verbio

Biofuel and Technology

Annual Report 2019/2020

To our shareholders

Group management report

Consolidated financial statements (IFRS)

Further information

Group key figures

[in EUR million]

Profitability	1. HY 2019/2020	2. HY 2019/2020	2019/2020	1. HY 2018/2019	2. HY 2018/2019	2018/2019
Sales revenue	436.6	435.8	872.4	380.2	399.1	779.3
EBITDA	53.9	68.2	122.1	57.3	37.8	95.1
EBIT	39.9	52.0	91.9	46.6	27.1	73.7
EBIT margin (%)	9.1	11.9	10.5	12.3	6.8	9.5
EBT	39.2	51.8	91.0	46.5	26.6	73.1
Net result for the period	25.3	38.5	63.8	33.0	18.7	51.7
Earnings per share (EUR)	0.40	0.61	1.01	0.53	0.31	0.84

Operating data	1. HY 2019/2020	2. HY 2019/2020	2019/2020	1. HY 2018/2019	2. HY 2018/2019	2018/2019
Production (tonnes)	402,788	393,623	796,411	361,031	360,095	721,126
Production (MWh)	376,918	407,496	784,414	337,969	368,677	706,646
Utilisation Biodiesel/ Bioethanol (%) 1)	87.6	85.6	86.6	98.9	98.7	98.8
Utilisation Biomethane (%) 1)	100.5	108.7	104.6	112.7	122.9	117.8
Investments in property, plant and equipment	41.5	25.0	66.5	35.4	28.4	63.8
Number of employees 2)	702	725	725	582	660	660

Net asset position	31.12.2019	30.06.2020	30.06.2020	31.12.2018	30.06.2019	30.06.2019
Net financial assets	52.8	55.9	55.9	96.5	64.2	64.2
Equity	368.8	390.8	390.8	332	338.9	338.9
Equity ratio (%)	73.1	73.8	73.8	76.5	79.8	79.8
Balance sheet total	504.4	529.2	529.2	433.9	424.9	424.9

Financial position	1. HY 2019/2020	2. HY 2019/2020	2019/2020	1. HY 2018/2019	2. HY 2018/2019	2018/2019
Operating cash flow	37.9	33.8	71.7	23.5	20.8	44.3
Operating cash flow per share (EUR)	0.60	0.54	1.14	0.37	0.34	0.71
Cash and cash equivalents 3)	81.5	86.1	86.1	104.4	74.2	74.2

1) At of July 1, 2019 the annual production capacity of the production plant was amended as follows:
biodiesel: from 470.000 tonnes to 660.000 tonnes; bioethanol: 260.000 Tonnen (unchanged); biomethane: from 600 GWh to 750 GWh
2) At the balance sheet date
3) At the balance sheet date, including cash on segregated accountssheet date

Segment key figures

[in EUR million]

Biodiesel	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**	**1. HY 2018/2019**	**2. HY 2018/2019**	**2018/2019**
Sales revenue	288.3	299.9	588.2	259.7	254.8	514.5
EBITDA	25.1	21.0	46.1	50.4	20.3	70.7
EBIT	20.8	14.7	35.5	48,0	17.7	65.7
Production (tonnes)	280,993	278,742	559,735	239,486	241,794	481,280
Utilisation (%) [1]	85.1	84.5	84.8	101.9	102.9	102.4
Number of employees [2]	199	208	208	122	158	158

Bioethanol (incl. Biomethane)	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**	**1. HY 2018/2019**	**2. HY 2018/2019**	**2018/2019**
Sales revenue	143.6	131.6	275.2	115.6	139.1	254.7
EBITDA	27.6	46.4	73.9	6.9	16.9	23.8
EBIT	18.7	37.2	55.9	−1.0	9.0	8.0
Production (tonnes)	121,795	114,881	236,676	121,545	118,301	239,846
Production (MWh)	376,918	407,496	784,414	337,969	368,677	706,646
Utilisation Bioethanol (%) [1]	93.7	88.3	91.0	93.5	91.0	92.3
Utilisation Biomethane (%) [1]	100.5	108.7	104.6	112.7	122.9	117.8
Anzahl der Mitarbeiter [2]	338	340	340	293	332	332

Other	**1. HY 2019/2020**	**2. HY 2019/2020**	**2019/2020**	**1. HY 2018/2019**	**2. HY 2018/2019**	**2018/2019**
Third party revenues	8.0	7.8	15.8	8.2	8.5	16.7
EBIT	0.4	0.2	0.6	−0.3	0.3	0

[1] At of July 1, 2019 the annual production capacity of the production plant was amended as follows:
biodiesel: from 470.000 tonnes to 660.000 tonnes; bioethanol: 260.000 Tonnen (unchanged); biomethane: from 600 GWh to 750 GWh
[2] At the balance sheet date

Letter to our shareholders

Dear shareholders,

"Coronavirus" is currently the all-consuming issue, and it has also been the major driver of events characterising the second half of our financial year 2019/2020. I hope that you are, and you will continue to be, optimistic and healthy during these unusual times.

I expect that none of us could ever have imagined that almost the whole world would come to a standstill at the same time and hold its breath for a period of weeks, and that commercial and social life would pause – and in some aspects cease completely. It is natural that the protection of human life is more important than purely business interests, but we have not yet witnessed the full cost of this temporary stop, this lockdown or shutdown. Every day we hear reports of more rescue packages being put together for various different industries that are in economic difficulties. The virus has thrown entire economies, as well as our working and private routines, off course.

Claus Sauter
Chairman of the Management Board

Recognising the crisis as an opportunity

On the other hand, this unplanned and unwanted damage has made it clear to us that we can certainly cut back on many things and make sustainable changes to our behaviour – and sooner than we might have expected. The big winners in this crisis are the digitalisation process and climate protection. Many business events are no longer taking place in the form of physical presence meetings, but are being held virtually. For consumers, holiday flights to faraway destinations are being replaced by holidays in domestic resorts using cars, mobile homes or bicycles for transport. As a result of these limitations on mobility, CO_2 emissions have fallen dramatically and nature has been able to start to recover. The pandemic has forced us to find new ways of doing things and to develop new ideas – and it is working.

Within a short space of time VERBIO was able to switch some of its production facilities to commence manufacturing disinfectant solutions based on ethanol and glycerine, thereby accepting social responsibilities as well as safeguarding employment at a time when the market for biofuels was in decline. Our employees have been flexible, working from home where possible with the help of modern digital network technologies. Cooperation with our partners has continued successfully on a virtual basis. The pandemic has been another event that has revealed the specific DNA of VERBIO: able to react quickly, flexibly and with engagement to changes in the framework environment. Magnificent!

Nothing in recent history will cause a more sustained change to the world of international business than COVID-19. Global value-added chains are no longer working. The issue of ensuring secure supply chains in a context characterised by fewer long-haul transport routes and more use of local, European value-added elements needs to readdressed.

Irrespective of the challenges our society faces in the current economic climate, it is still enormously important to direct a big effort into driving forward the energy turnaround and decarbonisation. As usual, we will be working on these issues at the political level and in our cooperation with important industry associations.

Proving commercial strength and flexibility

Despite the market disruptions in the fuel sector as a result of the reduction in mobility during the acute phase of the coronavirus pandemic, we at VERBIO have again generated a record result in the financial year 2019/2020, which once again provides impressive evidence to underline our abilities, our flexibility and our commercial strengths.

The production volume of biodiesel and bioethanol in the financial year 2019/2020 totalled 796,411 tonnes, compared with 721,126 tonnes in the financial year 2018/2019. This represents capacity utilisation of 86,6 percent, whereby it needs to be taken into account that the biodiesel plant acquired in Canada only started production on a phased basis from August 2019.

Biomethane production increased by a further 11 percent to 784,414 MWh.

Group revenues in the financial year 2019/2020 totalled EUR 872.4 million, almost EUR 100 million more than in the previous year.

The earnings before interest, taxation, depreciation and amortisation (EBITDA) was EUR 122.1 million, EUR 27 million up compared to the previous year and significantly higher than forecast.

At June 30, 2020 VERBIO employed 725 employees worldwide. They have earned my thanks and respect for another excellent team performance!

As in the previous year, the Management and Supervisory Boards will propose to the annual general meeting to be held in January 2021 that the Company shall pay a 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 also wish to thank you for your continued trust and support.

Gaining advantage through technology

In the Group as a whole, there are now more than 40 employees engaged in R&D activities.

In the Biodiesel segment the focus of their work was on developing new products based on biodiesel – in particular in cooperation with XiMo, our Hungarian subsidiary, in the area of metathesis, where we have made some big forward steps.

In the Bioethanol/Biomethane segment the focus was on the optimisation of the straw biomethane technology and on creating further high-value products from the raw materials used in our bioethanol refineries as well as expanding the range of raw materials used.

At this point I would like to draw attention to our incredible achievement of creating, within just a few days, a production facility to manufacture disinfectant solutions. For this purpose, we used bioethanol and glycerine from both of our important manufacturing segments. The issues associated with production and with installing a completely new chain of detailed logistic arrangements and customer structure presented challenges that should not be underestimated. At the same time, the legal framework needed to be observed and a reorganisation of the sales effort was required.

Improved framework conditions in Germany and in Europe

Dear shareholders, the EU has ordered climate-neutrality by the year 2050. By 2030, CO_2 emissions should be reduced by 40 percent. The year 2020 is the mid-point between the years 1990 and 2050.

30 years of climate protection are behind us, and another 30 years lie before us. The CO_2 emissions in Germany are at practically the same level as they were in 1990, and things do not look much better in the rest of Europe. That means that the first 30 years were lost years as far as climate protection is concerned. Europe faces a massive challenge to meet the EU target and to reduce CO_2 emissions in transport by 40 percent over the next ten years. Until now, no country has been as slow in making its contribution as Germany.

However, I am optimistic that changes in society and pressure from businesses are having an effect. It was only a year ago that the Fridays-for-Future movement brought millions of people out onto the streets. There are promising conceptual discussion papers and significant budgets on the table in the form of the “German and European Hydrogen Strategy” and the “Gas Dialogue 2030”. Everywhere, people are coming to the conclusion that climate change cannot be stopped by renewable electricity alone. The Federal Government and the European Commission now need to demonstrate how the conceptual discussion papers can be turned into legally binding obligations and working business models that have the desired effects.

The Federal Ministry for Economic Affairs and the Federal Ministry of Transport have demanded that the Federal Ministry for the Environment set an "Ambitious increase in the greenhouse gas quota from 6 percent currently to 19–23 percent by 2030". Sustainable biofuels created from waste and residual products are an important pillar in the decarbonisation strategy for transport.

The Federal Ministry of Transport has already delivered the subsidy programme for energy efficient heavy goods vehicles, as well as toll exemptions for low-emission heavy goods vehicles, and these actions have initiated an impressive chain of events. The number of new registrations for heavy goods vehicles powered by natural gas has increased rapidly, which has led to a doubling of the sales of CNG and LNG fuels within the space of a few months. At the same time this has opened up new sales opportunities for biomethane in the transport sector. I am sure that we will see similar trends in the other EU member states.

VERBIO, too, is increasingly making use of BioCNG-/BioLNG powertrains for long-distance goods transport purposes, and will convert almost all of its own heavy goods vehicles fleet by the middle of 2021. This is both economically sound and good for the climate.

From mid-2021 we will be the largest supplier of BioLNG in Europe with the production from our plants in Schwedt and Zörbig.

We have been waiting 15 years for these positive framework conditions. Finally, we will be able to invest again in new plants in Europe and expand our biomethane production from agricultural waste. BioLNG will develop into a global biofuel industry. VERBIO is excellently placed for this with its engagements in North America and Asia. This shows that our decision to make VERBIO AG a global business, and our timing, were correct.

Today, VERBIO is already the largest manufacturer in Europe of advanced biofuels that meet the RED II criteria. Hardly any other business in the biofuels market is so broadly based and as flexible as VERBIO. We have the technologies, the strategies and above all the right employees to build on and strengthen our position as market leader.

With our product portfolio and our understanding of the market, we are in a position to react in an optimal way to the respective regional regulatory structures, and to make an increasing contribution to the decarbonisation of transport globally. I am greatly looking forward to future events.

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 2020/2021 of around EUR 130 million. Net cash is expected to be around EUR 50 million at the end of the financial year.

We are making continued progress with the construction of our plants in India and the USA. Restrictions on work due to the coronavirus pandemic have caused some small delays in the timing of the work, but in view of the positive developments we will increase our internationalisation strategy further in future.

In doing so, when we take advantage of further growth opportunities, we always ensure that we maintain our focus on sustainable profitable growth, so that we are able to offer you, our dear shareholders, as well as our investors and the capital market, an attractive, sustainable and sensible investment.

Yours, Claus Sauter
Chairman of the Management Board

Report from the Supervisory Board

Dear shareholders,

Following a series of successful financial years, VERBIO has again been able to continue its success story in the financial year 2019/2020. In addition, the Group's growth strategy, in particular our expansion into international markets, has been pursued systematically. 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 the determined pursuit of its growth strategy, which is energetically supported by the Supervisory Board. In view of this, in January 2020 the Company again raised the targets that it had set at the beginning of the financial year with a new EBITDA target of EUR 110 million (previously: EUR 65 million).

However, the financial year 2019/2020 also brought unexpected challenges, particularly the worldwide spread of the coronavirus pandemic. Here we – the Management Board, employees and the Supervisory Board – were all able to demonstrate that we have positioned the business in the right way, and that we are able to react quickly to changes in market conditions. This meant that we were able to achieve the new results target despite the extremely difficult conditions.

Alexander von Witzleben
Chairman of the Supervisory Board

Cooperation between the Supervisory and Management Boards

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

In the financial year 2019/2020 the members of the Supervisory Board of VERBIO AG have performed the tasks imposed on them by law, by the articles of association and by internal rules of procedure, discharging these duties in full and with the utmost care. The reporting obligations of the Management Board and the requirement to issue a catalogue of transactions requiring prior approval are legal requirements, and the detailed application of these requirements is set out in the Company's internal rules of procedure for the Management Board to follow.

We have provided support to the Management Board on a regular basis concerning the management and strategic development of the Group, we have regularly made ourselves available to provide advice, and we have accompanied and supervised the Board's management of the business on a continuous basis, and analysed in depth the development of and perspectives for the biofuels market in general and VERBIO in particular. We were fully involved at an early stage in all decisions having a significant effect on VERBIO. Verbal reports made by the Management Board in 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 which were of particular significance to the Company's profitability or liquidity. The Management Board provided detailed information on variances between the course of business and the business plans and objectives, and discussed in depth the reasons for the variances, as well as the measures taken in response to them, with the Supervisory Board. The reporting duties under § 90 (1) and (2) German Stock Corporation Act (Aktiengesetz – AktG) and the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) were complied with in full.

The Supervisory Board was in regular contact with the Management Board in addition to the fixed meeting dates, and was kept informed on a continuous basis regarding 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.

Meetings and resolutions of the Supervisory Board

In the financial year 2019/2020 the Supervisory Board held four regular meetings, whereby one of those meetings was held in the form of a video conference instead of in person due to the spread of the coronavirus. In addition, one extraordinary Supervisory Board meeting was held by telephone conference. Further, one resolution was 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.

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

The meeting to approve the financial statements was held on September 20, 2019. The meeting to approve the financial statements addressed the audit and approval of the annual and consolidated financial statements and the management reports of VERBIO AG and the Group. The auditors responsible for the audit of the financial statement reported on the audit priorities and on the results of their audit. Following a detailed discussion, the Supervisory Board approved the annual financial statements prepared by the Management Board and adopted the consolidated financial statements. The Supervisory Board 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 that was issued for the first time in accordance with § 315 c HGB for the financial year 2018/2019, 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 2019/2020. 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. In addition, the board made resolutions on the approval of non-audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, as well as on the acquisition of 49 percent of the shareholding in VERBIO North America Corporation.

The meeting held on November 4, 2019 was primarily concerned with discussing the quarterly statement for the period ended September 30, 2019. The Supervisory Board also approved resolutions on the agenda topics for the annual general meeting 2020 and the resolutions to be proposed at that meeting. Further, at this meeting the Management Board presented a comprehensive medium-term three-year business plan for the VERBIO Group. In addition, reports were also submitted on the compliance topics relevant to the Group at this meeting. The Supervisory Board also approved a prolongation of a trust agreement for which the Management Board is required to obtain approval, as well as giving approval to the use of bilateral credit lines. Further, a revised version of the Supervisory Board's rules of procedure were approved, and the prolongation of the employment contracts of members of the Management Board were discussed.

In the meeting following the annual general meeting held on January 31, 2020, discussions took place on the draft half-year financial report for the period ended December 31, 2019. In addition, the Supervisory Board approved the financial reporting calendar for the financial year 2020/2021 at this meeting.

The original intention was to finalise the Management Board issues at the extraordinary Supervisory Board meeting held on April 1, 2020. However, this was significantly affected by the spread of the coronavirus pandemic and its effects on VERBIO's operations. The Management Board provided comprehensive information concerning the current economic position and the measures taken and measures still planned, in particular concerning the entry into new business markets. In this meeting the Supervisory Board also examined and approved the new system of remuneration for the members of the Management Board, prolonged the appointments of the existing members of the Management Board until June 30, 2025 and appointed Stefan Schreiber as an additional member of the Management Board for a period of three years with effect from July 1, 2020. The Management Board then presented the Company's concept for North America, and the Supervisory Board approved the application for the investment budget for this purpose requested at this meeting.

A significant issue at the meeting held by video conference on May 4, 2020 was the discussion of the quarterly report for the period ended March 31, 2020, as well as the presentation of the preliminary business planning for the financial year 2020/2021. In addition, a resolution was approved concerning the approval of the performance of non-audit services by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig. In addition to this, the Supervisory Board examined, in accordance with § 87 (2) AktG, the need to amend the current Management Board remuneration in the light of the coronavirus pandemic, with the result that the necessary legal preconditions for a reduction of the remuneration of the Management Board were not fulfilled as there has not been a significant deterioration in the economic position of the Company.

A resolution was approved by circulation procedure during the financial year 2019/2020 concerning a transaction for which the Management Board requires approval; this concerned a guarantee declaration for the benefit of a subsidiary company under which guarantees were given concerning trading transactions.

Conflicts of interest

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

In the financial year just ended no conflicts of interest affecting members of the Management or Supervisory Boards were noted which would have required disclosure to the Supervisory Board in accordance with 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.

Until June 30, 2020 the Company and Ulrike Krämer, Vice-Chairman of the Supervisory Board, were parties to a service agreement which provided for support during ongoing tax audits. Ulrike Krämer abstained from voting on the resolution concerning this engagement arrangement. No other contracts were entered into with members of the Management or Supervisory Boards which required the approval of the Supervisory Board.

Corporate governance and declaration of conformity

The Supervisory and Management Boards are aware of the fact that good corporate governance is an important foundation for the Company's success. Accordingly, the Supervisory Board has again considered the recommendations and suggestions of the German Corporate Governance Code in the financial year 2019/2020. 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.

The German Corporate Governance Code was comprehensively updated in the financial year 2019/2020. Accordingly, in its meeting held on September 18, 2020 the Supervisory Board made a thorough examination of the updates made to the declaration of conformity with the German Corporate Governance Code (DCGK). The declaration of conformity was made on the basis of the completely new version of the German Corporate Governance Code issued on December 16, 2019 and published in the Federal Gazette on March 20, 2020. With certain exceptions, which we have explained in that document, we have complied with all the recommendations of the code in its current version.

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

The Supervisory Board has examined the remuneration system for the Management Board, including the amounts of remuneration paid in the 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 amended remuneration system for the Management Board will be presented for approval at the annual general meeting to be held on January 29, 2021.

Efficiency audit

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. 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.

No efficiency audit has been performed on the work of the Supervisory Board in the two financial years 2018/2019 and 2019/2020 as an audit had previously been performed in the financial year 2017/2018. A repeat audit of the efficiency of the work performed by the Supervisory Board is planned for the first half of the financial year 2020/2021.

Training and further education measures

The members of the Supervisory Board are individually responsible for taking part in training and further education, with appropriate support from VERBIO. In the financial year 2019/2020 Ulrike Krämer participated in a seminar "Practical and strategic implications of the COVID-19 crisis for the Supervisory Board". In addition, the members of the Supervisory Board keep themselves informed about matters relevant to Supervisory Board duties by subscribing to online magazines and newsletters.

Members of the Supervisory Board and Management Board

There have been no changes in the composition of the Supervisory Board and the Management Board in the financial year 2019/2020 just ended.

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

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

Dr. Claus Meyer-Wulf was appointed as an available substitute member.

The following persons were members of the VERBIO Management Board during the financial year:

- Claus Sauter (Chairman)

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

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

In view of VERBIO's growth trajectory, the Supervisory Board resolved in its meeting held on April 1, 2020 to expand the Management Board team by increasing the size of the board from four to five persons. We have been considering this step for some time, and have now taken action to implement this change. Accordingly, Stefan Schreiber was appointed as a member of the Management Board from July 1, 2020 for a three-year period, with responsibility for North America.

Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on January 31, 2020, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was reappointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2019/2020. In a letter dated September 20, 2019 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 May 25, 2020 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, 2019 to June 30, 2020, together with the management report for the financial year from July 1, 2019 to June 30, 2020, and have issued an unqualified audit opinion on both documents. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2019 to June 30, 2020 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 18, 2020, 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, 2020. 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. Following this examination, the Supervisory Board has agreed with the proposal for the appropriation of profits submitted by the Management Board, and joins it in recommending the proposal. This includes the payment of a dividend and appropriation of the remaining profit to reserves.

Dependency report

As in previous years, in the financial year 2019/2020 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 18, 2020.

After performing a thorough audit of its own of the report on relationships with affiliated companies in the financial year 2019/2020, 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 18, 2020.

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 the German Commercial Law (Handelsgesetzbuch – HGB) and is presented separately to the management report. In this separate report, VERBIO presents selected non-financial information based on international sustainability standards issued by the Global Reporting Initiative (GRI).

The Supervisory Board has performed an audit of the contents of the non-financial statement for 2019/2020 in accordance with § 289 c and § 315 c HGB. The statement was discussed together with the Management Board in a meeting of the entire Supervisory Board held on September 18, 2020, with the Supervisory Board performing a detailed audit of its own and not engaging a firm of third-party auditors for this purpose. Following the final results of its audit, the Supervisory Board has not raised any objections and has taken note of and approved the non-financial statement.

Closing comments

Looking back at the financial year 2019/2020 we are able to conclude that the year ended with a pleasing annual result.

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

Equally, we are aware of the commitment from you, our valued shareholders, and we are grateful for the confidence that you place in us. We appreciate and look forward to your continuing involvement in our journey in the future.

Zörbig, September 18, 2020

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.

2019 – a strong year for the DAX, Germany's leading share index

Germany's leading share index, the DAX, started the financial year 2019/2020, like the previous financial year 2018/2019, under the influence of a sharpening of the trade conflict between China and the USA as well as rising political tensions in the United Kingdom surrounding the Brexit issue. The DAX started on July 1, 2019 at 12,521 points at the beginning of the first half of the financial year 2019/2020. After new penalty tariffs were announced by the Chinese government and a planned vote of no-confidence against Boris Johnson, the British Prime Minister was announced in August 2019, Germany's leading index recorded its lowest point in the first half of the financial year 2018/2019, reaching a low of 11,413 on August 15, 2019. The index recovered shortly thereafter and remained in a continuing upwards trend, with the exception of two brief dips below the 12,000 level at the beginning of October 2019. In the trade conflict with Europe the US penalty tariffs planned for mid-December 2019 were avoided when a partial settlement was achieved on December 13, 2019. Thereafter the DAX was able to record its high point in the first half of the financial year 2019/2020, reaching 13,408 on December 16, 2019. The DAX ended the first half of the financial year 2019/2020 strongly, closing at 13,249 points on December 31, 2019 representing a gain of 6.86 percent over the first half-year.

In the first half of the financial year 2019/2020 the Dow Jones, the leading American share index, was consistently above the important 20,000 mark for the third year in succession. In the first half of the financial year 2019/2020 the index recorded share price falls consistent with those on the DAX. These were in reaction to the trade conflict between China and the USA, as well as the movement towards a possible no-deal Brexit. In the fourth calendar quarter of 2019 the North American leading index rallied, driven by order levels in US businesses which were significantly above expected levels. Despite two smaller falls at the beginning of October 2019 to a low of 26,079 points on October 2, 2019, which were caused, among other things, by a short-term escalation of the trade conflict between the China and the USA, the Dow Jones was able to close the calendar year at 28,538, a gain of 7.29 percent. The FED, the US Federal Bank, lowered the base rate of interest three times in the first half of the financial year 2019/2020, in August (August 1, 2019), in September (September 9, 2019) and finally at the end of October (October 31, 2019). At the end of the calendar year 2019 the interest rate in the USA was at the 1.50–1.75 percent level.

First half of the calendar year 2020 – the leading German share index weakened by COVID-19

At the beginning of the calendar year 2020 the DAX remained over the 13,000 level, with the exception of a brief fall to 12,982 points on January 31, 2020. This was due, among other things, to the ongoing tension between the USA and China, which was sharpened by the COVID-19 pandemic. Thereafter the share index recovered quickly and the DAX reached its highest point of the financial year, recording 13,789 on February 19, 2020.

After that, the DAX fell sharply for a period of 28 calendar days, reaching its lowest point of the financial year 2019/2020 on March 18, 2020 at 8,442 points. The share price falls were primarily due to the global spread of the COVID-19 virus. Global travel bans and quarantine regulations followed.

After this share price low, the DAX entered an ongoing upward trend. This increase was primarily driven by the package of economic stimulus measures introduced by the German Federal Government in response to the pandemic. In addition, the ECB did not change interest rates but instead started the "Pandemic emergency purchase programme", purchasing securities in order to increase the rate of inflation and to provide price stability support.

As a result, the DAX recovered and exceeded 12,000 again at the beginning of June 2020. The index was able to maintain this level until the end of the second half of the financial year 2019/2020, falling below the 12,000 mark only for a short period in mid-June 2020. On June 30, 2020 the DAX closed the financial year 2019/2020 with a small fall of 0.7 percent at 12,311 points.

The consequences of the COVID-19 pandemic seen in the negative DAX reflect the level of growth in the eurozone. In the third quarter of the financial year 2019/2020 the gross domestic product (GDP) in the eurozone fell by 3.6 percent. In Germany, GDP also fell in the third quarter of the financial year 2019/2020 by approximately 2.2 percent, the heaviest fall since the global financial crisis in 2008/2009. According to the ifo Institute, the negative trend is due to the COVID-19 pandemic and the associated production shut-downs. On April 29, 2020 the Federal Government made a downward correction to its growth forecast as part of its spring forecasting, with a new forecast of −6.3%. This was also explained by the COVID-19 pandemic in the first and second quarters of 2020; however, the Federal Government forecast that an economic recovery would be possible in the third calendar quarter of 2020. As a result of these risks and the poor outlook the DAX closed the first half of the calendar year 2020 on June 30, 2020, showing a fall of 7.08 percent.

The VERBIO share price under the influence of COVID-19

The VERBIO share started the financial year 2019/2020 on July 1, 2019 priced at EUR 7.70 per share (Xetra). In the period from mid-August 2019 until the end of February 2020 the VERBIO share price increased by 89.66 percent. In this period the VERBIO share recorded its highest share price in the financial year 2019/2020 on February 20, 2020, when it was traded at EUR 13.28 per share.

The VERBIO share price rally was supported, among other things, by the publication of the earnings results for the financial year 2018/2019 on September 25, 2019. Here, VERBIO AG reported the most successful year in the Company's history with an EBITDA of EUR 95.1 million, representing an increase of 112.30 percent compared to the financial year 2017/2018. A further 16.76 percent share price increase was noted on January 22, 2020 as VERBIO AG made an upward correction of its EBITDA earnings forecast for the financial year 2019/2020, rising from EUR 65 million to EUR 110 million. On February 20, 2020 the VERBIO share fell in line with the falls in the German share index as a whole. This followed a new risk appraisal by investors in connection with the COVID-19 pandemic, which led to rapid share selling. The share price falls ended on March 19, 2020 with a low for the financial year 2019/2020 of EUR 6.30.

The share price was able to recover at the end of March 2020 as a result of the start of production of disinfectant solutions using VERBIO AG's bioethanol. As the demand for disinfectant solutions exceeded supply as a result of the COVID-19 pandemic, VERBIO AG made a short-term decision to convert some production in order to assist hospitals and pharmacies. The VERBIO share price continued in a sideways movement from the end of March 2020 until financial year end on June 30, 2020, fluctuating in a range between EUR 7.87 (March 27, 2020) and EUR 10.64 (June 8, 2019). The VERBIO share closed the financial year 2019/2020 on June 30, 2020 with a share price of EUR 9.30. This represented a gain in the share price of 19.38 percent in the financial year 2019/2020.

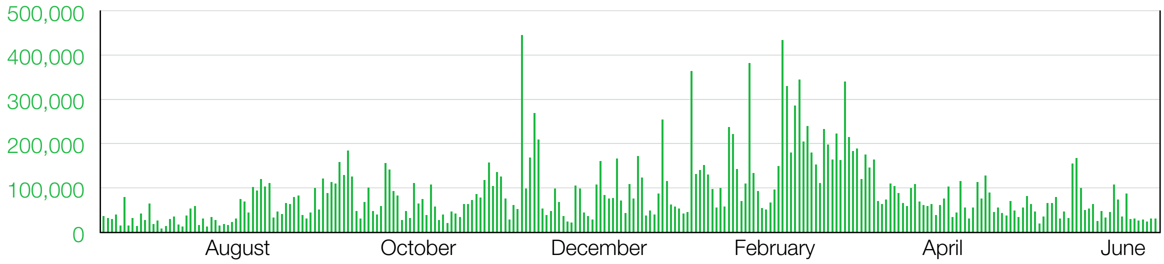
In the first half of the financial year 2019/2020 the average volume of shares traded on the Xetra stock exchange increased to 69,488 shares/day. An average of 107,781 shares were traded daily in the second half of the year. As a result, the average daily trading volume increased overall to a daily average of 88,483 shares compared to the previous year (2018/2019: average of 41,590).

Analyst coverage

Currently, analyst coverage is by MATELAN Research GmbH, which is engaged by VERBIO AG. The analysis issued by them is prepared independently by the analysts at MATELAN Research GmbH based on publicly available information. This analyst's report represents the opinions, assessments and recommendations of the analyst and is not subject to any influence or control by VERBIO AG.

Performance and trading volume of the VERBIO share from July 1, 2018 to June 30, 2020

Performance of the VERBIO share (XETRA)
from July 1, 2019 to June 30, 2020 (in euros)



Trading volume (XETRA)
from July 1, 2019 to June 30, 2020 (in number of shares)

Annual general meeting 2020

The ordinary annual general meeting of VERBIO AG was held on January 31, 2020 in Leipzig. Shareholders representing 50,168,750 ordinary shares and the same number of voting rights were represented at the meeting (79.63 percent of the Company's total share capital). The Management and Supervisory Boards answered questions and presented information on business developments, corporate strategy, and the legal environment and market trends. In addition to the ordinary agenda topics (the application of profits, the ratification of the actions of the Management and Supervisory Boards, determination of the remuneration of the Supervisory Board, as well as the election of KPMG AG Wirtschaftsprüfungsgesellschaft as auditors of the annual and consolidated financial statements for the financial year 2019/2020), the agenda included the approval of new authorised capital 2020 and the approval of certain commercial contracts.

In the presence of approximately 140 shareholders, representatives of shareholder associations and guests, all of the resolutions proposed by management were approved with the necessary majority. The Management and Supervisory Boards of VERBIO AG view the voting results as evidence that shareholders have a high level of trust in the Company's management. Details of the voting results and further information on the annual general meeting are provided in the investor relations section of the Company's website (www.verbio.de). The annual general meeting for the financial year 2019/2020 will be held on January 29, 2021 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 which 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, the financial calendar and corporate presentations in the investor relations section of the Company's website (www.verbio.de). Obligatory capital market communications such as ad hoc reports and Corporate News are provided there on a timely basis in German and in 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 themselves 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 www.verbio.de website as well as on the Group's social media channels on Facebook and Instagram. Also, 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 (www.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. VERBIO was also represented at the German Equity Forum in Frankfurt am Main from November 25, 2019 to November 27, 2019, making its own corporate presentation as well as entering into several face-to-face meetings with interested analysts and investors.

You will find the financial calendar, with all the important dates for the financial year 2020/2021, on the inside of the back cover of this annual report and in the investor relations section of the Company's website (www.verbio.de).

Dividends

The Management and Supervisory Boards of VERBIO AG follow a policy aimed at providing a consistent dividend stream under a dividend policy which 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 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	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
Earnings per share (basic)	0.43	0.77	0.82	0.24	0.84	1.01
Dividends per share	0.1	0.15	0.2	0.2	0.2	0.2
Dividend distributions (in EUR millions)	6.3	9.5	12.6	12.6	12.6	12.6

Dividend payment of EUR 0.20 per share for the financial year 2018/2019

The separate financial statements of VERBIO AG prepared in accordance with HGB show a profit for the financial year 2018/2019 of EUR 158,584,203.91, with a retained profit for the period of EUR 158,584,203.91. 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 31, 2020, resulting in the payment of dividends totalling EUR 12,600,000.00 with EUR 145,984,203.91 transferred to retained earnings.

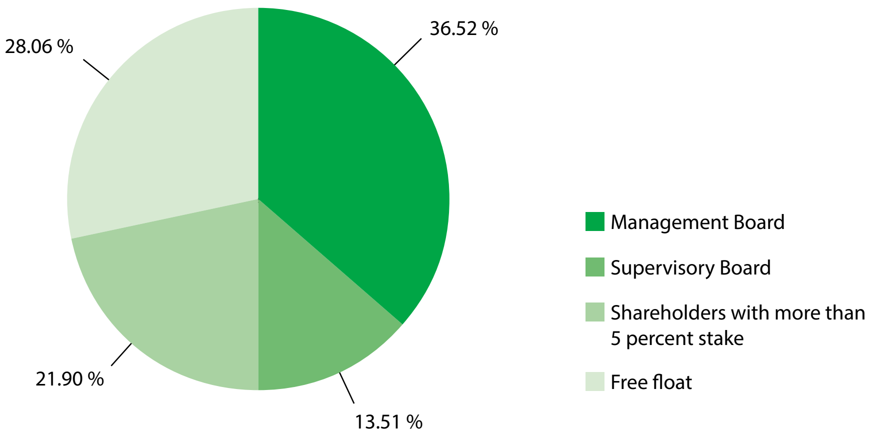
The VERBIO AG annual general meeting held on January 31, 2020 approved the proposal of the Management and Supervisory Boards to pay a dividend for the fifth successive year, approving the payment of EUR 0.20 per qualifying share for the financial year 2018/2019. This represents a dividend yield of 2.57 percent based on the closing price of the VERBIO share of EUR 7.79 at June 30, 2019.

Proposed dividend for the financial year 2019/2020

In the financial year 2019/2020 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 January 29, 2021 that the Company shall pay a dividend unchanged to the previous year of EUR 0.20 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 (2018/2019: EUR 12.6 million). This dividend proposal, which is subject to the approval of the annual general meeting, represents an unchanged dividend payment compared to the previous year (2018/2019: EUR 0.20). 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.

Shareholder structure at June 30, 2020



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 no reports of changes to significant holdings in the reporting period. Accordingly, VERBIO AG's shareholder structure is unchanged compared to June 30, 2019.

The share at a glance

Code	VBK	
Bloomberg code (Xetra)	VBK:GR	
Reuters code (Xetra)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime Standard	
Designated sponsor	HSBC Trinkaus & Burkhardt AG	
Number of shares	63,000,000	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	
	2019/2020	**2018/2019**
Closing share price (Xetra, June 30, 2020, June 30, 2019)	EUR 9.30	EUR 7.79
52-week high (Xetra)	EUR 13.28	EUR 7.98
52-week low (Xetra)	EUR 6.3	EUR 5.01
Market capitalisation (basis: final price Xetra)	EUR 585.90 Mio.	EUR 490.77 Mio.
Free float	28.06 %	28.06 %
Earnings per share (basic and diluted)	EUR 1.01	EUR 0.84
Operating cash flow per share	EUR 1.14	EUR 0.71
Net assets per share	EUR 6.18	EUR 5.38

Group management report

Group Management Report

for the financial year from July 1, 2019 to June 30, 2020

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 (formerly known as VERBIO Diesel Bitterfeld GmbH), Bitterfeld-Wolfen/OT Greppin, hereinafter referred to for simplification purposes as "VEB"
- VERBIO Zörbig GmbH (formerly known as VERBIO Ethanol Zörbig GmbH & Co. KG), Zörbig, hereinafter referred to as "VEZ"
- VERBIO Schwedt GmbH & Co. KG (formerly known as VERBIO Ethanol Schwedt GmbH & Co. KG), Schwedt/Oder, hereinafter referred to as "VES"
- VERBIO Diesel Schwedt GmbH (merged with VERBIO Schwedt GmbH with legal effect from April 1, 2020 and with effect for commercial purposes from June 30, 2019), Schwedt/Oder, hereinafter referred to as "VDS"
- 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. 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, in its large-scale production plants. The technologies used have been developed internally by VERBIO. The plants and processes are optimised and improved on an ongoing basis. 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. These companies work for VERBIO AG on the basis of processing contracts.

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 ongoing construction to produce biomethane and bioethanol in the USA and biomethane in India.

Biodiesel, bioethanol and biomethane are sold in Europe; sales of biodiesel have also been made in North America since August 2019; and pharmaceutical glycerine and sterols are sold worldwide. As a result of commencing production in foreign countries the marketing of biofuels will, in future, become a more international operation.

As a technology company, VERBIO is always searching for new technologies which can help 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.

With this objective in mind, VERBIO acquired XiMo, a technology company. XiMo develops and markets metathesis catalysts. For VERBIO AG, metathesis will, in future, potentially 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 the leading independent manufacturers of biofuels, and at the same time a global commercial-scale producer of biodiesel, bioethanol and biomethane. Management places emphasis on efficient processes and production technologies and high product quality. The basis for all our business activities and investments is meeting sustainability criteria in the production of biofuels throughout the entire value-added chain – from the procurement of raw materials, through production, and up to the sale of biofuels and by-products. In this way we combine economic success with corporate responsibility and environmental protection. With our advanced technologies and the closed loop concept, which incorporates raw material procurement through to the processing of by-products as feedstuffs and fertiliser products or as high-value input materials for the foodstuff and pharmaceutical industry, we make 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, 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 biofuels. In addition, we aim to establish new technology concepts to make further use of by-products which can enable us to improve our competitiveness by entering new sales markets.

We place 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 biofertiliser and biomethane from 100 percent straw, which we have installed in our biorefineries at the Schwedt/Oder and Pinnow locations. This technology is also the focus of VERBIO's expansion projects in India and the USA. In addition, the acquisition of a biodiesel plant in Canada also contributes to VERBIO's increasing internationalisation.

The toll exemptions until the end of 2023 for low-emission heavy goods vehicles – including CNG/LNG heavy goods vehicles – that were approved in Germany in July 2020 open up new growth opportunities for VERBIO in Germany. These vehicles can be powered with biomethane produced using waste raw materials or straw. It can be expected that a large number of 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, but also to make use of the cost advantage to be obtained from the toll exemptions.

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

VERBIO, too, is increasingly making use of CNG/LNG powertrains for long-distance goods transport purposes, and will convert at least 50 vehicles in its own heavy goods fleet by the middle of 2021.

In general, the ongoing discussion about an "ambitious" increase in the greenhouse gas quota, as well as the hydrogen strategy approved by the Federal Government, is contributing to a major improvement in the framework conditions for VERBIO in Germany and in Europe.

For one thing, VERBIO has long demanded an increase in the greenhouse gas quota of 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.

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 now 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, which, in addition to a catalogue of transactions requiring approval, also define the areas of responsibility that are assigned to individual members of the Management Board. Stefan Schreiber has Management Board responsibility for North America.

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

The key performance indicator that we use to monitor profitability at Group level and at the Biodiesel and Bioethanol segment levels is EBITDA (operating result before interest, income taxes and depreciation and amortisation). In addition, analyses of gross margin, EBIT (operating result before interest and income taxes) and production-specific key data, such as production quantities and the associated capacity utilisation, are also used.

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

The effective and efficient management of capital is a key component of the VERBIO Group's integrated controlling system. This primarily comprises the management of liquidity, equity and borrowed capital, as well as currency and interest rate management. The most important key performance indicator used for this is the measurement of net cash (cash and cash equivalents, less bank loans and other loans).

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

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

Research and development

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

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

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

We prepare the large-scale implementation of new processes and process improvements and analyse economic parameters such as yields, consumption, 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.

In total, EUR 5,444 thousand (2018/2019: EUR 3,132 thousand) was spent on research and development in the past financial year. Group-wide, an average of 44 (2018/2019: 38) 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 work done by our R&D department in the financial year 2019/2020 was concentrated on developing new products based on biodiesel. Here, the cooperation with our Hungarian subsidiary XiMo provides new opportunities for developing processes, in particular in the metatheses area. XiMo develops catalysts for use in metathesis as well as applications for the use of these catalysts. In doing so XiMo works intensively with potential customers.

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 2019/2020 our R&D worked to make further improvements in the profitability of our straw-biomethane technology and to drive forward the development work on obtaining high-value products from the raw materials used in our biomethane refineries. In addition to this focus, the efficiency improvements using our bioethanol refineries for the use of maize as a raw material have been achieved, and a further focus in the second half of the financial year was on the manufacturing of ethanol-based disinfection solutions, driven by the bottleneck in the market during the COVID-19 pandemic.

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

Employees

As of June 30, 2020 VERBIO employed a total of 725 employees (June 30, 2019: 660), of whom 377 were staff (June 30, 2019: 308), 328 were production employees (June 30, 2019: 329), 17 were trainees and apprentices (June 30, 2019: 16), and 3 were mini-job employees (June 30, 2019: 7).

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 (Bundesamtes für Wirtschaft und Ausfuhrkontrolle – BAFA) for the 2020 calendar year up until June 2020. The statistics show a massive decline in the fuel consumption in Germany, primarily driven by the lock-down due to the COVID-19 pandemic. The sales of petrol-based fuels fell by 13.3 percent in the first six months of 2020 compared to the previous year, while diesel sales fell by 9.5 percent. As expected, the strongest fall was recorded in April (petrol-based fuels −34.5 percent diesel, −21.6 percent compared to 2019), as at that time Germany effectively stood still. In comparison with previous years the trend going forwards is difficult to predict, as it is impossible to assess the rate of infections and the associated necessary measures. However, a renewed lock-down is unlikely, so that the fuel consumption numbers over the course of the next months should successively recover to the previous year's levels.

In contrast, the use of biodiesel and HVO in percentage terms as a fuel additive in the period from January to June 2020 increased by 24.4 percent compared to the previous year's level from 1.06 million tonnes to 1.32 million tonnes. Here can be assumed that the oil companies have maximised the use of biodiesel and HVO due to the increased greenhouse gas reduction quota from 4 to 6 percent.

The use of bioethanol as an additive on the other hand fell by −8.2 percent from 507 thousand tonnes to 465 thousand tonnes in the same period. This relative decline is, however, approximately five percent lower than for petrol, which in turn means that more bioethanol was used as an additive for E5 and E10 as in the 2019 comparative period.

CNG (Compressed Natural Gas)/Biomethane

The biomethane share used as an additive in natural gas fuels has fluctuated strongly since the introduction of quota credits for its use in Germany. The biomethane share declined sharply from 2014 to 2015. From 2015 onwards the biomethane share has increased, reaching 449 GWh in 2017. In 2018 there was then a renewed decline to 389 GWh, as fossil natural gas in the form of CNG was also credited for the GHG quota under the 38th BImSchV. It is likely that there has been a similar fall or a decline of at least that scale in 2019. For 2020 a significant increase in the share of biomethane in the transport sector can be expected due to the increase in the minimum greenhouse gas quota obligation from 4 percent to 6 percent.

Of the approximately 850 CNG filling stations in Germany in the spring of 2020, 363 offered 100% percent biomethane, of which 117 were verbiogas filling stations. In addition, biomethane in various proportions was used as an additive at 94 filling stations in varying proportions. 381 filling stations offer 100 percent fossil natural gas. In the heavy goods vehicles segment LNG is gaining in importance in addition to CNG. In July 2020 there were 24 LNG filling stations in operation throughout Germany.

Market situation outside Germany

Excluding Germany, the European sales market for biofuels was massively weakened by the lock-downs 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 implemented. Here the primary factor is not so much environmental concerns but 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 made in new local production capacity for biofuel materials, especially in South-East Asia, and jobs in the local agricultural industry are created or protected.

Trends in sales and raw material prices

The wholesale price of FAME in the financial year 2019/2020 was approximately EUR 47/tonne below the average for the same period in the previous year, while the price of rapeseed oil was approximately EUR 51/tonne higher than in the same period in the previous year.

Bioethanol was EUR 36/cbm in the financial year 2019/2020, which was above the level seen in the same period in the previous year. The primary reason for this was the strong demand for ethanol in South America (Brazil in particular), China, South Korea and Japan.

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

Historical price trends of selected raw materials

	2018/ 2019	Q1 2019/ 2020	Q2 2019/ 2020	Q3 2019/ 2020	Q4 2019/ 2020	2019/ 2020
Crude oil (Brent; USD/barrel)	69	62	62	51	33	52
Diesel FOB Rotterdam (EUR/tonne)	549	523	530	424	263	437
Biodiesel (FAME -10 RED; EUR/tonne)	888	875	887	865	738	841
Petrol FOB Rotterdam (EUR/tonne)	641	524	503	413	257	427
Bioethanol (T2 German Specs; EUR/cbm)	553	600	643	601	515	590
Rapeseed oil (EUR/tonne)	735	786	827	798	730	786
Palm oil (EUR/tonne)	463	478	609	662	506	564
Wheat (MATIF; EUR/tonne)	195	171	181	191	190	183
Sugar (EUR/tonne)	235	231	255	272	217	244

Political environment and legal framework for biofuels

Current regulatory situation in the European Union

In the light of the green deal and the fact that climate protection has grown in political importance, and also as a result of the increasing criticism from business, the Federal Government approved or commenced discussion on several pieces of important legislation before the summer recess concerning proposals which have a number of positive aspects, at least for the parts of the biofuels industry.

Hydrogen strategy

The hydrogen strategy is more of a medium- and long-term measure. Substantial amounts of subsidies are made available, for both production and infrastructure. The hydrogen strategy is a clear signal that the Federal Government and the Federal Ministry for Economic Affairs are increasingly open to a technology mix on the route to the decarbonisation of transport. Further fulfilment options in addition to electrification are needed in order to meet the climate protection objectives in the transport sector.

Prolongation of toll exemptions for heavy goods vehicles

The prolongation of the toll exemptions for gas-powered heavy goods vehicles until the end of 2023 is a strong signal from the Ministry of Transport, and a logical consequence of the positive experience in 2019 and 2020. The prolongation has led to a strong increase in demand for LNG and CNG heavy goods vehicles. Almost 10 percent of new vehicle registrations for heavy goods vehicles in the first half of 2020 were for LKWs powered by natural gas. The positive trend which started in 2019 is accelerating. The ratio between LNG and CNG heavy goods vehicles is 3:1.

The Federal Government has recognised that CNG-powered heavy goods vehicles fuelled by natural gas make an important contribution to climate-friendly heavy goods transport and create a use case for climate-friendly biomethane. In addition, it can be assumed that subsidies will be provided for buses using biogas after the summer recess.

Building Energy Act (Gebäudeenergiegesetz)

The Building Energy Act combines the energy efficiency directive already in issue with the Renewable Energy Heating Act. This improves the outlook for biomethane in the heating market, as the obligations can also be met through the use of biomethane, biogas and Bio-LNG. It is important, and positive, that the so-called primary energy factors have been adjusted downwards.

COVID-19 economic package approved by the Federal Government on June 4, 2020

Overall, the package contains good and bad news for the transport sector.

In order to improve the electro mobility infrastructure there will be an examination of whether the construction of fast charging stations at filling stations can be classified as a decarbonisation measure by the oil industry. In doubt, this would be at the cost of losing the ability to use biodiesel and bioethanol for quota purposes, if the greenhouse gas quota is not, as announced, increased ambitiously.

Taxes on passenger vehicles will be more closely aligned to the CO_2 emissions. This has already been implemented with the amendments to the Vehicle Tax Act of July 10, 2020. The assessment base is 95g CO_2/km; after that, the vehicle tax will be increased in stages.

It should be seen as positive that the government intends to push the EU Commission for a temporary fleet renewal program 2020/2021 for subsidies of EUR 15,000 and EUR 10,000 respectively for the procurement of heavy goods vehicles with class 6 exhaust emissions.

The German Federal Government's National Energy and Climate Plan (NECP))

The NECP is generally directed at all industries and sets out the framework for the policies of the Federal Government in the future. For transport, the Federal Government makes it clear that the RED II minimum quota of 14 percent for renewable energies will not be sufficient. It is intended that the implementation will be "ambitious". This is certainly a positive direction. The use of direct or converted renewable electricity (renewable sourced electricity – RES electricity) continues to be in the foreground. For sustainable alternative fuels, it would be necessary to use RES electricity or sustainable biomass from sustainable sources. It is clear that there will continue to be competition with other biofuels. The implementation of the RED II expected in the coming financial year will strengthen the trend towards second generation biofuels in accordance with Appendix IX a to RED II.

Current legislation position in the USA and Canada

IIn 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. The legislation requires the use of a minimum share of biofuels as a proportion of the total volume of fuel used in the transport sector. The minimum fuel volume required is increased on an annual basis and must be fulfilled both by means of conventional biofuels (e.g. bioethanol from maize) and advanced biofuels (e.g. biomethane or diesel produced on a biomass basis). In order to obtain a credit towards the overall required target for renewable fuel it must be used for one of certain specified purposes (as fuel, kerosene, heating oil) and must meet certain environmental and raw material criteria.

The Environmental Protection Agency (EPA) announced the final RFS requirements for 2020 on December 19, 2019. The 2020 EPA volume requirements for all renewable fuels, advanced biofuels and cellulose-based fuels is lower than the target volume; however, the volumes for certain biofuels are higher than they were in the previous year. The volume of cellulose biofuels, for example from biomethane from straw, increased from 418 million US gallons in 2019 to 590 million gallons in 2020, an increase of 41 percent. Future volume requirements for 2021 and 2022 have not been finalised and are expected to be available at the earliest from the beginning of 2021. The target for diesel from biomass sources 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 bio diesel and renewable diesel (HVO) need to be considered together, there has been no overall increase in the overall volume requirement for the two categories in 2020.

According to representatives of interested parties the implementation of the RFS is complicated, and it is a challenge to meet the requirements of some of the criteria. The administrative problems include, among other things, the classification of approved biofuels, the calculation of the annual quota amounts, and the rules on exceptions from the RFS for small refineries. Numerous participants have actively questioned various aspects of the RFS, which has led to major uncertainties in the markets in some cases. 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 make use of technologies for manufacturing advanced biofuels.

Business report and the Group's position

Results of operations

The production volume of biodiesel and bioethanol in the financial year 2019/2020 totalled 796,411 tonnes, compared with 721,126 tonnes in the financial year 2018/2019. This represents an overall capacity utilisation of 86.6 percent (2018/2019: 98.8 percent), whereby it should be taken into account that production at the biodiesel plant acquired in Canada was only ramped up on a step-by-step basis from August 2019 onwards. In addition, once again a new record level of biomethane was produced in the financial year 2019/2020, with total production amounting to 784,414 MWh (2018/2019: 706,646 MWh) – an increase of 77,768 MWh or 11.0 percent, respectively.

The Group's sales revenues for 2019/2020 totalled EUR 872.4 million (2018/2019: EUR 779.3 million). These figures include sales revenues from trading in biofuels of EUR 11.6 million, lower than in the financial year 2018/2019 (EUR 19.6 million). On the other hand, the increase in sales revenues is primarily due to the sale of biodiesel as a consequence of the increase in capacity following the acquisition of the biodiesel plant in Canada. Further details are provided in the reports on the individual segments.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the biofuels business, with its comparably favourable framework conditions, amounted to EUR 122.1 million, EUR 27.0 million ahead of the comparative period in the previous year (2018/2019: EUR 95.1 million).

The Group operating result (EBIT) is EUR 91.9 million, also significantly higher than in the comparative previous period (2018/2019: EUR 73.7 million). The net result is also affected by current and deferred taxes of EUR 27.2 million (2018/2019: EUR 21.4 million), and amounted to EUR 63.8 million (2018/2019: EUR 51.7 million). Based on the result for the period, earnings per share (basic and diluted) was EUR 1.01 (2018/2019: EUR 0.84).

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 16.1 million (2018/2019: EUR 15.8 million) and primarily included grants and the release to income of deferred investment grants and subsidies (EUR 6.2 million; 2018/2019: EUR 5.4 million), electricity and energy tax rebates (EUR 3.0 million; 2018/2019: EUR 2.9 million) and gains on currency exchange of EUR 3.0 million (2018/2019: EUR 2.2 million).

The cost of materials amounted to EUR 692.6 million. Consistent with the increase in sales revenues, this figure is higher than in the comparable year 2018/2019 (cost of materials in 2018/2019: EUR 635.9 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin amounted to EUR 197.5 million (2018/2019: EUR 158.9 million).

Personnel expenses in the financial year 2019/2020 amounted to EUR 44.9 million, approximately 20 percent higher than in the previous year (2018/2019: EUR 37.2 million). The increase is primarily due to the higher number of employees as a result of expansion and the acquisition of new business activities. In addition, wage increases were awarded, primarily in the production departments, in order to make a further improvement in VERBIO's attractiveness as an employer in its market environment. Overall, there was a further increase in the overall average personnel cost per employee. However, the personnel expense ratio (as a proportion of sales revenue, change in inventories and own work capitalised) was 5.0 percent, a small increase compared to the previous year (2018/2019: 4.7 percent).

Other operating expenses amounted to EUR 45.6 million in the period (2018/2019: EUR 40.5 million). Other operating expenses primarily include the costs of repair and maintenance, outgoing freight costs and other sales costs, currency exchange losses, legal and professional costs, motor vehicle costs and insurance, and the cost of insurances and contributions. The increase in other operating expenses is primarily due to increased costs of maintenance, currency exchange losses, and legal and consultancy costs, while other expenses included in this category are largely unchanged compared to the previous year.

Depreciation in the financial year 2017/2020 includes EUR 3.7 million of depreciation of right of use assets for assets held under leasing arrangements recognised on the initial application of IFRS 16, which explains the overall increase in the depreciation charge. Correspondingly the other operating expenses and cost of materials fell by a similar overall amount.

The financial result amounted to EUR –0.9 million (2018/2019: EUR –0.6 million) and includes interest expenses of EUR 1.6 million (2018/2019: EUR 0.8 million) and interest income of EUR 0.7 million (2018/2019: EUR 0.2 million). The financial result includes interest expenses for interest charges on lease liabilities of EUR 0.2 million in connection with the initial implementation of IFRS 16.

The increase in income tax expense (EUR 27.2 million; 2018/2019: EUR 21.4 million) corresponds to the higher profit before tax. The effective tax rate of 30 percent (2018/2019: 29 percent) in the financial year 2019/2020 is consistent with the expected rate.

Net assets and financial position

The balance sheet total amounts to EUR 529.2 thousand at June 30, 2020 (June 30, 2019: EUR 424.9 million). The increase in the balance sheet total on the assets side is due in particular to the increases in property, plant and equipment and inventories. On the equity and liabilities side the increase reported is primarily in equity, in bank and other loans, in lease liabilities and in tax liabilities.

Non-current assets

Non-current assets increased by a total of EUR 59.6 million and amounted to EUR 273.8 million at the balance sheet date (June 30, 2019: EUR 214.2 million). The increase was primarily due to further higher additions to property, plant and equipment (EUR 66.5 million), offset by systematic depreciation of EUR 24.7 million (2018/2019: EUR 21.2 million) which did not increase at the same rate, and disposals of assets at their remaining book values of EUR 0.6 million. In addition, for the first time right-of-use assets under leasing arrangements were reported as a result of the initial application of IFRS 16 (EUR 17.8 million).

Current assets

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2020: EUR 79.0 million; June 30, 2019: EUR 63.1 million). The increase in inventories compared to June 30, 2019 was primarily a result of higher quantities of inventories and the overall value of finished goods inventories.

Trade receivables also increased (June 30, 2020: EUR 64.7 million; June 30, 2019: EUR 48.5 million). The most significant part of the increase is due to the business activity of VNA and VDC in North America.

In addition, a portion of the Group's cash and cash equivalents has been invested as term deposits (EUR 20.0 million). 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 390.8 million (June 30, 2019: EUR 338.9 million). The equity ratio amounted to 73.9 percent, lower than at the previous year's balance sheet date (June 30, 2019: 79.8 percent).

Non-current liabilities

Non-current liabilities increased by EUR 42.2 million, from EUR 7.1 million at June 30, 2019 to EUR 49.3 million at June 30, 2020. This is in particular due to the issue of a promissory note (EUR 30.0 million) and to the initial recognition of non-current lease liabilities (EUR 12.7 million).

Current liabilities

Current liabilities have also increased compared to the end of the previous financial year (June 30, 2020: EUR 89.1 million; June 30, 2019: EUR 78.9 million). While there was a reduction in current loans, the increase is primarily due to the increase in tax liabilities (EUR 18.1 million; June 30, 2019: EUR 6.5 million) and from the initial recognition of lease liabilities (EUR 5.3 million).

Cash flows

The cash flow from operating activities for the reporting period totalled EUR 71.7 million, significantly higher than in the previous year (2018/2019: EUR 44.3 million). The increase is a result of the higher net profit for the period, the increase in depreciation, and income taxes, as well as the lower increase in other assets and other current financial assets in the financial year 2019/2020.

Cash outflows from investment activities in the 2019/2020 reporting period totalled EUR 87.7 million (2018/2019: cash inflows of EUR 1.0 million). This total includes cash outflows for investments made in property, plant and equipment (EUR 68.0 million) and, in particular, increases in term deposit accounts (EUR 20.0 million). In the previous financial year, the cash outflows for investments (EUR 61.9 million) were offset by cash inflows, primarily from the releases of term deposits (EUR 60.0 million).

The cash flow from financing activities for the reporting period totalled EUR 2.2 million (2018/2019: EUR −3.9 million). This consists of the drawdowns of new financial liabilities (EUR 32.0 million; 2018/2019: EUR 9.0 million), cash outflows for the repayment of financial liabilities of EUR 11.8 million (2018/2019: EUR 0.3 million) and dividend payments (EUR 12.6 million; 2018/2019: EUR 12.6 million). In addition, the cash flow from financing activities is affected by the initial application of IFRS 16 with an amount of EUR 5.3 million (2018/2019: EUR 0 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 14.1 million in the period July 1, 2019 to June 30, 2020. Cash and cash equivalents reported in the balance sheet at June 30, 2020 amounted to EUR 53.9 million.

Net cash

Bank and loan finance arrangements of EUR 30.2 million are more than offset by cash and cash equivalents of EUR 53.9 million, term deposits of EUR 20.0 million and other cash balances held in segregated accounts of EUR 12.2 million, so that the reported net cash balance at the balance sheet date amounted to EUR 55.9 million (June 30, 2019: EUR 64.2 million).

Investments

Investments totalling EUR 66.7 million were made in the financial year 2019/2020 (2018/2019: EUR 64.6 million). These primarily relate to investments in property, plant and equipment of EUR 66.5 million (2018/2019: EUR 63.8 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 2019/2020 has been a very pleasing year overall. The EBITDA of EUR 122.1 million and the net cash position of EUR 55.9 million respectively are significantly above the original planning for the financial year 2019/2020. Here it should be taken into account that the EBITDA is EUR 3.7 million higher compared to the previous year because of the initial implementation of IFRS 16 and the depreciation of rights of use of assets held under leasing arrangements is shown below the EBITDA level. The forecast released in the previous year indicated an EBITDA of around EUR 65 million. For net cash the Company expected a low level of net debt at the end of the financial year 2019/2020. The original forecasted amounts for EBITDA and for the year-end net cash balance were corrected during the course of the financial year. In the forecast issued on January 22, 2020 an EBITDA of around EUR 110 million was forecast and a net cash balance of around EUR 40 million was expected by year end, based on current prevailing sales and raw material price levels. This forecast was subsequently revised upwards on September 4, 2020. Due to the measures taken over the course of the COVID-19 pandemic, for example the production of disinfectant solutions, and the increase in the margins for biofuels, the Group expects EBITDA to be in the range of EUR 122 million and net cash to be EUR 56 million.

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

The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0,20 per qualifying share at the annual general meeting to be held on January 29, 2021, 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 2019/2020 the production of biodiesel exceeded 500,000 tonnes for the first time, increasing to 559,735 tonnes (2018/2019: 481,280 tonnes). The overall capacity utilisation was 84.8 percent as a result of the adjustments to capacity in the German plants and to the step-by-step ramp-up of production at the biodiesel plant in Canada. Sales also hit a new record level at 628,547 tonnes.

Sales revenues in the Biodiesel segment in the financial year 2019/2020 totalled EUR 588.2 million, following EUR 514.5 million in the financial year 2018/2019. The increase in sales revenues is due to the increase in sales volumes, with a lower average sales price for biodiesel over the financial year. Total sales revenues include revenues from sales of merchandise of only EUR 2.2 million (2018/2019: EUR 4.2 million). The increase in sales volume is primarily due to biodiesel sales in North America.

The cost of materials amounted to EUR 511.9 million (2018/2019: EUR 417.2 million), above the level of the previous year, consistent with the increase in sales. Taking into consideration the change in inventories, gross profit fell from EUR 97.9 million to EUR 79.8 million.

Personnel expenses in the financial year 2019/2020 amounted to EUR 16.2 million (2018/2019: EUR 11.8 million). The increase is primarily due to an increase in the number of employees as a result of the commissioning of the biodiesel plant in Canada.

Other operating expenses totalled EUR 20.1 million (2018/2019: EUR 16.2 million). Taking into account the expenses from futures transactions of EUR 1.7 million (2018/2019: EUR 3.1 million), the segment EBITDA for the period is EUR 46.1 million (2018/2019: EUR 70.7 million).

Investments in property, plant and equipment totalling EUR 30.6 million were made in the Biodiesel segment in the financial year 2019/2020 (2018/2019: EUR 27.9 million). Significant investments here were the acquisition of the biodiesel plant in Canada and the expansion of the phytosterols production capacity (sterol plants).

Biodiesel	**1. HY 2018/ 2019**	**2. HY 2018/ 2019**	**2018/ 2019**	**1. HY 2019/ 2020**	**2. HY 2019/ 2020**	**2019/ 2020**
Production capacity (tonnes)	235,000	235,000	470,000	330,000	330,000	660,000
Production (tonnes)	239,486	241,794	481,280	280,993	278,742	559,735
Utilisation production capacity (%)	101.9	102.9	102.4	85.1	84.5	84.8
Number of employees at the balance sheet date	**122**	**158**	**158**	**199**	**208**	**208**

Bioethanol

In the financial year from July 1, 2019 to June 30, 2020 production of bioethanol totalled 236,676 tonnes (2018/2019: 239,846 tonnes), only slightly below the amount in the same period in the previous year. On the other hand, the production of biomethane was increased significantly, with an increase of more than 11 percent compared to the previous year (2019/2020: 784.4 GWh; 2018/2019: 706.6 GWh). This pleasing development was achieved by making use of further optimisation work in our plants and with the contribution of the plant in Pinnow.

In total, the Bioethanol segment generated sales revenues of EUR 275.2 million in 2019/2020 (2018/2019: EUR 254.7 million), higher than in the previous year. In the Bioethanol segment the increase in sales despite almost unchanged sales volumes was due to the higher sales prices, whereby in the second half-year the market prices declined in comparison to the first half-year. The volume of trading activities remained at a relatively low level, as in the previous year (2019/2020: EUR 9.4 million; 2018/2019: EUR 15.4 million).

In contrast to the trend for sales revenues, the cost of materials fell compared to the previous year to EUR 174.7 million (2018/2019: EUR 211.0 million), with the consequence that the segment gross margin increased to EUR 114.8 million from EUR 58.5 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 12.5 million (2018/2019: EUR 12.4 million), almost unchanged compared to the previous year.

Personnel costs amounted to EUR 24.1 million (2018/2019: EUR 20.9 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 29.2 million, compared to EUR 28.0 million in the financial year 2018/2019. These primarily include freight out and maintenance expenses, whereby the increase is primarily due to the changes in sundry other operating expenses.

The segment result EBITDA for the financial year 2019/2020 totalled EUR 74.0 million, in comparison with EUR 23.8 million in the financial year 2018/2019.

In total, EUR 29.6 million (2018/2019: EUR 34.8 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.

Production capacity (tonnes)	1. HY 2018/ 2019	2. HY 2018/ 2019	2018/ 2019	1. HY 2019/ 2020	2. HY 2019/ 2020	2019/ 2020
Production capacity (tonnes)	130,000	130,000	260,000	130,000	130,000	260,000
Production (tonnes)	121,545	118,301	239,846	121,795	114,881	236,676
Utilisation production capacity (%)	93.5	91.0	92.3	93.7	88.4	91.0
Biomethane						
Production capacity (MWh)	300,000	300,000	600,000	375,000	375,000	750,000
Production (MWh)	337,969	368,677	706,646	376,918	407,496	784,414
Utilisation production capacity (%)	112.7	122.9	117.8	100.5	108.7	104.6
Number of employees at the balance sheet date	**293**	**332**	**332**	**338**	**340**	**340**

Other

Sales revenues generated in the Other segment totalling EUR 15.8 million in the financial year 2019/2020 primarily represent revenues from transport and logistics services (2018/2019: EUR 16.7 million). The segment result amounted to EUR 0.6 million (2018/2019: EUR 0.0 million).

The Other segment had 119 employees at June 30, 2020 (June 30, 2019: 123 employees).

Remuneration report

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

No disclosure is made of the total amount accruing to each named individual member of the Management Board, split between fixed and variable remuneration components.

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

Remuneration of the Management Board

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

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

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

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

Variable remuneration related to performance
The amount of the annual bonus for the respective financial year (reference year) for the Chairman of the Management Board and, respectively, for the remaining members of the Management Board amounts to 1 percent of the positive consolidated net income exceeding EUR 7,800 thousand, as shown in the consolidated financial statements of the reference year, whereby the total annual bonus payable to all members of the Management Board shall not be taken into consideration for this purpose.

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

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

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

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

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

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

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

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

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

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

Management Board contracts also provide for the case where the Management Board activity is prematurely ended (except on important grounds), stipulating a limit of two years' annual remuneration for termination payments (termination pay cap), but not more than the remuneration that would be payable for the remaining term of the employment contract. In the event of an early termination of Management Board activity resulting from a change in control, the Management Board member has a one-off special right of termination, and on exercising this right he may make a claim for a termination payment that is calculated by capitalisation of the expected total remuneration for the remaining contract term. However, this amount may not exceed the amount of three years' remuneration consisting of the fixed and variable contractual components.

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

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

Total remuneration

The total remuneration of members of the Management Board in the financial year 2019/2020 amounted to EUR 3,042 thousand (2018/2019: EUR 3,041 thousand). Thereof, EUR 1,541 thousand (2018/2019: EUR 1,542 thousand) relates to the fixed salary portions including other remuneration components, and EUR 1,501 thousand (2018/2019: EUR 1,499 thousand) pertains to the variable remuneration components.

No loans were granted to members of the Management Board in the financial year 2019/2020 or in the financial year 2018/2019. No advances were granted, and no remuneration was paid or benefits provided to members of the Management Board for services rendered personally or for consulting or referral services.

Remuneration of the Supervisory Board

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

At its meeting held on January 31, 2020 the annual general meeting of VERBIO AG approved a resolution to amend the remuneration of the Supervisory Board, together with the associated amendments to the Company's articles of association. According to this, at the end of the business year each Supervisory Board member receives annual fixed remuneration of EUR 45 thousand. The Chairman receives twice this amount, and the Vice-Chairman of the Supervisory Board receives one and a half times this amount.

The members of the Supervisory Board were paid remuneration of EUR 202.5 thousand for their activities in the financial year 2019/2020 (2018/2019: EUR 120.0 thousand).

In addition, the Company reimburses the Supervisory Board members for cash outlays as well as value-added tax, provided they are entitled to invoice the tax separately and avail themselves of this right. The Supervisory Board members who were in office in the 2019/2020 financial year were reimbursed by a total amount of EUR 4 thousand (2018/2019: EUR 5 thousand) for cash outlays.

In the financial year 2019/2020 the Company paid the Supervisory Board member Ulrike Krämer EUR 5 thousand for consultancy work under an ongoing consultancy agreement (2018/2019: EUR 10 thousand). Other than the above, no other remuneration was paid or benefits granted by the Company to members of the Supervisory Board in the financial year 2019/2020 or in the financial year 2018/2019 for services rendered personally, in particular for consulting or referral services.

Other

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

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

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

Events subsequent to the balance sheet date

Significant events subsequent to the balance sheet date

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

Outlook, opportunity and risk report

Outlook

The following report provides the outlook of the VERBIO Management Board regarding the future course of the business and describes the expected development of significant economic and industry-specific conditions. It represents the knowledge of the Management Board at the time of its preparation, acknowledging that actual developments may differ significantly either positively or negatively from this outlook, due to the occurrence of risks and opportunities as described in the risk and opportunity report. This is particularly applicable in the light of the current COVID-19 pandemic, which is having a significant effect on the economic framework conditions.

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 for second generation biofuels as a growth market. 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.

Trends in raw material prices

The World Agricultural Supply and Demand Estimates (WASDE report No. 602) issued by the United States Department of Agriculture (USDA) on July 10, 2020 estimates that worldwide grain production for the season 2019/2020 will be 2,666.86 million tonnes. With this estimate the USDA increases world production by 42 million tonnes compared to the previous year's level of 2,624.63 million tonnes; for 2020/2021 the forecast is 2,730.64 million tonnes.

At 764.83 million tonnes the worldwide production of wheat in the 2019/2020 season has continued the increasing trend seen over recent years; consumption was also slightly increased at 747.51 million tonnes (2018/2019: 735 million tonnes). The closing inventories from the season 2019/2020 are 297.12 million tonnes. For the season 2020/2021 the July estimates are: wheat production 769.31 million tonnes, increased consumption of 751.59 million tonnes, and closing inventories of 314.84 million tonnes (source: WASDE-Report No. 602).

According to statistics published by the USDA on July 10, 2020 (source: WASDE-Report No. 602) the worldwide production of oil seed for the harvest year 2019/2020 is estimated to be approximately 577.15 million tonnes, significantly lower than in the previous year (600.27 million tonnes). A better harvest is expected for 2020/2021 with an estimated 604.20 million tonnes. The consumption estimate was increased slightly at 510.82 million tonnes for 2020/2021; however, the closing inventories are expected to fall to 109.4 million tonnes. This is 5 million tonnes less than in 2019/2020 and 22 million tonnes less than in 2018/2019.

In its issue no. 28 dated July 7, 2020, Oil-World has forecast that worldwide production of rape-seed for 2019/2020 will be 61 million tonnes, 3.4 million tonnes lower than in 2018/2019. In particular, in Europe the area under cultivation was reduced due to the dry conditions in 2018 and 2019. A slight increase in production to 62 million tonnes in the 2020/2021 cultivation year is forecast. Better harvests in Canada, Russia, the Ukraine and Australia have been able to compensate for the deficit in the EU. For the EU the 2020/2021 harvest is given as 16.42 million tonnes, 5.5 million tonnes less than the 2018/2019 harvest (source: Oil World, No. 28/2020).

Sales price trends

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

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

The introduction of the GHG quota since January 1, 2015 led to a reduction in the use of biofuels for blending purposes. This is a result of the good CO_2 efficiency properties of biofuels, which are significantly better than the lawmakers had expected. The greenhouse gas reduction has become a significant price determinant. The oil industry buys the fuels shown to have a high level of reduction in order to be able to use the smallest possible quantity of biofuels to reduce greenhouse gas emissions. 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 2020.

Political framework conditions in the European Union

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

Draft regulation on combustible fuel emissions trading law

The Federal Ministry for the Environment draft will extend the additional duty on petrol and diesel to sustainable biofuels from cultivated biomass from 2021, when an additive ratio of 6.5 percent is exceeded. Biomethane is excluded from this. The Biofuel Industry Associations are opposing this one-sided levy on biofuels from cultivated biomass.

CO_2 reduction credits for fleet limits

The Federal Ministry for Economic Affairs has commissioned a study to investigate the feasibility of awarding CO_2 reduction credits for synthetic and advanced alternative fuels to meet the EU fleet target arrangements. This would not apply to first generation biofuels. The Federal Ministry for Economic Affairs expects that interested market participants (both in the automobile industry and manufacturers of fuels) will be able to use this study to reinvigorate the currently stalled discussions in Brussels. Significant resistance can be expected from the Federal Ministry for the Environment. In our assessment the chances of this initiative being successful are very low.

RED II implementation

In the final analysis it will be decisive how the Federal Ministry for the Environment, which is the leading government agency in this issue, wishes to implement RED II. By August 2020 at least a partial draft should have been available for discussion with the other ministries. In advance of this, however, there are clear differences in the positions taken on biofuels by the various departments. In contrast to the restrictive position of the Federal Ministry for the Environment, the Federal Ministry for Economic Affairs and the Federal Ministry of Transport in particular see the need to let biofuels play a much bigger role in the decade up until 2030. Prognos and the Institute for Applied Ecology (the Öko-Institut) have performed studies on emissions trends in the years up to 2030 for the two ministries, respectively. Both have reached the conclusion that the 2030 transport sector objective of a 38 percent reduction cannot be achieved with the Federal Government's current package of measures. The deficit compared to the target (with the Institute for Applied Ecology predicting a reduction of only 28 percent) is large. Both conclude that in the transport sector the increased use of biomass, especially biomethane, will be needed in addition to the use of electro mobility and power-to-liquid (PTL) technologies. In implementing RED II the Federal Ministry for Economic Affairs and the Federal Ministry of Transport aim for renewable energy to have a 19 percent to 23 percent share of the total by making appropriate increases to the quota. The challenge of meeting these targets is made more difficult by the EU Commission's objective of raising the 2030 targets further (50–55 percent emission reductions compared to 1990, instead of 40 percent). This would increase the pressure for additional fulfilment options, including for the use of biofuels. On the other hand, the Chancellor has already announced that a renegotiation of the Effort-Sharing-Regulation (ESR) objectives with member states will be necessary if the targets are raised further.

Political environment in the USA

The Renewable Fuel Standard (RFS) applies until 2022 in its current form. By the end of 2021 there should be an announcement explaining any adjustments to the rules for the determination of the annual quotas (RVO's) for the individual types of biofuels after 2022. The limits of these adjustments are also set out in 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. Whether there will be a change to the RFS standard is, in our view, primary dependent on the results of the Presidential election in November 2020.

The current US administration has, until now, made use of generous leeway to permit exceptions to the annual quotas, in particular for small refineries. The resulting fall in the demand for biofuels has weakened margins for almost all types of biofuels.

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 voiced an interest in supporting the continued development of renewable fuels; however, changes in the provincial governments have led to uncertainty and delays in the use of energy from renewable sources.

In 2016 the Canadian Federal Government announced a national Clean Fuel Standard (CFS) which 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. First, regulations for the use of liquid fuels will be developed, followed by further regulations for gas and solid fuels.

Environment and Climate Change Canada, the authority responsible for the implementation of the CFS, has announced a delay in the original time schedule as a result of the COVID-19 pandemic, so that the regulations for fluid fuels are now expected by the end of 2021, coming into force from 2022. The announcement of regulations for gas fuels is planned for 2023.

Future development of the VERBIO Group

The ongoing optimisation and expansion of the Group's existing production equipment and making the investments necessary to achieve this is part of VERBIO's business strategy. The current situation in the markets in which the Group operates, which can be described as crisis-driven, does not change this.

The biorefinery in Pinnow/Angermünde will be optimised further and its production will be ramped up.

The third sterols production line at the Bitterfeld plant has commenced operation, and here too the production is being continuously ramped up. The commercial and technical processes and the profitability of the biodiesel plant at the Welland plant in Canada, which was integrated into the VERBIO Group in July 2019, are being brought up to the standard of the German plants on a step-by-step basis. Preparations are being made to make further investments at this location.

Progress is being made at the construction sites of the plants under construction in India and the USA, despite delays as a result of the COVID-19 pandemic. It is planned that these plants will commence production in 2021.

We continue to assume that these plants will generate a significant contribution to the VERBIO Group's annual results in the future.

Overall assessment of the expected development

The greenhouse gas quotas which were introduced in Germany from January 1, 2015 have now reached their final stage, with the quota in 2020 amounting to 6 percent. VERBIO has mastered the change from an energy based to the greenhouse gas savings-based quota by setting repeated new records for sales and earnings, making this an impressive chapter in the Company's history.

Based on the current level of sales and raw material prices, the planned plant utilization, but without taking into account potential profit and loss impacts with regard to the continued existence of the COVID-19-pandemic, the Management Board expects to achieve an EBITDA in the order of EUR 130 million in the financial year 2020/2021. The Group intends to further invest in capacity expansion and internationalisation in the current financial year. This will be partially financed from the Group's own funds accumulated in prior periods as well as current operating cash flow. At the end of the 2020/2021 financial year, the Management Board expects net financial assets in the order of

EUR 50 million. This forecast is made subject to the proviso that the continued course of the COVID-19 pandemic does not have a significant negative effect on the market for biofuels.

Opportunity and risk 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, 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 which 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 which could threaten the ability of the Company to continue as a going concern are identified at an early stage. This provision is supplemented for listed companies by § 317 (4) of the German Commercial Code (Handelsgesetzbuch – HGB). In order to identify and manage company-specific risks and opportunities at an early stage, the Management Board of VERBIO has implemented a Group-wide risk management system.

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

Organisation of the risk management system

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

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

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

The risk reporting (issue of ad hoc and/or periodic reports) is carried out using risk reporting sheets on a 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 which are expected to have an effect on the net assets, financial position and results of operations. These materiality limits are set by the VERBIO Management Board and approved by the Supervisory Board, and are adjusted over time if required by changes in the reference values.

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

The risk management system is adjusted according to the changing external environment and the resulting internal organisational structures on an ongoing basis, most recently in the fourth quarter of 2014/2015 with adjustments to the risk classes, the risk categories and the assessed probability of occurrence, in order to better reflect the market conditions and numerical values and wording that was appropriate to VERBIO's current situation; more details are presented in the next section. References to compliance requirements implemented by VERBIO were added to the risk handbook in the financial year 2017/2018. A comprehensive inventory of risks was made on a cyclical basis in order to identify changes or potential risk eliminations in the second half of the 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. The amendments calculated were presented in a summary report 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 the following opportunity and risk factors: market and sales, procurement, environment, taxes, 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 which, 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
Taxation, commercial law		
Risks of non-compliance with ongoing tax obligations	Very low	Low
Risks from tax audits	Low	Low
Production and technology		
Production and technology risks	Very low	Very high
Finance		
Financial and liquidity risks	Very low	Medium
Interest and exchange rate risks	Very low	Medium
Risks from derivatives	Low	Medium
Credit and default risks	Very low	Medium
Risks from impairment of assets	Low	Low
Laws and regulations		
Regulatory risks	Medium	High
Risks from legal disputes	Low	Low
Other risks		
IT risks	Low	Low
Pandemics	High	High

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) which are offered to the market at dumping prices, and which could lead to a massive distortion of competition and competitive disadvantages.

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

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

In addition, for the German market there is a high level of motivation for fraudulent claims when determining GHG savings made by biofuels, with an associated risk to sales in Germany. This motivation increased further with the increase of the greenhouse gas quota to 6 percent in 2020.

Sales risks associated with the Biofuel Sustainability Regulation and the Federal Emissions Protection Act
Since January 1, 2011 biofuels can only count towards the biofuels quota if they have been produced according to the provisions of the Biofuel Sustainability Regulation and are made available to the general market.

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

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

The legislators have recently issued several new regulations covering the biofuels market which are intended to adjust the reductions of fossil fuel greenhouse gas emissions to 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.

Taxation, 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 which could result in significant demands for retrospective tax payments.

Production and technology

Production and technology risks

The continued success of the VERBIO Group is driven by the Group's highly competitive technologies. 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 no currently identifiable financing risks. Where there are covenants attached to loan agreements, these are monitored on an ongoing basis.

Interest and exchange rate risks

VERBIO is exposed to risks associated with a possible change in interest rates and exchange rates and their effect on the Group's assets, receivables and payables. 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.

Credit and default risks

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

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

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

Legal rules and regulations

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

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

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

The investigation indicated that there is damage to the European market, and on August 13, 2019, with effect from August 14, 2019, the Commission implemented preliminary anti-subsidy tariffs against Indonesian manufacturers, and approved final compensating tariffs against Indonesian manufacturers with regulation EU 2019/2092 on November 28, 2019. These apply for a period of five years.

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. This result provides significantly better planning security for the manufacturers of first generation biofuels, as it means that the sales levels will not fall further. For VERBIO, as a leading technologically innovative company, this result should provide further market opportunities after 2020. With RED II there will be an obligatory minimum quota for advanced second generation biofuels 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 process of implementing RED II in Germany has been started and must be completed by the end of June 2021. We will accompany this process in a constructive manner as a Company, and in our role as a member of the associations we are part of.

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

Other risks

Risks arising from the worldwide spread of the COVID-19 coronavirus

As a result of recent developments concerning the COVID-19 coronavirus, the risk of a pandemic has been added to the risk assessment since the previous year.

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

VERBIO has taken comprehensive measures immediately 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 continue.

In addition to the general risks associated with the spread of coronavirus 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 risk of a failure of the IT applications used for the Company's operational and strategic management and its effect on the net assets, financial position and results of operations are considered to be low overall, due to the relevant migration measures taken, a well-functioning continuity plan and the low likelihood of occurrence.

Opportunities

Opportunities from raw material purchasing

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

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

Sales-side opportunities

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

There is an increased demand for disinfectant agents as a result of the coronavirus pandemic. Ethanol is a significant active ingredient in the recipe for disinfectant agents, and accordingly an increase in the demand for ethanol can be expected worldwide.

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

Production and technology opportunities

VERBIO's production facilities in Germany are state of the art, and in 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 on the one hand leads 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 and the biodiesel plant acquired in Canada. It is planned to achieve technical levels in Canada which are equivalent to those in the German plants.

Financial opportunities

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

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

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

The results of the overall assessment of all of the risks described give no indication that current risks, considering the likelihood of their occurrence and their effects, could, either individually or in the aggregate, endanger the Company's ability to continue as a going concern. The cash reserves currently available are also a source of risk minimisation, as potential damage can be dealt with more easily, despite the challenging market environment and the uncertainties resulting from the coronavirus pandemic. Also, the diversification towards other markets apart from the customers for fuel which has been initiated with the acquisition of XiMo 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 and risk management systems of the Company related to financial reporting

The objective of the financial reporting processes is to identify risks that could hinder the preparation of the annual financial statements, consolidated financial statements and the (Group) management report in a manner which is compliant with the relevant rules. By establishing appropriate controls, the internal control system 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 controls, and ensure the compliance of the financial reporting. Also, all tasks associated with the consolidated financial statements, such as consolidation measures, reconciliation of intercompany balances, reporting requirements etc., are clearly assigned, and the processes are defined in the internal control and risk management system.

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

Statement on corporate governance

The 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 (www.verbio.de).

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

Separate non-financial statement

The non-financial statement 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 § 315a (1) HGB

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

The share capital of VERBIO AG is unchanged and consists of 63,000,000 no-par bearer shares. Each share grants the holder the same rights and grants one vote in the general shareholders' meeting. All shares are entitled to dividend payments in full, which are paid 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 cannot be cancelled earlier than April 5, 2021, and extends automatically in each case by six months, if it is not cancelled with a three-month notice period before the conclusion of its term.

Claus Sauter and Bernd Sauter, both members of the Management Board, as well as the Supervisory Board member Dr.-Ing. Georg Pollert, have direct holdings in VERBIO in excess of 10 percent. They hold directly, or indirectly via holding companies, a total of 49.03 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 61.70 percent; shares held under the voting trust agreement represent 68.80 percent.

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

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 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 31.5 million, by means of issuing additional no-par bearer shares in exchange for cash or non-cash contributions on one or more occasions until January 30, 2025 (authorised capital). The general shareholders' meeting on February 1, 2019 authorised the Management Board until January 31, 2024 to purchase treasury shares up to 10 percent of the capital shares at that time, in one or several purchases. The authorisation is not to be used for the purpose of trading in treasury shares. The powers of the Management Board to issue or repurchase shares are comprehensively described and governed in the authorisation resolved by the general shareholders' meeting.

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

Zörbig, September 18, 2020

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, 2019 to June 30, 2020

EUR (thousands)		01.07.2019 – 30.06.2020	01.07.2018 – 30.06.2019	Notes
1.	Sales revenue (including energy taxes collected)	873,572	779,799	
	less: energy taxes	–1,174	–482	
	Revenue	**872,398**	**779,317**	3.15/6.1
2.	Change in unfinished and finished goods	17,696	15,482	
3.	Own work capitalised	1,475	2,063	6.2
4.	Other operating income	16,076	15,841	6.3
5.	Cost of materials	–692,630	–635,931	6.4
6.	Personnel expenses	–44,896	–37,215	6.5
7.	Depreciation and amortisation	–30,220	–21,448	3.2/3.3/6.6/7.1
8.	Other operating expenses	–45,613	–40,536	6.7
9.	Impairment loss on financial assets	351	–952	6.8/10.4.3
10.	Result from commodity forward contracts	–2,712	–2,935	6.9
11.	**Operating result**	**91,925**	**73,686**	
12.	Interest income	678	155	3.16/6.10
13.	Interest expense	–1,625	–751	6.9/10.4
14.	**Financial result**	**–947**	**–596**	3.16/6.10
15.	Share of profit (loss) of associates and joint ventures accounted for using the equity method	0	15	
16.	**Result before tax**	**90,978**	**73,105**	
17.	Income tax expense	–27,184	–21,410	2.3/3.6/6.11
18.	**Net result for the period**	**63,794**	**51,695**	
	Result attributable to shareholders of the parent company	63,381	52,968	
	Result attributable to non-controlling interests	413	–1,273	7.3.7
Income and expenses recognised directly in equity:				
	Items that may be reclassified subsequently to profit or loss:			
	Translation of foreign operations	90	68	
	Fair value remeasurement on cash flow hedges	868	–352	7.3.3/10.3
	Deferred taxes recognised in equity	–246	104	
19.	**Income and expenses recognised directly in equity**	**712**	**–180**	
20.	**Comprehensive result**	**64,506**	**51,515**	
	Comprehensive result attributable to shareholders of the parent	64,093	52,788	
	Comprehensive result attributable to non-controlling interests	413	–1,273	7.3.7
Result per share (basic and diluted)		**1.01**	**0.84**	3.17/7.3.6

Consolidated balance sheet

at June 30, 2020

EUR (thousands)	30.06.2020	30.06.2019	Notes
Assets			
A. Non-current assets			
I. Other intangible assets	673	856	3.2/3.5/7,1,1
II. Property, plant and equipment	249,756	209,290	3.3/3.5/7,1,2
III. Right-of-use assets under leasing arrangements	17,829	0	3.1/3.4/7,1,3
IV. Financial assets	2,806	95	3.8/10.2
V. Deferred tax assets	2,688	3,914	3.6/6.11
Total non-current assets	**273,752**	**214,155**	
B. Current assets			
I. Inventories	78,810	63,078	3.7/7,2,1
II. Trade receivables	64,688	48,540	3.8/7,2,2/10.2
III. Derivatives	4,073	2,990	3.8/7,2,3/10.3
IV. Other short-term financial assets	14,655	11,233	3.9/7,2,4/10.2
V. Tax refunds	1,348	628	3.6/7,2,5
VI. Other assets	17,989	16,296	3.8/7,2,6
VII. Term deposits	20,000	0	3.10/7,2,7
VIII. Cash and cash equivalents	53,885	68,025	3.11/7,2,8/10.2
Total current assets	**255,448**	**210,790**	
Total assets	**529,200**	**424,945**	

EUR (thousands)	30.06.2020	30.06.2019	Notes
Liabilities and equity			
A. Equity			
I. Share capital	63,000	63,000	7.3.1
II. Additional paid-in capital	487,681	487,681	7.3.2
III. Other reserves	1,392	770	7.3.3
IV. Retained earnings	–162,855	–212,076	7.3.5
V. Reserve for translation adjustments	–75	–165	7.3.4
Total equity attributable to owners of the parent	**389,143**	**339,210**	
VI. Non-controlling interests	1,680	–293	7.3.7
Total equity	**390,823**	**338,917**	
B. Non-current liabilities			
I. Bank loans and other loans	30,136	65	3.14/7.4.1/10.2
II. Lease liabilities	12,665	0	3.1/3.4/7.4.2
III. Provisions	131	156	3.13/7.4.2
IV. Deferred investment grants and subsidies	3,012	4,013	3.12/7.4.4
V. Other non-current financial liabilities	3,316	2,761	3.14/7.4.5/10.2
VI. Deferred taxes	59	137	3.6/6.11
Total non-current liabilities	**49,319**	**7,132**	
C. Current liabilities			
I. Bank loans and other loans	100	9,992	3.14/7.5.1/10.2
II. Lease liabilities	5,344	0	3.1/3.4/7.5.2
III. Trade payables	41,130	41,316	3.14/7.5.3/10.2
IV. Derivatives	3,140	3,354	3.97.5.4/10.3
V. Other current financial liabilities	11,963	9,483	3.14/7.5.5/10.2
VI. Tax liabilities	18,096	6,493	3.6/7.5.6
VII. Provisions	2,973	4,826	3.13/7.5.7
VIII. Deferred investment grants and subsidies	998	1,017	3.12/7.4.4
IX. Other current liabilities	5,314	2,415	3.14/7.5.8
Total current liabilities	**89,058**	**78,896**	
Total equity and liabilities	**529,200**	**424,945**	

Consolidated cash flow statement

for the period July 1, 2019 to June 30, 2020

EUR (thousands)	01.07.2019 – 30.06.2020	01.07.2018 – 30.06.2019	Notes
Net result for the period	**63,794**	**51,695**	
Income taxes expense	27,184	21,410	6.11
Interest result	947	596	6.10/10.4
Depreciation and amortisation	30,220	21,448	6.6/7.1/7.1.1
Non-cash expenses	1,005	378	7.1.1/7.1.2
Gain (previous year: loss) on disposal of property, plant and equipment and derecognition of investment grants	–431	76	
Release of deferred investment grants and subsidies	–1,021	–1,107	7.4.4
Non-cash changes in derivative financial instruments	–429	1,245	10.3
Increase in inventories	–15,733	–17,906	3.7/7.2.1
Increase in trade receivables	–16,148	–3,304	3.8/7.2.2
Increase in other assets and other current financial assets	–7,516	–16,180	7.2.4/7.2.5/7.2.6
Decrease (previous year: increase) in provisions	–3,762	392	7.4.3/7.5.7
Increase in trade payables	1,785	9,037	7.5.3
Increase in other current financial and non-financial liabilities	5,935	2,358	7.4.5/7.5.6/7.5.8
Interest paid	–1,297	–752	7.4.4/7.5.4/ 7.5.5/7.5.7
Interest received	677	157	
Income taxes paid	–13,532	–25,216	
Cash flows from operating activities	**71,678**	**44,327**	
Cash inflows for term deposits	0	60,042	
Cash outflows for term deposits	–20,000	0	
Proceeds from investment grants	0	83	
Cash outflows for acquisition of intangible assets	–130	–1,332	
Cash outflow for investment in associate	0	–24	
Cash outflows for acquisition of property, plant and equipment	–67,971	–61,940	
Proceeds from disposal of property, plant and equipment	709	1,182	
Cash inflow arising on acquisition of a subsidiary, taking into account cash and cash equivalents of the company acquired	0	1,010	
Cash outflow for loan to associate	–1,051	0	
Proceeds from repayment of loan by associate	760	0	
Cash flows from investing activities	**–87,683**	**–979**	

EUR (thousands)	01.07.2019 – 30.06.2020	01.07.2018 – 30.06.2019	Notes
Payments of dividends	–12,600	–12,600	
Cash outflows for the repayment of financial liabilities	–11,804	–301	
Proceeds from new financial liabilites	31,983	8,970	
Payment of lease liabilities	–5,344	0	
Cash flows from financing activities	**2,235**	**–3,931**	
Change in cash funds resulting from business transactions	–13,770	39,417	
Change in cash funds due to effects of exchange rates	–370	92	
Cash funds at beginning of year	68,025	28,516	
Cash funds at end of year	**53,885**	**68,025**	8.

Consolidated statement of changes in equity

for the period July 1, 2019 to June 30, 2020

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
01.07.2018	**63,000**	**487,680**	**1,018**	**–252,444**	**–233**	**299,022**	**1,195**	**300,217**
Translation adjustments	0	0	0	0	68	68	0	68
Fair value changes on cash flow hedges (after tax)	0	0	–248	0	0	–248	0	–248
Income and expenses recognised directly in equity	**0**	**0**	**–248**	**0**	**68**	**–180**	**0**	**–180**
Net result for the period	0	0	0	52,968	0	52,968	–1,273	51,695
Comprehensive result for the period	**0**	**0**	**–248**	**52,968**	**68**	**52,788**	**–1,273**	**51,515**
Dividend payments	0	0	0	–12,600	0	–12,600	0	–12,600
Entities in the consolidation	0	0	0	0	0	0	–215	–215
30.06.2019	**63,000**	**487,680**	**770**	**–212,076**	**–165**	**339,210**	**–293**	**338,917**
01.07.2019	**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
Entities in the consolidation	0	0	0	–1,560	0	–1,560	1,560	0
30.06.2020	**63,000**	**487,680**	**1,392**	**–162,855**	**–75**	**389,143**	**1,680**	**390,823**

Notes to the consolidated financial statements

for the financial year from July 1, 2019 to June 30, 2020

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 (www.verbio.de).

2 Consolidated financial statements

2.1 Basis of preparation of the consolidated financial statements

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

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

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

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

2.2 Entities included in the consolidation

In addition to VERBIO AG, the parent, the following companies in which VERBIO AG has a majority shareholding are included in the consolidated financial statements and represent the parent company's material shareholdings at June 30, 2020:

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 Finance GmbH (VFinance)	Zörbig	100.00 %	Fully consolidated
Lüneburger Lager- und Agrarhandelsgesellschaft mbH*	Lüneburg	94.67 %	Fully consolidated
VERBIO Agrar GmbH (VAgrar)	Zörbig	89.35 %	Fully consolidated
VERBIO Logistik GmbH** (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 AG	Horw, Switzerland	100.00 %	Fully consolidated
XIMO Kft. (XiMo)	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO North America Corporation (VNA)	Livonia/Michigan, USA	100.00 %	Fully consolidated
VERBIO Diesel Nordamerika GmbH	Zörbig	100.00 %	Fully consolidated
VERBIO Diesel Canada Corp. (VDC)	Toronto/Ontario, Canada	100.00 %	Fully consolidated
VERUM GmbH (vormals: Wriezener Kraftfutter GmbH)**	Schwedt/Oder	44.67 %	At-equity

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

VERBIO Zörbig GmbH (VEZ) and VERBIO Schwedt GmbH (VES) were created in the financial year 2019/2020 by means of a reorganisation of their predecessor entities, VERBIO Ethanol Zörbig GmbH & Co. KG and VERBIO Ethanol Schwedt GmbH & Co. KG respectively. Two entities, VERBIO Ethanol Zörbig Verwaltung GmbH and VERBIO Ethanol Schwedt Verwaltung GmbH, were merged into VEZ and VES respectively.

VERBIO Diesel Bitterfeld GmbH was renamed VERBIO Bitterfeld GmbH (VEB). VERBIO Diesel Schwedt GmbH, which was included in the consolidation in the previous year, was merged into VES in the financial year 2019/2020.

The Group's shareholding in VERBIO North America Corporation (VNA), held indirectly via VERBIO Renewables GmbH, was increased from 51 percent to 100 percent in the financial year 2019/2020.

In addition, in a Group internal transaction, VERBIO AG acquired the entire share capital of XiMo Kft., Budapest, Hungary from XiMo AG, Horw, Switzerland during the financial year. XiMo AG is in the process of being liquidated at June 30, 2020.

VERBIO Diesel Nordamerika GmbH, Zörbig, VERBIO Hungary Trading Kft., Budapest, Hungary, and VERBIO Nevada LLC have no active business operations; these companies are shelf companies or companies in a start-up phase.

Three (June 30, 2019: two) further wholly-owned group companies were not included in the consolidated financial statements on materiality grounds at June 30, 2020.

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, 2019:

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

In particular, IFRS 16 "Leases" was mandatory for the Group for the first time from July 1, 2019. The effect of the initial application is described later in this section.

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, 2019 have had no material effect on the presentation of VERBIO's financial statements.

IFRS 16 "Leases" introduces substantial new rules for accounting for leasing arrangements, and replaces the existing rules set out in IAS 17 "Leases" as well as certain IFRS Interpretations. IFRS 16 introduces a uniform accounting model under which leasing arrangements are to be recorded in the balance sheet of the lessee.

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

VERBIO recognises new assets and liabilities arising from its lease arrangements previously recognised as operating leases for land and buildings, machinery and factory and office equipment. The assets arise from the recognition of right-of-use assets, while the liability arising under the leasing arrangements represents the obligations for lease payments. The right-of-use assets are depreciated over the contractual terms of the respective lease contracts. Lease liabilities are increased by the amounts of interest recorded on the lease liabilities using the effective interest method, and reduced by the amounts of the lease payments. The interest expenses recorded for the lease liabilities are presented within the financial result. VERBIO has applied practical expedients for short-term leases and for leases for small-value assets.

VERBIO applied the modified retrospective method for the initial application of IFRS 16 at July 1, 2019. As a consequence, the effect of the application of IFRS 16 was recorded as an adjustment of the opening balances in the balance sheet at July 1. Comparative information has not been adjusted. Right-of-use assets with a carrying amount of EUR 14.2 million have been recognised on the initial application of IFRS 16, and as a result, non-current assets and the balance sheet total at July 1, 2019 increased by the same amount compared to the balance sheet total reported at June 30, 2019. Additions to non-current liabilities and current liabilities at July 1, 2019 amounted to EUR 11.2 million and EUR 3.0 million respectively. Here too, the effect of the initial application was reflected in non-current and current liabilities and on the balance sheet total compared to the reported balance sheet for June 30, 2019.

The lease liabilities at July 1, 2019 amounting to EUR 12.5 million at June 30, 2019 are based on the discounted payment obligations in respect of the operating lease obligations, which were previously off-balance sheet in accordance with previous accounting standards, together with amendments to those amounts reflecting different treatments of lease extension options. The lease liabilities were discounted by applying a weighted average incremental borrowing rate of interest of 1.5 percent at July 1, 2019.

For the financial year 2019/2020 the initial application of IFRS 16 resulted in an increase of EBITDA of EUR 3.7 million, as the depreciation of the right-of-use assets held under leasing arrangements is reported below EBITDA (2018/2019: presentation of leasing payments within cost of materials and other operating expenses).

In the statement of cash flows the payment of lease rentals to reduce the lease liability of EUR 5.3 million is reported within cash flows from investing activities (2018/2019: presentation of the payments as cash outflows from operating activities). In the financial year 2019/2020 an amount of EUR 0.4 million continues to be presented within other operating expenses due to the fact that the Group as applied the simplification exemptions for short-term leases and for leases of low-value assets.

3.2 Intangible assets

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

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

3.3 Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated scheduled depreciation and, where applicable, accumulated impairment losses. 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

VERBIO implemented IFRS 16 using the modified retrospective approach. Accordingly, the comparative information continues to be presented in accordance with IAS 17 and IFRIC 4.

The accounting policy applied for contracts entered into prior to July 1, 2019 was as follows.

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.

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 outstanding lease instalments, 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 lease arrangements. VERBIO recognises the lease payments under these leasing arrangements as an expense on a straight-line basis.

For the comparative reporting period, VERBIO also made an assessment of whether contracts entered into prior to July 1, 2019 included a leasing arrangement. VERBIO is only party to leasing arrangements as a lessee and had classified all leases as operating lease arrangements, and accordingly they were not recognised in the balance sheet. Payments made under operating lease arrangements were recorded as an expense on a straight-line basis over the terms of the respective leases.

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 which are solely payments of principal and interest on the principal amount outstanding payable on specified dates.

Financial assets and other assets are initially recognised at fair value. Subsequent to initial recognition they are recognised at amortised cost using the effective interest method. The amortised costs are reduced by impairment expenses. Interest income, currency gains and losses, 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 10, “Disclosures on financial instruments”.

VERBIO has forward fixed-price supply contracts for the purchase of raw materials for use in production which meet the definition of derivatives (IFRS 9, Appendix A) and are accounted for in accordance with the “own use exemption” (IFRS 9.2.4 and 9.2.5). These contracts are not within the scope of IFRS 9, but rather are handled as pending contracts.

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 which have an original term of three months or less. Currency balances which are restricted as collateral for utilised guaranteed credit lines and for bank loans granted are also shown under cash and cash equivalents.

3.12 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 from the entity of economic resources and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the amount required to fulfil the obligation. Provisions for obligations that will not result in an outflow of resources within the next twelve months are recognised as of the balance sheet date at the discounted settlement amount, taking into account the effect of expected cost increases. The settlement amount is discounted using market rates of interest, for liabilities carrying equivalent risk.

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, generally invoices are payable within 30 days. If, in individual cases, payment in advance is agreed, the goods are transferred shortly after receipt of payment, whereby in this case the invoice is also issued at time the customer collects the goods.

Sales revenues are reported net of sales reductions where applicable. For standard products, however, no discounts are applied 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 allocate consideration received between transactions.

3.16 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 impairment losses recorded against non-current financial assets and gains on the disposal of such assets.

3.17 Earnings per share

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

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

As of the date of publication of the consolidated financial statements, additional IFRS and IFRICs have been issued by the IASB, some of which have not yet been endorsed by the EU and are not required to be adopted until a date subsequent to the balance sheet date. We present below only those standards which can reasonably be expected to be applicable to VERBIO. VERBIO intends to apply these standards when their application becomes mandatory. Unless otherwise stated, the application of these standards is mandatory for financial years commencing on or after January 1, 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”
- IFRS 17 “Insurance contracts” (January 1, 2021)

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 99 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 2,010 thousand, whereby this reflects sales contracts which cannot be satisfied by supplies made from inventories of finished goods. The estimates and assumptions made which affect finished goods inventories and the expected losses on sales contracts primarily relate to the expected revenue to be earned from accepting the quota obligations in connection with the use of biomethane fuel. This in turn affects the measurement of the inventory of biomethane and biomethane quotas (June 30, 2020: EUR 40,847 thousand) as well as the amount of expected losses on sales contracts. For the valuation at June 30, 2020 estimates of market prices were made in July 2020 based on the maturity periods of the contracts entered into. Due to the fact that contracts for the quotas for the calendar years 2019–2021 will be entered into in periods up to nine months after the respective balance sheet date, and the fact that the prices have proved to be very volatile, actual future revenue received may differ from the amounts estimated.

Taxes

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

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

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

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

Long-term share-based remuneration

The remuneration paid to the members of the Management Board include, among other things, a variable bonus component, the amount of which is dependent on the movements of the VERBIO AG share price. Estimates and assumptions are made concerning the expected future trend of the VERBIO AG share price. The measurement is based on fair values using a Black-Scholes options price model. Further details are provided in note 12.4.

5 Business combinations

5.1 Acquisition of XiMo AG

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

The share capital of XiMo Kft. was transferred from XiMo AG to VERBIO AG in the financial year 2019/2020 in a Group internal transaction. The development and marketing of catalysts is now performed directly by XiMo Kft. XiMo AG is in the process of being liquidated at June 30, 2020.

5.2 Acquisition of a shareholding in VNA

VRenew acquired a 51 percent shareholding in VNA on September 29, 2018. Expenses of EUR 20 thousand were incurred in connection with the acquisition of the VNA shareholding.

The Group’s shareholding in VNA, held indirectly via VRenew, was increased from 51 percent to 100 percent in the financial year 2019/2020. Expenses of EUR 20 thousand were incurred in connection with the acquisition of the additional shareholding.

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

6.1 Sales revenue

Sales revenue wholly comprises revenue from contracts with customers of EUR 872,398 thousand (2018/2019: EUR 779,317 thousand).

We refer to the segment reporting (see note 9, “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, 2020 are made when these have an expected maturity of one year or less.

6.2 Own work capitalised

Production costs of own work capitalised amounted to EUR 1,475 thousand (2018/2019: EUR 2,063 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”.

6.3 Other operating income

Other operating income comprises the following items:

EUR (thousands)	2019/2020	2018/2019
Release of investment grants and subsidies	6,151	5,387
Reimbursement of electricity and energy taxes	3,036	2,872
Exchange gains	2,981	2,242
Release of provisions and other liabilities	134	669
Other out-of-period income	385	85
Gains on the disposal of property, plant and equipment	465	373
Miscellaneous other operating income	2,924	4,213
Other operating income	**16,076**	**15,841**

6.4 Cost of materials

The cost of materials was as follows:

EUR (tousands)	2019/2020	2018/2019
Raw material and merchandise - biodiesel	489,007	387,823
Raw material and merchandise - bioethanol and biomethane	139,549	163,079
Additives	19,200	24,906
Addition to provision for expected contract losses	2,010	1,685
Use of provision for expected contract losses	–3,870	–1,820
Other	8,495	9,534
Total raw material, consumables and supplies and purchased goods	**654,391**	**585,207**
Energy costs	31,275	27,642
Procurement of quota obligations	0	13,511
Miscellaneous	6,964	9,571
Expenses for purchased services	**38,239**	**50,724**
Total cost of materials	**692,630**	**635,931**

6.5 Personnel expenses

EUR (thousands)	2019/2020	2018/2019
Wages and salaries	32,762	26,096
One-off remuneration	6,048	6,062
Wages and salaries	**38,810**	**32,158**
Statutory social security costs	5,267	4,356
Employee's accident insurance association	297	217
Pension expense	522	484
Total social security expenses	**6,086**	**5,057**
Total personnel expenses	**44,896**	**37,215**

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 2,499 thousand (2018/20219: EUR 2,061 thousand). In addition, Group companies have made contributions of EUR 522 thousand (2018/2019: EUR 484 thousand) to a defined contribution scheme, including pension fund contributions among others.

As of June 30, 2020, the Group employed 724 employees (June 30, 2019: 661), of whom 376 were staff (June 30, 2019: 308), 328 were production employees (June 30, 2019: 330), 17 were trainees and apprentices (June 30, 2019: 16), and 3 were mini-job employees (June 30, 2019: 7).

In the financial year 2019/2020 the Group had an average of 707 employees (2018/2019: 608), of whom 356 were salaried employees (2018/2019: 269), 327 were production employees (2018/2019: 313), 19 were trainees and apprentices (2018/2019: 19), and 5 were mini-job employees (2018/2019: 7).

6.6 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 7.1.1, "Intangible assets", note 7.1.2, "Property, plant and equipment", and note 7.1.3, "Right of use assets under leasing arrangements".

6.7 Other operating expenses

EUR (thousands)	2019/2020	2018/2019
Repairs and maintenance	14,567	11,716
Outgoing freight and other selling expenses	8,448	8,104
Motor vehicle costs	1,963	2,812
Insurances and dues	2,484	2,134
Exchange losses	3,592	2,125
Legal and consulting costs	2,365	1,485
Rents and leases	353	1,409
Miscellaneous other operating expenses	11,841	10,751
Other operating expenses	**45,613**	**40,536**

6.8 Impairment losses on financial assets
A detailed analysis of impairment losses on financial assets is presented in note 10.4.3, “Disclosure of impairment losses on financial assets”.

6.9 Result from commodity forward contracts
The result from the valuation and from the closing-out of forward contracts which do not qualify for hedge accounting totalled EUR –2,712 thousand (2018/2019: EUR –2,935 thousand).

6.10 Financial result

EUR (thousands)	2019/2020	2018/2019
Interest income	678	155
Interest expense	–1,625	–751
Financial result	**–947**	**–596**

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

Interest expenses include an amount of EUR 207 thousand from the interest accrued on lease liabilities recognised for the first time as a result of the initial implementation of IFRS 16.

6.11 Income taxes
The income tax expense comprises the following:

EUR (thousands)	2019/2020	2018/2019
Current tax expense	–26,281	–22,127
Deferred tax expense (previous year: income)	–903	717
Income tax	**–27,184**	**–21,410**

Income tax expenses include current tax income of EUR 1,053 thousand (2018/2019: expenses of EUR 246 thousand) which relate to earlier periods. Deferred tax includes income of EUR 194 thousand (2018/2019: EUR 194 thousand) which resulted from the recognition of previously unrecognised non-current deferred tax assets on other differences and tax losses carried forward, as it is probable that taxable income will be available to enable these deferred tax assets to be realised. In addition, in the previous year deferred taxes include out of period income of EUR 1,027 thousand.

For the calculation of domestic deferred taxes, a corporation tax rate of 15.0 percent (2018/2019: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2018/2019: 5.5 percent) plus (for the parent company) a trade tax rate of 13.28 percent (2018/2019: 13.87 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate was 29.11 percent (2018/2019: 29.70 percent). The trade tax relevant for domestic companies ranged from 12.25 percent to 13.28 percent depending on location.

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

EUR (thousands)	2019/2020	2018/2019
Result before taxes	90,978	73,105
Income tax rate	29.11 %	29.70 %
Reported income tax expense	**–26,484**	**–21,712**

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

EUR (thousands)	2019/2020	2018/2019
Change in unrecognised deferred taxes	–1,521	–991
Difference in tax rates	–406	–66
Non-deductible expenses and permanent effects	431	776
Effects relating to prior periods	1,053	781
Other differences	–257	–198
Reported income tax expense	**–27,184**	**–21,410**

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		Net	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Intangibles	829	0	0	0	829	0
Property, plant and equipment	3,152	2,689	249	263	2,903	2,426
Inventories	0	0	1,692	245	–1,692	–245
Receivables	0	0	173	144	–173	–144
Derivatives	317	615	588	507	–271	108
Investment subsidies (investment grants)	0	0	50	216	–50	–216
Other provisions	406	1,016	154	1	252	1,015
Tax losses carried forward	832	832	0	0	832	832
	5,536	**5,152**	**2,906**	**1,376**	**2,630**	**3,776**
Netting	–2,846	–1,239	–2,846	–1,239	0	0
Net deferred taxes	**2,690**	**3,913**	**60**	**137**	**2,630**	**3,776**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 903 thousand (2018/2019: EUR 718 thousand) and changes recognised directly in equity of EUR 247 thousand (2018/2019: EUR 104 thousand). The changes recognised directly in equity result from changes in the value of derivatives recognised only in equity.

As of June 30, 2020, there were unrecognised deferred tax liabilities totalling EUR 42 thousand (2018/2019: EUR 27 thousand) for temporary differences in connection with investments in subsidiaries of EUR 2,904 thousand (2018/2019: EUR 1,836 thousand), because VERBIO AG can control their reversal and their reversal will not take place in the foreseeable future.

No deferred tax assets are recognised on German trade tax losses carried forward of EUR 14,414 thousand (2018/2019: EUR 17,080 thousand) and German corporation tax losses of EUR 19,066 thousand (2018/2019: EUR 21,725 thousand) as their realisation is currently not sufficiently assured. No deferred tax assets were recognised on foreign tax losses carried forward totalling EUR 18,849 thousand as their realisation is currently not sufficiently assured.

In the financial year 2018/2019, the tax result of one VERBIO subsidiary company has been amended as a result of the settlement with the tax court of a tax dispute for the 2008 tax year. As a result, the Group has the right to trade and corporation tax repayments totalling EUR 850 thousand (including interest) for the years 2008 to 2011. However, the tax authority had issued amended assessments for the affected period which do not include these repayments. VERBIO had appealed against these assessments. The Group has not recognised an asset for the right to the tax repayments at June 30, 2019. The repayment, including interest, was realised in the financial year 2019/2020 following an appeal procedure.

7 Notes to the individual items in the consolidated balance sheet

7.1 Non-current assets

7.1.1 Intangible assets

The intangible assets primarily include acquired software.

The movements in intangible assets in the financial year 2019/2020 included additions of EUR 132 thousand (2018/2019: EUR 809 thousand), the effects of changes in currency exchange rates (EUR –2 thousand; 2018/2019: EUR 0 thousand), as well as amortisation of EUR 314 thousand (2018/2019: EUR 287 thousand), resulting in a balance of EUR 673 thousand at June 30, 2020 (June 30, 2019: EUR 856 thousand). The total acquisition cost of other intangible assets at June 30, 2020 amounted to EUR 3,013 thousand (June 30, 2019: EUR 2,885 thousand); the carrying value is after deduction of accumulated amortisation totalling EUR 2,341 thousand (June 30, 2019: EUR 2,029 thousand).

Research and development

Research and development expenses of EUR 5,444 thousand are included in the statement of comprehensive income (2018/2019: EUR 2,029 thousand).

7.1.2 Property, plant and equipment

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

Property, plant and equipment with a carrying value of EUR 4,665 thousand (2018/2019: EUR 5,041 thousand) are pledged as security for financial liabilities.

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 progess	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, 2019	17,510	237,500	13,003	0	268,013
Additions	1,429	21,041	2,247	0	24,717
Disposals	0	47	−47	0	0
Umbuchungen	309	1,386	1,087	0	2,782
Currency effects	−1	−28	−10	0	−39
Accumulated depreciation as of June 30, 2019	**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**

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

EUR (thousands)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progess	Total
Acquisition costs as of July 1, 2018	41,979	321,963	18,344	34,153	416,439
Additions	5,813	5,232	2,829	49,961	63,835
Changes to the consolidated group	45	0	116	0	161
Reclassifications	38	19,641	50	–19,729	0
Disposals	1,777	348	867	126	3,118
Currency effects	–4	47	0	–57	–14
Acquisition costs as of June 30, 2019	**46,094**	**346,535**	**20,472**	**64,202**	**477,303**
Accumulated depreciation as of July 1, 2018	16,808	219,985	11,684	0	248,477
Additions	1,282	17,824	2,055	0	21,161
Disposals	580	310	738	0	1,628
Currency effects	0	1	2	0	3
Accumulated depreciation as of June 30, 2019	**17,510**	**237,500**	**13,003**	**0**	**268,013**
Carrying amount as of July 1, 2018	0	0	0	0	167,947
Carrying amount as of June 30, 2019	**28,584**	**109,035**	**7,469**	**64,202**	**209,290**

7.1.3 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").

The movements on right-of-use assets held under leasing arrangements were as follows in the period from July 1, 2019 to June 30, 2020:

EUR (thousands)	Land, land rights and buildings	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
Disposals	0	0	0
Acquisition costs as of June 30, 2020	**7,755**	**15,271**	**23,026**
Accumulated depreciation as of July 1, 2019	0	0	0
Additions	655	4,542	5,197
Disposals	0	0	0
Accumulated depreciation as of June 30, 2020	**655**	**4,542**	**5,197**
Carrying amount as of July 1, 2019	6,197	7,967	14,164
Carrying amount as of June 30, 2020	**7,100**	**10,729**	**17,829**

7.1.4 Non-current financial assets

Non-current financial assets (EUR 2,806 thousand; June 30, 2019: EUR 95 thousand) primarily consist of the non-current portion of a loan provided to an associated company (EUR 2,660 thousand; June 30, 2019: EUR 0 thousand). In addition, the investment in a consolidated associated company is included (EUR 40 thousand; June 30, 2019: EUR 40 thousand).

7.2 Current assets

7.2.1 Inventories

EUR (thousands)	30.06.2020	30.06.2019
Raw materials, consumables and supplies, gross	23,770	26,357
Less: allowances	–83	0
Raw materials, consumables and supplies	**23,687**	**26,357**
Work in process, gross	846	1,505
Less: allowances	0	0
Work in process	**846**	**1,505**
Finished goods, gross	53,222	35,076
Less: allowances	–99	–310
Finished product	**53,123**	**34,766**
Merchandise	**1,154**	**450**
Inventories	**78,810**	**63,078**

The inventories have a carrying value of EUR 73,701 thousand (June 30, 2019: EUR 43,057 thousand) and are carried at their acquisition and production cost. In addition, inventories with a carrying value of EUR 5,109 thousand (June 30, 2019: EUR 20,021 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 182 thousand (June 30, 2019: EUR 310 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 99 thousand (2018/2019: EUR 318 thousand); write-downs of raw materials, consumables and supplies are within “Cost of materials” and amount to EUR 83 thousand (2019/2020: EUR 0 thousand).

7.2.2 Trade receivables

Trade receivables amounted to EUR 64,688 thousand at the balance sheet date (June 30, 2019: EUR 48,540 thousand) and are presented net of valuation allowances of EUR 1,092 thousand (June 30, 2019: EUR 1,195 thousand).

Of the valuation allowances recorded in the previous year, EUR 89 thousand (2018/2019: EUR 72 thousand) were released through profit or loss in the financial year; the release amount is included in “Other operating income”. Impairment allowances of EUR 58 thousand were recognised in the financial year (2018/2019: EUR 2 thousand); the expense is included in “Impairment losses on financial assets”.

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

7.2.3 Derivatives

Information on the Group's derivative financial assets with a carrying value of EUR 4,073 thousand held at June 30, 2020 (June 30, 2019: EUR 2,990 thousand) is provided in note 10.3, "Derivatives".

7.2.4 Other current financial assets

Other current financial assets comprise the following:

EUR (thousands)	30.06.2020	30.06.2019
Cash on segregated accounts	12,186	6,197
Loans	380	2,800
Security deposits resulting from security agreements and liability declarations	256	1,181
Deferral of unrealised results on forward contracts	1,501	753
Miscellaneous other financial assets	332	302
Other financial assets	**14,655**	**11,233**

7.2.5 Tax refunds receivable

EUR (thousands)	30.06.2020	30.06.2019
Reimbursement claims for trade tax	1,115	428
Reimbursement claims for corporation tax	233	200
Tax refunds receivable	**1,348**	**628**

7.2.6 Other assets

Other non-financial assets comprise the following:

EUR (thousands)	30.06.2020	30.06.2019
Investment grants and subsidies	7,444	5,803
Reimbursement of electricity and energy tax	5,405	5,186
Value added tax and interest due from tax authorities	2,912	4,674
Emissions certificates held in trust	1,501	0
Deferred expenses	372	582
Miscellaneous other assets	355	51
Other non-financial assets	**17,989**	**16,296**

7.2.7 Term deposits

The term deposits of EUR 20,000 thousand reported in the financial statements had a maturity exceeding three months on initial recognition and earn interest at –0.09 percent.

7.2.8 Cash and cash equivalents
Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 53,885 thousand (June 30, 2019: EUR 68,025 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 53,878 thousand (June 30, 2019: EUR 68,019 thousand).

7.3 Equity

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

The share capital at June 30, 2020 was unchanged at EUR 63,000 thousand, and is divided into 63,000,000 no-par shares registered in the name of the holders. The ownership of the shares entitles the holder to exercise voting rights at the general shareholders' meeting and the right to participate in dividend distributions, provided that a distribution is approved.

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 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.

7.3.2 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 168,937 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.

7.3.3 Other reserves

The other reserves include the effective portion of the cumulative change in value of the valuation changes of forward commodity contracts that qualify as cash flow hedges, to the extent that these transactions had not yet been closed out by June 30, 2020.

7.3.4 Reserve for translation adjustments

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

7.3.5 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on the annual financial statements of VERBIO AG, which are prepared under German commercial law requirements. The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0,20 per qualifying share at the annual general meeting to be held on January 29, 2021, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements decreased by EUR 49,221 thousand, representing the positive Group result attributable to owners of the parent Company for the period (EUR 57,816 thousand) less the dividend paid for the previous year (EUR 12,600 thousand) and the reclassification of the non-controlling interest in the retained earnings in VNA (EUR 1,560 thousand) reported in the previous year’s consolidated financial statement.

7.3.6 Earnings per share

VERBIO AG has 63,000,000 no-par shares with an arithmetic nominal value of EUR 1 each. The Group net result for the period attributable to the shareholders of the parent company for the financial year 2019/2020 amounts to EUR 64,093 thousand (2018/2019: EUR 52,788 thousand).

The number of shares in issue in the financial year 2019/2020 was unchanged at 63,000,000. Accordingly, the weighted average number of shares outstanding during the reporting period was 63,000,000.

There were no dilutive effects on earnings per share in the financial year 2019/2020, as in the previous financial years. The basic result per share from continuing operations amounts to EUR 1.01 (2018/2019: EUR 0.84). The diluted earnings per share in both periods is identical to the basic earnings per share.

	2019/2020	**2018/2019**
Outstanding shares on June 30, 2020 and 2019	63,000,000	63,000,000
Number of average shares outstanding as of the balance sheet date	63,000,000	63,000,000
Result attributable to shareholders of the parent company (in EUR thousands)	63,381	52,968
Result per share in EUR	**1.01**	**0.84**

7.3.7 Non-controlling interests

Non-controlling interests represent interests in VAgrar and its subsidiaries. In the previous year this figure also included non-controlling interests in VNA. The following table provides information on non-controlling interests (before eliminations arising on consolidation).

EUR (thousands)	2019/2020	2018/2019
Sales revenues (without group eliminations)	22,494	21,289
Net result for the period	3,871	–1,819
Result attributable to non-controlling interests	**413**	**–1,273**

EUR (thousands)	2019/2020	2018/2019
Current assets	12,373	11,811
Non-current assets	9,403	25,450
Current liabilities	6,203	29,565
Non-current liabilities	275	–603
Equity	15,298	8,299
Non-controlling interests	**1,680**	**–293**

EUR (thousands)	2019/2020	2018/2019
Cash flows from operating activities	–3,018	2,240
Cash flows from investing activities	–958	–17,083
Cash flows from financing activities	0	20,650
Net change in cash funds	**–3,976**	**5,807**

7.4 Non-current liabilities

7.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 30,236 thousand as of the June 30, 2020 balance sheet date (June 30, 2019: EUR 10,056 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance 30.06.2020	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Promissory note	12,500	0	12,500	03.07.2024	0.90	Due on maturity [1]
Promissory note	17,500	0	17,500	03.07.2024	Euribor + 0.90%	Due on maturity [1]
Other loans	178	45	134	b.a.w.	1.00	monthly [1]
Other loans	55	55	0	b.a.w.	2.00	monthly [1]
Other loans	2	0	2	b.a.w.	2.00	monthly [1]
Gesamt	**30,235**	**100**	**30,136**			

[1] Fixed interest rate

The bank loans and other loans as of June 30, 2019 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
Other loans	9,966	9,966	0	31.12.2019	7.00	Due on maturity [1]
Other loans	90	26	64	b.a.w.	2.00	monthly [1]
Total	**10,056**	**9,992**	**64**			

[1] Fixes interest rate

Details of the carrying values of collateral security provided are set out in the disclosures in note 7.1.2, "Property, plant and equipment".

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

7.4.2 Lease liabilities

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

EUR (thousands)	Land, land rights and buildings	Other equip-ment, factory and office equipment	Total
Acquisition costs as of July 1, 2017	6,197	7,967	14,164
Additions	1,558	7,304	8,862
Additions	700	4,644	5,344
Disposals	123	204	327
Accumulated depreciation as of June 30, 2018	**7,178**	**10,831**	**18,009**

The maturity of the lease liabilities were as follows:

	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

7.4.3 Non-current provisions

Non-current provisions of EUR 131 thousand at June 30, 2020 (June 30, 2019: EUR 156 thousand) wholly represent provisions for archiving costs.

7.4.4 Investment grants and subsidies

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

EUR (tousands)	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

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

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

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

7.4.5 Other non-current financial liabilities

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

7.4.6 Deferred tax liabilities

Information on deferred taxes is provided in note 6.11, “Income taxes”.

7.5 Current liabilities

7.5.1 Bank loans and other loans

Current liabilities include other loans of EUR 100 thousand (June 30, 2019: EUR 9,992 thousand), which represent the current portion of bank loans described in note 7.4.1, “Bank loans and other loans”.

7.5.2 Lease liabilities

Lease liabilities presented within current liabilities amounting to EUR 5,344 thousand represent the short-term components of the total amounts due under lease liabilities described in further detail in the disclosures concerning non-current liabilities in note 7.4.2.

7.5.3 Trade payables

Trade payables at the balance sheet date amount to EUR 41,901 thousand (June 30, 2019: EUR 41,130 thousand). All of the trade payables are payable within one year.

7.5.4 Derivatives

Information on the Group’s derivative financial liabilities with a carrying value of EUR 3,140 thousand at June 30, 2020 (June 30, 2019: EUR 3,354 thousand) is provided in note 10.3, “Derivatives”.

7.5.5 Other current financial liabilities

Other current financial liabilities primarily include current liabilities for amounts payable to employees and trade account balances with customers with a credit balance. These include liabilities under a trust arrangement of EUR 1,502 thousand (June 30, 2019: EUR 0 thousand).

7.5.6 Tax liabilities

The tax liabilities in the financial years 2019/2020 and 2018/2019 comprised the following:

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

EUR (thousands)	**01.07.2018**	**Utilisation**	**Release**	**Addition**	**30.06.2019**
Trade taxes	4,935	3,428	46	2,082	3,543
Corporation taxes	4,407	3,671	121	2,335	2,950
Tax liabilities	**9,342**	**7,099**	**167**	**4,417**	**6,493**

7.5.7 Current provisions

Current provisions at June 30, 2020 and June 30, 2019 included the following:

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**

EUR (thousands)	01.07.2018	Utilisation	Release	Addition	30.06.2019
Expected losses on sales and purchase contracts	4,005	1,820	0	1,685	3,870
Litigation risks	210	0	0	304	514
Other provisions	134	0	0	308	442
Provisions	**4,349**	**1,820**	**0**	**2,297**	**4,826**

7.5.8 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	30.06.2020	30.06.2019
Value added tax	2,509	608
Wage and church taxes	467	558
Social Security	724	592
Energytax	144	85
Miscellaneous other current liabilities	1,470	572
Total other current liabilities	**5,314**	**2,415**

8 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 53,885 thousand (2018/2019: EUR 68,024 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2018/2019: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 71,678 thousand, significantly higher than in the previous year (2018/2019: EUR 44,327 thousand). This was a result of the EUR 12,099 thousand higher profit for the period, with lower income tax payments and a lower increase in other assets and other current financial assets (EUR 7,516 thousand; 2018/2019: EUR 16,180 thousand). There were opposite effects on the cash flow from operations, in particular as a result of the increase in inventories of EUR 15,733 thousand (2018/2019: EUR 17,906 thousand) as well as the increase in trade receivables of EUR 16,148 thousand (2018/2019: EUR 3,304 thousand).

The cash flow from investing activities of EUR –87,863 thousand (2018/2019: EUR –979 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 67,971 thousand (2018/2019: EUR 61,940 thousand) and increases in term deposits of EUR 20,000 thousand (2018/2019: cash inflow from release of term deposits of EUR 60,042 thousand).

The cash flow from financing activities for the reporting period totalled EUR 2,535 thousand (2018/2019: EUR –3,931 thousand). The net amount of new financial liabilities less repayments resulted in net cash inflows of EUR 20,179 thousand (2018/2019: EUR 8,669 thousand), resulting in an increase in the reported balance of loans to EUR 30,236 thousand (June 30, 2019: increase to EUR 10,056 thousand). On the other hand, the payment of lease liabilities presented in the cash flow statement of EUR 5.3 million led to a corresponding reduction of lease liabilities in the balance sheet which are described in more detail in note 7.4.2. A dividend payment of EUR 0.20 per share was approved for the financial year 2018/2019 at the annual general meeting held on January 31, 2020 (financial year 2017/2018: EUR 0.20 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 12,600 thousand (2018/2019: EUR 12,600 thousand), with a corresponding reduction in the retained earnings reported in the balance sheet.

9 Segment reporting

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

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 1,174 thousand (2018/2019: EUR 482 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.

The Group's operating assets are almost exclusively located in Germany. However, of the total investments in property, plant and equipment amounting to EUR 66,515 thousand in the financial year 2019/2020, a total of EUR 41,368 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 66,515 thousand in the financial year 2019/2020 (2018/2019: EUR 64,643 thousand).

The VERBIO Group generated sales revenue of EUR 275,709 thousand in the reporting period (2018/2019: EUR 177,891 thousand) from sales of goods and services outside Germany (primarily in Europe).

Sales revenue with two (2018/2019: one) external customer(s) amounted to more than 10 percent of total revenue in the reporting period; the sales revenue with these customers totalled EUR 320,536 thousand (2018/2019: one customer totalling EUR 142,877 thousand). Sales revenue of EUR 216,653 thousand (2018/2019: EUR 99,855 thousand) is attributable to the Biodiesel segment and sales revenue of EUR 103,883 thousand (2018/2019: EUR 43,022 thousand) is attributable to the Bioethanol segment.

Segment reporting for the period July 1, 2019 to June 30, 2020

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Sales revenues	588,243	514,535	275,238	254,713	15,839	16,685
Change in finished and unfinished goods	3,448	626	14,248	14,856	0	0
Own work capitalised	507	419	968	1,644	0	0
Other operating income	3,780	3,400	12,459	12,375	464	674
Cost of materials	–511,929	–417,246	–174,685	–211,040	–7,509	–9,378
Personnel expenses	–16,166	–11,834	–24,091	–20,904	–4,639	–4,477
Other operating expenses	–20,148	–16,156	–29,152	–27,987	–2,018	–2,836
Result from commodity forward contracts	–1,681	–3,077	–1,031	142	0	0
Segment result	**46,054**	**70,667**	**73,954**	**23,799**	**2,137**	**668**
Depreciation and amortisation	–10,592	–4,937	–18,063	–15,757	–1,565	–754
Segment EBIT	**35,462**	**65,730**	**55,891**	**8,042**	**572**	**–86**
Interest income	191	99	487	71	0	0
Interest expense	–606	–231	–1,002	–520	–17	0
Share of profit (loss) of associates and joint ventures accounted für using the equity method	0	0	0	15	0	0
Result before taxes	**35,047**	**65,598**	**55,376**	**7,593**	**555**	**–86**

Reconciliation of segment revenues and results

EUR (thousands)	Segment totals		Inter-segment sales revenues, expenses and other adjustments		Group	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Sales revenues	879,320	785,933	−6,922	−6,616	872,398	779,317
Change in finished and unfinished goods	17,696	15,482	0	0	17,696	15,482
Own work capitalised	1,475	2,063	0	0	1,475	2,063
Other operating income	16,703	16,449	−216	−536	16,487	15,913
Cost of materials	−694,123	−637,664	1,493	1,733	−692,630	−635,931
Personnel expenses	−44,896	−37,215	0	0	−44,896	−37,215
Other operating expenses	−51,318	−46,979	5,645	5,419	−45,673	−41,560
Result from commodity forward contracts	−2,712	−2,935	0	0	−2,712	−2,935
Segment result	**122,145**	**95,134**	**0**	**0**	**122,145**	**95,134**
Depreciation and amortisation	−30,220	−21,448	0	0	−30,220	−21,448
Segment EBIT	**91,925**	**73,686**	**0**	**0**	**91,925**	**73,686**
Interest income	678	155	0	0	678	155
Interest expense	−1,625	−751	0	0	−1,625	−751
Share of profit (loss) of associates and joint ventures accounted für using the equity method	0	15	0	0	0	15
Result before taxes	**90,978**	**73,105**	**0**	**0**	**90,978**	**73,105**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019
Other intangible assets	299	346	375	510	0	0	674	856
Right-of-use assets held under lease arrangements	9,674	0	6,881	0	1,274	0	17,829	0
Property, plant and equipment	83,471	59,843	163,749	147,174	2,536	2,273	249,756	209,290
Inventories	19,314	12,484	59,476	50,451	180	143	78,970	63,078
Trade receivables	38,734	31,132	25,065	16,162	888	1,246	64,687	48,540
Other assets and other financial assets	11,022	11,561	24,238	16,046	30	17	35,290	27,624
Cash and cash equivalents	22,111	32,801	30,776	34,802	998	422	53,885	68,025
Total segment equivalents	**184,625**	**148,167**	**310,560**	**265,145**	**5,906**	**4,101**	**501,091**	**417,413**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019	30.06. 2020	30.06. 2019
Lease liabilities	8,990	0	6,221	0	2,798	0	18,009	0
Deferred investment grants	462	673	3,458	4,267	90	90	4,010	5,030
Non-current provisions	46	73	80	78	5	5	131	156
Trade payables and other current provisions	23,779	19,860	19,804	25,568	520	714	44,103	46,142
Other current financial liabilities and other current liabilities	7,033	5,061	9,544	5,847	701	990	17,278	11,898
Total segment liabilities	**40,310**	**25,667**	**39,107**	**35,760**	**4,114**	**1,799**	**83,531**	**63,226**

Reconciliation segments assets and segment liabilities

EUR (thousands)	Group	
	30.06.2020	30.06.2019
Total segment assets	501,091	417,413
Derivatives	4,073	2,990
Deferred tax assets	2,688	3,914
Income tax refunds	1,348	628
Term deposits	20,000	0
Total assets	**529,200**	**424,945**
Total segment liabilities	83,531	63,226
Bank loans and other loans	30,236	10,057
Other tax liabilities	18,096	6,493
Other non-current liabilities	3,316	2,761
Deferred tax assets	59	137
Derivatives	3,140	3,354
Total liabilities	**138,378**	**86,028**

Investments

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019
Investments	**30,596**	**27,898**	**35,408**	**34,782**	**2,019**	**1,963**	**68,023**	**64,643**

10 Disclosures on financial instruments

10.1 General information

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model 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. Derivative financial instruments are recognised and measured at their fair value upon acquisition. Subsequent to initial recognition they are remeasured to fair value. Forward commodity contracts used to hedge purchasing prices on the procurement market (see note 10.3.1 A) qualify as cash flow hedges and have, accordingly, been classified as “Derivatives within hedging relationships”.

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

Derivatives which are not or were not used for hedging relationship purposes (see notes 10.3.2 B. and C.) are free-standing derivatives and as a result are strictly classified as “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”.

10.2 Categories of financial assets and financial liabilities

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

Assets

Valuation	**At amortised cost**		**At fair value**				**Total**	
Measurement category			**FVTPL**		**FVOCI**			
EUR (thousands)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
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	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**
Trade receivables	48,540	48,540	0	0	0	0	48,540	48,540
Other non-current and current financial assets	11,328	11,328	0	0	0	0	11,328	11,328
Derivatives	0	0	612	612	2,378	2,378	2,990	2,990
Cash and cash equivalents	68,025	68,025	0	0	0	0	68,025	68,025
Total (June 30, 2019)	**127,893**	**127,893**	**612**	**612**	**2,378**	**2,378**	**130,883**	**130,883**

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	30,236	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	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**
Liabilities to banks and other loans	10,057	10,057	0	0	0	0	10,057	10,057
Trade payables	41,316	41,316	0	0	0	0	41,316	41,316
Other financial liabilities	12,244	12,244	0	0	0	0	12,244	12,244
Derivatives	0	0	2,071	2,071	1,283	1,283	3,354	3,354
Total (June 30, 2019)	**63,617**	**63,617**	**2,071**	**2,071**	**1,283**	**1,283**	**66,971**	**66,971**

10.2.1 Measurement in the individual measurement categories

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

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

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

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

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

10.2.2 Reconciliation to balance sheet headings

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

10.3 Derivatives

The fair values and underlying nominal values of derivative assets and liabilities reported were as follows at the June 30, 2020 and June 30, 2019 balance sheet dates:

EUR (thousands)	Nominal volume	Derivative assets = positive market value	Derivative liabilities = negative market value
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
Derivatives at 30.06.2020		**4,073**	**3,140**

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

EUR (thousands)	30.06.2020			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	4,073	0	4,073
Derivative liabilities	0	3,140	0	3,140

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

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

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

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

A. Forward contracts for rapeseed oil (assets: EUR 4,017 thousand; liabilities: EUR 2,053 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, 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 set off in profit or loss against the cost of materials. The amount transferred from equity to profit or loss in connection with cash flow hedge accounting in the reporting period amounted to EUR 6,232 thousand (2018/2019: EUR 1,482 thousand) and is shown in the income statement under “Cost of materials”. There were no ineffective portions requiring recognition at the balance sheet date.

10.3.2 Description of the Group’s significant free-standing derivatives

B. Free-standing derivatives from sales and procurement transactions
In addition to the derivatives designated as hedging instruments, use was made of Biodiesel swaps to hedge the revenue from sales contracts linked to quoted market prices of biodiesel entered into in the previous year. There are no such derivatives on hand at June 30, 2020 (2018/2019: EUR 612 thousand with positive market values and EUR 2,013 thousand with negative market values).

On the other hand, at June 30, 2020 there were contracts in place linked to the quoted market price of crude oil used to hedge procurement contracts. The derivatives had a negative market value of EUR 1,087 thousand at June 30, 2020

C. Free-standing derivatives from currency hedging
In the previous year’s financial statements additional EUR/USD currency contracts were entered into in order to reduce the currency risk in connection with variable rate biodiesel sales contracts denominated in US dollars. The negative market values under these contracts amounted to EUR 59 thousand at June 30, 2019. There were no such hedging arrangements at June 30, 2020.

10.3.3 Change in equity

The effects on equity of the hedging transactions entered into in the financial year 2019/2020 and the previous year are presented below:

EUR (thousands)	Rapeseed procure-ment	Bioethanol-/ 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
Recognition in the income statement (sales revenue)	0	0	0	0
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

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

10.3.4 Realisation of the underlying and hedging transactions

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

EUR (thousands)	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months
June 30, 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
June, 30, 2019				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	2,378	114,817	72,808	42,009
Liability	1,283	52,788	41,118	11,670
Effect on the income statement				
Commodity forward contracts				
Asset	2,378	2,378	1,752	626
Liability	1,283	1,283	1,249	34

10.4 Other disclosures required by IFRS 7

10.4.1 Information on income and expense positions

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

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Writedown (Writedown financial instruments or other operating expenses)	Total
Financial assets measured at amortized cost:							
Financial assets measured at fair value:	678	0	411	–60	0	0	1,029
Financial instruments held for trading purposes							
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:	0	0	0	0	0	0	0
Financial instruments held for trading purposes							
Derivatives used in hedging relationships	0	0	0	0	–2,712	0	–2,712
Other financial liabilities	0	0	0	0	0	0	0
Interest rate swaps	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**

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Writedown (Writedown financial instruments or other operating expenses)	Total
2018/2019							
Financial assets measured at amortized cost:	155	0	85	−1,024	0	0	−784
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	0	0
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	−2,935	0	−2,935
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	−751	0	0	0	0	−751
Interest rate swaps	0	0	0	0	0	0	0
Total	**155**	**−751**	**85**	**−1,024**	**−2,935**	**0**	**−4,470**

The reversal of write-downs of loans and receivables of EUR 411 thousand (June 30, 2019: EUR 85 thousand) relates primarily to the release of the specific allowances on trade receivables.

Allowances made for the impairment write-down of loans and receivables of EUR 31 thousand (June 30, 2019: EUR 1,024 thousand) were primarily in connection with irrecoverable claims recorded within other financial assets.

VERBIO generated EUR 106 thousand from trust arrangements in the financial year 2019/2020 (financial year 2018/2019: EUR 60 thousand).

10.4.2 Information on collateral

The other financial assets represent cash and cash equivalents held in segregated accounts with a carrying value of EUR 12,186 thousand (June 30, 2019: EUR 6,197 thousand) which are provided as collateral for forward contracts entered into.

10.4.3 Information regarding allowances for credit losses on financial assets

The allowances made relate to the risk of credit losses on trade receivables and other current assets. The movements on the allowances in the financial year 2019/2020 were as follows:

EUR (thousands)	01.07.2019	Addition	Release	Utili-sation	Currency difference	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**
TEUR	**01.07.2018**	**Addition**	**Release**	**Utili-sation**	**Currency difference**	**30.06.2019**
Valuation allowances						
Trade receivables	1,251	2	72	0	14	1,195
Other current assets	1,402	1,022	0	95	0	2,329
Valuation allowances	**2,653**	**1,024**	**72**	**95**	**14**	**3,524**

The credit risks of all doubtful receivables are assessed and valued individually, with particular attention paid to overdue receivables, receivables from customers with known payment difficulties, or receivables that are in dispute. Appropriate allowances are made where required. The classification of a receivable as overdue does not necessarily mean that an impairment allowance will be recorded.

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

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 30.06.2020	Limited credit-standing
Trade receivables	Oil companies	0.00	44,686	No
	Processing companies, trading companies	0.08	12,825	No
	Energy suppliers	0.00	655	No
	Agricultural businesses	0.23	651	No
	Transport businesses	0.01	77	No
	Disinfection solution customers	0.00	4,316	No
	Other	2.90	1,478	No
			64,688.0	

Based on actual credit loss experience in the past VERBIO estimates that the expected credit losses on receivables presented at June 30, 2020, to the extent to which they have not been subject to impairment allowances already, to be low.

11 Financial risks and risk management, capital management

11.1 Organisation

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

Accordingly, as part of a risk-oriented and future-directed management approach, VERBIO AG has developed and installed a risk management system for the Group. The implementation of a functional risk management system is seen as part of the general responsibility of the Company's management. Individual risks defined in advance are monitored on a continuous basis using early warning indicators, and are included in the quarterly reporting to the risk manager by management of the subsidiaries. The risk inventory carried out in 2006 and repeated in full in 2008, 2009, 2015 and 2017 is reviewed for new or changed risks on an ongoing basis. A detailed risk handbook is available.

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

Management Board

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

Risk management

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

Risk controlling

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

Supervisory Board

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

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

11.2 Risk groups

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

11.2.1 Credit risks

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

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

Maximum risk of default

The maximum risk of default associated with financial assets, without considering possible collateral security received or other credit enhancements (e.g. netting agreements), is as follows:

EUR (thousands)	30.06.2020	30.06.2019
Trade receivables	64,688	48,540
Other non-current and current assets	17,461	11,328
Derivatives	4,073	2,990
Cash and cash equivalents	53,885	68,025
Total	**140,107**	**130,883**

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 and internal ratings; 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, 2019: 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)	30.06.2020	30.06.2019
Oil companies	44,686	31,092
Processing industries (in particular oil mills and pharmaceutical companies) and trading companies	12,825	9,994
Electric utilities	655	2,004
Farmers	651	1,980
Transport companies	77	1,238
Disinfectant solution customers	4,316	0
Other	1,478	2,232
Total	**64,688**	**48,540**

Concentration according to region

EUR (thousands)	30.06.2020	30.06.2019
Inland	26,925	18,258
Europe	27,069	30,281
North America	9,813	0
Other foreign	881	1
Total	**64,688**	**48,540**

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, 2020 and June 30, 2019 balance sheet dates based on their maturity dates:

EUR (thousands)	Carrying amount	Thereof at the balance sheet date						
		Not im-paired and not overdue	Not impaired and overdue in the following aging categories (in days)					
			Less than 30	Between 30 and 60	Between 61 and 90	Between 91 and 180	Between 181 and 360	More than 360
June 30.2020								
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**
June 30, 2019								
Trade receivables	48,540	42,912	5,280	47	77	88	1	135
Other long-term and short-term financial assets	11,158	11,158	0	0	0	0	0	0
	59,698	**54,070**	**5,280**	**47**	**77**	**88**	**1**	**135**

11.2.2 Liquidity risks

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

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

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

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

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

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

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

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

The following table presents an analysis of the remaining maturities of all contractually agreed financial liabilities as of June 30, 2020 and June 30, 2019:

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						
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**

EUR (thousands)	Carry-ing amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
June 30, 2019						
Non-derivative financial liabilities [1]						
Liabilities to banks and other loans	10,057	0	0	9,992	65	0
Trade payables	41,316	40,851	159	306	0	0
Other financial liabilities	12,244	9,483	0	0	2,761	0
	63,617	**50,334**	**159**	**10,298**	**2,826**	**0**
Derivative financial liabilities						
Derivatives used in hedging relationships	1,283	878	241	164	0	0
"Held for trading" derivatives	2,071	988	1,083	0	0	0
	3,354	**1,866**	**1,324**	**164**	**0**	**0**
Financial liabilities	**66,971**	**52,200**	**1,483**	**10,462**	**2,826**	**0**

[1] incl. future interest payments

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 89,785 thousand at June 30, 2020 (June 30, 2019: EUR 64,149 thousand). Interest and loan repayment obligations on all non-derivative financial liabilities totalling EUR 86,645 thousand are serviced according to schedule.

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

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

Very little use is made of currency forward exchange contracts. The VERBIO Group is primarily exposed to currency risks in US dollars (USD), 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 2019/2020 sales invoices denominated in foreign currencies (in US dollars) were issued with a converted amount of EUR 137,461 thousand (2018/2019: EUR 101,128 thousand). Payments against these invoices are made into a US dollar denominated bank account. Trade receivables denominated in foreign currencies totalled EUR 17,287 thousand at June 30, 2020 (June 30, 2019: EUR 14,930 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, 2019: EUR 0 thousand).

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

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

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

The sensitivity of the value of the derivatives to changes in the price of rape-seed oil is shown below.

- Sensitivity of the value of the derivatives to changes in the price of rape-seed oil
  A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2020 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 4,178 thousand. This analysis corresponds to the analysis in the previous year. The analysis represents the effect on equity on the assumption all other conditions remain unchanged.

11.2.4 Risks in connection with government subsidy awards
A detailed description of the risks associated with governmental subsidies is provided in note 12.1, “Contingent liabilities and future payment obligations”.

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

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

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

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

A further goal for the VERBIO Group is to maintain a strong capital base, in order to finance future growth as soon as the political environment regarding biofuels allows competitive growth. The equity of VERBIO as of June 30, 2020 amounts to EUR 390,823 thousand (June 30, 2019: EUR 339,563 thousand), which represents an equity ratio of 72.4 percent (June 30, 2019: 79.8 percent). Debt capital amounted to EUR 146,498 thousand (June 30, 2019: EUR 85,882 thousand).

VERBIO is not subject to any minimum capital requirements.

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

12 Other disclosures

12.1 Contingent liabilities and future payment obligations

12.1.1 Government grants and subsidies
Investment subsidies have been awarded for investments made by VES, VEZ and VEB. Subsidies are repayable if the terms of the subsidy awards are not met. The relevant binding periods have expired by June 30, 2020.

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

Further, claims of EUR 7,444 thousand are recorded in the balance sheet for NER 300 EU grants awarded in connection with biomethane production from straw at the Schwedt plant (June 30, 2019: EUR 5,803 thousand).

The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved.

12.1.2 Guarantee credits and other collateral arrangements

VERBIO and Swiss Re International SE, German branch, have entered into a security deposit insurance contract dated May 11, 2015 (and subsequently amended). Under this agreement a EUR 25,000 thousand credit line for customs duties is made available to VERBIO. An amount of EUR 17,293 thousand has been drawn down under this credit line as of June 30, 2020.

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, 2020.

12.1.3 Litigation

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2020. Provisions have been recognised, primarily for the costs of ongoing procedures.

12.1.4 Purchase commitments

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

12.1.5 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 22,459 thousand at June 30, 2020 (June 30, 2019: EUR 8,201 thousand).

12.2 Disclosures concerning related persons and entities

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

Portion of share capital of VERBIO AG in %	30.06.2020	30.06.2019	Change in %-points
Pollert Holding GmbH & Co. KG	10.47	10.47	0.00
Dr.-Ing. Georg Pollert	0.01	0.01	0.00
Bernd Sauter	15.23	15.23	0.00
Claus Sauter	21.18	21.18	0.00
Daniela Sauter	7.16	7.16	0.00
Marion Sauter	5.51	5.51	0.00
Albertina und Alois Sauter	9.24	9.24	0.00
Total	**68.80**	**68.8**	**0.00**

12.2.2 Key management personnel

- Claus Sauter (member of the Management Board of VERBIO AG)
- Bernd Sauter (member of the Management Board of VERBIO AG)
- 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.-Ing. Georg Pollert (member of the Supervisory Board of VERBIO AG)

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

Guarantees and other security rights
Claus Sauter and Bernd Sauter have provided a guarantee on behalf of VAgrar in respect of subsidies of EUR 4,383 thousand in connection with the construction of a grain storage facility in Niemegk.

Consultancy contracts
Ulrike Krämer has provided consultancy services since January 1, 2014 under an agreement with VERBIO AG. The expense for these services totalled EUR 5 thousand in the financial year 2019/2020 (2018/2019: EUR 10 thousand).

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

Rental contracts
A rental agreement for commercial property was entered into between VERBIO AG and Oelßner's Hof GmbH & Co. KG with effect from November 1, 2014. 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 2019/2020 totalled EUR 268 thousand (2018/2019: EUR 180 thousand).

Service contracts

VEB Wind power plant
Sauter Verpachtungsgesellschaft mbH received an annual rental payment of EUR 7 thousand for the use of land to accommodate a wind power plant belonging to VEB. In addition, Sauter Verpachtungsgesellschaft mbH receives EUR 3 thousand annually for the operating the plant.

The wind power plant was sold in the financial year 2019/2020. The right of use arrangement with Sauter Verpachtungsgesellschaft mbH under the contract was transferred to the buyer of the plant.

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, 2020 in the course of a series of subsequent contract amendments. The management remuneration, including bonuses, accruing to Claus Sauter due to his work as member of the Management Board is provided as security for all VERBIO AG's costs arising under this contract.

12.2.5 Summary of business relationships with related-party companies

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

EUR (thousands)		Revenue/Income		Expense	
Contract partner	**Transaction**	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG	Other deliveries and services	0	0	6	2
Sauter Verpachtungsgesellschaft mbH	Verhicle rentals	8	8	0	0
	Grain sales/purchases	0	0	1,954	2,245
	Transport services	18	40	582	234
	Other deliveries and services	384	185	343	184
Landwirtschaftsgesellschaft mbH “Neukammer”	Other deliveries and services	22	33	1	0
LANDGUT Coschen GmbH	Other deliveries and services	1	2	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	17,284	16,709
	Feedstuffs	110	387	0	0
	Other deliveries and services	38	78	0	208
Oelßner’s Hof GmbH & Co. KG	Office rental	0	0	327	180
	Other deliveries and services	0	0	46	0
Farma Serwis Sp. z o.o.	Transport services	0	0	312	317
	Other deliveries and services	98	56	0	0
Agro Beef Sp. z o.o.	Feedstuffs	167	256	0	0
Nelson GmbH	Loan interest	0	0	509	308
VERUM GmbH	Feedstuffs	107	0	0	0
	Loan interest	30	11	0	0
	Other deliveries and services	0	0	40	0

Sauter Verpachtungsgesellschaft mbH performed construction services (which were capitalised) totalling EUR 77 thousand.

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

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

The following table shows the receivables and payables balances recorded by Group companies resulting from transactions with related-party companies as of June 30, 2020 and June 30, 2019:

	Farma Serwis Sp. z o.o.		Landwirtschafts-gesellschaft mbH "Neukammer"		Sauter Verpachtungs-gesellschaft mbH	
EUR (thousands)	**30.06.2020**	**30.06.2019**	**30.06.2020**	**30.06.2019**	**30.06.2020**	**30.06.2019**
VERBIO AG						
Receivables	0	0	1	0	23	1,126
Payables	0	0		0	172	1,295
VEB						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VES						
Receivables	0	0	0	0	11	7
Payables	0	0	0	0	0	40
VEZ						
Receivables	0	0	0	0	3	4
Payables	0	0	0	0	0	0
VLogistik						
Receivables	4	5	0	0	7	2
Payables	0	0	0	0	0	0
VAgrar						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VPL						
Receivables	0	0	0	0	0	0
Payables	18	3	0	0	0	0
VNA						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
Total						
Receivables	**4**	**5**	**1**	**0**	**44**	**1,139**
Payables	**18**	**3**	**0**	**0**	**172**	**1,335**

	Farma Redlo Sp. z o.o.		Agro Beef Sp. z o.o.		Nelson GmbH	
EUR (thousands)	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
VERBIO AG						
Receivables	0	36	0	0	0	0
Payables	0	0	0	0	0	0
VEB						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VES						
Receivables	0	1	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	4	0	0	0	0
Payables	0	0	0	0	0	0
VAgrar						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VPL						
Receivables	0	0	0	2	0	0
Payables	171	2,192	0	0	0	0
VNA						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	9,966
Total						
Receivables	**0**	**41**	**0**	**2**	**0**	**0**
Payables	**171**	**2,192**	**0**	**0**	**0**	**9,966**

	Fuprora GmbH		VERUM GmbH	
EUR (thousands)	**30.06.2020**	**30.06.2019**	**30.06.2020**	**30.06.2019**
VERBIO AG				
Receivables	1	0	23	0
Payables	0	0	0	0
VEB				
Receivables	0	0	0	0
Payables	0	0	0	0
VES				
Receivables	0	0	0	0
Payables	0	0	0	0
VEZ				
Receivables	0	0	0	0
Payables	0	0	0	0
VLogistik				
Receivables	0	0	0	0
Payables	0	0	0	0
VAgrar				
Receivables	0	0	0	0
Payables	0	0	0	0
VPL				
Receivables	0	0	0	0
Payables	0	0	0	0
VNA				
Receivables	0	0	0	0
Payables	0	0	0	0
Total				
Receivables	**1**	**0**	**23**	**0**
Payables	**0**	**0**	**0**	**0**

12.3 Audit fees

Fees for KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor of the consolidated financial statements, recorded as expenses in the financial year 2019/2020, amounted to EUR 126 thousand (2018/2019: EUR 115 thousand) for annual audit services, EUR 19 thousand for other attestation services (2018/2019: EUR 38 thousand) and EUR 0 thousand for other consultancy services (2018/2019: EUR 0 thousand).

12.4 Executive bodies and executive remuneration

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

Members of the Management Board of VERBIO AG in the financial year 2019/2020 were:

- Claus Sauter, Dipl.-Kaufmann, Leipzig (Chairman)
- Prof. Dr. Oliver Lüdtke, Ingenieur, Markkleeberg (Vice-Chairman)
- Bernd Sauter, Kaufmann, Leipzig
- Theodor Niesmann, Ingenieur, Leipzig

The members of the Management Board received remuneration from VERBIO AG totalling EUR 3,042 thousand in the financial year 2019/2020 (2018/2019: EUR 3,041 thousand). This included fixed remuneration of EUR 1,500 thousand (2018/2019: EUR 1,500 thousand), variable remuneration of EUR 1,501 thousand (2018/2019: EUR 1,499 thousand) and other remuneration of EUR 41 thousand (2018/2019: 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, among other things, the long-term bonus awards for members of the Management Board which are included in the other non-current and current financial liabilities and which total EUR 4,587 thousand (2018/2019: EUR 3,340 thousand). The fair values of the long-term bonus awards were measured using a Black-Scholes option pricing model. The variables used in the calculation are shown in the following table:

	Fictional shares 7 07/2016–06/2020	**Fictional shares 8 07/2017–06/2021**	**Fictional shares 9 07/2018–06/2022**	**Fictional shares 10 07/2019–06/2023**
Average share price	9.66	4.71	7.56	8.90
Volatility	50.48%	50.48%	50.48%	50.48%
Interest rate	0.000	−0.359	−0.397	−0.395
Payment date	October 15, 2020	October 15, 2021	October 15, 2022	October 15, 2023

The expense recognised in comprehensive income with effect on profit or loss (personnel expense) in the financial year amounted to EUR 1,246 thousand (2018/2019: EUR 1,552 thousand released to income).

Members of the Supervisory Board of VERBIO AG in the financial year 2019/2020 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)
Member of the board of directors, Blue Star Gold Corp., Vancouver, Canada

The members of the Supervisory Board received ongoing remuneration of EUR 203 thousand for their Supervisory Board activities in the financial year 2019/2020 (2018/2019: EUR 120 thousand), as well as compensation for expenses of EUR 4 thousand (2018/2019: EUR 5 thousand). Details of the remuneration rules are provided in the remuneration report, which is included in the Group management report.

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

12.6 Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG)
The declaration on the German Corporate Governance Code as required by § 161 AktG was published on September 18, 2020 on the Company's website (www.verbio.de) and thereby made accessible on a permanent basis.

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

12.8 Use of exemptions available under § 264 (3) HGB and § 264 b HGB
The following subsidiaries have taken advantage of an option under § 264 (3) and § 264 b HGB (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 Diesel Nordamerika GmbH, Zörbig.

12.9 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 18, 2020. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September 18, 2020

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

Affirmation of the legal representatives

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

Zörbig, September 18, 2020

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 Auditor's Report

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

Independent auditor's report

To VERBIO Vereinigte BioEnergie AG, Zörbig

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

Audit opinions

We have audited the consolidated financial statements of VERBIO Vereinigte BioEnergie AG, Zörbig and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from July 1, 2019 to June 30, 2020 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, 2019 to June 30, 2020. In accordance with German legal requirements we have not audited the content of those components of the Group management report which are described 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, 2020, and of its financial performance for the financial year from July 1, 2019 to June 30, 2020, 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) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Other information

The Management Board is responsible for the other information. The other information comprises:

- 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, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the audited disclosures in the Group management report and our auditor's report.

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

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

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

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, 2019 to June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

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

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

The financial statement risk

The Company recorded an impairment loss of EUR 19.8 million against property, plant and equipment in the cash-generating unit "Bioethanol" in the financial year 2012/2013. No reversal of the impairment charge was recorded in the financial year 2019/2020. An impairment loss recorded to reduce the carrying value of an asset in prior periods shall only be recorded when there has been a change in the estimates that were used to determine the recoverable value of the assets since the last impairment loss was recognised.

The examination to determine whether a potential impairment loss reversal is required, and the decision to maintain the existing carrying values in the financial year 2019/2020, were based on the Group's updated planning and the associated expectations of the Management Board concerning future expected net cash inflows of the segment. Given the inherent judgement involved in such assessments, there is a risk of inappropriate measurements being applied.

Our audit approach

We have convinced ourselves of the reasonableness of calculations of the net cash inflows used to calculate the recoverable amount as follows:

The calculations were based on the business plan prepared by the Management Board and approved by the Supervisory Board for the financial year 2020/2021 and the three-year detailed business plan through to 2022/2023, together with the forward projections based on growth factors through to an assumed end of the useful life of the bioethanol plant in the year 2039/2040. We have compared the assumptions used in preparing the business plan concerning future trends in sales prices and manufacturing costs to market data and to publicly available information, and considered the reasonableness and consistency of assessments made by the Management Board of the effects of the regulatory environment on the planning calculations. In doing so we have performed a plausibility analysis of the growth factors used and the date assumed for the end of the useful life of the plant. In addition, we have examined the extent to which the business plan prepared in the prior year has been achieved in the current financial year 2019/2020. We have also assessed whether the amounts stated in the business plan and the assumptions on which it is based concerning plant utilisation, bioethanol sales prices and sales prices for the by-product biomethane, the prices of grain as the primary raw material, and the gross margins and EBITDA of the cash-generating unit are within reasonable ranges. We have also calculated our own expected values for sensitivity purposes based on the Company's planning model, in order to make an assessment of the assumptions on which the planning is based. For this purpose, we varied both the assumed levels of plant utilisation and the gross margin by 10 percent in order to determine the quantitative effect on the expected net cash inflows.

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

Other information
The Management Board is responsible for the other information. The other information comprises:

- the statement on corporate governance which is referred to in the Group management report in the section "Other reporting obligations", and
- the combined non-financial statement which is referred to in the Group management report in the section "Other reporting obligations", and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the audited disclosures in the Group management report and our auditor's report.

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 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

Additional requirements in accordance with article 10 EU-AprVO

We were elected as Group auditor by the annual general meeting on January 31, 2020. We were engaged by the Supervisory Board on May 25, 2020. We have been the Group auditor of VERBIO Vereinigte BioEnergie AG without interruption since the short financial year from May 19 to June 30, 2006, including an extension in accordance with Section 318 (1a) HGB.

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

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

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

German public auditor responsible for the engagement

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

Leipzig, September 18, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed: Lauer	sigend: Marschner
Certified Public Auditor	Certified Public Auditor

Further information

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 and compliance.

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

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

Theodor Niesmann
Management Board, Biodiesel

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

Bernd Sauter
Management Board, Procurement and Logistics

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

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)

Alexander von Witzleben
Supervisory Board

- President of the Board of Directors,
  Feintool International Holding AG, Lyss, Switzerland
- President of the Board of Directors and CEO
  Arbonia AG, Arbon, Switzerland
- Member of the Board of Directors,
  Artemis Holding AG, Aarburg, Switzerland
- Chairman of the Supervisory Board,
  PVA TePla AG, Wettenberg
- Member of the Supervisory Board,
  Siegwerk Druckfarben AG & Co. KGaA, Siegburg
- Member of a comparable advisory committee,
  Kaefer Isoliertechnik GmbH & Co. KG, Bremen

Ulrike Krämer
Vice-Chairman of the Supervisory Board

Certified Public Auditor and Certified Tax Advisor,
Ludwigsburg

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

Chemist and process engineer, Berlin

Member of the board of directors,
Blue Star Gold Corp., Vancouver, Canada

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.

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

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

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

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

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

The quota could be achieved by adding biofuels to fossil fuels or by the use of pure biofuels. The total quota was 6.25 percent (energetic) for the years 2010 to 2014. In addition, up until and including 2014, companies marketing diesel fuels had to meet a minimum quota, by supplying biofuels replacing diesel with a minimum of 4.4 percent (energetic). A minimum quota of 2.8 percent (energetic) of biofuel petrol substitutes applied to companies supplying petrol fuels. From the start of 2015 the energetic quota has been replaced by the net greenhouse gas reduction (GHG) quota.

Biofuel Quota Act (Biokraftstoffquotengesetz – BioKraftQuG)

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

Biomass

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

Biomethane

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

Biorefinery

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

Blending

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

BMUB

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

Lower and higher heating value

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

The lower heating value (LHV) represents the thermal energy released by burning when the steam in the gas is not condensed. The higher heating value (HHL) refers to the energy released by burning together with the exhaust/latent heat released during condensation.

BtL (Biomass to Liquid)

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

B100

> ‘Biodiesel’

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.

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.

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.

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

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

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

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

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

El-Niño-Effekt

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

Emissions

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

Energy crops

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

Renewable energies

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

Renewable Energy Act (EEG)

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

Renewable Energy Directive (RED)

The EU Renewable Energy Directive European Directive 2009/28/EG is part of the political European climate and energy package agreed upon by the European Council in December 2008 following a year of negotiations. The EU member states must prepare a national energy plan based on an agreed format.

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

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

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

Renewable Energy Heating Act (EEWärmeG)

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

ESR (Effort Sharing Regulation)

The ESR (Effort Sharing Regulation) is part of the European Union's climate and energy package. It includes binding targets for reducing emissions in industry sectors which are not part of the European Emissions Trading System, covering the years 2021 2030.

The regulation is designed to ensure that the EU meets its target of reducing greenhouse gas emissions in the effort sharing sectors by 30 percent compared to 2005 levels by 2030. These include the building, agriculture, (non-CO_2-emissions), waste disposal and transport (with the exception of air transport and international sea transport) sectors.

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

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

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

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

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

Advanced biofuels
> 'Second generation biofuels'

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

FQD – Fuel Quality Directive
> 'Fuel Quality Directive'

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

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.

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.

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

Conventional fuels
> ‘Fossil fuels’

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

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

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

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

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

MYR
Currency code for the Malaysian Ringgit.

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

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

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.

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.

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.

RED – renewable energy directive
> 'Renewable Energy Directive'

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.

Sterols
> 'Phytosterols'

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

Greenhouse gases
In addition to methane, nitrogen dioxide and CFCs, carbon dioxide is the most important anthropogenic greenhouse gas. The rise in the concentration of greenhouse gases in the atmosphere is responsible for climate change. The main cause of CO_2 emissions is industry, followed by the property sector (space heating, electric appliances etc.) and the transport sector.

Greenhouse gas reduction quota (GHG quota)
Since January 1, 2015, Germany has been the first country in the world to institute a so-called GHG quota for biofuels. Fulfilment of the quota is based exclusively on a maximum level of CO_2 savings.

The GHG quota in effect since January 1, 2017, is at 4.0 percent and will be raised to 6 percent in 2020. For 2017, 2018 and 2019 this means that a reduction of 4.0 percent in CO_2 emissions from fuels must be ensured. In order to reach this goal, the oil industry must use biofuels.

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

UER (Upstream 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.

The German Biofuel Industry Association (Verband der Deutschen Biokraftstoffindustrie e.V. – VDB)

The VDB has represented the German biofuels industry (primarily the biodiesel producers) at national and European level since 2001. Its two primary activities are contributing to the development of the general conditions for competition and publicly representing the industry.

*verbio*diesel

*verbio*diesel is produced from vegetable oil and as pure fuel (B100) it saves up to 62 percent CO_2 compared to fossil fuel. For production purposes we primarily use domestic rapeseed oil as well as other vegetable oils and fatty acids.

*verbio*ethanol

Bioethanol is alcohol manufactured from sugar and raw materials containing starch. We primarily use poor-quality grain which does not meet the high quality standards of the foodstuff and livestock feed industries. In its pure form *verbio*ethanol saves approximately 81 percent CO_2 compared to fossil fuels. It is marketed as an additive for premium grade petrol, for use in E5 and E10 fuel. In addition it is marketed as E85 to power so-called flexible-fuel vehicles.

*verbio*gas

*verbio*gas is a second generation biofuel for natural gas vehicles which is manufactured without the use of foodstuffs. *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.

Cellulose based biofuels

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

Notes

Financial calendar 2020/2021

September 23, 2020	Publication of the annual report 2019/2020, Analyst's conference
November 5, 2020	Publication of the quarterly statement for the period ended September 30, 2020 (July 2020 to September 2020)
January 29, 2021	Annual General Meeting, Penta-Hotel, Leipzig
February 4, 2021	Publication of the half-yearly interim report 2020/2021 (July 2020 to December 2020)
May 6, 2021	Publication of the quarterly statement for the period ended March 31, 2021 (July 2020 to March 2021)
September 22, 2021	Publication of the annual report 2020/2021, Analyst's conference

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

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

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

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