

VERBIO Vereinigte BioEnergie AG

Speech by Claus Sauter, Chief Executive Officer, to
the VERBIO AG annual general meeting held on
February 4, 2022

- excerpt -

Check against delivery.

Dear shareholders,

Dear employees,

Dear guests,

I would like to welcome you, on behalf of the entire Management Board, to the annual general meeting of VERBIO AG in Leipzig. This is our second annual general meeting held in virtual form. This is because of the current coronavirus situation, which makes it both necessary and permitted to make this a digital event once again. I am pleased that you are following us by live stream, using your PC, smartphone or tablet.

Ladies and gentlemen,

I hope that you are well, and you will continue to enjoy good health during these unusual times.

In addition to the health aspects, in 2021 the pandemic showed its effects on the global economy. I shall come back to this in more detail during the course of my speech.

For us, the financial year 2020/2021 has been an exciting and very successful one, in which it has once again been possible to steer VERBIO safely through stormy times and successfully maintain our course.

On September 29, 2021 the German Continued Development of the Greenhouse Gas Reduction Quota Act [Gesetz zur Weiterentwicklung der Treibhausgasminderungsquote] was published in the Federal Gazette. The GHG quota in transport will increase from its most recent level of 4.8 percent to 25 percent by 2030. This means that the old Federal Government provided us with very ambitious targets before the end of its period in office, and finally it has opened up the kind of perspectives that we have been waiting for, for a long time now.

Although the new legal requirements only entered into force from January 1, 2022, we have already seen a significant increase in demand for biofuels and an associated increase in margins in the previous financial year 2020/2021. Our European customers wanted and want to create a reserve in order to fulfil the ambitious targets set for the coming years. However, we are not only seeing this trend in Europe; we also see it in the USA, where Joe Biden has presented a very ambitious package of legislation.

Meanwhile, VERBIO has established itself globally with a presence on three continents, and has arrived in the North American and Indian markets. On a daily basis we are seeing how important it was for us to take that first step outside Germany, venturing beyond Europe and entering new markets.

Without doubt this was, and still is, a great challenge. But there is no doubt that it was the right decision.

Biomass and biofuels are a global business and the factors that affect this business are also global, and yet there are very different regulations in place for the use of biomass in transport, and very different framework conditions apply in different places. It is only possible to understand these properly when one is active in the local market, on the spot.

When I talk about biomass, I don't only mean biofuels. I also mean new, high-value applications, for example in the chemicals sector. We must widen our focus and look beyond the transport sector.

I am convinced that biomass will play a vital role in the battle against climate change. Without the increased use of biomass, we will not win the fight against global warming.

In future we will also be involved with synthetic biofuels. VERBIO has a large volume of green CO₂ in a highly pure form, which is generated during the manufacture of bioethanol and biomethane. At the moment this green CO₂ remains unused.

In future it could be used to manufacture synthetic methane or in the production of specialist chemical products. This green CO₂ will become a new raw material.

The things that we have learned in the past 18 months, and, building on these, the ideas that we have developed and will continue to develop, promise an enormous growth rate over the coming years, which is no longer targeted only at the legal situation in Europe.

In the short and medium term North America offers us the greatest growth potential. We have strengthened our team in the USA with experienced people in order to drive the business forward in this market.

But not only there – in all our locations it remains true that VERBIO's most important assets are its employees and staff. They have earned my thanks and respect for another excellent performance!

At June 30, 2021 VERBIO employed a total of 820 employees. This means that the size of our team increased by almost 100 people over the course of the financial year just ended.

The technical competence, engagement, innovation, flexibility and increasingly international nature of our workforce are all important success factors.

We make efforts to promote a high level of identification with the company and to keep employee turnover low by providing transparency in our communications and by maintaining an open feedback culture, a fair remuneration system, flexible working hours arrangements, and by the use of employee loyalty programmes.

The know-how of each and every employee is enormously important and must be kept within the VERBIO business for the long term. This strategy strengthens the innovation power of our business in these challenging times, where skilled workers are in short supply.

Exemplary employee leadership, an innovative strategic focus, and a forward-looking corporate culture with excellent key financial numbers – in May 2021 these criteria led VERBIO Vereinigte BioEnergie AG to be judged the winner of the “Axia Best Managed Companies Award 2021”.

The award is a seal of approval awarded annually by Deloitte, the WirtschaftsWoche magazine, Credit Suisse and the Federal

Association of German Industry to medium-sized companies that are judged to be outstandingly well managed. We are very pleased with this award, and regard it as a sign of recognition and an indicator that our work is valued.

It is due to the efforts of our excellent international team that I am able to report the following impressive numbers to you.

Despite the recent market turbulence in the fuel sector that resulted from reduced mobility, nervousness in the markets and ongoing uncertainty about the course of the pandemic, in the financial year 2020/2021 we generated sales revenues of more than EUR 1 billion for the first time, and once again we are able to report record results. And just like last year, there are already signs that the results for the current financial year will once again reach new record levels.

Specifically, the Group's sales revenues in the financial year 2020/2021 totalled EUR 1.026 billion, an increase of EUR 153.6 million compared to the previous year.

The earnings before interest, taxation, depreciation and amortisation (EBITDA) was EUR 166.3 million, an increase of EUR 44.2 million compared to the previous year.

The production volume of biodiesel and bioethanol in the financial year 2020/2021 totalled 834,541 tonnes, compared with 796,411 tonnes in the financial year 2019/2020. This represented a capacity usage of 90.7 percent.

Sales revenues in the Biodiesel segment in the financial year 2020/2021 amounted to EUR 729.9 million.

With a production volume of 601,257 tonnes of biodiesel, the record level of production set in the previous year was exceeded yet again. The Biodiesel segment contributed to the Group's results with an EBITDA of EUR 93.2 million.

The Bioethanol segment generated revenues of EUR 286.6 million in the financial year 2020/2021. The production of bioethanol was at a similarly high level to the previous year at 233,284 tonnes. The production of biomethane increased to 794.8 GWh.

The Bioethanol segment contributed to the Group's results with an EBITDA of EUR 70.6 million.

At June 30, 2021 bank and loan finance arrangements of EUR 30 million were more than offset by cash and cash equivalents of EUR 105 million and other cash balances held in segregated

accounts of EUR 25.2 million, so that the reported net cash balance at the balance sheet date amounted to EUR 100.2 million.

Equity totalled EUR 509.8 million. The equity ratio increased to 75.1 percent.

Significant success factors for the renewed record results were the good margins in the Biodiesel and Bioethanol segments, as well as the strong increase in demand for advanced biomethane from distillation waste and straw. The persistence with which we have followed our lonely journey towards advanced biofuels over a period of almost ten years is now paying off.

Dear shareholders,

The Management and Supervisory Boards of VERBIO AG propose to you at today's annual general meeting that the Company shall pay an unchanged dividend of EUR 20 cent per qualifying share in order to ensure, taking account of the numerous planned investment projects, that you will receive an appropriate share in the success achieved over the past financial year. We propose that the retained profits be carried forward, in particular so that we can continue to drive forward our investment plans. At this point I would like to thank you for your continued trust and support.

Ladies and gentlemen,

The world is faced with a major challenge in its battle against climate change. In Germany, our primary market, the old Federal Government enacted the Continued Development of the Greenhouse Gas Reduction Quota Act.

This Act is a Big Bang moment, and is consistent with the logic of the things we have been demanding for more than ten years. Worldwide there are increasing efforts towards decarbonisation and defossilisation; we can see this trend everywhere, and it will finally make it possible to put our growth plans into practice.

The EU Commission has pushed forward a large number of measures to reduce CO₂ emissions in all walks of life. These range from the EU's "Fit for 55" initiative though to the new ESG rules and the EU taxonomy.

Capital markets no longer only value businesses based on their profitability; increasingly they are also taking into account their future sustainability in view of climate change. Mostly this affects the traditional fossil-fuel energy companies.

If you look at the value the capital markets place on oil companies, you can see that there is practically no value attributed to the oil

reserves lying unused in the oilfields. If you look back ten years, eight out of ten of the most profitable companies in the world were oil companies. Now, none of those companies make the top ten.

Although the ESG rules and taxonomy are based on European ideas, the criteria they use are being applied all over the Western world. It is only in the Asian capital markets that the ESG and taxonomy play a minor role. In my opinion it is only a matter of time before this situation also changes in Asia.

For this reason, when we talk about decarbonising the planet I think the decision by the EU Commission to define nuclear energy as a sustainable investment in the taxonomy is a logical conclusion. I have no objection to that. Nuclear is not a source of green energy, but it is CO₂-neutral. The fact that Germany – for whatever reason – is haunted by a “nuclear nightmare” is irrelevant here.

The particular case of promoting the use of natural gas, the use of which also generates CO₂ emissions, can be seen differently. However, we only have ourselves to blame here in Germany when we need to make this compromise.

With biogas and biomethane we have a potentially effective climate-friendly alternative, which we have merely failed to develop over the past 15 years. We have put ourselves in a difficult position

where we now need to use fossil natural gas as a bridging technology in the battle against climate change until sufficient renewable biomethane is available.

Robert Habeck, our new Federal Minister for Economic Affairs and Climate Action, has an Herculean task ahead of him. How will he resolve the chaos in energy policy left behind him by Peter Altmaier?

Electricity prices, as well as gas prices, have increased many times over the last 12 months. These price increases haven't even been fully passed on to consumers yet. People will not really be aware of what is happening until their next gas and electricity bills arrive. The situation is dramatic.

I wish Robert Habeck all the best; he will need great negotiating skills, a lot of luck and a lot of staying power for the task that he has taken on. I have a lot of respect for the fact that he has taken on this job; I certainly hope it will not turn out to be a kamikaze mission. Everything I have heard about him is positive, and he does not sound too ideological. That makes me optimistic.

For us at VERBIO, current developments in both politics and the energy markets have to be seen in a positive light. In the past the very low prices for electricity and gas had been a hindrance to our

growth plans. Compared to renewable energy, energy from fossil sources was simply too cheap. This has now changed.

But it is not only energy prices that have increased massively. The price of agricultural waste products has also increased. Rapeseed and the entire oil seed complex has doubled in price, and grain is 50 percent more expensive.

You will be surprised when I say that this, too, is a good development. Globally, agriculture has not been a profitable business in recent years, and for this reason it is good when farmers once again can charge reasonable prices and earn money. At the end of the day my brother and I are also farmers.

So, why are the high agricultural and energy prices good for VERBIO's development?

Worldwide, VERBIO is the only company that is in a position to process every type of biomass that agriculture can supply, starting with straw, all types of grain through to all types of oil seed such as rapeseed, sunflower seed, soya and canola.

We use these raw materials for production purposes, in particular to manufacture rapeseed oil methyl ester, bioethanol and biomethane. As of today we primarily focus the marketing of these

products on biofuels for transport, because we have a business case for that. In the future, however, we want to supply new, higher-value applications in other industries, for example in the chemical sector.

The different biofuels compete with one another. It is difficult for advanced biomethane from straw to compete when there is a grain price of EUR 180/tonnes for wheat or a rapeseed price of EUR 300/tonnes. Here it is not the raw material cost of straw but the logistical costs and the more complex processing that are limiting factors.

Now, with wheat at EUR 280/tonne and a rapeseed price of EUR 600/tonnes, the costings for advanced biomethane from straw suddenly look very different. Biomethane from straw is now competitive.

Also, the increased energy costs are less of a problem for us than for our competitors because we at VERBIO consume significantly less energy per Mega joule than our competition.

In addition to the very positive developments in the regulatory environment, the higher electricity and gas prices as well as the higher agricultural prices support our strategy to make a significant

expansion in our production capacity for manufacturing advanced biofuels.

Ladies and gentlemen,

Now I would like to provide you with a description of the legal changes taking place in Germany, in the EU and in the USA. Finally, I will show you how we at VERBIO are reacting to this situation, and what we plan for the coming years.

At the European level, the ESG regulations and the taxonomy as part of the EU “Fit for 55” initiative are of particular importance as they are exerting an increasing influence on the future investment activities undertaken by businesses.

In particular, the taxonomy will increasingly direct finance towards sustainable investments. In addition, the Renewable Energy Directive (RED) will be strengthened to take account of the increase in the 2030 CO₂ savings target from 40 percent to 55 percent.

The ESG, the taxonomy and the Renewable Energy Directive do not form the basis for specific investment decisions. At the end of the day the guidelines from Brussels only set the general direction of travel. Much more decisive is their implementation in the various

EU member states. The same applies to the legislation in North America or in Asia.

VERBIO is not only special because of its technical excellence, but also because of our appropriate understanding of the respective regulatory systems and their detailed workings. It is exactly these details that are decisive, and on top of this they change time and time again on a regional basis according to a two-year cycle.

We address this dynamic by being as flexible as possible in technical issues, in logistics and intellectually. We call this market intelligence.

It is a little like a game of chess, with the different types of biomass representing the different chess pieces. There are different ways to move these pieces across the chess board, making clever use of different strategies. In doing so the situation needs to be assessed and reassessed time and time again, taking into account one's own pieces and the options of other players and often reacting in an instant. Biomass is not always the same. Furthermore, possibly in the USA and in India the chess game may be played in a very different way than in Europe.

While Germany has gone a long way towards implementing the tightened RED targets by passing the Continued Development of

the Greenhouse Gas Reduction Quota Act, in most EU member states there is still a lot of work to be done to amend existing biofuel legislation. This will increase the demand for biofuels further.

In Germany the obligation to reduce greenhouse gas means that the reduction quota is increasing from its most recent level of 4.8 percent to 25 percent by 2030. Without going too far into the details, it can be said that growth is taking place in advanced biofuels, synthetic fuels and electro mobility.

Today, VERBIO is already the largest European manufacturer of advanced biofuels, and we want to get there with synthetic fuels, too.

The obligatory sub-quotas for advanced biofuels are very cautious at 0.2 percent in 2022, 0.3 percent in 2023, and 0.4 percent in 2024.

By offering double credits for the share of advanced biofuels used that exceed these levels, legislators have provided oil companies with an attractive incentive to use as much advanced biofuel as possible. If an oil company uses more than the minimum amount of advanced biofuels, the excess will count twice towards meeting the quota.

We at VERBIO can see that this double-credit incentive is working because our existing production capacity is practically sold out. We need to expand our production capacity!

The double-crediting of synthetic fuels should also be mentioned; this means fuels that are manufactured using hydrogen gained from the use of electricity from renewable sources.

We are very interested in the issue of synthetic fuels, and have already taken the first development steps towards entering this segment. We plan to take an investment decision in the near future concerning a pilot plant for synthetic methane.

Other fulfilment options, such as biodiesel from palm oil or credits for greenhouse gas savings for the use of fossil natural gas or autogas (LPG), will no longer be possible.

Overall we very much welcome this package of legislation, because it removes some aberrations seen in recent years such as granting GHG quota credits for the use of palm oil biodiesel or fossil natural gas, and it offers a significantly clearer focus on the use of advanced biofuels and synthetic fuels.

This is the long-awaited regulatory framework and the investment security that we have urgently needed in order to create new capacity and expand existing capacity.

The demand for alternative fuels – and by that I mean advanced biofuels and synthetic fuels – will multiply by 2030.

In the USA we are also observing strong momentum in the biofuels market. While the carbon footprint of biofuels was barely attracting any interest at all until 2019, today it is an all-pervasive issue.

Currently we are aware of 7 CO₂ pipeline projects belonging to well-known companies in the Midwest of the USA, and these will extend in part over more than 2,000km.

The idea is to collect up to 80 million tonnes of CO₂ annually from the 200 ethanol plants in the Midwest of the USA, and to store it in suitable locations in North Dakota, Illinois and Texas. This means it would be stored underground and taken out of the atmosphere.

80 million tonnes of CO₂ emissions is equivalent to approximately 10 percent of the total of Germany's entire CO₂ emissions. These CO₂ pipelines are not only ecologically beneficial; they are also commercially attractive.

For me it is amazing to see the speed with which the Americans are able to develop pragmatic, commercially viable models and then to implement them quickly. While we in Europe discuss and debate, the Americans just get on with it.

The prices for bioethanol, “renewable diesel” and straw biomethane are at historically high levels. In the USA this development is driven by companies that are motivated by strong incentives provided by depreciation models – i.e. tax incentives.

This development is not undermined by the fact that Joe Biden has not yet been able to implement his ambitious investment and subsidy initiatives for even more climate protection measures.

Let us have a look at Asia, focusing on India. We associate India with great development potential. India is a sub-continent with a sub-tropical and tropical climate, and is ten times the size of Germany. In India everything grows almost three times as quickly as in central Europe. That means an almost unlimited amount of biomass. In particular, it means unused biomass such as grain straw, rice straw, sugar cane bagasse and everything else that grows and is not needed for use as a foodstuff.

Today, the biggest proportion of rice and grain straw in India is burned in the fields immediately after the harvest, and as well as a

choking smog it also produces a large quantity of CO₂, which enters the atmosphere unhindered.

The picture here shows the VERBIO team at the rice straw harvest in India in November 2021. In the background you can see the farmers' fields which are burning; these farmers are not yet customers of ours.

Using our technology, we take the straw and use it to manufacture biomethane, a high-value source of energy. By doing this we can avoid the agricultural straw burning and deliver climate-friendly energy, replacing fossil natural gas and coal.

With 2.6 billion tonnes of CO₂ emissions, India is the third largest emitter of CO₂ in the world, after China and the USA.

Together with China, India is one of the most populated countries in the world, with 1.4 billion people. Per head, CO₂ emissions in India are just under two tonnes annually, while in Germany emissions are almost ten tonnes of CO₂ per year, and in the USA the figure is even higher at 16 tonnes of CO₂ every year.

When we talk about decarbonisation, we cannot avoid discussing which reference figures we should be using. Should we be talking

about a country's absolute CO₂ emissions, or about specific CO₂ emissions per head?

Can we compare the 2.6 billion tonnes of CO₂ emissions in India with the 800 million tonnes of CO₂ emissions in Germany? Or should we be comparing the 2 tonnes of CO₂ emissions per head in India with the 10 tonnes of CO₂ emissions per head in Germany?

I say we should be looking at emissions per head! As Europeans, what right do we have to complain about CO₂ emissions in India when they have emissions of 2 tonnes of CO₂ per head while we generate 10 tonnes of CO₂ emissions per head?

We are the ones who have the most catching up to do to improve our CO₂ footprint!

For this reason, it is our objective to continue to expand our engagement in India and to make use of and monetise the green molecules in other markets. One thing is clear: almost nowhere else in the world is so much sustainable biomass waste material generated as India, and almost nowhere else can biomethane be manufactured more cost efficiently.

After having a look at the new framework conditions, the questions we now have to ask are: how do we at VERBIO react to the

changes in the conditions? And what do we want to do in order to participate in the exorbitant market growth that is expected in the coming years?

First, we need to increase our production capacity, and quickly. The quickest way to do this will be to expand our existing locations in Germany and North America.

When we published our annual report 2020/2021 in September we had already approved a comprehensive investment programme with a value of EUR 300 million through to the end of 2023. How will we spend this money?

We will invest EUR 200 million expanding our existing plants in Germany, which means:

- expanding ethanol production at Zörbig and Schwedt by approximately 50 percent
- increasing the biomethane production capacity at Zörbig and Schwedt
- doubling the annual production of advanced biodiesel at Schwedt from 50,000 tonnes to 100,000 tonnes
- constructing a 60,000 tonne Bio-LNG liquefaction plant at Zörbig

- constructing 20 VERBIO-owned BioLNG filling stations in Germany
- further conversions of our own heavy goods vehicle fleet to BioCNG and BioLNG

With the remaining EUR 100 million we will take a completely new direction. We see great potential for the use of renewable products in the chemicals industry. For this reason, we are investing EUR 100 million in the construction of our first ethenolysis plant in Germany, and in associated catalyst production in Hungary.

We will then be in a position to process up to 30 percent of the rapeseed oil methyl ester that we produce – which is currently marketed as biodiesel – to create higher value products which can be used in the chemicals industry as base chemicals from renewable sources.

The chemicals industry cannot be decarbonised; it can only be defossilised. This means that fossil carbon materials used in the production of plastic products, cleaning materials and other chemicals will be replaced by renewable carbon from VERBIO. VERBIO will expand its portfolio from “Biofuel and Technology” to “Biofuel, Chemicals and Technology”.

We want to be the first to supply the chemicals industry with sustainable basic chemicals from renewable sources.

This EUR 100 million represents an important investment in the future, and underlines once again our role as a trailblazer.

We will also take advantage of the growth momentum in the American market.

At the close of 2021 we brought into operation our 20 MW biomethane plant for maize straw in the state of Iowa in the USA, and pumped the first biomethane volumes from there into the network. Here is a current photograph taken in mid-January. The first fermenter is already producing biomethane, and the rest of the plant is being ramped up to bring the plant into full production.

At the same time, we have commenced an expansion of that location to turn it into a VERBIO biorefinery with combined bioethanol-biomethane production, to a design which is similar to those of our German plants. We will invest a further USD 80 million in this location until this stage of its development is completed, which will be by the end of 2022. This plant will then have the same capacity as our biorefinery in Schwedt.

We have opened a trading desk in Stamford (Connecticut). In future we want not only to market our own production, but increasingly also to participate in global trading in biofuels and synthetic fuels. In doing so our objective is to gain additional value added by making use of VERBIO's specific know-how in diverse raw materials, various products and these very different markets.

We are looking at new projects in the Midwest and are examining potential cooperation arrangements with other bioethanol manufacturers in order to increase the production capacity for biomethane in the USA.

In Europe, in addition to expanding our German locations we are currently searching for appropriate plants and companies that fit our portfolio. In particular, we are examining new production possibilities for advanced biofuels in Eastern Europe.

Our focus is very clearly on expanding the capacity for advanced biofuels, i.e.:

- biomethane from straw
- biofuels from residual and waste materials AND
- alternative synthetic fuels.

Our biorefinery concept has shown that the combined production of first generation and second generation biofuels and, in future,

also synthetic fuels, provides the most commercially viable concept, and correspondingly generates competitive advantages. There are numerous synergies.

Let us look again at India. The straw biomethane plant there is in the process of being commissioned. In January we have been able to manufacture the first small volumes of biomethane there.

For the moment, however, we do not plan any further investments in India in the short term. The objective is to bring the existing plant up to full production levels, and to drive forward the construction of new plants in India together with regional partners.

Here the focus will be on improving profitability. In view of the significantly better margins in our Europe and USA businesses, we need improvements in our business case in India. We already have some ideas about how we can achieve that, and I am optimistic that we can convince our Indian partners.

In the light of these positive new framework conditions and the course of business to date in the current financial year, and looking at the continued positive outlook in all segments, in particular in view of the demand for CO₂-efficient biofuels, I am pleased to reaffirm our current forecast originally published on January 26, 2022:

The Management Board expects that the Group will generate an EBITDA for the financial year 2021/2022 of around EUR 300 million, and that it will increase net financial assets by the end of the financial year to around EUR 130 million.

Dear shareholders, dear VERBIO employees, dear guests,

Together, we will drive VERBIO AG's growth in the coming years.

This is only possible with a team which is engaged, one which consists of motivated employees and an extraordinary management team. Therefore, I would like to express my thanks to my Management Board colleagues Prof. Dr. Oliver Lüttke, Theo Niesmann, Stefan Schreiber and my brother Bernd Sauter. It is difficult to express in words the things that my colleagues achieve, day after day. These are managers who have heart and passion. They are not mercenaries, but highly motivated, innovative, engaged soldiers in the battle against climate change.

On behalf of the entire Management Board I would like to express my deepest thanks to our Supervisory Board for their excellent and constructive cooperation. Without an innovative Supervisory Board that supports our ideas and our vision, VERBIO AG's continued development would not be possible.

I would like to end my speech with a sentence which you will not forget, because it accurately describes VERBIO in only a few words, reflects our strength and our role as a trailblazer, and perfectly summarises our long-term strategy:

VERBIO is the spearhead in the fight against climate change when it comes to biomass!

I count on you, whether you are a shareholder, investor, business partner or of course employee, to join with us to strengthen our efforts in this “fight”. Thank you!