeting on January 29, 2021. The details of the new remuneration system for the Management Board can be obtained from the details presented for approval at the annual general meeting 2021 in accordance with § 120 a AktG. The details of the remuneration system are presented in the remuneration report, which is included in the annual report 2020/2021 as part of the management report.

Efficiency audit

In accordance with recommendation D.13 of the German Corporate Governance Code the VERBIO AG Supervisory Board performs audits of the efficiency of its work, including its cooperation with the Management Board, at regular intervals in the form of a self-evaluation procedure, using a comprehensive company-specific checklist (efficiency audit). 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 audits, as well as controlling and risk management.

In the financial year 2020/2021 the Supervisory Board audited the efficiency of its work in detail at its meeting held on November 2, 2020. The self-assessment concluded with assessments of "good" to "very good" in the individual question categories.

The composition of the Supervisory Board has changed following the election of new members at the annual general meeting held on January 29, 2021. Accordingly, the members have decided not to perform an efficiency audit in the financial year 2021/2022 and to await the activities of the newly elected board.

Training and further education measures

Supervisory Board members participate in such training and further education measures as are necessary for them to perform their duties under their own responsibility, with appropriate support from VERBIO, and when necessary the Company provides support for these measures. In the past financial year 2020/2021 the Supervisory and the Management Boards have jointly participated in a workshop held by a consultancy company on issues concerning the integration of sustainability issues in long-term strategies, daily aspects of business as well as in an organisation's communication with its stakeholders (ESG-Roadmap). Further, Ulrike Krämer, the Vice-Chairman of the Supervisory Board, also participated in various webinars during the financial year 2020/2021, among others on "Consequences of the Financial Market Integrity Act reform (FISG)" and "2020 from the perspective of the Supervisory Board (lessons, challenges, perspectives)". In addition, the members of the Supervisory Board keep themselves informed about matters relevant to their Supervisory Board duties by subscribing to online magazines, sources of technical information and newsletters.

Members of the Supervisory Board and Management Board

The periods of office of all of the members of the Supervisory Board of VERBIO AG ended at the close of the annual general meeting held on January 29, 2021. Accordingly, the Supervisory Board made proposals to the annual general meeting held on January 29, 2021 for the election of shareholders' representatives to the board.

Alexander von Witzleben and Ulrike Krämer offered themselves for re-election and were approved by votes representing in excess of 90 % of the share capital represented at the annual general meeting. In accordance with the principles of good corporate governance, the elections were held on an individual basis.

Following notification from Dr. Georg Pollert that he will not make himself available for re-election for a further period of office, changes were made to the composition of the Supervisory Board in the financial year 2020/2021. Dr. Pollert's place was taken by Dr. Klaus Niemann, who was elected by the shareholders at the annual general meeting by votes representing a 99.69 % of the share capital represented at the meeting.

As a result, the members of the Supervisory Board for the new election period, i. e. from January 29, 2021 until the close of the annual general meeting which shall approve the activities for the financial year 2024/2025, are as follows:

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

Christian Doll was appointed as an available substitute member.

Ulrike Krämer and Dr. Klaus Niemann are not members of any statutory Supervisory Boards or in comparable domestic or foreign supervisory committees.

In its initial meeting held immediately following the annual general meeting on January 29, 2021 Alexander von Witzleben was elected as Chairman of the Supervisory Board and Ulrike Krämer was elected as Vice-Chairman of the Supervisory Board. In Ulrike Krämer and Alexander von Witzleben the Company's Supervisory Board has two members who have technical knowledge in financial reporting and financial statement audits. Accordingly, the requirements set out in § 100 (5) AktG are met.

In the Supervisory Board's assessment, the current composition of the board meets the objectives set out in the competence profile defined in the financial year 2020/2021 in full.

We thank Dr. Pollert for his many years of constructive trustworthy cooperation, and for his contribution to the success and further development of the Company over many years. Due to his extraordinary engagement with VERBIO AG and his many years of work, both as a member of the Management Board and as a member of the Supervisory Board, Dr. Pollert has been elected as an honorary member of the Supervisory Board following the end of his period in office as an ordinary member of the Supervisory Board.

The following persons were members of the VERBIO Management Board during the reporting period:

- Claus Sauter (Chairman)
- Prof. Dr. Oliver Lüdtke (Vice-Chairman of the Management Board)
- Theodor Niesmann
- Bernd Sauter
- Stefan Schreiber

The departmental responsibilities assigned to the individual members of the Management Board are unchanged. Stefan Schreiber is the member of the Management Board with responsibility for the new North America department. The individual departmental responsibilities assigned are described in summary form under section "Executive bodies of the Company" of this annual report.

Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on January 29, 2021 KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was reappointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2020/2021. In a letter dated September 18, 2020 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 24, 2021 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, 2020 to June 30, 2021, together with the management report for the financial year from July 1, 2020 to June 30, 2021, and has issued an unqualified audit opinion on both documents. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2020 to June 30, 2021 and the Group management report were prepared in accordance with § 315 e HGB under International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditors issued an unqualified audit opinion on both the consolidated financial statements and the Group management report. The auditors established that the Management Board has installed an appropriate information and monitoring system that is adequate to identify risks that 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 17, 2021, considering in particular their legality, regularity and appropriateness. The auditors presented a report on the significant results of their audit, as well as reporting that there were no significant weaknesses in the internal control system and the risk management system. In particular, the auditors provided explanations on the Group's and the Company's net assets, financial position and results of operations and made themselves available to the Supervisory Board to provide additional information as required. In addition, the auditors provided details of the scope and key points of their audit of the financial statements. 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 auditors 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, 2021. 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 VERBIO AG's and the Group's liquidity, tax aspects and the financial position and 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. After examination of the proposal for the appropriation of profits made by the Management Board, the Supervisory Board agrees with the proposal and puts forward a resolution to the annual general meeting for the payment of a dividend of EUR 0.20 per qualifying share, resulting in a total dividend payment of EUR 12,636,726.40 with the remaining balance of profit for the year for the financial year 2020/2021 being carried forward to future periods.

Dependency report

As in previous years, in the financial year 2020/2021 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 for the transactions entered into with affiliated companies described therein – taking account of the circumstances known at the date that the transactions were entered into – and that measures subject to reporting requirements were neither undertaken nor omitted in the financial year.

The auditors of the financial statements have audited the report on relationships with affiliated companies and issued an unqualified audit opinion as shown below:

"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 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 17, 2021.

After performing a thorough audit of its own of the report on relationships with affiliated companies in the financial year 2020/2021, taking account of the results of the audit of its completeness and accuracy performed by the auditors, the Supervisory Board has concluded that there are no objections to the closing remarks of the Management Board made at the end of the dependency report on relationships with affiliated companies. The Supervisory Board approved the results of the audit performed by the auditors during its meeting on September 17, 2021.

Separate non-financial statement

VERBIO is required to issue a separate non-financial statement in compliance with the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetzes). This was prepared in accordance with 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 a thorough examination of the Company's non-financial statement in accordance with § 289 b, § 315 b HGB and audited and discussed it in detail, together with the Management Board, in its meeting of all members held to approve the financial statements on September 17, 2021. It has met its audit obligation concerning the Company's non-financial statement on corporate social responsibility in accordance with § 171 (1) (4)

AktG and has not identified any findings. Accordingly, the non-financial statement was approved on September 17, 2021. The Supervisory Board has not had a voluntary audit of the non-financial statement performed by the auditors as the requisite technical knowledge is available among the members of the Supervisory Board.

Closing comments

Once again, VERBIO has had a successful financial year – despite the continued volatility in market conditions and despite the challenges presented by the coronavirus pandemic. The Group's employees can be proud of this success, which has been created by the contributions made by everyone involved, from the members of the Management Board to the directors of the subsidiary companies and the Group's employees. On behalf of the entire Supervisory Board I would like to thank each and every one of them for the work they have performed and the personal engagement they have shown!

The employees of the VERBIO Group are the foundation that makes the Company a success. Their immense efforts and their particular engagement enable the Group to continue to grow. The significant business results for the financial year 2020/2021 and, last but not least, the development of the share price over the past year are an impressive testimony to this performance.

I would like to express the same thanks to the members of the Management Board for the way in which they have, at all times, worked in a positive and trustworthy manner, and for all the work that they have done over the past year. This is a demonstration that with the consistent implementation of our growth strategy, our Company is and remains on the right track.

Zörbig, September 17, 2021

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.

2020/2021 – Stock market – an overview

Following a sharp fall in March 2020 as a result of the spread of the COVID-19 pandemic, many market participants had hopes for a rapid recovery in the second half of the year. On the stock market, however, the fear of a second lockdown resulted in share prices falling further across the board in the autumn of 2020.

Uncertainty about the how central banks will react to the exacerbated situation continues through until today.

Increasing optimism that the lost revenues and profits suffered by businesses in 2020 would be lower than originally feared helped the market regain its positive mood by the end of 2020.

Since then there has been an ongoing rally which saw the DAX reach a new peak of 15,729.52 points on June 15, 2021, despite a decline in trading volumes of approximately 27 percent compared to the same period in the previous year (July 1, 2020 – June 30, 2021).

The stock market month of June 2021 ended with Germany's leading share index at 15,531.04 points.

Second half of 2020 – second wave weakens the market – rapid recovery sets records

German gross domestic product (GDP) in the third quarter of 2020 – adjusted for price changes and seasonal and calendar effects – increased by 8.5 percent compared to the second quarter of 2020. As a result, the German economy was able to recover a large proportion of the massive fall in GDP experienced as a result of the COVID-19 pandemic in the second quarter of 2020. However, GDP – again adjusted for price changes and seasonal and calendar effects – in the third quarter of 2020 was still 4.0 percent lower than in the fourth quarter of 2019, the last quarter before the global COVID-19 crisis.

Based on initial calculations published by the Federal Statistical Office (Destatis) in the year 2020 as a whole, the price-adjusted gross domestic product (GDP) was 5.0 percent lower than in the previous year. As a result, following a ten-year growth phase, the year of the 2020 COVID-19 crisis has seen the German economy enter a deep recession similar to the one experienced during the financial and economic crisis of 2008/2009. However, based on the initial calculations, the economic downturn in 2020 of –5.7 percent was a lower overall fall than in 2009.

First half of 2021 – the economy again in recovery

At the end of 2020 the recovery of the German economy stopped with the second COVID-19 wave and the second hard lockdown. A development with such a dramatic fall in economic performance comparable to that seen in the second quarter of 2020 is, however, not to be expected in the first quarter of 2021, based on the official economic indicators currently available.

This is primarily due to the solid start to the production-related sectors at the start of the year. As the Federal Statistical Office (Destatis) reports, based on preliminary figures and after adjusting for price changes and seasonal and calendar effects, production in the manufacturing sector in January 2021 was 2.5 percent lower than in December 2020 and 4.2 percent lower than before the COVID-19 crisis in February 2020. However, the high level of order intake in the production sector and the demand for German goods show that the second lockdown did not have such a severe effect on the production-related sectors as the first in the spring of 2020.

The combined purchasing managers index published by J.P. Morgan/IHS Markit improved again in April and recorded 56.3 points (March: 54.8 points), which is significantly above the growth threshold of 50 points. One reason for the optimism can be attributed to the ongoing worldwide vaccination programme. The mood among service providers improved significantly, and was better than in industry. The mood in industrial companies did not improve at the same rate due to the worldwide bottlenecks in semi-finished products such as computer chips and wood.

In retrospect, the economic recovery in the final quarter of 2020 lost a significant amount of momentum as a result of the second wave of the pandemic and the measures taken in response to the situation. Despite this an upturn is expected for 2021 as a whole, even if the third wave of the pandemic has caused a weak first quarter 2021 (–1.7 percent based on the Federal Statistical Office rapid reporting). However, as a result the growth impulse may be even stronger when the restrictions are lifted and all citizens have been offered a vaccination. Then it should be possible to see a recovery of the weakened private consumption levels, which are particularly dependent on the levels of social contacts. At the same time, German exports – and the industrial economic climate which is closely related to exports – are showing themselves to be robust. The employment market was able to show a spring recovery, despite the negative effects of the pandemic. Notifications of the number of short-term working furlough schemes indicate that they may have peaked and that from now on falling numbers can be expected.

The VERBIO share 2020/2021

The VERBIO share started the financial year 2020/2021 on July 1, 2020 priced at EUR 9.40 per share (XETRA). In the period from the beginning of July 2020 until the end of June 2021 the VERBIO share price increased by 352.06 percent. In this period the VERBIO share recorded its highest share price in the financial year 2020/2021 on May 31, 2021, when it was traded at EUR 46.24 per share. The rally in the VERBIO share price was, among other things, supported by the positive developments in the Biodiesel segment.

A fall in the VERBIO share price occurred on February 3, 2021. The fall was initiated by the publication of preliminary results for the first half of the financial year 2020/2021. The prices for ethanol collapsed following the falls in sales of petrol in Europe due to the COVID-19 wave and the associated lockdown measures.

The fall in the VERBIO share price stopped on March 8, 2021 at EUR 28.30, while the lowest share price recorded in the financial year 2020/2021 was EUR 9.34 (2019/2020: EUR 6.34).

On a cumulative basis, over the first nine months of the financial year VERBIO was able to record growth compared to the same period in the previous year. Thanks to significant increases in the volume of biodiesel and bioethanol sales, sales revenues amounted to EUR 717 million in the period from July 2020 to the end of March 2021, an increase of almost 9 percent compared to the previous year. The profit before interest, taxes, depreciation and amortisation (EBITDA) in the same period increased by 16 percent to EUR 113 million.

In April 2021 VERBIO had already increased the forecast for its operating results for the current financial year 2020/2021 by EUR 20 million to EUR 150 million, which had a positive effect on the trend of the share price and led to a new high for the year of EUR 41.92.

Based on preliminary results, it was possible to increase EBITDA further to EUR 166,3 million for the financial year 2020/2021 (previous year: EUR 122,1 million).

At the end of the financial year 2020/2021 the share price closed on June 30, 2021 at EUR 42.72.

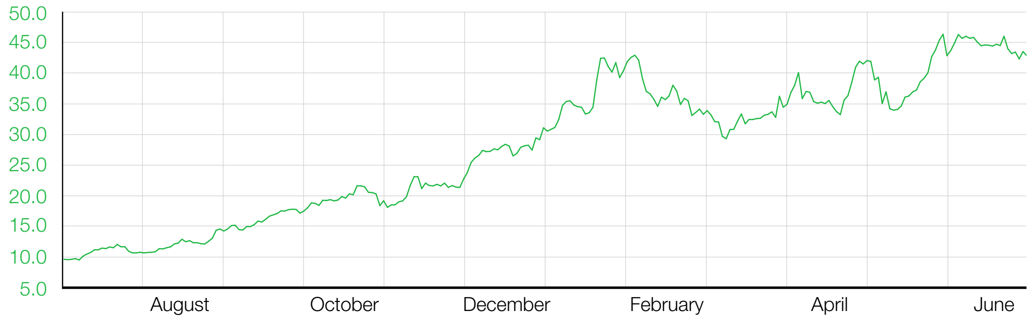
In the past year VERBIO advanced to become an investors' favourite and was included in the small cap index SDAX in December 2020. The share price increased by 38 percent in the second half of the financial year alone, following an increase of approximately 160 percent in relation to the calendar year 2020.

In the first half of the financial year 2020/2021 the average volume of shares traded on the XETRA stock exchange increased to 163,162 shares/day. An average of 189,206 shares were traded daily in the second half of the year. As a result the average daily trading volume increased overall to a daily average of 175,979 shares compared to the previous year (2019/2020: daily average of 88,483).

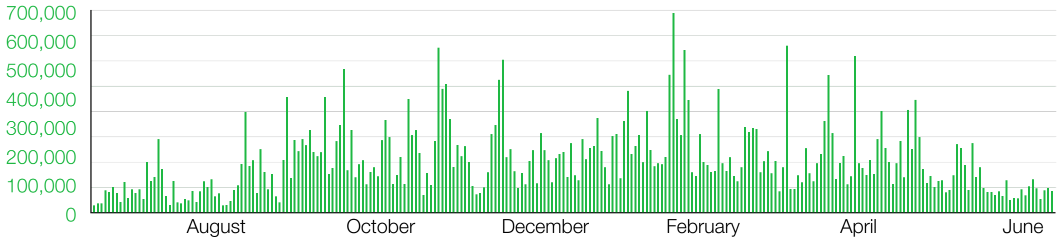
Trading volume (average daily number of shares traded):

1 Half-year 2020: 107,267 shares / 2 HY 2020: 163,162 shares / 1 HY 2021: 189,206).

Performance and trading volume of the VERBIO share from July 1, 2020 to June 30, 2021



Performance of the VERBIO share (XETRA)
from July 1, 2020 to June 30, 2021 (in euros)



Trading volume (XETRA)
from July 1, 2020 to June 30, 2021 (in number of shares)

Analyst coverage

Currently, analyst coverage is provided by MATELAN Research GmbH, which is engaged by VERBIO AG. In addition, coverage is provided by Hauck & Aufhäuser Investmentbanking and Stifel Europe Bank AG. The analyses they provide are performed independently by the analysts employed by the respective companies based on publicly available information. The reports issued by analysts represent the opinions, assessments and recommendations of the respective analysts and is not subject to any influence or control by VERBIO AG.

Annual general meeting 2021

The VERBIO Vereinigte BioEnergie AG annual general meeting was held on January 29, 2021 as a virtual annual general meeting without the physical presence of shareholders or their proxy representatives. Shareholders representing 53,327,732 ordinary shares and the same number of voting rights (voting proxy representatives and postal votes) were represented at the meeting (84.65 percent of the Company's total share capital). The Management and Supervisory Boards answered questions from shareholders that had been submitted using the investor portal up until the previous day, and presented information on business developments, corporate strategy, and the legal environment and market trends. In addition to the application of profits, approval of the actions of the Management and Supervisory Boards, approval of the new system of remuneration for members of the Management Board, approval of the remuneration of the Supervisory Board, and the selection of KPMG AG Wirtschaftsprüfungsgesellschaft as auditors of the annual and consolidated financial statements for the financial year 2020/2021, the agenda also included the election of members of the Supervisory Board.

All of the resolutions proposed by management were approved with the necessary majority by the voting proxy representatives or by postal vote. The Management and Supervisory Boards of VERBIO AG view the voting results as evidence that shareholders have a high level of trust in the Company's management. Details of the voting results and further information on the annual general meeting 2021 are provided in the investor relations section of the Company's website (verbio.de). The annual general meeting for the financial year 2020/2021 will be held on February 4, 2022 in Leipzig.

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 information that is up-to-date, consistent and transparent, and which is relevant to the share price on a timely basis, 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 verbio.de. Obligatory capital market communications such as ad hoc reports and Corporate News are also provided there on a timely basis in both German and English. Notifications concerning voting rights in accordance with § 33 et seq. WpHG and disclosures of manager's transactions in accordance with Article 19 of the Market Abuse Directive are also made available on the website. Interested parties can register and add themselves to a distribution list on the VERBIO internet website to receive IR News on a regular basis. 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 existing and potential institutional and private investors as well as financial analysts for an exchange of information via personal meetings or telephone calls. VERBIO provides regular news updates on the verbio.de website as well as on the Group's social media channels on Facebook, YouTube and Instagram. In addition, Claus Sauter, the Chairman of VERBIO's Management Board, gives his opinion on political developments, background issues and market conditions in his blog and podcast #strohklug (strohklug.de).

VERBIO also provides information to interested investors in the form of interviews, technical publications and presentations about the development of the business, and by participating in industry events and discussions at conferences about market developments and the regulatory environment and its impact on the biofuels sector. In the past financial year VERBIO has again concentrated on participating in roadshows organised by investment banks (all of which were virtual due to COVID-19 restrictions) in order to draw the attention of the capital market to VERBIO. Driven by business, climate protection associations and initiatives, the deep change in the global understanding of climate protection has caused politicians to initiate reforms in the regulatory environment, including reforms that are designed to drive forward decarbonisation in transport. In order to communicate this, VERBIO participated in a total of eight events and gave corporate presentations, and also held a large number of so-called virtual "one to one" discussions with interested analysts and investors from all over the world.

The financial calendar, with all the important dates for the financial year 2021/2022, is to be found on the inside of the last page of this annual report and in the investor relations section of the Company's website verbio.de.

Dividends

The Management and Supervisory Boards of VERBIO AG follow a policy aimed at providing a consistent dividend stream under a dividend policy that is aimed at making a fair arrangement between the interests of shareholders on the one hand and the financing needed for the growth 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 has sufficient cash to finance operating activities and to take advantage of expansion opportunities to provide it with sustainable growth, to finance the Group's operating activities, and to ensure that it has 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	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021 [1]
Earnings per share (basic)	0.77	0.82	0.24	0.84	1.01	1.48
Dividends per share	0.15	0.20	0.20	0.20	0.20	0.20
Dividend distrubutions (in EUR millions)	9.5	12.6	12.6	12.6	12.6	12.6

[1] Proposed dividend subject to approval at the annual general meeting in February 2022

Dividend payment of EUR 0.20 per share for the financial year 2019/2020

The separate financial statements of VERBIO AG prepared in accordance with HGB show a profit for the financial year 2019/2020 of EUR 230,801,128.87, with a retained profit for the period of EUR 230,801,128.87. The Management and Supervisory Boards proposed the payment of a dividend of EUR 0.20 per qualifying share to the annual general meeting held on January 29, 2021, resulting in the payment of dividends totalling EUR 12,600,000.00 with EUR 218,201,128.87 transferred to retained earnings.

The VERBIO AG annual general meeting held on January 29, 2021 approved the proposal of the Management and Supervisory Boards to pay a dividend for the fifth successive year, approving the payment of EUR 0.20 per qualifying share for the financial year 2019/2020. This represents a dividend yield of 2.15 percent based on the closing price of the VERBIO share of EUR 9.30 at June 30, 2020.

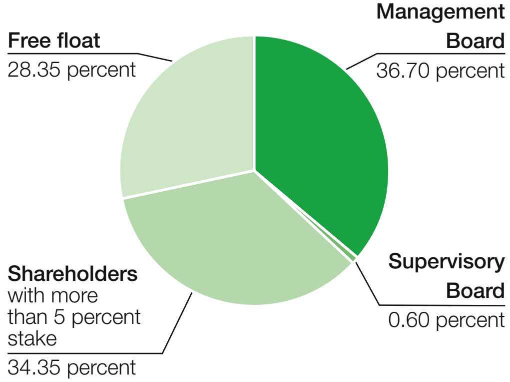
The share at a glance

Code	VBK	
Bloomberg code (Xetra)	VBK:GR	
Reuters code (Xetra)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime Standard	
Designated sponsor	Stifel Europe Bank AG	
Number of shares	63,183,632	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	
	2020/2021	**2019/2020**
Closing share price (Xetra, June 30, 2021, June 30, 2020)	EUR 42.72	EUR 9.30
52-week high (Xetra)	EUR 46.24	EUR 13.28
52-week low (Xetra)	EUR 9.34	EUR 6.30
Market capitalisation (basis: closing share price Xetra)	EUR 2.70 billion	EUR 585.90 million
Free float	28.35 percent	28.06 percent
Earnings per share (basic and diluted)	EUR 1.48/1.47	EUR 1.01/1.01
Operating cash flow per share	EUR 1.85	EUR 1.14
Book value per share	EUR 8.04	EUR 6.18

Proposed dividend for the financial year 2020/2021

In the financial year 2020/2021 we have again achieved and exceeded our financial objectives, and we intend to enable our shareholders to participate in the Company's success. Accordingly, the boards of VERBIO AG have agreed to propose to the annual general meeting to be held on February 4, 2022 that the Company shall pay a dividend unchanged to the previous year of EUR 0.20 per qualifying share, and transfer the remaining amount of the retained profit for the period to retained earnings. This represents a total dividend payment of EUR 12.6 million (2019/2020: EUR 12.6 million). This dividend proposal, which is subject to the approval of the annual general meeting, is for a dividend payment of EUR 0.20 (2019/2020: EUR 0.20). This represents a dividend yield of 0.47 percent based on the closing price of the VERBIO share of EUR 42.72 at June 30, 2021.

Shareholder structure at June 30, 2021



For VERBIO AG the member state of origin is Germany, and the reporting thresholds for changes in significant shareholdings set out in § 33 and § 34 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) apply. VERBIO AG has received one report of a change to significant holdings in the reporting period. This notification was in respect of the sale of shares by GS&P Kapitalanlagegesellschaft S.A., which led to a reduction of the reportable shareholding to below 3 percent. Information on reportable transactions in shares with voting rights is made available in the Investor Relations section of the Company's website verbio.de. As a result of Dr. Georg Pollert ceasing to be a member of the Supervisory Board there has been a shift compared to the previous year between the proportion of voting rights held by shareholders and the proportion held by shareholders with a shareholding exceeding 5 percent.

Group Management Report

Group Management Report

for the financial year from July 1, 2020 to June 30, 2021

Fundamentals of the Group

Group structure

VERBIO Vereinigte 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 Bitterfeld GmbH, Bitterfeld-Wolfen/OT Greppin, hereinafter referred to as "VEB"
- VERBIO Zörbig GmbH, Zörbig, hereinafter referred to as "VEZ"
- VERBIO Schwedt GmbH, Schwedt/Oder, hereinafter referred to as "VES", "VES (D)" (Biodiesel segment) or "VES (E)" (Bioethanol segment)
- VERBIO Agrar GmbH, Zörbig, hereinafter referred to as "VAgrar"
- VERBIO Logistik GmbH, Zörbig, hereinafter referred to as "VLogistik"
- VERBIO Polska Sp. z o. o., Stettin (Poland), hereinafter referred to as "VPL"
- VERBIO Pinnow GmbH, Pinnow, hereinafter referred to as "VEP"
- VERBIO India Private Limited, Chandigarh (India), hereinafter referred to as "VEI"
- VERBIO North America Corporation, Livonia, Michigan (USA), hereinafter referred to as "VNA"
- VERBIO Nevada LLC, Nevada, Iowa (USA), hereinafter referred to as "VEN"
- VERBIO Diesel Canada Corporation, Welland, Ontario (Canada), hereinafter referred to as "VDC"
- XiMo Kft., Budapest (Hungary), hereinafter referred to as "XiMo"

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. In its large-scale production plants VERBIO manufactures biofuels, biofertiliser and animal feed, disinfectant solutions as well as sterols and pharmaceutical glycerine for use as raw materials in the cosmetic/pharmaceutical and food industries. The technologies used have been developed internally by VERBIO. The Group's plant and processes are subject to ongoing further development and improvements in order to optimise existing production, and at the same time to drive forward the manufacturing of new high-value biogene products from the raw materials used in the production processes.

In Germany, sales of our products and the procurement of the necessary raw materials for their production are carried out by VERBIO AG. The products are manufactured by the Group's subsidiaries at the Group's German locations in Zörbig, Bitterfeld, Schwedt/Oder and Pinnow, as well as in Canada.

VPL and VAgrar are responsible for procuring 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.

VNA is responsible for the sale of biodiesel produced by the biodiesel plant acquired in Canada in July 2019, and for the procurement of the raw materials required for the production there.

Currently there are further manufacturing plants under construction to produce biomethane and bioethanol in the USA and biomethane in India. The biomethane plants in India and the USA are currently in the process of launching their first production volumes.

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. The commencement of production at the foreign locations in the first half of the financial year 2021/2022 means that the marketing of biofuels will, in future, become a more international operation.

As a technology company, VERBIO is always searching for new technologies that can help it 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. These projects include, for example, the establishment of production and sales of plant-based ethanol speciality products and protein products for various industrial and pharmaceutical applications, as well as for use in the animal food and foodstuff industries. In addition, these development projects include the planned commercial-scale manufacture of BioLNG for the heavy goods transport sector.

VERBIO also sees further applications for ethanol, biodiesel and biomethane basic products as a result of the increasing and ever more concrete trend towards decarbonisation in other sectors such as the chemicals, steel and cement industries, as well as in the decarbonisation of the air and shipping transport sectors. There will be further applications in chemicals in particular for biomethane, the smallest renewable hydrocarbon.

The organic chemicals sector is also where the technology company XiMo is most at home. A high technology company, XiMo focusses on the development and marketing of metathesis catalysts. For VERBIO AG, in the future metathesis will 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 outside the biodiesel market.

Goals and strategies

VERBIO is one of Europe's leading manufacturers of biofuels, and at the same time a global commercial-scale producer of biodiesel, bioethanol and biomethane. The Group's management focusses on the use of internally-developed innovative process and production technologies, high quality products and maximising the CO_2 efficiency of the products it manufactures. 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, while maximising CO_2 savings. In this way we combine economic success with corporate responsibility and climate 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 a significant contribution to strengthening agriculture in the region, and to providing sustainable mobility for the future.

We have the necessary resources to be successful and to secure a leading competitive position. In addition to flexible manufacturing plant structures, we have efficient processes and a high level of flexibility regarding the use of raw materials, for which we have the strong innovation skills and committed and qualified employees needed.

It is our objective to invest in the optimisation of existing plant and equipment and production processes in order to make cost efficiency improvements and energy savings in production, and to make further improvements in the greenhouse gas (GHG) balance of our products. By establishing new technology concepts to make further use of by-products, we are able to increase our competitiveness by developing new, climate-friendly products and entering new sales markets.

We place a particular focus on taking a leading role in the development and market launch of so-called advanced second generation biofuels. In particular, these include our technology used to obtain advanced biomethane from 100 percent straw at our biorefineries at the Schwedt/Oder and Pinnow locations. The biofertiliser that is created in this process is an important product for helping to make agriculture into a low CO_2 and sustainable sector. This technology is the focus of our expansion projects in India and North America.

In India in particular our straw-biomethane technology will perform a further important role. Until now, wheat and rice straw in India's fields is burned after the harvest. In April and May clouds of smoke rise across the shadows of the Himalayas, spreading across the entire subcontinent and making it almost impossible to breath. The smoke is damaging to the health of millions of citizens in India's huge cities, worsening the smog already created by transport and industry. Our technology helps to alleviate this problem in two ways: first, we help the Indian economy, which is second only to China as an importer of fossil natural gas and crude oil, to become more energy independent; and second, we help to stop the burning of wheat and rice straw. This is not only an important contribution to climate protection, but also at the same time it is real development assistance for one of the most populated, and at the same time one of the poorest, countries in the world.

Biomethane from straw is, in our opinion, a global megatrend. It is the smallest renewable hydrocarbon, and it is not only climate-neutral, it is also CO_2 negative because straw that is left in the field to rot or which is burned also generates large quantities of CO_2. It can be assumed that 1,000 kg of burned or rotting straw produces up to 1,500 kg of damaging climate gases such as CO_2 or freely released methane.

Pleasingly, this contribution has now been recognised by the EU Commission and the Federal Government, even if the real potential effect that biomethane from straw could have on climate protection has not yet been fully reflected in current legislation.

The toll exemption in Germany that extends until the end of 2023 and a vehicle-fleet exchange programme initiated by the Federal Ministry of Transport for low-emission heavy goods vehicles – including CNG/LNG heavy goods vehicles – as well as the German Parliament's approval in May 2021 of an increase in the greenhouse gas quota from the current 6 percent to 25 percent by 2030, finally open up new growth opportunities for VERBIO in Germany and in Europe. In pursuing these opportunities, our focus is very clearly on biomethane manufactured from agricultural waste products and straw as a biofuel in the form of BioCNG and BioLNG.

All CNG/LNG vehicles can be powered with 100 percent biomethane produced using waste raw materials or straw. In our view, for the next five to ten years this is the only technically available and affordable climate-friendly long-distance alternative to classic diesel power, in particular for the heavy goods transport sector. It can be expected that the already clear trend towards exchanging fleet vehicles will continue, and that in the near future numerous further transport companies will convert at least part of their heavy goods vehicle fleets to CNG/LNG powertrains in order to benefit from the CO_2 and efficiency benefits to be had from the use of biomethane fuel, as well as to make use of the cost advantage to be obtained from the toll exemptions and fleet exchange programme.

The rapid increase in registrations of CNG/LNG heavy goods vehicles since the implementation of the first phase of the toll exemption opens up new sales and marketing potential for biomethane as BioCNG and BioLNG, and we want to make use of this opportunity.

VERBIO is also increasingly making use of CNG/LNG powertrains for long-distance goods transport purposes, and is currently in the process of converting its own fleet of almost 100 heavy goods vehicles.

However, it is not only the transport companies that carry, and increasingly also accept, responsibility here. More than this, it is the customers in all branches of industry who demand transport services and who will need to shift their focus towards low CO_2 transport services. For this purpose, it is not relevant whether the customer has to bear higher costs of transport or logistics. The greenhouse gas quota system in Germany and Europe is designed so that the additional cost of more decarbonisation in transport is passed on to diesel and petrol users. The objective must be to ensure that where costs are the same, contracts are won by companies that emit less CO_2. Some companies in the automobile industry are already setting a good example here.

The ambitious increase in the greenhouse gas quota from 2022 approved by the German Parliament, in combination with the hydrogen strategy approved by the Federal Government, are contributing to a major improvement in the framework conditions for VERBIO in Germany and Europe.

VERBIO had long demanded an increase in the greenhouse gas quota to at least 10 percent in order to achieve a decarbonisation of transport using first- and second-generation biofuels. In addition, the hydrogen strategy represents a new potential sales channel for biomethane, as this can be used to manufacture so-called green hydrogen.

When taking up growth opportunities we ensure that we are always focussed on sustainable, profitable growth, in order to offer an attractive investment to our investors, shareholders and the capital market.

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

With the European Union's ambitious new objectives for decarbonising our society, the increasing numbers of industries involved (cement, steel, chemicals), and the implementation of a greenhouse gas accounting for imported industrial products (carbon border adjustment), important conditions are being fulfilled for a broad-based decarbonisation approach to our industrial society which will finally enable battle to commence in the struggle of the century against global warming.

VERBIO is very determined to play a part in shaping up to this challenge, involving its employees, its technologies and its financial resources.

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.

Until June 30, 2020, the Management Board of VERBIO AG consisted of four members, and since the appointment of Stefan Schreiber on July 1, 2020 it consists of five members; they have joint responsibility for the management of the Company with the objective of generating sustainable added value. 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 that, 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. Stefan Schreiber has Management Board responsibility for North America.

Our business dealings are directed towards 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 the 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. This involves the assessment of each individual project, taking into consideration the respective amortisation period and its strategic importance.

The Group's corporate-wide management and generation of reports using 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 over recent financial years. Existing processes were further developed and optimised with short- to medium-term time horizons. At the centre of this is improving the greenhouse gas balance, i.e. reducing CO_2 emissions. In addition, new research projects are being 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, product 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 integral role in our research and development work.

Prof. Dr. Oliver Lüdtke has been an active lecturer at the Hamburg University of Technology since 2019.

In total, EUR 6.2 million (2019/2020: EUR 5.4 million) was spent on research and development in the past financial year. Group-wide, an average of 51 (2019/2020: 44) employees worked in the research and development departments.

Research and development in the Biodiesel segment

Our processes in the Biodiesel segment are subject to an ongoing process of 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 the activities of our R&D department in the financial year 2020/2021 was on the work done by our Hungarian subsidiary company XiMo to develop an innovative production process for basic chemicals based on rapeseed oil methyl ester (biodiesel) for use in the chemicals industry using catalysts. Parallel to this, the basic engineering work for the dimensioning of catalyst production on a commercial scale was developed.

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 improvements 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 2020/2021 our R&D teams have continued to drive forward their efforts to make further improvements in gaining high-value products (e.g. proteins) from the raw materials used in our bioethanol refineries. In addition to this focus, work was performed in the financial year 2020/2021 on making improvements to the production of ethanol-based disinfection solutions.

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, 2021 VERBIO employed a total of 820 employees (June 30, 2020: 725), of whom 459 were staff (June 30, 2020: 377), 337 were production employees (June 30, 2020: 328), 23 were trainees and apprentices (June 30, 2020: 17), and 1 was a mini-job employee (June 30, 2020: 3).

Economic report

Economic and political environment

Market conditions in Germany

Biodiesel and Bioethanol

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 2021 calendar year up until May 2021.

The BAFA statistics clearly show that the consumption of petrol-based fuels compared to the previous year only began to recover from March and April, but the volumes are still lower than the average volumes over the past five years. The total consumption from January to May 2021 was approximately –4.9 percent lower than in the same period in the previous year.

The sales of diesel fuels in the same period are approximately –7.9 percent down on the same period in the previous year, and are significantly under the average over the past five years.

This is due to the fact that the lockdown measures that were implemented in the autumn and winter of 2020 and in the first six months of the calendar year 2021 had a significant effect on both business and on individual mobility; the consumption of petrol-based and diesel fuels from November 2020 to February 2021 inclusive represented the lowest levels seen over a five-year comparison period. Against this background, the fuels industry is concerned that a further wave of infections and an associated lockdown could act as a brake on consumption volumes in the autumn of 2021. Accordingly, companies that are obliged to fulfil quota obligations are being cautious about entering into long-term supply contracts for biofuel additives.

In addition to this, the oil industry began the quota year 2021 with excess quotas carried forward of in excess of 1 million tonnes of CO_2 savings, since the obligations to use additives in recent years were significantly lower than the amount of CO_2 savings that were technically feasible. As a result, currently there is no need to exploit the capabilities of additives in full or to switch to fuels with a higher bio-content (B100, B20, E85). Only the E10 share was able to grow in the period described above (by approximately 3 percent), but as it only accounts for 16.7 percent (May 2021) it does not yet represent a significant market share compared to the French market, where it has a share of approximately 50 percent.

Despite the "quota buffer" the rate of fuel additive use compared to the previous year in the period from January to May 2021 for biodiesel fell by only 0.6 percent, and for bioethanol there was an increase of 0.1 percent. This was primarily due to the fact that throughout 2021 ethanol was the most inexpensive way of meeting the greenhouse gas saving obligations.

However, in volume terms this situation was a decline of almost 15 percent for biodiesel/HVO and approximately 4.6 percent for bioethanol in the period from January to May 2021 compared to the same period in the previous year.

CNG (Compressed Natural Gas)/Biomethane

The proportion of biomethane that is mixed in natural gas supplies has fluctuated widely in the period since the introduction of credits for the use of biomethane for German greenhouse gas quota purposes, and has been in decline following a peak in 2017 (449 GWh), falling in both 2018 (to 389 GWh) and 2019 (to 341 GWh). With the introduction of the 38th BImSchV, which among other things makes it possible to credit the use of fossil natural gas for greenhouse gas quota purposes, biomethane has suffered a significant setback in the transport sector. For 2020, however, a significant increase in the share of biomethane used in the transport sector can be expected as a result of the increase in the greenhouse gas quota obligation from 4 percent to 6 percent, since the share of BioCNG now represents an 80 percent share of fuel purchased at filling stations and as it is offered at more than half of all CNG filling stations. We expect this trend to continue in 2021 and accelerate from January 1, 2022.

At the end of the financial year 2020/2021 there were 881 gas filling stations in Germany. Of these, 70 were already LNG filling stations (2019/2020: 24). At 8 filling stations a 10 percent LNG mix was offered, while one filling station offered exclusively Bio-LNG. Of the 811 CNG filling stations, 538 offered 100 percent BioCNG. At 198 filling stations (2019/2020: 117) it was possible to fill up exclusively using verbiogas.

Market situation outside Germany

Excluding Germany, the European sales market for biofuels was massively weakened by the lockdowns in the various member states.

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 being implemented. Here the primary factor is not so much environmental concerns as interest in supporting local agriculture. The use of local raw materials will improve the local value-added chain and reduce energy imports, which will improve the trade balance. As a result, investments are being made in new local production capacity for biofuel materials, especially in South-East Asia, and jobs in the local agricultural industry are being created or protected.

Trends in sales and raw material prices

The wholesale price of FAME in the financial year 2020/2021 was approximately EUR 173 tonne above the average for the same period in the previous year, while the price of rapeseed oil was approximately EUR 193/tonne higher than in the same period in the previous year.

In the financial year 2020/2021 the price of Bioethanol was approximately EUR 25/cbm higher than in the same period in the previous year, while wheat was trading on the MATIF at EUR 27/tonne above the previous year's price.

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

Historical price trends of selected raw materials

	2019/ 2020	Q1 2020/ 2021	Q2 2020/ 2021	Q3 2020/ 2021	Q4 2020/ 2021	2020/ 2021
Crude oil (Brent USD/barrel)	52	43	44	61	69	54
Diesel FOB Rotterdam (EUR/tonne)	437	307	307	411	462	371
Biodiesel (FAME -10 RED; EUR/tonne)	841	843	884	1,058	1,270	1,011
Petrol FOB Rotterdam (EUR/tonne)	426	333	327	464	545	415
Bioethanol (T2 German Specs; EUR cbm)	590	740	571	521	626	615
Ethanol USA (CBOT; EUR/tonne)	308	286	312	371	506	368
Rapeseed oil (EUR/tonne)	786	783	855	1,017	1,257	975
Palm oil (EUR/tonne)	564	596	715	903	967	792
Soya oil (CBOT; EUR/tonne)	581	593	678	889	1,163	827
Wheat (MATIF; EUR/tonne)	183	186	208	227	220	210
Wheat (CBOT; EUR/tonne)	173	166	185	197	208	189
Sugar (EUR/tonne)	244	233	270	297	309	277

Political environment and legal framework for biofuels

Current regulatory situation in the European Union

RED II implementation satisfactory

The measures taken by the Federal Government to implement the RED II in mid-2021, following on from difficult negotiations and discussions, can be assessed as very satisfactory (especially in view of the initial starting position). However, these are only a first step.

EU Commission "Fit for 55" package

In view of the – now increased – climate protection objectives, on July 14, 2021 the EU Commission published a package of proposals in its "Fit for 55" programme, consisting of the twelve proposed legal changes to existing regulations, directives and statutory measures. The measures are intended to meet the increased climate protection objective of greenhouse gas savings of 55 percent (net) in 2030 compared to 1990.

Specifically, among other things this means making amendments to the European emissions trading system (ETS), the Effort Sharing Regulation (ESR) and the Regulation on the Inclusion of Greenhouse Gas Emissions from Land Use, Land Use Change and Forestry.

For the ETS, an increase in the greenhouse gas reduction targets is planned from 40 percent to 61 percent by 2030. In addition, the emissions trading system will be expanded to include shipping. An important element of this is that there will be separate emissions trading for transport and buildings sectors from 2026. Here, a reduction of greenhouse gas emissions of 43 percent in these sectors by 2030 compared to 2005 will be demanded. Sustainable bioenergy (RED II criterion) has a zero emissions factor. In addition, a climate social plan with a volume of EUR 23.7 billion until 2027, and EUR 48.5 billion for the years thereafter, is planned for the years 2025–2032 in order to soften the cost burden of the measures.

A new linear climate reduction pathway is planned for the Effort Sharing Regulation from 2023.

Further amendments affect the RED III, an energy tax directive and new fleet limits for passenger vehicles.

For RED III it is planned to increase the targets for renewable energies in 2030 from 32 to 40 percent. The energetic minimum quota for the use of advanced biofuels (Appendix IX Part A) is determined as follows: 0.2 percent in 2022, 0.5 percent in 2025, and 2.2 percent in 2030. An excess fulfilment using advanced biofuels (Appendix IX Part A) will be credited at double for quota purposes; in practical terms, this means a doubling of quota revenues. The ceiling for cultivated biomass fuels continues to be the same as in RED II. High ILUC-risk biofuels remain frozen at the 2019 level.

Further, there will be an obligatory quota for synthetic and renewable fuels of non-biological origins (REFNBO). VERBIO is working of a process to manufacture synthetic methane (CH4) from renewable hydrogen and CO_2.

The CO_2 emissions norms for passenger vehicles (fleet targets) will be increased from 37.5 percent to 55 percent, and those for light vehicles from 31 percent to 50 percent compared to the amounts targeted for 2021. A new target for 2035 will be a 100 percent CO_2 reduction compared to 2021. As the proposal made by the Commission does not include credits for renewable fuels (re-examination is planned for 2026), this means that it will not be possible to power a combustion engine vehicle (a de facto ban on the combustion engine).

A decisive emphasis will be placed on the reform of energy taxation. Fuels and powertrains will in future be taxed based on their energy content and environmental performance (greenhouse gas emissions).

For competitiveness reasons a European Carbon Border Adjustment Mechanism (CBAM) will be introduced. However, this will lead to major discussions internationally.

Current legislation position in the USA and Canada

In the United States the biofuels market is governed by the Renewable Fuel Standard (RFS) programme, which was approved by Congress in 2005 and subsequently amended in 2007 and 2010 (RFS2). Legislation prescribes the use of biofuels in order to replace a portion of the total volume of fossil fuels used in the transport sector. The minimum fuel volume required is increased on an annual basis and must be fulfilled by means of both conventional biofuels (e.g. bioethanol from maize) and advanced biofuels (e.g. biomethane or diesel produced on a biomass basis). The RFS2 determined annual target volumes for the various categories of renewable fuels, while the EPA determines the annual volume obligations (mandate) for refinery operators; this is determined based on the available capacity, the sales of fuels in total and a “RFS2” target amount. In order for a fuel to be credited to the mandate it must be manufactured in accordance with an EPA-approved process, and it must demonstrate a minimum level of greenhouse gas emissions compared to oil, using the year 2005 as a basis.

Complementing this programme is the Low Carbon Fuel Standard (LCFS) which applies along the Eastern seaboard (California, Oregon, Washington, British Columbia), which is very similar to the greenhouse gas quota approach used in Germany. While in the rest of the USA and Canada the greenhouse gas balance of the biofuels is not relevant, the LCFS sets clear standards for the reduction of greenhouse gas emissions. Biofuels manufacturers (e.g. VERBIO) that are especially greenhouse gas-efficient in the production of their biofuels, meaning that they achieve a high level of greenhouse gas emissions reductions, are given a bonus, especially in California, for up to USD 200/tonne CO_2 savings.

This trend appears to be spreading to the rest of the USA, so that significant improvements in greenhouse gas savings in the biggest biofuels market in the world can be expected in coming years.

The Environmental Protection Agency (EPA) announced the final RFS volume obligations for 2020 (RVO) on December 19, 2019. The RVOs for 2020 for all renewable fuels, advanced biofuels and cellulose-based biofuels are lower than the target levels according to RFS2 for 2020; however, the RVO for cellulose-based biofuels, such as, for example, biomethane from straw, has been set at higher levels than was the case in the previous year. The RVO for cellulose biofuels increased from 418 million US gallons in 2019 to 590 million gallons in 2020, an increase of 41 percent. Future volume obligations for 2021 and 2022 have not yet been determined. These are expected to be available at the earliest by the end of 2021. The RVO for 2020 for diesel based on biomass material is increased by 16 percent, from 2.1 billion gallons to 2.43 billion gallons; the volume in 2021 remains unchanged at 2.43 billion gallons. At the same time the share of other advanced biofuels was reduced by the same amount. As biodiesel and renewable diesel (HVO) need to be considered together, there has been no overall increase in the overall volume obligation for the total of the two categories in 2020. At the same time the capacities for renewable diesel (HVO) have been increased. This trend can be expected to continue in future years as more companies have announced major projects for renewable diesel.

The implementation of the RFS in the annual volume obligations is a recurring challenge, as representatives of various interest groups have an influence on the process. The administrative challenges include, among other things, the classification of approved biofuels, the calculation of the annual quota amounts, and the rules on exemptions from the RFS for small refineries. Numerous participants have actively questioned various aspects of the RFS, which has led to great uncertainty in the markets in recent years. Until now, the Supreme Court in the USA has consistently confirmed the validity of the RFS.

For cellulose-based biofuels a target of a 44 percent share of the total for renewable fuels in 2022 is enacted in law. Accordingly, the legislation should provide for 10.5 billion gallons of cellulose-based biofuels (for example, biomethane from straw) in 2020. The EPA has fixed the target for 2020 at 590 million gallons. The deficit is due to various factors, among other things the lack of private investment, logistical challenges, technology setbacks and the lack of support from the US Federal Government. On the other hand, the deficit provides an opportunity for well-financed companies that are in a position to make use of technologies for manufacturing advanced biofuels on a large scale.

In Canada the government is working on a clean fuel standard, but its implementation has been postponed until 2023 due to the COVID-19 pandemic. It remains to be seen whether this process will be subject to further delays as a result of the recent announcement of new elections.

Business report and the Group's position

Results of operations

The production volume of biodiesel and bioethanol in the financial year 2020/2021 totalled 834,541 tonnes, compared with 796,411 tonnes in the financial year 2019/2020. This represents an overall capacity utilisation of 90.7 percent (2019/2020: 86.6 percent). In addition, once again a new record level of biomethane was produced in the financial year 2020/2021, with total production amounting to 794,817 MWh (2019/2020: 784,414 MWh).

The Group's sales revenues for 2020/2021 totalled EUR 1,026.0 million (2019/2020: EUR 872.4 million), exceeding EUR 1.0 billion for the first time. These figures include sales revenues from trading in biofuels of EUR 13.1 million, almost unchanged compared to the previous financial year (2019/2020: EUR 11.6 million). The increase in sales revenues is primarily due to the strong increase in the price of biodiesel over the course of the financial year. Further details are provided in the reports on the individual segments.

With framework conditions that were, primarily in Europe, comparably favourable, the Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) for the biofuels business amounted to EUR 166.3 million, EUR 44.2 million ahead of the same period in the previous year (2019/2020: EUR 122.1 million).

The Group operating result (EBIT) is EUR 136.6 million, also significantly higher than in the comparative previous period (2019/2020: EUR 91.9 million). The net result is also affected by current and deferred taxes of EUR 41.8 million (2019/2020: EUR 27.2 million), and amounted to EUR 93.5 million (2019/2020: EUR 63.8 million). Based on the result for the period, earnings per share (basic and diluted) were EUR 1.48 and EUR 1.47 respectively (2019/2020: EUR 1.01 and EUR 1.01).

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

Trends in individual income and expense categories

Other operating income amounted to EUR 12.7 million (2019/2020: EUR 16.1 million) and primarily included grants and the release to income of deferred investment grants and subsidies (EUR 4.4 million; 2019/2020: EUR 6.2 million), electricity and energy tax rebates (EUR 3.3 million; 2019/2020: EUR 3.0 million) and gains on currency exchange of EUR 1.4 million (2019/2020: EUR 3.0 million).

The cost of materials amounted to EUR 779.5 million. Consistent with the corresponding sales revenues, this figure is higher than in the previous year (cost of materials in 2019/2020: EUR 692.6 million). Taking account of changes in inventory of unfinished and finished goods, there was a more than proportional increase in gross margin amounting to EUR 269.1 million (2019/2020: EUR 197.5 million).

Personnel expenses in the financial year 2020/2021 amounted to EUR 54.4 million, approximately 21 percent higher than in the previous year (2019/2020: EUR 44.9 million). The increase is primarily due to an increase in the number of employees as a result of the ramp-up of the new business activities. Overall, there was a further increase in the overall average personnel cost per employee. The personnel expense ratio (as a proportion of sales revenue, change in inventories and own work capitalised) was 5.2 percent, a small increase compared to the previous year (2019/2020: 5.0 percent).

Other operating expenses amounted to EUR 46.4 million in the period (2019/2020: EUR 45.6 million). Other operating expenses primarily include the costs of repair and maintenance, outgoing freight costs and other sales costs, currency exchange losses, the cost of insurances and contributions, motor vehicle costs and legal and consultancy costs. Within this total, increases in expenses were recorded primarily for outgoing freight costs and currency exchange losses, while other expenses included in this category are largely unchanged compared to the previous year.

Depreciation in the financial year 2020/2021 included depreciation charges amounting to EUR 5.7 million (2019/2020: EUR 3.7 million) arising on right-of-use assets under leasing arrangements as a result of the application of IFRS 16. As a result, depreciation has fallen by a small amount overall compared to the previous year as substantial components of existing plant are fully depreciated and the investments made in the past two years are largely not yet written down.

The financial result amounted to EUR –1.3 million (2019/2020: EUR –0.9 million) and included interest expenses of EUR 1.4 million (2019/2020: EUR 1.6 million) less interest income of only EUR 0.1 million (2019/2020: EUR 0.7 million). The financial result includes interest expenses for interest charges on lease liabilities of EUR 0.3 million (2019/2020: EUR 0.2 million) in connection with the implementation of IFRS 16.

The increase in income tax expense (EUR 41.8 million; 2019/2020: EUR 27.2 million) corresponds to the higher profit before tax. The tax charge represented an effective tax rate of 30.9 percent (2019/2020: 29.9 percent) in the financial year 2020/2021, which is consistent with the expected rate.

Net assets and financial position

The balance sheet total amounts to EUR 678.6 thousand at June 30, 2021 (June 30, 2020: EUR 529.2 million). The increase in the balance sheet total on the assets side is due in particular to the increases in property, plant and equipment, inventories and derivatives. On the equity and liabilities side the increase primarily also reflects an increase in derivatives as well the increase in equity.

Non-current assets

Non-current assets increased by EUR 38.6 million and amounted to EUR 312.3 million at the balance sheet date (June 30, 2020: EUR 273.8 million). The increase was primarily due to further higher levels of additions to property, plant and equipment (EUR 67.7 million), offset by slightly lower systematic depreciation of EUR 23.7 million (2019/2020: EUR 24.7 million) and disposals of assets at their remaining book values of EUR 1.0 million. The carrying value of right-of-use assets under leasing arrangements, reported for the first time in the previous year as a result of the initial application of IFRS 16, is almost unchanged at EUR 16.2 million.

Current assets

Current assets amounted to EUR 366.3 million at June 30, 2021 (June 30, 2020: EUR 255.4 million), an increase of EUR 110.9 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2021: EUR 101.4 million; June 30, 2020: EUR 78.8 million). The increase in inventories compared to June 30, 2020 was primarily a result of higher quantities of inventories and the overall value of finished goods inventories, whereby there was an increase in inventories of biomethane quotas in particular.

There was also an increase, although a smaller one, in trade receivables (June 30, 2021: EUR 69.6 million; June 30, 2020: EUR 64.7 million). The increase primarily reflects the higher price level of biodiesel and bioethanol at the end of the year compared to the price level at the end of the previous year.

There was a significant increase in the carrying amounts of derivatives at June 30, 2021 (June 30, 2021: EUR 44.2 million; June 30, 2020: EUR 4.1 million). This was predominantly a result of the derivatives held to hedge the purchase of vegetable oils; that change in value is recognised directly in equity as a result of the accounting treatment of the derivatives as cash flow hedging instruments.

Further details of the changes in the balance of cash and cash equivalents are provided in the explanatory notes to the cash flow statement.

Equity

Equity totalled EUR 509.9 million (June 30, 2020: EUR 390.8 million). The equity ratio amounted to 75.1 percent, above the level at the previous year's balance sheet date (June 30, 2020: 73.9 percent).

Non-current liabilities

Non-current liabilities fell by EUR 3.8 million, from EUR 49.3 million at June 30, 2020 to EUR 45.5 million at June 30, 2021. While there has been a decrease in lease liabilities and other non-current financial liabilities, there was an increase in deferred tax balances.

Current liabilities

Current liabilities have also increased compared to the end of the previous financial year (June 30, 2021: EUR 123.3 million; June 30, 2020: EUR 89.1 million). This was primarily a result of the increase in derivatives (EUR 22.5 million; June 30, 2020: EUR 3.1 million) and the increase in other current liabilities.

The change in derivatives on the equity and liabilities side (June 30, 2021: EUR 22.5 million; June 30, 2020: EUR 3.1 million) primarily reflected the result from commodity forward contracts for sales transactions, whereby these are recorded as free-standing derivatives and accordingly the change in value is reflected in the result from commodity forward contracts.

Cash flows

The cash flow from operating activities for the reporting period totalled EUR 117.2 million, significantly higher than in the previous year (2019/2020: EUR 71.7 million). This is due to the higher profit in the period; in addition, there were other effects primarily from the non-cash transactions and non-cash changes in derivative financial instruments. Offsetting these effects were significantly higher cash outflows of EUR 44.5 million (2019/2020: EUR 13.5 million) for income tax payments.

Cash outflows from investment activities in the reporting period 2020/2021 totalled EUR 46.6 million (2019/2020: EUR 87.7 million). In particular, in addition to cash outflows for investments made in property, plant and equipment (EUR 67.1 million), this total includes cash inflows from the release of term deposit accounts (EUR 20.0 million). In the previous year cash outflows for investments made in property, plant and equipment were at a similar level (EUR 68.0 million) and corresponding increases in term deposit accounts were made (EUR 20.0 million).

The cash flow from financing activities for the reporting period totalled EUR –18.8 million (2019/2020: EUR 2.2 million). This primarily consists of the dividend payments (EUR 12.6 million; 2019/2020: EUR 12.6 million). In addition, the cash flow from financing activities is affected by the application of IFRS 16 with an amount of EUR 5.9 million (2019/2020: EUR 5.3 million) presented as a cash outflow for payment of lease liabilities.

As a result of the above, cash and cash equivalents increased by a total of EUR 51.9 million in the period July 1, 2020 to June 30, 2021. Cash and cash equivalents reported in the balance sheet at June 30, 2021 amounted to EUR 105.0 million.

Net cash

The bank and loan finance arrangements of EUR 30.0 million are more than offset by cash and cash equivalents of EUR 105.0 million and other cash balances held in segregated accounts of EUR 25.2 million, so that the reported net cash balance at the balance sheet date amounted to EUR 100.2 million (June 30, 2020: EUR 55.9 million).

Investments

Investments totalling EUR 67.8 million were made in the financial year 2020/2021 (2019/2020: EUR 66.7 million). These primarily relate to investments in property, plant and equipment of EUR 67.7 million (2019/2020: EUR 66.5 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 2020/2021 has been a very pleasing year overall. The EBITDA of EUR 166.3 million and the net cash position of EUR 100.2 million respectively are significantly above the original planning for the financial year 2020/2021. The forecast released in the previous year indicated an EBITDA of around EUR 130 million. For net cash the Company expected a net cash position at the end of the financial year 2020/2021 of around EUR 50 million. The original forecasts for EBITDA and for net cash at the end of the financial year were corrected at the end of the financial year by an announcement made on July 23, 2021.

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 February 4, 2022, and that the remaining profit for the period shall be carried forward.

Segment reporting

Biodiesel

Once again it was possible to match the high production volumes recorded in recent financial years. In the financial year 2020/2021 the production of biodiesel exceeded 600,000 tonnes for the first time, increasing to 601,257 tonnes (2019/2020: 559,735 tonnes). With the process optimisation in the Group's German plants and the improvements in the production capacity utilisation at the biodiesel plant in Canada, the production capacity utilisation was 91.1 percent following 84.8 percent in the previous year. Sales also hit a new record level at 669,645 tonnes.

Sales revenues in the Biodiesel segment in the financial year 2020/2021 totalled EUR 729.9 million, following EUR 588.2 million in the financial year 2019/2020. The increase in sales revenue is primarily due to the strong increase in the average selling prices for biodiesel, with a comparatively small increase in sales volumes.

The cost of materials amounted to EUR 586.2 million (2019/2020: EUR 511.9 million), above the level of the previous year, consistent with the increase in sales. Taking into consideration the change in inventories, gross profit increased from EUR 79.8 million to EUR 148.6 million.

Personnel expenses in the financial year 2020/2021 amounted to EUR 19.7 million (2019/2020: EUR 16.2 million). The increase is primarily due to the higher average number of employees in the segment overall.

Other operating expenses totalled EUR 22.1 million (2019/2020: EUR 20.1 million). Taking into account the losses on futures transactions of EUR 17.5 million (2019/2020: EUR 1.7 million), the segment EBITDA for the period is EUR 93.2 million (2019/2020: EUR 46.1 million).

Investments in property, plant and equipment totalling EUR 4.7 million were made in the Biodiesel segment in the financial year 2020/2021 (2019/2020: EUR 30.6 million).

Biodiesel	1. HY 2019/ 2020	2. HY 2019/ 2020	2019/ 2020	1. HY 2020/ 2021	2. HY 2020/ 2021	2020/ 2021
Production capacity (tonne)	330,000	330,000	660,000	330,000	330,000	660,000
Production (tonne)	280,993	278,742	559,735	307,230	294,027	601,257
Production capacity utilisation (in percent)	85.1	84.5	84.8	93.1	89.1	91.1
Number of employees at the balance sheet date	**199**	**208**	**208**	**219**	**224**	**224**

Bioethanol

In the financial year from July 1, 2020 to June 30, 2021 production of bioethanol totalled 233,284 tonnes (2019/2020: 236,676 tonnes), only slightly below the amount in the same period in the previous year. On the other hand there was a slight increase in the production of biomethane in the financial year 2020/2021 (794.8 GWh) compared to the financial year 2019/2020 (784.4 GWh).

In total, the Bioethanol segment generated sales revenues of EUR 286.6 million in 2020/2021, slightly above the level in the previous year (2019/2020: EUR 275.2 million). In the Bioethanol segment the small increase in sales revenues was due to the higher average sales price, while sales volumes decreased slightly; following a sharp fall in market prices in the third quarter, market prices have increased again significantly towards the end of the financial year. The volume of trading activities remained at a relatively low level, as in the previous year (2020/2021: EUR 12.6 million; 2019/2020: EUR 9.4 million).

The cost of materials increased compared to the previous year corresponding to the change in sales revenues, increasing to EUR 187.2 million (2019/2020: EUR 174.7 million), with the consequence that the segment gross margin increased to EUR 117.1 million from EUR 116.8 million in the same period 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 9.2 million (2019/2020: EUR 12.5 million), a fall compared to the previous year primarily due to the lower level of grant income.

Personnel costs amounted to EUR 29.9 million (2019/2020: EUR 24.1 million). The increase is primarily due to the higher number of employees as a result of expansion of the biomethane business.

Other operating expenses amounted to EUR 28.1 million, compared to EUR 29.2 million in the financial year 2019/2020. These primarily include freight out and maintenance costs, whereby these as well as other amounts included in other operating expenses are largely unchanged compared to the previous year.

The segment result EBITDA for the financial year 2020/2021 totalled EUR 70.6 million, in comparison with EUR 74.0 million in the financial year 2019/2020.

In total, EUR 61.1 million (2019/2020: EUR 29.6 million) was invested in property, plant and equipment in this segment. This primarily consists of investments in connection with the construction of the biomethane plants in the USA and India, as well as with the optimisation of the existing plants in Schwedt/Oder, Zörbig and Pinnow.

Bioethanol	**1. HY 2019/ 2020**	**2. HY 2019/ 2020**	**2019/ 2020**	**1. HY 2020/ 2021**	**2. HY 2020/ 2021**	**2020/ 2021**
Production capacity (tonne)			260,000			260,000
Production (tonne)	121,795	114,881	236,676	118,396	114,888	233,284
Production capacity utilisation (in percent)	93.7	88.4	91.0	91.1	88.4	89.7
Biomethane						
Production capacity (tonne)			750,000			900,000
Production (tonne)	376,918	407,496	784,414	414,172	372,156	794,817
Production capacity utilisation (in percent)	100.5	98.2	95.3	92.0	82.7	88.3
Number of employees at the balance sheet date	**338**	**340**	**340**	**371**	**401**	**401**

Other
Sales revenues generated in the Other segment totalling EUR 16.7 million in the financial year 2020/2021 primarily represent revenues from transport and logistics services (2019/2020: EUR 15.8 million). The segment result amounted to EUR 0.8 million (2019/2020: EUR 0.6 million). The Other segment had 130 employees at June 30, 2021 (June 30, 2020: 119 employees).

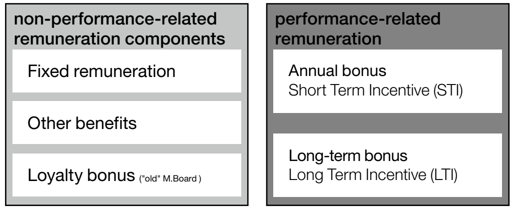
Remuneration report

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.

Remuneration of the Management Board
In accordance with the German Stock Corporation Act in its current version 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. According to § 120a (1) AktG in the version valid since January 1, 2020, in accordance with the Act Implementing the Second Shareholders' Directive (Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie – ARUG II) issued on December 12, 2019 the annual general meeting of a public listed company shall hold a resolution on the remuneration system of the members of the Management Board on each occasion when a significant change to that system is made and no less than once each four years. In accordance with the transition rules set out in § 26j (1) EGAktG the initial resolution in accordance with § 120a (1) AktG shall be held no later than by the end of the first ordinary annual general meeting held after December 31, 2020. Due to the legal changes and in the light of the fact that the contracts of the members of the Management Board expire at the end of October 2020, the Supervisory Board approved a new remuneration system on April 1, 2020 for new Management Board employment contracts. The remuneration system in place since July 1, 2020 was approved by a majority of 90.39 percent of the shareholdings represented at the general shareholders' meeting held on January 29, 2021.

The VERBIO AG remuneration system consists of the following Non-performance-related and Performance-related remuneration components:

For simplification purposes Claus Sauter, Prof. Dr. Oliver Lüdtke, Theodor Niesmann and Bernd Sauter are referred to as the "old" Management Board and Stefan Schreiber is referred to as the "new" Management Board.



This remuneration represents compensation for all activities performed for the Company and, unless agreed otherwise, for activities performed for affiliated companies of the Company in accordance with § 15 et seq. as well as for roles performed at industry associations. The acceptance of Supervisory Board positions requires the approval of the Supervisory Board. As part of this procedure the Supervisory Board will decide if and the extent to which any remuneration shall be deduced.

1. Non-performance-related remuneration components

1.1 Fixed remuneration (basic annual salary)
Each member of the Management Board receives a Non-performance-related fixed remuneration paid in twelve equal instalments.

1.2 Other benefits

In addition to a fixed salary, members of the Management Board are provided with other benefits. These take the form of the provision of a company car that may also be used for private purposes. VERBIO AG bears all the costs of maintaining and operating company cars. In addition, the Company reimburses expenses and travel costs that are incurred by members of the Management Board in connection with performing their employment obligations based on the relevant current company guidelines. The tax burden arising on other benefits provided is borne by the respective member of the Management Board.

1.3 Loyalty bonus

The members of the "old" Management Board are awarded an additional loyalty bonus, which is awarded in lieu of a traditional pension plan arrangement.

Half of the loyalty bonus is paid in the form of VERBIO AG shares. The other half can, at the discretion of the Management Board, be paid in cash or also be paid in shares. To calculate the number of shares to be issued, the loyalty bonus to be paid in shares is divided by the weighted three-month average VERBIO share price noted in the closing auction in the Xetra trading system of the Deutsche Börse AG (or, in its place, an appropriate successor system) (Xetra share price). The last three months of the respective financial year (April to June) are relevant for the purposes of this calculation. The members of the Management Board may only dispose of the VERBIO AG shares after the termination of their respective employment contracts (vesting period).

If their employment period ends during the year, the award is made on a pro rata basis. VERBIO AG is entitled to demand the return of all or a portion of the shares awarded under the loyalty bonus of a member of the Management Board if the member's employment contract is ended as a result of gross breach of duty. However, there is no right to demand the return of shares issued to a member of the Management Board based on the exercise of an option right exercised by that member.

2. Performance-related remuneration

2.1 Annual bonus (STI)

The annual bonus for the "old" members of the Management Board amounts to 1 percent of the positive consolidated net income for the period exceeding EUR 16,000,000, 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 of a member of the "old" Management Board is limited to a maximum of half of the annual fixed remuneration (annual bonus cap).

The annual bonus of the "new" Management Board is based on weighted targets that are set annually by the Supervisory Board. The targets shall be determined by the Supervisory Board and communicated to the "new" Management Board by May 30 of each year for the Company's financial year that follows. At least three and no more than five targets must be agreed. The weighting by target is made in multiples of 10 percent of between 10 and 50 percent. The total weighting shall equal 100 percent. The financial and non-financial targets may be operating or alternatively strategic targets. For the measurement of the achievement of targets it is necessary to define fulfilment criteria in order to be able to define whether the target has been exceeded, met, partially met, or not met. The measurement of the achievement of targets results in a weighting of the respective targets based on the level of achievement (exceeded = credited twice, met = simple credit, partially met = credited by half, or not met = no credit). The annual bonus of a member of the "new" Management Board is limited to a maximum of half of the annual fixed remuneration (annual bonus cap).

The annual bonus is then calculated using the following method:

Annual bonus = 50 percent x fixed remuneration x target achievement factor

For this purpose, the target achievement factor is determined as the weighted assessment of the achievement of targets.

No bonus is payable if the target achievement factor is below 0.5.

For both "old" and "new" members of the Management Board the following applies:

The Supervisory Board can increase the annual bonus by awarding an additional, subsequent bonus awarded to recognise special performance in the reference year, where appropriate.

The annual bonus is awarded on a pro rata basis if an employment contracts ends before the end of a financial year.

2.2 Long-term bonus (LTI)

The base figure for the long-term bonus for each financial year is half of the annual fixed remuneration (reference bonus amount). The reference period is a period of three years. All members of the Management Board are awarded a long-term bonus, but there are different arrangements for determining the bonuses payable to "old" and "new" members.

a) For the members of the "old" Management Board the following applies:

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 financial year by dividing the reference bonus by the weighted three-month average of the VERBIO share price in the closing auction in the Xetra trading system of the Deutsche Börse AG (Xetra price or price quoted on an appropriate successor system) (Xetra share price). The last three months of the respective financial year are relevant for the purposes of this calculation.

Three years after the respective effective date, i.e. on September 30 of the respective following year (payment year), the related fictional shares are reconverted into a sum of money such that the number of fictional shares is multiplied by the Xetra share price for the period of the last three months of the latest financial year before payment.

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

The Supervisory Board is entitled to replace monetary payments and instead grant the Management Board member the respective number of fictional shares in place of such payments. The Supervisory Board is entitled to exercise the substitution right for all fictional shares of a specific year; if the right is exercised the Supervisory Board can only exercise the power uniformly for all fictional shares attributable to the that year. If shares are allocated to the Management Board member, the member is only permitted to sell them after the expiration of a vesting period of a further period of one year after the allocation, but not before the end of the members' employment contract. VERBIO AG shall ensure compliance with this provision. The long-term bonus cap does not apply to the exercise of the substitution right.

The reference bonus is calculated on a pro rata basis if an employment contract ends before the end of a financial year.

The due dates for payment and vesting periods continue to apply for a long-term bonus that is not yet paid by the date that an employment contract ends. This ensures that the reference period of three years and a vesting period of a further period of one year on the issue of shares are also applied to periods subsequent to the end of an employment contract.

b) For the members of the "new" Management Board the following applies:

At September 30 of each year (the effective date) the reference bonus amount is converted into a number of fictional shares of the VERBIO North America Corporation (fictional VNA shares) for the preceding financial year by dividing the reference bonus by the weighted three-month average of the fictional price of the VERBIO North America Corporation shares (fictional VNA share price).

The fictional VNA share price is calculated as follows:

- The EBITDA multiple for VERBIO AG is calculated. For this purpose, the weighted three-month average VERBIO share noted in the closing auction in the Xetra trading system of the Deutsche Börse AG (or, in its place, an appropriate successor system) (Xetra share price) for the period from April to June of the financial year is multiplied by the total number of VERBIO AG shares and divided by the EBITDA generated by VERBIO AG in the financial year.
- The fictional VNA share price is calculated by multiplying the EBITDA of VNA by the VERBIO AG EBITDA multiple divided by the equity of VNA, plus the borrowings provided to VNA by VERBIO AG (or any of its subsidiaries). All of the data used for the purposes of the calculations are based on the financial year and on the June 30 balance sheet date of the financial year, respectively.
- The reference bonus amount is then divided by the fictional VNA share price to calculate the number of fictional VNA shares.

Three years after the respective effective date, i.e. on September 30 of the respective following year (payment year), the related fictional VNA shares are reconverted into a sum of money such that the number of fictional VNA shares is multiplied by the fictional VNA share price for the payment year. This is calculated using the methodology described above using the data for the financial year ended before the payment year.

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

No long-term bonus is awarded if the employment contract of the member of the "new" Management Board is ended prematurely or in case of non-temporary leave of absence.

Other contractual payments

Remuneration on contact termination

The employment contracts entered into with the members of the Management Board provide for limits on termination payments in cases when the Management Board activity is prematurely ended when such termination is not based on a termination of the employment contract on acceptable important grounds. Under these provisions, termination payments may not exceed the amount of two years' salary (based on the total remuneration for the preceding financial year and where applicable on the expected total remuneration for the current financial year) (termination payment cap) and the remuneration for the remaining period to maturity under the employment contract. In addition, there is a further overall upper limit on termination payments for the "old" Management Board of EUR 1,500,000. Further, the employment contracts of the members of the Management Board provide for payment of the member's fixed remuneration should the member be temporarily unable to perform their duties for reasons that are beyond their control; such payments are to be made for a period of up to six months but not, however, beyond the end of their employment contract. In the case of the death of a member of the Management Board their widow and children under 25 years of age are, as joint beneficiaries, entitled to continued payment of the fixed remuneration for the month in which the death occurs and the three months thereafter, but not, however, beyond the end of their employment contract.

„Change of Control"-provisions

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 the member 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.

Total remuneration

The total remuneration of members of the Management Board in the financial year 2020/2021 amounted to EUR 5,195 thousand (2019/2020: EUR 3,042 thousand). Thereof, EUR 3,219 thousand (2019/2020: EUR 1,541 thousand) relates to the fixed salary portions including other remuneration components, and EUR 1,976 thousand (2019/2020: EUR 1,501 thousand) pertains to the variable remuneration components.

The members of the Management Board were awarded the following remuneration in the financial year 2020/2021:

Remuneration awarded for the reporting year

EUR (thousands)	Claus Sauter 2020/2021	Prof. Dr. Oliver Lüdtke 2020/2021	Theodor Niesmann 2020/2021	Bernd Sauter 2020/2021	Stefan Schreiber 2020/2021
Fixed remuneration	768	700	700	700	300
Other remuneration	15.3	1.5	8.1	15.7	10.1
Variable remuneration (annual bonus)	234	200	200	200	150
Variable remuneration (long-term bonus)	236	202	202	202	150
Plan/plan duration	Fictive shares 11 07/2020–06/2024	Fictive shares 11 07/2020–06/2024	Fictive shares 11 07/2020–06/2024	Fictive shares 11 07/2020–06/2024	Fictive shares 11 07/2020–06/2024
Total remuneration	**1,253**	**1,104**	**1,110**	**1,118**	**610**

On January 29, 2016 the annual general meeting of VERBIO Vereinigte BioEnergie AG approved a resolution to the effect 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 for the previous year.

The actual amounts paid to the members of the Management Board in the reporting period (payment amounts) were as follows:

Actual amounts paid in the reporting year

EUR (thousands)	Claus Sauter 2020/2021	Prof. Dr. Oliver Lüdtke 2020/2021	Theodor Niesmann 2020/2021	Bernd Sauter 2020/2021	Stefan Schreiber 2020/2021
Fixed remuneration	468	400	400	400	300
Other remuneration	15.3	1.5	8.1	15.7	10.1
Variable remuneration (annual bonus)	210	180	180	180	0
Variable remuneration (long-term bonus)	908	760	760	760	0
Plan/plan duration	Fictive shares 6 and 7 07/2015–06/2020	Fictive shares 6 and 7 07/2015–06/2020	Fictive shares 6 and 7 07/2015–06/2020	Fictive shares 6 and 7 07/2015–06/2020	
Total remuneration	**1,601**	**1,342**	**1,348**	**1,356**	**310**

In addition, there is remuneration payable and shares that have been awarded in previous years under variable remuneration arrangements with the Management Board which have not yet been paid or issued:

Remuneration payable and shares awarded in previous years which have not yet been paid or issued

EUR (thousands)	Claus Sauter 2020/2021	Prof. Dr. Oliver Lüdtke 2020/2021	Theodor Niesmann 2020/2021	Bernd Sauter 2020/2021	Stefan Schreiber 2020/2021
Fictive shares 8					
Number of shares awarded	44,607	38,235	38,235	38,235	0
Underlying share price (EUR/share)	14.99	14.99	14.99	14.99	–
Value fictive shares 8	669	573	573	573	0
Fictive shares 9					
Number of shares awarded	27,784	23,815	23,815	23,815	0
Underlying share price (EUR/share)	15.83	15.83	15.83	15.83	–
Value fictive shares 9	440	377	377	377	0
Fictive shares 10					
Number of shares awarded	23,596	20,225	20,225	20,225	0
Underlying share price (EUR/share)	15.44	15.44	15.44	15.44	–
Value fictive shares 10	364	312	312	312	0
Total number of shares	**95,987**	**82,275**	**82,275**	**82,275**	**0**
Total share value	**1,473**	**1,262**	**1,262**	**1,262**	**0**

Remuneration of the Supervisory Board

The amounts of remuneration payable to members of the Supervisory Board are determined by the annual general meeting and governed by § 14 of the Company's articles of association.

In accordance with the revised § 113 (3) AktG, following the amendments introduced by the Act Implementing the Second Shareholders' Directive (Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie – ARUG II) issued on December 12, 2019, the annual general meeting must hold a resolution on the remuneration of the Supervisory Board no less than once each four years. Such a resolution may consist of a confirmation of the existing remuneration. Accordingly, the Management and Supervisory Boards will re-examine the remuneration of the Supervisory Board on a regular and ongoing basis and present resolutions for the shareholders' approval to the annual general meeting in accordance with § 113 (3) (1) and (2) AktG at least every four years.

The current system of remuneration for meetings of the Supervisory Board and in particular the amounts thereof are based on the resolution approved at the annual general meeting held on January 31, 2020. In order to ensure congruency with the resolutions on the remuneration of the members of the Management Board, a proposal to approve the remuneration of the members of the Supervisory Board was presented to the annual general meeting held on January 29, 2021. The resolution was approved by a majority of 98.60 percent of the votes exercised.

The system of remuneration for members of the Supervisory Board provides for a solely fixed remuneration with no performance-related variable components and no share-based remuneration. A solely fixed remuneration for members of the Supervisory Board is recommended by the German Corporate Governance Code in its recommendation G.18 Sentence 1.

According to this, at the end of the business year each Supervisory Board member receives annual fixed remuneration of EUR 45 thousand. The Chairman of the Supervisory Board receives twice this amount, and the Vice-Chairman receives one and a half times this amount. This makes allowance for the greater time obligations of the Chairman and Vice-Chairman of the Supervisory Board in accordance with the recommendations in G.17 Sentence 1 of the German Corporate Governance Code.

The members of the Supervisory Board were paid remuneration of EUR 202.5 thousand for their activities in the financial year 2020/2021 (2019/2020: EUR 202.5 thousand).

Remuneration of the Supervisory Board 2020/2021

EUR (thousands)	**Alexander von Witzleben**	**Ulrike Krämer**	**Dr.-Ing. Georg Pollert**	**Dr. Klaus Niemann**	**Total remuneration**
			until 28.01.2021	from 29.01.2021	
Fixed remuneration 2020/2021	90.0	67.5	26.1	18.9	202.5
Total remuneration 2020/2021	**90.0**	**67.5 €**	**26.1**	**18.9**	**202.5**

In addition, the Company compensates the member of the Supervisory Board for expenses appropriately incurred in connection with the performance of their duties. The Supervisory Board members who were in office in the 2020/2021 financial year were reimbursed with a total amount of EUR 2 thousand (2019/2020: EUR 4 thousand) for cash outlays.

No other remuneration was paid or benefits granted to members of the Supervisory Board in the financial year 2020/2021 for services rendered personally, in particular for consulting or referral services. In the previous financial year (the financial year 2019/2020) the Company paid remuneration amounting to EUR 5 thousand to the Supervisory Board member Ulrike Krämer for consultancy work performed personally under an ongoing consultancy agreement. The agreement was not prolonged beyond June 30, 2020.

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).

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

Events subsequent to the balance sheet date

Significant events subsequent to the balance sheet date

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

Outlook, opportunity and risk report

Report on expected developments

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. This is particularly applicable in the light of the current COVID-19 pandemic and the resulting significant effect on the economic framework conditions, even though in recent weeks the situation appears to be gaining more stability and it appears that the pandemic may soon be overcome as a result of the ongoing vaccination programme.

VERBIO does not intend to and does not undertake, except as required by legal disclosure requirements, any obligation to update any forward-looking statements contained in this report, nor 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. A stable business, and a sustainable business development in the biofuels sector, including the contribution to results from conventional biofuels such as biodiesel and bioethanol, are dependent on reliable framework conditions. 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 increase of the GHG quota from 6 percent to a nominal 25 percent by 2030 represents a multiple of the market demand and is a change which VERBIO has demanded since its initial public offering in 2006.

Trends in raw material prices

The World Agricultural Supply and Demand Estimates (WASDE report) issued by the United States Department of Agriculture (USDA) on July 12, 2021 estimates that worldwide wheat production for the season 2020/2021 (opening inventories plus harvest) will be 1.0826 billion tonnes (WASDE issue 614, page 8).

In doing this the USDA reduces the estimated production figures shown in its last report for the current business year to 792.40 million tonnes.

Total grain production was estimated to be 2.7953 billion tonnes, meaning that the correction made in January was reversed. These figures included 792.4 million tonnes (2019/20: 763.49

million tonnes) of wheat and 1.1948 billion tonnes of maize (previous year: 1.1164 billion tonnes) (WASDE issue 614, page 23).

The closing inventories of grain were estimated to be 814 million tonnes in December 2020; in the July report these were only 776.86 million tonnes. These figures included 291.68 million tonnes of wheat (December 2020 report: 316.50 million tonnes).

The estimates for the worldwide consumption of wheat for 2021/2022 will increase to 790.89 million tonnes, after 784.95 million tonnes in 2020/2021 and 748.29 million tonnes in the 2019/2020 season. It is estimated that inventories of maize at the end of 2021/2022 will be 291.18 million tonnes compared to 279.86 million tonnes (2020/2021 estimate) (WASDE issue 614, page 23).

The price development in the calendar year 2021 was characterised by markets giving an impression of firmness. In May 2021 wheat reached USD 284/tonne on the Chicago exchange, its highest level since February 2013 (source: Reuters).

US maize was traded at USD 304/tonne in May 2021; these levels were also last reached in February 2013.

In its report dated July 12, 2021, the USDA expects worldwide oilseed production for 2020/2021 to total 600.2 million tonnes (January 12, 2021: 594.48 million tonnes). Harvest forecasts for 2021/2022 were increased to 635.41 million tonnes; in June the USDA was at 632.86 million tonnes.

The production of oilcake is estimated to increase from 353.57 million tonnes in the 2020/2021 harvest to 365.54 million tonnes in 2021/2022, and vegetable oil production is estimated to increase from 231.87 million tonnes in 2019/2020 to 239.51 million tonnes in 2021/2022.

The consumption of vegetable oils (WASDE issue 614, page 10) is expected to continue to increase to 207.78 million tonnes in 2020/2021 and to 213.34 million tonnes in 2021/2022, and the consumption of meal is expected to increase from 349.25 million tonnes in 2021/2022 to 357.99 million tonnes.

The supply of soya beans is expected to be good with an expected harvest of 363.57 million tonnes worldwide for the harvest year 2020/2021. The estimates for the harvests in the USA and Brazil are 112.55 million tonnes and 137 million tonnes respectively, while the estimated harvest for this year in Argentina has been reduced to 46.5 million tonnes from an original forecast of 50 million tonnes made in January 2021. Compared to its January 2021 forecast the USDA has increased its forecast for the expected amount of closing inventories for soya significantly (WASDE issue 614, page 28). In January only 84.32 million tonnes were expected for the season 2021/2022; in July 2021 the USDA increased the expected quantity to 94.49 million tonnes.

Oil World anticipates a continued tight market situation for rapeseed oil (Oil World, No. 30/64). The availability of canola in Canada in the cultivation year 2021/2022 will be approximately 4.2 million tonnes lower than in the previous year, and as much as 6.2 million tonnes lower than two years ago. This has led to a significant premium for canola compared to soya beans of USD 192/tonne in the period from July 1 to July 29, 2021. Rapeseed oil processing in Europe is estimated to be 22.2 million tonnes in the current 2021/2022 season, approximately 400 thousand to 500 thousand tonnes lower than in the previous year. Oil World estimates the rapeseed harvest in the European Union member states will be 16.73 million tonnes.

Sales price trends

The short- and medium-term crude oil price is, to a significant degree, 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. Further waves of infections as a result of the COVID-19 pandemic could result in lockdown measures being taken and consequently a substantial reduction in demand pattern, which is currently still in the process of recovery.

A recovery of the world economy would result in a significant increase in demand, whereby it will be increasingly difficult for publicly listed oil companies to make investments in fossil oil extraction and processing. The massive public criticism of the oil companies makes it easier for the OPEC countries to maintain their oil production discipline without losing market share, as was the case in the past.

While worldwide inventories were at a five-year high at the start of the COVID-19 pandemic, inventories are currently at the lower end of the scale.

A price increase driven by increased demand and lower supply of fossil raw material and fuels has led to higher prices and increased the competitiveness of biofuels in general.

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 factor.

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. With the increase in the quota obligation from 4.0 percent to 6.0 percent from January 1, 2020, there was an increase in demand for biofuels with high levels of greenhouse gas savings.

However, the lockdown measures have caused a temporary sharp decline in the demand for fuel, which in turn will reduce the need for biofuels for the whole of the calendar year 2021.

Developments in political framework conditions in the European Union

It can be assumed that the proposals made by the EU Commission under the heading "Political environment and legal framework for biofuels" described in the report on economic position will be subjected to further intensive discussions. It could take up to two or three years before decisions and resolutions are made by the EU Council and the European Parliament.

Discussion points will also certainly concern the ways of meeting the higher targets using the potential methods available under the RED II/RED III requirements, and the role that needs to be given to biofuels for this purpose. Just as important is the question of availability, i.e. the competing uses for green electricity, e.g. for electro mobility, e-fuels and the numerous applications discussed in the hydrogen strategy; these will be decisive issues in the question of determining realistic fulfilment options.

In addition to the question of the costs of softening the impact and consequences on economic growth, there are, among other things, the following important matters that will need consideration:

- How, and to what extent, should the targets be fulfilled by the use of biofuels?
- What realistic and commercially viable trends for alternative fuels will be acceptable?
- How should the statement concerning the end of the combustion engine and the use of fossil fuels be interpreted in the light of the discussion concerning hybrid powertrains?
- What options are planned for existing vehicle fleets?

It also remains to be seen what stance the European Parliament and the European Council will take. The German position will be decided by the composition of the future federal Government following the parliamentary elections to be held on September 26, 2021. In any case it can be expected that, in general, the coming years will see a transitional phase that will be a continuation of the status quo.

Developments in the political environment in the USA

The Renewable Fuel Standard (RFS) programme in its current form is due to end in 2022. By the end of 2021 or early 2022 there should be an announcement explaining any adjustments to the rules for the determination of the annual quotas (RVOs) for the individual types of biofuels after 2022. The EPA will continue to follow the programme under the current rules. The scope of these adjustments will also be based on the RFS that currently applies, i.e. there are minimum and maximum limits for the individual types of biofuels. Essentially it is expected that the current rules will be carried forward after 2022. A fundamental change to the rules is not expected until there is a new RFS; however, it is not expected that a new RFS will be approved in the medium term. The current government has not made any clear statements on the future of renewable fuels (RFS3), and a due date for this has not yet been fixed.

The previous US administration made generous use of permitted exceptions to the annual quota increases for small refineries. The fall in the demand for biofuels resulting from the use of the exceptions weakened margins for almost all types of biofuels through to the end of 2020. In the meantime, the EPA has restored confidence in the market by revoking exceptions that had been issued earlier, which has resulted in some improvements to the margins seen in the past.

Political environment in Canada

In Canada the use of renewable fuels in the biofuels market reflects the interests of the individual provinces, whereby British Columbia is regarded as the leading province for this purpose. Other significant provinces such as Ontario and Quebec have expressed an interest in supporting the continued development of renewable fuels; however, changes in the provincial governments have led to uncertainty and to a delay in the use of energy from renewable sources.

In 2016 the Canadian Federal Government announced a national Clean Fuel Standard (CFS) that was intended to achieve annual greenhouse gas savings of up to 30 million tonnes by 2030. The plan was aimed at an increase in the use of fuels with lower CO_2 emissions, whereby there are separate requirements for liquid, gas and solid fossil fuel types.

The authority responsible for the implementation of the CFS, Environment and Climate Change Canada, has announced a delay in the original time schedule as a result of the COVID-19 pandemic. First, regulations to reduce emissions from

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liquid fuels will be prepared and these are expected to be implemented in December 2022; further regulations for gas and solid fuels will follow thereafter.

Overall the implementation of the CFS is making slow progress; any acceleration of this is not to be expected. Many market participants expect that the planned elections at federal level could lead to additional uncertainty and associated delays.

Future development of the VERBIO Group

The ongoing optimisation and expansion of the Group's existing production equipment, and the investments necessary to achieve this, are part of VERBIO's business strategy. This practice is also being continued in the challenging environment of the past financial year, and will continue to be a feature of protecting the Group's future.

A significant component of protecting the Group's future is also the development of processes to manufacture basic chemicals for use in the chemical industry using vegetable oils and biodiesel as raw materials. For the Bioethanol segment too, VERBIO is working on promising projects to increase its value-added as well as on new applications for chemical processes. These products will make further progress to making VERBIO independent of the biofuels market and increase profitability.

In view of the ambitious decarbonisation in transport objectives, some of which have been implemented in practice, and the newly created markets in industry, a significant growth in the market for low CO_2 raw materials and products in the years through to 2030 can be expected. VERBIO will be active in addressing this market growth with the expansion of existing production capacity for advanced biofuels in the form of new plants at both greenfield and brownfield locations.

Overall assessment of the expected development

The GHG quota system that came into effect in Germany from January 1, 2015 was implemented well by VERBIO, and the Company has used this opportunity to create an impressive success story. In almost every financial year the Group has achieved further new record levels of sales volumes and reported record results, and this was again the case in the financial year 2020/2021 just ended.

The Management Board also expects that the VERBIO production equipment in both segments will see a good level of plant utilisation in the financial year 2021/2022 just started. Sales revenue levels are very much dependent on the market prices of raw materials and biofuels and on the volume of trading transactions for biogene fuels entered into on a case-by-case basis. Based on current sales volumes and raw material prices as well as the planned production capacity usage and the uncertainties described, the Management Board expects to achieve an EBITDA for the financial year 2020/2021 of around EUR 150 million. Net cash at the end of the financial year will fall by approximately EUR 50 million as a result of the high levels of investment, which will be financed from the Group's own resources. This forecast is made subject to the proviso that the continued course of the COVID-19 pandemic does not continue to have a significant negative effect on the market for biofuels.

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 and quality, 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, as well as the conditions in the economy as a whole, and the statutory quota, regulatory and energy tax policy environment. All of these processes and influencing factors are subject to opportunities and risks that are capable of affecting VERBIO's existence, 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 that 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 that 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 to be 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 half-yearly 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 that 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 second half of the last financial year 2019/2020; this was done in individual meetings held by the risk manager with those responsible for reporting risks, or by telephone due to the requirements to reduce the level of social contacts. In accordance with the Company's two-year cycle, a further such inventory is due to be performed at the end of the coming financial year 2021/2022. In addition, all risk managers at the subsidiaries and at the holding company report on a half-yearly basis (in written form using the risk management documentation form) to the Group risk manager. The Group risk manager combines the reports and reports on the aggregate risk position and the presentation of the risks included in the report – whether they are new risks or risks whose reporting has been amended – directly to the Management Board.

Further, 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 opportunity and risk factors as follows: market and sales, procurement, environment, tax and commercial law, production and technology, finance, human resources, organisation, legal, regulations and compliance, and other events.

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

Corporate risk	Probability of occurrence	Risk category (measurement prior to the effect of risk avoidance measures)
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	↑ Medium	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	↑ Mediuml	↑ High
Pandemics	High	High
Personnel (new)		
Risks from personnel management	Medium	Low

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

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 UCOs (Used Cooking Oils) that are offered to the market at dumping prices, and that 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. This motivation will be increased further with the increase of the GHG quota to 7 percent in 2022.

In the USA and Canada, should there be no annual amendment to the volume obligations (RVO) the resulting oversupply would have a negative effect on biodiesel sale volumes and a general effect on the margins of biofuels used as a substitute for diesel.

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 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 that are intended to adjust the reductions of fossil fuel greenhouse gas emissions to meet 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 situations 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 that 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. The VERBIO Group is well positioned, making use of technology standards already achieved for large-scale production of biofuels (biodiesel, bioethanol and biomethane), and also has the process know-how to implement further ongoing and coherent programmes for the 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 may be 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 plants profitably 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 45 million.

There are currently no 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. General 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. Only limited use of hedges is made for currency risks arising on shareholder loans made to foreign subsidiaries in the Group. The liquidity risks of a revaluation of the shareholder loans in foreign currencies are regarded as low; however, their effects on the statement of profit or loss are considered to be medium to high.

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, the risk 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 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. For further details we refer to note 9 “Disclosures on financial instruments” in the notes to the consolidated financial statements.

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 inappropriate, 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.

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 (RED II) published in December 2018 provides for a limit of 7 percent for the use of cultivated biomass from 2021. Within this limit, in each member state the maximum use of cultivated biomass for conventional first generation biofuels is limited to the 2020 level, plus an additional 1 percent allowance for flexibility purposes. For VERBIO, as a leading technology company, this result should provide further market opportunities, also beyond 2020. With RED II there will be an obligatory minimum quota for advanced second generation biofuels for the first time, which will present additional market opportunities for VERBIO as a leading manufacturer of biomethane based on straw and distillation waste.

There are uncertainties concerning the implementation of RED II in the respective countries, including in Germany. The RED II implementation process in Germany has started, and it was originally planned that it would be completed by June 2021. The Act was approved by the German Parliament on May 21, 2021, but it has not yet been approved by the Federal Assembly, the second house. The Federal Assembly is expected to approve the implementation on September 17, 2021. A rejection by the Federal Assembly would mean that a new German Parliament, which may have a different majority composition, would have to reconsider the implementation of RED II.

The EU Commission, in its "Fit for 55" package, has already set out draft proposals for amendments to RED II that provide for more ambitious greenhouse gas savings targets than were foreseen by RED II. These changes will presumably lead to further amendments to resolutions needed to implement RED II in Germany. However, we do not expect these amendments until 2023 or 2024.

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.

In the USA the current legal framework to promote renewable energies in the transport sector runs out at the end of 2022. However, the Renewable Fuel Standard (RFS2) includes clauses to regulate how to continue in the absence of new legislation. The new US government has not given the impression that there will be a new RFS3 in the foreseeable future, but has indicated that regulations based on RFS2 will apply after 2022. First proposals are scheduled for the end of 2021. Currently we assume that the present level of volume obligations will not be cut, and that in connection with RFS2 regulations will provide for further increases in the obligations, in particular for cellulose-based biofuels.

In Canada there are no changes to the status quo planned until the introduction of the Clean Fuel Standard that is planned for 2023. As a result, the USA will continue to be the primary market for biodiesel manufactured in Canada.

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

Risks arising from the worldwide spread of the coronavirus

The worldwide spread of COVID-19 was declared a worldwide health emergency by the World Health Organization (WHO) in January 2020, with a substantial effect on the world population and economy.

VERBIO took immediate and comprehensive measures to counter these risks as far as it is possible to do so, in order to protect employees and business partners on the one hand, and at the same time to ensure that business operations could continue.

In addition to the general risks associated with the spread of COVID-19 there is a risk that the Group's planned financial objectives may not be met – if, for example, infections are identified within the Company, or if there is a requirement to close a location or suspend a part of the Group's business activities.

IT-Risks

IT risks with an effect on business results can materialise when information is not available or is incorrect. The consequences 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 is assessed as high, despite the relevant migration measures and an effective continuity plan, as cyber-criminal activities are becoming ever more effective and, in particular, more professional in their approach, which means that the probability of occurrence needs to be assessed as medium. Specifically, in response to this, VERBIO is taking further measures in order to protect against these increased risks.

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 what is being offered at the most advantageous purchasing conditions on the agricultural markets. This can result in price advantages and therefore competitive advantages. VERBIO is in a position to convert plant and equipment 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.

It can be observed that ever more countries are introducing E10 as a standard fuel for use in petrol-based engines as part of the process of implementing RED II, and they are replacing or complementing the energetic-based biofuels quotas with greenhouse gas quotas. This increases the demand for ethanol and for lower emission fuels.

With the implementation of RED II separate quotas for advanced biofuels will be introduced in all member states which will lead to a boost in demand for this new biofuels category.

Supply and demand on international crude oil markets are increasingly returning to an equilibrium, 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 most cases they have been conceived and built mainly using the Company's own processing know-how. Therefore, it is possible to optimise the production facilities or adjust them for different raw materials using the Company's own resources.

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

The same objectives apply to the straw biomethane plants currently under construction – which are close to being commissioned – and the biodiesel plant acquired in Canada. It is planned to achieve technical levels in Canada that 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 despite the challenging market environment and the uncertainties resulting from the COVID-19 pandemic. The increased diversification towards other markets away from the dominating fuel customers, which has been initiated with the acquisition of XiMo, also contributes to the reduction of risks in the future.

The Company's management is convinced that VERBIO's earnings power forms a solid basis for its future business development, in particular with its entry into new markets by means of the expansion strategy already implemented, and that it provides the necessary resources needed in the 2020/2021 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 of the financial reporting processes is to identify risks that could hinder the preparation of the annual financial statements, the consolidated financial statements and the (Group) management report in a manner that is compliant with the relevant rules. By establishing appropriate controls, the internal control system is designed to 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, should ensure and facilitate appropriate risk management and control, 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 that reports directly to the Management Board.

Statement on corporate governance

The Corporate Governance Statement of VERBIO, 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 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 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.

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

Report on relationships with affiliated companies

The Management Board of VERBIO 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 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.

Following a capital increase registered at the commercial register on June 1, 2021 the subscribed capital (share capital) of VERBIO AG consists of 63,183,632 no-par bearer shares. Each share grants the holder the same rights and grants one vote in the general shareholders' meeting. All shares entitle the holder to dividend payments in full; dividend payments are made in euros.

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 requiring the voting rights to be pooled. 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 pooled voting rights under the voting trust agreement. The pooling contract could not be cancelled earlier than April 5, 2021 and since then it is extended automatically every six months unless it is terminated with a three-month notice period before the conclusion of its term. There has been no termination of the contract.

Claus Sauter and Bernd Sauter, both members of the Management Board, as well Dr.-Ing. Georg Pollert, a former member of the Supervisory Board, have direct holdings in VERBIO in excess of 10 percent. They hold directly, or indirectly via holding companies, a total of 49.14 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 61.77 percent; shares held under the voting trust agreement represent 68.77 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 31, 2020 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 31,316,368.00, by means of issuing additional no-par bearer shares in exchange for cash or non-cash contributions on one or more occasions until January 30, 2025 (authorised capital).

The Management Board is empowered, subject to the approval of the Supervisory Board, to

To our shareholders
Group management report
Fundamentals of the Group
Economic report
Remuneration report
Events subsequent to the balance sheet date
Outlook, opportunity and risk report
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exclude existing shareholders' subscription rights for shares issued in exchange for contributions in kind of up to an amount of EUR 9,450,000.00, which represents 15 percent of the share capital at the date of the resolution. 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. This type of share issue is dependent on a prior election being made by the Supervisory Board to exercise its option under the current remuneration rules that the share-based remuneration shall not be settled in cash but shall be fulfilled by the issue of shares or by a new form of share-based remuneration.

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 respective authorisations 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 21, 2021

Claus Sauter
Chairman of the Management Board

Prof. Dr. Oliver Lüdtke
Vice-Chairman of the Management Board

Theodor Niesmann
Member of the Management Board

Bernd Sauter
Member of the Management Board

Stefan Schreiber
Member of the Management Board

Consolidated Financial Statements (IFRS)

Consolidated statement of comprehensive income

for the period July 1, 2020 to June 30, 2021

EUR (thousands)		01.07.2020–30.06.2021	01.07.2019–30.06.2020	Notes
1	Sales revenue (including energy taxes collected)	1,027,363	873,572	
	less: energy taxes	–1,328	–1,174	
Revenue		**1,026,035**	**872,398**	**3.15/5.1**
2.	Change in unfinished and finished goods	22,508	17,696	
3.	Own work capitalised	2,579	1,475	5.2
4.	Other operating income	12,696	16,076	5.3
5.	Cost of materials	–779,482	–692,630	5.4
6.	Personnel expenses	–54,450	–44,896	5.5
7.	Depreciation and amortisation	–29,696	–30,220	3.2/3.3/5.6/6.1
8.	Other operating expenses	–46,377	–45,613	5.7
9.	Impairment loss on financial assets	91	351	5.8/9.4.3
10.	Result from commodity forward contracts	–17,276	–2,712	5.9
11.	**Operating result**	**136,628**	**91,925**	
12.	Interest income	157	678	3.17/5.10/9.4
13.	Interest expense	–1,435	–1,625	3.17/5.10/9.4
14.	**Financial result**	**–1,278**	**–947**	**3.17/5.10/9.4**
15.	Share of profit (loss) of companies accounted for using the equity method	0	0	
16.	**Result before tax**	**135,350**	**90,978**	
17.	Income tax expense	–41,802	–27,184	2.3/3.6/5.11
18.	**Net result for the period**	**93,548**	**63,794**	
	Result attributable to shareholders of the parent company	93,203	63,381	
	Result attributable to non-controlling interests	345	413	6.3.7
	Income and expenses recognised directly in equity: Items that may be reclassified subsequently to profit or loss::			
	Translation of foreign operations	–2,905	90	
	Fair value remeasurement on cash flow hedges	38,825	868	6.3.3/9.3
	Deferred taxes recognised in equity	–6,537	–246	
19.	**Income and expenses recognised directly in equity**	**29,383**	**712**	
20.	**Comprehensive result**	**122,931**	**64,506**	
	Comprehensive result attributable to shareholders of the parent	122,586	64,093	
	Comprehensive result attributable to non-controlling interests	345	413	6.3.7
Result per share (basic)		**1.48**	**1.01**	**3.18/6.3.6**
Result per share (diluted)		**1.47**	**1.01**	**3.18/6.3.6**

Consolidated balance sheet

at June 30, 2021

EUR (thousands)	30.06.2021	30.06.2020	Notes
Assets			
A. Non-current assets			
I. Intangible assets	602	673	3.2/3.5/6.1.1
II. Property, plant and equipment	290,554	249,756	3.3/3.5/6.1.2
III. Right-of-use assets under leasing arrangements	16,228	17,829	3.4/6.1.3
IV. Financial assets	2,816	2,806	3.8/9.2
V. Deferred tax assets	2,077	2,688	3.6/5.11
Total non-current assets	**312,277**	**273,752**	
B. Current assets			
I. Inventories	101,463	78,810	3.7/6.2.1
II. Trade receivables	69,565	64,688	3.8/6.2.2/9.2
III. Derivatives	44,172	4,073	3.9/6.2.3/9.3
IV. Other short-term financial assets	28,506	14,655	3.8/6.2.4/9.2
V. Tax refunds	73	1,348	3.6/6.2.5
VI. Other asset	17,540	17,989	3.8/6.2.6
VII. Term deposits	0	20,000	3.10/6.2.7
VIII. Cash and cash equivalents	105,025	53,885	3.11/6.2.8/9.2
Total current assets	**366,344**	**255,448**	
Total assets	**678,621**	**529,200**	

Table continued

EUR (thousands)	30.06.2021	30.06.2020	Notes
Equity and liabilities			
A. Equity			
I. Share capital	63,184	63,000	6.3.1
II. Additional paid-in capital	495,692	487,681	6.3.2
III. Other reserves	33,680	1,392	6.3.3
IV. Retained earnings	–81,727	–162,855	6.3.5
V. Reserve for translation adjustments	–2,980	–75	6.3.4
Total equity attributable to owners of the parent	**507,849**	**389,143**	
VI. Non-controlling interests	2,023	1,680	6.3.7
Total equity	**509,872**	**390,823**	
B. Non-current liabilities			
I. Bank loans and other loans	30,000	30,136	3.14/6.4.1/9.2
II. Lease liabilities	11,125	12,665	3.4/6.4.2
III. Provisions	131	131	3.13/6.4.3
IV. Deferred investment grants and subsidies	2,172	3,012	3.12/6.4.4
V. Other non-current financial liabilities	222	3,316	3.14/6.4.5/9.2
VI. Deferred taxes	1,806	59	3.6/5.11
Total non-current liabilities	**45,456**	**49,319**	
C. Current liabilities			
I. Bank loans and other loans	0	100	3.14/6.5.1/9.2
II. Lease liabilities	5,356	5,344	3.4/6.5.2
III. Trade payables	45,382	41,130	3.14/.6.5.3/9.2
IV. Derivatlives	22,508	3,140	3.9/6.5.4/9.3
V. Other current financial liabilities	11,235	11,963	3.14/6.5.5/9.2
VI. Tax liabilities	18,993	18,096	3.6/6.5.6
VII. Provisions	9,656	2,973	3.13/6.5.7
VIII. Deferred investment grants and subsidies	859	998	3.12/6.4.4
IX. Other current liabilities	9,304	5,314	3.14/6.5.8
Total current liabilities	**123,293**	**89,058**	
Total equity and liabilities	**678,621**	**529,200**	

Consolidated cash flow statement

for the period July 1, 2020 to June 30, 2021

EUR (thousands)	01.07.2020–30.06.2021	01.07.2019–30.06.2020	Notes
Net result for the period	**93,548**	**63,794**	
Income taxes expense	41,802	27,184	5.11
Interest result	1,278	947	5.10/9.4
Depreciation and amortisation	29,696	30,220	5.6/6.1.1/6.1.2/6.1.3
Non-cash income expenses	1,113	1,005	6.1
Non-cash expenses from share-based remuneration	3,607	0	
Gain on disposal of property, plant and equipment and derecognition of investment grants	–158	–431	
Release of deferred investment grants and subsidies	–979	–1,021	6.4.4
Non-cash changes in derivative financial instruments	13,029	–429	9.3
Increase in inventories	–22,654	–15,733	3.7/6.2.1
Increase in trade receivables	–4,877	–16,148	3.8/6.2.2
Increase in other assets and other current financial assets	–8,004	–7,516	6.2.4/6.2.5/6.2.6
Increase (previous year: decrease) in provisions	6,602	–3,762	6.4.3/6.5.7
Increase in trade payables	3,354	1,785	6.5.3
Increase in other current financial and non-financial liabilities	5,265	5,935	6.4.5/6.5.5/6.5.6/6.5.8
Interest paid	–1,129	–1,297	6.4.4/6.5.4/6.5.5/6.5.7
Interest received	157	677	
Income taxes paid	–44,467	–13,532	
Cash flows from operating activities	**117,183**	**71,678**	

Table continued

EUR (thousands)	01.07.2020–30.06.2021	01.07.2019–30.06.2020	Notes
Cash inflows for term deposits	20,000	0	
Cash outflows for term deposits	0	–20,000	
Acquisition of intangible assets	–214	–130	
Cash outflows for acquisition of property, plant and equipment	–67,065	–67,971	
Proceeds from disposal of property, plant and equipment	342	709	
Cash outflow for loan to associate	0	–1,051	
Proceeds from repayment of loan by associate	380	760	
Cash flows from investing activities	**–46,557**	**–87,683**	
Payments of dividends	–12,600	–12,600	
Cash outflows for the repayment of financial liabilities	–234	–11,804	
Proceeds from new financial liabilites	0	31,983	
Payment of lease liabilities	–5,926	–5,344	
Cash flows from financing activities	**–18,760**	**2,235**	
Change in cash funds resulting from business transactions	51,866	–13,770	
Change in cash funds due to effects of exchange rates	–726	–370	
Cash funds at beginning of year	53,885	68,025	
Cash funds at end of year	**105,025**	**53,885**	

Consolidated statement of changes in equity

for the period July 1, 2020 to June 30, 2021

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, 2019	**63,000**	**487,680**	**770**	**–212,076**	**–165**	**339,210**	**–293**	**338,917**
Translation adjustments	0	0	0	0	90	90	0	90
Fair Value changes on cash flow hedges (after tax)	0	0	622	0	0	622	0	622
Income and expenses recognised directly in equity	**0**	**0**	**622**	**0**	**90**	**712**	**0**	**712**
Net result for the period	0	0	0	63,381	0	63,381	413	63,794
Comprehensive result for the period	**0**	**0**	**622**	**63,381**	**90**	**64,093**	**413**	**64,506**
Dividend payments	0	0	0	–12,600	0	–12,600	0	–12,600
Changes to the entities includes in the consolidation	0	0	0	–1,560	0	–1,560	1,560	0
June 30, 2020	**63,000**	**487,680**	**1,392**	**–162,855**	**–75**	**389,143**	**1,680**	**390,823**
July 1, 2020	**63,000**	**487,680**	**1,392**	**–162,855**	**–75**	**389,143**	**1,680**	**390,823**
Translation adjustments	0	0	0	0	–2,905	–2,905	0	–2,905
Fair Value changes on cash flow hedges (after tax)	0	0	32,288	0	0	32,288	0	32,288
Income and expenses recognised directly in equity	**0**	**0**	**32,288**	**0**	**–2,905**	**29,383**	**0**	**29,383**
Net result for the period	0	0	0	93,203	0	93,203	345	93,548
Comprehensive result for the period	**0**	**0**	**32,288**	**93,203**	**–2,905**	**122,586**	**345**	**122,931**
Dividend payments	0	0	0	–12,600	0	–12,600	0	–12,600
Capital increase from contribution in kind	184	8,012	0	0		8,196	0	8,196
Other changes	0	0	0	525	0	525	–2	523
June 30, 2021	**63,184**	**495,692**	**33,680**	**–81,727**	**–2,980**	**507,849**	**2,023**	**509,872**

Notes to the consolidated financial statements

for the period from July 1, 2020 to June 30, 2021

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 note 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 published in the German Federal Gazette (Bundesanzeiger) and on the Company's website (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, 2021:

Name of company	Location	Share of capital	Consolidation method
VERBIO Bitterfeld GmbH (VEB)	Bitterfeld-Wolfen/OT Greppin	100.00 %	Fully consolidated
VERBIO Zörbig GmbH (VEZ)	Zörbig	100.00 %	Fully consolidated
VERBIO Schwedt GmbH (VES)	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Protein GmbH (VProtein; previously: VERBIO Diesel Nordamerika GmbH)	Zörbig	100.00 %	Fully consolidated
VERBIO India GmbH	Zörbig	100.00 %	Fully consolidated
VERBIO Finance GmbH (VFinance)	Zörbig	100.00 %	Fully consolidated
Lüneburger Lager- und Agrarhandelsgesellschaft mbH[1]	Lüneburg	94.67 %	Fully consolidated
VERBIO Agrar GmbH (VAgrar)	Zörbig	89.35 %	Fully consolidated
VERBIO Logistik GmbH[2] (VLogistik)	Zörbig	89.35 %	Fully consolidated
VERBIO Polska Sp. z o.o. (VPL)	Stettin, Poland	100.00%	Fully consolidated
VERBIO Hungary Trading Kft.	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO India Private Limited (VEI)	Chandigarh, India	100.00 %	Fully consolidated
VERBIO Pinnow GmbH (VEP)	Pinnow	100.00 %	Fully consolidated
VERBIO Renewables GmbH (VRenew)	Zörbig	100.00 %	Fully consolidated
XIMO Kft. (XiMo)	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO Nevada LLC (VEN)	Nevada/Iowa, USA	100.00 %	Fully consolidated
VERBIO North America Corporation (VNA)	Livonia/Michigan, USA	100.00 %	Fully consolidated
VERBIO Diesel Canada Corporation (VDC)	Toronto/Ontario, Canada	100.00 %	Fully consolidated
VERBIO Farm Services LLC)	Nevada/Iowa, USA	100.00 %	Fully consolidated
VERUM GmbH[2]	Schwedt/Oder	44.67 %	at-equity

[1] 44,67 % held indirectly bei VERBIO Agrar GmbH
[2] Indirectly held by VERBIO Agrar GmbH; Group's percentage holding

XiMo AG, which was included in the consolidation in the previous year, has been dissolved during the financial year 2020/2021.

VERBIO Diesel Nordamerika GmbH was renamed VERBIO Protein GmbH in the financial year 2020/2021.

VERBIO Hungary Trading Kft., VERBIO Protein GmbH, VERBIO Nevada LLC and VERBIO Farm Services LLC have no active business operations; these companies are shelf companies or companies in a start-up phase. Two (June 30, 2020: three) further wholly-owned group companies were not included in the consolidated financial statements on materiality grounds at June 30, 2021.

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.

Investments in associated companies were accounted for under the equity method. These investments are initially recorded at their acquisition cost, including the associated transaction costs. Subsequent to initial recognition an amount representing the Group's share of the comprehensive income of the investee is included in the consolidated financial statements in accordance with the equity method.

2.4 Foreign currency translation

The consolidated financial statements are presented in euro (EUR), the functional currency of VERBIO AG.

Transactions denominated in foreign currencies are translated into the functional currency of the respective entity at the spot rate applicable on the date of initial recognition. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency of the respective 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, 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business
- Amendments to IAS 1 and IAS 8 "Presentation of Financial Statements" and "Accounting Policies, Changes in Accounting Estimates and Errors" – "Definition of Material"

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, 2020 have had no effect on the presentation of VERBIO's financial statements.

3.2 Intangible assets

Intangible assets purchased by the VERBIO Group are measured at acquisition cost 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. Capitalised production costs for internally generated property, plant and equipment 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 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 Leasing arrangements

On the initial implementation of IFRS 16 VERBIO applied the modified retrospective approach and, accordingly, continued the previous accounting for lease contracts entered into prior to July 1, 2019. The carrying value of the right-of-use assets is depreciated over the periods up until the end of the respective lease contracts; the lease liability is measured at amortised cost in accordance with the effective interest method.

At the date when a contract is entered into an assessment is made of whether the contract is, or contains, a leasing arrangement. This is the case when the contract includes the right to control the use of an identified asset for a specific period of time in exchange for payment. In assessing whether a contract contains the right to control an identified asset VERBIO applies the definition of a leasing arrangement set out in IFRS 16. At the commencement of a lease an assessment is made of whether purchase, extension or termination options included in the lease will be exercised.

VERBIO is only a party to lease contracts as lessee. At the commencement of the lease VERBIO records an asset for the right-of-use asset and a lease liability. The right-of-use asset is initially recognised at acquisition cost, which is identical to the initial measurement of the lease liability. Subsequently, the right-of-use asset is depreciated on a straight-line basis from the commencement of the lease until the end of the lease term. In addition, the right-of-use asset is subject to impairment allowances, if necessary, and in certain cases to adjustments made when the lease liability is revalued.

The lease liability is recognised at the present value of the lease instalments agreed at the commencement of the lease, discounted at the rate implicit in the lease arrangement, or, if the implicit rate cannot be determined readily, at VERBIO's incremental borrowing rate of interest. In most cases VERBIO uses its incremental borrowing rate of interest for discounting purposes. To determine its incremental borrowing rate of interest VERBIO obtains interest rates from various external financial sources, and adjusts these for various factors to reflect the terms of the lease, the specific payment terms for the lease asset, and the nature of the leased asset.

The lease liability is measured at amortised cost in accordance with the effective interest method. It is remeasured when the future lease payments change by reference to an index or as a result of a change in (interest) rates, when VERBIO changes its estimates of future payments of a residual value guarantee, or when VERBIO changes its assumptions concerning the exercise of a purchase, extension or cancellation option. An adjustment to the carrying value of the right-of-use asset is made to reflect the change in the lease liability on remeasurement.

VERBIO has elected not to record right-of-use assets and lease liabilities for leasing arrangements for low value assets or for short-term leasing arrangements. VERBIO recognises the lease payments under these leasing arrangements as an expense on a straight-line basis.

3.5 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.

3.6 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.

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 thereafter.

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. 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 there is a legally enforceable right to set off current tax assets against income tax liabilities and the deferred taxes relate to taxes of the same taxable entity with the same taxation authority.

If there is uncertainty regarding the treatment of income tax matters, assumptions are made for the purposes of recognising and measuring the tax item – for example, whether an assessment shall be made separately for the issue or in combination with the assessment of other uncertainties, whether a probable or an expected value shall be used for the uncertainty, and whether there has been a change compared to the previous period. The risk of whether the uncertain position will be discovered is not relevant for accounting purposes. The accounting treatment followed is based on the assumption that the tax authorities will examine the issue in question and that they will be in possession of all information relevant to the matter.

3.7 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.

3.8 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 that 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, impairments and reversals of 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.

3.9 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 and measurement policies applied, in note 9, "Disclosures on financial instruments".

VERBIO has forward fixed-price supply contracts for the purchase of raw materials for use in production which meet the definition of derivatives (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 pending contracts. Explanations concerning hedging transactions and hedging relationships are also provided in note 9, "Disclosures on financial instruments".

3.10 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.

3.11 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 that 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.

3.12 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.

3.13 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 of economic resources from the entity 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 rates that reflect market rates of interest for liabilities carrying equivalent risk.

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

3.15 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. The customer obtains control over the goods as soon as the goods are delivered to the specific location as agreed in the sales contract and have been accepted there by the customer, or, as applicable, at the time the customer has collected the goods ex works. At that date the invoice is raised; invoices are generally payable within 30 days. If, in individual cases, payment in advance is agreed, the goods are transferred shortly after receipt of payment; in this case the invoice is also issued at the time the customer collects the goods.

Sales revenues are reported net of sales reductions where applicable. For standard products, however, no discounts are applied to the contractually agreed prices and no bonus point or customer loyalty programmes are offered.

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 make an allocation of the consideration received.

3.16 Employee benefits

Obligations for short-term employee benefits are expensed as the related employment service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The grant-date fair value of equity-settled payment arrangements granted to members of the Management Board is recognised as an expense with a corresponding increase in equity over the period that the awards vest with the respective members of the Management Board.

Obligations for contributions to defined contribution plans are expensed as the related employment service is provided.

3.17 Financial result

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

3.18 Earnings per share

Earnings per share was calculated in accordance with IAS 33. The basic 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. The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the effect of potential dilution on the number of shares in issue.

3.19 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 that 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, 2021.

- Amendments to IAS 37 “Provisions” – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Benchmark Interest Rate Reform – Phase 2
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current

The new standards and interpretations are not expected to lead to any significant changes to the VERBIO consolidated financial standards. There may be changes made to the disclosure notes as a result of the implementation of some of the new standards and interpretations listed above.

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 197 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 provisions for expected losses on sales contracts amounting to EUR 4,520 thousand, whereby this reflects sales contracts that 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 for biodiesel and bioethanol, and from accepting the quota obligations in connection with the use of biomethane fuel. The latter in turn affects the measurement of inventory of biomethane and biomethane quotas (June 30, 2021: EUR 55,028 thousand) as well as the amount of expected losses on sales contracts for biomethane. For the valuation at June 30, 2021 estimates of market prices covering the maturity periods of the sales contracts for biomethane were made in July 2021. Due to the fact that contracts for the quotas for the calendar years 2020–2022 will be entered into in periods up to nine months after the respective balance sheet date, and the fact that prices have proved to be very volatile, actual future revenue received may differ from the amounts estimated.

Expected losses of trade receivables

The expected loss arising on trade receivables is primarily affected by the individual characteristics of the individual customer.

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 that are highly dependent on future levels of income. The estimates made may therefore differ from the actual amounts that 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 where it is probable that future taxable income will be available that can be applied to realise the deferred tax assets.

Identifying impairment reversals and impairment requirements of non-current assets

If there are indications that impairment write-downs of assets recognised in prior periods are no longer required or that the impairment has decreased in amount, an appropriate write-up is recognised. If there are indications that an impairment may have occurred, we perform an impairment test in accordance with IAS 36. We refer to note 3.5. The assumptions and estimates made are based on the cash flow forecasts 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 cash generating unit. In the particular case of the Biodiesel cash-generating unit in North America the cash flows forecasts make the assumption that investment plans that have been made and approved will be implemented in practice in order to create and secure the unit's profitability.

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

5.1 Sales revenue

Sales revenue wholly comprises revenue from contracts with customers (EUR 1,026,035 thousand; 2019/2020: EUR 872,398 thousand)

We refer to the segment reporting (see note 8, "Segment reporting") for an analysis of revenue by category.

As permitted under IFRS 15, no disclosures of any remaining outstanding performance obligations at June 30, 2021 or June 30, 2020 are made as these have an expected maturity of one year or less.

5.2 Own work capitalised

Production costs of own work capitalised amounted to EUR 2,479 thousand (2019/2020: EUR 1,475 thousand) and represent the production costs of technical plant and equipment manufactured internally. We have provided explanations of the nature of these costs in note 3.3, "Property, plant and equipment".

5.3 Other operating income

Other operating income comprises the following items:

EUR (thousands)	2020/2021	2019/2020
Release of investment grants and subsidies	4,420	6,151
Reimbursement of electricity and energy taxes	3,286	3,036
Exchange gains	1,389	2,981
Release of provisions and other liabilities	250	134
Other out-of-period income	258	385
Gains on the disposal of property, plant and equipment	167	465
Miscellaneous other operating income	2,926	2,924
Other operating income	**12,696**	**16,076**

5.4 Cost of materials

The cost of materials was as follows:

EUR (tousands)	2020/2021	2019/2020
Raw material and merchandise – biodiesel	557,313	489,007
Raw material and merchandise – bioethanol and biomethane	147,188	139,549
Additives	21,634	19,200
Addition to provision for expected contract losses	7,922	2,010
Use of provision for expected contract losses	–1,117	–3,870
Other	8,264	8,495
Total raw material, consumables and supplies and purchased goods	**741,204**	**654,391**
Energy costs	26,973	31,275
Procurement of quota obligations	3,024	0
Transport services	2,755	2,180
Miscellaneous	5,526	6,964
Expenses for purchased services	**38,278**	**38,239**
Total cost of materials	**779,482**	**692,630**

5.5 Personnel expenses

EUR (thousands)	2020/2021	2019/2020
Wages and salaries	37,743	32,762
One-off remuneration	9,848	6,048
Wages and salaries	**47,591**	**38,810**
Statutory social security costs	5,851	5,267
Employee's accident insurance association	406	297
Pension expense	602	522
Total social security expenses	**6,859**	**6,086**
Total personnel expenses	**54,450**	**44,896**

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 2,950 thousand (2019/2020: EUR 2,499 thousand). In addition, Group companies have made contributions of EUR 602 thousand (2019/2020: EUR 522 thousand) to defined contribution schemes, including, among others, contributions to pension funds. As of June 30, 2021 the Group employed 820 employees (June 30, 2020: 725), of whom 459 were staff (June 30, 2020: 376), 337 were production employees (June 30, 2020: 328), 23 were trainees and apprentices (June 30, 2020: 17), and 1 were mini-job employees (June 30, 2020: 3).

In the financial year 2020/2021 the Group had an average of 778 employees (2019/2020: 707), of whom 413 were salaried employees (2019/2020: 356), 335 were production employees (2019/2020: 327), 26 were trainees and apprentices (2019/2020: 19), and 4 were mini-job employees (2019/2020: 5).

5.6 Depreciation and amortisation

We provide further information on depreciation and amortisation in note 3.3, "Property, plant and equipment", note 3.4, "Leasing arrangements", note 3.5, "Impairment of non-current assets", note 6.1.1, "Intangible assets", note 6.1.2, "Property, plant and equipment", and note 6.1.3, "Right of use assets under leasing arrangements".

5.7 Other operating expenses

EUR (thousands)	2020/2021	2019/2020
Repairs and maintenance	13,900	14,567
Outgoing freight and other selling expenses	9,925	8,448
Motor vehicle costs	2,748	1,963
Insurances and dues	3,132	2,484
Exchange losses	3,993	3,592
Legal and consulting costs	2,050	2,365
Rents and leases	359	353
Miscellaneous other operating expenses	10,270	11,841
Other operating expenses	**46,377**	**45,613**

5.8 Impairment losses on financial assets

A detailed analysis of impairment losses on financial assets is presented in note 9.4.3, "Disclosure of impairment losses on financial assets".

5.9 Result from commodity forward contracts

The result from the valuation and from the closing-out of forward contracts that do not qualify for hedge accounting totalled EUR –17,276 thousand (2019/2020: EUR –2,712 thousand).

5.10 Financial result

EUR (thousands)	2020/2021	2019/2020
Interest income	157	678
Interest expense	–1,435	–1,625
Financial result	**–1,278**	**–947**

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

Interest expenses include an amount of EUR 282 thousand (2019/2020: EUR 207 thousand) from the interest accrued on lease liabilities recognised in accordance with IFRS 16.

5.11 Income taxes

The income tax expense comprises the following:

EUR (thousands)	2020/2021	2019/2020
Current tax expense	–45,803	–26,281
Deferred tax income (previous year: expense)	4,001	–903
Income tax	**–41,802**	**–27,184**

Income tax expenses include current tax expenses of EUR 581 thousand (2019/2020: income of EUR 1,053 thousand) which relate to earlier periods. For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2019/2020: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2019/2020: 5.5 percent) plus (for the parent company) a trade tax rate of 13.28 percent (2019/2020: 13.28 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate, the applicable tax rate is 29.11 percent (2019/2020: 29.11 percent). The trade tax rate relevant for domestic companies ranged from 12.25 percent to 13.28 percent. The tax rates applicable to the non-domestic companies range from 10 percent to 27.82 percent.

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)	2020/2021	2019/2020
Result before taxes	135,351	90,978
Income tax rate	29.11 %	29.11 %
Expected income tax	**–39,401**	**–26,484**

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

EUR (thousands)	2020/2021	2019/2020
Change in unrecognised deferred taxes	–1,009	–1,521
Difference in tax rates	–724	–406
Non-deductible expenses and permanent effects	214	431
Effects relating to prior periods	–1,384	1,053
Other differences	502	–257
Reported income tax expense	**–41,802**	**–27,184**

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	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Intangibles	630	829	0	0	630	829
Property, plant and equipment	3,150	3,152	3,146	249	4	2,903
Leasing	4,224	0	4,165	0	59	0
Inventories	0	0	2,492	1,692	–2,492	–1,692
Receivables	0	0	157	173	–157	–173
Derivatives	6,301	317	9,317	588	–3,016	–271
Investment subsidies (investment grants)	0	0	0	50	0	–50
Other provisions	1,889	406	74	154	1,815	252
Payables	22	0	0	0	22	0
Tax losses carried forward	3,407	832	0	0	3,407	832
	19,623	**5,536**	**19,351**	**2,906**	**272**	**2,630**
Netting	–17,545	–2,846	–17,545	–2,846	0	0
Net deferred taxes	**2,078**	**2,690**	**1,806**	**60**	**272**	**2,630**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 4,180 thousand (2019/2020: EUR 903 thousand) and changes recognised directly in equity of EUR –6,537 thousand (2019/2020: EUR 247 thousand) The changes recognised directly in equity result from changes in the value of derivatives recognised only in equity. The deferred tax income of EUR 1,604 thousand (2019/2020: EUR 903 thousand) result from the creation and release of temporary differences.

As of June 30, 2021 there were unrecognised deferred tax liabilities totalling EUR 87 thousand (2019/2020: EUR 42 thousand) on temporary timing differences of EUR 276 thousand (2019/2020: EUR 145 thousand) in connection with shareholdings in subsidiary companies 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 trade tax losses carried forward of EUR 11,870 thousand (2019/2020: EUR 14,414 thousand) and corporation tax losses of EUR 16,380 thousand (2019/2020: EUR 19,066 thousand) as their realisation is currently not sufficiently assured. In addition, no deferred tax assets are recognised on tax losses carried forward of EUR 25,866 thousand (2019/2020: EUR 18,849 thousand) as it is not sufficiently certain that they will be utilised. The unrecognised tax losses can be carried forward indefinitely.

The recognition of deferred tax assets not recognised in earlier periods resulted in a reduction of deferred tax expenses of EUR 2,852 thousand.

6 Notes to the individual items in the consolidated balance sheet

6.1 Non-current assets

6.1.1 Intangible assets

The intangible assets primarily include acquired software.

The movements on intangible assets in the financial year 2020/2021 included additions of EUR 101 thousand (2019/2020: EUR 132 thousand), reclassification of EUR 114 thousand (2019/2020: EUR 0 thousand), currency effects of EUR 0 thousand (2019/2020: EUR -2 thousand) and depreciation of EUR 286 thousand (2019/2020: EUR 314 thousand), and as a result intangible assets amount to EUR 602 thousand at June 30, 2021 (June 30, 2020: EUR 673 thousand). The total acquisition cost of other intangible assets at June 30, 2021 amounted to EUR 3,226 thousand (June 30, 2020: EUR 3,013 thousand); their carrying values are reported after deduction of accumulated amortisation totalling EUR 2,626 thousand (June 30, 2020: EUR 2,341 thousand).

Research and development

Research and development expenses of EUR 6,227 thousand are included in the statement of comprehensive income (2019/2020: EUR 5,444 thousand).

6.1.2 Property, plant and equipment

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

Property, plant and equipment with a carrying value of EUR 0 thousand (2019/2020: EUR 4,665 thousand) are pledged as security for financial liabilities.

The changes in property, plant and equipment in the period from July 1, 2020 to June 30, 2021 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, 2020	54,528	418,958	21,558	44,621	539,665
Additions	10,932	1,417	3,657	51,676	67,682
Changes to the consolidated group	0	0	0	0	0
Reclassifications	4,503	8,718	380	–13,036	565
Disposals	109	239	470	113	931
Currency effects	–807	–915	–20	–1,643	–3,385
Acquisition costs as of June 30, 2021	**69,047**	**427,939**	**25,105**	**81,505**	**603,596**
Accumulated depreciation as of July 1, 2020	18,629	257,174	14,106	0	289,909
Additions	1,390	19,618	2,673	0	23,681
Reclassifications	0	0	0	0	0
Disposals	1	41	430	0	472
Currency effects	–13	–60	–3	0	–76
Accumulated depreciation as of June 30, 2021	**20,005**	**276,691**	**16,346**	**0**	**313,042**
Carrying amount as of July 1, 2020	35,899	161,784	7,452	44,621	249,756
Carrying amount as of June 30, 2021	**49,042**	**151,248**	**8,759**	**81,505**	**290,554**

The changes in property, plant and equipment in the period from July 1, 2019 to June 30, 2020 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, 2019	46,094	346,535	20,472	64,202	477,303
Additions	8,323	30,524	2,811	24,874	66,532
Changes to the consolidated group	0	0	0	0	0
Reclassifications	821	44,057	–445	–44,433	0
Disposals	436	1,787	1,239	–89	3,373
Currency effects	–274	–371	–41	–111	–797
Acquisition costs as of June 30, 2020	**54,528**	**418,958**	**21,558**	**44,621**	**539,665**
Accumulated depreciation as of July 1, 2020	17,510	237,500	13,003	0	268,013
Additions	1,429	21,041	2,247	0	24,717
Reclassifications	0	47	–47	0	0
Disposals	309	1,386	1,087	0	2,782
Currency effects	–1	–28	–10	0	–39
Accumulated depreciation as of June 30, 2020	**18,629**	**257,174**	**14,106**	**0**	**289,909**
Carrying amount as of July 1, 2019	28,584	109,035	7,469	64,202	209,290
Carrying amount as of June 30, 2020	**35,899**	**161,784**	**7,452**	**44,621**	**249,756**

6.1.3 Right of use assets under leasing arrangements

VERBIO holds assets under leases. These primarily consist of land, storage facilities, offices (presented as "Right-of-use assets for land, land rights and buildings") and tank wagons and motor vehicles (presented as "Right-of-use assets for other equipment, factory and office equipment").

Expenses relating to short-term leases and leases of low-value assets amounting to EUR 359 thousand (2019/2020: EUR 353 thousand) were recorded as expenses in profit and loss.

The movements on right-of-use assets held under leasing arrangements were as follows in the period from July 1, 2020 to June 30, 2021:

EUR (thousands)	Right-of-use assets for land, land rights and buildings	Right-of-use assets for other equipment, factory and office equipmentt	Total
Acquisition costs as of July 1, 2020	7,755	15,271	23,026
Additions	540	5,968	6,508
Disposals	124	2,503	2,627
Currency effects	–49	–332	–381
Acquisition costs as of June 30, 2021	**8,122**	**18,404**	**26,526**
Accumulated depreciation as of July 1, 2020	655	4,542	5,197
Additions	732	4,998	5,730
Disposals	38	489	527
Currency effects	–9	–93	–102
Accumulated depreciation as of June 30, 2021	**1,340**	**8,958**	**10,298**
Carrying amount as of July 1, 2020	7,100	10,729	17,829
Carrying amount as of June 30, 2021	**6,782**	**9,446**	**16,228**

6.1.4 Non-current financial assets

The non-current financial assets (EUR 2,816 thousand; June 30, 2020: EUR 2,806 thousand) primarily consist of the non-current portion of a loan provided to VERUM GmbH, an associated company (EUR 2,660 thousand; June 30, 2020: EUR 2,660 thousand). For details on measurement we refer to the disclosures made in note 9.2 "Categories of financial assets and financial liabilities". In addition, an investment in a company consolidated under the at-equity method is included (EUR 40 thousand; June 30, 2020: EUR 40 thousand).

6.2 Current assets

6.2.1 Inventories

EUR (thousands)	30.06.2021	30.06.2020
Raw materials, consumables and supplies, gross	24,809	23,770
Less: allowances	0	–83
Raw materials, consumables and supplies	**24,809**	**23,687**
Work in process, gross	3,021	846
Less: allowances	0	0
Work in process	**3,021**	**846**
Finished goods, gross	75,954	53,222
Less: allowances	–2,498	–99
Finished product	**73,456**	**53,123**
Merchandise	**177**	**1,154**
Inventories	**101,463**	**78,810**

The inventories have a carrying value of EUR 79,787 thousand (June 30, 2020: EUR 73,701 thousand) and are carried at their acquisition and production cost. In addition, inventories with a carrying value of EUR 21,676 thousand (June 30, 2020: EUR 5,109 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 2,498 thousand (June 30, 2020: EUR 182 thousand) were made after the performance of net realisable value tests. The expense to record the allowances against finished and unfinished goods is reported in the statement of comprehensive income within "Change of finished and unfinished goods", and amounted to EUR 2,498 thousand (2019/2020: EUR 99 thousand); write-downs of raw materials, consumables and supplies are within "Cost of materials" and amount to EUR 0 thousand (2019/2020: EUR 83 thousand).

6.2.2 Trade receivables

Trade receivables amounted to EUR 69,565 thousand at the balance sheet date (June 30, 2020: EUR 64,688 thousand) and are presented net of valuation allowances of EUR 1,099 thousand (June 30, 2020: EUR 1,092 thousand).

Of the valuation allowances recorded in the previous year, EUR 3 thousand (2019/2020: EUR 89 thousand) were released through profit or loss in the financial year; the release amount is included in "Impairment loss on financial assets". Impairment allowances of EUR 27 thousand were recognised in the financial year (2019/2020: EUR 58 thousand); the expense is included in "Impairment losses on financial assets". Impairment allowances of EUR 11 thousand were utilised (2019/2020: EUR 0 thousand).

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

6.2.3 Derivatives

Information on the Group's derivative financial assets with a carrying value of EUR 44,172 thousand at June 30, 2021 (June 30, 2020: EUR 4,073 thousand) is provided in Section 10.3, "Derivatives".

6.2.4 Other current financial assets

Other current financial assets comprise the following:

EUR (thousands)	30.06.2021	30.06.2020
Cash on segregated accounts	25,202	12,186
Wage tax receivable	1,173	0
Loans to associated company	480	380
Security deposits resulting from security agreements and liability declarations	238	256
Deferral of unrealised results on forward contracts	822	1,501
Miscellaneous other financial assets	591	332
Other financial assets	**28,506**	**14,655**

6.2.5 Income tax refunds receivable

EUR (thousands)	30.06.2021	30.06.2020
Reimbursement claims for trade tax	0	1,115
Reimbursement claims for corporation tax	73	233
Tax refunds receivable	**73**	**1,348**

6.2.6 Other assets

Other non-financial assets comprise the following:

EUR (thousands)	30.06.2021	30.06.2020
Investment grants and subsidies	6,283	7,444
Reimbursement of electricity and energy tax	4,471	5,405
Value added tax and interest due from tax authorities	5,381	2,912
Emissions certificates held in trust	0	1,501
Deferred expenses	460	372
Miscellaneous other assets	945	355
Other non-financial assets	**17,540**	**17,989**

6.2.7 Term deposits

The term deposits of EUR 20,000 thousand reported in the previous year's financial statements had a maturity exceeding three months and earned interest at -0.09 percent. The term deposits were released in the financial year 2020/2021.

6.2.8 Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 105,025 thousand (June 30, 2020: EUR 53,885 thousand).

6.3 Equity

6.3.1 Share capital

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

The Company's share capital is EUR 63,183,632.00 at the June 30, 2021 balance sheet date (June 30, 2020: EUR 63,000,000.00) and is divided into 63,183,632 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 31, 2020 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 30, 2025 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 is not significantly less than the stock market price of shares with the same rights.

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 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 30, 2025, to amend the authorisation after its expiry.

The above was registered at the commercial register of the Company on February 13, 2020.

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.

The issue of 183,632 new shares was in connection with the payment of long-term bonus awards to the Management Board for the financial year 2015/2016 and 2016/2017 in which the Supervisory Board had decided that the payment shall be made by the issue of shares instead of cash awards. The new shares were registered at the commercial register on June 1, 2021.

6.3.2 Additional paid-in capital

Additional paid-in capital results primarily from the acquisition costs incurred by VEB for the purchase of VES, VEZ 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, an amount of EUR 170,245 thousand is subject to restricted use under German company law. 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.

An additional amount of EUR 8,012 thousand was added to the capital reserve in the financial year 2020/2021. This represented the value of the shares allocated, insofar as it exceeded the nominal amounts of the shares issued, at the date of the resolution by the Supervisory Board to replace the long-term bonus cash award with the issue of shares.

6.3.3 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, 2021.

6.3.4 Reserve for translation adjustments

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

6.3.5 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on the annual financial statements of VERBIO AG, which are prepared under German commercial law requirements. 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 February 4, 2022, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements decreased by EUR 81,128 thousand, representing the positive Group result attributable to owners of the parent Company (EUR 93,203 thousand) less the dividend paid for the previous year (EUR 12,600 thousand) and other changes.

6.3.6 Earnings per share

VERBIO AG has 63,183,632 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 2020/2021 amounts to EUR 93,203 thousand (2019/2020: EUR 63,381 thousand).

The number of shares at the end of the financial year 2020/2021 totalled 63,183,632 (June 30, 2020: 63,000,000). Following the capital increase the weighted average number of shares outstanding during the reporting period was 63,056,347. The basic earnings per share amounted to EUR 1.48 (2019/2020: EUR 1.01).

The expected issue of new shares forming part of the remuneration awarded to members of the Management Board resulted in potential shares which have a diluting effect on earnings per share so that there is a difference between basic and diluted earnings per share. With 378,590 potential ordinary shares the diluted earnings per share is EUR 1.47. There was no difference between basic and diluted earnings per share in the previous year.

	2020/2021	2019/2020
Outstanding shares on June 30, 2021 and 2020	63,183,632	63,000,000
Number of average shares outstanding as of the balance sheet date	63,056,347	63,000,000
Number of potential shares on June 30,2021 and 2020	378,590	0
Result attributable to shareholders of the parent company (in EUR thousands)	93,203	63,381
Result per share basic in EUR	**1.48**	**1.01**
Result per share diluted in EUR	**1.47**	**1.01**

6.3.7 Non-controlling interests

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

EUR (thousands)	2020/2021	2019/2020
Sales revenues (without group eliminations)	22,362	22,494
Net result for the period	3,237	3,871
Result attributable to non-controlling interests	**345**	**413**

EUR (thousands)	2020/2021	2019/2020
Current assets	14,651	12,373
Non-current assets	12,420	9,403
Current liabilities	7,868	6,203
Non-current liabilities	652	275
Equity	18,551	15,298
Non-controlling interests	**2,023**	**1,680**

EUR (thousands)	2020/2021	2019/2020
Cash flows from operating activities	4,025	–3,018
Cash flows from investing activities	–4,489	–958
Cash flows from financing activities	0	0
Net change in cash funds	**–464**	**–3,976**

6.4 Non-current liabilities

6.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 30,000 thousand as of the June 30, 2021 balance sheet date (June 30, 2020: EUR 30,236 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance 30.06.2021	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Promissory note	12,500		12,500	03.07.2024	0.90	Due on maturity
Promissory note	17,500		17,500	03.07.2024	Euribor + 0.90 %	Due on maturity
Total	**30,000**	**0**	**30,000**			

The bank loans and other loans as of June 30, 2020 are presented below in their current and non-current components:

EUR (thousands)	Balance 30.06.2020	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Promissory note	12,500		12,500	03.07.2024	0.90	Due on maturity
Promissory note	17,500		17,500	03.07.2024	Euribor + 0.90 %	Due on maturity
Other loans	178	45	134	b. a. w.	1.00	monthly
Other loans	55	55	0	b. a. w.	2.00	monthly
Other loans	2	0	2	b. a. w.	2.00	monthly
Total	**30,235**	**100**	**30,136**			

Details of the carrying values of collateral security that were provided until the previous financial year are set out in the disclosures in note 6.1.2, "Property, plant and equipment".

Details of the risks from changes in interest rates are provided in note 10.2.3, "Market risks".

6.4.2 Lease liabilities

The movements on the long- and short-term lease liabilities in the financial years 2020/2021 and 2019/2020 were as follows:

EUR (thousands)	Lease liability for and, land rights and buildings	Lease liability for Other equipment, factory and office equipment	Total
Acquisition costs as of July 1, 2020	7,178	10,831	18,009
Additions	542	5,968	6,510
Disposals	88	2,020	2,108
Lease payments	777	5,149	5,926
Interest accrued on lease liabilities	118	164	282
Currency effects	–44	–242	–286
Accumulated depreciation as of June 30, 2021	**6,929**	**9,552**	**16,481**

EUR (thousands)	Lease liability for and, land rights and buildings	Lease liability for Other equipment, factory and office equipment	Total
Acquisition costs as of July 1, 2019	6,197	7,967	14,164
Additions	1,558	7,304	8,862
Lease payments	700	4,644	5,344
Interest accrued on lease liabilities	123	204	327
Accumulated depreciation as of June 30, 2020	**7,178**	**10,831**	**18,009**

The lease liabilities mature as follows:

	Remaining contractual payments			
EUR (thousands)	**Within one year**	**1–5 years**	**after 5 years**	**Total**
Lease liability at June 30, 2021	5,356	7,047	4,078	16,481

	Remaining contractual payments			
EUR (thousands)	**Within one year**	**1–5 years**	**after 5 years**	**Total**
Lease liability at June 30, 2020	5,344	6,801	5,864	18,009

6.4.3 Non-current provisions

Non-current provisions of EUR 131 thousand at June 30, 2021 (June 30, 2020: EUR 131 thousand) wholly represent provisions for archiving costs.

6.4.4 Investment grants and subsidies

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2020 to June 30, 2021 were as follows:

EUR (thousands)	**Investment subsidies**	**Investment grants**	**Total**
July 1, 2020	3,911	99	4,010
Additions	0	0	0
Release in current period	–880	–99	–979
Disposal	0	0	0
June 30, 2021	**3,031**	**0**	**3,031**
Thereof: current	859	0	859
Thereof: non-current	2,172	0	2,172

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2019 to June 30, 2020 were as follows:

EUR (thousands)	**Investment subsidies**	**Investment grants**	**Total**
July 1, 2019	4,819	211	5,030
Additions	0	0	0
Release in current period	–901	–112	–1,013
Disposal	–7	0	–7
June 30, 2020	**3,911**	**99**	**4,010**
Thereof: current	899	99	998
Thereof: non-current	3,012	0	3,012

Further information about the nature of the subsidies received and their respective conditions is provided in note 11.1, "Contingent liabilities and future payment obligations". The release of the deferred investment grants and subsidies is made through the income statement.

Details are provided in Section 5.3, "Other operating income".

6.4.5 Other non-current financial liabilities

The other non-current financial liabilities in the previous financial year primarily included the non-current portion of the bonus commitments to members of the Management Board.

6.4.6 Deferred tax liabilities

Information on deferred taxes is provided in note 5.11, "Income taxes".

6.5 Current liabilities

6.5.1 Bank loans and other loans

Current liabilities at June 30, 2020 included other loans of EUR 100 thousand which represented the current portion of bank loans described in note 6.4.1, "Bank loans and other loans".

6.5.2 Lease liabilities

Lease liabilities included within current liabilities amounting to EUR 5,356 thousand (June 30, 2020: EUR 5,344 thousand) represent the short-term components of the total amounts due under lease liabilities described in further detail in the disclosures in note 6.4.2.

6.5.3 Trade payables

Trade payables at the balance sheet date amount to EUR 45,332 thousand (June 30, 2020: EUR 41,130 thousand). All of the trade payables are payable within one year.

6.5.4 Derivatives

Information on the Group's derivative financial liabilities with a carrying value of EUR 22,508 thousand at June 30, 2021 (June 30, 2020: EUR 3,140 thousand) is provided in Section 9.3, "Derivatives".

6.5.5 Other current financial liabilities

Other current financial liabilities primarily include current liabilities for amounts payable to employees and liabilities arising on forward contracts. In the previous year's financial statements liabilities amounting to EUR 1,502 thousand were included in connection with a trust arrangement.

6.5.6 Income tax liabilities

The tax liabilities in the financial years 2020/2021 and 2019/2020 comprised the following:

EUR (thousands)	**01.07.2020**	**Utilisation**	**Release**	**Addition**	**30.06.2021**
Trade tax	8,929	8,560	9	8,264	8,624
Corporate tax	9,167	8,758	0	9,959	10,368
Tax liabilities	**18,096**	**17,318**	**9**	**18,223**	**18,992**

EUR (thousands)	**01.07.2019**	**Utilisation**	**Release**	**Addition**	**30.06.2020**
Trade tax	3,543	1,829	24	7,239	8,929
Corporate tax	2,950	2,069	62	8,348	9,167
Tax liabilities	**6,493**	**3,898**	**86**	**15,587**	**18,096**

6.5.7 Current provisions

Current provisions at June 30, 2021 and June 30, 2020 included the following:

EUR (thousands)	01.07.2020	Utilisation	Release	Addition	30.06.2021
Expected losses on sales and purchase contracts	2,010	1,117	0	7,922	8,815
Litigation risks	544	0	0	30	574
Other provisions	419	35	117	3	267
Provisions	**2,973**	**1,152**	**117**	**7,955**	**9,656**

EUR (thousands)	01.07.2019	Utilisation	Release	Addition	30.06.2020
Expected losses on sales and purchase contracts	3,870	3,870	0	2,010	2,010
Litigation risks	514	5	0	35	544
Other provisions	442	28	0	8	419
Provisions	**4,826**	**3,903**	**0**	**2,053**	**2,973**

6.5.8 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	30.06.2021	30.06.2020
Value added tax	5,006	2,509
Wage and church taxes	2,155	467
Social Security	587	724
Energy tax	51	144
Miscellaneous other current liabilities	1,505	1,470
Total other current liabilities	**9,304**	**5,314**

7 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 105,025 thousand (2019/2020: EUR 53,885 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2019/2020: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 117,183 thousand, significantly higher than in the previous year (2019/2020: EUR 71,678 thousand). This was primarily due to a higher result for the year of EUR 29,754 thousand and the non-cash changes in derivative financial instruments of EUR 13,029 thousand (2019/2020: EUR –429 thousand). There were opposite effects on the cash flow from operations, in particular as a result of the increase in inventories of EUR 22,654 thousand (2019/2020: EUR 15,733 thousand) as well as the increase in other assets and other current assets of EUR 8,004 thousand (2019/2020: EUR 7,516 thousand).

The cash flow from investing activities of EUR –46,557 thousand (2019/2020: EUR –87,683 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 67,065 thousand (2019/2020: EUR 67,971 thousand) less receipts from release of the term deposits of EUR 20,000 thousand (2019/2020: cash outflows made to increase term deposits: EUR 20,000 thousand).

The cash flow from financing activities for the reporting period totalled EUR –18,760 thousand (2019/2020: EUR 2,235 thousand). The net amount of new financial liabilities less repayments resulted in net cash outflows of EUR 234 thousand (2019/2020: net cash inflows of EUR 20,179 thousand), resulting in a decrease in the reported balance of other loans to EUR 30,000 thousand (June 30, 2020: increase to EUR 30,236 thousand). The net cash inflows in the previous year were primarily in connection with the issue of a promissory note of EUR 30,000 thousand. On the other hand, the cash outflows for the repayment of lease liabilities presented amounting to EUR 5,926 thousand (2019/2020: EUR 5,344 thousand) resulted in a corresponding reduction of lease liabilities reported in the balance sheet which are described in more detail in note 6.4.2. A dividend payment of EUR 0.20 per share was approved for the financial year 2019/2020 at the annual general meeting held on January 31, 2020 (financial year 2019/2020: EUR 0.20 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 12,600 thousand (2019/2020: EUR 12,600 thousand), with a corresponding reduction in the retained earnings reported in the balance sheet.

8 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.

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 1,328 thousand (2019/2020: EUR 1,174 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.

However, of the total investments in property, plant and equipment amounting to EUR 67,681 thousand in the financial year 2020/2021, a total of EUR 38,848 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 67,681 thousand (2019/2020: EUR 66,515 thousand).

The VERBIO Group generated sales revenue of EUR 326,133 thousand in the reporting period (2019/2020: EUR 275,709 thousand) from sales of goods and services outside Germany (primarily in Europe and North America).

Sales revenue with two (2019/2020: two) external customers amounted to more than 10 percent of total revenue in the reporting period; the sales revenue with these customers totalled EUR 375,346 thousand (2019/2020: two customers totalling EUR 320,536 thousand). Sales revenue of EUR 265,112 thousand (2019/2020: EUR 216,653 thousand) is attributable to the Biodiesel segment and sales revenue of EUR 110,234 thousand (2019/2020: EUR 103,883 thousand) is attributable to the Bioethanol segment.

Segment reporting for the period from July 1, 2020 to June 30, 2021

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
External sales revenues	729,840	588,121	286,421	275,033	9,774	9,244
Sales revenues with segments	60	122	214	205	6,917	6,595
Change in finished and unfinished goods	4,884	3,448	17,624	14,248	0	0
Own work capitalised	433	507	2,146	968	0	0
Other operating income	3,462	3,780	9,166	12,459	460	464
Cost of materials	–586,165	–511,929	–187,198	–174,685	–7,705	–7,509
Personnel expenses	–19,665	–16,166	–29,859	–24,091	–4,926	–4,639
Other operating expenses	–22,120	–20,148	–28,147	–29,152	–2,016	–2,018
Result from commodity forward contracts	–17,519	–1,681	243	–1,031	0	0
Segment EBITDA	**93,210**	**46,054**	**70,610**	**73,954**	**2,504**	**2,137**
Depreciation and amortisation	–10,930	–10,592	–17,049	–18,063	–1,717	–1,565
Segment EBIT	**82,280**	**35,462**	**53,561**	**55,891**	**787**	**572**
Interest income	46	191	111	487		0
Intereste expense	–736	–606	–688	–1,002	–11	–17
Result before taxes	**81,590**	**35,047**	**52,984**	**55,376**	**776**	**555**

Reconciliation of segment revenues and result

EUR (thousands)	Segment totals		Inter-segment sales revenues, expenses and other adjustments		Group	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
External sales revenues	1,026,035	872,398	0	0	1,026,035	872,398
Sales revenues with segments	7,191	6,922	–7,191	–6,922	0	0
Change in finished and unfinished goods	22,508	17,696	0	0	22,508	17,696
Own work capitalised	2,579	1,475	0	0	2,579	1,475
Other operating income	13,088	16,703	–274	–216	12,814	16,487
Cost of materials	–781,068	–694,123	1,586	1,493	–779,482	–692,630
Personnel expenses	–54,450	–44,896	0	0	–54,450	–44,896
Other operating expenses	–52,283	–51,318	5,879	5,645	–46,404	–45,673
Result from commodity forward contracts	–17,276	–2,712	0	0	–276	–2,712
Segment EBITDA	**166,324**	**122,145**	**0**	**0**	**166,324**	**122,145**
Depreciation and amortisation	–29,696	–30,220	0	0	–29,696	–30,220
Segment EBIT	**136,628**	**91,925**	**0**	**0**	**136,628**	**91,925**
Interest income	157	678	0	0	157	678
Intereste expense	–1,435	–1,625	0	0	–1,435	–1,625
Result before taxes	**135,350**	**90,978**	**0**	**0**	**135,350**	**90,978**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Other intangible assets	278	299	324	375	0	0	602	674
Right-of-use assets held under lease arrangements	8,277	9,674	7,333	6,881	618	1,274	16,228	17,829
Property, plant and equipment	79,851	83,471	207,193	163,749	3,510	2,536	290,554	249,756
Inventories	25,958	19,314	75,285	59,476	220	180	101,463	78,970
Trade receivables	45,260	38,734	22,970	25,065	1,335	888	69,565	64,687
Other assets and other financial assets	22,398	11,022	26,298	24,238	166	30	48,862	35,290
Cash and cash equivalents	45,121	22,111	59,367	30,776	537	998	105,025	53,885
Total segment equivalents	**227,143**	**184,625**	**398,770**	**310,560**	**6,386**	**5,906**	**632,299**	**501,091**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Lease liabilities	8,373	8,990	7,486	6,221	623	2,798	16,482	18,009
Deferred investment grants	273	462	2,667	3,458	90	90	3,030	4,010
Non-current provisions	46	46	80	80	5	5	131	131
Trade payables and other current provisions	25,993	23,779	28,222	19,804	823	520	55,038	44,103
Other current financial liabilities and other current liabilities	8,169	7,033	11,502	9,544	868	701	20,539	17,278
Total segment liabilities	**42,854**	**40,310**	**49,957**	**39,107**	**2,409**	**4,114**	**95,220**	**83,531**

Reconciliation segments assets and segment liabilities

EUR (thousands)	Group	
	30.06.2021	30.06.2020
Total segment assets	632,299	501,091
Derivatives	44,172	4,073
Deferred tax assets	2,077	2,688
Income tax refunds	73	1,348
Term deposits	0	20,000
Total assets	**678,621**	**529,200**
Total segment liabilities	95,220	83,531
Bank loans and other loans	30,000	30,236
Other tax liabilities	18,993	18,096
Other non-current liabilities	222	3,316
Deferred tax assets	1,806	59
Derivatives	22,508	3,140
Total liabilities	**168,749**	**138,378**

Investments

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Investments	**4,656**	**30,596**	**61,135**	**35,408**	**2,593**	**2,019**	**68,384**	**68,023**

9 Disclosures on financial instruments

9.1 General information

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

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 of the Company used to manage financial assets and on the contractual cash flow characteristics of the instruments.

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

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

Included in derivative financial instruments are instruments used to hedge price risks relating to procurement and sales transactions. On acquisition, derivative financial instruments are recognised and measured for initial recognition purposes at their fair value on the trading date. Subsequent to initial recognition they are remeasured to fair value. Forward commodity contracts used to hedge purchasing prices on the procurement market (see Section 9.3.1 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 notes 9.3.2 D. and E.) are free-standing derivatives and as a result are always classified as at “fair value through profit or loss”. Accordingly, gains or losses resulting from their 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”.

9.2 Categories of financial assets and financial liabilities

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

Assets

Valuation	At amortised cost		At fair value				Total	
Measurement			FVTPL		FVOCI			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	69,565	69,565					69,565	69,565
Other non-current and current financial assets	31,322	31,322					31,322	31,322
Derivatives [1]	0	0	1,601	1,601	42,571	42,571	44,172	44,172
Cash and cash equivalents	105,025	105,025					105,025	105,025
Total (June 30, 2021)	**205,912**	**205,912**	**1,601**	**1,601**	**42,571**	**42,571**	**250,084**	**250,084**
Trade receivables	64,688	64,688	0	0	0	0	64,688	64,688
Other non-current and current financial assets	17,461	17,461	0	0	0	0	17,461	17,461
Derivatives [1]	4,073	4,073	56	56	4,017	4,017	8,146	8,146
Cash and cash equivalents	53,885	53,885					53,885	53,885
Total (June 30, 2020)	**140,107**	**140,107**	**56**	**56**	**4,017**	**4,017**	**144,180**	**144,180**

[1] Derivatives in hedge accounting are recognised directly in equity, however they do not represent a separate category of financial asset or liability.

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	30,000	30,000	0	0	0	0	30,000	30,000
Trade payables	45,382	45,382	0	0	0	0	45,382	45,382
Other financial liabilities	11,457	11,457	0	0	0	0	11,457	11,457
Derivatives [1]		0	15,661	15,661	6,847	6,847	22,508	22,508
Total (June 30, 2021)	**86,839**	**86,839**	**15,661**	**15,661**	**6,847**	**6,847**	**109,347**	**109,347**
Liabilities to banks and other loans	30,236	30,236	0	0	0	0	30,236	30,236
Trade payables	41,530	41,530	0	0	0	0	41,530	41,530
Other financial liabilities	15,279	15,279	0	0	0	0	15,279	15,279
Derivatives [1]	3,140	3,140	1,087	1,087	2,053	2,053	6,280	6,280
Total (June 30, 2020)	**90,185**	**90,185**	**1,087**	**1,087**	**2,053**	**2,053**	**93,325**	**93,325**

[1] Derivatives in hedge accounting are recognised directly in equity, however they do not represent a separate category of financial asset or liability.

9.2.1 Measurement in the individual measurement categories

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

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

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

9.2.2 Reconciliation to balance sheet headings

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

9.3 Derivatives

The fair values and underlying nominal values of derivative assets and liabilities reported were as follows at the June 30, 2021 and June 30, 2020 balance sheet dates:

EUR (thousands)	Nominal volume	Derivative assets = positive market value	Derivative liabilties = negative market value	Exercise price purchases/sales
Stand-alone derivatives				
Purchase transactions	85,000 t	1,601	13,693	
Foreign currency hedges	75,375 TUSD	0	1,968	
Derivatives in hedging relationships				
Cash flow hedge				
Commodity future rapeseed oil	100,800 t	30,405	5,983	EUR/t 956/1,083
Biodiesel swaps	30,209 t	0	864	USD/gal –/1.79
Swap rapeseedoil purchases	9,676 t	12,166	0	USD/lb 0.41/–
Derivatives at June 30, 2021		**44,172**	**22,508**	

EUR (thousands)	Nominal volume	Derivative assets = positive market value	Derivative liabilities = negative market value	Exercise price purchases/sales
Stand-alone derivatives				
Purchase transactions	7,500 t	56	1,087	
Derivatives in hedging relationships				
Cash flow hedge				
Commodity future rapeseed oil	167,100 t	4,017	2,053	EUR/t 749/740
Derivatives at June 30, 2020		**4,073**	**3,140**	

EUR (thousands)	30.06.2021			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	44,172	0	44,172
Derivative liabliities	1,968	20,540	0	22,508

EUR (thousands)	30.06.2021			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	4,073	0	4,073
Derivative liabliities	0	3,140	0	3,140

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)

There were no reclassifications between measurement categories in the financial year 2020/2021 or in the previous year. One reclassification was made at the end of the financial year.

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

A. Forward contracts for rapeseed oil VERBIO AG (assets: EUR 30,405 thousand; liabilities: EUR 5,983 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 the cash flow hedges for rapeseed oil using forward contracts is measured using the critical term match method. A 100 percent effectiveness can be assumed as the hedging instrument and the underlying transactions are entered into with identical parameters. Accordingly, with the exception of a credit risk premium, no ineffectiveness is expected and there are no amounts which need to be recognised immediately in profit or loss to reflect hedging ineffectiveness.

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 recorded as a basis adjustment in inventories and subsequently set off in profit or loss against the cost of materials. The amount transferred from equity to 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 18,802 thousand (2019/2020: EUR 6,232 thousand) and is shown in the income statement under "Cost of materials". There were no ineffective portions requiring recognition at the balance sheet date.

B. Forward contracts for vegetable oils VNA (assets: EUR 12,166 thousand)

Under the responsibility of risk management personnel, derivatives in the form of purchased forward contracts (forwards) are used to hedge 100 percent of the price, for certain periods, of vegetable oils, a raw material. The underlying hedged transactions are for purchases of vegetable oil; the hedging instrument is the purchase of forwards; and the risk being hedged is the risk of price increases that could result in a negative effect on the profit margin. The effectiveness of the cash flow hedges for vegetable oils using forward contracts is measured prospectively using the critical term match method. A 100 percent effectiveness can be assumed as the hedging instrument and the underlying transactions are entered into with identical parameters. Accordingly, with the exception of a credit risk premium, no ineffectiveness was to be expected and no amounts were recognised in profit or loss.

No amounts have yet been transferred from equity to profit or loss in the period.

C. Derivative sales transactions VNA (liabilities: EUR 863 thousand)

Sales swaps based on heating oil were entered into by VNA for the first time to hedge income on sales of biodiesel entered into which are tied to market prices of heating oil. At June 30, 2021 there were transactions with a negative market value of EUR 863 thousand.

9.3.2 Description of the Group's significant free-standing derivatives

D. Free-standing derivatives from sales and procurement transactions
In addition to the derivatives designated as hedging instruments, use is made of biodiesel swaps to hedge sales contracts that are linked to the quoted market price of biodiesel. Derivatives with a positive market value of EUR 1,601 thousand and derivatives with a negative market value of EUR 13,693 thousand were held at June 30, 2021 (2019/2020: EUR 0 thousand with positive market values and EUR 0 thousand with negative market values).

E. Free-standing derivatives from currency hedging
Additionally, EUR/USD currency contracts were entered into in order to hedge the currency risk of variable rate biodiesel sales contracts denominated in US dollars. The negative market value of these derivatives at June 30, 2021 amounted to EUR 1,968 thousand (June 30, 2020: EUR 0 thousand).

9.3.3 Change in equity
The effects on equity of the hedging transactions entered into in the financial year 2020/2021 and the previous year are presented below:

EUR (thousands)	Rapeseed procurement	Crude oil Swaps	Biodiesel swaps	Total
July 1, 2020	**1,963**	**0**	**0**	**1,963**
Recognition in the income statement (cost of materials)	–18,802	0	0	–18,802
Termination of derivatives	0	5,066	0	5,066
Change in fair value measurement	41,259	12,166	–863	52,562
Balance (June 30, 2021)	**24,420**	**17,232**	**–863**	**40,789**
Less: deferred taxes				–7,109
				33,680

EUR (thousands)	Rapeseed procurement	Diesel-/petrol swaps	Interest rate swaps	Total
July 1, 2019	**1,095**	**0**	**0**	**1,095**
Recognition in the income statement (cost of materials)	–6,232	0	0	–6,232
Change in fair value measurement	7,100	0	0	7,100
Balance (June 30, 2020)	**1,963**	**0**	**0**	**1,963**
Less: deferred taxes				–571
				1,392

In the financial year 2020/2021 the reclassification of the rapeseed oil purchase hedging transaction is initially recorded as a basis adjustment in inventories as recycling of the OCI before being recorded with effect on profit or loss in material expenses.

9.3.4 Realisation of the underlying and hedging transactions

The following table shows when the cash flow hedges will affect cash flows and when they are expected to 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, 2021				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	30,405	189,718	135,020	54,698
Liability	5,983	108,779	108,779	0
Biodiesel swaps				
Liability	864	30,209	30,209	0
Swaps crude oil				
Asset	12,166	9,676	9,676	0
Effect on the income statement				
Commodity forward contracts				
Asset	30,405	30,405	25,776	4,629
Liability	5,933	5,933	5,933	0
Biodiesel/crude oi swapsl				
Asset	12,166	12,166	12,166	0
Liability	863	863	863	0
June, 30, 2020				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	4,017	110,556	66,267	44,289
Liability	2,053	68,111	48,720	19,391
Effect on the income statement				
Commodity forward contracts				
Asset	4,017	4,017	2,945	1,072
Liability	2,053	2,053	1,698	355

9.4 Other disclosures required by IFRS 7

9.4.1 Information on income and expense positions

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

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Writedown (Writedown financial instruments or other operating expenses)	Total
2020/2021							
Financial assets measured at amortised cost:	157	0	118	-27	0	0	248
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	–17,276	0	–17,276
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	–1,435	0	0	0	0	–1,435
Interest rate swaps	0	0	0	0	0	0	0
Total	**157**	**–1,435**	**118**	**–27**	**–17,276**	**0**	**–18,463**

	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**
2019/2020							
Financial assets measured at amortised cost:	678	0	411	–60	0	0	1,029
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	–2,712	0	–2,712
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	–1,625	0	0	0	0	–1,625
Interest rate swaps	0	0	0	0	0	0	0
Total	**678**	**–1,625**	**411**	**–60**	**–2,712**	**0**	**–3,308**

The reversal of write-downs of loans and receivables of EUR 118 thousand (June 30, 2020: EUR 411 thousand) primarily consisted of the release of specific allowances recorded against other financial assets.

Allowances made for the impairment write-down of loans and receivables of EUR 27 thousand (June 30, 2020: EUR 60 thousand) primarily relate to write-downs made to reflect non-collectable trade receivables. VERBIO generated income of EUR 97 thousand in connection with ongoing trust arrangements in the financial year 2020/2021 (2019/2020: EUR 106 thousand).

9.4.2 Information on collateral

The other financial assets represent cash and cash equivalents held in segregated accounts with a carrying value of EUR 25,201 thousand (June 30, 2020: EUR 12,186 thousand) which are provided as collateral for forward contracts entered into.

9.4.3 Information regarding allowances for credit losses on financial assets

VERBIO generally measures the impairment allowances recorded against trade receivables in accordance with IFRS 9 at an amount equal to the lifetime expected credit losses. The so-called "simplified approach" (IFRS 9.5.5.15) is applied. VERBIO uses this approach in order to measure the default risks, and calculates the expected credit loss (ECL) as the total amount of all possible default events over the expected lifetime of the receivables.

For the purposes of measuring trade receivables the Group calculates, as a first step, an impairment matrix at each balance sheet date which is based on the historical default rate and calculates the future probability of default (so-called "stage 2"). In doing so account is taken of expected differences between various different VERBIO customer groups.

The following table shows the actual credit losses over time in relation to the total amount of trade receivables:

EUR (thousands)		Historical loss rate	Gross balance 30.06.2021	Limited credit standing
Trade receivables	Oil companies	0.00	51,544	No
	Processing and trading companies	0.00	13,227	No
	Processing and trading companies	0.00	2,256	No
	Farmers	0.17	451	No
	Transport businesses	0.08	261	No
	Disinfectant costumers	0.00	35	No
	Other	2.18	1,791	No
			69,565	

In cases where there are objective indications of a potential impairment an examination is performed to determine whether an impairment has occurred (so-called "stage 3"). An impairment allowance is recorded to reduce the net book value of a trade receivable when the Group does not have a justified expectation that the receivable will be collected in full, or expects that it will only be partially recovered. In doing so, the classification of a receivable as overdue does not necessarily mean that an impairment allowance will be recorded.

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 2020/2021 were as follows:

EUR (thousands)	01.07.2020	Addition	Release	Utilisation	Currency effects	30.06.2021
Valuation allowances						
Trade receivables	1,092	27	3	11	–6	1,099
Other current assets	2,009	0	112	0	0	1,897
Valuation allowances	**3,101**	**27**	**115**	**11**	**–6**	**2,996**

EUR (thousands)	01.07.2019	Addition	Release	Utilisation	Currency effects	30.06.2020
Valuation allowances						
Trade receivables	1,195	58	89	0	–72	1,092
Other current assets	2,329	0	301	19	0	2,009
Valuation allowances	**3,524**	**58**	**390**	**19**	**–72**	**3,101**

Receivables are derecognised at the time that the probability of their collection is unlikely.

10 Financial risks and risk management, capital management

10.1 Organisation

In addition to its operating risks, the VERBIO Group sees itself exposed to credit risks, liquidity risks and market risks that 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 half-yearly reporting to the risk manager by management of the subsidiaries. A detailed risk inventory is due for the end of the financial year 2021/2022 consistent with the biannual risk inventory cycle. 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".

10.2 Risk groups

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

10.2.1 Credit risks

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

There are 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. There is no offsetting potential for the derivatives.

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. netting agreements), is as follows:

EUR (thousands)	30.06.2021	30.06.2020
Trade receivables	69,565	64,688
Other non-current and current assets	31,322	17,461
Derivatives	44,172	4,073
Cash and cash equivalents	105,025	53,885
Total	**250,084**	**140,107**

In order to reduce credit and default risks, credit risk assessments are made and individual internal ratings are made for new and existing customers at the beginning of the business relationship and at regular intervals thereafter. Credit limits for supplies to individual customers are set based on the credit risk assessments, internal ratings and forward-looking information; these may only be exceeded for good reason and provided that the excess is approved.

In order to minimise the risk of non-collection of trade receivables further, 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, 2020: 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)	30.06.2021	30.06.2020
Oil companies	51,544	44,686
Processing industries (in particular oil mills and pharmaceutical companies) and trading companies	13,227	12,825
Electric utilities	2,256	655
Farmers	451	651
Transport companies	261	77
Disinfectant solution customers	35	4,316
Other	1,791	1,478
Total	**69,565**	**64,688**

Concentration according to customer groups

EUR (thousands)	30.06.2021	30.06.2020
Inland	25,569	26,925
Europe	42,151	27,069
North America	1,845	9,813
Other foreign	0	881
Total	**69,565**	**64,688**

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, 2021 and June 30, 2020 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
30.06.2021								
Trade receivables	69,565	67,064	1,764	126	0	23	505	83
Other long-term and short-term financial assets	31,322	31,322	0	0	0	0	0	0
	100,887	**98,386**	**1,764**	**126**	**0**	**23**	**505**	**83**
30.06.2020								
Trade receivables	64,688	46,982	16,188	1,109	1	22	26	163
Other long-term and short-term financial assets	17,461	17,461	0	0	0	0	0	0
	82,149	**64,443**	**16,188**	**1,109**	**1**	**22**	**26**	**163**

10.2.2 Liquidity risks

Liquidity risk, in a narrow sense, is the risk that the Company could find itself in a position where it does not have adequate funds to settle its ongoing payment obligations. Payment obligations result primarily from investment activities, trade payables 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 (two 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 remaining maturities of all contractually agreed financial liabilities as of June 30, 2021 and June 30, 2020:

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, 2021						
Non-derivative financial liabilities[1]						
Liabilities to banks and other loans	30,000	0	0	0	30,000	0
Trade payables	45,382	44,460	877	45	0	0
Other financial liabilities	11,457	11,457	0	0	0	0
	86,839	**55,917**	**877**	**45**	**30,000**	**0**
Derivative financial liabilities						
Derivatives used in hedging relationships	6,847	5,051	622	1,174	0	0
"Held for trading" derivatives	15,661	3,926	8,613	3,122	0	0
	22,508	**8,977**	**9,235**	**4,296**	**0**	**0**
Financial liabilities	**109,347**	**64,894**	**10,112**	**4,341**	**30,000**	**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, 2020						
Non-derivative financial liabilities [1]						
Liabilities to banks and other loans	30,236	57	0	45	30,134	0
Trade payables	41,130	39,447	1,679	4	0	0
Other financial liabilities	15,279	15,279	0	0	0	0
	86,645	**54,783**	**1,679**	**49**	**30,134**	**0**
Derivative financial liabilities [1]						
Derivatives used in hedging relationships	2,053	956	344	753	0	0
"Held for trading" derivatives	1,087	1,087	0	0	0	0
	3,140	**2,043**	**344**	**753**	**0**	**0**
Financial liabilities	**89,785**	**56,826**	**2,023**	**802**	**30,134**	**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 110,312 thousand at June 30, 2021 (June 30, 2020: EUR 89,785 thousand). Interest and loan repayment obligations on all non-derivative financial liabilities totalling EUR 87,805 thousand (June 30, 2020: EUR 86,645 thousand) have been serviced according to schedule.

10.2.3 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.

The VERBIO Group is primarily exposed to currency risks in US dollars (USD), Indian rupees (INR) and Polish zloty (PLN). Given the long-term nature of the investments made in the USA, Canada and India the currency risks are considered not relevant at the current time. The currency risks in the Polish Zloty are regarded as not significant.

In the financial year 2020/2021 sales invoices denominated in foreign currencies (in US dollars) in the euro area were issued with a converted amount of EUR 50,799 thousand (2019/2020: EUR 65,768 thousand). Payments against these invoices are made into a US dollar denominated bank account. Trade receivables denominated in foreign currencies (in US dollars) in the euro area totalled EUR 15,015 thousand at June 30, 2021 (June 30, 2020: EUR 7,537 thousand).

Forward currency transactions only exist in the form of hedges against changes in value in the form of derivatives which are not designated to be in hedging relationships.

- Sensitivity to changes in US dollar currency exchange rate for derivatives which are not designated to be in hedging relationships

A fall (increase) in the currency exchange rate of 1 percent at the June 30, 2021 balance sheet date would result in a deterioration (improvement) of the result for the period and of the equity of EUR 20 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 currently has no relevant interest rate risks resulting from bank liabilities and other loans at variable interest rates (June 30, 2020: 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 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, 2021 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 2,520 thousand. This analysis corresponds to the analysis in the previous year. The analysis represents the effect on equity on the assumption that all other conditions remain unchanged.

- Sensitivity of the value of derivatives in hedging relationships to changes in the price of soya oil

A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2021 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 242 thousand.

- Sensitivity of the value of derivatives to changes in the price of heating oil

A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2021 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 242 thousand.

- Sensitivity to changes in the price of biodiesel and heating oil, respectively, for derivatives which are not designated to be in hedging relationships

A fall (increase) in, of the market price of EUR 25/tonne at the June 30, 2021 balance sheet date would result in an improvement (deterioration) of the result for the period and of the equity of EUR 2,125 thousand.

10.2.4 Risks in connection with government subsidy awards

A detailed description of the risks associated with governmental subsidies is provided in Section 11.1, "Contingent liabilities and future payment obligations".

10.2.5 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.

10.3 Capital management

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

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

A further goal for the VERBIO Group is to maintain a strong capital base, in order to finance future growth when the political environment regarding biofuels allows competitive growth. The equity of VERBIO as of June 30, 2021 amounts to EUR 509,872 thousand (June 30, 2020: EUR 390,823 thousand), which represents an equity ratio of 75.1 percent (June 30, 2020: 72.4 percent). Debt capital amounted to EUR 168,172 thousand (June 30, 2020: EUR 146,498 thousand).

VERBIO is not subject to any minimum capital requirements.

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

11 Other disclosures

11.1 Contingent liabilities and future payment obligations

11.1.1 Government grants and subsidies

Claims of EUR 6,284 thousand are recorded in the balance sheet for NER 300 EU grants awarded in connection with biomethane production from straw at the Schwedt plant for which assessments have been received (June 30, 2020: EUR 7,444 thousand). The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved.

11.1.2 Guarantee credits and other collateral arrangements

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 25,000 thousand credit line for customs duties is made available to VERBIO. An amount of EUR 17,356 thousand has been drawn down under this credit line as of June 30, 2021.

A guarantee facility was entered into between VEI and The Hongkong and Shanghai Banking Corporation Limited, India on May 2, 2019. Under this arrangement, VEI 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 76 thousand) has been drawn down under this credit line as of June 30, 2021.

11.1.3 Litigation

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2021. Provisions have been recognised, primarily for the costs of ongoing procedures.

11.1.4 Purchase commitments

Commitments under open purchase orders are those typical for normal operations.

11.1.5 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 24,196 thousand at June 30, 2021 (June 30, 2020: EUR 22,459 thousand).

11.2 Disclosures concerning related persons and entities

11.2.1 Overview of related persons and entities

The following persons, groups of persons and entities were related parties for VERBIO in the reporting period:

a) 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 %	**30.06.2021**	**30.06.2020**	**Change in %-points**
Pollert Holding GmbH & Co. KG	10.44	10.47	–0.03
Dr.-Ing. Georg Pollert	0.01	0.01	0.00
Bernd Sauter	15.26	15.23	0.03
Claus Sauter	21.30	21.18	0.12
Daniela Sauter	7.14	7.16	–0.02
Marion Sauter	5.49	5.51	–0.02
Albertina und Alois Sauter	9.14	9.24	–0.10
Total	**68.78**	**68.80**	**–0.02**

b) Key Management personnel:

- Claus Sauter (member of the Management Board of VERBIO AG)
- Bernd Sauter (member of the Management Board of VERBIO AG)
- Prof. Dr. Oliver Lüdtke (member of the Management Board of VERBIO AG)
- Theodor Niesmann (member of the Management Board of VERBIO AG)
- Stefan Schreiber (member of the Management Board of VERBIO AG since July ,1 2020)
- Alexander von Witzleben (member of the Supervisory Board of VERBIO AG)
- Ulrike Krämer (member of the Supervisory Board of VERBIO AG)
- Dr. Klaus Niemann (member of the Supervisory Board of VERBIO AG since January 29, 2021)
- Dr.-Ing. Georg Pollert (member of the Supervisory Board of VERBIO AG until January 29, 2021)

c) Related entities:
Related entities are entities which are controlled by natural persons who are members of the shareholder's pool or the members of management. In addition, VERUM GmbH, the Group's at-equity consolidated associate, is also a related entity.

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

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 0 thousand in the financial year 2020/2021 (2019/2020: EUR 5 thousand). The contract was not prolonged further in the financial year 2020/2021.

11.2.3 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. In accordance with the contract together with the three subsequent contract amendments, Oelßner's Hof GmbH & Co. KG rents office space in the first and second floors of a building at the Nikolaistraße address in Leipzig to VERBIO AG. The rental agreement ends on November 30, 2024 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. The agreed monthly rental was EUR 15 thousand until July 2019, and, following the amendments to the contract, EUR 23 thousand from July 2019, excluding operating and heating expenses. The rental expenses (excluding operating expenses) incurred by VERBIO AG under this arrangement in the financial year 2020/2021 totalled EUR 276 thousand (2019/2020: EUR 268 thousand).

Service contracts

Contract for the administration of hedging arrangements (trust agreement) with Sauter Verpachtung GmbH
On 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 commenced on September 1, 2014 and was extended until December 31, 2022 in the course of a series of subsequent amendments to the contractual trust arrangement. 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.

11.2.4 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	2020/2021	2019/2020	2020/2021	2019/2020
Alois Sauter Landesprodukten-großhandlung GmbH & Co. KG	Other deliveries and services	0	0	5	6
Sauter Verpachtungsgesellschaft mbH	Verhicle rentals	0	8	0	0
	Grain sales/purchases	0	0	1,737	1,954
	Transport services	46	18	1,284	582
	Other deliveries and services	492	384	110	343
Landwirtschaftsgesellschaft mbH "Neukammer"	Other deliveries and services	23	22	0	1
LANDGUT Coschen GmbH	Other deliveries and services	0	1	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	28,828	17,284
	Feedstuffs	0	110	0	0
	Other deliveries and services	19	38	0	0
Oelßner's Hof GmbH & Co. KG	Office rental	0	0	341	327
	Other deliveries and services	0	0	0	46
Farma Serwis Sp. z o.o.	Transport services	0	0	25	312
	Other deliveries and services	190	98	10	0
Farma Polska	Other deliveries and services	0	0	63	0
Agro Beef Sp. z o.o.	Feedstuffs	0	167	0	0
Nelson GmbH	Loan interest	0	0	0	509
Umwelt und Energie GmbH	Other deliveries and services	80	0	0	0
FUPRORA	Other deliveries and services	0	0	1	0
VERUM GmbH	Feedstuffs	306	107	0	0
	Loan interest	26	30	0	0
	Other deliveries and services	0	0	16	40

Transactions with related parties are at arm's length conditions.

11.2.5 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, 2021 and June 30, 2020:

	Fuprora GmbH		VERUM GmbH		Alois Sauter Landesprodukten-großhandlung GmbH & Co. KG	
EUR (thousands)	**30.06.2021**	**30.06.2020**	**30.06.2021**	**30.06.2020**		
VERBIO AG						
Receivables	0	1	2,674	23	0	0
Payables	0	0	0	0	1	0
VES						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VEZ						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VLogistik						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VPL						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
Total						
Receivables	**0**	**1**	**2,674**	**23**	**0**	**0**
Payables	**0**	**0**	**0**	**0**	**1**	**0**

	Farma Serwis Sp. z o.o.		Landwirtschaftsgesellschaft mbH "Neukammer"		Sauter Verpachtungsgesellschaft mbH	
EUR (thousands)	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
VERBIO AG						
Receivables	0	0	0	1	0	23
Payables	0	0	0	0	1,301	172
VES						
Receivables	0	0	0	0	0	11
Payables	0	0	0	0	0	0
VEZ						
Receivables	0	0	0	0	0	3
Payables	0	0	0	0	0	0
VLogistik						
Receivables	102	4	2	0	9	7
Payables	0	0	0	0	0	0
VPL						
Receivables	80	0	0	0	0	0
Payables	0	18	0	0	0	0
Total						
Receivables	**182**	**4**	**2**	**1**	**9**	**44**
Payables	**0**	**18**	**0**	**0**	**1,301**	**172**

	Farma Redlo Sp. z o.o.		Agro Beef Sp. z o.o.		Farma Polska	
EUR (thousands)	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
VERBIO AG						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VES						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VEZ						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VLogistik						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VPL						
Receivables	0	0	0	0	0	0
Payables	439	171	0	0	10	0
Total						
Receivables	**0**	**0**	**0**	**0**	**0**	**1**
Payables	**439**	**171**	**0**	**0**	**10**	**0**

11.3 Audit fees

Fees for KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor of the consolidated financial statements, recorded as expenses in the financial year 2020/2021, amounted to EUR 147 thousand (2019/2020: EUR 126 thousand) and for annual audit services, EUR 24 thousand (2019/2020: EUR 19 thousand).

11.4 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 2020/2021 were:

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

The members of the Management Board received remuneration from VERBIO AG totalling EUR 5,195 thousand in the financial year 2020/2021 (2019/2020: EUR 3,168 thousand). This included fixed remuneration of EUR 3,168 thousand (2019/2020: EUR 1,500 thousand), variable remuneration of EUR 1,976 thousand (2019/2020: EUR 1,501 thousand) and other remuneration of EUR 51 thousand (2019/2020: EUR 42 thousand). Details of the rules of the remuneration system are provided in the remuneration report, which is included in the Group management report.

The variable compensation components include, in part, long-term bonus awards for members of the Management Board which in previous years were included in the other non-current financial liabilities and other current financial liabilities (June 30, 2020: EUR 4,587 thousand). These amounts are measured at their fair values using a Black-Scholes option pricing model. In general, these comprise bonus awards in the form of cash payments based on fictional shares; however, the Supervisory Board may decide to replace the monetary payments and instead grant the Management Board member the respective number of fictional shares in place of such payments. The Supervisory Board has made a decision that the long-term bonus 2015/2016 (fictional shares 6) and 2016/2017 (fictional shares 7) shall be paid by issuing shares. For this purpose, 183,632 new shares were issued, and a corresponding capital increase was made in the financial year 2020/2021. An amount of EUR 1,492 thousand reported in current financial liabilities in the previous year was transferred to equity for this purpose.

As a result, the long-term bonus has been classified as a so-called "equity-settled-plan" from the date of the decision to make the payment in the form of shares. The fictional shares 8 to 10 have been valued at this date and also reclassified to equity (EUR 5,260 thousand). In addition, the expense for the fictional shares 11 which relate to the financial year 2020/2021 (EUR 841 thousand) were recognised directly in equity.

The valuation inputs used to measure the long-term bonus are shown in the table below:

Portion of share capital of VERBIO AG in %	Fictional shares 8 07/2017–06/2021	Fictional shares 9 07/2018–06/2022	Fictional shares 10 07/2019–06/2023	Fictional shares 11 07/2019–06/2023
Average share price	4.71	7.56	8.90	40.08
Number of potential shares	159,312	99,229	84,271	20,808
Volatility	50.48 %	50.48 %	50.48 %	50.16 %
Interest rate	−0.359	−0.397	−0.395	−0.400
Fair value share price	14.99	15.83	15.44	40.42
Payment date	Oktober 15, 2021	Oktober 15, 2021	Oktober 15, 2021	Oktober 15, 2021

In addition, the members of the "old" Management Board were awarded a loyalty bonus for the first time (EUR 1,200 thousand). Half of the loyalty bonus will be paid in shares. Based on an average share price of EUR 40.08 per share, the loyalty bonus will be paid by issuing 14,972 shares. The expense for this half of the loyalty bonus (EUR 600 thousand) was recorded in equity. It has been assumed that the other half of the loyalty bonus will be paid in cash and that accordingly it will not represent share-based remuneration. As a result, the expense has been recorded in other financial liabilities at June 30, 2021.

Personnel expenses in the consolidated statement of comprehensive income include EUR 3,607 thousand of share-based remuneration for members of the Management Board (2019/2020: EUR 1,246 released to income). Of this total, EUR 2,166 thousand represents the updated measurement of the fictive shares 8 to 10.

Members of the Supervisory Board of VERBIO AG in the financial year 2020/2021 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 an 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 until January 29, 2021)
- Dr. rer. nat. -Klaus Niemann, Dipl.-Chemiker, Obenhausen
  (member of the Supervisory Board since January 29, 2021)

The members of the Supervisory Board received ongoing remuneration of EUR 203 thousand for their Supervisory Board activities in the financial year 2020/2021 (2019/2020: EUR 203 thousand), as well as compensation for expenses of EUR 2 thousand (2019/2020: EUR 4 thousand). Details of the remuneration rules are provided in the remuneration report, which is included in the Group management report.

11.5 Shareholdings in VERBIO AG, reportable under § 33 (1) of the Securities Trading Act (WpHG)

In the financial year 2020/2021 VERBIO AG was informed of the following by the balance sheet date:

GS&P Kapitalanlagegesellschaft S.A., Grevenmacher/Luxembourg, informed the Company that, from October 2, 2020, it holds shares of the Company representing 2.997 percent (previously: 3.180 percent) of its voting capital.

VERBIO AG was not informed of any shareholdings reportable under § 33 (1) of the Securities Trading Act (WpHG) in the previous reporting period 2019/2020.

11.6 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 17, 2021 on the Company's website verbio.de and thereby made accessible on a permanent basis.

11.7 Events subsequent to the balance sheet date

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

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

The following subsidiaries have taken advantage of an option under § 264 (3) and § 264 b HGB (Handelsgesetzbuch – 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 Bitterfeld GmbH, Bitterfeld-Wolfen/OT Greppin,
- VERBIO Zörbig GmbH, Zörbig,
- VERBIO Schwedt GmbH, Schwedt/Oder,
- VERBIO Finance GmbH, Zörbig,
- VERBIO Pinnow GmbH, Pinnow,
- VERBIO Renewables GmbH, Zörbig,
- VERBIO Protein GmbH, Zörbig.

11.9 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 21, 2021. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September 21, 2021

Claus Sauter
Chairman of the management board

Prof. Dr. Oliver Lüdtke
Vice-chairman of the management board

Theodor Niesmann
Member of the management board

Bernd Sauter
Member of the management board

Stefan Schreiber
Member of the management board

To our shareholders
Group management report
Consolidated financial statements (IFRS)
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated cash flow statement
Consolidated statement of changes in equity
Notes to the consolidated financial statements
Affirmation of the legal representatives
Reproduction of the independent auditor's report
Further information

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 operation 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 21, 2021

Claus Sauter
Chairman of the management board

Prof. Dr. Oliver Lüdtke
Vice-chairman of the management board

Theodor Niesmann
Member of the management board

Bernd Sauter
Member of the management board

Stefan Schreiber
Member of the management board

Reproduction of the independent auditor's 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, 2020 to June 30, 2021 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, 2020 to June 30, 2021. In accordance with German legal requirements we have not audited the content of those components of the Group management report specified in the "Other information" section of our audit report.

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, 2021, and of its financial performance for the financial year from July 1, 2020 to June 30, 2021, 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. Our opinion on the Group management report does not cover the content of those components of the Group management report that are described in the "Other information" section.

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) (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 the most significance in our audit of the consolidated financial statements for the financial year from July 1, 2020 to June 30, 2021. 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.

The carrying value of property, plant and equipment at the Zörbig/Schwedt and Welland, Canada plant locations

We refer to note 3.5 and note 4 in the notes to the consolidated financial statements for details of the accounting and measurement policies affected.

The financial statement risk

Property, plant and equipment with a carrying value of EUR 290.6 million is reported in the consolidated financial statements of VERBIO AG at June 30, 2021. In the financial year 2012/2013 the Company recorded an impairment loss of EUR 19.8 million against property, plant and equipment at the Zörbig/Schwedt plant. In the Biodiesel segment the plant in Welland, Canada was commissioned in Canada in the financial year 2019/2020. Investments totalling EUR 18,0 million were made in the new plant in the financial year and in previous financial years. No reversals of previous impairment write-downs and no impairments of carrying amounts were recorded in the current financial year at the Zörbig/Schwedt and Welland plants, respectively.

When there are indicators that the value of property, plant and equipment may be impaired or indicators that an impairment that has been recognised in previous periods may be lower, the Company determines the recoverable amounts and compares these with the corresponding carrying values. If the carrying value is above or below the recoverable amount, an impairment or write-up results, respectively. The amount of a write-up is limited by the amounts of acquisition cost less systematic depreciation. The recoverable amount is determined using the discounted cash flow approach. The calculation of the recoverable amount is, as a rule, determined at the level of cash-generating units.

The cash flows used in the discounted cash flow approach are based on the detailed business planning prepared by the Management Board for the Biodiesel and Bioethanol segments for the financial year 2021/2022, as well as the detailed planning period covering the three years thereafter until 2023/2024, which are carried forward using assumed growth rates. The planning for the financial year 2021/2022 has already been approved by the Supervisory Board. In addition, for the purposes of performing a valuation of the property, plant and equipment at the Welland plant, the investment plan approved by the Supervisory Board was used as a measurement input.

The impairment test performed on the value of the property, plant and equipment is complex, and is affected by a number of assumptions that require the use of judgement. These include, in particular, the forecasts of cash inflows, the discounting rates to be used, as well as the assessment of whether there is an indication of an impairment or a reduction of an impairment write-down previously recorded.

As the production targets and the assumptions made concerning the profitability of the Zörbig/Schwedt plant in future financial years have been increased there are indicators that an impairment write-down recorded in earlier years may have been reduced. There is a risk for the consolidated financial statements that a necessary write-up of property, plant and equipment for the Zörbig/Schwedt plant may not have been made.

Changes to the regulatory framework and to the market environment in North America could have a negative effect on the activities of the plant at Welland. Accordingly, there is a risk for the consolidated financial statements that the carrying value of the property, plant and equipment at the plant at Welland may no longer be recoverable.

Our audit approach

By obtaining explanations from accounting and controlling staff we have obtained an understanding of the Company's processes used to identify indicators of an impairment or of the need to reverse a previous impairment write-down and to calculate recoverable amounts.

In addition to making an assessment of the arithmetical accuracy and the conformity of the measurements made with IFRS standards, we have also assessed the reasonableness of the significant assumptions made by the Company. For this purpose we have also made an assessment of the consequences of the regulatory environment on the planning calculations made by the Management Board.

We have discussed the expected cash flow surpluses and the assumed growth rates with the persons responsible for the business planning. In addition, we have performed reconciliations with other forecasts available internally, e.g. for investment decisions and the business plans prepared by the Management Board and approved by the Supervisory Board. We have assessed the consistency of the planning amounts and the assumptions made concerning plant utilisation, biodiesel and bioethanol sales prices and sales prices for the biomethane by-product, as well as for raw material prices for the primary materials used (rapeseed, rapeseed oil, and grain), with data available from external market assessments. We have assessed the proper allocation of the cash flow surpluses in the business planning to the plants within the Biodiesel and Bioethanol segments based on production capacities. In addition, we have convinced ourselves of the quality of the forecasts made by the Company in earlier periods by comparing the planning prepared for earlier financial years with the actual results subsequently recorded, and by analysing variances.

We have investigated the consequences of possible changes to individual assumptions made concerning the realisable cash flow surpluses by calculating alternative scenarios and comparing these with the Company's calculations. Further, the investment planning for the plant in Welland was discussed with the responsible member of the Management Board and the Supervisory Board and reconciled with other documents available internally, e.g. minutes of meetings and sales statistics.

We have, with the involvement of our specialists, compared the assumptions and data used to calculate the discount interest rate, in particular the risk-free rate of interest, the market premium and the beta factor, with our own assumptions and data available publicly.

Our conclusions

The approach followed to perform the impairment test on property, plant and equipment for the Zörbig/Schwedt and Welland plants is appropriate and consistent with the measurement principles. The assumptions made and data used by the Company are appropriate.

The measurement of derivatives and the accounting and measurement of hedge transactions

We refer to note 3.9 and note 9 in the notes to the consolidated financial statements for details of the accounting and measurement policies affected. The risk reporting relating to the use of financial instruments is presented in the Group management report in the section entitled „Risks from derivatives".

The financial statements risk

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. In addition to the derivatives designated as hedging transactions, the Company has also entered into freestanding derivatives in larger volumes than was the case in the previous year. At June 30, 2021 VERBIO reported derivative financial assets amounting to EUR 44.2 million and derivative financial liabilities of EUR 22.5 million.

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. Derivatives that are not or were not used for hedging relationship purposes are free-standing derivatives, and as a result are always classified as at "fair value through profit or loss" ("mark to market").

To the extent that the financial instruments are entered into in the form of future commodity contract arrangements used to hedge the purchase prices on procurement markets in effective hedge transactions of future cash flows in hedging relationships, the changes in the fair values are recorded on other results (other reserves) as cash flow hedge transactions for the period of the hedge relationship. 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.

The accounting for derivative financial instruments is complex and accounting for hedge transactions is heavily dependent on estimates and judgements made by the Company.

There is a risk for the consolidated financial statements that the carrying values of the derivative financial instruments are not properly measured. There is a further risk that the disclosures made in the consolidated financial statements are not appropriate.

Our audit approach

We have made an assessment of the system of internal control used by the Company in respect of the use of derivative financial instruments, including the internal supervision of the hedging policy, and examined the design and implementation of the controls in place.

In order to assess the completeness of the free-standing derivatives and derivatives in hedging relationships recorded, we have relied on a portfolio comparison with the counterparties and broker, respectively.

Further, with the involvement of our internal specialists, in auditing the measurement of the financial instruments at fair value we have traced the calculations made using contract and market data.

For the derivatives in hedging relationships we have, together with our internal specialists, evaluated the contractual and commercial basis of the hedging relationships and the accounting for the individual hedge transactions as well as the Company's assessment of the prospective hedge effectiveness.

We have, together with our specialists, made an assessment of the appropriateness of the documentation of the hedging relationships prepared by the Management Board. In addition, we have verified the arithmetical accuracy of the valuation model and examined the appropriateness of the disclosures made in the notes to the consolidated financial statements.

Our conclusions

The approach followed to perform the valuation of the derivative financial instruments, including the calculation method used, is appropriate and consistent with the measurement principles. The assumptions made and data used by the Company are reasonable. The related disclosures made in the notes to the consolidated financial statements are appropriate.

Other information

The Company's legal representatives are for the other information. The other information comprises the following components of the Group management report, whose content was not audited:

- the statement on corporate governance which is referred to in the Group management report, and
- the combined non-financial statement which is referred to in the Group management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the Group management report information audited for content and our auditor's report thereon.

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 described above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited disclosures in 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 the 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 the 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 information, 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 assumptions 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

Comment on assurance work performed on the electronic reproduction of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with Section 317 (3b) HGB

In accordance with Section 317 (3b) HGB we have performed assurance work to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "529900W51PINCFFALS96-2021-06-30-de (3).zip" (SHA256-Hashwert: d8d94190f3f1a96d557e35032ad95aac7dbb95aa 10c104cac83164f7cf-723daa) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from July 1, 2020 to June 30, 2021 contained in the "Report on the audit of the consolidated financial statements and the Group management report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities thereunder are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited Group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 in the version valid at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on January 29, 2021. We were engaged by the Supervisory Board on June 24, 2021. 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. In addition, we performed an examination of the value of the capital increase in exchange for contributions in kind carried out by VERBIO AG.

German public auditor responsible for the engagement

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

Leipzig, September 21, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signed: Lauer Wirtschaftsprüfer [Certified Public Auditor]	Signed: Marschner Wirtschaftsprüferin [Certified Public Auditor]

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Executive bodies of the Company

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, compliance and sustainability

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

Responsible for the Bioethanol/Biomethane segment (production[1], planning[1], technical investment[1],research and development[1], procurement of auxiliary materials and media[1], occupational safety[1]), controlling and risk management[2] and data protection[2]

Theodor Niesmann
Management Board, Biodiesel

Responsible for the Biodiesel segment (production[1], plant construction[1], technical investment planning[1], research and development[1], procurement of auxiliary materials and media[1], occupational safety[1]), human relations[2], quality management[2], occupational safety[2] and IT[2]

Bernd Sauter
Management Board, Procurement and Logistics

Responsible for procurement of solid raw materials[2], logistics and transport[2], storage[2], contract management, vehicle fleet and facility management, occupational safety (procurement and logistics)[1] and insurance[2]

Stefan Schreiber
Management Board, North America

Responsible for North America, (sales, trading, procurement of fluid materials, procurement of media and consumables, contract processing, finance and accounting, taxes, personnel, public relations, marketing, legal, business development, compliance, controlling and risk management, insurance)

[1] Worldwide (segment specific responsibility)
[2] Group-wide (cross-segment responsibility)

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

- President of the Board of Directors, Feintool International Holing 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. Klaus Niemann
Member of the Supervisory Board

Chemist, Oberhausen

Technical glossary

Advanced Biofuels

> 'Second generation biofuels'

BAFA

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

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

> '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.

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.

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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.

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.

B100

> 'Biodiesel'

Carbon Border Adjustment Mechanism (CBAM)

In order to ensure that the transformation of European industry is consistent with maintaining Europe's status as a competitive production location, it is necessary to prevent increasing competitive disadvantages for European manufacturers and to counter the risk of production and emissions being transferred to other regions outside Europe (carbon leakage). As a result, on July 14, 2021 the EU Commission accepted a proposal for border adjustments (the Carbon Border Adjustment Mechanism – CBAM) for emissions arising on imported industrial products when these are sourced from regions with lower CO_2 price levels.

Cellulose based biofuels

Second generation biofuels manufactured from cellulose (agricultural) raw materials and waste, such as straw, wood or other waste plant material.

Clean Fuel Standards (CFS)

The Clean Fuel Standard (CFS) is an important part of Canada's climate plan to reduce emissions, accelerate the use of clean technologies and fuels and to create good jobs in a diversified economy.

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.

CO_2

> 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.

Conventional fuels
> 'Fossil fuels'

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
> '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.

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.

EPA (Environmental Protection Agency)
United States Environmental Protection Agency: the state agency responsible for environmental protection in the USA.

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.

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.

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.

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).

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.

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

FQD – Fuel Quality Directive
> 'Fuel Quality Directive'

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.

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.

Gallons

The gallon is a measure of volume (for liquid and dry matter) used in Anglo-American measurement systems; 1,000 US gallons = 3.78541 cm^3.

Green Deal

The European Green Deal is a concept proposed by the European Commission on December 11, 2019 with the objective of reducing net greenhouse gas emissions in the European Union to zero by the year 2050, and for Europe to become the first climate-neutral continent.

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.

German Corporate Governance Code (DCGK)

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.

Green Deal

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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.

Heating and Cooling

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

Heating values

> ‘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.

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.

MATIF
The Marche de Terme International de France (MATIF) is a European futures exchange founded in Paris in 1986. Since then MATIF has become a part of NYSE Euronext. Wheat, maize and rapeseed are traded on the MATIF, among other commodities. Rapeseed meal, rapeseed oil and urea and ammonium nitrate solution (UAN), a liquid fertiliser, can also be traded. MATIF is the most important leading exchange and the reference trading platform for German and European farmers.

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.

National hydrogen strategy
The national hydrogen strategy combines climate, energy, industry and innovation policy. The objective is to make Germany a leader in green hydrogen, and to achieve and hold on to long-term world leadership in hydrogen technologies.

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.

Organization of the Petroleum Exporting Countries (OPEC)
OPEC is an international organisation founded by the five oil extracting and exporting countries Iraq, Iran, Kuwait, Saudi-Arabia and Venezuela in September 1960. OPEC has been based in Vienna since 1965 (previously Geneva).

Currently it has 13 members: Iraq, Iran, Kuwait, Saudi-Arabia, United Arab Emirates (UAE), Algeria, Libya, Angola, Equatorial Guinea, Gabon, Nigeria, Republic of the Congo and Venezuela.

Over the counter (OTC)
Also known as off-market trading, this refers to transactions between market participants conducted outside of stock or other markets.

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 temperatures 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.

Power-to-liquid (PTL)
Technology for manufacturing liquid energy sources with the use of electric energy from renewable sources.

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.

RED – renewable energy directive
> ‘Renewable Energy Directive’

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 Fuel Standard (RFS)
The renewable fuel standard is a US American Federal programme in which fuels used for transport purposes sold in the USA must contain a minimum volume from renewable sources.

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.

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.

Sterols
> 'Phytosterols'

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.

The German Federal Government's National Energy and Climate Plan (NECP)
The integrated National Energy and Climate Plan is a new planning and monitoring instrument used by the EU and its member states. It is intended to improve the coordination of European energy and climate policy, and is the central instrument for the implementation of the EU 2030 objectives for renewable energies and energy efficiency.

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.

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.

UCOME (Used Cooking Oil Methyl Ester)
UCOME refers to biodiesel produced from waste material such as used edible oils and fats.

UER (Upstream emissions 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.

*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. *verbio*gas 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 *verbio*diesel production, generated by the chemical process of esterification of vegetable oils with methanol. The high-value *verbio*glycerin process product is used in the chemical and pharmaceutical industries.

*verbio*sept

In March 2020 VERBIO established production facilities for disinfectant solution for use as hand and surface area disinfectant under a permit limited to the territory of the Federal Republic of Germany in accordance with specifications of the general directive (Allgemeinverfügungen – AllgV) issued by the German Federal Institute for Occupational Safety and Health (Bundesanstalt für Arbeitsschutz und Arbeitsmedizin – BAuA). Concurrently with the start of production, VERBIO made an application for a permanent registration for the production and distribution of disinfectant solutions using ethanol for an indefinite period of time with the Bundesanstalt für Arbeitsschutz und Arbeitsmedizin in accordance with the German Biocidal Products Regulation (Biozidverordnung). This registration was accepted in July 2020. VERBIO is now permitted to include disinfectant solutions for private and commercial uses in its portfolio on a permanent basis.

Financial calendar

September 22, 2021	Publication of the annual report 2020/2021 Analyst's conference
November 11, 2021	Publication of the quarterly statement for the period ended September 30, 2021 (July 2021 to September 2021)
February 4, 2022	Annual General Meeting 2022
February 10, 2022	Publication of the half-yearly interim report 2021/2022 (July 2021 to December 2021) Analyst's conference
May 12, 2022	Publication of the quarterly statement for the period ended March 31, 2022 (January 2022 to March 2022)
September 27, 2022	Publication of the annual report 2021/2022 Analyst's conference

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Forward-looking statements
This statement includes various statements concerning forecasts, expectations and information that relate to the future development of the VERBIO Group and VERBIO Vereinigte BioEnergie AG. These statements are based on assumptions and estimates and may be associated with known and unknown risks and uncertainties. Actual developments and results, as well as the financial and asset situation, may therefore differ substantially from the expectations and assumptions stated. Such differences may be due, among other things, to market fluctuations, changes in worldwide market prices for raw materials as well as financial markets and exchange rates, changes in national and international laws and directives, or fundamental changes in the economic and political climate. VERBIO does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this statement.

This statement is published in German (original version) and in English (non-binding translation). It is available for download at http://www.verbio.de in both languages.

We will be delighted to send you additional information about VERBIO Vereinigte BioEnergie AG on request at no charge.
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