verbio
Biofuel and Technology

Half-year financial statement to December 31, 2021 (Q2 2021/2022)

Group key figures

[in EUR million]

Profitability	Q1 2021/2022	Q2 2021/2022	1 HY 2021/2022	Q1 2020/2021	Q2 2020/2021	1 HY 2020/2021
Sales	350.4	458.7	809.1	261.4	217.7	479.1
EBITDA	40.2	147.0	187.2	53.3	27.1	80.4
EBIT	33.1	139.3	172.4	45.6	19.4	65.0
EBIT-margin (%)	9.4	30.4	21.3	17.4	8.9	13.6
EBT	32.8	139.1	171.9	45.3	19.2	64.5
Net result for the period [4]	22.6	97.7	120.3	31.7	12.5	44.2
Basic earnings per share (EUR)	0.35	1.55	1.90	0.50	0.20	0.70
Diluted earnings per share (EUR)	0.35	1.54	1.89	0.50	0.20	0.70
Operating data	**Q1 2021/2022**	**Q2 2021/2022**	**1 HY 2021/2022**	**Q1 2020/2021**	**Q2 2020/2021**	**1 HY 2020/2021**
Production (tonnes)	209,066	223,347	432,413	216,996	208,630	425,626
Production (MWh)	199,877	214,841	414,718	216,071	198,101	414,172
Utilisation Biodiesel/Bioethanol (%) [1]	90.9	97.1	94.0	94.3	90.7	92.5
Utilisation Biomethane (%) [1]	88.8	95.5	92.2	96.0	88.0	92.0
Investment in property, plant and equipment	19.3	23.4	42.7	11.5	20.8	32.3
Number of employees [2]	892	922	922	754	780	780
Net asset position	**30.09.2021**	**31.12.2021**	**31.12.2021**	**30.09.2020**	**31.12.2020**	**31.12.2020**
Net financial assets	111.5	140.5	140.5	86.6	79.2	79.2
Equity	541.7	635.1	635.1	419.7	433.5	433.5
Equity ratio (%)	71.8	71.3	71.3	75.0	75.8	75.8
Balance sheet total	754.8	890.5	890.5	561	571.6	571.6
Financial position	**Q1 2021/2022**	**Q2 2021/2022**	**1 HY 2021/2022**	**Q1 2020/2021**	**Q2 2020/2021**	**1 HY 2020/2021**
Operating cash flow	18.5	76.9	95.4	56.4	6.6	63.0
Operating cash flow per share (EUR)	0.29	1.22	1.51	0.90	0.10	1.00
Cash and cash equivalents [3]	141.5	170.5	170.5	116.8	109.2	109.2

[1] From July 1, 2021 the annual production capacity of the production plant is as follows:
biodiesel: unchanged 660.000 tonnes; bioethanol: unchanged 260.000 tonnes; biomethane: unchanged 900 GWh
[2] At the balance sheet date
[3] At the balance sheet data, including cash on segregated accounts

Segment key figures

[in EUR million]

Biodiesel	Q1 2021/2022	Q2 2021/2022	1 HY 2021/2022	Q1 2020/2021	Q2 2020/2021	1 HY 2020/2021
Sales	261.6	324.1	585.7	173.0	148.2	321.2
EBITDA	22.2	96.1	118.3	13.6	13.8	27.4
EBIT	19.6	93.6	113.2	10.9	11.0	21.9
Production (t)	150,007	155,185	305,192	154,888	152,342	307,230
Utilisation (%) [1]	90.9	94.1	92.5	93.9	92.3	93.1
Number of employees [2]	224	219	219	214	219	219

Bioethanol (incl. Biomethane)	Q1 2021/2022	Q2 2021/2022	1 HY 2021/2022	Q1 2020/2021	Q2 2020/2021	1 HY 2020/2021
Sales	86.0	131.7	217.7	86.2	66.9	153.1
EBITDA	17.1	50.2	67.3	38.8	12.6	51.4
EBIT	13.0	45.6	58.6	34.2	8.2	42.4
Production (t)	59,059	68,161	127,221	62,108	56,288	118,396
Production (MWh)	199,877	214,841	414,718	216,071	198,101	414,172
Utilisation Bioethanol (%) [1]	90.9	104.9	97.9	95.6	86.6	91.1
Utilisation Biomethane (%) [1]	88.8	95.5	92.2	96.0	88.0	92.0
Number of employees [2]	456	477	477	358	371	371

Other	Q1 2021/2022	Q2 2021/2022	1 HY 2021/2022	Q1 2020/2021	Q2 2020/2021	1 HY 2020/2021
Sales	5.4	4.7	10.1	4.1	4.1	8.2
EBIT	0.5	0.1	0.6	0.5	0.1	0.6

[1] From July 1, 2021 the annual production capacity of the production plant is as follows:
biodiesel: unchanged 660.000 tonnes; bioethanol: unchanged 260.000 tonnes; biomethane: unchanged 900 GWh
[2] At the balance sheet date

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Germany

At the time of writing, statistics are available from the German Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle – BAFA) for the 2021 calendar year up until October 2021. On an accumulated basis a slight fall of approximately 1.0 percent is reported for the first ten months of 2021 for both petrol-based fuels and diesel. That the massive fall in consumption in 2020, which was heavily affected by the hard lockdown in the period from March to May 2020, continued into 2021 was due to the winter months; here too there was a comparatively hard lockdown, as well as other restrictions associated with the COVID-19 pandemic. In 2020 the oil industry maximised their use of biofuels as additives to fossil fuels due to the inability to carry forward greenhouse gas reduction quotas from the previous year. This trend did not continue into 2021. The use of biodiesel and HVO (co-hydrogenated vegetable oil) fell in the first ten months by almost 17 percent or 433,622 tonnes compared to the previous year. The use of bioethanol as a petrol additive alone remained consistent with the level in the previous year at 818,500 tonnes, the slight fall of 0.7 percent approximately corresponding to the 1.0 percent decline in petrol consumption.

As a result of the increase in the price of national BEHG (BEHG: Brennstoffemissionshandelsgesetz) CO_2 fuel emissions trading certificates from EUR 25.00/tonne CO_2 to EUR 30/tonne CO_2, it is to be expected that in 2022 the potential offered by biofuels as additives will continue to be maximised, and that the advantage offered by E10 will remain.

This provides a positive outlook for the continued development of E10 volumes. While the market share of E10 in 2020 was still below 12 percent, in September 2021 the 18 percent level was exceeded. The increase in the GHG quota led to significant discounts for E10 compared to E5 at filling stations (around 6 cents/litre) and made it easier for the consumer to fill up in an environmentally-friendly way.

CNG (Compressed Natural Gas)/ LNG (Liquefied Natural Gas)/ biomethane as biofuel

The share of biomethane added to natural gas fell significantly in recent years until 2019, before increasing sharply in 2020. The consumption data presented in the report issued by the Federal Ministry of Finance (BMF) on the statistics for the fulfilment of the biofuels quota is reported as follows: 345 GWh in 2015, increases to 373 GWh in 2016 and 449 GWh in 2017, followed by a decline to 389 GWh in 2018 which continued into 2019 with 341 GWh. In 2020 the volume increased again, reaching a record 717 GWh.

Two decisions by the Federal Government and the Federal Ministry of Transport respectively, then under Andreas Scheuer, made significant contributions to this positive development.

- The toll exemption for heavy goods vehicles powered by CNG created an incentive for transport companies to use Bio-CNG fuel.
- The public utility energy companies continue to be able to operate their Bio-CNG bus fleets or to replace or expand them with more modern, more efficient buses. Originally it was feared that the Clean Vehicles Directive would mean that new bus purchases would be limited to electric vehicles and fuel-cell powered vehicles, as the parallel use of different power chains would be too expensive. The implementation was governed in such a way that the minimum target can, if required, be achieved across state lines as well as on a flexible basis by the states.

In addition, the differences in the CO_2 emissions between fossil CNG and biomethane are encouraging more and more operators of filling stations to substitute CNG with biomethane in order to profit from the cheaper alternatives offered by manufacturers of biomethane.

The outlook in this market segment can be regarded as positive in view of the forthcoming legal requirements that may be introduced to implement RED II. These include the withdrawal of credits for the use of fossil natural gas to meet greenhouse reduction quotas from January 1, 2022, the planned introduction of double credits for advanced biomethane on exceeding the GHG quota, as well as the exemption from CO_2 taxation for biomethane.

The Federal support programme also includes the approval of an extension to the exemptions from road tolls offered to CNG/LNG-powered heavy goods vehicles. This is in addition to pressure from industry for a transfer to CO_2-neutral transport.

We expect that biomethane will succeed, and that in this market it will prove to be the future of biofuels.

Europe

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

Overall, however, we are seeing that the quota for use of biofuels as additives is increasing across Europe, and more and more countries are converting from volume-based quotas to a GHG quota system.

North America

Following the Democratic Party's victory in the US presidential elections, at the same time as holding on to their tight majority in Congress, there were expectations of an upturn in the market for renewable fuels. However, the clean energy proposals turned into a political lever because the Democrats were not able to unite the party behind the proposed "Build Back Better" (BBB) legislation. At the same time the Republicans continue to be united against many aspects of the proposed law. It is to be assumed that the Biden administration will try to create new legislation which will deal in detail with many of the BBB clean energy proposals. While there was initial uncertainty about the exceptions for "small refineries" that were granted in large numbers by the Trump administration, the latest announcements from the EPA (Environmental Protection Agency) have alleviated these concerns. Regrettably, however, the exceptions that were in place in the Trump era have reduced the demand for renewable fuels significantly, leading to unprecedented pressure on the profit margins for all forms of biofuel. This has resulted in many manufacturers being forced to reduce their production volumes or to cease production on a temporary basis in the years 2019, 2020 and 2021. The most recent EPA instruction that these exceptions should no longer be applied has resulted in the market returning to stability.

However, the biodiesel market in the USA continues to be characterised by excess capacity and competition for raw materials, which is primarily due to numerous projects for renewable diesel (HVO) being commissioned or announced. It remains uncertain how this will affect market conditions in the long term, and the extent to which the planned capacity for renewable diesel can be brought on line. In the short term, looking forward over the next two to three years, raw materials will continue to be scarce with an associated pressure on margins. Overall the biofuels industry, despite the setbacks, is looking to President Biden and his government in the hope that they will give new momentum to the use of biofuels. The renewed commitment to the Paris climate accord was an excellent first step towards achieving this objective. However, it remains the case that the laws and regulations needed by the biofuels industry are not in place.

The government in Canada continues to work on a clean fuel standard that is intended to be applied nationally. It is planned to implement this in 2022/2023. However, the plans so far give the oil industry a wide range of fulfilment options. As a result, we do not currently anticipate a significant improvement in the framework conditions for the biodiesel business.

Trends in sales prices for biofuels

Germany and Europe

An increase in the prices of biofuels was noted in the second quarter of the financial year 2021/2022. This was due to the increase in prices for agricultural raw materials and energy, in particular for natural gas.

At EUR 1,157/tonne, prices for biodiesel in the second quarter of the financial year 2021/2022 were significantly above the average prices in the same period in the previous year (+ 130 percent). In the same period the price of rapeseed oil increased by EUR 720/tonne (+ 84 percent).

Good demand for biodiesel and a limited availability of vegetable oils (in particular the oilseeds that form the basis of biodiesel) led to significant increases in production margins. In addition, closures by some catalyst manufacturers caused a decline in the availability of rapeseed oil methyl ester (RME).

In the second quarter of the financial year 2021/2022 bioethanol was at approximately EUR 540/cbm above the level in the same period in the previous year, an increase of 95 percent. In the same period wheat prices increased by approximately EUR 76/tonne above the value of the same period in the previous year, an increase of 37 percent.

Here it should be taken into account that the share of energy in the production of ethanol is much higher than it is in the production of biodiesel. The lack of imports and low inventories in tank storage in ARA (Amsterdam, Rotterdam, Antwerp) further encouraged the price trend, so that we saw a record price of in excess EUR 1,500/cbm set for ethanol on November 11, 2021. The spot prices for ethanol are currently around EUR 950/cbm.

North America

There has been a firm increase in sales prices in the USA since the election of Joe Biden. This has been driven by the strong increase in prices of raw materials and the expectation of more ambitious volume obligations (RVOs) for renewable fuels.

The volume of renewable fuels sold in 2021 exceeded the volume in 2020. The increase is continuing in 2022 across the board of all renewable fuels with the exception of ethanol, which is effectively limited by the additive mixing limit of 10 percent. Ethanol producers had to deal with the largest setbacks in 2020 and 2021 as a result of the COVID-19 pandemic and the associated falls in consumption of petrol-based fuels. However, it is now expected that they will recover to their usual levels in 2022.

It is assumed that the sales of biodiesel will lose market share due to market shake-outs and to the supply of renewable diesel (HVO). The sales volume of renewable diesel in 2022 could be double the volume in the previous year.

Also, Renewable Natural Gas (RNG) continues to show consistent annual growth. The sales volume in 2022 is expected to be almost 15 percent higher than it was in 2021, a similar rate of growth as was seen from 2020 to 2021.

Trends in raw material prices

Grain and oilseed

The World Agricultural Supply and Demand Estimates Report (WASDE report) issued by the United States Department of Agriculture (USDA) on January 12, 2022 estimates that worldwide grain production is currently 2.7885 million tonnes. This represents a 1.8 million tonne reduction compared to the previous forecast. On the other hand, compared to the January 2021 report the USDA forecast of 2.7143 billion tonnes was increased by 74.22 million tonnes.

The closing inventory of grain was stated at 794.08 million tonnes in January 2022, 1.5 million tonnes lower than in the December report. In January 2021 806.5 million tonnes were estimated (WASDE issue 608, page 8), of which the share attributable to wheat was 279.95 million tonnes.

In the EU the December estimate issued by the European association representing the trade in grain, feedstuffs and other agricultural products (Coceral) estimates that the 2021 EU 27 harvest for wheat production will be 128.861 million tonnes (May 2021: 130.936 million tonnes). The expectation for the 2021 harvest in December 2020 was 127.891 million tonnes. A further 14.344 million tonnes is estimated for Great Britain in this harvest year (Coceral Grain crop forecast December 10, 2021).

The estimates for total grain production for the EU 27 and Great Britain were reduced further in the December report to 308.047 million tonnes. This figure had been 312.563 million tonnes in the September 2021 report. The 2020 harvest was 297.316 million tonnes. Accordingly, the harvest in 2021 was significantly larger than in 2020.

December 2021 provided the first outlook for the new harvest in 2022. Coceral expects a decline in wheat production in the EU 27 with a fall of approximately 3.5 million tonnes to 125.38 million tonnes, and a slight increase to 14.459 million tonnes for Great Britain, due to the area under cultivation. In total, the yields are expected to be weaker in 2022, with wheat at 57.5t/ha compared to 59t/ha in 2021. The situation may deteriorate further as a result of significant increases in agricultural production material costs. The area under cultivation for grain in the EU 27 increased in the harvest year 2022 to 52.583 million ha.

For the current harvest season 23.299 million tonnes of exports were reported up until November 2021 (source: Agridata, EU Commission). This means that grain exports in the marketing year 2021 were approximately 5.5 million tonnes higher than in the same period in the previous year.

The price developments gave the overall impression that grain markets were firm.

In November 2021 wheat reached USD 314/tonne on the Chicago exchange, its highest level since November 2012 (Reuters).

US maize had recorded a peak in prices in May 2021 with USD 305/tonne, and was being traded at USD 240/tonne at the end of 2021/beginning of 2022. This shows a significant decline in prices compared to the first half of the year.

Wheat prices on the Matif exchange followed the lead in the USA. In Europe, they reached their peak at the end of November 2021 at EUR 305/tonne. Prices have fallen back since then and are somewhat lower at EUR 275/tonne. However, the upwards tendency is unbroken, and the demand for exports remains. Spot goods on the Matif exchange were being traded at EUR 300/

tonne at the start of August 2021. With the beginning of the new harvest, prices weakened slightly and currently contracts for March are trading at EUR 245/tonnes.

In its report dated January 12, 2022 the USDA expects 2021/2022 worldwide oilseed production to total 619.17 million tonnes (WASDE issue 620, page 10). As recently as July 2021 the harvest 2021/2022 had been forecast with a volume of 635.41 million tonnes. This reduction continued the trend set in the most recent USDA estimates.

The estimated production of oilseed meal in 2021/2022 was for 359.91 million tonnes (2020/2021: 348.70 million tonnes). Vegetable oil production is expected to total 214.97 million tonnes in 2021/2022 (2020/2021: 206.58 million tonnes).

Vegetable oil consumption is expected to increase to 210.67 million tonnes in 2021/2022 (2020/2021: 205.36 million tonnes). Oilseed meal consumption increases in 2021/2022 to 354.09 million tonnes (2020/2021: 346.26 million tonnes) (WASDE issue 620, page 10).

In Europe there was a small increase in the rapeseed harvest in 2021. In its December report Coceral reported 17.345 million tonnes, following 16.478 million tonnes in the previous year.

According to Oil World, the prices for vegetable oils hit an eight-year record high in the first half of 2021.

Prices for rapeseed on the Matif exchange were at record levels. On January 7, 2022 the prices for February contracts were traded at EUR 843/tonne, an all-time record. The premium for physical delivery (free at mill) have been at around the EUR 30/tonne mark compared to Matif prices for months. Currently the prices for rapeseed in Europe are slightly lower, with prices of EUR 750/tonne for February 2022 and EUR 700/tonne for delivery in May 2022, while the daily fluctuations continue to be extremely unusual. The prices for rapeseed have more than doubled since November 2021.

The prices for the new harvest in August 2022 are reaching almost EUR 600/tonne. This is due to the scarcity of raw materials and the lack of imports. Compared to the previous year only 2.57 million tonnes had been imported by the end of December 2021, primarily from Ukraine, Canada and Australia, whereby Canada, the traditional exporter to the EU, only exported 242,000 tonnes to the EU. In the previous year the imports totalled 4.02 million tonnes.

Exports from Canada will be on a downward trend over the coming years. Cargill, Viterra, FCL and Richardson, among others, have announced expansions to their processing capacity totalling approximately 7 million tonnes by 2024. Currently around 10 million tonnes of canola can be processed in Canada.

In the price analysis published by Oil World (Oil World October 29, 2021 No. 43/64 page 501) analysts expect that the high price levels for vegetable oils will not continue. Arguments that support this assumption include the improved availability of sunflowers, as well as the decline in consumption in the foodstuff industry and the biofuels sector.

The recovery of palm oil production, which has been forecast time and time again since the beginning of the year, has not materialised and appears to be shifting further into the future. Problems in the availability of workers continue to be reported, in particular in Malaysia, and these are intensified further by restrictions intended to stop the spread of the COVID-19 pandemic. The price of raw palm oil (FOB Malaysia) reached USD 1,300/tonne by the end of October 2021. In the spot market this high level is also being maintained.

Oil World anticipates that the recovery of vegetable oil production will continue, with an increase from approximately of approximately 6 to 8.5 million tonnes worldwide. The processing volume for the period from October 2021 to September 2022 is forecast to increase by 16.1 million tonnes to 512.39 million tonnes (Oil World issue 50/64 page 601–602).

The high prices should lead to a larger area under cultivation, and 292.3 million hectares are expected for sunflowers, soya and rape/canola. Inventories should increase from 110.7 million tonnes to 116.7 million tonnes by the end of the season.

In Brazil in particular, Oil World expects an increase in production to 145 million tonnes for 2022. There the climatic conditions were very good for the sowing season, with only the Rio Grande do Sul region experiencing weather which is too dry.

Development of selected raw materials and products

	Q1 2020/2021	Q2 2020/2021	Q3 2020/2021	Q4 2020/2021	2020/2021	Q1 2021/2022	Q2 2021/2022
Crude oil (Brent; USD/barrel)	43	44	61	69	54	73	80
Diesel FOB Rotterdam (EUR/tonne)	307	307	411	462	371	511	597
Biodiesel (FAME -10 RED; EUR/tonne)	843	884	1.058	1.270	1011	1445	2.041
Petrol FOB Rotterdam (EUR/tonne)	333	327	464	545	415	589	639
Bioethanol (T2 German Specs; EUR/cbm)	740	571	521	626	615	702	1.111
Ethanol USA (CBOT; EUR/cbm)	286	312	371	506	368	505	505
Rapeseed oil (EUR/tonne)	783	855	1.017	1.257	975	1.291	1.575
Palm oil (EUR/tonne)	596	715	903	967	792	1.033	1.179
Soybean Oil (CBOT; EUR/tonne)	593	678	889	1.163	827	1.155	1.126
Wheat (MATIF; EUR/tonne)	186	208	227	220	210	234	284
Wheat (CBOT; EUR/tonne)	166	185	197	208	189	218	251
Sugar (EUR/tonne)	233	270	297	309	277	352	376

Political environment and legal framework for biofuels

The current environment for the transport transformation is being driven by the measures approved by the Federal Government in mid-2021. However, this is only a transitional phase. With the "Fit for 55" package the EU Commission has increased its climate protection objectives significantly (GHG savings of a net 55 percent in 2030). Specifically, among other things this means making amendments to the European emissions trading system (ETS), the Effort Sharing Regulation (ESR) and the Regulation on the Inclusion of Greenhouse Gas Emissions from Land Use, Land Use Change and Forestry.

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

Among other things a new linear climate reduction pathway is planned for the Effort Sharing Regulation from 2023.

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

For RED III it is planned to increase the targets for renewable energies in 2030 from 32 percent to 40 percent. The energetic minimum quota for the use of advanced biofuels (Appendix 9 Part A) is determined as follows: 0.2 percent in 2022, 0.5 percent in 2025, and 2.2 percent in 2030. The ceiling for cultivated biomass fuels continues to be the same as in RED II. High ILUC risk biofuels remain frozen at the 2019 level.

The CO_2 emissions norms for passenger vehicles (fleet targets) for 2030 will be increased from 37.5 percent to 55 percent, and those for light vehicles from 31 percent to 50 percent compared to the amounts targeted for 2021. A new target for 2035 will be a 100 percent CO_2 reduction compared to 2021. As the proposal made by the Commission does not include credits for renewable fuels, this means that it will not be possible to power a combustion engine vehicle with zero emissions (a de facto ban on vehicles powered solely by combustion engine; alternative hybrid powertrains)

The new Federal Government

The new Federal Government will have to give some answers very soon in order to achieve the targets that it has set itself as well as meet the requirements from Brussels. The key discussion points will certainly concern the ways of meeting the higher targets using the potential methods available under the RED II/RED III requirements, and the role that needs to be given to biofuels for this purpose.

The new government has acted very quickly with a pleasing realistic base position with its first specifications, tendencies and decisions.

- It is important that the Federal Government gives priority to a fast expansion of renewable electricity capacity. This is indispensable for the achievement of the challenges for industry, buildings and transport. However, this will still take a considerable amount of time.
- It is also important that the current position on gas was amended to reflect reality. Robert Habeck, Federal Minister for Economic Affairs and Climate Action, recognises that the electricity supply needs cannot be met without additional gas power plants.
- In wind power, too, the government is pushing for more speed. However, they have to recognise that here there are significant bureaucratic barriers that need to be overcome, but at the same time they are determined to meet their objectives, and need to.
- For the transport sector it is important that the Federal Government supports the EU's "Fit for 55" initiative. That also means, however, that after 2035 only carbon-neutral vehicles will be registered in Europe. The Federal Government wants to make Germany the gold standard for the use of electro mobility with a massive expansion of the charging station infrastructure.
- Volker Wissing, Federal Minister for Digital and Transport, has set a specific target, in agreement with the responsible departments, of 15 million electric vehicles by 2030, whereby hybrid vehicles are excluded from this total. Naturally, that will mean an increased demand for renewable electricity.
- It is important that the participants understand that this is the decisive limiting factor, and competition for the best use of green electricity must be based on commercial factors, sustainability and alternatives in the respective sectors. The current climate path study issued by the BDI [BDI – Bundesverband der Deutschen Industrie e. V.: Federation of German Industries] suggests that for the transformation of the industrial sector alone the quantity of green electricity required represents almost as much as the total quantity of all electricity currently produced. Volker Wissing has confirmed in an interview that "the various energy sources will be used where they are most efficient". He was even more specific, noting that for the foreseeable future there is not enough E-fuel to power the combustion engine vehicles that are registered. That applies, based on statements he has made, also to hydrogen.

In view of the fact that we can assume that at least until mid-2035 almost two thirds (approximately 30 million vehicles) of vehicles on the road will still be combustion engine vehicles, politicians will now have to find solutions as to how this part of the total can make a contribution to climate protection. These solutions will need to be sustainable, available and cost efficient for consumers. In addition, the new government is aware that failure to meet targets will lead to a substantial budgetary burden. The forecast report issued by the old Federal Government assumes that the targets until 2030 will be missed by 271 million tonnes of CO_2. Germany already has to pay EUR 23 million in penalty payments for missing the targets for 2021.

The statements of the new Federal Government on biofuels, that currently represent an indispensable option and will continue to do so in future, have so far been rather vague. The Federal Government must know that, for example, based on continuing with the current rules (GHG quota) an accumulated total of approximately 175 million tonnes of CO_2 could be saved by using biofuels by 2030. Here, consideration should be given to making a significant increase in the share of renewable energy used in transport for 2030, currently 14 percent (EU Renewable Energy Directive requirement). There must also be an examination of an increase in the shares of additives used in petrol and diesel (e.g. E10 as new basis fuel and an increase in additives to E20; approval of B10 and higher additive rates for fleet vehicles).

Solutions are urgently needed for the heavy goods vehicle sector. According to the German Federal Ministry of the Environment, these alone contribute 47 million tonnes of CO_2 emissions (2019). A practical solution is already available for this today, which is commercially advantageous for all participants. Using biomethane manufactured from waste materials to power LNG vehicles already achieves significant amounts of CO_2 savings. This also raises questions about crediting biomethane that is pumped into Germany's natural gas network from other EU member states (mass balance crediting). One solution could be similar to Nabisy, a database that records and verifies biomethane flows.

It will need a lot of detailed implementation work (in the various departments), in particular given the short pathway to 2030, to make sure that the targets are met.

Regulatory and tax environment in Germany

We refer to the explanations provided in the 2020/2021 Annual Report for a description of the regulatory and tax situation in Germany. There have been no significant changes in the reporting period that have had an effect on the net assets, financial position and results of operations.

Business report and the Group's position

Results of operations

VERBIO produced 432,413 tonnes of biodiesel and bioethanol in the first six months of the 2021/2022 financial year, compared to 425,626 tonnes in the comparative period in the previous year. This now represents a total capacity utilisation rate of 94 percent. In the first half-year of the financial year 2021/2022 414,718 MWh of biomethane were produced (1 HY 2020/2021: 414,172 MWh).

With increased production and sales volumes, the Group's revenues increased by 69 percent to EUR 809.1 million (1 HY 2020/2021: EUR 479.1 million). We refer to the information presented in the detailed comments on the individual segments.

Other operating income increased, primarily due to higher levels of currency exchange gains, and amounted to EUR 10.5 million (1 HY 2020/2021: EUR 7.3 million).

Material costs amounted to EUR 548.1 million, also significantly higher than in the same period in the previous year (1 HY 2020/2021: EUR 371.9 million). However, taking account of changes in inventory of unfinished and finished goods, the gross margin of EUR 268.6 million is significantly higher than in the comparative period in the previous year (1 HY 2020/2021: EUR 119.2 million). This is primarily due to the trends in the second quarter of 2021/2022, with a margin totalling EUR 176.7 million which was a result of the extraordinarily high sales prices for both biodiesel and bioethanol noted in that period.

Personnel expenses in the first six months of the financial year 2021/2022 amounted to EUR 30.2 million (1 HY 2020/2021: EUR 24.2 million). The increase is again due to the increase in the number of employees as a result of the ramp-up of the new business activities.

Other operating expenses amounted to EUR 26.3 million in the reporting period (1 HY 2020/2021: EUR 22.8 million). Other operating expenses primarily include the costs of repair and maintenance, outgoing freight costs, motor vehicle costs, insurance and subscriptions, and losses on currency exchange translation.

Earnings before interest, taxes and depreciation (EBITDA) amounted to EUR 187.2 million, and is accordingly significantly above the level of the EBITDA in the comparative period in the previous year (1 HY 2020/2021: EUR 80.4 million). Overall, the level of costs remain comparatively unchanged, which has meant that the increase in gross margin contributions has resulted in an improved EBITDA.

The Group operating result (EBIT) amounted to EUR 172.4 million, a 107.4 percent increase over the comparative period in the previous year (1 HY 2020/2021: EUR 65.0 million).

The Group result before tax (EBT) totalled EUR 171.9 million (1 HY 2020/2021: EUR 64.5 million), and the net result for the period was EUR 120.3 million (1 HY 2020/2021: EUR 44.2 million). Based on the result for the period, basic earnings per share are EUR 1.90 (1 HY 2020/2021: EUR 0.70).

Further information is presented in the detailed comments on the individual segments.

Net assets and financial position

Assets and liabilities

The balance sheet total at December 31, 2021 amounted to EUR 890.5 million, representing an increase of EUR 211.9 million compared to June 30, 2021 (June 30, 2021: EUR 678.6 million).

The increase on the assets side of the balance sheet included increases in both current and non-current assets.

Non-current assets increased by a total of EUR 88.4 million and amounted to EUR 400.7 million at the balance sheet date (June 30, 2021: EUR 312.3 million). The increase is due to investments in property, plant and equipment, which exceeded scheduled depreciation charges by a significant amount. In addition, non-current other assets are presented (EUR 53.0 million; June 30, 2021: EUR 0.0 million) representing payments on account for future supplies of raw materials.

The EUR 123.5 million increase in current assets, from EUR 366.3 million at June 30, 2021 to EUR 489.8 million, is primarily due to increases in inventory (EUR 32.9 million), derivatives (EUR 24.9 million), and cash balances (EUR 51.7 million).

The increase in inventories is attributable to both higher inventories of raw materials due to grain purchases following the 2021 harvest, and to a renewed increase in inventories of biomethane quotas. Please refer to the comments on the cash flow statement for details of changes in the balance of cash and cash equivalents.

The liabilities and equity side of the balance sheet includes equity of EUR 635.1 million (June 30, 2021: EUR 509.9 million), representing approximately 71.3 percent (June 30, 2021: 75.1 percent) of the balance sheet total. The change in the equity ratio is primarily due to the fact that current liabilities have increased by a more than proportionate amount, while the Group's equity has increased. There have been comparatively minor changes in non-current liabilities compared to June 30, 2021; here only the deferred tax liabilities are reported with a total of EUR 11.0 million after EUR 1.8 million at June 30, 2021. Within current liabilities there was a significant increase in trade payables (December 31, 2021: EUR 85.4 million; June 30, 2021: EUR 45.4 million) and tax liabilities (December 31, 2021: EUR 39.3 million; June 30, 2021: EUR 19.0).

Cash flows

The operating cash flow for the reporting period totalled EUR 95.4 million (1 HY 2020/2021: EUR 63.0 million). The increase compared to the previous year is primarily due to the result for the period and to a significant increase in trade liabilities (1 HY 2020/2021: a slight decrease), while there has been an increase in trade receivables and inventories with a corresponding reduction in cash balances (1 HY 2020/2021: a slight overall decrease). In addition, the operating cash flow in the first half of the financial year is affected by the cash outflow in connection with the long-term payment on account for purchases of raw materials, which is presented within non-current assets.

Driven by the Group's investment activities in the first half-year 2021/2022 total cash outflows totalled EUR 41.8 million (1 HY 2020/2021: cash outflows of EUR 11.6 million); these are almost wholly driven by the cash outflows for investments in property, plant and equipment. In the 1 HY 2020/2021 comparative period net cash outflows for investments in property, plant and equipment were EUR 31.6 million, which were offset by cash inflows from the release of term deposits of EUR 20.0 million.

The cash flow from financing activities for the reporting period totalled EUR -2.9 million (1 HY 2020/2021: EUR -3.2 million). This wholly results from repayment instalments of lease liabilities in the first half of the financial year of EUR 2.9 million (1 HY 2020/2021: EUR 3.0 million).

Cash and cash equivalents increased by a total of EUR 51.6 million. Cash and cash equivalents at December 31, 2021 amounted to EUR 156.6 million.

Net cash

The bank and loan finance arrangements are more than offset by cash and cash equivalents of EUR 156.6 million and other cash balances held in segregated accounts of EUR 13.9 million, so that the reported net cash balance at the balance sheet date amounted to EUR 140.5 million (June 30, 2021: EUR 79.2 million).

Investments

Investments in property, plant and equipment totalling EUR 47.6 million were made in the first half of the financial year 2021/2022 (1 HY 2020/2021: EUR 32.3 million).

Segment reporting

Biodiesel

VERBIO has an annual biodiesel production capacity of 660,000 tonnes. Production in the first six months of 2021/2022 totalled 305,192 tonnes, comparable with the corresponding period in the previous year (1 HY 2020/2021: 307,230 tonnes) and representing a utilisation of 92.5 percent following 93.1 percent in the previous year.

Revenues in the Biodiesel segment totalled EUR 585.7 million, following EUR 321.2 million in the corresponding period in 2020/2021. The increase in sales revenues while production and sales volume quantities were largely unchanged primarily reflects the massive increase in average sales prices in the first half of the financial year 2021/2022. The market price of biodiesel exceeded the EUR 2,000/tonne level at the end of 2021.

The cost of materials amounted to EUR 416.6 million (1 HY 2020/2021: EUR 281.2 million), which was, in proportion to sales revenues, significantly lower than the cost of materials in the corresponding period in the previous year due to the good processing margins. As a result, the gross margin increased in the first half-year 2021/2022 from EUR 45.3 million to EUR 178.6 million.

Personnel expenses amounted to EUR 10.2 million in the reporting period (1 HY 2020/2021: EUR 8.7 million).

Other operating expenses totalled EUR 12.3 million (1 HY 2020/2021: EUR 10.7 million). The segment result included losses recorded on futures transactions of EUR 41.6 million (1 HY 2020/2021: EUR 0.1 million), and the segment result for the period totalled EUR 113.2 million (1 HY 2020/2021: EUR 21.9 million).

Bioethanol

VERBIO has a total annual bioethanol production capacity of 260,000 tonnes, unchanged compared to the previous year. Production of bioethanol in the first six months of 2021/2022 totalled 127,221 tonnes, significantly higher than in the corresponding period in the previous year (1 HY 2020/2021: 118,396 tonnes), as a result of which the utilisation of the plant increased significantly from 91.1 percent to 97.9 percent.

In total, the Bioethanol segment generated sales revenues of EUR 217.7 million (1 HY 2020/2021: EUR 153.1 million). While the average sales price for bioethanol in the first quarter of 2021/2022 was at approximately the same level as in the previous year, the average price for bioethanol in the second quarter increased significantly and was in excess of EUR 1,000/cbm.

The cost of materials at EUR 127.7 million (1 HY 2020/2021: EUR 87.9 million) was also significantly higher in the first half of the financial year 2021/2022, corresponding to the increase in sales revenues. Overall, the segment gross margin increased by EUR 16.1 million to EUR 88.1 million from EUR 72.0 million in the previous year, after taking the change in inventories into account. In contrast to the increase in the average sales prices for bioethanol, the raw material costs for grain increased by a somewhat lower amount.

Other operating income in this segment in the reporting period amounted to EUR 6.5 million (1 HY 2020/2021: EUR 5.7 million).

Personnel expenses amounted to EUR 17.2 million (1 HY 2020/2021: EUR 13.2 million).

Other operating expenses amounted to EUR 16.2 million in the first half of 2021/2022, after EUR 13.8 million in the same period in the previous year. This primarily consists of freight delivery costs and maintenance costs.

The segment result before interest and taxation totalled EUR 58.6 million in the reporting period, after EUR 42.4 million in the corresponding period of the previous year.

Other

Revenues generated in the Other segment, primarily representing revenues from transport and logistics services, totalled EUR 10.1 million in the first six months of the financial year 2021/2022 (1 HY 2020/2021: EUR 8.2 million). The segment result amounted to EUR 0.6 million (1 HY 2020/2021: EUR 0.6 million).

Outlook, opportunity and risk report

Outlook report

Once again VERBIO's order books were very full in the first HY 2021/2022. Despite the renewed imposition of restrictions due to the COVID-19 pandemic at the end of 2021, it has been possible to maintain production at almost full capacity levels. The order books are also very full for the calendar year 2022.

On publication of the annual report for the financial year 2020/2021 on September 22, 2021 an EBITDA of approximately EUR 150 million was communicated for the financial year 2021/2022, with net financial assets at the end of the financial year 2021/2022 forecast to be EUR 50 million.

This earnings forecast was revised in an announcement made on November 30, 2021, with EBITDA forecast at approximately EUR 230 million and net financial assets forecast to be approximately EUR 80 million.

On January 26, 2022 a further announcement was made that VERBIO now forecasts EBITDA in the range of EUR 300 million, and net financial assets at the June 30, 2022 financial year end are forecast to be approximately EUR 130 million.

Risk and opportunity report

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.

VERBIO consolidates and aggregates all risks reported by the Group's various divisions and functions in accordance with its risk management guideline. New subsidiaries and locations are being included in the risk reporting system on a step-by-step basis.

Detailed information on the VERBIO Group's risk management system, and on the Group's opportunities and risks, is presented in the risk and opportunity report included in the 2020/2021 annual report.

There have been no changes to the opportunities and risks presented in the 2020/2021 annual report. Further, there have been no significant changes in the risks and opportunities profile of the VERBIO Group during the reporting period.

There are no present risks or discernible potential risks that represent a threat to the ability of the Group to continue as a going concern.

Consolidated Interim Financial Statements (IFRS)

Consolidated statement of comprehensive income

for the period July 1, 2021 to December 31, 2021

EUR (thousands)	Q2 2021/2022	Q2 2020/2021	1 HY 2021/2022	1 HY 2020/2021
1. Revenue (including energy taxes collected)	458,949	218,043	809,558	480,096
less: energy taxes	−230	−304	−411	−1,002
Revenue	**458,719**	**217,739**	**809,147**	**479,094**
2. Change in unfinished and finished goods	7,050	4,966	7,635	12,071
3. Capitalised production of own plant and equipment	965	354	1,575	665
4. Other operating income	6,044	2,677	10,461	7,281
5. Cost of materials	−289,146	−175,396	−548,117	−371,923
6. Personnel expenses	−14,940	−11,720	−30,193	−24,156
7. Depreciation and amortisation	−7,712	−7,644	−14,849	−15,404
8. Other operating expenses	−14,035	−11,451	−26,349	−22,763
9. Result from commodity forward contracts	−7,634	−68	−36,947	175
10. Operating result	**139,311**	**19,457**	**172,363**	**65,040**
11. Interest income	32	22	68	40
12. Interest expense	−267	−292	−546	−589
13. Financial result	**−235**	**−270**	**−478**	**−549**
14. Result before tax	**139,076**	**19,187**	**171,885**	**64,491**
15. Income tax expense	−41,395	−6,739	−51,566	−20,330
16. Net result for the period	**97,681**	**12,448**	**120,319**	**44,161**
Result attributable to shareholders of the parent company	97,649	12,373	120,194	43,959
Result attributable to non-controlling interests	32	75	125	202
Income and expenses recognised directly in equity:				
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign operations	3,168	−3,082	6,287	−6,350
Fair value remeasurement on cash flow hedges	−8,449	7,021	3,739	7,388
Deferred taxes recognised in equity	504	−2,043	−5,809	−2,150
17. Income and expenses recognised directly in equity	**−4,777**	**1,896**	**4,217**	**−1,112**
18. Comprehensive result	**92,904**	**14,344**	**124,536**	**43,049**
Comprehensive result attributable to shareholders of the parent	92,872	14,269	124,411	42,847
Comprehensive result attributable to non-controlling interests	32	75	125	202
Result per share (basic)	**1.55**	**0.20**	**1.90**	**0.70**
Result per share (diluted)	**1.54**	**0.20**	**1.89**	**0.70**

Consolidated balance sheet

at December 31, 2021

EUR (thousands)		31.12.2021	30.06.2021
Assets			
A.	**Non-current assets**		
I.	intangible assets	613	602
II.	Property, plant and equipment	325,800	290,554
III.	Right-of-use assets under leasing agreements	16,442	16,228
IV.	Financial assets	2,816	2,816
V.	Other assets	52,974	0
VI.	Deferred tax assets	2,058	2,077
Total non-current assets		**400,703**	**317,277**
B.	**Current assets**		
I.	Inventories	134,418	101,463
II.	Trade receivables	87,366	69,565
III.	Derivatives	69,080	44,172
IV.	Other short-term financial assets	18,765	28,506
V.	Tax refunds	72	73
VI.	Other assets	23,498	17,540
VII.	Cash and cash equivalents	156,637	105,025
Total current assets		**489,836**	**366,344**
Total assets		**890,539**	**678,621**

EUR (thousands)	31.12.2021	30.06.2021
Equity and liabilities		
A. Equity		
I. Share capital	63,184	63,184
II. Additional paid-in capital	496,409	495,692
III. Other reserves	31,610	33,680
IV. Retained earnings	38,467	−81,727
V. Reserve for translation adjustments	3,307	−2,980
Total equity, excluding non-controlling interests	**632,977**	**507,849**
VI. Non-controlling interests	2,148	2,023
Total equity	**635,125**	**509,872**
B. Non-current liabilities		
I. Bank loans and other loans	30,000	30,000
II. Lease liabilities	12,129	11,125
III. Provisions	131	131
IV. Deferred investment grants and subsidies	1,745	2,172
V. Other non-current liabilities	222	222
VI. Deferred taxes	10,974	1,806
Total non-current liabilities	**55,201**	**45,456**
C. Current liabilities		
I. Bank loans and other loans	9	0
II. Lease liabilities	4,583	5,356
III. Trade payables	85,427	45,382
IV. Derivatives	23,193	22,508
V. Other current financial liabilities	15,798	11,235
VI. Tax liabilities	39,312	18,993
VII. Provisions	9,732	9,656
VIII. Deferred investment grants and subsidies	859	859
IX. Other current liabilities	21,300	9,304
Total current liabilities	**200,213**	**123,293**
Total equity and liabilities	**890,539**	**678,621**

Consolidated cash flow statement

for the period July 1, 2021 to December 31, 2021

EUR (thousands)	1 HY 2021/2022	1 HY 2020/2021
Net result for the period	120,319	44,161
Income taxes	51,566	20,330
Interest result	478	549
Depreciation and amortisation	14,849	15,404
Non-cash income and expenses	880	323
Gains on disposal of property, plant and equipment	–244	–67
Release of deferred investment grants and subsidies	–426	–543
Non-cash changes in derivative financial instruments	–15,550	–982
Increase in inventories	–32,955	–14,822
Increase (prior-year period: decrease) in trade receivables	–17,800	18,893
Increase (prior-year period: decrease) in other assets and other current financial assets	–54,120	2,217
Increase in provisions	44	8,268
Increase (prior-year period: decrease) in trade payables	39,973	–8,204
Increase in other current financial and non-financial liabilities	16,490	1,968
Interest paid	–358	–451
Interest received	67	40
Income taxes paid	–27,798	–24,066
Cash flows from operating activities	**95,415**	**63,018**

continuation of the table

EUR (thousands)	1 HY 2021/2022	1 HY 2020/2021
Cash outflows for acquisition of intangible assets	–66	–71
Cash outflows for acquisition of property, plant and equimpment	–42,134	–31,634
Proceeds from disposal of property, plant and equipment	416	122
Cash inflows from term deposits	0	20,000
Cash flows from investing activities	**–41,784**	**–11,583**
Payments for the redemption of financial liabilities	0	–235
Proceeds from new financial liabilites	8	0
Payment of lease liabilities	–2,882	–2,953
Cash flows from financing activities	**–2,874**	**–3,188**
Change in cash funds resulting from business transactions	50,757	48,247
Change in cash funds due to effects of exchange rates	855	–1,015
Cash funds at beginning of year	105,025	53,885
Cash funds at end of year	**156,637**	**101,117**
Cash funds at year end comprise the following:		
Cash and cash equivalents	156,637	101,117
Cash funds at end of year	**156,637**	**101,117**

Consolidated statement of changes in equity

for the period July 1, 2021 to December 31, 2021

EUR (thousands)	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Reserve for translation adjustments	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
July 1, 2020	**63,000**	**487,680**	**1,392**	**–162,855**	**–75**	**389,143**	**1,680**	**390,823**
Translation adjustments			0		–6,350	–6,350	0	–6,350
Fair value changes on cash flow hedges (after tax)			5,238			5,238	0	5,238
Income and expenses recognised directly in equity	**0**	**0**	**5,238**	**0**	**–6,350**	**–1,112**	**0**	**–1,112**
Net result for the period				43,959		43,959	202	44,161
Comprehensive result for the period	**0**	**0**	**5,238**	**43,959**	**–6,350**	**42,847**	**202**	**43,049**
Changes in entities included in the consolidation	**0**	**0**	**0**	**–383**	**0**	**–383**	**0**	**–383**
December 31, 2020	**63,000**	**487,680**	**6,630**	**–119,279**	**–6,425**	**431,607**	**1,882**	**433,489**
July 1, 2021	**63,184**	**495,692**	**33,680**	**–81,727**	**–2,980**	**507,849**	**2,023**	**509,872**
Translation adjustments	0	0	0	0	6,287	6,287	0	6,287
Fair value changes on cash flow hedges (after tax)	0	0	–2,070	0	0	–2,070	0	–2,070
Income and expenses recognised directly in equity	**0**	**0**	**–2,070**	**0**	**6,287**	**4,217**	**0**	**4,217**
Net result for the period	0	0	0	120,194	0	120,194	125	120,319
Comprehensive result for the period	**0**	**0**	**–2,070**	**120,194**	**6,287**	**124,411**	**125**	**124,536**
Equity-settled share-based payment transactions	**0**	**717**	**0**	**0**	**0**	**717**	**0**	**717**
December 31, 2021	**63,184**	**496,409**	**31,610**	**38,467**	**3,307**	**632,977**	**2,148**	**635,125**

Selected explanatory disclosure notes

Condensed interim consolidated financial statements

Basis for the preparation of the consolidated financial statements

The VERBIO Vereinigte BioEnergie AG interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the EU, as were the consolidated financial statements as of June 30, 2021. The rules contained in IAS 34 “Interim financial reporting” were applied accordingly. The interim financial statements of all companies included in the consolidated financial statements of VERBIO AG were prepared using uniform accounting and valuation methods.

These condensed interim consolidated financial statements do not include all the information that is required when annual consolidated financial statements are prepared. Accordingly, they should be read in conjunction with the consolidated financial statements as of June 30, 2021.

The condensed interim consolidated financial statements are prepared in euros (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.

The condensed interim consolidated financial statements have been prepared under the assumption that the Group is a going concern. The Management Board approved the interim consolidated financial statements for publication on February 10, 2022.

Entities included in the consolidation, consolidation principles and foreign currency translation

There have been no changes to the composition of the companies included in the Group consolidated financial statements since June 30, 2021, with the exception of the following matters. Restructuring measures, which only concerned the legal corporate structure of the Group’s entities, were implemented in the North American companies in the first half of the financial year 2021/2022. VERBIO North America Holding Corporation (VNA Holding), formed as a wholly-owned subsidiary company of VERBIO Renewables GmbH, acquired the shares of VERBIO North America LLC (formerly: VERBIO North America Corporation – VNA) from VERBIO Renewables GmbH. The shares in VERBIO Nevada LLC (VEN) and VERBIO Agriculture LLC (formerly: VERBIO Farm Services – VEA) were acquired by VNA Holding from VNA.

Further details of the companies included in the Group consolidated financial statements are provided in the notes to the consolidated financial statements for the year ended June 30, 2021. The consolidation methods and the principles for the translation of amounts denominated in foreign currencies presented in the notes to the consolidated financial statements are unchanged.

Accounting and valuation methods

The interim financial statements are based on the consolidated financial statements, and accordingly we refer to the notes to the consolidated financial statements as of June 30, 2021 for a detailed description of the Group’s accounting, valuation and consolidation methods. The accounting and valuation methods are consistent with those used in the previous year. In addition, the new or amended accounting standards and interpretations listed in the consolidated financial statements at June 30, 2021 were applicable for the first time when preparing these interim financial statements. The implementation of the new and amended accounting standards and interpretations applicable to the Group for the first time from July 1, 2021 did not have a material effect on the presentation of the financial statements.

The income tax expense reported in the interim financial statements was calculated using an estimated effective tax rate of 29 percent on reported results before tax for the interim period, based on the rate that is expected to apply to the results over the year as a whole, under consideration of the Group’s income tax planning. In doing so, the tax expense calculated is adjusted for any significant amounts that were recognised in full in the interim period covered by the financial statements.

Notes to individual items in the consolidated statement of comprehensive income

Sales revenue

Sales revenue of EUR 809,147 thousand wholly comprises revenue from contracts with customers (1 HY 2020/2021: EUR 479,094 thousand). We refer to the segment reporting presented within “Other disclosures” for an analysis of sales revenue by category.

Other operating income

Other operating income amounted to EUR 10,461 thousand in the reporting period (1 HY 2020/2021: EUR 7,281 thousand). This primarily includes income from gains on currency exchange translation of EUR 5,410 thousand (1 HY 2020/2021: EUR 102 thousand), as well as electricity and energy tax reimbursements of EUR 1,690 thousand (1 HY 2020/2021: EUR 1,512 thousand). Other operating income also included income from subsidies and from the release of investment grants totalling EUR 427 thousand (1 HY 2020/2021: EUR 4,454 thousand).

Cost of materials

The cost of materials primarily includes costs incurred for the purchase of raw materials, consumables and supplies for ongoing production requirements, and the cost of merchandise. Please refer to the segment reporting section of these disclosure notes for an analysis by segment.

Other operating expenses

Other operating expenses in the reporting period amounted to EUR 26,349 thousand (1 HY 2020/2021: EUR 22,763 thousand). Significant items in other operating expenses included expenses for repair and maintenance of EUR 7,448 thousand (1 HY 2020/2021: EUR 7,039 thousand), outgoing freight costs of EUR 5,644 thousand (1 HY 2020/2021: EUR 4,365 thousand), losses on currency exchange translation of EUR 1,797 thousand (1 HY 2020/2021: EUR 2,814 thousand), insurance and subscriptions of EUR 1,965 thousand (1 HY 2020/2021: EUR 1,403 thousand) and vehicle costs of EUR 1,341 thousand (1 HY 2020/2021: EUR 1,340 thousand).

Result from commodity forward contracts

Gains and losses resulting from the change in value and closing out of forward commodity contracts for which hedge accounting could not be applied, and the ineffective portion of forward commodity contracts for which hedge accounting (cash flow hedges) was applied, totalled EUR -36,947 thousand (1 HY 2020/2021: EUR 175 thousand).

Income taxes

Income tax expense for the period from July 1, 2021 to December 31, 2021 amounted to EUR 51,566 thousand (1 HY 2020/2021: EUR 20,330 thousand), comprising a current tax expense of EUR 48,148 thousand (1 HY 2020/2021: EUR 19,893 thousand) and deferred tax expenses of EUR 3,418 thousand (1 HY 2020/2021: deferred tax income of EUR 437 thousand).

No new deferred tax assets were recorded for losses in foreign Group subsidiaries as the utilisation of the tax losses carried forward is not yet considered to be reasonably certain.

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. VERBIO AG has 63,183,632 no-par shares with an arithmetic value of EUR 1 each. The Group result attributable to the shareholders of the parent company for the period from July 1, 2021 to December 31, 2021 totalled EUR 120,194 thousand (1 HY 2020/2021: EUR 43,959 thousand). The basic result per share amounts to EUR 1.90 (1. HY 2020/2021: EUR 0.70). The expected issue of new shares as a component of the remuneration of the Management Board gives rise to potential ordinary shares, with the result that the basic earnings per share differs from the diluted earnings per share. Taking into account the number of outstanding potential ordinary shares, the diluted earnings per share amounts to EUR 1.89 per share. In the previous year there was no difference between the diluted earnings per share and the basic earnings per share.

Notes to individual items in the consolidated balance sheet

Non-current assets

Property, plant and equipment

Movements on property, plant and equipment included scheduled depreciation (EUR 11,974 thousand), disposals (EUR 736 thousand), new investments in property, plant and equipment (EUR 42,665 thousand) and the effects of changes in currency exchange rates (EUR 5,291 thousand). As a result, the carrying value of property, plant and equipment increased to EUR 325,800 thousand (June 30, 2021: EUR 290,554 thousand).

Right-of-use assets under leasing arrangements

This position represents the right-of-use assets recognised under leasing arrangements as a result of the application of IFRS 16. The movements on right-of-use assets in the first half of the financial year 2021/2022 included additions as a result of new lease contracts (EUR 4,867 thousand), disposals of old lease contracts (EUR 1,950 thousand), the effects of changes in currency exchange rates (EUR +79 thousand) and depreciation of right-of-use assets (EUR 2,782 thousand), and total EUR 16,442 at December 31, 2021 (June 30, 2021: EUR 16,228 thousands).

Other non-current assets

Other non-current assets include payments on account for supplies of raw materials. Payments on account totalling USD 60.0 million have been made in connection with a long-term supply agreement for raw materials.

Current assets

Inventories

Inventories consist of the following:

EUR (thousands)	31.12.2021	30.06.2021
Raw materials, consumables and supplies	49,738	24,809
Finished product	4,846	3,021
Work in process and finished products	79,422	73,456
Merchandise	412	177
Inventories	**134,418**	**101,463**

Inventories with a carrying value of EUR 112,822 thousand (June 30, 2021: EUR 79,787 thousand) are carried at their acquisition and production cost. Further inventories with a carrying value of EUR 21,596 thousand (June 30, 2021: EUR 21,676 thousand) are carried at their lower net realisable value.

Allowances to write down the value of inventories to market or net realisable value totalling EUR 2,248 thousand (1 HY 2020/2021: EUR 2,774 thousand) were made after the performance of net realisable value tests. The expense of EUR 2,143 thousand to record the allowances against finished goods is reported in the statement of comprehensive income within "change in finished and unfinished goods". Of these allowances an amount of EUR 105 thousand is attributable to raw materials, consumables and supplies. This amount is reported within the cost of materials.

Trade receivables

Trade receivables amounted to EUR 87,366 thousand at the balance sheet date (June 30, 2021: EUR 69,565 thousand) and are presented net of valuation allowances of EUR 1,688 thousand (June 30, 2021: EUR 1,099 thousand). All trade receivables have a remaining term of up to one year.

Other current financial assets

Other current financial assets of EUR 18,765 thousand (June 30, 2021: EUR 28,506 thousand) include cash and cash equivalents in segregated accounts totalling EUR 13,938 thousand (June 30, 2021: EUR 25,202 thousand).

Other assets

Other assets of EUR 23,498 thousand (June 30, 2021: EUR 17,540 thousand) include EUR 8,819 thousand (June 30, 2021: EUR 83 thousand) representing payments on account of inventories and EUR 6,889 thousand (June 30, 2021: EUR 5,381 thousand) for value added tax receivables. At June 30, 2021 other assets also included significant amounts for claims for subsidies of EUR 6,283 thousand.

Derivatives

The derivatives held at December 31, 2021 are described in the disclosures on financial instruments.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 156,637 thousand (June 30, 2021: EUR 105,025 thousand).

Equity and liabilities

Other reserves

The other reserves include the effective portion of the cumulative change in fair value of forward commodity contracts that qualify as cash flow hedges, to the extent that these transactions had not yet been closed out by December 31, 2021. Cash flow hedges with a value of EUR 45,566 thousand were transferred from equity to the cost of materials in the reporting period as part of the cash flow hedge accounting (1 HY 2020/2021: EUR 1,430 thousand), whereby the reclassification in the cost of materials with effect on earnings is preceded in each case by a basis adjustment within inventories as a recycling of other comprehensive income. The change in the fair values of cash flow hedges thereafter amounted to EUR 48,292 thousand. Deferred tax assets of EUR 12,918 thousand have been recorded within other reserves at December 31, 2021 (June 30, 2021: EUR 7,109 thousand).

Non-current liabilities

Deferred investment grants and subsidies

Movements on the investment grants and subsidies balance of EUR 1,745 thousand (June 30, 2021: EUR 2,172 thousand) result exclusively from the effect of scheduled releases to income.

Leass liabilities

The lease liabilities totalling EUR 16,712 include all obligations to make payments of instalments under lease arrangements recognised as a result of the application of IFRS 16. The lease liabilities at December 31, 2021 are split into non-current liabilities of EUR 12,129 thousand and current liabilities of EUR 4,583 thousand. Lease liabilities fell by EUR 1,969 thousand in the period from July 1, 2021 to December 31, 2021 as a result of lease payments of EUR 2,882 thousand and disposals of EUR 1,969 thousand. In the same period, lease liabilities increased as a result of currency exchange translation effects of EUR 77 thousand, additions of EUR 4,867 thousand and interest expenses of EUR 138 thousand.

Current liabilities

Tax liabilities

Tax liabilities include obligations for trade taxes of EUR 23,131 thousand (June 30, 2021: EUR 8,624 thousand) and corporation taxes of EUR 16,180 thousand (June 30, 2021: EUR 10,368 thousand).

Provisions

Current provisions of EUR 9,732 thousand (June 30, 2021: EUR 9,656 thousand) primarily represent provisions recorded for expected losses on pending procurement and sales contracts.

Financial instruments

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

Included in derivative financial instruments are instruments used to hedge price risks associated with procurement and sales transactions. Forward contracts have been entered into to hedge the supply price for rapeseed oil. Other forward contracts were entered into for the purchase of required bioethanol supplies. There were derivatives with a positive market value at December 31, 2021 amounting to EUR 69,080 thousand (June 30, 2021: EUR 44,172 thousand) and derivatives with negative market values which amounted to EUR 23,193 thousand (June 30, 2021: EUR 22,508 thousand). A discussion of the impact on the consolidated statement of comprehensive income is provided in the explanatory notes describing the result from forward commodity contracts and the description of other reserves.

The fair values of the derivatives are based on the following fair value hierarchy levels of the instruments:

- Level 1 (based on unadjusted quoted prices on active markets): assets of EUR 0 thousand (June 30, 2021: EUR 0 thousand), liabilities of EUR 0 thousand (June 30, 2021: EUR 1,968 thousand)
- Level 2 (use of valuation methods, directly observable market data): assets of EUR 69,080 thousand (June 30, 2021: EUR 44,172 thousand), liabilities of EUR 23,193 thousand (June 30, 2021: EUR 20,540 thousand)

There were no reclassifications between the individual levels of fair value hierarchy in the period from July 1, 2021 to December 31, 2021, or in the corresponding period in the previous year.

The carrying amounts of the Group's primary financial instruments are taken as approximations of their fair values, primarily due to their short-term nature.

Further details on the determination of the fair values of individual financial instruments and their allocation to the different measurement categories are provided in note 9 "Disclosures on financial instruments" in the notes to the consolidated financial statements in the annual report 2020/2021.

Other disclosures

Segment reporting

The risks and returns of the Group are primarily those of the Group's business segments. The VERBIO Group consists of the Biodiesel, Bioethanol and Other segments, 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

Sales revenues are presented net of energy taxes of EUR 411 thousand (1 HY 2020/2021: EUR 1,002 thousand). The Biodiesel and Bioethanol segments generate revenue from the sale of goods. In the Other segment, revenues are generated through the rendering of services. The valuation and accounting methods used for segment reporting purposes and for the purposes of reporting transactions between reportable segments are identical to those used by the Group as a whole in preparing its consolidated financial statements.

The sales revenues of all segments in the reporting period were primarily generated in Germany and Europe. In the first half of the financial year 2021/2022 the Biodiesel segment generated sales revenues in North America from the sale of biodiesel totalling EUR 64.9 million (1 HY 2020/2021: EUR 44.3 million) from production at the biodiesel plant in Canada.

Disclosures concerning how seasonal and cyclical factors affected the business activities of the Group's segments in the interim period are made in the Group interim management report in the section "Economic and political environment".

Segment reporting for the period July 1, 2021 to December 31, 2021

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	1 HY 2021/2022	1 HY 2020/2021	1 HY 2021/2022	1 HY 2020/2021	1 HY 2021/2022	1 HY 2020/2021	1 HY 2021/2022	1 HY 2020/2021
Sales revenues	585,680	321,207	217,727	153,144	10,078	8,157	813,485	482,508
Change in finished and unfinished goods	9,518	5,291	–1,883	6,780	0	0	7,635	12,071
Capitalised production of own plant and equipment	100	154	1,475	511	0	0	1,575	665
Other operating income	3,758	1,512	6,483	5,667	392	230	10,633	7,409
Cost of materials	–416,642	–281,189	–127,731	–87,897	–4,790	–3,696	–549,163	–372,782
Personnel expenses	–10,210	–8,723	–17,163	–13,160	–2,820	–2,273	–30,193	–24,156
Depreciation and amortisation	–5,135	–5,531	–8,723	–9,030	–991	–843	–14,849	–15,404
Other operating expenses	–12,295	–10,710	–16,227	–13,790	–1,291	–946	–29,813	–25,446
Result from commodity forward contracts	–41,602	–69	4,655	244	0	0	–36,947	175
Segment result	**113,172**	**21,942**	**58,613**	**42,469**	**578**	**629**	**172,363**	**65,040**
Financial result	–267	–283	–207	–260	–4	–6	–478	–549
Result before taxes	**112,905**	**21,659**	**58,406**	**42,209**	**574**	**623**	**171,885**	**64,491**

Reconciliation

EUR (thousands)	Total segments		Intersegment revenues and expenses		Group	
	1 HY 2021/2022	1 HY 2020/2021	1 HY 2021/2022	1 HY 2020/2021	1 HY 2021/2022	1 HY 2020/2021
Sales revenues	813,485	482,508	–4,338	–3,414	809,147	479,094
Change in finished and unfinished products	7,635	12,071	0	0	7,635	12,071
Capitalised production of own plant and equipment	1,575	665	0	0	1,575	665
Other operating income	10,633	7,409	–172	–128	10,461	7,281
Cost of materials	–549,163	–372,782	1,046	859	–548,117	–371,923
Personnel expenses	–30,193	–24,156	0	0	–30,193	–24,156
Depreciation and amortisation	–14,849	–15,404	0	0	–14,849	–15,404
Other operating expenses	–29,813	–25,446	3,464	2,683	–26,349	–22,763
Result from commodity forward contracts	–36,947	175	0	0	–36,947	175
Segment result	**172,363**	**65,040**	**0**	**0**	**172,363**	**65,040**
Financial result	–478	–549	0	0	–478	–549
Result before taxes	**171,885**	**64,491**	**0**	**0**	**171,885**	**64,491**

Contingent liabilities and other financial commitments

Litigation

There are no open litigation issues that present a significant risk to VERBIO at December 31, 2021.

Further details are provided in the notes to the consolidated financial statements for the 2020/2021 financial year.

Order commitments

Open purchase obligations for investments total EUR 51,099 thousand at December 31, 2021 (June 30, 2021: EUR 24,196 thousand).

Disclosures concerning related persons and entities

Detailed information on the nature of relationships with related persons and entities is provided in the related party disclosures in the notes to the consolidated financial statements for the financial year 2020/2021. There were no significant changes to the nature and scale of transactions with related persons and entities.

Significant events subsequent to the end of the reporting period

There have been no significant events with an effect on the net assets and financial position since December 31, 2021.

Audit of the interim financial statements and the interim management report

These condensed interim consolidated financial statements and the interim management report have not been audited or been subject to review by auditors.

Affirmation of the legal representatives

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

Leipzig, February 10, 2022

Claus Sauter
Chairman of the
management board

Prof. Dr. Oliver Lüdtke
Vide-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

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[1], plant construction[1], technical investment planning[1], research and development[1], procurement of auxiliary materials and media[1], data protection[2] and occupational safety[1]), controlling and risk management[2].

Theodor Niesmann

Management Board, Biodiesel

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

Bernd Sauter

Management Board, Procurement and Logistics

Responsible for procurement of solid raw materials[2], transport and logistics[2], storage[2], vehicle fleet and buildings management, occupational safety[1] and insurance[2].

Stefan Schreiber

Management Board, North America

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

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

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

- President of the Board of Directors Feintool International 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 the advisory committee Kaefer Isoliertechnik GmbH & Co. KG, Bremen

Ulrike Krämer
Vice-Chairman of the Supervisory Board

German Certified Public Auditor and German Certified Tax Advisor, Ludwigsburg

Dr. Klaus Niemann
Member of the Supervisory Board

Chemist, Oberhausen
Shareholder and Managing Director, Reftec consult, Oberhausen

Financial calendar

May 12, 2022	Publication of quarterly statement for the period ended March 31, 2022 (July 2021 to March 2022)
September 27, 2022	Publication of the annual report 2021/2022 Analysts' and annual financial press conference
November 10, 2022	Publication of quarterly statement 2022/2023 for the period ended September 30, 2022 (July 2022 to September 2022)
February 3, 2023	Annual general meeting
February 9, 2023	Publication of the half-yearly interim report 2022/2023 (July 2022 to December 2022) Analysts' conference
May 11, 2023	Publication of quarterly statement for the period ended March 31, 2023 (July 2022 to March 2023)
September 26, 2023	Publication of the annual report 2022/2023 Analysts' and annual financial press conference

Contact address and imprint

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Forward-looking statements
The 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 report.

This 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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