Biofuel and Technology

Annual report 2021/2022

Contents

Group key figures

[in EUR million]

Profitability	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Sales revenue	809.1	1,003.4	1,812.5	479.1	546.9	1,026.0
EBITDA	187.2	316.1	503.3	80.4	85.9	166.3
EBITDA-margin (%)	23.1	31.5	27.8	16.8	15.7	16.2
EBIT	172.4	289.6	462.0	65.0	71.6	136.6
EBT	171.9	289.2	461.1	64.5	70.9	135.4
Net result for the period	120.3	195.5	315.8	44.2	49.3	93.5
Basic earnings per share basic (EUR)	1.90	3.09	4.99	0.70	0.78	1.48
Basic earnings per share diluted (EUR)	1.89	3.08	4.97	0.70	0.77	1.47

Operating data	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Production (t)	432,413	405,719	838,132	425,626	408,915	834,541
Production (MWh)	414,718	470,241	884,959	414,172	380,645	794,817
Utilisation Biodiesel/Bioethanol (%) [1]	94.0	88.2	91.1	92.5	88.9	90.7
Utilisation Biomethane (%) [1]	92.2	104.5	98.3	92.0	84.6	88.3
Investments in property, plant and equipment	42.7	78.7	121.4	32.3	35.4	67.7
Number of employees [2]	922	978	978	780	820	820

Net asset position	31.12.2021	30.06.2022	30.06.2022	31.12.2020	30.06.2021	30.06.2021
Net financial assets	140.5	284.1	284.1	79.2	100.2	100.2
Equity	635.1	818.5	818.5	433.5	509.8	509.8
Equity ratio (%)	71.3	72.5	72.5	75.8	75.1	75.1
Balance sheet total	890.5	1,128.6	1,128.6	571.6	678.6	678.6

Financial position	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Operating cash flow	95.4	229.6	325.0	63	54.2	117.2
Operating cash flow per share (EUR)	1.51	3.64	5.16	1.0	0.86	1.85
Cash and cash equivalents [3]	170.5	314.1	314.1	109.2	130.2	130.2

[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 date, including cash on segregated accounts

Segment key figures

[in EUR million]

Biodiesel	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Sales	585.7	684.0	1,269.7	321.2	408.7	729.9
EBITDA	118.3	180.1	298.4	27.4	65.8	93.2
EBIT	113.2	159.5	272.7	21.9	60.4	82.3
Production (t)	305,192	268,839	574,031	307,230	294,027	601,257
Utilisation (%) [1]	92.5	81.5	87.0	93.1	89.1	91.1
Number of employees [2]	219	216	216	219	224	224

Bioethanol (incl. Biomethane)	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Sales	217.7	313.6	531.3	153.1	133.5	286.6
EBITDA	67.3	135.0	202.3	51.4	19.2	70.6
EBIT	58.6	130.3	188.9	42.4	11.2	53.6
Production (t)	127,221	136,880	264,101	118,396	114,888	233,284
Production (MWh)	414,718	470,241	884,959	414,172	380,645	794,817
Utilisation Bioethanol (%) [1]	97.9	105.3	101.6	91.1	88.4	89.7
Utilisation Biomethane (%) [1]	92.2	104.5	98.3	92.0	84.6	88.3
Number of employees [2]	477	514	514	371	401	401

Other	1. HY 2021/2022	2. HY 2021/2022	2021/2022	1. HY 2020/2021	2. HY 2020/2021	2020/2021
Sales	10.1	11.3	21.4	8.2	8.5	16.7
EBIT	0.6	−0.2	0.4	0.6	0.2	0.8

[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

Letter to our shareholders

Claus Sauter
Chairman of the Management Board

Dear shareholders,

For the fourth time in succession I am able to report record results for the financial year just ended. The amounts of sales revenue and EBITDA generated in the financial year 2021/2022 have exceeded our expectations and our initial forecast by significant amounts. The result is even more remarkable in light of the fact that this has been achieved in a market environment which finds itself in the midst of unprecedented tumult in terms of energy policy. This serves to underline once again our flexibility and how future-proof our business model is.

Following on from the COVID-19 crisis, the Ukraine war has not only upset the political and economic framework in Europe, it has caught the worldwide energy and raw materials markets off-balance. As is usually the case, when such far-reaching changes occur for which a market, society and industry are fully unprepared, they bring risks but also opportunities.

The European Community – Germany, however, in particular – is suddenly being forced to realign its energy policies, and this has to be done quickly. In doing so, locally produced renewable energy generated from regional raw materials is playing a significant role in climate protection, energy security and price stability. For the first time we are holding meetings with politicians on an equal footing, and we are viewed as part of the solution. Russia's aggressive war against the Ukraine has resulted in a dramatic change in the awareness of our politicians and public.

In addition to the positive effects of an increased demand for sustainable biofuels and by-products, the effects of the Ukraine war mean that we are presented with new challenges. We are faced with increased raw material prices for agricultural products and many-fold increases in energy costs, as well as the scarcity of some goods and resources in the same way as other industry segments and the population as a whole. The coming months will be characterised by the efforts to meet these challenges successfully.

It was therefore all the more important, and even more rightly so, that our strategic approach has been and remains our focus on new growth markets – both geographically and on the product side. Our advanced biomethane in particular will play a central role as a substitute for fossil natural gas, both in transport as well as in industrial applications, electricity generation or heat supply. In future, up to 50 percent of Russian natural gas can be replaced by biomethane from local production.

In North America and India we are entering growth markets for renewable energies with very large potential. Following the successful commissioning of the first expansion phase of our biorefinery in Nevada/Iowa in the second half of the financial year just ended we are already examining further growth projects, which range from classic bioethanol production through to the opportunity to generate green hydrogen and the manufacturing of synthetic gases and fuels.

We have also brought our first production plant in India into operation. Here in particular there are major challenges as the Indian government has a very strong influence in the energy market overall. We are holding constructive talks with officials at the highest government levels in order to ensure that the regulatory framework is more favourable to the targeted expansion of advanced biofuels.

We have realigned our organisation in recent months, and made sure that we are fit for significant growth in the future. Responsibilities in the Management Board have been redistributed with a stronger focus on regional criteria. In addition, the Management Board has been expanded and now includes a Chief Financial Officer. This enables the allocation of duties among board members to be more specialised, increasing its capacity.

Research is driving forward innovation and sustainability

In total, more than EUR 6 million was spent on research and development in the past financial year. More than 50 employees now work in research and development departments across the Group. Currently we are investing in a new laboratory at our Bitterfeld location which will provide us with a state-of-the-art centre of excellence for our research laboratories.

We have set ourselves ambitious sustainability objectives, and we intend to meet these with further stringent optimisation of our processes, plant, technologies and logistics.

By 2025 we aim to save 8 million tonnes of CO_2 annually with our products on the basis of the current regulatory framework. That means a three-fold increase compared to today's levels. In addition, we want to make a significant improvement to our own green footprint, and to make the VERBIO Group climate-neutral by 2035.

We are hiring!

As at June 30, 2022 VERBIO has almost 1,000 employees worldwide who have all been contributing to the success we have had to date, as well as to our future success. Once again this year, we express our thanks to all of them for their engagement, day after day. In order to realise the growth targets that we have set ourselves, VERBIO will create more than 100 new jobs globally over the next twelve months.

VERBIO is part of the solution to the current energy crisis

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The political situation is currently dominated by the consequences of the Ukraine war, with the associated inflationary trends and problems with energy supplies. In this situation, everyone is called upon to offer realistic proposals about how to reduce supply bottlenecks. There is observable readiness among politicians to take a step back from ideological positions and to implement short-term solutions. These include, among other things, the expansion of gas infrastructure by the construction of LNG terminals and a reform of the Renewable Energy Act, promoting the generation of biomethane fuel.

The Federal Minister for Economic Affairs is demanding that use is made of all available potential capacity to expand biogas/biomethane plants that make use of waste and residual products. The Federal Ministry for Economic Affairs is actively looking at administrative hurdles that block the use of more biomethane in the natural gas network.

There is no doubt that the search for new perspectives for the future needs to include a realistic concept for the maintenance and transformation of the PCK refinery in Schwedt, which will enable it to become a producer of renewable and synthetic fuels. A working group led by the Federal Ministry for Economic Affairs is developing proposals for such a solution. We are actively assisting with this work, and we see potential to make a significant contribution to the process of transforming this location using our technology strengths and our ability to implement innovation.

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 2022/2023 of around EUR 300 million. Net cash is expected to be around EUR 30 million at the end of the financial year.

The Management Board continues to see the biofuels market as a growth market, in particular the market for second generation biofuels. VERBIO is making a massive expansion of its advanced biofuels manufacturing capabilities. In addition to the energetic applications for biomass, the aim is to drive forward the use of biomass materials, in particular in the chemical industry. However, the stability of business and a sustainable business development in the biofuels sector, including the contribution to results from conventional biodiesel and bioethanol biofuels, are dependent on reliable framework conditions. The current crisis affecting the supply of natural gas and crude oil shows, once again, that, finally, the time has now come to drive forward the defossisation of the chemical industry in Europe.

The Federal Emissions Protection Act with its fixed GHG quotas currently offers a fixed framework on which the business plan going forward is based. The increase of the GHG quota from 6 percent to 25 percent by 2030 means market demand will increase several times over; this is a change that VERBIO has demanded since its initial public offering in 2006.

The discussion about a possible phasing out of biofuels generated from cultivated biomass recently initiated by the German Federal Ministry for the Environment shows, once again, how important global diversification is for VERBIO.

In the USA, President Biden has approved a massive package of measures to promote renewable energy. The promotion of sustainable aviation fuel and renewable hydrogen create new business models for VERBIO. India has also recognised the potential of unused biomass and the possibilities that it represents to become more independent from global price trends for fossil fuels. Generating added value and employment opportunities in agricultural regions in India, combined with climate protection and increasing independence from crude oil and natural gas, are high priorities for the Indian government.

The short- and medium-term development of the price for fossil crude oil is dependent on the development of worldwide economic trends and the resulting demand, as well as on the political stability of oil-extracting countries and their readiness to increase the quantities of oil produced in response to the current energy crisis in Europe. A price increase driven by increased demand and lower supply of fossil raw materials and fuels strengthens the competitiveness of biofuels in general. These mechanisms have already started to have an effect, which may be seen in the massive increases in the prices of biodiesel and ethanol in the financial year just ended.

We have the necessary resources to be successful in the market place again in the new financial year, and to secure a leading competitive position. As a result, we continue to offer you, our valued shareholders, as well as our investors and the capital market, an attractive and sustainable investment.

Yours, Claus Sauter

Chairman of the Management Board

Report from the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

Dear shareholders,

The success story that is VERBIO Vereinigte Bio-Energie AG (VERBIO AG) is characterised by the fact that for years the Company has not only promised long-term growth and consistent improvements in its financial results, but has also reliably kept those promises. This applies in particular to the past financial year 2021/2022, when we have been able to continue on our successful growth path. Once again we have been able to increase both sales revenue and net profit, and on both measurements we have again had a record year. This is clear evidence that we are investing in the right markets and that we are making continued progress. This is pleasing for the VERBIO Group and its employees, but of course it is also pleasing for you as the Company's shareholders, since you are not only benefiting from the positive gains that the share price has recorded. The Management and Supervisory Boards again recommend the payment of a dividend for the financial year 2021/2022 of EUR 0.20, without putting the Group's continued excellent creditworthiness and solid financial targets at risk.

In the financial year 2021/2022 VERBIO AG has strategically positioned itself for the future. With the approval of a comprehensive investment programme with an investment volume totalling approximately EUR 300 million, in particular for the expansion of the Group's production capacity for advanced biofuels at existing locations and for the construction of the world's first ethenolysis plant, it is our objective to ensure that we can meet the current high demand on a long-term basis. These investments are an important milestone and fit seamlessly in our strategy. In doing so we are not only ensuring our dynamic growth beyond 2022; together with the Management Board, we will continue to observe the economic environment very closely and take additional measures to continue to ensure the Group's sustainable and successful commercial progress. In the financial year 2021/2022 VERBIO AG has successfully continued to implement the comprehensive process initiated in the preceding years of transforming the Group into a global and agile business. The Supervisory Board has worked closely with the Management Board throughout this process. A particularly important issue for the Supervisory Board in the past financial year has been the realignment of the management team's responsibilities effective from the financial year 2022/2023, including the associated changes in the composition of the Management Board.

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

Cooperation between the Supervisory and Management Boards

Good corporate governance and supervision are based, among other things, on a trusting relationship between the Management and Supervisory Boards, working together in the Company's interest. The Supervisory Board and the Management Board have a shared objective of increasing the value of the business on a sustainable and long-term basis.

In the financial year 2021/2022 the members of the VERBIO Supervisory Board 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, in particular concerning the management and strategic development of the Group, we have regularly made ourselves available to provide advice, we have accompanied and supervised the Board's management of the business on a continuous basis, and we have analysed in depth the development of and perspectives for the biofuels market in general and for VERBIO in particular. The Supervisory Board was involved, in a direct and timely manner, in all matters of fundamental importance for the Company or matters in which it should be consulted in accordance with the law, the articles of association and internal rules of procedure. If necessary, in matters requiring its urgent attention, the board was able to approve resolutions using written circulation procedures. Due to the regular, timely and comprehensive provision of information by the Management Board, the Supervisory Board was able to perform its supervisory and advisory role at all times. Verbal reports made by the Management Board in our meetings were supported by comprehensive and relevant written documents provided to each member of the Supervisory Board on a timely basis in advance of each meeting, so that the members of the Supervisory Board had sufficient opportunity to form a critical assessment of the reports and the proposed resolutions submitted by the Management Board, and to contribute their own proposals. The Supervisory Board was able to assure itself of the lawful, appropriate and proper conduct of the Company's management.

The collaboration between the Supervisory Board and the Management Board was characterised by an intensive and open discourse at all times. We were provided with comprehensive information in good time and on a regular basis, both orally and in writing, regarding all matters of importance for the Company, in particular concerning business trends, business planning, fundamental questions regarding the Company's business and sustainability strategy, the profitability of the business and the course of business, as well as the risk situation including financial and non-financial risk management and relevant topics regarding compliance. In addition, the Management Board reported on transactions that were of particular significance to the Company's profitability or liquidity. The Management Board provided detailed information on variances between the course of business and the business plans and objectives. The reasons for the variances, as well as the measures taken in response to them, were discussed in depth 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 COVID-19 pandemic and the Ukraine war. 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.

Meetings and resolutions of the Supervisory Board

In the financial year 2021/2022 the Supervisory Board held four regular meetings with members attending in person. In addition, the Supervisory Board held five meetings by means of video conference in which issues which could not be delayed until the date of the next regular meeting of the Supervisory Board were discussed and decided upon. In addition, on five occasions decisions were made by written circulation procedures on the basis of proposals put forward by the Management Board. All members of the Supervisory Board were present at all meetings. In addition, Dr. Georg Pollert, our honorary member of the Supervisory Board, participated in the majority of our meetings. Dr. Pollert provided the Supervisory Board with advice based on his technical expertise and his many years of experience. We would like to thank Dr. Pollert for his support and for the valuable contribution he makes with his advice and ideas. The meetings of the Supervisory Board were largely held with the participation of the

Management Board. However, the agenda of the Supervisory Board's meetings include, as a recurring item, a "Private meeting" topic in which the Supervisory Board discusses matters for which it is appropriate that the board meets without the presence of the members of the Management Board, for example when personnel matters concerning the Management Board are discussed. The Supervisory Board made use of this practice in the financial year just ended. Also 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 AG'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 international business divisions in each of its Supervisory Board meetings. The strategy followed by the Management Board in these ventures continues to receive support.

Further, we have obtained regular reports from the Management Board on the consequences for the VERBIO Group of the COVID-19 pandemic and the Ukraine war.

In addition to addressing the standardised agenda matters discussed at each regular Supervisory Board meeting as described above, attention is drawn to the following significant issues discussed by the Supervisory Board in the reporting period, presented here in summary form:

In its first regular Supervisory Board meeting in the financial year 2021/2022 held on September 17, 2021 the Management Board presented its budget planning for the financial year 2021/2022. This was approved without reservation by the Supervisory Board. In addition, we also dealt with the profitability of VERBIO AG and the VERBIO Group in accordance with § 90 (1) No. 2 AktG, approved the non-financial statement in accordance with § 315 b HGB, and discussed corporate governance issues. In this meeting the Supervisory Board and the Management Board jointly issued the statutory statement on corporate governance in accordance with § 161 AktG and the corporate governance report, including the declaration of conformity. Also on the Agenda for this meeting were the audit of and discussions concerning the draft annual financial statements prepared by the Management Board and the draft consolidated financial statements of the VERBIO Group. The auditors responsible for the audit of the financial statements participated in the meeting and reported on the key matters addressed in the audit and on the results of their audit. The Supervisory Board determined the forecast for the financial year 2021/2022 based on the draft consolidated financial statements. In addition, the audit report of the Supervisory Board to the annual general meeting prepared in accordance with § 171 (2) AktG was approved.

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, among other matters, various investment projects and transactions requiring approval were discussed at this meeting. The Supervisory Board also resolved that the annual general meeting 2022 would also be held in virtual format to take account of the current infection rates and to provide the best possible protection for all participants.

Due to the first-time requirement to publish in the "European Single Electronic Format" (ESEF) it was not possible to adopt the annual financial statements and endorse the consolidated financial statements at the meeting. The Supervisory Board resolved to approve a resolution to endorse and adopt the financial statements on completion of the final ESEF version and the unqualified audit opinion by means of a circulation procedure. Following the Supervisory Board meeting, the versions of the annual and consolidated financial statements tagged in the ESEF was submitted to the auditors. On completion of the audit of the report in the ESEF, unqualified audit opinions were issued by the auditors on both the annual financial statements of VERBIO AG and the consolidated financial statements of the VERBIO Group.

Accordingly, on September 21, 2021, by means of a written circulation procedure, the Supervisory Board approved a resolution on the consolidated financial statements and annual financial statements of VERBIO prepared by the Management Board and on which the auditors had issued unqualified audit opinions, as well as on the proposal by the Management Board made to the annual general meeting on the appropriation of profits. 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.

Two extraordinary meetings of the Supervisory Board concerning a foreign project were held in virtual form on October 13, 2021 and October 14, 2021. In particular, these included the approval of a secured advance payment of EUR 60 million for long-term supplies of raw materials from a plant which has not yet been constructed. The project is a first step in the expansion of business activities in North America, in particular for the expansion of raw material capacity and the associated raw materials logistics as well as the intensification of business relationships in the ethanol and RNG businesses.

In its meeting held on November 8, 2021 the Supervisory Board approved a transaction requiring its formal approval and discussed a matter concerning the Management Board. Finally the Management Board reported on the threat of cyber criminality and the measures taken to address this risk. In addition, as part of this meeting a meeting was held of the audit committee in which the appointment of the Company's auditors was discussed. Three firms of auditors made presentations and their tenders were examined in detail. Based on a decision matrix, a decision was made to appoint Grant Thornton AG, Leipzig as auditor.

An extraordinary meeting of the Supervisory Board was held on December 2, 2021 in the form of a video conference in which the primary matter discussed was the agenda for the annual general meeting 2022 and the resolutions to be put forward to shareholders at that meeting. In addition, resolutions were made concerning various investment projects, approval was granted for the performance of non-audit services by Grant Thornton AG, Leipzig, and the new remuneration system for "old" and "new" members of the Management Board 2022 was approved.

At the regular meeting of the Supervisory Board held after the annual general meeting on February 4, 2022 we approved a transaction requiring our formal approval, an investment application and the financial calendar for the financial year 2022/2023. Further, the formation of VERBIO Leuna GmbH, a new subsidiary company, was approved.

At the extraordinary meeting of the Supervisory Board held on March 7, 2022 in the form of a video conference the Management Board presented the current status of a draft revision of the VERBIO Group's structure drawn up by the Management Board with the assistance of a consultancy company.

On the occasion of the launch of the new straw biomethane plant at the Nevada (Iowa) location, the Supervisory Board had taken the decision to hold the meeting of the Supervisory Board planned for May 6, 2022 directly on location at the Nevada (Iowa/USA) plant, in order to obtain a personal impression of the Group's investment there. At this meeting the Supervisory Board also considered in particular the composition of the Management and Supervisory Boards, and set targets for the proportion of women in the Management and Supervisory Boards to be met up to June 30, 2027.

One further extraordinary Supervisory Board meeting was held by video conference on June 15, 2022. This meeting was primarily held to discuss and make resolutions concerning the new VERBIO Group structure and the associated realignment of the Management Board. In this connection the Supervisory Board approved the appointment of Olaf Tröber as CFO and as an additional member of the Management Board for the period from July 1, 2022 to June 30, 2025, and an earlier than planned extension of the employment contract of Stefan Schreiber as a member of the Management Board, extending his contract until June 30, 2027. In addition, the agenda also included the preliminary business planning for the financial year 2022/2023. Further, the Supervisory Board approved the terms of a rental agreement to lease additional office space, as well as an investment project application submitted by the Management Board. In addition, various matters concerning the Management Board were discussed.

Over the course of the financial year 2021/2022, in addition to the resolution approved by circulatory procedure on September 23, 2021 concerning the adoption of VERBIO's annual and consolidated financial statements, four further uses of the circulatory procedure were made with votes submitted in writing. The Supervisory Board considered the remuneration of the Supervisory Board by circulation procedure on July 6, 2021. On December 20, 2021 the Supervisory Board approved the intra-year amendment to the declaration of conformity. A further resolution was approved on March 16, 2022 concerning the Supervisory Board's approval of the increase in the registered capital of VERBIO in exchange for non-cash contributions in fulfilment of remuneration awards issued to members of the Management Board and employees, excluding shareholder's pre-emption rights. The original resolution dated March 16, 2022 was corrected for clarification purposes by a resolution approved by circulatory procedure on June 13, 2022.

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, with the exception of the audit committee, no sub-committees have been formed, as was the case in the previous financial year. As a result, all matters except those addressed by the audit committee were addressed by the plenary sessions of the Supervisory Board.

Audit committee

Following the introduction of § 107 (4) AktG introduced by the German Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität – FISG) dated June 3, 2021, the Supervisory Board of a public interest entity under § 316a sentence 2 HGB is required to establish an audit committee. If a Supervisory Board consists of only three members, that committee is also regarded as the audit committee. Accordingly, in accordance with the legal requirements, as VERBIO AG's Supervisory Board consists of three persons, the Supervisory Board is also the audit committee. The members of the audit committee elected Ulrike Krämer, member of the Supervisory Board, as chair of the audit committee for the period of her election as a member of the Supervisory Board; she abstained from voting on her election. Ulrike Krämer and Alexander von Witzleben are considered independent financial experts in the sense of § 100 (5) AktG. Ulrike Krämer has specific knowledge and experience in the application of accounting principles and systems of internal control and risk management. She is also familiar with the audit of the financial statements.

The Supervisory Board, in its role as audit committee, held a total of five meetings, of which four were meetings held with physical presence and one was held by video conference. At all of these meetings, with the exception of the initial meeting with the audit company which was held by the chair of the audit committee alone, all members of the audit committee were present.

In its meeting held on September 17, 2021, in the presence of the auditors, the audit committee examined the draft annual financial statements prepared by the Management Board, the consolidated financial statements, together with the management report and Group management report, the dependency report, the VERBIO AG non-financial report as well as the Management Board's proposal for appropriation of profits. On the basis of Ulrike Krämer's report as chair of the audit committee, and in particular on the quality of the audit of the financial statements, and the recommendations contained therein, on the same day of the meeting and, further, on September 21, 2021 by circulatory procedure, the Supervisory Board made the resolutions described above. The audit committee also examined the independence of the auditors.

On November 8, 2021 the audit committee invited three audit companies to make presentations in person as part of a tendering process for the financial statement audits, having selected these companies based on proposals submitted earlier in the process. Following detailed discussions and analyses of the meetings and the examination of the independence of the auditors by the Supervisory Board in its role of audit committee, on the same day the Supervisory Board decided to appoint the audit company Grant Thornton AG, Leipzig as the Group's auditors, subject to election as auditor by shareholders at the annual general meeting 2022. The meeting was also concerned with discussing and approving the quarterly statement for the period ended September 30, 2021. Further matters on the agenda were the report of the compliance officer on VERBIO's system of internal control, and the report of the Head of Controlling on the internal audit function. The effectiveness of the systems will be examined in the coming months and the Supervisory Board will receive further reporting on this matter.

On February 4, 2022 the audit committee discussed and approved the half-year financial report for the period ended December 31, 2021. The quarterly report for the period ended March 31, 2022 was discussed and approved on May 6, 2022.

On April 29, 2022 the first initial meeting of the chair of the audit committee was held with the auditors to discuss the audit engagement for the annual financial statements 2021/2022. Further discussions with the auditors have taken place since the balance sheet date.

Annual general meeting

For the second time in succession the VERBIO annual general meeting was held in virtual format due to the prevailing circumstances. The annual general meeting held on February 4, 2022 was, in accordance with the articles of association, chaired by Alexander von Witzleben, Chairman of the Supervisory Board.

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

Conflicts of interest

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

In the financial year just ended no conflicts of interest affecting members of the Management or Supervisory Boards were noted which would have required disclosure to the Supervisory Board in accordance with recommendations E.1 and E.2 of the German Corporate Governance Code (DCGK) and which would have needed to be reported to the annual general meeting in this report.

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

Corporate management

The term “corporate governance” stands for corporate management which is transparent and aimed at generating long-term added value. The Supervisory Board follows the principles set out in the German Corporate Governance Code.

The Supervisory Board and the Management Board place great importance on ensuring good corporate governance. This includes the Supervisory Board dealing with the corporate governance requirements applying to German listed companies on a regular and comprehensive basis, in particular the requirements under the German Stock Corporation Act and the revised German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) in the version dated April 28, 2022.

Accordingly, the Supervisory Board has again considered the recommendations and suggestions of the German Corporate Governance Code in the financial year 2021/2022. The Management Board reports jointly with the Supervisory Board annually on VERBIO AG’s system of corporate governance. On December 20, 2021 the Supervisory Board and Management Board approved the intra-year update to the declaration of conformity in accordance with § 161 AktG. In its meeting held to approve the annual financial statements held on September 23, 2022 the Management and Supervisory Boards approved a joint resolution approving the regular update of the declaration of conformity as part of the statement on corporate governance. Both documents were made accessible on a permanent basis on the Company’s website without delay. With certain exceptions, which we have explained in the latest declaration, all the recommendations of the code in its current version have and will continue to be complied with.

Information on VERBIO AG’s corporate governance can be found in the joint Management and Supervisory Board statement on corporate governance. The statement on corporate governance is available for inspection on the Company’s website.

Remuneration report

The Management and Supervisory Boards have prepared a remuneration report for the financial year in accordance with § 162 AktG, which has, for the first time, been prepared in accordance with the new rules set out in the Act Implementing the Second Shareholders’ Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II). The remuneration report has been audited by the Company’s auditor in accordance with § 162 (3) AktG to determine whether the statutory disclosures required in accordance with § 162 (1) and (2) AktG have been made. In addition to the statutory audit requirement, the auditors also performed an audit of the contents of the report. The auditor has confirmed that, in all significant aspects, the remuneration report complies with the financial reporting requirements under § 162 AktG. The remuneration report will be submitted to the annual general meeting of the Company for endorsement in accordance with § 120 a (4) AktG.

Efficiency audit

In accordance with recommendation D.12 of the German Corporate Governance Code, the VERBIO AG Supervisory Board performs audits of the efficiency of its work, including its cooperation with the Management Board, at regular intervals in the form of a self-evaluation procedure using a comprehensive company-specific checklist (efficiency audit). The checklist addresses significant issues such as cooperation with the Management Board, the preparation and conduct of meetings, the scope and content of documentation, and the timeliness and appropriateness of information provided, in particular concerning financial reporting, compliance and audits, as well as controlling and risk management.

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

The composition of the Supervisory Board has changed following the election of new members at the annual general meeting held on January 29, 2021. Accordingly, the members have decided not to perform an efficiency audit in the financial year 2021/2022, and to await the activities of the newly elected board. An audit of the efficiency of the Supervisory Board elected at the annual general meeting 2021 (including, in part, newly elected members) is planned in the course of the current financial year 2022/2023.

Training and further education measures

Supervisory Board members participate in such training and further education measures as are necessary for them to perform their duties under their own responsibility, with appropriate support from VERBIO AG, and when necessary the Company provides support for these measures. The members of the Supervisory Board are kept informed on a regular basis by reviewing current literature, by self-study and by participating in various online seminars.

In addition, the members of the Supervisory Board keep themselves informed about matters relevant to their Supervisory Board duties by subscribing to online magazines, sources of technical information and newsletters.

Members of the Supervisory Board and Management Board

There have been no changes in the composition of the Supervisory Board in the financial year 2021/2022 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. Klaus Niemann

Christian Doll is available as a replacement member. Ulrike Krämer and Dr. Klaus Niemann are not members of any statutory Supervisory Boards or in comparable domestic or foreign supervisory committees.

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

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

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

The departmental responsibilities of the individual members of the Management Board remain unchanged in the financial year 2021/2022. The individual areas of responsibilities assigned are described in summary in the "Executive bodies of the Company" section of the annual report.

From the current financial year 2022/2023 the structure of the Management Board – in part as a response to the Company's international growth plans – has been amended.

In view of VERBIO AG's growth trajectory, the Supervisory Board resolved in its meeting held on June 15, 2022 to expand the Management Board team by increasing the size of the board from five to six persons. We had been considering this step for some time, and have now taken action to implement this change. Following this, Olaf Tröber was appointed to become a new member of the Management Board for a period of three years, holding a position as Chief Financial Officer (CFO).

Audit of the annual and consolidated financial statements

With the enactment of the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – "FISG") on May 21, 2021, EU reforms of the audit of annual financial statements of public interest entities have been implemented into German law. Under the new regulations, public interest entities may engage the same auditor for a period not exceeding ten years.

The Supervisory Board offered the audits of the annual and consolidated financial statements for the year ended June 30, 2022 for tender in response to the amended audit regulations under consideration of the term of office to date of KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, the Company's previous auditor. After analysing the offers received and evaluating the presentations made in person, the Supervisory Board, in its role as audit committee, chose to recommend that the audit engagement be awarded to Grant Thornton AG, Leipzig. Accordingly, in its meeting held on November 8, 2021 the Supervisory Board resolved to make a recommendation to the shareholders at the annual general meeting that Grant Thornton AG, Leipzig shall be appointed auditor for the financial year 2021/2022.

The audit committee has obtained a declaration of independence from Grant Thornton AG in accordance with Art. 6 (2) of Regulation (EU) No. 537/2014 (EU Auditor's regulation). This is dated November 24, 2021.

The Company's annual general meeting held on February 4, 2022 approved the proposal with the necessary majority and Grant Thornton AG, Leipzig was appointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year

2021/2022. The audit engagement was issued by the Supervisory Board on March 3, 2022 in accordance with the resolution approved at the annual general meeting.

Grant Thornton 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, 2021 to June 30, 2022, together with the management report for the financial year from July 1, 2021 to June 30, 2022, and has issued an unqualified audit opinion on both documents. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2021 to June 30, 2022 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 on a timely basis any risks that could endanger the ability of the Company to continue as a going concern.

The documents concerning the financial statements and the audit reports issued by the auditors were provided to the Supervisory Board in good time for inspection in its role as audit committee. In its meeting held on September 16, 2022 the audit committee discussed the results of the audit with the auditors in detail, and thereafter in its meeting held on September 23, 2022 discussed the financial statements, reports and the proposal on the appropriation of profits, and audited them to assess, in particular, their legality, compliance 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 audit committee 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 documents in the audit committee, the Supervisory Board has determined that there are no objections to the results of the audit performed by the Company's auditors, and has 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, 2022. The annual financial statements of VERBIO Vereinigte BioEnergie AG have therefore been adopted. The audit committee has examined the proposal for the appropriation of profits submitted by the Management Board. In doing so, particular account has been taken of VERBIO AG's and the Group's liquidity, tax aspects and the financial position and results of operations, as well as the medium-term investment plans. In addition, the proposal was examined in the light of the dividend policy as well as the interests of investors. After examination of the proposal for the appropriation of profits made by the Management Board, the Supervisory Board agrees with the proposal and puts forward a resolution to the annual general meeting for the payment of a dividend of EUR 0.20 per qualifying share, resulting in a total dividend payment of EUR 12.679.582,60 with the remaining balance of profit for the year for the financial year 2021/2022 being carried forward to future periods.

Dependency report

As in previous years, in the financial year 2021/2022 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 meeting held on September 23, 2022.

After performing a thorough audit of its own of the report on relationships with affiliated companies in the financial year 2021/2022, taking account of the results of the audit of its completeness and accuracy performed by the auditors, the audit committee 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.

Separate Group non-financial report

VERBIO is required to issue a separate non-financial statement in compliance with the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). This was prepared in accordance with German Commercial Law (Handelsgesetzbuch – HGB) and is presented separately to the management report. In this separate report, VERBIO presents selected non-financial information based on international sustainability standards issued by the Global Reporting Initiative (GRI).

The Supervisory Board has made use of the option available to it to submit the contents of the non-financial statement for the financial year 2021/2022 to a voluntary limited assurance audit performed by the Company's auditors. This is the first time that such an audit has been performed. Engaged by the Supervisory Board, Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Leipzig have performed an audit of the non-financial statement and issued the following audit opinion:

> „Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial report of VERBIO Vereinigte BioEnergie AG, Zörbig, for the period from 1 July 2021 to 30 June 2022 is not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in section "EU taxonomy regulation disclosures" of the consolidated non-financial statement.“

The Supervisory Board, in its role as audit committee, has also performed a thorough examination of the Company's non-financial statement in accordance with § 289 b, § 315 b HGB and audited and discussed it in detail, together with the Management Board, in its meeting held on September 23, 2022. The Supervisory Board has met its audit obligation under § 171 (1) (4) AktG concerning the Company's non-financial statement on corporate social responsibility. No objections were identified.

The representatives of the auditors who signed the audit opinion on the commercial limited assurance audit procedures participated in the discussions of the audit committee concerning the Group's non-financial report. They have reported on the significant results of their commercial limited assurance audit procedures and were available to provide supplementary information.

Following its own audit the audit committee agreed with the results of the audit performed by Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, and accordingly, on the recommendation of Ulrike Krämer, the non-financial statement was approved in the meeting held to approve the Group's financial statements held on September 23, 2022.

Closing comments

The Supervisory Board is aware that the success of the business is very much dependent on the work of the VERBIO Group employees, and that its employees form the basis of the Company's success. With their outstanding dedication and commitment, every one of them has contributed to ensuring VERBIO AG's continued success and to keeping the Company on the right path forward. The Supervisory Board would like to express their immense gratitude and recognition to the members of the Management Board, the Managing Directors of the Group's subsidiaries and all of the Group's employees for another excellent performance in the financial year 2021/2022, and for the personal commitment that they have shown in their work. We also extend our thanks to our customers and business partners who have also made a significant contribution to the Company's success. In addition, we thank our shareholders, for placing their trust in the Company and for their ongoing loyalty.

Finally, in the name of the entire Supervisory Board I would like to take this opportunity to thank the members of the Management Board for their excellent working relationship with the Supervisory Board, which has, at all times, been trusting and constructive, and for the work that they have performed in the financial year 2021/2022. The Supervisory Board explicitly supports the Group's growth strategy and will continue to work intensively with the Management Board, both in its advisory role and by continuing to fulfil its supervisory role on a regular and critical basis, as the Company continues to make progress in the current financial year 2022/2023.

VERBIO Vereinigte BioEnergie AG
Leipzig, September 23, 2022

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.

2021/2022 – Stock market driven by COVID-19, inflation and the war in Ukraine

Second half-year 2021

2021 was a positive year for the stock market, despite new record levels of COVID-19 infections. Despite the high inflation statistics, the DAX gained 14 percent thanks to the ECB's continued expansive monetary policies. A short "crash" at the end of November following the emergence of the Omicron variant showed that events can take a different turn. The German DAX share index fell back by almost 8 percent within the space of a few days, falling from 16,290 to under 15,015. Stock market prices recovered by the end of the year.

It was not only shares that attracted buyers last year – there was also particular demand for sustainable financial investments. Green funds have emerged from their niche market. They are also increasingly popular with online users. One reason for this is the climate debate, which has intensified as a result of, among other things, the flood disaster in Rheinland-Pfalz and North Rhine-Westphalia.

Investors are also monitoring the issue of inflation. Only one year ago the annual rate of inflation was zero, but in November 2021 it had already reached 5 percent. One reason for this has been the increasing price of oil, as well as the reversal of the temporary reduction in value added taxes. Raw materials are scarce and expensive, and there is a shortage of semiconductors. It is becoming more and more difficult to follow a "just in time" manufacturing strategy. Trade, too, is increasingly affected by the supply bottlenecks.

First half-year 2022

IIn 2021 the pent-up demand built up during the COVID-19 lockdowns, as well as supply bottlenecks, created a challenging starting point for generating growth in profits in 2022.

The change in direction for interest rates announced by the European Central Bank (ECB) in July have resulted in a significant increase in yields on government bonds in the eurozone. The Governing Council of the ECB announced the creation of a new monetary instrument designed to counter the increased interest rate spreads and to ensure that monetary policy is consistently effective in all the countries in the eurozone.

The consequences of the Ukraine war have also put the market under pressure. Russia's policy of reducing gas supplies has raised concerns that it may be necessary to ration gas in Autumn and Winter; this makes a recession likely.

Russian troops began their invasion of Ukraine on February 24, 2022. Since then, Russian aggression has continued with increasing brutality and destruction. The precise number of casualties is unknown. According to the UNHCR, 7.7 million Ukrainians have left their homeland since February. The NATO member countries and the member states of the EU have approved comprehensive sanctions against Russia, and Ukraine is being supplied with humanitarian aid. Many countries, including Germany, are also supplying weapons to defend the country.

In July, due to routine maintenance work there was a cessation in gas supplies through the Russian-German gas pipeline Nord Stream 1, which is used to supply gas primarily to north-western Europe. In advance of this many people feared that Moscow would use the planned two-week pause to turn off supplies to Europe on a long-term basis. These fears led to rising prices for gas in advance of the maintenance work.

Inflation continued to gain in importance in 2022. In June 2022 the rate of inflation in Germany was +7.6 percent. The rate of inflation in June 2021 was a moderate +2.3 percent. Since the beginning of the war in Ukraine the price of energy in particular has increased significantly, and this has been a major contributor to the high rate of inflation. Energy prices in June 2022 increased by 38 percent, while the price of food has also increased at an above average rate of 12.7 percent. In addition to this, breakdowns in supply chains following the COVID-19 crisis are also driving up prices. These statistics include one-off effects such as the effect of the 9-Euro ticket and the discount on fuel prices at filling stations.

German gross domestic product (GDP) in the first quarter of 2022 – adjusted for price changes and seasonal and calendar effects – increased by 0.2 percent compared to the fourth quarter of 2021. Economic output was 0.9 percent lower than in the fourth quarter of 2019, the quarter before the start of the COVID-19 crisis. As the Federal Statistical Office (Destatis) reports, this is consistent with the first report dated April 29, 2022. "War in Ukraine and the continuing COVID-19 pandemic have intensified existing distortions, including interruptions in supply chains and rising prices," said Dr. Georg Thiel, President of the Federal Statistical Office. He continued: "Despite difficult framework conditions in the global economy, the German economy started 2022 with slight growth".

Foreign trade declined overall at the start of the year. Adjusted for price changes and seasonal and calendar effects, total exports fell in the first quarter of 2022 by 2.1 percent compared to the previous quarter due to the lower volume of goods exported. One reason for this was the ongoing disruptions to international supply chains, which may have contributed, for example, to lower volumes of motor vehicle exports. In contrast, total imports increased by 0.9 percent as imported services increased sharply, for example as a result of more foreign travel.

Currency markets were also a cause of discussion in the markets. The euro lost value, touching 1.0072 US dollars, representing its lowest level since 2002. At the end of the previous year the euro was trading above 1.20 US dollars. For currency markets, this is an unusually rapid devaluation. However, this trend does not necessarily reflect an absolute weakness in the euro, instead it represents a fall in the exchange rate with the US dollar, since the value of the euro has increased recently against many other currencies. The US dollar, however, has proved to be even more robust; there is an overall strong demand for the US dollar as a result of large fluctuations in raw materials and stock markets.

The VERBIO share 2021/2022

The VERBIO share started the financial year 2021/2022 on July 1, 2021 priced at EUR 43.00 per share (Xetra). In the period from the beginning of July 2021 until the end of June 2022 the VERBIO share price increased by 11.63 percent, reaching its 2021/2022 financial year peak of EUR 88.10 on April 22, 2022.

In addition to the overall market trends, the sharp fall in the share price from the end of April was driven by the debate about ending subsidies by 2030; the Federal Government wants a complete phasing-out of subsidies for biofuels generated from foodstuffs and animal feed. Other G7 countries are also arguing that there should be a temporary cessation of special regulation on biofuels in order to soften the trends in food prices. As a result of the ongoing "food or fuel discussion" the VERBIO share fell back further, reaching its financial year low of EUR 39.10 on June 23, 2022.

At the same time the high demand worldwide for CO_2-efficient biofuels and the sharp increase in the price of raw materials provided support for VERBIO's financial position, and on June 28, 2022 VERBIO increased its EBITDA annual forecast further once again, to approximately EUR 500 million. This resulted in a short-term recovery in the value of the share, although the share price did not break out of an important technical chart hurdle. From that time through to the end of the financial year the share has been moving in a volatile sideways direction with low trade volumes, consistent with the market overall.

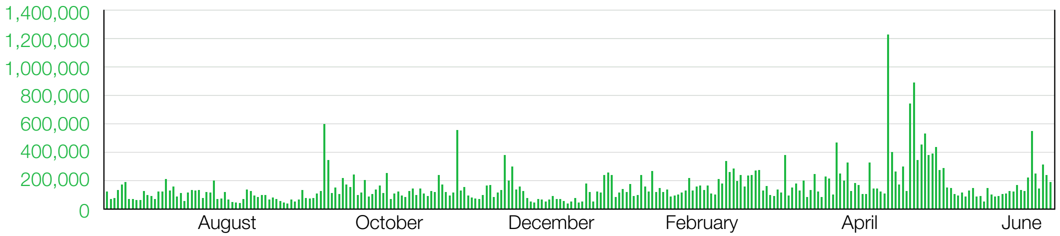
In the first half of the financial year 2021/2022 the average volume of shares traded on the Xetra stock exchange was 119,828 shares/day. In the second half of the year this increased to an average of 205,511 shares/day. As a result there was a daily average trading volume of 162,169 shares (2020/2021: daily average of 175,979). In comparison, the trading volumes (the average number of shares traded each day) in the previous year were: 2 half-year 2020: 163,162 shares; 1 half-year 2021: 189,206.

Analyst coverage

Three analyst firms issued detailed studies and provided up-to-date short analyses of VERBIO AG in 2021/2022: Hauck & Aufhäuser Investment Banking, Stifel Europe Bank AG and MATELAN Research GmbH. The analysis by MATELAN Research GmbH was provided under an engagement from VERBIO AG through to September 30, 2022. These analyses are prepared independently by the analysts at the respective companies based on publicly available information. The reports issued by the analyst firms represent the opinions, assessments and recommendations of the respective analysts, and are not subject to any influence or control by VERBIO AG.

Performance and trading volume of the VERBIO share from July 1, 2021 to June 30, 2022

Performance of the VERBIO share (XETRA)
from July 1, 2021 to June 30, 2022 (in euros)



Trading volume (XETRA)
from July 1, 2021 to June 30, 2022 (in number of shares)

Annual general meeting 2022

The VERBIO Vereinigte BioEnergie AG annual general meeting was held on February 4, 2022 in Leipzig, and was once again held as a virtual annual general meeting without the physical presence of shareholders or their proxy representatives. Shareholders representing 53,662,067 ordinary shares and the same number of voting rights (voting proxy representatives and electronic votes) were represented at the meeting (84.93 percent of the Company's total share capital). The Management and Supervisory Boards answered questions from shareholders that had been submitted using the investor portal up until the previous day, and presented information on business developments, corporate strategy, the legal environment and market trends. In addition to the application of profits, the agenda also included giving formal approval to the actions of the Management Board and the Supervisory Board, the approval of the system of remuneration for members of the Management Board, the election of Grant Thornton AG, Wirtschaftsprüfungsgesellschaft as auditors for the financial year 2021/2022, and resolutions to amend the articles of association and the profit transfer agreement with VERBIO Protein GmbH.

All of the resolutions proposed by management were approved with the necessary majority by the voting proxy representatives or by electronic voting. For the Management and Supervisory Boards of VERBIO AG the voting results are indications that the Company's 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 2022 are provided in the investor relations section of the Company's website (verbio.de). The annual general meeting for the financial year 2021/2022 will be held on February 3, 2023 in Leipzig.

Communication with capital markets

In its communication with capital market participants, VERBIO has a policy of treating all capital market participants equally. Accordingly, we always publish information that is up-to-date, consistent and transparent, and 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' research, and the Company's financial calendar in the Investor Relations section of the Company's website (verbio.de). Obligatory capital market communications such as ad hoc reports and Corporate News are also provided there on a timely basis in both German and English. Notifications concerning voting rights in accordance with § 33 et seq. WpHG and disclosures of managers' transactions in accordance with Article 19 of the Market Abuse Regulation are also made available on the website. Interested parties can register and add themselves to a distribution list on the VERBIO 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.

Further, 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 corporate news updates on the verbio.de website as well as on the Group's social media channels on Facebook, YouTube and Instagram. Further, Claus Sauter, the Chairman of VERBIO's Management Board, gives his opinion on current 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. In the past financial year VERBIO has participated in roadshows organised by investment banks (almost all of which were virtual due to COVID-19 restrictions) in order to draw the attention of the capital market to VERBIO as an attractive, sustainable and future-oriented investment opportunity.

Over the course of the financial year, management participated in a total of ten events and held a large number of discussions with interested analysts and investors in order to answer any questions arising, in particular concerning future growth prospects.

Despite the increased importance of climate protection, as a result of the Ukraine war the politicians have reopened discussions on the regulatory reforms that had been implemented as a result of pressure from business, climate action groups and initiatives, by reopening the "food or fuel discussion" without taking into account the fact that biofuels are system-relevant given their contribution to making energy affordable and ensuring the reliability of supplies. This was a challenge that required the effort of the entire communications team to ensure that the issues are understood properly and to maintain the trust of the Company's shareholders and other interest parties in VERBIO.

The financial calendar, with all the important dates for the financial year 2022/2023, may be found on the last page of this annual report and in the Investor Relations section of the Company's website (verbio.de).

Dividends

The Management and Supervisory Boards of VERBIO AG aim to provide a consistent dividend stream under a dividend policy that is intended to provide 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 to ensure that the Company maintains a solid equity base, and that the Company has sufficient cash to finance its operating activities as well as to take advantage of expansion opportunities to ensure the sustainable development of the business. 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	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022 [1]
Earnings per share (basic)	0.82	0.24	0.84	1.01	1.48	4.99
Dividends per share	0.2	0.2	0.2	0.2	0.2	0.20
Dividend distrubutions (in EUR millions)	12.6	12.6	12.6	12.6	12.6	12.7

[1] Proposed dividend subject to approval at the annual general meeting in February 2023.

Dividend payment of EUR 0.20 per share for the financial year 2020/2021

The separate financial statements of VERBIO AG prepared in accordance with HGB show a profit for the financial year 2020/2021 of EUR 321,316,770.93, with a retained profit for the period of EUR 321,316,770.93. 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 February 4, 2022, resulting in the payment of dividends totalling EUR 12,636,726.40 with EUR 308,680,044.53 transferred to retained earnings.

The VERBIO AG annual general meeting held on February 4, 2022 approved the proposal of the Management and Supervisory Boards to pay a dividend, approving the payment of EUR 0.20 per qualifying share for the financial year 2020/2021. This represents a dividend yield of 0.47 percent based on the closing price of the VERBIO share of EUR 42.72 at June 30, 2021.

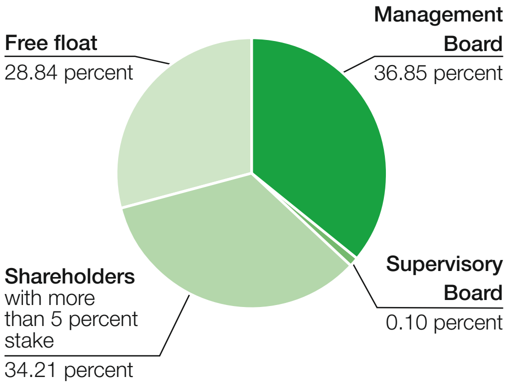
Proposed dividend for the financial year 2021/2022

In the financial year 2021/2022 we have again achieved and exceeded our financial objectives, and we intend to enable our shareholders to participate in the Company's success. Accordingly, the boards of VERBIO AG have agreed to propose to the annual general meeting to be held on February 3, 2023 that the Company shall pay a dividend unchanged to the previous year of EUR 0.20 per qualifying share, and transfer the remaining amount of the retained profit for the period to retained earnings. This represents a total dividend payment of EUR 12.68 million (2020/2021: EUR 12.64 million). This dividend proposal, which is subject to the approval of the annual general meeting, is for a dividend unchanged to the previous year (2020/2021: EUR 0.20). This represents a dividend yield of 0.42 percent based on the closing price of the VERBIO share of EUR 48.00 at June 30, 2022.

The share at a glance

Code	VBK	
Bloomberg code (Xetra)	VBK:GR	
Reuters code (Xetra)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime Standard	
Designated sponsor	Stifel Europe Bank AG	
Number of shares	63,397,913	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	
	2021/2022	**2020/2021**
Closing share price (Xetra, June 30, 2022; June 30, 2021)	EUR 48.00	EUR 42.72
52-week high (Xetra)	EUR 86.20	EUR 46.24
52-week low (Xetra)	EUR 40.50	EUR 9.34
Market capitalisation (basis: closing share price Xetra)	EUR 3.04 Mrd.	EUR 2.70 Mrd.
Free float	28.84 percent	28.35 percent
Earnings per share (basic and diluted)	EUR 4.99/4.97	EUR 1.48/1.47
Operating cash flow per share	EUR 5.16	EUR 1.85
Book value per share	EUR 12.87	EUR 8.04

Shareholder structure at June 30, 2022



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 any changes to significant holdings in the Company during the reporting period. Information on reportable transactions in the Company's voting share capital is provided in the Investor Relations section of the Company's website verbio.de.

Group management report

Group management meport

for the financial year from July 1, 2021 to June 30, 2022

Fundamentals of the Group

Group structure

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

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

- VERBIO Bitterfeld GmbH, Bitterfeld-Wolfen/OT Greppin, hereinafter referred to as “VEB”
- VERBIO Zörbig GmbH, Zörbig, hereinafter referred to as “VEZ”
- VERBIO Schwedt GmbH, Schwedt/Oder, hereinafter referred to as “VES”, “VES (D)” (Biodiesel segment) or “VES (E)” (Bioethanol segment)
- VERBIO Agrar GmbH, Zörbig, hereinafter referred to as “VAgrar”
- VERBIO Logistik GmbH, Zörbig, hereinafter referred to as “VLogistik”
- VERBIO Polska Sp. z o. o., Stettin (Poland), hereinafter referred to as “VPL”
- VERBIO Pinnow GmbH, Pinnow, hereinafter referred to as “VEP”
- VERBIO India Private Limited, Chandigarh (India), hereinafter referred to as “VEI”
- VERBIO North America LLC, 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

“We make mobility, logistics and chemistry green!” VERBIO converts raw materials and waste products from agriculture into climate-friendly fuels, animal feed and fertiliser, as well as into high-value bio-ingredients used in the pharmaceuticals, foodstuff and chemicals industries. We are technology leaders in the European biofuels market, and we are on an international growth path in Asia and North America. We have approximately 1,000 employees worldwide who are actively driving forward climate protection. In this way we make our contribution to achieving the global goal of 1.5 Celsius.

The technologies used have been developed internally by VERBIO. The Group’s plant and processes are subject to ongoing further development and improvements in order to optimise existing production, and at the same time to drive forward the manufacturing of new high-value biogene products from the raw materials used in the production processes.

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

VPL and VAgrar are responsible for procuring the non-liquid agricultural raw materials needed for VERBIO's production purposes in Europe, and in addition they market the VERBIO AG feedstuffs and fertiliser which are by-products of the bioethanol and biomethane production processes. VAgri performs the same tasks in North America for the Group's first production plant in Nevada, Iowa.

VNA is responsible for the sale of methyl ester (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.

The biomethane plants in India and the USA began production in the financial year 2021/2022 and are currently in the process of being ramped up to full production capacity.

Molecules from renewable sources are sold in the form of biodiesel and bioethanol in Europe, biomethane in Europe, the USA and India, and biodiesel in North America (from August 2019), as well as pharmaceutical glycerine and sterols worldwide. The commencement of production at the foreign locations in the first half of the financial year 2021/2022 means that the marketing of VERBIO biofuels has become more international.

As a technology company, VERBIO has an ongoing programme of developing new technologies that are compatible with the raw materials used in the core processes, its end products – renewable green molecules – as well as the resulting by-products. The objective of this strategy is to develop and manufacture new products in order to improve and deepen the value-added chain, and consequently improve profitability. These projects include, for example, the establishment of production and sales of plant-based ethanol speciality products and protein products for various industrial and pharmaceutical applications, as well as for use in the animal feed and foodstuff industries. These development projects also include the planned commercial-scale manufacture of BioLNG for the heavy goods transport sector, and investments are being made in constructing an ethenolysis plant to manufacture biochemical basis components.

VERBIO also sees further applications for its core bioethanol, rapeseed oil methyl ester and biomethane products as a result of the increasing and ever more concrete trend towards decarbonisation in other sectors such as the chemicals, steel and cement industries, as well as in the decarbonisation of the air and shipping transport sectors. There will be further applications in the chemicals sector for biomethane, the smallest renewable hydrocarbon.

This is the sector where the technology company XiMo is also at home. XiMo is a high-tech company in the organic chemistry sector with a particular focus on the development and marketing of metathesis catalysts. For VERBIO AG, in the future metathesis will offer an opportunity to manufacture further chemical methyl ester raw materials. In the medium term the objective is to team up with XiMo to develop the catalysts and processes necessary to achieve this aim, enabling us to enter into new markets for vegetable oil methyl esters outside the biodiesel market.

Goals and strategies

VERBIO is one of Europe's leading manufacturers of biofuels, and at the same time the only global commercial-scale producer of biodiesel, bioethanol and biomethane (Stifel Initiation Research, October 14, 2020). The Group's management focusses on the use of internally-developed innovative process and production technologies, high quality products and maximising the CO_2 efficiency of the products it manufactures. The basis for all our business activities and investments is meeting strict sustainability criteria in the production of biofuels throughout the entire value-added chain – from the procurement of raw materials, through production, up to the sale of biofuels and by-products. By aiming at maximising CO_2 savings we combine commercial success with social responsibility and climate protection. With our advanced technologies and the closed loop concept, which incorporates raw material procurement through to the processing of by-products as feedstuffs and fertiliser products or as high-value input materials for the foodstuff and pharmaceutical industry, we make a significant contribution to regional supply and energy security, to strengthening and decarbonising agriculture in the region, providing sustainable mobility for the future, and the defossilisation of the chemistry of the future.

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

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

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

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

Biomethane from waste materials and straw is, in our opinion, a global megatrend. Biomethane is the smallest renewable hydrocarbon. It is not only climate-neutral; it is even CO_2 negative when the CO_2 emissions that would otherwise have been generated by leaving straw to rot in the fields are taken into account. It can be assumed that 1,000 kg of burned or rotting straw produces up to 1,500 kg of damaging climate gases such as CO_2 or freely released methane.

In the current difficult energy situation faced by Europe, biomethane has an important additional role as a replacement for fossil natural gas. In the future biomethane could replace up to 50 percent of Germany's imported natural gas. Accordingly this provides support for the region's energy and supply security.

Until now, biomethane from waste materials and straw has not been appropriately taken into account in climate and energy legislation. Currently, however, both the German Federal Government and the EU Commission are working on a legal framework to provide fast and long-term support for biogas and biomethane.

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

All CNG/LNG vehicles can be powered with 100 percent biomethane produced using waste raw materials or straw. In our view, for the next five to ten years this is the only technically available and affordable climate-friendly long-distance alternative to classic diesel power, in particular for the heavy goods transport sector. It is to be expected that the already clear trend towards exchanging fleet vehicles will continue. In the short term many more 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 gained from the use of biomethane fuel, but also to make use of the cost advantage to be obtained from the toll exemptions and the fleet exchange programme.

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

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

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

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

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

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

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

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

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

Management system

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

For this reason, we have continued to drive forward targeted research and development activities over recent financial years. Existing processes were further developed and optimised with short- to medium-term time horizons. At the centre of this is improving the greenhouse gas balance, i.e. reducing CO_2 emissions. In addition, new research projects are being initiated in order to enable us to continue to be successful in the future and to ensure the sustainable success of the Group.

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

We prepare the large-scale implementation of new processes and process improvements and analyse economic parameters such as yields, consumption, product quality etc. by performing tests in our laboratories and technical facilities. If our analysis proves that the process or process modification provides economic efficiencies, then the production process is amended accordingly. R&D department employees support the process of implementing technical process changes and placing them into service in production facilities. The proximity and flexibility of our production plants guarantee a quick implementation of our research results.

Participation in joint projects with public and private research institutes and universities also plays an integral role in our research and development work. Prof. Dr. Oliver Lüdtke, a member of our Management Board, has been an active lecturer at the Hamburg University of Technology since 2019.

In total, the Group spent EUR 6.2 million (2020/2021: EUR 5.4 million) on research and development in the past financial year. Groupwide, an average of 51 (2020/2021: 44) employees worked in the research and development departments.

Research and development

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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.

In the financial year 2021/2022 we continued our work on the development of a new production process for the manufacturing of basic chemicals for the chemicals industry, based on rapeseed oil methyl ester (biodiesel).

In addition, we have successfully continued development of analytical quality control methods for our glycerine and sterols products.

In our subsidiary company XiMo we have conducted basic research into the development of further applications for our metathesis catalysts.

Currently we are investing in a new laboratory at our Bitterfeld location which will provide us with a state-of-the-art centre of excellence for our research laboratories

Research and development in the Bioethanol/ Biomethane segment

The focus of research and development work in the Bioethanol segment is to ensure that we make continuous improvements in the production processes used 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 2021/2022 our R&D teams have continued to drive forward their efforts to make further improvements in gaining high-value products (e.g. proteins) from the raw materials used in our bioethanol refineries. In addition to these focus areas we have also driven forward further improvements in the efficiency of our plants over the course of the financial year 2021/2022.

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, 2022 VERBIO employed a total of 978 employees (June 30, 2021: 820), of whom 445 were staff (June 30, 2021: 459), 489 were production employees (June 30, 2021: 337), 27 were trainees and apprentices (June 30, 2021: 23), 1 was a mini-job employee (June 30, 2021: 1) and 16 were employees on short-term contracts (June 30, 2021: 0).

Economic report

Economic and political environment

Market conditions in Germany

Biodiesel and Bioethanol

At the time of writing, statistics are available from the German Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle – BAFA) for the 2022 calendar year up until May 2022. For the year 2022 as a whole lower consumption is expected compared to the previous year.

According to these statistics, the total consumption of diesel fuels in the period from January to May 2022 was 3.9 percent higher than in the same period in the previous year.

When compared to the pattern over the last five years there is a recognisable trend that shows that the growth in diesel fuels in the period from January to March was already below the average over the past five years, and in May it had reached a five-year low.

This was primarily due to increased fuel prices and to weaknesses in the economy. The price of diesel at filling stations is significantly higher than the price of petrol due to the scarcity of middle distillate in the EU. The threatened shortage of natural gas since the outbreak of the Ukraine crisis has led to industrial companies replacing the use of natural gas with heating oil, which has tightened the market for middle distillate further.

The consumption of petrol-based fuels has also recovered in the period from January to May 2022 compared to the same period in the previous year with an increase of 6.5 percent, although the volumes continue to be under the average levels seen over the past five years. In May 2022 the significantly higher prices of petrol, which primarily affects private transport, have made themselves notable and consumption even fell below the May 2021 level.

The E10 share increased by 6.1 percent compared to the same period in the previous year; at EUR 2/litre, petrol prices made customers at filling stations particularly price sensitive. The price advantage offered by E10 compared to E5 was particularly valued. With this, the positive market share trend for E10 continues. This is now stable at more than 20 percent, although it has not yet achieved even half the market share for E10 seen in France, where it has long held a market share in excess of 50 percent.

The use of biofuel blending increased significantly overall. There was an approximate 12 percent increase in the volume of FAME/HVO in the period from January to May 2022 compared to the same period in the previous year, and the increase in the share of ethanol was approximately 17 percent.

Bioethanol and biodiesel were cheaper than the quota acceptance contracts available in the market in this period, and accordingly the use of blending was maximised. The share of biodiesel was above 7 percent by volume, which suggests that HVO was also used in a so-called "overblend" (i.e. its use exceeded 7 percent by volume). The use of ethanol for blending purposes was 7.2 percent by volume, approximately 0.7 percent by volume above the level in the same period in the previous year.

This was despite the mineral oil industry starting the 2022 quota-year with excess quotas of CO_2 savings carried forward, in excess of 2 million tonnes, as the blending obligations in recent years had been significantly below the levels of CO_2 savings that were technically possible. Accordingly, at the current time there is no need to exploit the blending capabilities to their maximum levels or to switch to fuels with a higher bio-content (B100, B20, E85).

CNG (Compressed Natural Gas)/Biomethan

The share of biomethane added to natural gas and used as fuel fell significantly in recent years until and including 2018, before increasing sharply and significantly from 2019. The consumption data presented in the report issued by the Federal Ministry for Economic Affairs (Bundesministerium der Wirtschaft – BMWi) on statistics for the fulfilment of the biofuels quota is reported as follows:

Year	2015	2016	2017	2018	2019	2020	2021
Biomethane-consumption (GWh)	345	379	445	389	660	884	965

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

1. The toll exemption and the reduction of energy taxes for CNG and LNG heavy-goods vehicles established an incentive for transport companies to use BioCNG and LNG fuels.

The public utility energy companies continue to be able to operate their BioCNG 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 filling station operators to substitute CNG with biomethane in order to benefit 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 will be introduced to implement RED II.

2. The second advantageous decision is the removal of the credits for the use of fossil natural gas to meet greenhouse reduction quotas from January 1, 2022 as well as the double credits for advanced biomethane on exceeding the greenhouse reduction quota. The exemption of biomethane from the CO_2 tax has a beneficial effect.

The system established by the legislators creates a situation in which biomethane can be marketed on commercially viable terms.

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.

The market situation in 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 in certain countries.

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

This is in addition to the step-by-step withdrawal from the use of palm and soya-based vegetable oils as a raw material for biodiesel production and the increasing preference for advanced fuels generated from residual and waste materials.

Trends in sales and raw material prices

The wholesale price of FAME in the financial year 2021/2022 was approximately EUR 792/tonne above the average for the same period in the previous year, while the price of rapeseed was approximately EUR 677/tonne higher than in the same period in the previous year.

On average, the price of bioethanol in the financial year 2021/2022 was EUR 389/cbm above the level seen in the same period in the previous comparative year. The price of wheat on the MATIF exchange was EUR 95/tonne above the previous year's price.

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

Historical price trends of selected raw materials

	2020/ 2021	Q1 2021/ 2022	Q2 2021/ 2022	Q3 2021/ 2022	Q4 2021/ 2022	2021/ 2022
Crude oil (Brent; USD/barrel)	54	73	80	98	112	91
Diesel FOB Rotterdam (EUR/tonne)	371	511	597	799	1,085	748
Biodiesel (FAME -10 RED; EUR/tonne)	1,011	1,445	2,041	1,723	2,011	1,805
Petrol FOB Rotterdam (EUR/tonne)	415	589	639	824	1,123	794
Bioethanol (T2 German Specs; EUR/m³)	615	702	1,111	1,016	1,200	1,007
Ethanol USA (CBOT; EUR/tonne)	368	505	505	509	536	514
Rapeseed oil (EUR/tonne)	975	1,291	1,575	1,719	2,041	1,657
Palm oil (EUR/tonne)	792	1,033	1,179	1,402	1,555	1,292
Soybean Oil (CBOT; EUR/tonne)	827	1,155	1,126	1,344	1,651	1,319
Wheat (MATIF; EUR/tonne)	210	234	284	311	394	306
Wheat (CBOT; EUR/tonne)	189	218	251	300	370	285
Sugar (EUR/tonne)	277	352	376	366	398	373

Political environment in Germany and in Europe

The political situation is currently dominated by the consequences of the Ukraine war, with associated inflationary trends and, in particular, problems with energy supplies.

In this situation, everyone is called upon to make realistic proposals about how to reduce supply bottlenecks. Here there is observable readiness among politicians to abandon ideological positions and take advantage of short-term available solutions (e.g. extending the use of coal to generate electricity, expanding the gas infrastructure by the construction of LNG terminals, reforming the Renewable Energy Act (Erneuerbare Energien Gesetz – EEG), providing subsidies for biomass for highly flexible peak electricity plants, focussing on its use to generate biomethane fuel).

The discussions initiated by the Federal Minister for the Environment for phasing out the use of cultivated biomass-based biofuels have fizzled out in view of the collapse of grain prices and the re-establishment of grain exports from Ukraine.

In particular, it is also significant that the Federal Minister for Economic Affairs is demanding that use is made of all available potential capacity to expand biogas/biomethane plants that make use of waste and residual products. With this in mind, the Federal Association of the German Energy and Water Industries (Bundesverband der Energie- und Wasserwirtschaft – BDEW) has prepared a ten-point paper to accelerate the use of biomethane in the natural gas grid system. For VERBIO, two points are of particular importance here: there must be an urgent amendment of the restrictive rule in § 35 of the Gas Network Access Regulation (Gasnetzzugangsverordnung), and, in addition, the long overdue equivalence of biomethane in gas form with LNG for mass balance purposes is required.

Without doubt, the search for available options must also include a solution to the problem of the PCK Schwedt refinery. The future of the location is the subject of discussions which are being led by the Federal Ministry for Economic Affairs, supported by a special team of civil servants at the working level. The objective is for a short-term transformation of the refinery, making it into a plant capable of manufacturing renewable and synthetic fuels.

On June 29, 2022 the EU member states agreed on important positions on the individual measures to be taken to implement the EU Commission's "Fit for 55" package:

- CO_2 fleet limits for passenger vehicles and light commercial vehicles

The targets for the reduction of specific CO_2 emissions will be increased to 55 percent for passenger vehicles and to 50 percent for light vehicles by 2030. From 2035 the reduction of specific CO_2 emissions for both categories should be 100 percent (the "combustion engine ban"). However, according to the resolution the EU Commission will make a proposal that vehicles can still be registered after 2035 outside fleet limits, provided that they are exclusively fuelled using climate-neutral fuel (E-fuels). That will be important for ramping up the use of E-fuels.

- Renewable Energy Directive (RED III)
  - Increasing the obligatory EU-wide target for the share of renewable energies to 40 percent of the total energy mix by 2030 (previously 32 percent). To do this, the EU member states must increase their national contributions in their National Energy and Climate Plans (NECP) and update them by 2023/2024.

    On achieving the minimum objective for the transport sector, there is a choice of a GHG quota of 13 percent or an energetic quota of 29 percent.
  - For biofuels from cultivated biomass, the current rules under RED II shall continue to apply.
  - For advanced biofuels a double-credit and a minimum quota of 0.2 percent in 2022, 1 percent in 2025 and 4.4 percent in 2030 are planned.
  - A minimum quota of 5.2 percent and double-crediting from 2030 are planned for renewable fuels of non-biological origin

Final rules on the above points are, however, not expected until the completion of the three-way negotiations between the European Commission, the European Parliament and the European Council, which are expected in the first half of 2023.

- Effort Sharing Regulation (ESR)

Increasing the greenhouse gas reduction target from 30 percent to 40 percent compared to 2005. Retention of the national targets allocated to each member state contained in the EU Commission's proposal (-50 percent for Germany). Increase of the annual emissions quotas that can be transferred between the member states to 10 percent for the years 2021–2025 and to 20 percent for the years 2026–2030.

- "EU-Emission Trading Scheme" (ETS II)

The Council supports the EU Commission's proposal for an additional, independent emissions trading system for buildings and road transport. Distributors of motor and heating fuels will require certification. It is intended that pricing commence in 2027. It is intended that these emissions shall be reduced by 43 percent by 2030 in comparison with 2005. To achieve this the volume of emissions rights would fall annually from 2024 by 5.15 percent and by 5.43 percent from 2028. There are no plans for zero-priced emissions rights. The member states are provided with the option to exempt distributors from the obligation to submit certificates up until 2030, when they are subject to a CO_2 tax at the national level which corresponds to the auction price of certificates for the buildings and transport sectors.

- Carbon Border Adjustment Mechanism (CBAM)

A CO_2 Carbon Border Adjustment Mechanism will be introduced from 2030, with a transition phase of three years. This should provide for the pricing of emissions embedded in the manufacturing and transport of imported goods. Initially, this will include the electricity sector and selected goods in the cement, iron and steel, aluminium and fertiliser sectors. The CBAM is intended to replace the current central instrument to protect against “carbon leakage”, the free issue of emissions certificates, progressively by 2035.

Political environment and market situation in the USA and Canada

In the United States the biofuels market is governed by the Renewable Fuel Standard (RFS) programme, which was approved by Congress in 2005 and subsequently amended in 2007 and 2010 (RFS 2). Legislation prescribes the use of biofuels in order to replace a portion of the total volume of fossil fuels used in the transport sector. The minimum fuel volume required is increased on an annual basis and must be fulfilled by means of both conventional biofuels (e.g. bioethanol from maize) and advanced biofuels (biomethane or diesel produced on a biomass basis). The RFS 2 determines annual target volumes for the various renewable fuels. While the Environmental Protection Agency (EPA) determines the annual volume obligations (mandates) for refinery operators, this is determined based on the available capacity, the sales of fuels in total and a “RFS 2” target amount. In order for a fuel to be credited to the mandate it must be manufactured in accordance with an EPA-approved process, and it must demonstrate a minimum level of greenhouse gas emissions compared to oil, using the year 2005 as a basis.

Complementing this programme is the Low Carbon Fuel Standard (LCFS) which applies along the Western seaboard (California, Oregon, Washington, British Columbia), which is very similar to the greenhouse gas quota approach used in Germany. Currently 11 US states are evaluating programmes for the use of renewable fuels. Their introduction is expected within the next five years. The forerunners include New Mexico, Michigan, Minnesota and Vermont. It was recently announced that a member of the US Senate intends to introduce nationwide LCFS legislation.

The LCFS sets standards for greenhouse gas emission reductions. As described above, there is a spreading trend towards this practice being introduced in other states. Biofuels producers such as VERBIO which are able to generate greenhouse gas savings in the production of their biofuels are interested in selling their products in states with LCFS schemes. Further growth in the biofuels sector is expected in the coming years as the US transport sector is aiming to reduce greenhouse gas emissions.

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

The Environmental Protection Agency (EPA) announced the final RFS volume obligations for 2020, 2021 and 2022 (RVOs) on June 3, 2022. The RVOs for all renewable fuels, advanced biofuels and cellulose-based fuels are lower than the RFS 2 target volumes. However, the RVOs for cellulose-based biofuels, for example biomethane from straw, are higher than in the previous year. The RVO for cellulose biofuels increased from 418 million US gallons in 2019 to 510 million gallons in 2020, an increase of 22 percent. Volume obligations for 2021 and 2022 were set at 560 and 630 million gallons respectively. In addition, the EPA set an additional obligation of 250 million gallons to the 2022 volume and declared its intention to add a further 250 million gallons in 2023 in order to take account of the repeal of the annual regulation for 2014–2016 by an appeal court in the Americans for Clean Energy vs. EPA case.

The RVO for 2020 for diesel based on biomass material is increased by 16 percent, from 2.1 billion gallons to 2.43 billion gallons; the volume in 2021 remains unchanged at 2.43 billion gallons. The volume in 2022 is 2.76 billion gallons. At the same time the share of other advanced biofuels has increased significantly. As biodiesel and renewable diesel (HVO) need to be considered together, there has been an increase in the overall volume obligation for the total of the two categories in 2021 and 2022. At the same time the capacities for renewable diesel (HVO) have increased by 47.1 percent in the same period. This trend can be expected to continue in future years as further companies have announced major projects for renewable diesel.

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

While there was initial uncertainty about the exceptions for "small refineries" (SRE) granted in large numbers by the Trump administration, the latest announcements from the EPA 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 profit margins for all forms of biofuel, with the effect that many manufacturers were forced to reduce their production volumes or stop production temporarily in the years 2019, 2020 and 2021. As mentioned above, the most recent EPA instructions that these exceptions should no longer be applied have seen the market returning to stability.

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 2021 at 630 million gallons. The deficit is due to various factors, among other things the effects of the pandemic on all fuels, the lack of private investment, logistical challenges, technology setbacks and the lack of support from the US Federal Government.

On the other hand, the deficit provides an opportunity for well-financed companies that are in a position to make use of technologies for manufacturing advanced biofuels on a large scale.

Until recently, Canada's use of renewable fuels has reflected the interests of the individual provinces, whereby British Columbia is regarded as the leading province for this purpose. Other important provinces such as Ontario and Quebec have announced their interest in supporting the continued development of renewable fuels. However, changes in provincial governments have led to uncertainty and delays in the use of renewable energies.

On June 29, 2022 the Canadian government announced a regulation for renewable fuels. It is working on a Clean Fuel Standard (CFS), the implementation of which was postponed until 2023 due to the COVID-19 pandemic. It remains to be seen whether this process will be delayed further. This standard places more and more demands on manufacturers and importers directed at reducing CO_2 emissions from petrol and diesel by 15 percent (compared to 2016). Once it has been implemented in full the CFS will contribute to saving 26.6 million tonnes of greenhouse gases by 2030. The new regulations are expected to take effect from July 1, 2023.

Political environment and market situation in India

India is one of the fastest growing economies in the world, with rapidly increasing energy demands. India's dependence on fossil fuels for meeting its energy needs is linked to two major problems: an increasing volume of imported energy, and carbon emissions. The country currently imports almost 85 percent of its crude oil, which represents approximately 45 percent of its primary energy needs. This proportionate share will increase further in the near future, which will have an enormous impact on the country's energy security. The Indian government has set itself the target of reducing its dependence on imports by 10 percent. It has developed a roadmap to reduce its dependency on imports in the oil and gas sector, based on a five-step strategy: increasing domestic production, the introduction of biofuels and renewable energies, energy efficiency standards, improvements in refining processes, and demand substitution.

The updating of India's biofuels policies from 2018 was aimed at a nationwide blending quota of 20 percent ethanol and 5 percent biodiesel by 2030. The focus was on the use of second-generation technologies, i.e. making use of agricultural/industrial waste products. In 2022, however, significant changes were made to these policies. The government is now aiming for a blending mix of 20 percent ethanol by 2025 instead of by 2030. India needs to increase its production capacity for ethanol from raw sugar beet and grain from the expected 3.3 million cubic metres (cbm) in 2020–2021 to at least 10.2 million cbm by 2025.

In addition, the most important step to developing BioCNG in India was formally taken by the Indian government in 2018 with the start of the SATAT initiative (Sustainable Alternative Towards Affordable Transportation). The objective of the programme is to establish CNG production with a volume of 15 million tonnes by 2023. As part of the SATAT programme, it is intended that businesses shall construct CBG plants, manufacture CNG and supply the gas to oil marketing companies for onward sale as vehicle and industrial fuel. The initiative is targeted at compressed biogas (CNG) from waste and biomass sources such as agricultural residual products, cow dung, sugar cane press cake, municipal solid waste and water treatment plant waste.

Business report and the Group's position

Results of operations

The Group's production volume of biodiesel and bioethanol in the financial year 2021/2022 totalled 838,132 tonnes, compared with 834,541 tonnes in the financial year 2020/2021. This represents an overall capacity utilisation of 91.1 percent (2020/2021: 90.7 percent). In addition, once again a new record level of biomethane was produced in the financial year 2021/2022, with total production amounting to 884,959 MWh (2020/2021: 794,817 MWh).

The Group's sales revenues for 2021/2022 totalled EUR 1,812.5 million (2020/2021: EUR 1,026.0 million), significantly exceeding the EUR 1.0 billion level. These figures include sales revenues from trading in biofuels of EUR 117.0 million, which, while they are also significantly higher than in the previous financial year 2020/2021 (EUR 13.1 million), remain of minor importance overall. The increase in sales revenues is primarily due to the strong increase in the price of both biodiesel and bioethanol over the course of the financial year. Further details are provided in the reports on the individual segments.

With favourable framework conditions, especially in Europe, VERBIO's earnings before interest, taxation, depreciation and amortisation (EBITDA) for the biofuels business amounted to EUR 503.3 million, EUR 337.0 million ahead of the comparative period (2020/2021: EUR 166.3 million). Here VERBIO benefited in particular from the generally high price levels for petrol, diesel and biofuels, the increased volumes for fuels, especially in the German market, the higher GHG quota obligations and, among other things, the associated increased E10 share of the fuel market as well as the double crediting of the use of advanced biofuels on exceeding these GHG quotas.

The Group operating result (EBIT) is EUR 462.0 million, also significantly higher than in the comparative previous period (2020/2021: EUR 136.6 million). The net result after current and deferred taxes of EUR 143.2 million (2020/2021: EUR 41.8 million) amounted to EUR 315.8 million (2020/2021: EUR 93.5 million). Based on the result for the period, earnings per share (basic and diluted) were EUR 4.99 and EUR4.97 respectively (2020/2021: EUR 1.48 and EUR 1.47 respectively).

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

Trends in individual income and expense categories

Other operating income amounted to EUR 9.6 million (2020/2021: EUR 11.3 million) and primarily includes electricity and energy tax rebates (EUR 3.2 million; 2020/2021: EUR 3.3 million) and grants and the release of investment grants and subsidies (EUR 0.9 million; 2020/2021: EUR 4.4 million).

The cost of materials amounted to EUR 1,237.3 million. Consistent with the corresponding sales revenues, this figure is higher than in the previous year (cost of materials in 2020/2021: EUR 779.5 million). Taking account of changes in inventory of unfinished and finished goods, however, there was a significantly more than proportional increase in gross margin amounting to EUR 617.2 million (2020/2021: EUR 269.1 million).

Personnel expenses in the financial year 2021/2022 amounted to EUR 65.0 million, approximately 19.5 percent higher than in the previous year (2020/2021: EUR 54.4 million). The increase is primarily due to the increase in the number of employees as a result of the continued ramp-up of the new business activities. Overall there was only a slight increase in the overall average personnel cost per employee. The personnel expense ratio (as a proportion of sales revenue, change in inventories and own work capitalised) was 3.5 percent, significantly lower than in the previous year (2020/2021: 5.2 percent).

Other operating expenses amounted to EUR 57.3 million in the period (2020/2021: EUR 42.4 million). These expenses primarily include the costs of repair and maintenance, outgoing freight costs and other sales costs, the cost of insurances and contributions, motor vehicle costs and legal and consultancy costs. Within this total, increases in expenses were recorded primarily for outgoing freight costs and other selling expenses, repairs and maintenance, legal and consultancy costs and insurance premiums and contributions, while other expenses included in this total are largely unchanged compared to the previous year.

The changes in value of financial assets and liabilities (EUR 13.6 million; 2020/2021: EUR –2,5 million) almost wholly consist of exchange rate gains and losses.

Depreciation and amortisation in the financial year 2021/2022 included amortisation charges amounting to EUR 5.7 million (2020/2021: EUR 5.7 million) arising on right-of-use assets under leasing arrangements as a result of the application of IFRS 16. As a result, systematic planned depreciation has only increased by a comparatively small amount compared to the previous year. Some older equipment is already fully depreciated, while the investments made in the last three years have only been commissioned successively on a step-by-step basis, at which time depreciation is commenced. In addition, as a result of losses incurred and given that the framework conditions have not developed in line with the original assumptions made, impairment write downs of EUR 15.5 million were recorded against the Biodiesel cash-generating unit in North America.

The financial result amounted to EUR –3.0 million (2020/2021: EUR -1.3 million) and included interest expenses of EUR 3.2 million (2020/2021: EUR 1.4 million) less interest income of only EUR 0.2 million (2020/2021: EUR 0.3 million). The financial result includes interest expenses for interest charges on lease liabilities of EUR 0.3 million (2020/2021: EUR 0.3 million) in connection with the implementation of IFRS 16.

The increase in income tax expense (EUR 143.2 million; 2020/2021: EUR 41.8 million) corresponds to the higher profit before tax. The tax charge represented an effective tax rate of 31.2 percent (2020/2021: 30.9 percent) in the financial year 2021/2022, which is consistent with the expected rate.

Net assets and financial position

The balance sheet total amounts to EUR 1,128.6 thousand at June 30, 2022 (June 30, 2021: EUR 678.6 million). The increase in the balance sheet total on the assets side is primarily due to the increases in property, plant and equipment and cash and cash equivalents. On the equity and liabilities side the increase is primarily in the increase in equity and in liabilities for income taxes.

Non-current assets

Non-current assets increased by EUR 160.0 million and amounted to EUR 472.3 million at the balance sheet date (June 30, 2021: EUR 312.3 million). The increase was primarily due to significantly higher levels of additions to property, plant and equipment (EUR 121.4 million), offset by only slightly higher systematic depreciation of EUR 26.6 million (2020/2021: EUR 23.7 million), impairment write downs of EUR 15.5 million and disposals of assets at their remaining book values of EUR 1.7 million. In contrast, non-current assets recognised in accordance with IFRS 16 for right-of-use assets held under leasing arrangements are almost unchanged at EUR 18.9 million.

Current assets

Current assets amounted to EUR 656.3 million at June 30, 2022 (June 30, 2021: EUR 366.3 million), an increase of EUR 290.0 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2022: EUR 169.3 million; June 30, 2021: EUR 101.4 million). The increase in inventories compared to June 30, 2021 was primarily a result of the higher value of raw material inventories, as well as higher quantities and higher value of finished goods inventories. The increase in raw materials is due to the significant increase in the price levels for all raw materials used. Within finished goods, the increase at June 30, 2022 reflected the higher level of inventories of biomethane in particular.

There was also an increase, although a smaller one, in trade receivables (June 30, 2022: EUR 112.2 million; June 30, 2021: EUR 69.6 million). The increase primarily reflects the higher price level of biodiesel and bioethanol at the end of the year compared to the price levels seen at the end of the previous year.

There was only a slight fall in the carrying value of derivatives, which had a carrying value of EUR 41.0 million (June 30, 2021: EUR 44.2 million). The derivatives again predominantly consist of derivatives held to hedge the purchase of vegetable oils; changes in value of these derivatives up until June 30, 2022 are recognised directly in equity as the derivatives are accounted for as cash flow hedging instruments.

Cash and cash equivalents increased significantly at the end of the financial year, increasing from EUR 105.0 million to EUR 299.6 million. Details of the changes in the balance of cash and cash equivalents are provided in the comments on the cash flow statement.

Equity and liabilities

Equity totalled EUR 818.5 million (June 30, 2021: EUR 509.9 million). The equity ratio amounted to 72.5 percent, slightly lower than at the previous year's balance sheet date (June 30, 2021: 75.1 percent).

Non-current liabilities

Non-current liabilities increased by EUR 12.5 million, from EUR 45.5 million at June 30, 2021 to EUR 58.0 million at June 30, 2022. While there was a comparatively slight increase in lease liabilities (EUR 14.4 million; June 30, 2021: EUR 11.1 million) there was a more significant increase in deferred taxes (EUR 11.9 million; June 30, 2021: EUR 1.8 million).

Current liabilities

Current liabilities have increased significantly compared to the end of the previous financial year (June 30, 2022: EUR 252.1 million; June 30, 2021: EUR 123.3 million). This was primarily a result of the increase in trade payables (EUR 95.4 million; June 30, 2021: EUR 45.4 million) and the increase in liabilities for income taxes.

The change in trade payables corresponds to the increase in trade receivables, reflecting the significant increase in prices in procurement markets. Net profits for the year were significantly higher than forecast, which has resulted in higher income tax liabilities as the advanced payments of income taxes had not been adjusted to the revised profit levels in full.

Cash flows

The cash flow from operating activities for the reporting period totalled EUR 325.0 million, significantly higher than in the previous year (2020/2021: EUR 117.2 million). This was primarily due to a higher result for the period, together with the effects of increases in particular in trade payables as well as other financial and non-financial liabilities. Offsetting this there were larger increases in inventories and trade receivables than in the previous year, and significantly higher income tax payments were made (EUR 63.0 million; 2020/2021: EUR 44.5 million).

Cash outflows from investment activities in the reporting period 2021/2022 totalled EUR 113.6 million as a result of investments made (2020/2021: EUR 46.6 million). This predominantly resulted from payments made for investments in property, plant and equipment (EUR 114.4 million), primarily for plant construction in the USA as well as for expanding plant in Germany.

The cash flow from financing activities for the reporting period totalled EUR -18.5 million (2020/2021: EUR -18.8 million). This primarily consists of dividend payments (EUR 12.6 million; 2020/2021: EUR 12.6 million). In addition, the cash flow from financing activities is affected by the application of IFRS 16 with an amount of EUR 5.8 million (2020/2021: EUR 5.9 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 192.9 million in the period July 1, 2021 to June 30, 2022. Cash and cash equivalents reported in the balance sheet at September 30, 2022 amounted to EUR 299.6 million compared to EUR 105.0 at the end of the previous financial year.

Net cash

The bank and loan finance arrangements of EUR 30.0 million are more than offset by cash and cash equivalents of EUR 299.6 million and other cash balances held in segregated accounts (security collateral) of EUR 14.5 million, so that the reported net cash balance at the balance sheet date amounted to EUR 284.1 million (June 30, 2021: EUR 100.2 million).

Investments

Investments totalling EUR 120.7 million were made in the financial year 2021/2022 (2020/2021: EUR 67.8 million). These primarily relate to investments in property, plant and equipment of EUR 121.4 million (2020/2021: EUR 67.7 million). The most significant investments were the construction of plants in the US (EUR 54.2 million) as well as investments in expanding plant facilities in Germany (EUR 34.6 million).

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 2021/2022 has been a very pleasing year overall. The EBITDA of EUR 503.3 million and the net cash position of EUR 284.1 million respectively are significantly above the original planning for the financial year 2021/2022. The forecast released in the previous year indicated an EBITDA of around EUR 150 million. For net cash the Company expected a net cash position at the end of the financial year 2021/2022 of around EUR 50 million. The original forecasts for EBITDA and for net cash at the end of the financial year were repeatedly amended over the course of the financial year by announcements made on November 30, 2021, January 26, 2022, April 29, 2022 and June 28, 2022.

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

The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.20 per qualifying share at the annual general meeting to be held on February 3, 2023, and that the remaining profit for the period shall be carried forward

Segment reporting

Biodiesel

Biodiesel	1. HY 2020/ 2021	2. HY 2020/ 2021	2020/ 2021	1. HY 2021/ 2022	2. HY 2021/ 2022	2021/ 2022
Production capacity (t)			660,000			660,000
Production (t)	307,230	294,027	601,257	305,192	268.,39	574,031
Capacity utilisation (%)	93.1	89.1	91.1	92.5	81.5	87.0
Number of employees (at the balance sheet date)	**219**	**224**	**224**	**219**	**216**	**216**

The production volumes in the financial year just ended did not quite match the high production volumes recorded in recent financial years. In the financial year 2021/2022 the production of biodiesel fell back below the 600,000 tonne level due to lower production in Canada, and totalled 574,031 tonnes (2020/2021: 601,257 tonnes). Due to lower production capacity utilisation at the biodiesel plant in Canada, the production capacity utilisation overall was 87.0 percent following 91.1 percent in the previous year. Sales volumes, including bought-in products procured to meet sales contract volumes, reached a new record at 679,914 tonnes.

Sales revenues in the Biodiesel segment in the financial year 2021/2022 totalled EUR 1,269.7 million, following EUR 729.9 million in the financial year 2020/2021. The increase in sales revenue is primarily due to the strong increase in the average selling prices for biodiesel over the course of the financial year, with a comparatively small increase in sales volumes.

The cost of materials amounted to EUR 900.6 million (2020/2021: EUR 586.2 million), above the level of the previous year, consistent with the increase in sales. Taking into consideration the change in inventories, gross profit increased in total from EUR 148.6 million to EUR 378.0 million. Personnel expenses in the financial year 2021/2022 amounted to EUR 21.9 million (2020/2021: EUR 19.7 million). In the Biodiesel segment overall the increase is primarily due to higher average wages and salaries payable to employees.

Other operating expenses totalled EUR 27.5 million (2020/2021: EUR 22.1 million). Taking into account the losses on futures transactions of EUR 43.2 million (2020/2021: EUR 17.5 million), the segment EBITDA for the period is EUR 298.3 million (2020/2021: EUR 93.2 million).

Investments in property, plant and equipment totalling EUR 5.0 million were made in the Biodiesel segment in the financial year 2021/2022 (2020/2021: EUR 4.7 million).

Bioethanol

Bioethanol	1. HY 2020/2021	2. HY 2020/2021	2020/2021	1. HY 2021/2022	2. HY 2021/2022	2021/2022
Production capacity (t)			260,000			260,000
Production (t)	118,396	114,888	233,284	127,221	136,880	264,101
Capacity utilisation (%)	91.,1	88.4	89,7	97.9	105.3	101.6
Biomethane						
Production capacity (t)			900,000			900,000
Production (t)	414,172	372,156	794,817	414,718	470,241	884,959
Capacity utilisation (%)	92	82.7	88.3	92.2	104.5	98.3
Number of employees (at the balance sheet date)	**371**	**401**	**401**	**477**	**514**	**514**

In the financial year from July 1, 2021 to June 30, 2022 production of bioethanol totalled 264,101 tonnes (2020/2021: 233,284 tonnes), representing an increase compared to the previous year. There was also a notable increase in the production of biomethane in the financial year 2021/2022 (885.0 GWh) compared to the financial year 2020/2021 (794.8 GWh).

In total, the Bioethanol segment generated external sales revenues of EUR 530.8 million in 2021/2022, significantly higher than in the previous year (2020/2021: EUR 286.4 million). In the Bioethanol segment, too, the increase in sales revenue despite slightly lower sales volumes is due to the higher average sales prices over the course of the year as a whole. The volume of trading activities remained at a relatively low level compared to total segment sales revenues, as in the previous year (2021/2022: EUR 47.5 million; 2020/2021: EUR 12.6 million).

The cost of materials increased compared to the previous year corresponding to the change in sales revenues, increasing to EUR 328.6 million (2020/2021: EUR 187.2 million), with the consequence that the segment gross margin increased to EUR 235.8 million from EUR 117.1 million in the comparative previous year, after taking the change in inventories into account.

Other operating income in this segment in the reporting period amounted to EUR 16.0 million (2020/2021: EUR 9.2 million), representing an increase compared to the previous year primarily due to higher currency retranslation gains.

Personnel costs amounted to EUR 36.7 million (2020/2021: EUR 29.9 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 39.7 million, compared to EUR 28.1 million in the financial year 2020/2021. These primarily include outgoing freight and maintenance costs as well as losses on foreign currency translation, whereby these as well as other amounts included in other operating expenses have increased compared to the previous year.

The segment result EBITDA for the financial year 2021/2022 totalled EUR 202.3 million, in comparison with EUR 70.6 million in the financial year 2020/2021.

In total, EUR 108.9 million (2020/2021: EUR 61.1 million) was invested in property, plant and equipment in this segment. This primarily consists of investments in connection with the construction of the biomethane and bioethanol plants in the USA, as well as with the expansion and optimisation of the existing plants in Schwedt/Oder, Zörbig and Pinnow.

Other

In the financial year 2021/2022 the Other segment generated revenues – primarily from transport and logistics services – totalling EUR 21.4 million (2020/2021: EUR 16.7 million). The segment result amounted to EUR 0.4 million (2020/2021: EUR 0.8 million).

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 report

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. Particular attention is drawn here to the fact that it is not possible to assess the consequences that the ongoing war in Ukraine will have on raw material and sales markets.

VERBIO does not and does not intend to 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 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. Stable business, however, 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 quotas currently offers a fixed framework on which the business plan going forward is based. The increase of the GHG quota from 6 percent to a nominal 25 percent by 2030 will mean a several-factor multiplication of market demand, and is a change which VERBIO has demanded since its initial public offering in 2006. A de facto prohibition on the use of biofuels from renewable raw materials as stated and planned by the Green-led Federal Ministry for the Environment as a reaction to Russia's attack on Ukraine remains possible. However, the coalition partners have taken a different position and VERBIO is optimistic that these proposed legislations, which would be disastrous for the sector, will not be introduced.

Trends in raw material prices

The World Agricultural Supply and Demand Estimates (WASDE) Report issued by the United States Department of Agriculture (USDA) on August 12, 2022 estimates that worldwide grain production is currently 2.797 million tonnes. This represents a 4 million tonne increase compared to the previous report.

A slightly lower volume of grain production is expected for 2022/2023 with an estimated 2.761 billion tonnes.

The USDA expects the worldwide availability of grain (opening inventories and harvest) to be 1.0559 billion tonnes (WASDE issue 627, page 8), and in doing so increases the expected production volume for the current business year by a further 4.2 million tonnes compared to its previous report.

Closing inventories of grain in August 2022 were estimated to be 799.46 million tonnes, of which 276.35 million tonnes was wheat.

The worldwide consumption of wheat in the 2021/2022 season reached 793.16 million tonnes (August 2021 estimate: 786.67 million tonnes for 2021/2022). Consumption in the previous season 2020/2021 is now given as 782.22 million tonnes.

The price of grain remains at a high level, although the consequences of the Ukraine war on the prices have relaxed since mid-July 2022. From March to mid-June 2022 the prices of wheat were around the USD 400/tonne level. Since mid-July the prices have fallen back to pre-crisis levels of EUR 300/tonne.

There have been extreme increases in transport costs in addition to the higher grain prices. Logistical operations for grain and oil seed have been a serious problem this year. In addition to the extremely low water levels in shipping channels, there have been major interruptions in rail transport in Germany.

In its report dated August 12, 2022 the USDA expects worldwide oilseed production to total 600.41 million tonnes, compared to 607.26 million tonnes for 2021/2022. The harvest in Brazil was given as 126 million tonnes, while in January 2022 139 million tonnes had been forecast and in December 2021 the estimate had been as high as 144 million tonnes. The harvest in Argentina had been estimated at 49.5 million tonnes in December, but only at 43.5 million tonnes in April, and in August 2022 the USDA gave a revised estimate of 44 million tonnes. The forecasts were revised downwards over the course of the year due to unfavourable weather conditions. The forecasts are more optimistic for the coming season 2022/2023, with bean production estimates for Brazil starting at 149 million tonnes, and Argentina estimated to produce 51 million tonnes (WASDE issue 627, pages 10, 28).

The production of oilmeals is estimated to be 348.70 million tonnes in 2020/2021, with estimates for 2021/2022 in January of 359.91 million tonnes, revised to 349.17 million tonnes in August (WASDE issue 627, page 10). Vegetable oil production is expected to total 211.01 million tonnes in 2021/2022. Vegetable oil production was calculated at 206.58 million tonnes in 2020/2021. For 2022/2023 production is expected to increase to 219.05 million tonnes. That would mean an additional volume of approximately 10 million tonnes, and an additional 46 million tonnes of seed.

According to the USDA vegetable oil consumption is expected to increase to 211.01 million tonnes in 2021/2022 (2020/2021: 206.59 million tonnes) (WASDE issue 627, page 10).

The latest estimate of the consumption of oilmeal is unchanged compared to the previous year at 344.41 million tonnes.

The forecast of the availability of soya beans made in January 2022 (372.56 million tonnes) has now been reduced significantly to 352.74 million tonnes (WASDE issue 620, page 10).

Sunflower seed oil is readily available once again despite the blockade of the Black Sea ports. The extreme prices seen in April and May 2022 have returned to normal levels. The price of sunflower seed oil for delivery in October is USD 1,530/tonne. Some consumers in the food sector have switched to using rapeseed oil in response to the Ukraine crisis. Those producers in Ukraine that are able to continue working have established new delivery channels using overland routes or are looking for new customers.

Oil World continues to expect a recovery of vegetable oil production with a new forecast of 209.86 million tonnes (Oil World no. 32/65 page 375; only vegetable oils excluding animal fats). That would represent a production increase of 6.84 million tonnes compared to 2021/2022.

However, at the same time the consumption estimate has increased by 6,814 million tonnes, which offsets the increase in production volumes.

Sales price trends

The short- and medium-term fossil crude oil price trend is, to a significant degree, dependent on the political stability of oil-extracting countries and their readiness to increase the quantities of oil produced in response to the current energy crisis in Europe (initiated by the sanctions imposed as a result of the Ukraine war), as well as on global economic trends with the associated effects on demand.

At the same time the price pressure resulting from the worldwide low inventories of fossil crude oil and fossil oil products is offset by lower demand, primarily from China. The strict lockdowns in China with their massive effects on global supply chains are reducing demand significantly.

While in 2020 worldwide inventories were at the top end of the five-year historical trend at the start of the COVID-19 pandemic, current inventories are below the lows of the five-year trend range.

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

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

These mechanisms have already started to have an effect, which can be seen in the massive increases in the prices for biodiesel and ethanol compared to the previous year.

The introduction of the GHG quota since January 1, 2015 initially led to a reduction in the use of biofuels for blending purposes. This was 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 the significant price determinant factor. The oil industry buys the fuels that have been shown to have a high reduction effect 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 6 percent to 7 percent from January 1, 2022, there was an increase in demand for biofuels with high levels of greenhouse gas savings.

The increase in the quota obligation for advanced fuels from 0.1 percent to 0.2 percent on an energetic basis has not led to a noticeable increase in demand for advanced fuels as the increase in the quota obligation is too minor.

From 2023 the quota obligation increases to 8 percent, with a minimal increase in the quota for advanced fuels of 0.3 percent. Accordingly, a stable demand and margin situation can be expected.

Developments in political framework conditions in the European Union

Here we refer to the explanations provided in the report on the Company's economic position.

A plenary vote at the European Parliament is planned for mid-September 2022 on the amended RED II proposals. The Council of Ministers and the European Parliament are looking for a final agreement on several issues in inter-institutional negotiations:

- Renewable Energy Directive (RED III)
- Effort Sharing Regulation (ESR)
- EU-Emission Trading Scheme (ETS II)
- Carbon Border Adjustment Mechanism (CBAM)

Developments in the political environment in the USA

The Renewable Fuel Standard (RFS) programme in its current form is due to end in 2022. At the same time as the announcement of the final RVOs for 2020, 2021 and 2022 the EPA announced its "Set" initiative which will determine the RVOs for 2023–2025. The EPA recognises that the RFS legislation enables growth through cellulose and advanced biofuels. Based on recent public statements, they also intend to investigate which instruments and mechanisms the authority should use in order to support RNG investment. There now appears to be the will to create a programme that will provide an incentive for the industry to make further investment. The proposed RVOs for the years 2023 to 2025 will be announced in November 2022 and finally enacted in April 2023 after examination and comment by the industry, the regulatory agencies and other interested parties. This measure is intended to provide the industry with security assurances.

The Biden administration has been plagued by numerous problems, including challenges to its overall "Build Back Better" agenda, a failure to enact voting reform legislation, the war in Ukraine, energy prices and inflation, as well as other pervading issues which have caused many of the proposals for the use of renewable energies to be put on hold. The latest EPA measures, as described above, have contributed to providing more security and predictability and to encouraging the growth of renewable fuels.

The EPA will continue to follow the programme under the current rules. The scope of the adjustments will also be based on the RFS that currently applies, i.e. there are minimum and maximum limits for the individual types of biofuels.

Essentially it is expected that the current rules will be carried forward after 2022. A fundamental change to the rules is not expected until there is a new RFS; however, it is not expected that a new RFS will be approved in the medium term. The current government has not made any clear statements on the future of renewable fuels (RFS 3), and a due date for this has not yet been fixed.

In the meantime, the EPA has restored confidence in the market by revoking exceptions that had been issued earlier, which has resulted in some improvements to the margins seen in the past.

Political environment in Canada

As previously described, the Canadian Federal Government recently announced a national Clean Fuel Regulation (CFR) that is intended to achieve annual greenhouse gas savings of up to 30 million tonnes by 2030. Environment and Climate Change Canada, the authority responsible for the implementation of the CFR, had announced delays to the original time schedule as a result of the COVID-19 pandemic and other political factors. Regulations are being drafted that are intended to reduce emissions from the use of fluid fuels; these are intended to take effect from July 2023, and other regulations for gas and solid fuels may follow later. Overall the implementation of the CFR is making slow but targeted progress. No other measures of significance are expected in the near future.

Developments in the political environment in India

More than three years after launch, the development of BioCNG in India is making progress with the SATAT (Sustainable Alternative Towards Affordable Transportation) initiative. There are developments in the necessary components such as the establishment of a reliable biomass supply chain, the infrastructure for distributing CNG products (pipeline network), and guarantees for CNG sales and for the acceptance of biowaste; also, the commercial conditions for CNG sales have improved significantly.

Despite challenges faced in implementing the policies there is heavy pressure from the central government and the governments in the individual states, with the result that there was an increase in investment by the industry last year. The continued efforts of the Indian government to improve the political framework in order to create a viable business model will lead to even stronger investment flows from industry, which will create growth in both the ethanol and CNG sectors and lead to a reduction in India's dependency on imported fossil fuels.

Future development of the VERBIO Group

In view of the – in parts – ambitious decarbonisation and defossilisation targets in transport and the newly-created markets in industry, a significant growth in the market for low-CO_2 raw materials and products in the years through to 2030 can be expected. VERBIO will address this market growth with its international expansion and by optimising its existing production capacity, as well as with construction of new capacity for manufacturing renewable molecules in the form of green- and brownfield investments. In addition to expanding its advanced biofuels production capacity, VERBIO is investing in the development of processes to manufacture basic chemicals for use in the chemical industry using vegetable oils and rapeseed oil methyl ester as raw materials. In the Bioethanol segment too, VERBIO is working on promising projects to increase its value-added as well as on new applications for chemical processes. These products will increase the diversity of VERBIO's product portfolio and end markets, and thereby secure the sustainable profitability of the Group.

Overall assessment of the expected development

The GHG quota system that came into effect in Germany from January 1, 2015 was implemented well by VERBIO, and the Company has used this opportunity to create an impressive success story. In almost every financial year the Group has achieved further new record levels of sales volumes and reported record results, and this was again the case in the financial year 2021/2022 just ended.

The Management Board also expects that the VERBIO production equipment in both segments will see a good level of plant utilisation in the financial year 2022/2032 just started. Sales revenue levels are very much dependent on the market prices of raw materials and biofuels and on the volume of trading transactions for biogene fuels entered into on a case-by-case basis. Based on current sales, raw material and energy price levels as well as the planned production capacity usage and the uncertainties described, the Management Board expects to achieve an EBITDA for the financial year 2022/2023 of around EUR 300 million. Net cash at the end of the financial year will fall to approximately EUR 30 million as a result of the high levels of investment, which will be financed from the Group's own resources. This forecast is made subject to the proviso that the continued course of the Russian aggression in the Ukraine and its consequences do not have a significant further negative effect on the market for biofuels and, in particular, on the procurement of raw materials and energy.

Risk and opportunity report

Risk management system

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

Risk strategy and risk policy

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

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

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.

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

Risk reporting (via the 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 and which can, accordingly, be 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 with the most important new or changed risks. 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 amended on an ongoing basis to meet the changing external framework conditions and the resulting internal organisational structure. A comprehensive inventory of risks was made on a cyclical basis in the second half of the last financial year 2020/2021; this was done in individual meetings held by the risk manager with those responsible for reporting risks, or by telephone due to the requirements to reduce the level of social contacts. In accordance with the Company's two-year cycle, a further such inventory is due to be performed at the end of the current financial year 2022/2023. In addition, all risk managers at the subsidiaries and at the holding company report on a half-yearly basis (in written form using the risk management documentation form) to the Group risk manager. The Group risk manager combines the reports and reports on the aggregate risk position and the presentation of the risks included in the report – whether they be new risks or risks whose reporting has been amended – directly to the Management Board.

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

Risks

Risk assessment

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

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

Risk category	Description
Low	x ≤ 1 Mio. EUR
Medium	1 Mio. EUR < x ≤ 5 Mio. EUR
High	5 Mio. EUR < x ≤ 15 Mio. EUR
Very high	x > 15 Mio. EUR

Based on the recommendation 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 opportunities and risks were categorised under opportunity and risk factors as follows: market and sales, procurement, environment, tax and commercial law, production and technology, finance, human resources, organisation, legal, regulations and compliance, and other events.

The analysis below describes all the (significant) corporate risks and opportunities identified for the VERBIO Group that, from today's perspective, could affect the net assets, financial position and results of operations. Changes compared to the previous year are noted in brackets.

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	Medium (PY: Low)	Low
Environment		
Risks due to contaminated sites and other building, land and environmental risks	Very low	Low
Tax and commercial law		
Risks of non-compliance with ongoing tax obligations	Very low	Low
Risks from tax audits	Low	Low
Production and technology		
Production and technology risks	Medium	Very high
Finance		
Financial and liquidity risks	Very low	Medium
Interest and exchange rate risks	Very low	Medium
Risks from derivatives	Low	Medium
Credit and default risks	Very low	Medium
Risks from impairment of assets	Low	Low
Legal rules and regulations		
Regulatory risks	Medium	High
Risks from legal disputes	Low	Low
Other risks		
IT risks	Medium	High
Pandemics	High	High
Ukraine war	High	High
Personnel		
Risks from personnel management	Medium	Low

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

Market and sales

Sales-side risks
A considerable sales and margin risk for VERBIO results from a potential inflow of biodiesel, bioethanol, and waste and residual products such as UCOs (Used Cooking Oils) that are offered to the market at dumping prices, and that could lead to a massive distortion of competition and competitive disadvantages.

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

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

In addition, for the German market there is a high level of motivation for fraudulent claims when determining GHG savings made by biofuels, with an associated risk to sales in Germany. This motivation will be increased further with the increase of the GHG quota to up to 25 percent in 2030.

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

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

Since January 1, 2011 biofuels can only count towards the biofuels quota if they have been produced and made available to the general market in accordance with the provisions of the Biofuel Sustainability Regulation.

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 by use of an energetic quota, but instead requires the reduction of greenhouse gas emissions by 4.0 percent since 2017 and since 2022 by 7.0 percent through the use of biofuels or other greenhouse gas reduction measures (decarbonisation quota).

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

Procurement

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

Generally, the raw materials needed for production purposes are purchased on an ongoing basis as and when sales contracts are entered into. This reduces the risk of price changes and the associated volume for which hedging is required.

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

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

Environment

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

Tax and commercial law

Risks of non-compliance with ongoing tax obligations

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

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

Risks from tax audits

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

Production and technology

Production and technology risks

The continued success of the VERBIO Group is driven by the Group's highly competitive technologies. The VERBIO Group is well positioned, making use of technology standards already achieved for the 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 as well as available credit lines of EUR 40 million.

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

Interest and exchange rate risks

VERBIO is exposed to risks associated with a possible change in interest rates and exchange rates and their effect on the Group's assets, receivables and payables. General interest and currency risks are managed with the help of a systematic risk management system and hedged through the use of derivatives and non-derivative financial instruments. Only limited use of hedges is made for currency risks arising on Group internal loans made to foreign subsidiaries. The liquidity risks of a revaluation of shareholder loans denominated in foreign currencies are regarded as low; however, their effect on the statement of profit or loss is 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, depending on market assessments made by the Management Board, hedged within ranges defined by the Management Board by the use of effective and ineffective derivatives on the relevant exchanges, such as, for example, NYMEX, ICE, CBOT and EURONEXT, as well as through OTC transactions. Through the use of derivative contracts, a production margin in the respective segment is fixed to the extent possible on a forward basis. Nevertheless, it cannot be excluded that in spite of the use of hedging instruments, undesirable market developments may lead to negative effects on results. The timing and chronological order in which the underlying transactions and the hedging transactions are entered into may also lead to deviations.

However, the Group-wide risk management procedures ensure that these risks are limited to acceptable amounts. For further details we refer to note 9 "Disclosures on financial instruments" in the notes to the consolidated financial statements.

Credit and default risks

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

Risks from impairment of assets

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

In particular, when the assumptions underlying the planning prove to be inappropriate, it cannot be ruled out that write-downs with profit or loss effect may in future be made against the carrying value of non-current assets by amounts which may be 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 with major agricultural production volumes such as the USA, Canada, China, India, Brazil, Malaysia or Indonesia, could have a direct impact on VERBIO's activities.

Regulatory risks are countered by VERBIO through memberships in various industry associations that represent the interests of the biofuel industry at the national and also at the European level. In addition, 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. In particular for VERBIO, as a leading technology company, this result should provide further market opportunities. With RED II there is an obligatory minimum quota for advanced second generation biofuels for the first time, which presents additional market opportunities for VERBIO as a leading manufacturer of biomethane based on straw and distillation waste.

The process of implementing RED II in Germany has been started and it was originally planned to be completed by June 2021. The legislation was approved by the German Parliament (Bundestag) on May 21, 2021, the second chamber (Bundesrat) gave its approval on September 17, 2021, and the Act entered into force on January 1, 2022. However, there is uncertainty concerning the implementation of RED II in other

European countries, as well as the efforts being made by parts of the Federal Government to amend the regulations in response to the Ukraine war. It has not been possible to reach a consensus on these matters to date.

In its "Fit for 55" package the EU Commission has already presented a draft proposal for further amendments to RED II, setting out more ambitious GHG savings targets than those already required as well as providing for an increase in the targets for advanced biofuels. These changes will presumably lead to further amendments to resolutions needed to implement RED II in Germany. However, we do not expect these amendments until 2024 or 2025.
We will accompany this process in a constructive manner as a Company, and in our role as a member of the associations we are part of.

In the USA the current legal framework to promote renewable energies in the transport sector runs out at the end of 2022. However, the Renewable Fuel Standard (RFS 2) includes clauses to regulate how to continue in the absence of new legislation. The new US government has not given the impression that there will be a new RFS 3 in the foreseeable future, but has indicated that regulations based on the RFS 2 system will be implemented after 2022. Following repeated delays, initial proposals should be published in November 2022 and the final requirements are expected six months later. Currently we assume that the present level of volume obligations will not be cut, and that in connection with RFS 2 regulations will provide for further increases in the obligations, in particular for cellulose-based biofuels.

In addition, the US Congress has approved a package of legislation which will provide subsidies for hydrogen in particular, which presents potential new market opportunities, including for VERBIO.

In Canada there are no changes to the status quo planned until the introduction of the Clean Fuel Regulation that is planned for 2023, i.e. from a range of fulfilment options, in particular for diesel fuels, it is currently difficult to estimate the additional market potential. As a result, we assume that the USA will continue to be the primary market for biodiesel manufactured in Canada in the coming years.

Risks from legal disputes

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

Other risks

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

The worldwide spread of COVID-19 was declared a worldwide health emergency by the World Health Organization (WHO) in January 2020, with a substantial effect on the world population and economy.
VERBIO took immediate and comprehensive measures to counter these risks to the extent possible, in order to protect employees and business partners on the one hand, and at the same time to ensure that business operations could continue.

Although living with the virus has now almost become a normality, there remains a risk that a new, stronger outbreak, in particular one caused by a variant that results in higher hospitalisation and mortality rates, could occur. Such events could lead to new lockdown measures and infections among the Group's employees, or closures of plant locations could lead to restrictions or interruptions in Group functions that could result in a failure to achieve the Group's planned financial objectives.

Risks from personnel management

Personnel leaving or higher employee turnover represent risks to the ability of all departments in the organisation to perform effectively. The occurrence of such risks could lead to loss of performance, delays in completing projects as well as to increased costs of recruitment.

Risks from conflicts and wars

With Russia's attack on the Ukraine a risk which previously seemed unthinkable has become a reality. This has led to significant price increases in almost all markets, but in particular in the raw material and product markets that are relevant to VERBIO's commercial activities. Even though some prices have fallen back or are currently in a sideways movement, there remains a risk of a disparity between the prices of raw materials and the prices of end products, in this case bioethanol and biodiesel in particular. There is also a risk that the extreme increases in energy costs in production cannot be passed on in the price of final products.

As far as energy supply is concerned, given the cessation or reduction of supplies of natural gas from Russia there is also a risk of lack of availability of energy needed at a number of locations; for which it is difficult to find substitutions. There is a risk of an interruption and a significant reduction in production if there is a limitation in the energy supply ordered by the Federal Network Agency (Bundesnetzagentur).

The Schwedt location would be also affected by major limitations on the sales side in particular if the oil embargo for the pipeline there is applied in full to the PCK Schwedt refinery. Should that occur, it would no longer be possible to make the same volume of deliveries to the PCK tank storage facilities, and the biofuels produced by VERBIO would have to be transported to other refineries using complex logistics that cannot be implemented easily.

IT risks

IT risks with an effect on business results can materialise when information is not available or is incorrect. The consequences of a failure of the IT applications used for the Company's operational and strategic management and its effect on the net assets, financial position and results of operations are assessed as high, despite the relevant migration measures and an effective continuity plan, as cyber-criminal activities are becoming ever more effective and, in particular, more professional in their approach, which means that the probability of occurrence needs to be assessed as medium. In response to this, VERBIO is taking additional measures in order to protect itself further against these increased risks.

Opportunities

Opportunities from raw material purchasing

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

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

Sales-side opportunities

An increased demand for biofuels is expected not only in Germany but also in particular in the Netherlands, France and Great Britain.

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

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

Supply and demand on international crude oil markets are increasingly returning to an equilibrium, the prices for fossil fuels are rising, and with them the competitiveness of biofuels is also increasing.

Production and technology opportunities

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

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

The same objectives apply to the straw biomethane plants in the USA and India as well the biodiesel plant acquired in Canada. It is planned to achieve technical levels in Canada that are equivalent to those in the German plants.

Financial opportunities

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

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

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

The results of the overall assessment of all of the risks described give no indication that current risks, considering the likelihood of their occurrence and their effects, could, either individually or in the aggregate, endanger the Company's ability to continue as a going concern. The cash reserves currently available are also a source of risk minimisation, as potential damage can be dealt with more easily despite the challenging market environment and the uncertainties resulting from the COVID-19 pandemic.

The 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 2022/2023 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 system related to financial reporting

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

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

The central organisation, the uniformity of the IT programmes used, in particular the planning and consolidation tools and the BI (business intelligence) interface – which is improved on an ongoing basis – as well as the clear assignment of responsibilities within accounting, controlling and Group financing, and the use of appropriate controls, should ensure and facilitate appropriate risk management and control, and ensure the compliance of the financial reporting. Also, all tasks associated with the consolidated financial statements, such as consolidation measures, reconciliation of intercompany balances, reporting requirements etc., are clearly assigned, and the processes are defined in the internal control and risk management system.

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

Statement on corporate governance

The Corporate Governance Statement of VERBIO, in accordance with § 315 d HGB in connection with § 289 f HGB, is published in the investor relations section of the VERBIO Vereinigte BioEnergie AG website (verbio.de).

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

Separate Group non-financial report

The separate Group non-financial report issued in accordance with the implementation of the German CSR Directive Implementation Act and in accordance with § 315b and § 315c HGB together with § 289c to § 289e 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 (verbio.de).

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 HGB

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

Following a capital increase registered at the commercial register on June 15, 2022 the subscribed capital (share capital) of VERBIO AG consists of 63,397,913 no-par bearer shares. Each share grants the holder the same rights and grants one vote in the general shareholders' meeting. All shares entitle the holder to dividend payments in full; dividend payments are made in euros.

Restrictions on voting rights of shares could result from regulations of the German Stock Companies Act. Thus, under certain circumstances shareholders are subject to a voting prohibition (§ 136 AktG). Furthermore, the Company has no voting rights on its treasury shares (§ 71b AktG). By entering into a pooling contract, the old/founder shareholders have entered into a voting trust agreement requiring the voting rights to be pooled. There are no further restrictions of voting rights or share transfer restrictions. Special rights or control authority are not connected to the pooling relationship. A new pooling contract was agreed in April 2019. The shareholders Albertina and Alois Sauter, who have joined as new members of the voting rights pool, are also subject to pooled voting rights under the voting trust agreement. The pooling contract could not be cancelled earlier than April 5, 2021 and since then it is extended automatically every six months unless it is terminated with a three-month notice period before the conclusion of its term. There has been no termination of the contract.

Claus Sauter and Bernd Sauter, both members of the Management Board, as well Dr.-Ing. Georg Pollert, a former member of the Supervisory Board, have direct holdings in VERBIO in excess of 10 percent. They hold directly, or indirectly via holding companies, a total of 49.05 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 61.71 percent; shares held under the voting trust agreement represent 68.79 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, § 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 February 4, 2022 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 31,377,535.00 million, by means of issuing additional no-par bearer shares in exchange for cash or non-cash contributions on one or more occasions until February 3, 2027 (authorised capital 2022).

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 12,636,726.00, which represents 20 percent of the share capital at the date of the resolution. This also includes the use of the authorised capital to fulfil purchase obligations or purchase rights for the Company's shares based on agreements made or to be made with members of the Company's Management Board under Management Board remuneration agreements. This type of share issue is dependent on a prior election being made by the Supervisory Board to exercise its option under the current remuneration rules that the share-based remuneration shall not be settled in cash but shall be fulfilled by the issue of shares or by a new form of share-based remuneration.

The general shareholders' meeting on February 1, 2019 authorised the Management Board until January 31, 2024 to purchase treasury shares up to 10 percent of the capital shares at that time, in one or several purchases. The authorisation is not to be used for the purpose of trading in treasury shares.

The powers of the Management Board to issue or repurchase shares are comprehensively described and governed in the respective authorisations resolved by the general shareholders' meeting.

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

Zörbig, September 23, 2022

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

Olaf Tröber
Member of the Management Board

Consolidated Financial Statements (IFRS)

Consolidated statement of comprehensive income

for the period from July 1, 2021 to June 30, 2022

EUR (thousands)	01.07.2021–30.06.2022	01.07.2020–30.06.2021	Notes
1. Sales revenue (including energy taxes collected)	1,813,497	1,027,363	
less: energy taxes	–1,020	–1,328	
Revenue	**1,812,477**	**1,026,035**	**3.15/5.1**
2. Change in unfinished and finished goods	41,977	22,508	
3. Own work capitalised	9,807	2,579	5.2
4. Other operating income	9,587	11,307	5.3
5. Cost of materials	–1,237,336	–779,482	5.4
6. Personnel expenses	–64,958	–54,450	5.5
7. Depreciation, amortisation and impairment of non-current assets	–48,010	–29,696	3.2/3.3/5.6/6.1
8. Reversal of impairment write-downs recorded on non-current assets	6,702	0	3.5/5.7/6.1
9. Other operating expenses	–57,297	–42,384	5.8
10. Changes in the value of financial assets and liabilities	13,622	-2,513	5.9/9.4.3
11. Result from commodity forward contracts	–24,555	–17,276	5.10
12. Operating result	**462,016**	**136,628**	
13. Interest income	255	157	3.17/5.11/9.4
14. Interest expense	–3,238	–1,435	3.17/5.11/9.4
15. Financial result	**–2,983**	**–1,278**	**3.17/5.11/9.4**
16. Share of profit (loss) of companies accounted for using the equity method	0	0	
17. Result before tax	**459,033**	**135,350**	
18. Income tax expense	–143,207	–41,802	2.3/3.6/5.12
19. Net result for the period	**315,826**	**93,548**	
Result attributable to shareholders of the parent company	315,625	93,203	
Result attributable to non-controlling interests	201	345	6.3.7
Income and expenses recognised directly in equity: Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations	21,721	–2,905	
Fair value remeasurement on cash flow hedges	–18,901	38,825	6.3.4/9.3
Deferred taxes recognised in equity	–1,341	–6,537	
20. Income and expenses recognised directly in equity	**1,479**	**29,383**	
21. Comprehensive result	**317,305**	**122,931**	
Comprehensive result attributable to shareholders of the parent	317,104	122,586	
Comprehensive result attributable to non-controlling interests	201	345	6.3.7
Result per share (basic)	**4.99**	**1.48**	**3.18/6.3.6**
Result per share (diluted)	**4.97**	**1.47**	**3.18/6.3.6**

Consolidated balance sheet

at June 30, 2022

EUR (thousands)	30.06.2022	30.06.2021	Notes
Assets			
A. Non-current assets			
I. Intangible assets	846	602	3.2/3.5/6.1.1
II. Property, plant and equipment	391,523	290,554	3.3/3.5/6.1.2
III. Right-of-use assets under leasing arrangements	18,950	16,228	3.4/6.1.3
IV. Financial assets	2,397	2,816	3.8/6.1.4/9.2
V. Other assets	57,762	0	3.8/6.1.5
VI. Deferred tax assets	807	2,077	3.6/5.12
Total non-current assets	**472,285**	**312,277**	
B. Current assets			
I. Inventories	169,335	101,463	3.7/6.2.1
II. Trade receivables	112,234	69,565	3.8/6.2.2/9.2
III. Derivatives	40,975	44,172	3.9/6.2.3/9.3
IV. Other short-term financial assets	20,828	28,506	3.8/6.2.4/9.2
V. Tax refunds	84	73	3.6
VI. Other assets	13,266	17,540	3.8/6.2.5
VII. Cash and cash equivalents	299,612	105,025	3.11/6.2.6
Total current assets	**656,334**	**366,344**	
Total assets	**1,128,619**	**678,621**	

Table continued

EUR (thousands)	30.06.2022	30.06.2021	Notes
Equity and liabilities			
A. Equity			
I. Share capital	63,398	63,184	6.3.1
II. Additional paid-in capital	499,393	495,692	6.3.2
III. Retained earnings	221,261	−81,727	6.3.3
IV. Other reserves	13,438	33,680	6.3.4
V. Reserve for translation adjustments	18,741	−2,980	6.3.5
Total equity, excluding non-controlling interests	**816,231**	**507,849**	
VI. Non-controlling interests	2,224	2,023	6.3.7
Total equity	**818,455**	**509,872**	
B. Non-current liabilities			
I. Bank loans and other loans	30,000	30,000	3.14/6.4.1/9.2
II. Lease liabilities	14,419	11,125	3.4/6.4.2
III. Provisions	131	131	3.13/6.4.3
IV. Deferred investment grants and subsidies	1,342	2,172	3.12/6.4.4
V. Other non-current financial liabilities	224	222	3.14/6.4.5/9.2
VI. Deferred taxes	11,912	1,806	3.6/5.12/6.4.5
Total non-current liabilities	**58,028**	**45,456**	
C. Current liabilities			
I. Lease liabilities	4,967	5,356	3.4/6.5.1
II. Trade payables	95,371	45,382	3.14/6.5.2/9.2
III. Derivatives	15,867	22,508	3.9/6.5.3/9.3
IV. Other current financial liabilities	14,304	11,235	3.14/6.5.4/9.2
V. Tax liabilities	89,156	18,993	3.6/6.5.5
VI. Provisions	3,655	9,656	3.13/6.5.6
VII. Deferred investment grants and subsidies	837	859	3.12/6.4.4
VIII. Other current liabilities	27,979	9,304	3.14/6.5.7
Total current liabilities	**252,136**	**123,293**	
Total equity and liabilities	**1,128,619**	**678,621**	

Consolidated cash flow statement

for the period July 1, 2021 to June 30, 2022

EUR (thousands)	01.07.2021–30.06.2022	01.07.2020–30.06.2021	Notes
Net result for the period	**315,826**	**93,548**	
Income taxes expense	143,207	41,802	5.11
Interest result	2,983	1,278	5.11/9.4
Depreciation and amortisation	32,541	29,696	5.6/6.1.1/6.1.2/6.1.3
Non-cash expenses for share-based remuneration	3,767	3,607	6.3
Non-cash expenses and income from impairment write-downs and reversals of write-downs recorded on non-current assets	8,767	0	6.1
Non-cash income and expenses	3,889	1,113	
Gain on disposal of property, plant and equipment and derecognition of investment grants	–146	–158	
Release of deferred investment grants and subsidies	–851	–979	6.4.4
Non-cash changes in derivative financial instruments	–14,836	13,029	6.2.3/9.3
Increase in inventories	–67,871	–22,654	3.7/6.2.1
Increase in trade receivables	–42,669	–4,877	3.8/6.2.2
Increase in other assets and other current financial assets	–53,320	–8,004	6.2.4/6.2.5
Decrease (previous year: Increase) in provisions	–8,214	6,602	6.4.3/6.5.6
Increase in trade payables	43,667	3,354	6.5.2
Increase in other current financial and non-financial liabilities	21,923	5,265	6.4.5/6.5.4/6.5.5/6.5.7
Interest paid	–895	–1,129	
Interest received	255	157	
Income taxes paid	–62,992	–44,467	

Table continued

EUR (thousands)	01.07.2021–30.06.2022	01.07.2020–30.06.2021	Notes
Cash flows from operating activities	**325,031**	**117,183**	
Cash inflows for term deposits	0	20,000	
Acquisition of intangible assets	–458	–214	
Acquisition of property, plant and equipment	–114,419	–67,065	
Proceeds from disposal of property, plant and equipment	841	342	
Proceeds from the disposal of non-current assets	39	0	
Proceeds from the repayment of loans from associates	380	380	
Cash flows from investing activities	**–113,617**	**–46,557**	
Payments of dividends	–12,637	–12,600	
Cash outflows for the repayment of financial liabilities	0	–234	
Payment of lease liabilities	–5,844	–5,926	
Cash flows from financing activities	**–18,481**	**–18,760**	
Change in cash funds resulting from business transactions	192,933	51,866	
Change in cash funds due to effects of exchange rates	1,654	–726	
Cash funds at beginning of year	105,025	53,885	
Cash funds at end of year	**299,612**	**105,025**	

Consolidated statement of changes in equity

for the period July 1, 2021 to June 30, 2022

EUR (thousands)	Notes	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Reserve for translation adjustments	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
July 1, 2020		**63,000**	**487,680**	**–162,855**	**1,392**	**–75**	**389,142**	**1,680**	**390,822**
Translation adjustments		0	0	0	0	–2,905	–2,905	0	–2,905
Fair value changes on cash flow hedges (after tax)		0	0	0	32,288	0	32,288	0	32,288
Income and expenses recognised directly in equity		**0**	**0**	**0**	**32,288**	**–2,905**	**29,383**	**0**	**29,383**
Net result for the period		0	0	93,203	0	0	93,203	345	93,548
Comprehensive result for the period		**0**	**0**	**93,203**	**32,288**	**–2,905**	**122,586**	**345**	**122,931**
Dividend payments		0	0	–12,600	0	0	–12,600	0	–12,600
Changes to the entities includes in the consolidation		**184**	**8,012**		**0**		**8,196**	**0**	**8,196**
Other changes		**0**	**0**	**525**	**0**	**0**	**525**	**–2**	**523**
June 30, 2021		**63,184**	**495,692**	**–81,727**	**33,680**	**–2,980**	**507,849**	**2,023**	**509,872**
July 1, 2021		**63,184**	**495,692**	**–81,727**	**33,680**	**–2,980**	**507,849**	**2,023**	**509,872**
Translation adjustments	2.4/6.3.5	0	0	0	0	21,721	21,721	0	21,721
Fair value changes on cash flow hedges (after tax)	6.3.4/ 9.3.3	0	0	0	–20,242	0	–20,242	0	–20,242
Income and expenses recognised directly in equity		**0**	**0**	0	**–20,242**	**21,721**	**1,479**	**0**	**1,479**
Net result for the period		0	0	315,625	0	0	315,625	201	315,826
Comprehensive result for the period		**0**	**0**	**315,625**	**–20,242**	**21,721**	**317,104**	**201**	**317,305**
Dividend payments	6.3.3	0	0	–12,637	0	0	–12,637	0	–12,637
Capital increase from contribution in kind	6.3.1/ 6.3.2	214	3,701	0	0	0	3,915	0	3,915
June 30, 2022		**63,398**	**499,393**	**221,261**	**13,438**	**18,741**	**816,231**	**2,224**	**818,455**

Notes to the consolidated financial statements

for the financial year from July 1, 2021 to June 30, 2022

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, "Companies 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). These consolidated financial statements which provide an exemption in accordance with § 3152 HGB are published in the German Federal Gazette (Bundesanzeiger) and on the Company's website (verbio.de).

2 Consolidated financial statements

2.1 Basis of preparation of the consolidated financial statements

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

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

The consolidated financial statements were prepared on the basis of amortised 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 Companies included in the consolidation

In addition to VERBIO AG, the parent Company, the following companies which represent VERBIO AG's material shareholdings at June 30, 2022 were included in the consolidated financial statements:

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

1) 44.67 % held indirectly bei VERBIO Agrar GmbH.
2) Indirectly held by VERBIO Agrar GmbH; Group's percentage holding.

VERBIO North America Holding Corp. was formed in the financial year 2021/2022 and acts as a holding company under VERBIO Renewables GmbH for the Group's remaining US companies. In addition, a new company, VERBIO Leuna GmbH, was formed in the period as a wholly-owned subsidiary of VERBIO AG. There have been no other changes to the companies included in the consolidation. VERBIO Hungary Trading Kft. and VERBIO Leuna GmbH have no active business operations; these companies are shelf companies or companies in a start-up phase. Two further wholly-owned group companies were not included in the consolidated financial statements on materiality grounds at June 30, 2022 (June 30, 2021: two further immaterial companies).

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 companies, 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 total 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.

The following currency exchange rates have been used in the preparation of these consolidated financial statements:

EUR	Closing rate		Average rate	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
USD	0.9627	0.8415	0.8866	0.8384
PLN	0.2132	0.2212	0.2167	0.2219
INR	0.0122	0.0113	0.0118	0.0114

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, 2021: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Benchmark Interest Rate Reform – Phase 2

The implementation of new standards and interpretations and amendments to existing accounting standards and interpretations applicable to the Group for the first time from July 1, 2021 have had no effect on VERBIO's financial statements. The Group had no transactions at June 30, 2021 or June 30, 2022 in which the reference base rate of interest was replaced by an alternative base rate.

In addition, changes in the values of financial assets and liabilities resulting from changes in foreign currency exchange rates have been presented in a position "Changes in value of financial assets and liabilities" from the financial year 2021/2022. The separate presentation reflects the increased significance of foreign currencies to the VERBIO Group. For this reason the gains and losses on foreign currency exchange have been presented separately to improve the transparency of the income statement. The amounts reported for the previous year have been restated accordingly.

3.2 Intangible assets

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

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

3.3 Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated scheduled depreciation and, where applicable, accumulated impairment losses. Capitalised production costs for internally generated property, plant and equipment include all costs directly attributable to the construction process, as well as an appropriate portion of production-related overheads. Production-related overheads include manufacturing-related depreciation and an appropriate portion of attributable administrative expenses. In addition, acquisition or construction costs include the expected cost for the retirement of those assets for which there is an asset retirement obligation.

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

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

Useful lives of property, plant and equiment	June 30, 2022
Buildings	33 to 50 years
Technical equipment and machinery	8 to 18 years
Office furniture and equipment	3 to 12 years

Newly constructed plants reach their full capacity utilisation only after a prolonged ramp-up phase. However, scheduled depreciation is recorded on a straight-line basis immediately from the date on which saleable products are manufactured.

In addition, certain spare parts are recorded within property, plant and equipment. No depreciation is recorded on these spare parts until they are placed into service. The spare parts are recorded as other operating expenses at the date on which the parts are installed, unless they represent separate components of the respective assets.

3.4 Leasing arrangements

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

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

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

The lease liability is recognised at the present value of the agreed 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 termination option. An adjustment to the carrying value of the right-of-use asset is made to reflect the change in the lease liability on remeasurement.

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

3.5 Impairment of non-current assets

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

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

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

3.6 Income taxes

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

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

Deferred taxes are determined on the basis of the balance sheet orientated liability method. Under this method, deferred taxes are calculated on temporary differences which arise between the IFRS carrying values of assets and liabilities and their tax values. In addition, deferred tax assets are recognised on tax losses carried forward. Deferred taxes are measured at the tax rate that is applicable at the time the temporary differences are expected to reverse and the tax losses are expected to be used, respectively. For this purpose, the tax rates used are those in effect or announced at the balance sheet date.

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

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

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

3.7 Inventories

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

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

3.8 Financial assets and other assets

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

Financial assets and other assets are initially recognised at fair value. Subsequent to initial recognition they are recognised at amortised cost using the effective interest method. The amortised costs are reduced by impairment expenses. Interest income, currency gains and losses, impairments and reversals of impairments are recognised in profit or loss. Allowances are recognised on individual balances or for groups of receivables with comparable default risk profiles. Where there is concrete information that indicates that a balance is non-collectable, a write-off of the related receivables and assets is made.

3.9 Derivatives

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

We have provided detailed explanations of the derivatives, in particular of the accounting and measurement policies applied, in note 9, "Disclosures on financial instruments".

VERBIO has forward fixed-price supply contracts for the purchase of raw materials for use in production which meet the definition of derivatives (IFRS 9, Appendix A) which 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 procurement contracts. Information on hedging transactions and hedging relationships is also provided in note 9, "Disclosures on financial instruments".

3.10 Term deposits

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

3.11 Cash and cash equivalents

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

3.12 Investment grants and subsidies

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

3.13 Provisions

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

3.14 Financial liabilities and other liabilities

Financial liabilities are initially recognised at fair value. The financial liabilities of the VERBIO Group comprise trade payables and other liabilities, overdrafts, loans and derivative financial instruments.

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

3.15 Sales revenue

In accordance with IFRS 15 the VERBIO Group recognises sales revenue as soon as a customer obtains control of the goods. Revenue is reduced by rebates and discounts. The customer obtains control over the goods as soon as the goods are delivered to the specific location as agreed in the sales contract and have been accepted there by the customer, or, as applicable, at the time the customer has collected the goods ex works. At that date the invoice is raised; invoices are generally payable within 30 days. If, in individual cases, payment in advance is agreed, the goods are transferred shortly after receipt of payment; in this case the invoice is also issued at the time the customer collects the goods. The sale of biomethane as a fuel is subject to a separate marketing system for the sale of the physical product and the sale of the greenhouse gas savings associated with the biomethane respectively. Here, contracts are entered into with different customers for each of the two components, with the agreed prices for each component recognised as sales revenue.

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

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

3.16 Employee benefits

Obligations for short-term benefits payable to employees are recognised as an expense at the time the associated employee service is provided. A liability is recorded for the expected amount payable when the Group has a current legal or de facto need to meet an obligation on the basis of work performed by an employee and the obligation can be estimated reliably.

An expense is recorded for the fair value of share-based remuneration payable to members of the Management Board, with a corresponding increase in equity, over the period of time in which the members of the Management Board acquire a vested right to the shares.

Obligations for contributions to defined contribution plans are recognised as an expense at the time the associated employee service is provided.

3.17 Financial result

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

3.18 Earnings per share

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

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

As of the date of publication of the consolidated financial statements, additional IFRSs and IFRICs have been issued by the IASB, some of which have not yet been endorsed by the EU and are not required to be adopted until a date subsequent to the balance sheet date. We present below only those standards that can reasonably be expected to be applicable to VERBIO. VERBIO intends to apply these standards when their application becomes mandatory. Unless otherwise stated, the application of these standards is mandatory for financial years commencing on or after January 1, 2022.

- Amendments to IAS 37 "Provisions" – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current (January 1, 2023)
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (January 1, 2023)
- Amendments to IAS 12 "Deferred Tax" – Deferred tax related to Assets and Liabilities arising from a Single Transaction (January 1, 2023)
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use
- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework

The new standards and interpretations are not expected to lead to any significant changes to the financial statements of VERBIO. 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.

Derivatives and hedging relationships

There are risks associated with VERBIO's operating business resulting from changes in the prices of raw materials which will be purchased under future procurement transactions, as these are subject to significant market price fluctuations. These risks are managed by the use of derivatives. For accounting purposes, VERBIO differentiates between free-standing derivatives and derivatives which are matched in hedging relationships. At the balance sheet date, derivative financial instruments are measured at their respective fair values. Free-standing derivatives are always classified as at "fair value through profit and loss". Changes in the fair values of derivatives which are designated as hedge transactions are recorded in equity without affecting profit or loss for the period of the hedging relationship. The assessment and documentation of the hedging relationship requires the application of estimates and assumptions and, accordingly, has a significant influence on the financial statements.

Inventories/expected losses on sales contracts

Impairment write-downs of EUR 84 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 1,184 thousand, whereby this reflects sales contracts that cannot be satisfied by supplies made from inventories of finished goods. The estimates and assumptions made which affect finished goods inventories and the expected losses on sales contracts primarily relate to the expected revenue to be earned for biodiesel and bioethanol, and from accepting the quota obligations in connection with the use of biomethane fuel. The latter in turn affects the measurement of inventory of biomethane and biomethane quotas (June 30, 2022: EUR 89,406 thousand) as well as the amount of expected losses on sales contracts for biomethane. For the valuation at June 30, 2022, July 2022 estimates of market prices covering the maturity periods of the sales contracts entered into for biomethane were used. Due to the fact that contracts for the quotas for the calendar years 2021 and 2022 will be entered into in periods up to nine months after the respective balance sheet date, and the fact that the contract prices have proved to be very volatile, actual future revenue received may differ from the amounts estimated.

Default risks of trade receivables

The default risk of trade receivables is primarily affected by the individual characteristics of the individual customers.

Taxes

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

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

Identifying impairments and impairment reversals of non-current assets

If there are indications that an impairment may have occurred, we perform an impairment test in accordance with IAS 36. We refer to note 3.5. 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. The assumptions and estimates made are based on the cash flow forecasts in the Company's business plans. These take account of the circumstances existing at the time of the preparation of the consolidated financial statements and developments in the industry-specific environment as it affects the future business development of the cash generating unit.

In assessing the recoverable amount of the Biodiesel cash-generating unit in North America (which has property, plant and equipment with a carrying value of EUR 15.5 million at June 30, 2022) the recoverable amount was, in contrast to the previous year, determined without taking account of investment plans that have been made and approved. In addition, it was necessary to make negative changes to the assumptions made to date concerning trends in the regulatory environment. Under the assumption that the current economic framework conditions would continue to apply, it was necessary to record impairment write downs against the carrying values of property, plant and equipment at the Biodiesel cash-generating unit in North America of EUR 15.5 million.

There were indicators that impairment write downs recorded in previous periods against the cash generating unit Bioethanol Germany (carrying value of property, plant and equipment: EUR 122.9 million) no longer apply. The annual results in recent financial years as well as the planning for the next financial years exceed the results originally forecast and planned. Impairment write downs totalling EUR 19.8 million were recorded in the financial year 2012/2013. An examination of the cash generating unit Bioethanol Germany based on updated forecasts indicated that the grounds for the impairment no longer apply and that a reversal of the remaining amount of the impairment amounting to EUR 6.8 million should be made.

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

5.1 Sales revenue

Sales revenue wholly comprises revenue from contracts with customers (EUR 1,812,477 thousand; 2020/2021: EUR 1,026,035 thousand).

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

As permitted under IFRS 15, no disclosures of any remaining outstanding performance obligations at 30 June 2022 or June 30, 2021 are made as these have an expected maturity of one year or less.

5.2 Own work capitalised

The production costs of own work capitalised amounted to EUR 9,807 thousand (2020/2021: EUR 2,579 thousand) and represent the production costs of technical plant and equipment manufactured internally. We have provided explanations of the nature of these costs in note 3.3, "Property, plant and equipment".

5.3 Other operating income

Other operating income comprises the following items:

EUR (thousands)	2021/2022	2020/2021
Reimbursement of electricity and energy taxes	3,224	3,286
Other out-of-period income	1,337	258
Release of investment grants and subsidies	851	4,420
Release of provisions and other liabilities	561	250
Gains on the disposal of property, plant and equipment	231	167
Miscellaneous other operating income	3,383	2,926
Other operating income	**9,587**	**11,307**

5.4 Cost of materials

The cost of materials was as follows:

EUR (thousands)	2021/2022	2020/2021
Raw material and merchandise - biodiesel	866,349	557,313
Raw material and merchandise - bioethanol and biomethane	261,762	147,188
Additives	29,864	21,634
Addition to provision for expected contract losses	1,184	7,922
Use of provision for expected contract losses	–8,815	–1,117
Other	18,864	8,264
Total raw material, consumables and supplies and purchased goods	**1,169,208**	**741,204**
Energy costs	46,365	26,973
Procurement of quota obligations	12,630	3,024
Transport services	3,670	2,755
Miscellaneous	5,463	5,526
Expenses for purchased services	**68,128**	**38,278**
Total cost of materials	**1,237,336**	**779,482**

Procurement of quota obligations refers to other services provided by VERBIO customers in which VERBIO customers accept quota obligations from third parties with quota obligations, while VERBIO receives consideration from those third parties in exchange.

5.5 Personnel expenses

EUR (thousands)	2021/2022	2020/2021
Wages and salaries	44,263	37,743
One-off remuneration	9,295	6,241
IFRS 2 Bonuses to Management Board and other employees	3,767	3,607
Wages and salaries	**57,325**	**47,591**
Statutory social security costs	6,702	5,851
Employee's accident insurance association	345	406
Pension expense	586	602
Total social security expenses	**7,633**	**6,859**
Total personnel expenses	**64,958**	**54,450**

Statutory social security costs include the employer's share of statutory pension scheme contributions totalling EUR 3,330 thousand (2020/2021: EUR 2,950 thousand). In addition, Group companies have made contributions of EUR 586 thousand (2020/2021: EUR 602 thousand) to defined contribution schemes, including, among others, contributions to pension funds.

As of June 30, 2022 the Group employed 978 employees (June 30, 2021: 820 employees) of whom 445 were salaried employees (June 30, 2021: 459), 489 were production employees (June 30, 2021: 337), 27 were trainees and apprentices (June 30, 2021: 23), 1 was a mini-job employee (June 30, 2021: 1) and 16 were employees on short-term contracts (June 30, 2021: 0).

In the financial year 2021/2022 the Group had an average of 930 employees (2020/2021: 778), of whom 468 were salaried employees (2020/2021: 413), 424 were production employees (2020/2021: 335), 28 were trainees and apprentices (2020/2021: 26), 1 was a mini-job employee (2020/2021: 4) and 9 were employees on short-term contracts (2020/2021: 0).

5.6 Amortisation and impairment of non-current assets

Depreciation, amortisation and impairment of non-current assets consists of amortisation of intangible assets of EUR 213 thousand (2020/2021: EUR 286 thousand), depreciation of property, plant and equipment of EUR 26,638 thousand (2020/2021: EUR 23,681 thousand), and amortisation of assets under leasing arrangements of EUR 5,690 thousand (2020/2021: EUR 5,731 thousand). In addition, in the financial year 2021/2022 the total includes impairment of property, plant and equipment of EUR 15,469 thousand.

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

5.7 Reversals of impairment write downs of non-current assets

Reversals of impairment write downs against property, plant and equipment totalled EUR 6,702 thousand in the financial year 2021/2022 (2020/2021: EUR 0 thousand). We refer to note 6.1.2, "Property, plant and equipment" for further details.

5.8 Other operating expenses

EUR (thousands)	2021/2022	2020/2021
Repairs and maintenance	16,035	13,900
Outgoing freight and other selling expenses	12,989	9,925
Legal and consulting costs	5,350	2,050
Insurances and dues	5,045	3,132
Motor vehicle costs	2,700	2,748
Rents and leases	969	359
Miscellaneous other operating expenses	14,209	10,270
Other operating expenses	**57,297**	**42,384**

5.9 Changes in value of financial assets and liabilities

This item primarily includes gains resulting from changes in value of financial instruments of EUR 13,652 thousand (2020/2021: primarily losses of EUR 2,631 thousand). These largely result from the effects of changes in currency exchange rates for receivables in US dollars between the date on which amounts are initially recognised and their realisation as well as the foreign currency measurement of financial instruments measured at acquisition cost.

5.10 Result from commodity forward contracts

The result from the valuation and from the closing-out of forward contracts for which hedge accounting could not be applied totalled EUR –24,555 thousand (2020/2021: EUR –17,276 thousand). Where hedge accounting is applied, the gains and losses on the forward contracts are initially recognised in equity and subsequently reclassified to sales revenues or cost of materials, as appropriate, on final recognition of the underlying hedged transactions.

5.11 Financial result

EUR (thousands)	2021/2022	2020/2021
Interest income	255	157
Interest expense	–3,238	–1,435
Financial result	**–2,983**	**–1,278**

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

Interest expenses include an amount of EUR 303 thousand (2020/2021: EUR 282 thousand) from the interest accrued on lease liabilities recognised in accordance with IFRS 16.

5.12 Income taxes

The income tax expense comprises the following:

EUR (thousands)	2021/2022	2020/2021
Current tax expense	–133,158	–45,803
Deferred tax expense (previous year: income)	–10,049	4,001
Income tax	**–143,207**	**–41,802**

Income tax expenses include current tax expenses of EUR 33 thousand (2020/2021: expenses of EUR 581 thousand) which relate to earlier periods. For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2020/2021: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2020/2021: 5.5 percent) and the trade tax rate of 13.34 percent applicable to the parent Company (2020/2021: 13.28 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate, the applicable tax rate is 29.16 percent (2020/2021: 29.11 percent). The trade tax rate relevant for domestic companies ranged from 11.2 percent to 16.1 percent. The tax rate applicable to foreign companies ranged from 10 percent to 27.82 percent.

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

EUR (thousands)	2021/2022	2020/2021
Result before taxes	459,033	135,351
Income tax rate	29.16 %	29.11 %
Expected income tax	**–133,854**	**–39,401**

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

EUR (thousands)	2021/2022	2020/2021
Expected income tax	–133,854	–39,401
Change in unrecognised deferred taxes	–9.082	–1.009
Difference in tax rates	66	–724
Non-deductible expenses and permanent effects	–685	214
Effects relating to prior periods	33	–1,384
Other differences	315	502
Reported income tax expense	**–143,207**	**–41,802**

The change in unrecognised deferred taxes is primarily due to non-recognition of deferred tax assets on tax losses generated in the financial year 2021/2022 in the USA, and to the impairment write downs recorded against property, plant and equipment in the cash generating unit Biodiesel North America.

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

EUR (thousands)	Deferred tax assets		Deferred tax liabilities		Total	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
Intangibles	432	630	0	0	432	630
Property, plant and equipment	1,198	3,150	5,042	249	–3,844	4
Lease	3,981	4,224	3,893	0	88	59
Inventories	0	0	3,394	1,692	–3,394	–2,492
Receivables	59	0	243	173	–184	–157
Derivatives	3,585	6,301	11,944	588	–8,359	-3,016
Investment subsidies (investment grants)	0	0	0	50	0	0
Other provisions	923	1,889	13	154	910	1,815
Payables	45	22	0	0	45	22
Tax losses carried forward	3,201	3,407	0	0	3,201	3,407
	13,424	**19,623**	**24,529**	**2,906**	**–11,105**	**272**
Netting	–12,617	–17,545	–12,617	–2,846	0	0
Net deferred taxes	**807**	**2,078**	**11,912**	**60**	**–11,105**	**272**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR –10,036 thousand (2020/2021: EUR 4,180 thousand) and changes recognised directly in equity of EUR –1,341 thousand (2020/2021: EUR –6,537 thousand). The changes recognised directly in equity result from changes in the value of derivatives which are recognised only in equity. Deferred tax expenses of EUR 9,830 thousand (2020/2021: EUR 1,604 thousand) resulted from the creation and reversal of temporary differences.

As of June 30, 2022 there were unrecognised deferred tax liabilities totalling EUR 142 thousand (2020/2021: EUR 87 thousand) on temporary timing differences of EUR 488 thousand (2020/2021: EUR 276 thousand) in connection with shareholdings in subsidiary companies; these were not recognised because VERBIO AG can control their reversal and their reversal will not take place in the foreseeable future.

No deferred tax assets are recognised on trade tax losses carried forward of EUR 10,287 thousand (2020/2021: EUR 11,870 thousand) and corporation tax losses of EUR 14,802 thousand (2020/2021: EUR 16,380 thousand) as their realisation is currently not sufficiently assured. In addition, no deferred tax assets are recognised on tax losses carried forward of EUR 56,907 thousand (2020/2021: EUR 25,866 thousand) as it is not sufficiently certain that they will be utilised. The deferred tax losses carried forward on which deferred tax assets are not recognised can be carried forward indefinitely.

The recognition of tax losses carried forward which were unrecognised in previous periods resulted in a reduction of deferred tax expenses of EUR 280 thousand.

6 Notes to the individual items in the consolidated balance sheet

6.1 Non-current assets

6.1.1 Intangible assets

The intangible assets primarily include acquired software.

The movements in intangible assets in the financial year 2021/2022 included additions of EUR 331 thousand (2020/2021: EUR 101 thousand), reclassifications of EUR 136 thousand (2020/2021: EUR 114 thousand), the effects of changes in currency exchange rates of EUR – 11 thousand (2020/2021: EUR 0 thousand), and amortisation of EUR 212 thousand (2020/2021: EUR 286 thousand), resulting in a balance of EUR 846 thousand at June 30, 2022 (June 30, 2021: EUR 602 thousand). The total acquisition cost of other intangible assets at June 30, 2022 amounted to EUR 3,682 thousand (June 30, 2021: EUR 3,226 thousand); their carrying values are reported after deduction of accumulated amortisation totalling EUR 2,836 thousand (June 30, 2021: EUR 2,626 thousand).

Research and development

Research and development expenses of EUR 6,483 thousand are included in the statement of comprehensive income (2020/2021: EUR 6,227 thousand).

6.1.2 Property, plant and equipment

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

The changes in property, plant and equipment in the period from July 1, 2021 to June 30, 2022 were as follows:

EUR (thousands)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Total
Acquisition costs as of July 1, 2021	69,047	427,939	25,105	81,505	603,596
Additions	4,473	–92	10,320	106,659	121,360
Changes to the consolidated group	0	0	0	0	0
Reclassifications	2,688	73,167	557	–76,548	–136
Disposals	0	35	3,051	1,081	4,167
Currency effects	2,915	6,546	143	7,872	17,476
Acquisition costs as of June 30, 2022	**79,123**	**507,525**	**33,074**	**118,407**	**738,129**
Accumulated depreciation as of July 1, 2021	20,005	276,691	16,346	0	313,042
Additions	1,529	21,073	4,036	0	26,638
Impaiments	3,115	12,162	13	179	15,469
Reclassifications	0	6,702	0	0	6,702
Disposals	0	20	2,416	0	2,436
Currency effects	51	520	24	0	595
Accumulated depreciation as of June 30, 2022	**24,700**	**303,724**	**18,003**	**179**	**346,606**
Carrying amount as of July 1, 2021	49,042	151,248	8,759	81,505	290,554
Carrying amount as of June 30, 2022	**54,423**	**203,801**	**15,071**	**118,228**	**391,523**

The changes in property, plant and equipment in the period from July 1, 2020 to June 30, 2021 were as follows:

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

VERBIO performed an impairment test on the property, plant and equipment of the Biodiesel cash-generating unit in North America in the financial year 2021/2022 as a result of losses incurred and given that the framework conditions have not developed in line with the original assumptions made.

The impairment test for the Biodiesel cash generating unit North America was prepared based on a calculation of the recoverable amount, whereby the recoverable amount was determined on the basis of the value in use of the affected assets.

The cash flow forecasts are based on the business plans for 2022/2023 prepared and approved by the Management and Supervisory Boards, together with the business plans approved by the Management Board for the two subsequent financial years 2023/2024 and 2024/2025. For the financial years thereafter the planning is rolled forward based on assumptions made concerning the trend for significant inputs to the business planning through to the financial year 2031/2032 (the end of the original remaining useful life at the acquisition date). It is generally assumed that gross margins will fall over the remaining useful lives of the assets. Re-investments were not assumed in view of current trends in the Biodiesel sector in North America. The existing plant was assumed to have a remaining useful life which ends at the end of the financial year 2031/2032. It was assumed that at the end of the remaining useful life, net current assets would be sold, that only insignificant residual values can be generated from property, plant and equipment, and that certain winding-up costs will be incurred.

The cash flows were estimated net of taxes and interest and discounted using an interest rate that reflects an after-tax risk-adjusted cost of capital. The after-tax interest rate for discounting purposes at June 30, 2022 was 10.74 percent. The underlying assumptions made in determining the interest rate used for discounting purposes were calculated based on many years of experience, taking account of sector-specific comparative figures.

As a result of this examination an impairment was recorded of EUR 15,469 thousand, representing a write down of the entire carrying value of property, plant and equipment attributable to the Biodiesel cash-generating unit in North America. Although currently considered unlikely, should the margins trend differ from the trend used for planning purposes, it would not be necessary to record a full impairment write down of the cash-generating unit Biodiesel North America. This could be the case, for example, should the regulatory environment in North America be amended to significantly improve the prospects for the use of biodiesel as a CO_2 neutral fuel.

In addition, VERBIO performed an assessment of the property, plant and equipment of the Bioethanol cash-generating unit in Germany in the financial year 2021/2022 as a result of the results for the year, the positive forecasts and given that the framework conditions are better than had originally been assumed. Depreciation in the financial year 2012/2013 included impairment write downs amounting to EUR 19,800 thousand. The assessment addressed the issue of whether the grounds for the impairment write down at that time no longer apply.

Testing of reversal of impairment on the Bioethanol cash generating unit Germany was prepared based on a calculation of the recoverable amount, whereby the recoverable amount was determined on the basis of the value in use of the affected assets.

The cash flow forecasts are based on the business plans for 2022/2023 prepared and approved by the Management and Supervisory Boards, together with the business plans approved by the Management Board for the two subsequent financial years 2023/2024 and 2024/2025. For the financial years thereafter the planning is rolled forward based on assumptions made concerning the trends for significant inputs to the business planning through to the financial year 2035/2036, the final year considered for this purpose. In view of the limitations on the use of certain biofuels (first generation biofuels) under European law, for the purposes of the impairment testing relative consistent gross margin trends have been assumed, with, however, falls averaging 5 percent. For the purpose of the impairment testing no account was taken of earnings contributions from second generation biofuels (advanced biofuels in the sense of the EU regulation) over the period covered by the business planning. While these already make a significant value added contribution, they would only result in a higher result, and accordingly are not relevant for the purposes of the impairment testing. It was assumed that at the end of their respective expected remaining useful lives only insignificant residual values would be generated from property, plant and equipment, that net current assets would be sold, generating proceeds of approximately EUR 50 million, and that certain insignificant winding-up costs would be incurred.

The cash flows were estimated net of taxes and interest and discounted using an interest rate that reflects an after-tax risk-adjusted cost of capital. The after-tax interest rate for discounting purposes at June 30, 2022 was 8.93 percent. The underlying assumptions made in determining the interest rate used for discounting purposes were based on many years of experience, taking account of sector-specific comparative figures.

As a result of this examination a reversal of impairment write downs amounting to EUR 6,702 was recognised, representing a reversal of the entire write down recorded against the cash-generating unit Bioethanol Germany, with the effect that the carrying values are those that would have been recorded had no impairment write down been made. Even a doubling of the assumed negative growth rate for gross margin would also lead to a reversal of the impairment write down recorded against the cash generating unit Bioethanol Germany.

6.1.3 Right of use assets under leasing arrangements

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

Expenses of EUR 969 thousand have been recorded for short-term lease arrangements and for lease arrangements for low-value assets (2020/2021: EUR 359 thousand).

The movements on right-of-use assets held under leasing arrangements were as follows in the period from July 1, 2021 to June 30, 2022:

EUR (thousands)	Land, land rights and buildings	Other equipment, factory and office equipment	Total
Acquisition costs as of July 1, 2021	8,122	18,404	26,526
Additions	4,909	5,795	10,704
Disposals	2,315	4,406	6,721
Reclassifications	755	–1,208	–453
Currency effects	–35	633	598
Acquisition costs as of June 30, 2022	**11,436**	**19,218**	**30,654**
Accumulated depreciation as of July 1, 2021	1,340	8,958	10,298
Additions	1,024	4,666	5,690
Disposals	980	3,181	4,161
Reclassifications	298	–751	–453
Currency effects	7	324	331
Accumulated depreciation as of June 30, 2022	**1,689**	**10,016**	**11,705**
Carrying amount as of July 1, 2021	6,782	9,446	16,228
Carrying amount as of June 30, 2022	**9,747**	**9,202**	**18,949**

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

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

6.1.4 Non-current financial assets

The non-current financial assets (EUR 2,397 thousand; June 30, 2021: EUR 2,816 thousand) primarily consist of the non-current portion of a loan provided to an associated company VERUM GmbH (EUR 2,280 thousand; June 30, 2021: EUR 2,660 thousand). We refer to note 9.2, "Categories of financial assets and financial liabilities" for information on measurement of this item. Among other items, the amounts presented include an investment in a company consolidated under the equity method of accounting (EUR 40 thousand; June 30, 2021: EUR 40 thousand).

6.1.5 Other 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.

6.2 Current assets

6.2.1 Inventories

EUR (thousands)	30.06.2022	30.06.2021
Raw materials, consumables and supplies, gross	48,723	24,809
Less: allowances	0	0
Raw materials, consumables and supplies	**48,723**	**24,809**
Work in process, gross	4,666	3,021
Less: allowances	0	0
Work in process	**4,666**	**3,021**
Finished goods, gross	114,222	75,954
Less: allowances	−85	−2,498
Finished product	**114,137**	**73,456**
Merchandise	**1,809**	**177**
Inventories	**169,335**	**101,463**

Inventories with a carrying value of EUR 167,632 thousand (June 30, 2021: EUR 79,787 thousand) are carried at their acquisition and production cost. Further inventories with a carrying value of EUR 1,703 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 85 thousand (June 30, 2021: EUR 2,498 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 amount to EUR 85 thousand (2020/2021: EUR 2,498 thousand); write-downs of raw materials, consumables and supplies are within "Cost of materials" and amount to EUR 0 thousand (2020/2021: EUR 0 thousand).

6.2.2 Trade receivables

Trade receivables amounted to EUR 112,234 thousand at the balance sheet date (June 30, 2021: EUR 69,565 thousand) and are presented net of valuation allowances of EUR 1,078 thousand (June 30, 2021: EUR 1,099 thousand).

Of the valuation allowances recorded in the previous year, EUR 0 thousand (2020/2021: EUR 3 thousand) were released through profit or loss in the financial year; the release amount is included in "Impairment loss on financial assets". Impairment allowances of EUR 30 thousand were recognised in the financial year (2020/2021: EUR 27 thousand); the expense is included in "Impairment losses on financial assets". Impairment allowances of EUR 11 thousand were utilised (2020/2021: EUR 11 thousand).

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

6.2.3 Derivatives

Information on the Group's derivative financial assets with a carrying value of EUR 40,975 thousand (June 30, 2021: EUR 44,172 thousand) is provided in Section 10.3, "Derivatives".

6.2.4 Other current financial assets

Other current financial assets comprise the following:

EUR (thousands)	30.06.2022	30.06.2021
Cash on segregated accounts	14,481	25,202
Deferral of unrealised results on forward contracts	2,087	822
Suppliers with debit balance	1,552	278
Security deposits resulting from security agreements and liability declarations	1,343	238
Loans to associated companies	480	480
Wage tax receivable	0	1,173
Miscellaneous other financial assets	885	313
Other financial assets	**20,828**	**28,506**

6.2.5 Other assets

Other non-financial assets comprise the following:

EUR (thousands)	30.06.2022	30.06.2021
Reimbursement of electricity and energy tax	5.072	4.471
Value added tax and interest due from tax authorities	3.901	5.381
Emissions certificates held in trust	1.578	82
Deferred expenses	1.339	460
Investment grants and subsidies	0	6.283
Miscellaneous other assets	1,376	863
Other non-financial assets	**13,266**	**17,540**

6.2.6 Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 299,612 thousand (June 30, 2021: EUR 105,025 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 299,605 thousand (June 30, 2021: EUR 105,018 thousand).

6.3 Equity

6.3.1 Share capital

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

The Company's share capital is EUR 63,397,913.00 thousand at the June 30, 2022 balance sheet date (June 30, 2021: EUR 63,183,632.00 thousand) and is divided into 63,397,913 no-par shares registered in the name of the holders. Ownership of the shares entitles the holders 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 February 4, 2022, 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, 2027 by a total of EUR 31,592 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 12,637 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 consent of the Supervisory Board, to exclude shareholders' subscription rights if the issue price is not significantly below the stock market price of shares in the Company shares of the same class.

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 of 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, 2027, to amend the authorisation after its expiry.

The above was registered at the commercial register of the Company on February 15, 2022.

The general shareholders' meeting on February 1, 2019 authorised the Management Board until January 31, 2024 to purchase treasury shares up to 10 percent of the capital shares at that time, in one or several purchases. The authorisation is not to be used for the purpose of trading in treasury shares. The powers of the Management Board to issue or repurchase shares are comprehensively described and governed in the authorisation resolved by the general shareholders' meeting.

The issue of 183,632 new shares in the financial year 2020/2021 and 214,281 new shares in the financial year 2021/2022 was in connection with the payment of long-term bonus awards to the Management Board in which the Supervisory Board had decided that the payment shall be made by the issue of shares instead of by cash settlement, as well as additional issues to other employees in 2021/2022. The capital increase 2022 was registered at the commercial register on June 15, 2022.

6.3.2 Additional paid-in capital

The additional paid-in capital primarily resulted from the creation of the VERBIO Group under the 2006 business combination acquisition costs, with additional paid-in capital recorded for the excess of acquisition costs over the amounts recorded in subscribed capital. Of this, an amount of EUR 170,245 thousand is subject to restricted use under German company law. It was reduced in 2006 by EUR 49,900 thousand as a result of a share capital increase from the Company's own resources. The excess of the proceeds of the initial public offering in 2006 over the nominal amount of the capital increase was added to the paid-in capital (EUR 175,500 thousand). Set off against this was the cost of the initial public offering, which was recorded as a reduction of paid-in capital in accordance with IAS 32.37.

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

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

An amount of EUR 3,701 thousand was added to the capital reserve in the financial year 2021/2022. This represented the excess of the value of the shares allocated in the financial year 2021/2022 over their nominal subscribed capital amounts.

6.3.3 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on the annual financial statements of VERBIO AG, which are prepared under German commercial law requirements. At the annual general meeting to be held on February 3, 2023, the Management and Supervisory Boards of VERBIO AG will recommend the payment of a dividend of EUR 0.20 per qualifying share, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements were offset in full in the financial year 2021/2022 by the positive Group result attributable to owners of the parent Company (EUR 315,625 thousand, EUR 0.20 per qualifying share) less the dividend paid for the previous year (EUR 12,637 thousand) and other changes. As a result, revenue reserves total EUR 221,261 thousand at June 30, 2022.

6.3.4 Reserve for cash flow hedge

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, 2022.

6.3.5 Reserve for translation adjustments

We refer to the explanations provided in note 2.4, "Foreign currency translation".

6.3.6 Earnings per share

VERBIO AG has 63,397,913 no-par shares with an arithmetic nominal value of EUR 1 each. The Group result attributable to the shareholders of the parent company for the financial year 2021/2022 amounts to EUR 315,625 thousand (2020/2021: EUR 93,203 thousand).

The number of shares at the end of the financial year 2021/2022 totalled 63,397,913 (June 30, 2021: 63,183,632). Following the capital increase the weighted average number of shares outstanding during the reporting period was 63,236,468. The basic result per share amounts to EUR 4.99 (2020/2021: EUR 1.48).

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 230,793 outstanding potential ordinary shares, the diluted earnings per share amounts to EUR 4.97 per share.

	2021/2022	2020/2021
Outstanding shares on June 30, 2022 and June 30, 2021	63,397,913	63,183,632
Number of average shares outstanding as of the balance sheet date	63,236,468	63,056,347
Number of potential shares on June 30, 2022 and June 30, 2021	230,793	378,590
Result attributable to shareholders of the parent company (in EUR thousands)	315,625	93,203
Result per share basic (EUR)	**4.99**	**1.48**
Result per share diluted (EUR)	**4.97**	**1.47**

6.3.7 Non-controlling interests

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

EUR (thousands)	2021/2022	2020/2021
Sales revenues (without group eliminations)	26,935	22,362
Net result for the period	1,891	3,237
Result attributable to non-controlling interests	**201**	**345**

EUR (thousands)	2021/2022	2020/2021
Current assets	10,780	14,651
Non-current assets	24,336	12,420
Current liabilities	13,338	7,868
Non-current liabilities	1,334	652
Equity	20,444	18,551
Non-controlling interests	**2,224**	**2,023**

EUR (thousands)	2021/2022	2020/2021
Cash flows from operating activities	15,502	4,025
Cash flows from investing activities	–14,290	–4,489
Cash flows from financing activities	0	0
Net change in cash funds	**1,212**	**–464**

6.4 Non-current liabilities

6.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 30,000 thousand as of the June 30, 2022 balance sheet date (June 30, 2021: EUR 30,000 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance June 30, 2022	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
Promissory note	17,500	0	17,500	03.07.2024	Euribor + 0.90 %	Due on maturity
Total	**30,000**	**0**	**30,000**			

The bank loans and other loans as of June 30, 2021 are presented below in their current and non-current components:

EUR (thousands)	Balance June 30, 2021	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Promissory note	12,500	0	12,500	03.07.24	0.9	Due on maturity
Promissory note	17,500	0	17,500	03.07.24	Euribor + 0.90 %	Due on maturity
Total	**30,000**	**0**	**30,000**			

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

To our shareholders

Group management report

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6.4.2 Lease liabilities

The movements on the long- and short-term lease liabilities in the financial year 2021/2022 and 2020/2021 were as follows:

EUR (thousands)	**Land, land rights and buildings**	**Other equipment, factory and office equipment**	**Total**
Acquisition costs as of July 1, 2021	6,929	9,552	16,481
Additions	4,902	5,839	10,741
Disposals	1,350	1,325	2,675
Reclassifications	463	–463	0
Lease payments	1,107	4,737	5,844
Interest accrued on lease liabilities	188	115	303
Currency effects	–10	390	380
Accumulated depreciation as of June 30, 2022	**10,015**	**9,371**	**19,386**

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

The lease liabilities mature as follows:

	Remaining contractual payments			
EUR (thousands)	**Within one year**	**1–5 years**	**after 5 years**	**Total**
Lease liability at June 30, 2022	4,967	9,170	5,249	19,386

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

6.4.3 Non-current provisions

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

6.4.4 Investment grants and subsidies

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2021 to June 30, 2022 were as follows:

EUR (thousands)	**Investment subsidies**
July 1, 2021	3,031
Additions	0
Release in current period	–852
Disposal	0
June 30, 2022	**2,179**
Thereof: current	837
Thereof: non-current	1,342

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

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

Further information about the nature of the subsidies received and their respective conditions is provided in note 11.1, "Contingent liabilities and future payment obligations". The release of the deferred investment grants and subsidies is made through the income statement. Details are provided in note 5.3, "Other operating income".

6.4.5 Deferred tax liabilities

Information on deferred taxes is provided in note 5.12, "Income taxes".

6.5 Deferred tax liabilities

6.5.1 Lease liabilities

Lease liabilities included within current liabilities amounting to EUR 4,967 thousand (June 30, 2021: EUR 5,356 thousand) represent the short-term components of the total amounts due under lease liabilities, described in further detail in the disclosures on non-current liabilities in note 6.4.2.

6.5.2 Trade payables

Trade payables at the balance sheet date amount to EUR 95,371 thousand (June 30, 2021: EUR 45,382 thousand). All of the trade payables are payable within one year.

6.5.3 Derivatives

Information on the Group's derivative financial liabilities with a carrying value of EUR 15,867 thousand at June 30, 2022 (June 30, 2021: EUR 22,508 thousand) is provided in Section 9.3, "Derivatives".

6.5.4 Other current financial liabilities

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

6.5.5 Income tax liabilities

The tax liabilities in the financial years 2021/2022 and 2020/2021 comprised the following:

EUR (thousands)	July 1, 2021	Utilisation	Release	Addition	June 30,2022
Trade tax	8,624	8,247	2	40,362	40,737
Corporate tax	10,368	9,738	0	47,789	48,419
Tax liabilities	**18,992**	**17,985**	**2**	**88,151**	**89,156**

EUR (thousands)	July 1, 2020	Utilisation	Release	Addition	June 30,2022
Trade tax	8,929	8,560	9	8,264	8,624
Corporate tax	9,167	8,758	0	9,959	10,368
Tax liabilities	**18,096**	**17,318**	**9**	**18,223**	**18,992**

6.5.6 Current provisions

Current provisions at June 30, 2022 and June 30, 2021 included the following:

EUR (thousands)	July 1, 2021	Utilisation	Release	Addition	June 30, 2022
Expected losses on sales and purchase contracts	8,815	8,815	0	1,184	1,184
Litigation risks	574	463	111	0	0
Interest	0	0	0	2,214	2,214
Other provisions	267	42	0	32	257
Provisions	**9,656**	**9,320**	**111**	**3,430**	**3,655**

EUR (thousands)	July 1, 2020	Utilisation	Release	Addition	June 30, 2021
Expected losses on sales and purchase contracts	2,010	1,117	0	7,922	8,815
Litigation risks	544	0	0	30	574
Other provisions	419	35	117	3	267
Provisions	**2,973**	**1,152**	**117**	**7,955**	**9,656**

6.5.7 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	June 30, 2022	June 30, 2021
Advances received	13,286	315
Value added tax	12,668	5,006
Wage and church taxes	845	2,155
Social security	403	587
Energy tax	61	51
Miscellaneous other current liabilities	716	1,190
Total other current liabilities	**27,979**	**9,304**

7 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 299,612 thousand (2020/2021: EUR 105,025 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2020/2021: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 325,031 thousand, significantly higher than in the previous year (2020/2021: EUR 117,183 thousand). This was due to the fact that the net result for the period was EUR 222,278 thousand higher, and to the increases in trade payables (EUR 43,667 thousand; 2020/2021: EUR 3,354 thousand) as well as the other financial and non-financial liabilities of EUR 21,923 thousand (2020/2021: EUR 5,265 thousand). There were opposite effects on the cash flow from operating activities, in particular as a result of the increase in inventories of EUR 67,871 thousand (2020/2021: EUR 22,654 thousand), the increase in trade receivables of EUR 42,669 thousand (2020/2021: EUR 4,877 thousand), as well as the increase in other assets and other current assets of EUR 53,320 thousand (2020/2021: EUR 8,004 thousand).

The cash flow from investing activities of EUR –113,617 thousand (2020/2021: EUR –46,557 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 114,419 thousand (2020/2021: EUR 67,065 thousand). The amounts reported in the financial statements for the previous year included a compensating cash inflow from the release of term deposits of EUR 20,000 thousand.

The cash flows from financing activities were at a similar level to the previous year and amounted to EUR -18,481 thousand (2020/2021: EUR -18,760 thousand). In addition to payments for lease liabilities of EUR 5,844 thousand (2020/2021: EUR 5,926 thousand), the cash flows from financing activities were primarily driven by dividend payments. A dividend payment of EUR 0.20 per share was approved for the financial year 2020/2021 at the annual general meeting held on February 4, 2022 (financial year 2019/2020: EUR 0.20 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 12,637 thousand (2020/2021: EUR 12,600 thousand), with a corresponding reduction in the retained earnings reported in the balance sheet.

The cash flows of liabilities for financing activities in the financial year 2021/2022 and in the previous year were as follows:

7. Cash flows of liabilites for financing activites

EUR (thousands)	July 1, 2021	Cash flow	Additions/ Disposals	Accrued interest	June 30, 2022
Non-current financial liabilities	30,000	272	0	272	30,000
Current financial liabilities	0	0	0	0	0
Lease liabilites	16,481	5,844	8,446	303	19,386
	46,481	**6,116**	**8,446**	**575**	**49,386**

EUR (thousands)	July 1, 2020	Cash flow	Additions/ Disposals	Accrued interest	June 30, 2021
Non-current financial liabilities	30,000	273	0	273	30,000
Current financial liabilities	234	234	0	0	0
Lease liabilites	18,009	5,926	4,119	282	16,481
	48,243	**6,433**	**4,119**	**555**	**46,481**

8 Segment reporting

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

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

8.1 Segments according to internal corporate management

For internal management purposes, sales revenue is presented net of energy taxes of EUR 1,020 thousand (2020/2021: EUR 1,328 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.

Of the total investments in property, plant and equipment amounting to EUR 121,360 thousand in the financial year 2021/2022, a total of EUR 62,671 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 121,360 thousand in the financial year 2021/2022 (2020/2021: EUR 67,864 thousand).

The VERBIO Group generated sales revenue of EUR 544,462 thousand in the reporting period (2020/2021: EUR 326,133 thousand) from sales of goods and services outside Germany (primarily in Europe and North America).

Sales revenue with two (2020/2021: two) external customers amounted to more than 10 percent of total revenue in the reporting period; the sales revenue with these customers totalled EUR 661,863 thousand (2020/2021: two customers totalling EUR 375,346 thousand). Of these totals, sales revenue of EUR 438,300 thousand (2020/2021: EUR 265,112 thousand) is attributable to the Biodiesel segment and sales revenue of EUR 223,563 thousand (2020/2021: EUR 110,234 thousand) is attributable to the Bioethanol segment.

Segment reporting for the period from July 1, 2021 to June 30, 2022

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
External sales revenues	1,269,711	729,840	530,802	286,421	11,964	9,774
Sales revenues with segments	3	60	464	214	9,386	6,917
Change in finished and unfinished goods	8,866	4,884	33,111	17,624	0	0
Own work capitalised	1,156	433	8,415	2,146	236	0
Other operating income	11,725	3,462	15,953	9,166	668	460
Cost of materials	–900,561	–586,165	–328,597	–187,198	–10,339	–7,705
Personnel expenses	–21,893	–19,665	–36,748	–29,859	–6,317	–4,926
Other operating expenses	–27,471	–22,120	–39,710	–28,147	–2,885	–2,016
Result from commodity forward contracts	–43,200	–17,519	18,645	243	0	0
Segment result	**298,336**	**93,210**	**202,335**	**70,610**	**2,713**	**2,504**
Depreciation and impairments	–25,634	–10,930	–20,103	–17,049	–2,274	–1,717
Income from reversal of impairment write-down	0	0	6,702	0	0	0
Segment EBIT	**272,702**	**82,280**	**188,934**	**53,561**	**439**	**787**
Interest Income	75	46	180	111	1	0
Interest expense	–2,639	–736	–592	–688	–7	–11
Result before taxes	**270,138**	**81,590**	**188,522**	**52,984**	**433**	**776**

Reconciliation of segment revenues and results

EUR (thousands)	Segment totals		Inter-segment sales revenues, expenses and other adjustments		Group	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
External sales revenues	1,812,477	1,026,035	0	0	1,812,477	1,026,035
Sales revenues with segments	9,853	7,191	–9,853	–7,191	0	0
Change in finished and unfinished goods	41,977	22,508	0	0	41,977	22,508
Own work capitalised	9,807	2,579	0	0	9,807	2,579
Other operating income	28,346	13,088	–353	–274	27,993	12,814
Cost of materials	–1,239,497	–781,068	2,161	1,586	–1,237,336	–779,482
Personnel expenses	–64,958	–54,450	0	0	–64,958	–54,450
Other operating expenses	–70,066	–52,283	7,986	5,879	–62,080	–46,404
Result from commodity forward contracts	–24,555	–17,276	0	0	–24,555	–17,276
Segment result	**503,384**	**166,324**	**–59**	**0**	**503,325**	**166,324**
Depreciation and impairments	–48,011	–29,696	0	0	–48,011	–29,696
Income from reversal of impairment write-down	6,702	0	0	0	6,702	0
Segment EBIT	**462,075**	**91,925**	**–59**	**0**	**462,016**	**136,628**
Interest Income	255	157	0	0	255	157
Interest expense	–3,238	–1,435	0	0	–3,238	–1,435
Result before taxes	**459,092**	**90,978**	**–59**	**0**	**459,033**	**135,350**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Intangible assets	389	278	455	324	2	0	846	602
Right-of-use assets held under lease arrangements	9,630	8,277	9,234	7,333	86	618	18,950	16,228
Property, plant and equipment	66,439	79,851	317,045	207,193	8,039	3,510	391,523	290,554
Inventories	59,757	25,958	109,341	75,285	237	220	169,335	101,463
Trade receivables	70,825	45,260	40,178	22,970	1,231	1,335	112,234	69,565
Other assets and other financial assets	44,631	22,398	49,439	26,298	183	166	94,253	48,862
Derivatives	39,608	44,172	1,367	0	0	0	40,975	44,172
Total segment equivalents	**291,279**	**226,194**	**527,059**	**339,403**	**9,778**	**5,849**	**828,116**	**571,446**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Lease liabilities	9,852	8,373	9,449	7,486	85	623	19,386	16,482
Deferred investment grants	219	273	1,870	2,667	90	90	2,179	3,030
Non-current provisions	46	46	80	80	5	5	131	131
Trade payables and other current provisions	53,200	25,993	44,979	28,222	847	823	99,026	55,038
Other current financial liabilities and other current liabilities	21,180	8,169	20,108	11,502	995	868	42,283	20,539
Derivatives	14,766	22,508	1,101	0	0	0	15,867	22,508
Total segment liabilities	**99,263**	**65,362**	**76,486**	**49,957**	**2,022**	**2,409**	**178,872**	**117,728**

Reconciliation segments assets and segment liabilities

EUR (thousands)	Group	
	30.06.2022	30.06.2021
Total segment assets	828,116	571,446
Deferred tax assets	807	2,077
Income tax refunds	84	73
Cash and cash equivalents	299,612	105,025
Term deposits	0	0
Total assets	**1,128,619**	**678,621**
Total segment liabilities	178,872	117,728
Bank loans and other loans	30,000	30,000
Other tax liabilities	89,156	18,993
Other non-current liabilities	224	222
Deferred tax	11,912	1,806
Total liabilities	**310,164**	**168,749**

Investments

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
Investments (excluding leasing)	**4,983**	**4,656**	**108,926**	**61,135**	**7,784**	**2,593**	**121,693**	**68,384**

9 Disclosures on financial instruments

9.1 General information

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model of the Company used to manage financial assets and on the contractual cash flow characteristics of the instruments.

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

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 on the trading date. Subsequent to initial recognition they are remeasured to fair value. Forward commodity contracts used to hedge purchasing prices on the procurement market (see Section 9.3.1 A) qualify as cash flow hedges and have, accordingly, been classified as "Derivatives within hedging relationships".

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

Derivatives which are not or were not used for hedging relationship purposes (see notes 9.3.2 C. and D.) are free-standing derivatives, and as a result are always classified as at "fair value through profit or loss". Accordingly, gains or losses resulting from their subsequent remeasurement will be, or have been, respectively, recognised with profit or loss effect in the consolidated statement of comprehensive income under the heading "Result from commodity forward contracts".

9.2 Categories of financial assets and financial liabilities

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

Assets

Valuation	At amortised cost		At fair value				Total	
Measurement			FVTPL		FVOCI			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	112,234	112,234	0	0	0	0	112,234	112,234
Other non-current and current financial assets	23,225	23,225	0	0	0	0	23,225	23,225
Derivatives	0	0	1,380	1,380	39,596	39,596	40,976	40,976
Cash and cash equivalents	299,612	299,612					299,612	299,612
Total (June 30, 2022)	**435,071**	**435,071**	**1,380**	**1,380**	**39,596**	**39,596**	**476,047**	**476,047**
Trade receivables	69,565	69,565	0	0	0	0	69,565	69,565
Other non-current and current financial assets	31,322	31,322	0	0	0	0	31,322	31,322
Derivatives	0	0	1,601	1,601	42,571	42,571	44,172	44,172
Cash and cash equivalents	105,025	105,025					105,025	105,025
Total (June 30, 2021)	**205,912**	**205,912**	**1,601**	**1,601**	**42,571**	**42,571**	**250,084**	**250,084**

[1] Derivative financial instruments used in hedge accounting are recognised directly in equity but do not represent a separate category of financial assets and liabilities.

Liabilities

Valuation	At amortised cost		At fair value				Total	
Measurement			FVTPL		FVOCI			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carry-ing amount	Fair value
Liabilities to banks and other loans	30,000	30,049	0	0	0	0	30,000	30,049
Trade payables	95,371	95,371	0	0	0	0	95,371	95,371
Other financial liabilities	14,528	14,528	0	0	0	0	14,528	14,528
Derivatives [1]		0	2,780	2,780	13,087	13,087	15,867	15,867
Total (June 30, 2022)	**139,899**	**139,948**	**2,780**	**2,780**	**13,087**	**13,087**	**155,766**	**155,815**
Liabilities to banks and other loans	30,000	30,000	0	0	0	0	30,000	30,000
Trade payables	45,382	45,382	0	0	0	0	45,382	45,382
Other financial liabilities	11,457	11,457	0	0	0	0	11,457	11,457
Derivatives [1]	0	0	15,661	15,661	6,847	6,847	22,508	22,508
Total (June 30, 2021)	**86,839**	**86,839**	**15,661**	**15,661**	**6,847**	**6,847**	**109,347**	**109,347**

[1] Derivative financial instruments used in hedge accounting are recognised directly in equity but do not represent a separate category of financial assets and liabilities.

9.2.1 Measurement in the individual measurement categories

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

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

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

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

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

9.2.2 Reconciliation to balance sheet headings

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

9.3 Derivatives

The fair values and underlying nominal values of derivative assets and liabilities reported were as follows at the June 30, 2022 and June 30, 2021 balance sheet dates:

EUR (thousands)	Nominal volume	Derivative assets =positive market-value	Derivative liabilities =negative market value
Stand-alone derivatives			
Purchase transactions	16,000 t	347	0
Sales transactions	3,156 t	1,032	1,679
Gas swap	375 GWh	0	1,101
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	72,300 t	39,596	10,615
Swap rapeseed oil purchase	9,063 t	0	2,472
Derivatives at June 30, 2022		**40,975**	**15,867**

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

EUR (thousands)	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	40,975	0	40,975
Derivative liabilities	0	15,867	0	15,867

EUR (thousands)	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	44,172	0	44,172
Derivative liabilities	1,968	20,540	0	22,508

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)

As in the previous year, there were no reclassifications between the individual hierarchy levels used to classify fair value measurements in the financial year 2021/2022. Should a fair value measurement require reclassification, the reclassification would be effected at the end of the financial year.

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

A. Forward contracts for rapeseed oil VERBIO AG (assets: EUR 39,596 thousand; liabilities: EUR 10,615 thousand)

Under the responsibility of risk management personnel, derivatives in the form of purchased forward contracts (forwards) are used to hedge the price of rapeseed oil, a raw material. The underlying hedged transactions are highly probable purchases of rapeseed oil, the hedging instrument is the purchase of forwards, and the risk being hedged is the risk of price increases that could result in a negative effect on the profit margin. The hedging begins approximately one year in advance of the physical requirements, and the objective is to hedge at least 80 percent of the required quantities no later than four months prior to delivery. The effectiveness of the cash flow hedges for rapeseed oil using forward contracts is measured using the critical term match method. A 100 percent effectiveness can be assumed as the hedging instrument and the underlying transactions are entered into with identical parameters. Accordingly, with the exception of a default risk premium, no ineffectiveness is expected, and there are no amounts which need to be recognised immediately in profit or loss to reflect hedging ineffectiveness.

In the month of purchase, which is the scheduled or unscheduled occurrence of the underlying transaction, the results of the hedging transaction recognised in equity are offset in profit or loss as a basis adjustment, initially in inventories and thereafter recognised within cost of materials on consumption. The amount transferred from equity to profit or loss in connection with cash flow hedge accounting in the reporting period amounted to EUR 80,029 thousand (2020/2021: EUR 18,802 thousand) and is shown in the income statement under "Cost of materials". There were no ineffective portions requiring recognition at the balance sheet date.

B. Forward contracts for vegetable oils VNA (liabilities: EUR 2,472 thousand)

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

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

C. Free-standing derivatives from procurement and sales transactions
In addition to the derivatives designated as hedging instruments, use is made of biodiesel swaps to hedge revenue from sales contracts that are linked to the quoted market price of biodiesel. Derivatives with a negative market value of EUR 1,679 thousand were held on June 30, 2022 (2020/2021: EUR 1,601 thousand with positive market values and EUR 13,693 thousand with negative market values).

In addition, ethanol future derivatives were entered into to hedge revenues from sales contracts linked to quoted market prices of bioethanol. The derivatives had a positive market value of EUR 1,032 thousand at June 30, 2022.

The Group held free-standing derivatives with a negative market value of EUR 1,101 thousand at June 30, 2022, which were entered into in order to hedge the sales of gas.

Derivatives with a market value of EUR 347 thousand were held at June 30, 2022 in order to hedge raw material purchases.

D. Free-standing derivatives under currency hedging arrangements
Additionally, in the previous year's financial statements EUR/USD currency contracts were entered into in order to hedge the currency risk of variable rate biodiesel sales contracts denominated in US dollars. The negative market value of these derivatives at June 30, 2021 amounted to EUR 1,968 thousand. No derivatives entered into to hedge currency risks were held at June 30, 2022.

9.3.3 Change in equity

The effects on equity of the hedging transactions entered into in the financial year 2021/2022 and the previous year are presented below:

EUR (thousands)	Rapeseed oil procurement	Crude oil swaps	Biodiesel swaps	Total
July 1, 2021	**24,420**	**17,232**	**–863**	**40,789**
Recognition in the income statement (cost of materials)	–80,029	–17,182	0	–97,211
Recognition in the income statement (sales revenue)	0	0	1,134	1,134
Amounts according to IFRS 9.6.5.12a	0	–4,670	0	–4,670
Change in fair value measurement	84,589	–7,142	–271	77,176
Balance (June 30, 2022)	**28,980**	**–7,092**	**0**	**21,888**
Less: deferred taxes				–8,450
				13,438

EUR (thousands)	Rapeseed oil procurement	Crude oil swaps	Biodiesel swaps	Total
July 1, 2020	**1,963**	**0**	**0**	**1,963**
Recognition in the income statement (cost of materials)	–18,802	0	0	–18,802
Amounts according to IFRS 9.6.5.12a	0	5.066	0	5.066
Change in fair value measurement	41,259	12,166	–863	52,562
Balance (June 30, 2021)	**24,420**	**17,232**	**–863**	**40,789**
Less: deferred taxes				–7,109
				33,680

In the financial year 2021/2022 the reclassification to cost of materials of hedge transactions to hedge the purchase of rapeseed oil was preceded by a basis adjustment to inventories as recycling of gains and losses initially recognised in other comprehensive income (OCI).

9.3.4 Realisation of the underlying and hedging transactions

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

EUR (thousands)	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months
June 30, 2022				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Cash outflow rapeseed oil purchase		236,825	199,194	37,631
Swap soyseed oil purchase				
Cash outflow crude oil purchase		14,696	14,696	0
Effect on the income statement				
Commodity forward contracts				
Asset	39,596	39,596	35,401	4,195
Liability	10,615	10,615	9,119	1,496
Swaps soy crude oill				
Liability	2,472	2,472	2,472	0

EUR (thousands)	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months
June 30, 2021				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	30,405	189,718	135,020	54,698
Liability	5,933	108,779	108,779	0
Biodiesel swaps				
Liability	864	30,209	30,209	0
Swaps crude oil				
Asset	12,166	9,676	9,676	0
Effect on the income statement				
Commodity forward contracts				
Asset	30,405	30,405	25,776	4,629
Liability	5,933	5,933	5,933	0
Biodiesel/ crude oil swaps				
Asset	12,166	12,166	12,166	0
Liability	863	863	863	0

9.4 Other disclosures required by IFRS 7

9.4.1 Information on income and expense positions

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

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Impairment reversals (changes in value of financial assets and liabilities)	Impairment write-downs (changes in value of financial assets and liabilities)	Gains and losses on currency translation (changes in value of financial assets and liabilities)	Use of derivatives (result from forward contracts)	Total
2021/2022							
Financial assets measured at amortised cost:	255	0	125	–30	13,527	0	13,877
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	33,345	33,345
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	–57,900	–57,900
Other non-current/ current financial liabilities	0	–3,238	0	0	0	0	–3,238
Interest rate swaps	0	0	0	0	0	0	0
Total	**255**	**–3,238**	**125**	**–30**	**13,527**	**–24,555**	**–13,916**

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EUR (thousands)	Interest result: Interest income	Interest result: Interest expense	Subsequent measurement: Impairment reversals (changes in value of financial assets and liabilities)	Subsequent measurement: Impairment write-downs (changes in value of financial assets and liabilities)	Subsequent measurement: Gains and losses on currency translation (changes in value of financial assets and liabilities)	Subsequent measurement: Use of derivatives (result from forward contracts)	Total
2020/2021							
Financial assets measured at amortised cost:	157	0	118	–27	–2,604	0	–2,356
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	265	2650
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	–17,541	–17,541
Other non-current/ current financial liabilities	0	–1,435	0	0	0	0	–1,435
Interest rate swaps	0	0	0	0	0	0	0
Total	**157**	**–1,435**	**118**	**–27**	**–2,604**	**–17,276**	**–21,067**

The reversal of write-downs of loans and receivables of EUR 125 thousand (June 30, 2021: EUR 118 thousand) primarily consisted of the release of specific allowances recorded against other financial assets.

Allowances against and impairment write-down of loans and receivables totalling EUR 30 thousand (June 30, 2021: EUR 27 thousand) primarily relate to write-downs made to reflect non-collectable trade receivables

9.4.2 Information on collateral

The other financial assets represent cash and cash equivalents held in segregated accounts with a carrying value of EUR 14,480 thousand (June 30, 2021: EUR 25,201 thousand) which are provided as collateral for forward contracts entered into.

9.4.3 Information regarding allowances for credit losses on financial assets

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

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

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

EUR (thousands)	Historical loss rate	Gross carrying amount at June 30, 2022	Limited creditworthiness
Oil companies	0.00	87,222	No
Processing and trading companies	0.00	18,981	No
energy utilities	0.00	488	No
Farmers	0.14	599	No
Transport businesses	0.11	194	No
Other	1.17	4,750	No
		112,234	

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

The allowances made relate to the risk of credit losses on trade receivables and other current assets. The movements on the allowances in the financial year 2021/2022 were as follows:

EUR (thousands)	July 1, 2021	Addition	Release	Utilisation	Currency effects	June 30, 2022
Valuation allowances						
Trade receivables	1,099	30	0	11	–40	1,078
Other current assets	1,897	0	102	0	0	1,795
Valuation allowances	**2,996**	**30**	**102**	**11**	**–40**	**2,873**

EUR (thousands)	July 1, 2020	Addition	Release	Utilisation	Currency effects	June 30, 2021
Valuation allowances						
Trade receivables	1,092	27	3	11	–6	1,099
Other current assets	2,009	0	112	0	0	1,897
Valuation allowances	**3,101**	**27**	**115**	**11**	**–6**	**2,996**

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

10 Financial risks and risk management, capital management

10.1 Organisation

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 half-yearly reporting to the risk manager by management of the subsidiaries. In accordance with the Company's two-year cycle, a comprehensive inventory of risks is due to be performed at the end of the financial year 2022/2023. A detailed risk handbook is available.

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

Management Board

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

Risk management

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

Risk controlling

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

Supervisory Board

The Supervisory Board carries out a control function relating to all measures dealing with risk limitation and risk management within the Company. For further information on the Group-wide risk management system, please refer to the information provided in the Group management report under "Opportunity and risk report".

10.2 Risk groups

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

10.2.1 Credit risks

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

There are default risks associated with all financial instruments recorded as assets; the carrying amount of the financial assets represents the maximum risk of default. Allowances are recorded to the extent that there are indications of individual risks on individual financial instruments. There is no potential for offsetting of derivatives.

Maximum risk of default

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

EUR (thousands)	June 30, 2022	June 30, 2021
Trade receivables	112,234	69,565
Other non-current and current assets	23,225	31,322
Derivatives	40,976	44,172
Cash and cash equivalents	299,612	105,025
Total	**476,047**	**250,084**

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 risk assessments, internal ratings and forward-looking information is used to determine credit limits for supplies to individual customers; 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 10.5 million (June 30, 2021: 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 primarily attributable to the following customer groups and regions (the respective carrying amounts represent the respective credit risk):

Concentration according to customer groups

EUR (thousands)	June 30, 2022	June 30, 2021
Oil companies	87,222	51,544
Processing industries (in particular oil mills and pharmaceutical companies) and trading companies	18,981	13,227
Electric utilities	488	2,256
Farmers	471	451
Transport businesses	194	261
Disinfectant solution customers	0	35
Other	4,878	1,791
Total	**112,234**	**69,565**

Concentration according to region

EUR (thousands)	June 30, 2022	June 30, 2021
Inland	31,334	25,569
Europe	72,355	42,151
North America	7,660	1,845
Other foreign	885	0
Total	**112,234**	**69,565**

Receivables in Europe amounting to EUR 60,114 thousand are primarily in the Netherlands and Poland.

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, 2022 and June 30, 2021 balance sheet dates based on their maturity dates:

EUR (thousands)	Carrying amount	Thereof at the balance sheet date						
		Not impaired and not overdue	Not impaired and overdue in the following aging categories (in days)					
			Less than 30	Between 30 and 60	Between 61 and 90	Between 91 and 180	Between 181 and 360	More than 360
June 30, 2022								
Trade receivables	112,234	79,584	30,810	846	29	365	182	418
Other long-term and short-term financial assets	23,225	23,225	0	0	0	0	0	0
	135,459	**102,809**	**30,810**	**846**	**29**	**365**	**182**	**418**
June 30, 2021								
Trade receivables	69,565	67,064	1,764	126	0	23	505	83
Other long-term and short-term financial assets	31,322	31,322	0	0	0	0	0	0
	100,887	**98,386**	**1,764**	**126**	**0**	**23**	**505**	**83**

10.2.2 Liquidity risks

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

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

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

The aim 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, 2022 and June 30, 2021:

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, 2022						
Non-derivative financial liabilities						
Liabilities to banks and other loans	30,000	0	0	0	30,000	0
Trade payables	95,371	91,946	3,392	33	0	0
Lease liabilities	19,386	414	828	3,725	9,170	5,249
Other financial liabilities	14,528	14,528	0	0	0	0
	159,285	**106,888**	**4,220**	**3,758**	**39,170**	**5,249**
Derivative financial liabilities						
Derivatives used in hedging relationships	13,087	2,065	5,006	6,016	0	0
Derivatives classified as “Held for trading”	2,780	820	859	672	429	0
	15,867	**2,885**	**5,865**	**6,688**	**429**	**0**
Financial liabilities	**175,152**	**109,773**	**10,085**	**10,446**	**39,599**	**5,249**

[1] Incl. future interest payments

EUR (thousands)	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
June 30, 2021						
Non-derivative financial liabilities						
Liabilities to banks and other loans	30,000	0	0	0	30,000	0
Trade payables	45,382	44,460	877	45	0	0
Lease liabilities	16,481	446	893	4,017	7,047	4,078
Other financial liabilities	11,457	11,457	0	0	0	0
	103,320	**56,363**	**1,770**	**4,062**	**37,047**	**4,078**
Derivative financial liabilities						
Derivatives used in hedging relationships	6,847	5,051	622	1,174	0	0
Derivatives classified as "Held for trading"	15,661	3,926	8,613	3,122	0	0
	22,508	**8,977**	**9,235**	**4,296**	**0**	**0**
Financial liabilities	**125,828**	**65,340**	**11,005**	**8,358**	**37,047**	**4,078**

[1] Incl. future interest payments

Information on financial liability ratios

There are no indications of any matters that would indicate a payment delay or contract violation in respect of the financial liabilities totalling EUR 175,152 thousand at June 30, 2022 (June 30, 2021: EUR 125,828 thousand). Interest and loan repayment obligations on all non-derivative financial liabilities totalling EUR 159,285 thousand (June 30, 2021: EUR 103,320 thousand) have been serviced according to schedule.

10.2.3 Market risks

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

Currency risks

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

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

In the financial year 2021/2022 sales invoices denominated in foreign currencies (in US dollars) were issued in the Eurozone with an amount equivalent to EUR 107,231 thousand (2020/2021: EUR 50,799 thousand). Payments against these invoices are made into a US dollar denominated bank account. Trade receivables denominated in foreign currencies totalled EUR 20,472 thousand (in US dollars) at June 30, 2022 (June 30, 2021: EUR 15,015 thousand).

Interest rate risks

The Company is primarily financed by equity. The outstanding external loans partially carry fixed rates of interest, so that there is only a small risk associated with changes in interest rates. Interest rate risks result only from instruments with variable interest rates. There are variable interest rates on the asset side of the balance sheet for balances at banks; on the liabilities side of the balance sheet there are only insignificant interest rate risks.

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

Commodity price risks

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

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

The sensitivity of the value of derivatives to changes in the price of rapeseed oil is shown below.

- Sensitivity of the value of the derivatives in hedging relationships to changes in the price of rapeseed oil
- A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2022 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 1,808 thousand. This analysis corresponds to the analysis in the previous year. The analysis represents the effect on equity on the assumption that all other conditions remain unchanged.
- Sensitivity of the value of derivatives in hedging relationships to changes in the price of soya oil
- A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2021 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 227 thousand.
- Sensitivity of the value of derivatives not used in hedging relationships to changes in the price of ethanol
- A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2022 balance sheet date would result in an improvement (deterioration) of both the result for the period and the equity total amounting to EUR 79 thousand.
- Sensitivity of the value of the derivatives which are not used in hedging relationships to changes in the price of wheat
- A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2022 balance sheet date would result in an improvement (deterioration) of both the result for the period and the equity total amounting to EUR 250 thousand.

10.2.4 Risks in connection with government subsidy awards

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

10.2.5 Other risks

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

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

10.3 Capital management

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

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

A further goal for the VERBIO Group is to maintain a strong capital base, in order to finance future growth when the political environment regarding biofuels allows competitive growth. The equity of VERBIO (which equals managed capital in the sense of IAS 1.135) as of June 30, 2022 amounts to EUR 818,455 thousand (June 30, 2021: EUR 509,872 thousand), which represents an equity ratio of 72.5 percent (June 30, 2021: 75.1 percent). Debt capital amounted to EUR 305,277 thousand (June 30, 2021: EUR 168,749 thousand).

VERBIO is not subject to any minimum capital requirements.

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

11 Other disclosures

11.1 Contingent liabilities and future payment obligations

11.1.1 Government grants and subsidies

Receivables were recorded in the balance sheet for EU grants (NER 300) in the previous year's financial statements totalling EUR 6,284 thousand payable to the Company in connection with biomethane production at the straw production plant at Schwedt. The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved. As the grant approval period has now been completed, no new receivables are recorded at the June 30, 2022 balance sheet date. The investment obligations entered into in connection with the grant award have been complied with in full, and the production volume requirements have been fulfilled.

11.1.2 Other contingent liabilities

There are contingent liabilities for potential penalty payments estimated at EUR 2,000 thousand, in connection with tax returns not yet completed concerning the sale of biodiesel in North America.

There are contingent liabilities in connection with a trust agreement with Sauter Verpachtung concerning derivatives managed under the trustee arrangements at June 30, 2022 totalling EUR 1,761 thousand. VERBIO generated income of EUR 137 thousand from the management of the assets held under trust in the financial year 2021/2022 (2020/2021: EUR 97 thousand).

11.1.3 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 17,456 thousand has been drawn down under this credit line as of June 30, 2022 (June 30, 2021: EUR 17,356 thousand).

A guarantee facility was entered into between VEI and The Hongkong and Shanghai Banking Corporation Limited, India on May 2, 2019. The facility, available for general guarantee purposes, was reduced from INR 75,000 thousand (EUR 915 thousand) to INR 25,000 thousand (EUR 305 thousand) on October 29, 2021. An amount of INR 6,350 thousand (EUR 77 thousand) has been drawn down under this credit line as of June 30, 2022.

11.1.4 Litigation

There are no open litigation issues that present significant risks to VERBIO at June 30, 2022.

11.1.5 Purchase commitments

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

11.1.6 Purchase commitments for investments in property, plant and equipment

The VERBIO Group has commitments under open purchase orders for investments in property, plant and equipment totalling EUR 102,304 thousand at June 30, 2022 (June 30, 2021: EUR 24,196 thousand).

11.2 Disclosures concerning related persons and entities

11.2.1 Overview of related persons and entities

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

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

Portion of share capital of VERBIO AG in %	June 30, 2022	June 30, 2021	Change in %-points
Pollert Holding GmbH & Co. KG	10.40	10.44	−0.04
Dr.-Ing. Georg Pollert	0.02	0.01	0.01
Bernd Sauter	15.27	15.26	0.01
Claus Sauter	21.33	21.3	0.03
Daniela Sauter	7.19	7.14	0.05
Marion Sauter	5.47	5.49	−0.02
Albertina und Alois Sauter	9.10	9.14	−0.04
Total	**68.79**	**68.78**	**0.01**

b) Persons holding key management positions:

- 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)
- Alexander von Witzleben (member of the Supervisory Board of VERBIO AG)
- Ulrike Krämer (member of the Supervisory Board of VERBIO AG)
- Dr. Klaus Niemann (member of the Supervisory Board of VERBIO AG)

c) Related companies:

Related companies are companies which can be controlled by natural persons who are members of the share pooling arrangement or by persons holding key management positions. In addition, VERUM GmbH, a company consolidated using the equity method, is a related company.

11.2.2 Presentation of the relationships with key management personnel

The members of the Management Board received remuneration from VERBIO AG totalling EUR 4,920 thousand in the financial year 2021/2022 (2020/2021: EUR 5,195 thousand). This included fixed remuneration of EUR 3,168 thousand (2020/2021: EUR 3,168 thousand), variable remuneration of EUR 1,700 thousand (2020/2021: EUR 1,976 thousand) and other remuneration of EUR 52 thousand (2020/2021: EUR 51 thousand). Of the total remuneration EUR 3,004 thousand (2020/2021: EUR 3,003 thousand) represents short-term payable remuneration and EUR 1,916 thousand is in the form of share-based remuneration (2020/2021: EUR 2,192 thousand).

The members of the Supervisory Board received ongoing remuneration of EUR 203 thousand for their Supervisory Board activities in the financial year 2021/2022 (2020/2021: EUR 203 thousand), as well as compensation for expenses of EUR 30 thousand (2020/2021: EUR 2 thousand). This wholly consists of short-term payable remuneration.

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

Rental contracts

A rental agreement for commercial property was entered into between VERBIO AG and Oelßner's Hof GmbH & Co. KG with effect from November 1, 2014. Under this agreement, together with the five amendments thereto, VERBIO AG has rented office space from Oelßner's Hof GmbH & Co. KG. 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. A rental charge of EUR 23 thousand was agreed until October 2021. Following further contract amendments, among other things for an increase in the rented floorspace, the monthly amounts payable were EUR 28 thousand for the period November 2021 to April 2022 and EUR 30 thousand from May 2022, with additional amounts payable for overhead and heating costs. The rental expenses (excluding operating expenses) incurred by VERBIO AG under this arrangement in the financial year 2021/2022 totalled EUR 320 thousand (2020/2021: EUR 267 thousand).

Service contracts

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

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

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

The contract commenced on September 1, 2014 and was extended until December 31, 2022 in the course of a series of subsequent 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.

11.2.4 Summary of business relationships with related-party companies

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

EUR (thousands)		Revenue/Income		Expense	
Contract partner	Transaction	2021/2022	2020/2021	2021/2022	2020/2021
Alois Sauter Landesprodukten-großhandlung GmbH & Co. KG	Other deliveries and services	0	0	3	5
Sauter Verpachtungsgesellschaft mbH	Grain sales/purchases	0	0	5,026	1,737
	Transport services	56	46	0	1,284
	Other deliveries and services	1,423	492	168	110
Landwirtschaftsgesellschaft mbH „Neukammer“	Other deliveries and services	22	23	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	35,566	28,828
	Other deliveries and services	63	19	0	0
Oelßner's Hof GmbH & Co. KG	Office rental	0	0	396	341
	Other deliveries and services	0	0	0	1
Farma Serwis Sp. z o.o.	Transport Services	0	0	21	25
	Other deliveries and services	272	190	17	10
Farma Polska	Other deliveries and services	0	0	0	63
	Grain sales/purchases	0	0	509	0
Farma Baltyk	Grain sales/purchases	0	0	1,533	0
Farma Kantreck	Grain sales/purchases	0	0	1,699	0
Farma Smolecin	Grain sales/purchases	0	0	617	0
FUPRORA	Other deliveries and services	0	0	0	1
Umwelt und Energie GmbH	Other deliveries and services	0	80	0	0
VERUM GmbH	Feedstuffs	552	306	0	0
	Interest payments	23	26	0	0
	Other deliveries and services	0	0	0	16

11.2.5 Summary presentation of receivables and payables of all VERBIO Group companies with 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, 2022 and June 30, 2021:

	Farma Serwis Sp. z o.o.		Landwirtschaftsgesellschaft mbH "Neukammer"		Sauter Verpachtungsgesellschaft mbH		Farma Redlo Sp. z o.o.	
EUR (thousands)	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Receivables	22	182	2	2	569	9	17	0
Payables	0	0	0	0	3,353	1,301	1,344	439

	Alois Sauter Landesproduktengroßhandlung		Farma Polska		VERUM GmbH		Farma Smolecin	
EUR (thousands)	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Receivables	0	0	0	9	7	2,674	0	0
Payables	0	1	0	1	0	0	84	0

11.3 Audit fees

The audit fees that will be charged by Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, as auditor of the consolidated financial statements (2020/2021: fees for KPMG AG Wirtschaftsprüfungsgesellschaft), in the financial year 2021/2022 are expected to total EUR 241 thousand (2020/2021: EUR 147 thousand) and fees for other attestation services amount to EUR 34 thousand (2020/2021: EUR 24 thousand); these amounts have been charged to expenses.

11.4 Members of the Company's executive bodies

Disclosures of the remuneration paid to the members of the Management and Supervisory Boards and a description of the remuneration system are presented in a remuneration report which is published as a separate document in accordance with § 162 AktG.

Members of the Management Board of VERBIO AG in the financial year 2021/2022 were:

- Claus Sauter, CEO, Leipzig (Chairman)
- Prof. Dr. Oliver Lüdtke, Management Board, Bioethanol/Biomethane (COO), Markkleeberg Vice-Chairman of the Management Board
- Bernd Sauter, Management Board, Procurement and Logistics (COO), Leipzig
- Theodor Niesmann, Management Board, Biodiesel, Plant Construction and Personnel (COO), Leipzig
- Stefan Schreiber, Management Board VERBIO North America, Mühltal-Trautheim
- Olaf Tröber, Management Board, Finance (CFO), Leipzig (since July 1, 2022)

Members of the Supervisory Board of VERBIO AG in the financial year 2021/2022 were:

- Alexander von Witzleben, Dipl.-Kaufmann, Weimar (Chairman of the Supervisory Board) Arbonia AG, Arbon, Switzerland (President of the Board of Directors and CEO)Feintool International Holding AG, Lyss, Switzerland (President of the Board of Directors)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-Chair of the Supervisory Board, Chair of the Supervisory Board's audit committee)
- Dr. rer. nat. Klaus Niemann, Dipl.-Chemiker, Obenhausen(member of the Supervisory Board)

11.5 Disclosures in accordance with IFRS 2 on share-based remuneration

The variable remuneration partially concerns long-term bonus awards for members of the Management Board consisting of cash-settled bonus awards based on fictional shares. However, the Supervisory Board may decide to replace monetary payments and instead grant the members of the Management Board shares corresponding to the monetary payment (share-based remuneration with a fulfilment option for the Company). For the first time, in September 2020 the Supervisory Board decided that the long-term bonus 2015/2016 (fictional shares 6), 2016/2017 (fictional shares 7) and 2017/2018 (fictional shares 8) shall be paid by issuing shares. 183,632 new shares were issued in the financial year 2020/2021 and 159,309 new shares were issued in the financial year 2021/2022. In both financial years a corresponding increase in capital was recorded.

Due to the awards being made by in the form of a share issue instead of by making cash payment the long-term bonus has been classified as a so-called "equity-settled-plan" from the date of the initial decision to make the payment in the form of shares. The fictional shares 9 to 12 have been measured using a Black-Scholes option price model, and the resulting expense has been recognised directly in equity. The expense of EUR 716 thousand for the fictional shares 12 which relate to the financial year 2021/2022 (2020/2021: fictional shares 11: EUR 841 thousand) has been recognised directly in equity. In addition, further amounts of EUR 2,451 thousand were recognised in equity representing short-term bonus entitlements payable to other employees which have been or will be fulfilled in shares. A total of 40,000 new shares were already issued in the financial year 2021/2022 for this purpose.

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

	Fictional shares 9 07/2018- 06/2022	Fictional shares 10 07/2019- 06/2023	Fictional shares 11 07/2019- 06/2023	Fictional shares 12 07/2019- 06/2023
Average share price in EUR	7.56	8.90	40.08	59.81
Number of potential shares	99,229	84,271	24,551	16,453
Volatility	50.48 %	50.48 %	50.16 %	61.43 %
Interest rate	–0.397	–0.395	–0.400	1.538
Fair value share price when recognised in equity	15.83	15.44	40.42	39.50 - 44.22
Payment date	October 15, 2022	October 15, 2023	October 15, 2024	October 15, 2025

In addition, a loyalty bonus was awarded to "old" members of the Management Board totalling EUR 1,200 thousand in the financial year 2021/2022. Half of the loyalty bonus is paid in the form of shares. The expense for this half of the loyalty bonus, amounting to EUR 600 thousand, was recognised in equity. For the other half of the loyalty bonus the "old" members of the Management Board have a fulfilment option (share-based remuneration with fulfilment option for the counterparty). For this share of the bonus payment a liability has been assumed for the nominal amount of the award. Accordingly the expense of EUR 600 thousand is presented within other current financial liabilities at June 30, 2022. An actuarial process is not applied in measuring the fair value of this remuneration programme in view of its short-term nature. 14,972 new shares were issued in the financial year 2021/2022 in respect of the share-based component of the loyalty bonus for the previous year.

The share-based remuneration for members of the Management Board and other employees recognised with profit or loss effect as an expense in comprehensive income (personnel expense) in the financial year amounted to EUR 3,767 thousand (2020/2021: EUR 3,607 thousand).

11.6 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 2021/2022.

11.7 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 23, 2022 on the Company's website (verbio.de) and thereby made accessible on a permanent basis.

11.8 Events subsequent to the balance sheet date

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

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

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

- VERBIO Bitterfeld GmbH, Bitterfeld-Wolfen/OT Greppin
- VERBIO Zörbig GmbH, Zörbig
- VERBIO Schwedt GmbH, Schwedt/Oder
- VERBIO Finance GmbH, Zörbig
- VERBIO Pinnow GmbH, Pinnow
- VERBIO Renewables GmbH, Zörbig
- VERBIO Protein GmbH, Zörbig
- VERBIO India GmbH, Zörbig
- VERBIO Leuna GmbH, Zörbig

11.10 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 23, 2022. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September, 23 2022

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

Olaf Tröber
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 operation of the Group, and that the Group management report includes a fair presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Zörbig, September 23, 2022

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

Olaf Tröber
Member of the management board

Reproduction of the independent auditor's report

Independent Auditor's Report

To the 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 balance sheet as at June 30, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from July 1 2021 to June 30, 2022, and the 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 2021 to June 30, 2022. We have not audited the contents of the corporate governance statement pursuant to section 289f and section 315d HGB [Handelsgesetzbuch: German Commercial Code] and the separate Group non-financial report pursuant to section 315b HGB, to which reference is made in the section "Other reporting obligations" of the Group management 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 paragraph 1 HGB 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, 2022 and of its financial performance for the financial year from July 1 2021 to June 30, 2022, 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 audit opinion on the Group management report does not cover the content of the above-mentioned corporate governance statement and the above-mentioned separate Group non-financial report.

Pursuant to section 322 paragraph 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 Audit 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from July 1, 2021 to June 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We discuss the audit matters which we consider to be of particular importance below. We have structured our presentation of these matters of particular importance as follows:

- The financial statement risk
- Audit approach
- Reference to applicable disclosures

Existence and accuracy of the production equipment reported as property, plant and equipment in North America and Asia

The financial statement risk

In its consolidated financial statements as at June 30, 2022 VERBIO Vereinigte BioEnergie AG reports property, plant and equipment with a carrying amount of EUR 392 million, of which EUR 161 million are attributable to the production plants completed and partially commissioned in North America and Asia in the financial year 2021/22. Property, plant and equipment represents 35 percent of the balance sheet total; the carrying amounts of the property, plant and equipment represented by the plants in North America and Asia is 14 percent of the total. Accordingly, the two plants included in property, plant and equipment are of significant importance to the Group's asset position.

The two plants in North America and Asia are production plants constructed internally by the Group to manufacture biofuels. This matter was of particular importance to our audit in view of the amounts of additions to property, plant and equipment in the reporting year and in view of the significance of the new production locations to the Group.

Audit approach

As part of our audit we initially obtained an understanding of the process used by the VERBIO Group to capitalise property, plant and equipment and analysed potential risks of error. In doing so we also made an assessment of the controls implemented on the capitalisation of property, plant and equipment in connection with the plants in North America and Asia. We have made a visual inspection of these production plants constructed internally by the Group and obtained evidence of the existence of the costs capitalised by obtaining external documentation on a sample basis. In addition, we have convinced ourselves that the costs capitalised meet the capitalisation criteria defined in IAS 16. Further we have discussed the date on which the use of the assets commenced and the depreciation period selected with the executive directors and employees and obtained appropriate audit evidence to support their reasonableness.

Reference to applicable disclosures

The disclosures on property, plant and equipment relating to the production plants in North America and Asia are included in the "Property, plant and equipment" disclosure note in the notes to the consolidated financial statements and in the disclosures on accounting and valuation methods.

Completeness of the Accounting Presentation of Hedging Transactions and the Measurement of Derivatives in the Balance Sheet

The financial statement risk

The VERBIO Group uses a wide range of derivative financial instruments to hedge risks associated with the prices for raw materials used in its ordinary operations. The risks associated with the prices for raw materials arise in connection with future procurement transactions, which are subject to significant market price fluctuations. For accounting purposes, the VERBIO Group differentiates between free-standing derivatives and derivatives which are matched in hedging relationships.

At the balance sheet date, derivative financial instruments are measured at their respective fair values. Free-standing derivatives are always classified as "at fair value through profit and loss". Changes in the fair values of derivatives which are designated as hedge transactions are recorded in equity without affecting profit or loss for the period of the hedging relationship. In its balance sheet at June 30, 2022 the VERBIO Group presents derivatives (assets) of EUR 41 million and derivatives (liabilities) of EUR 16 million in their respective balance sheet items.

The assessment of hedge effectiveness, and with it the effectiveness of the hedging relationship, is complex and highly dependent on assessments made by the executive directors, and accordingly it is associated with estimation uncertainty. For this reason this matter was of particular importance to our audit.

Audit approach

As part of our audit we first obtained an understanding of the system of internal control implemented in the VERBIO Group relevant to derivative financial instruments. We have made an assessment of the process used to determine the effectiveness of hedging relationships and to measure the value of derivatives, and analysed potential risks of error. We have examined the methodology used by the executive directors to assess the effectiveness of hedging relationships and to measure the value of derivatives. In auditing the fair values we have also examined the calculation methods used on the basis of market data and the input data used, and made use of third-party confirmations. In addition we have obtained evidence of the completeness of the derivatives reported in the consolidated financial statements by making use of third-party confirmations and other audit evidence. Further, we have obtained evidence of the effectiveness of hedging relationships for a sample of derivative financial instruments using the client's internal documentation.

Reference to applicable disclosures

The disclosures on hedge transactions and derivatives are included in the note disclosures on derivatives and in the accounting and valuation methods described in the notes to the consolidated financial statements.

Other Information

The executive directors and the Supervisory Board, respectively, are responsible for the other information. The other information comprises:

- the corporate governance statement pursuant to section 289f and section 315d HGB
- the separate Group non-financial report
- the affirmation of the legal representatives in accordance with section 297 (2) sentence 4 HGB and section 315 (1) sentence 5 HGB,
- the report from the Supervisory Board
- the remaining parts of the Annual Report 2021/2022,
- but not the consolidated financial statements, not the content of the audited disclosures in the Group management report, and not our audit opinion thereon.

The Supervisory Board is responsible for the Report from the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG [Aktiengesetz: the German Stock Corporation Act] on the German Corporate Governance Code, which forms part of the corporate governance statement. Otherwise, the legal representatives are responsible for the other information.

Our audit 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 audit opinion or any other form of assurance conclusion thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 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 executive directors are responsible for such internal control 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are 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 executive directors are 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 executive directors are responsible for such arrangements and measures (systems) as they have considered 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 the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit 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 assurance work. 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 audit 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 control.
- 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 audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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 the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 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

Report on the Assurance of Electronic Rendering of the Consolidated Financial Statements and the Group Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the electronic file 529900W51PINCFFALS96-2022-06-30-de, hash value: 50b554c343c38c81a2285faf4e61f64760b50188b2aeccf88e774d-d326e51a16 and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from July 1 2021 to June 30, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Group management report, contained in the file identified above, in accordance with section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB" (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the Group management report in accordance with section 328 paragraph 1 sentence 4 no. 1 HGB, and for the tagging of the consolidated financial statements in accordance with section 328 paragraph 1 sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB for the electronic reporting format.

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

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

- Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:
- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable a XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on February 4, 2022. We were engaged by the Chairman of the Supervisory Board on March 3, 2022. We have been the group auditor of the VERBIO Vereinigte BioEnergie AG, Zörbig since the financial year 2021/2022.

We declare that the audit 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).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Niclas Rauscher.

Leipzig, September 26, 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Sebastian Koch Wirtschaftsprüfer [German Certified Public Auditor	Niclas Rauscher Wirtschaftsprüfer [GermanCertified Public Auditor]

Further Information

Executive bodies of the Company

Management Board

Claus Sauter

Chairman of the Management Board

Responsible for global marketing and communication, global human resources, global business development, global trading, global risk management, specialty products and sustainability

Prof. Dr. Oliver Lüdtke

Management Board Technology, Vice-Chairman of the Management Board

Responsible for technical planning, procurement and construction, research and development, operations excellence

Theodor Niesmann

Management Board Technology

Responsible for technical planning, procurement and construction, research and development, operations excellence

Bernd Sauter

Management Board Europe

Responsible for marketing & communication Europe, agrarmanagement Europe, procurement, trading and sales, VERBIO logistics, finance Europe, governmental and regulatory affairs Europe, quality management Europe, personnel Europe, head of production Europe

Stefan Schreiber

Management Board North Amerika

Responsible for development of synthetic fuels, governmental and regulatory affairs (North America), human resources (NA), VERBIO Nevada, VERBIO Canada, agrarmanagement (VEA) and VERBIO North America (VNA)

Olaf Tröber

Management Board Finance

Since July 1, 2022
Responsible for global IT, internal audit, global accounting and taxes, enterprise risk consolidation, global insurance, global controlling, global treasury, global legal department, investor relations, compliance

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

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

Ulrike Krämer
Vice-Chairman of the Supervisory Board

Certified Public Auditor and Certified Tax Advisor, Ludwigsburg

Dr. Klaus Niemann
Member of the Supervisory Board

Chemist, Oberhausen

Technical glossary

Advanced Biofuels
> 'Second generation biofuels'

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

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

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

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

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

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

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

BtL (Biomass to Liquid)

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

By-products

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

B100

> 'Biodiesel'

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

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

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

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

CO_2
> Carbon dioxide'

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

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.

Conventional fuels
> 'Fossil fuels'

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

Decarbonisation quota
> 'Greenhouse gas reduction quota'

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FQD – Fuel Quality Directive
> 'Fuel Quality Directive'

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

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

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

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

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

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

Green Deal
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.

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

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

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

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

Heating values
> 'Lower and higher heating value'

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

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

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

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

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

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

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

MYR
Currency code for the Malaysian Ringgit.

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

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

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

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

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

Paris climate accord
At the Paris climate protection conference (COP21) in December 2015 195 countries entered into an agreement for the first time to make commit themselves to a general, legally binding, global climate protection plan. The agreement provides for a global action plan which should limit the increase in global average temperatures to less than 2° C, in order to counter dangerous changes to the climate.

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

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

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

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

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

RED – renewable energy directive
> 'Renewable Energy Directive'

Renewable Energy Directive (RED)

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

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

Renewable Fuel Standard (RFS)

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

Second generation biofuels

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

Sterols

> ‘Phytosterols’

Sustainability

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

Sustainability criteria

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

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

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

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

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

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.

Financial calendar

November 11, 2022	Publication of the quarterly statement for the period ended September 30, 2022 (July 2022 to September 2022)
February 3, 2023	Annual general meeting 2023
February 9, 2023	Publication of the half-yearly interim report 2022/2023 (July 2022 to December 2022) Conference call
May 11, 2023	Publication of the quarterly statement for the period ended March 31, 2023 (July 2022 to March 2023)
September 26, 2023	Publication of the annual report 2022/2023 Analyst's conference

Imprint

Publisher/Editing/ Photography
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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 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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