Biofuel and Technology

Annual Report 2016/2017

We want to make an active contribution to global sustainability and climate protection goals.

We maintain a balance between commercial success, protecting the environment and social responsibility.

We are convinced of the need for sustainable policies in our business activities.

To our shareholders

Group Management Report

Consolidated Financial Statements (IFRS)

Further information

Group key figures

[in EUR million]

Profitability	1. HY 2016/2017	2. HY 2016/2017	2016/2017	1. HY 2015/2016	2. HY 2015/2016	2015/2016
Sales revenue	338.8	387.6	726.4	330.8	323.5	654.3
EBITDA	49.1	43.3	92.4	39.1	34	73.1
EBIT	38.3	32.4	70.7	28.7	23.3	52.0
EBIT margin (%)	11.3	8.4	9.7	8.7	7.2	7.9
EBT	37.7	32.8	70.5	28.1	22.5	50.6
Net result for the period	26.2	25.6	51.8	21.6	27.3	48.9
Earnings per share (EUR)	0.41	0.41	0.82	0.34	0.43	0.77

Operating data	1. HY 2016/2017	2. HY 2016/2017	2016/2017	1. HY 2015/2016	2. HY 2015/2016	2015/2016
Production (tonnes)	360,142	361,995	722,137	346,007	342,355	688,362
Production (MWh)	283,487	275,673	559,160	264,003	256,956	520,959
Utilisation Biodiesel/ Bioethanol (%) [1]	98.7	99.4	98.9	97.5	96.4	97.0
Utilisation Biomethane (%) [1]	94.5	91.9	93.2	110.0	107.1	108.5
Investments in property, plant and equipment	9.1	9.7	18.8	6.0	6.8	12.8
Number of employees [2]	493	527	527	481	488	488

Net asset position	31.12.2016	30.06.2017	30.06.2017	31.12.2015	30.06.2016	30.06.2016
Net financial assets	72.6	115.7	115.7	40.5	65.6	65.6
Equity	286.3	296.4	296.4	234.8	254.3	254.3
Equity ratio (%)	80.4	79.4	79.4	74.4	78.7	78.7
Balance sheet total	356.0	373.1	373.1	315.8	323.0	323.0

Financial position	1. HY 2016/2017	2. HY 2016/2017	2016/2017	1. HY 2015/2016	2. HY 2015/2016	2015/2016
Operating cash flow	15.5	59.5	75.0	28.0	48.3	76.3
Operating cash flow per share (EUR)	0.25	0.94	1.19	0.44	0.77	1.21
Cash and cash equivalents [3]	76.0	117.6	117.6	56.2	77.5	77.5

[1] The annual production capacity of the plant was amended from July 1, 2016 as follows:
biodiesel: from 450,000 tonnes to 470,000 tonnes; bioethanol 260,000 tonnes (unchanged) and biomethane from 480 GWh to 600 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 2016/2017**	**2. HY 2016/2017**	**2016/2017**	**1. HY 2015/2016**	**2. HY 2015/2016**	**2015/2016**
Sales revenue	236.3	235.3	471.6	217.2	206.0	423.2
EBITDA	27.8	11.5	39.3	15.5	14.3	29.8
EBIT	25.4	9.2	34.6	13.4	11.9	25.3
Production (tonnes)	236,430	236,952	473,382	227,101	222,202	449,303
Utilisation (%) [1]	100.6	100.8	100.7	100.9	98.8	99.9
Number of employees [2]	109	110	110	110	114	114

Bioethanol (inkl. biomethane)	**1. HY 2016/2017**	**2. HY 2016/2017**	**2016/2017**	**1. HY 2015/2016**	**2. HY 2015/2016**	**2015/2016**
Sales revenue	97.5	147.7	245.2	109.1	113.0	222.1
EBITDA	20.8	31.6	52.4	22.7	19.5	42.2
EBIT	12.7	23.3	36.0	14.7	11.5	26.2
Production (tonnes)	123,712	125,043	248,755	118,906	120,153	239,059
Production (MWh)	283,487	275,673	559,160	264,003	256,956	520,959
Utilisation Bioethanol (%) [1]	95.2	96.2	95.7	91.5	92.4	92.0
Utilisation Biomethane (%) [1]	94.5	91.9	93.2	110.0	107.1	108.6
Number of employees [2]	232	252	252	219	227	227

Other	**1. HY 2016/2017**	**2. HY 2016/2017**	**2016/2017**	**1. HY 2015/2016**	**2. HY 2015/2016**	**2015/2016**
Third party revenues	8.2	8.1	16.3	8.3	7.5	15.8
EBIT	0.1	0.0	0.1	0.6	0.0	0.6

[1] The annual production capacity of the plant was amended from July 1, 2016 as follows:
biodiesel: from 450,000 tonnes to 470,000 tonnes; bioethanol 260,000 tonnes (unchanged) and biomethane from 480 GWh to 600 GWh
[2] at the balance sheet date

Letter to our shareholders

Dear shareholders,

At the end of the financial year 2016/2017 we are able to look back at the most successful year in the history of VERBIO AG – for the third successive year. With EBITDA of EUR 92.4 million and EBIT of EUR 70.7 million, once again we have achieved results significantly above the amounts forecast at the beginning of the financial year, and once again we have improved our results compared to the previous year.

As a result, the Management and Supervisory Boards will propose the payment of a dividend of EUR 0.20 per dividend-bearing share at the annual general meeting of shareholders to be held in February 2018, to ensure you, our shareholders, receive an appropriate share in the Company's success. In doing so we would like to make good on our promise to make repayments to investors of the excess capital not needed in the medium term for business expansion purposes.

The Group's equity ratio is now 79.4 percent, another small increase compared to the previous year. The healthy results from operations is our life insurance in the biofuels market, which remains characterised by political uncertainty.

Claus Sauter
Chairman of the Management Board

Production volumes break the 700,000-tonne mark for the first time

With production of biodiesel and bioethanol totalling 722,137 tonnes in the financial year 2016/2017, VERBIO exceeded the 700,000-tonne mark for the first time in the ten-year history of the Group. In addition, 559,160 MWh biomethane was produced in the financial year just ended, an increase of 7.3 percent compared to the same period in the previous year.

Our innovative strength drives our success

Once again we have made targeted progress with our research and development activities in the financial year 2016/2017. We have strengthened all departments in our R&D team with motivated and engaged engineers. The process engineers, chemists, biotechnology specialists, laboratory and chemical technicians have been primarily providing support for the capacity expansion and optimisation of the sterol plant. Currently we are working on developing processes to manufacture chemical raw materials from biodiesel and bioethanol, and on further optimisation of the biomethane plant.

This underlines our strategic approach to increasing the yield from input raw materials by creating further products of value, which give us access to new market segments and enable us to achieve more diversification in our sales markets.

We have a broad portfolio of promising ideas which we want to put into practice over the next few years. Innovation secures us a competitive advantage in a volatile market environment, and is a guarantee of profitable growth with acceptable risk.

In view of the major public and political debate that has arisen in connection with the diesel scandal, I would like to take this opportunity to draw attention once again to the strategic importance of our unique straw-biomethane technology.

The future also belongs to the internal combustion engine

Are the days of good old diesel over? Definitely not. However, it has fallen into disrepute in Germany. It is a danger to our health and does enormous damage to the environment as it has the highest level of fine-particle and nitrogen oxide emissions among the current fuels available. Modern exhaust treatment systems for Euro 6 diesel achieve acceptable results under test conditions, but in real-life conditions there are problems with nitrogen pollution levels which often exceed emission limits. E-mobility is currently fashionable, and is being promoted as the saviour of our environment. Vehicles that are affordable for a broad range of drivers are a long way off. There are big question marks over the fuel ranges of the vehicles, battery-charging infrastructure and charging time, and a host of unsolved challenges. There is currently not enough electricity from green sources to provide electric vehicles with a realistic supply of CO_2 neutral power. An electric car is not emissions-free when the electricity is largely generated using coal, as is the case in Germany.

Of course, electro mobility is justified in certain specific applications and it is precisely in those areas where it will make a breakthrough. However, I reject a "no alternative" electro mobility strategy to be implemented by government order. Germany is the largest car manufacturer in the world, and the automotive industry with its highly specialised and innovative mittelstand supply chain is the backbone of our economy. Declaring the death of the internal combustion engine is equivalent to sawing off a tree branch that one is sitting on. Furthermore, it is putting the economic stability of our country at risk.

In addition, a recent Swedish study revealed that the environmental damage caused by the production of Lithium-ion batteries for use in electric cars is significantly greater than previously thought. Using the example of a Tesla Model S, it was demonstrated that the vehicle needs to be driven for at least eight years before achieving CO_2 equivalence with an internal combustion engine.

For years we have been drawing attention to the fact that there is a better alternative to electro mobility. CNG vehicles powered with biomethane from waste materials, such as straw, are cost effective, efficient, and readily available. Slowly but steadily, politicians and industry are becoming more aware of this alternative.

The extension of the energy tax advantages for CNG vehicles has now been approved. This had been uncertain for a long time, which acted as a brake on further take-up of the fuel. In addition to this, VW, Germany's largest automobile manufacturer in the CNG segment, has committed itself to a pro-CNG power drive initiative and has set itself a target of bringing a million CNG vehicles onto the roads by 2025, as well as increasing the size of the CNG filling station network to 2,000.

We are capable of supplying the renewable methane generated from 100 percent waste materials. The potential for producing methane from agricultural waste such as grain, corn and rice straw is enormous, and we have the right technology to do this. We intend to meet this challenge in the current financial year by, among other things, constructing and placing into service a second straw-biomethane plant at Pinnow. At the same time the new Pinnow plant will be the first stand-alone plant constructed to produce biomethane from straw, making it a blueprint for future biomethane projects which we intend to implement as part of our planned international expansion. Currently the focus is on India as a growth market. However, we are also analysing other promising markets.

In Germany, on the other hand, we will remain cautious concerning our investment activities in the biomethane sector as the legal framework is not appropriate to establishing a proper growth market in this segment.

VW has drawn the right conclusions from the diesel crisis with its CNG initiative. Now public policy needs to act and create the right environment to establish equality for CNG and electric vehicles.

VERBIO, together with other organisations, is currently working with undiminished ambition, pursuing several initiatives to establish CNG from natural gas and biomethane as an alternative fuel in Germany. We are convinced that our biomethane is the quickest, cheapest and most environmentally friendly way to de-carbonise passenger and heavy goods vehicle traffic. However, we will not hesitate to divert our biomethane to other uses such as in the generation of electricity qualifying as renewable (EEG) electricity, material uses or use in the heating market, should public policy and the automobile industry fail to take advantage of this opportunity to revitalise the use of CNG fuel.

Summary and outlook

We are facing major challenges as government policies at both national and EU level continue to follow their chaotic course against biofuels, despite the fact that a workable de-carbonising solution is urgently required given the increasing levels of traffic.

These challenges range from granting accreditation for co-processed biogenic oils (Co-HVO), which is included in the current draft of the 38th Regulation on the Implementation of the Federal Emissions Protection Act (BImSchV), and of what is known as upstream emission reductions, included in the Fuel Quality Directive when calculating greenhouse gas savings compared to fossil fuels, through to a planned phasing-out of first generation biofuels by 2030 in the Second Renewable Energy Directive (RED II) and the very probable speedy reduction of penalty duties on biodiesel imports from Argentina and Indonesia.

The Federal Ministry for the Environment in particular is currently wasting a massive climate protection potential by continually making decisions that drive down the quantity of available biofuels from multiple CO_2 efficient technologies instead of promoting them. All this is taking place against a backdrop of falling prices for agricultural products and increasing levels of overproduction in the agricultural sector. Public policy has a traumatic relationship with E10!

In the current financial year we will continue to work on the ongoing process of optimising and expanding our existing production plant and the associated necessary investments. It is our objective to secure our market position in the bioethanol and biodiesel segments and to maintain the high level of plant utilisation.

Focussing our plant on the use of waste and residues for biofuel production remains our highest priority. To realise this, and to do justice to our claim to be the innovation leader in our sector, more expenditure will be incurred in the financial year 2017/2018 to identify new process technologies, in the evaluation of technologies, and in converting them into new research and development projects, as well as on the optimisation of existing plant and equipment.

Despite this, in view of the coming political decisions, in the coming year we do not expect that we will be able to match or exceed the extremely good financial results that we achieved in 2016/2017.

The good results provide a solid basis for opening new markets – such as new opportunities for the product portfolio as well as geographically – and provide the resources needed to follow up on opportunities as well as counter the risks arising in the financial year 2017/2018. This is an exciting time in VERBIO's history. The challenges are substantial and exciting.

I feel a tremendous sense of pride when I see the motivation with which our young talent and "old hands" are working together in all our departments in order to make our business a global one. Together with the Management and Supervisory Boards, they are working hard and successfully to provide you with a good return on your investment consistent with our promise.

Dear shareholders, it will be worthwhile to remain loyal to the Company's shares. In 2017/2018 we are not about to rest on our laurels; we will be rising to the challenges as usual. Please join us in this journey. Thank you.

Yours, Claus Sauter
Chairman of the management board

Strategy

We want to strengthen and build on our position as one of the most innovative bioenergy businesses.

We generate sustainable growth throughout the value-added chain with ongoing product diversification in the foodstuff and biofuels industries.

We open up global opportunities for growth and aim for geographical diversification of earnings.

Report from the Supervisory Board

Dear shareholders,

We look back over a very successful financial year 2016/2017 in which VERBIO was able to continue on its profitable growth path. New records were set for production, sales revenues and results in the financial year 2016/2017.

The financial strength that the Company has created, together with the quality of its balance sheet, make it possible for the Company to continue the pursuit of its growth strategy, which is energetically supported by the Supervisory Board on a consistent basis.

Alexander von Witzleben
Chairman of the Supervisory Board

Cooperation between the Supervisory and Management Boards

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

In the financial year 2016/2017 the members of the Supervisory Board of VERBIO AG have performed the tasks imposed on them by law, by the articles of association and 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 is set out in law and detailed for use by the Management Board in the Company's internal rules of procedure.

We have met with the Management Board on a regular basis to discuss the management function and the Group's strategic direction, and we have advised and supervised the Management Board on a continuous basis, and we have involved ourselves intensively in the development of and perspectives for the biofuels market in general and VERBIO in particular. We were fully involved at an early stage in all decisions having a significant effect on VERBIO. Verbal reports made by the Management Board in the meetings were supported by written documents provided to each member of the Supervisory Board on a timely basis in advance of each meeting, so that the Supervisory Board had sufficient opportunity to perform a critical assessment of the reports and the proposed resolutions submitted by the Management Board and in order to contribute their own proposals. It 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 regularly provided with comprehensive information in good time, both orally and in writing, regarding all matters of importance for the Company and the Group, in particular concerning business trends, business planning, fundamental questions regarding company strategy, the profitability of the business and the course of business, as well as the risk situation including risk management and relevant topics regarding compliance. In addition, the Management Board reported on transactions which were of particular significance to the Company's profitability or liquidity. Where there were divergences between actual business results and the plans and objectives that had been prepared, these were explained by the Management Board in detail, and the reasons for such divergences were explained. The reporting duties under § 90 (1) and (2) German Stock Corporation Act (Aktiengesetz – AktG) and the German Corporate Governance Code (Deutschen 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. In addition, between the meeting dates in the reporting period I have been involved in regular discussions with members of the Management Board, in particular with the Chairman of the Management Board. I kept the Supervisory Board informed of these discussions.

On the basis of the comprehensive reporting provided by the Management Board we are convinced that the business of the Company and the Group was conducted in a lawful, proper and economic manner, and we saw no need to use our audit rights provided for under § 111 (2) AktG.

Formation of committees

The VERBIO AG Supervisory Board consists of three members only. As consequence it has been decided not to establish committees. All questions were handled in a plenary body.

Meetings and resolutions of the Supervisory Board

In the financial year 2016/2017 the Supervisory Board held four regular meetings; for most of the time the Management Board were also present. All members of the Supervisory Board were present at all meetings.

Included in the agenda of all regular Supervisory Board meetings was a report from the Management Board regarding the current business situation and the development of the Company, the political environment for biofuels and the current market situation, as well as the asset, financial and earnings positions of the Group and its segments. A risk report is also always included in the agenda of the meetings, including information on market price change risk positions and the effect on the associated reporting and risk management system.

The key points discussed in the Supervisory Board meetings in the reporting period are summarised below.

The balance sheet meeting held on September 19, 2016 concerned the audit and approval of the annual and consolidated financial statements and the management reports of VERBIO AG and of the Group. The auditors responsible for the audit of the financial statement reported on the audit priorities and on the results of their audit. Following a detailed discussion, the Supervisory Board approved the annual financial statements prepared by the Management Board and adopted the consolidated financial statements. The Supervisory Board agreed with the Management Board's proposal for the appropriation of profits. In addition, we also dealt with the profitability of VERBIO AG and the VERBIO Group in accordance with § 90 (1) No. 2 AktG and with corporate governance issues. In this meeting the Supervisory Board and the Management Board jointly issued the statutory declaration of conformity and the corporate governance declaration in accordance with § 161 AktG. In addition, at the meeting held on September 19, 2016 the Supervisory Board approved the budget plan prepared by the Management Board for the financial year 2017/2018. Also discussed were resolutions on determining the variable components of the remuneration payable to the members of the Management Board in accordance with the employment contracts entered into with the members of the Management Board, and the approval of the formation of VERBIO India Private Limited and VERBIO Gas Pinnow GmbH, two wholly owned subsidiaries of VERBIO AG.

The meeting held on November 7, 2016 was primarily concerned with discussing the quarterly statement for the period ended September 30, 2016. The agenda and proposed resolutions for the annual general meeting 2017 were also discussed at this meeting. In view of the EU audit reform of the statutory audit process the Supervisory Board had, at an earlier meeting on May 2, 2016, passed a resolution approving an open tender for the audit of the annual and consolidated financial statements of VERBIO AG for the financial year 2016/2017 based on the applicable selection criteria. Following the open tender and the assessment of the proposals received verbal presentations were received from audit firms selected based on specific agreed criteria during the meeting held on November 7, 2016. Based on the further assessments made following the presentations the Supervisory Board decided to make a recommendation to the annual general meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, be reappointed as auditor for the financial year 2016/2017.

In the meeting held following the annual general meeting held on January 27, 2017 the regular agenda matters were discussed, and in addition, discussions were held on the half-year financial report for the period ended December 31, 2016.

An ordinary meeting of the Supervisory Board was held on May 2, 2017. This meeting was primarily concerned with discussing the quarterly statement for the period ended March 31, 2017 and the presentation of the preliminary business plan for the financial year 2017/2018. In accordance with § 114 AktG, the Supervisory Board approved that a service agreement with Ulrike Krämer, a member of the Supervisory Board, shall be extended until June 30, 2018. Ulrike Krämer abstained from voting in this matter. In addition, the Supervisory Board extended the resolution determining the target for female participation in the Management and Supervisory Boards for a further period ending on June 30, 2022. The existing resolution expired on June 30, 2017. An amendment to the internal rules of procedure concerning the Management Board was resolved and the financial calendar for the financial year 2017/2018 was approved.

Two resolutions were passed by circular during the financial year 2016/2017. These concerned the early termination of a shareholder loan, the approval of a contract to be entered into with a related entity, and the approval of non-audit services to be provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig.

Conflicts of interest

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

In the financial year just ended no conflicts of interest affecting members of the Management or Supervisory Boards were noted which would have required disclosure to the Supervisory Board in accordance with section 4.3.4 and 5.5.2 of the German Corporate Governance Code (DCGK).

The Supervisory Board has approved the service agreement between the Company and Ulrike Krämer, extending the term of this agreement until June 30, 2018. She will continue to support VERBIO during ongoing external tax audits. Ulrike Krämer abstained from voting on this resolution.

No other contracts were entered into with members of the Management or Supervisory Boards which required the approval of the Supervisory Board.

Corporate Governance und Entsprechenserklärung

The Supervisory and Management Boards are aware of the fact that good corporate governance is an important foundation for the Company's success. As in previous years, the Supervisory Board has again dealt with the requirements and objectives of the German Corporate Governance Code (in the version dated February 7, 2017) in the financial year 2016/2017. The Management Board and the Supervisory Board reports jointly on corporate governance at VERBIO in accordance with § 3.10 of the German Corporate Governance Code on an annual basis.

We discussed and approved the joint declaration of conformity with the German Corporate Governance Code issued by the Management Board and the Supervisory Board for the financial year 2016/2017 at the meeting held on September 22, 2017. With certain exceptions explained in that document, we have complied with all recommendations of the code in its current version.

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

Efficiency audit

The VERBIO AG Supervisory Board performs audits of the efficiency of its work at regular intervals using a comprehensive, company – specific checklist. The checklist addresses significant issues concerning the preparation and conduct of the meetings, the scope and content of the documentation and information used, in particular concerning financial reporting, compliance and audit, as well as controlling and risk management.

No efficiency audit has been performed on the work of the Supervisory Board in the financial year 2016/2017 as an audit had previously been performed in the financial year 2015/2016. The Supervisory Board intends to perform a further review of the efficiency of its work in the financial year 2017/2018.

Members of the Supervisory Board and Management Board

There have been no changes in VERBIO AG's Management Board or its Supervisory Board in the reporting period.

Accordingly the members of the Supervisory Board remain as follows:
- Alexander von Witzleben (Chairman of the Supervisory Board)
- Ulrike Krämer (Vice-Chairman of the Supervisory Board)
- Dr. Georg Pollert

Dr. Claus Meyer-Wulf was appointed as a replacement member.

Accordingly, the VERBIO Management Board consists of the following persons:
- Claus Sauter (Chairman)
- Dr. Oliver Lüdtke (Vice-Chairman)
- Theodor Niesmann
- Bernd Sauter

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

Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on January 27, 2017, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was appointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2016/2017. In a letter dated September 19, 2016, the audit company confirmed its independence from VERBIO and its board members to the Supervisory Board in writing in advance of the proposal being made to the annual general meeting. The audit engagement was issued by the Supervisory Board on June 28, 2017.

KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig has audited the annual financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2016 to June 30, 2017 prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) by the Management Board, together with the management report for the financial year from July 1, 2016 to June 30, 2017. The auditor issued an unqualified auditor's report. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2016 to June 30, 2017 and the Group management report were prepared in accordance with § 315a HGB under International Financial Reporting Standards (IFRS), as applicable in the European Union. The auditor issued an unqualified audit opinion on the consolidated financial statements and the Group management report. The auditor established that the Management Board has installed an appropriate information and monitoring system that is adequate to identify risks which could endanger the ability of the Company to continue as a going concern on a timely basis.

The financial statements and the audit reports were provided to the Supervisory Board for inspection in good time. We have discussed and examined the financial statements, reports and proposal on the appropriation of profits in detail in the accounts review meeting held on September 22, 2017. The auditor reported on the significant findings of his audit to the Supervisory Board and was available to us to provide information and answers to further questions.

After performing our own audit and holding discussions on all the documents, the Supervisory Board did not raise any objections to the results of the audit performed by the Company's auditor, and adopted the financial statements of VERBIO Vereinigte BioEnergie AG and the Group's consolidated financial statements prepared by the Management Board for the year ended June 30, 2017. The annual financial statements of VERBIO Vereinigte BioEnergie AG have therefore been approved. The proposal for the appropriation of profits made by the Management Board, which includes the payment of a dividend and appropriation of the remaining profit to reserves, has been approved by the Supervisory Board.

Dependency report

As in previous years, in the financial year 2016/2017 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 – taking account of the circumstances known at the date that the transactions were entered into – for transactions entered into with affiliated companies, and that measures subject to reporting requirements were neither undertaken nor omitted in the financial year.

The auditor of the financial statements has audited the report on relationships with affiliated companies and issued the following unqualified audit certificate:

„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 and examined by the Supervisory Board. The Supervisory Board noted the results of the audit work performed by the auditor of the financial statements. Also, following detailed discussion with the auditors and the Management Board, and the final results of its audit, the Supervisory Board has not raised any objections to the closing remarks of the Management Board at the end of the independence report. Accordingly the Supervisory Board concurs with the auditor's opinion.

Closing comments

Looking back at the financial year 2016/2017 we are able to conclude that the year ended with a positive net income result. The primary drivers of this were good margins and continued high sales volumes for bioethanol and biodiesel and high levels of capacity usage for the biomethane production plant.

In the name of the Supervisory Board, I would like to thank all of employees and staff of VERBIO AG and its subsidiaries for their engagement and contribution to what has been a very successful financial year 2016/2017. I would like to express the same thanks to the members of the Management Board for their very successful management of the Company.

Finally, I would also like to thank you, our shareholders, for the trust you have placed in us, the Company, its management and its employees.

Zörbig, September 22, 2017

For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

The VERBIO share

VERBIO 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.

2016 – The lost year which was saved by the month of December

The DAX closed the year 2016 with a plus of 6.9 percent following a strong rally at the end of 2016. Having recorded a high of 11,481 points and a low of 8,699 points the index fluctuated in total by 2,782 points. The low point, which was recorded in February 2016, was primarily driven by falling oil prices and weaknesses in the Chinese economy. On the other hand, political changes, such as Brexit and the election of Donald Trump as US President, did not seem to have a long-term effect on the movements recorded by the DAX. Above all, support was provided by the statements made by Mario Draghi, the President of the European Central Bank (ECB) that the ECB expects to prolong its bond-buying programme until the end of 2017. As a result, interest rates are not expected to rise significantly in the near future.

For a while the US Dow Jones index recorded close to 20,000 points. The optimism on the US stock exchange was greater than the global uncertainty. This was despite the tighter financial polices followed by the Fed, the US central bank, which included a 0.25 percent increase of the base rate of interest. Many market participants placed their hopes on the newly elected US President, Donald Trump, as investors reacted with enthusiasm for a business-friendly government agenda.

2017 – Stock markets chasing new records

The beginning of 2017 was characterised by marked levels of uncertainty in Europe. In Europe, market participants were afraid of the potential strength of European populists and of the possible break-up of the European Union, given the approaching French Presidential elections and parliamentary elections in the Netherlands. In addition, the newly-elected President Trump caused much uncertainty on international stock markets with his protectionist agenda. The situation relaxed over the course of the first six months of 2017. In France the winner of the Presidential election was Emmanuel Macron, who represents European values to the same extent as Mark Rutte, who was elected in the Netherlands. As a result, stock market prices remained comparatively stable in the first six months of the year 2017, and the DAX gained a good 9 percent in the first half of the year. This trend is also the result of positive economic trends in the Eurozone. The gross domestic product in the Eurozone grew by 0.5 percent in the first quarter of 2017 compared to the same period in the previous year. Stock market indices also rose in the USA. The American Dow Jones rose by 8 percent in the first six months of 2017, while the American Nasdaq rose even faster, gaining 14 percent. At the beginning of the year the American stock markets were driven by hopes for new tax legislation and expected increases in infrastructure which would provide relief to the US economy and generate additional growth. However, even after these hopes subsided the high was maintained by the good results reported by the majority of American companies and further high levels of consumer demand.

Reliable forecasts for the DAX over the second half of the 2017 stock market year not possible

In June 2017 the DAX reached a new all-time high of 12,888 points. However, a possible stock market correction during the remaining course of the year cannot be excluded. A number of analysts in the USA in particular have commented and given warnings of a massive over-valuation of share prices. The price/earnings ratio of the S&P 500, for example, is significantly above its long-term average. Apart from that, many investors have increasing doubts about whether the business-friendly policies promised by Donald Trump during his election campaign can be implemented. There is a high likelihood that a stock market correction in the USA would also have negative consequences for German stock market indices. In addition, future decisions of the European Central Bank concerning future interest rate policies could also affect share prices.

The robust state of German business could indicate further rises for the DAX. In addition, the price/earnings ratio in the DAX is 13.5, which is significantly lower than the S&P 500 at 19.62. Overall, the Organisation for Economic Cooperation and Development (OECD) estimates growth in German gross domestic product of 1.7 percent for 2017 and an even faster growth rate of 2.0 percent for 2018. Gross domestic product in the Eurozone is expected to grow by 1.7 percent for 2017 and by 1.8 percent in 2018.

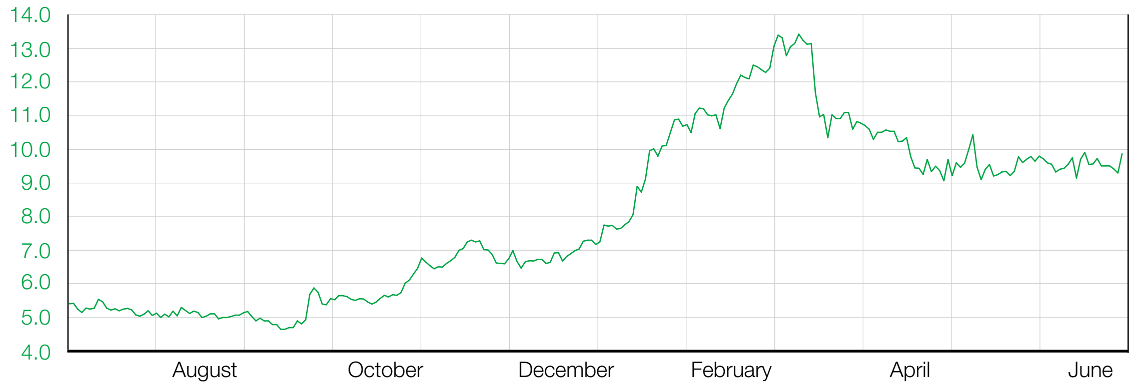
The VERBIO share benefits from positive business trends

The VERBIO share started the financial year 2016/2017 on July 1, 2016 priced at EUR 5.41 per share (XETRA).

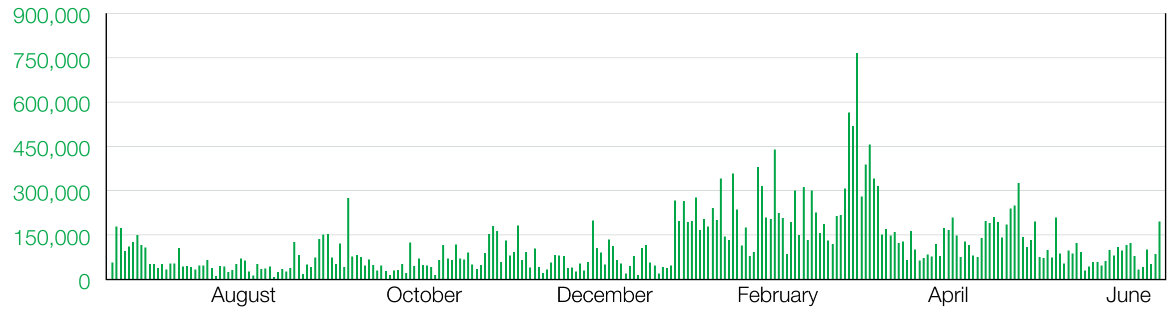
The share price followed a slight downward trend for the first one and a half months of the financial year and recorded its twelve-month low on September 13, 2016 at EUR 4.65 per share. In the following months the share price increased strongly, supported, amongst other things, by the good business results reported on November 10, 2016 for the first quarter of 2016/2017. The Company closed the quarter with an 11 percent increased EBITDA compared to the same quarter in the previous year and with new production records for biodiesel and biomethane. The stock market reacted positively to the results which resulted in the VERBIO AG share price being driven to an interim high of EUR 7.30 per share on November 16, 2016. Following a short set back, there was another strong increase in the share price, with the price reaching EUR 8.06 per share by January 11, 2017. This was primarily in reaction to positive media coverage and optimistic estimates made by analysts. On January 12, 2017 the significant increase in the profit forecast for the financial year 2016/2017 resulted in renewed share price speculation amongst investors. This resulted in the VERBIO AG share price rising to a new twelve month high of EUR 13.43 per share by March 8, 2017. Following the twelve month high the share price entered into a correction phase and within two months the share price fell to EUR 9.59 per share. Thereafter the share price fluctuated in a range of between EUR 9.00 and EUR 10.00 per share through to the end of the financial year 2016/2017, with relatively low volatility, ending the financial year with a closing price of EUR 9.87 per share.

The trading volume on the XETRA exchange in the financial year 2016/2017 increased significantly from a daily average of 69,441 shares traded in the first half of 2016/2017 to an average 167,962 in the second half of the year. Over the year as a whole the trading volume averaged 118,721 (2015/2016 average: 134,932).

Performance and trading volume of the VERBIO share (XETRA) from July 1, 2016 to June 30, 2017 (in euros)



Performance of the VERBIO share (XETRA)
from July 1, 2016 to June 30, 2017 (in euros)



Trading volume (XETRA)
from July 1, 2016 to June 30, 2017 (in number of shares)

Annual general meeting 2017

The Management and Supervisory Boards welcomed around one hundred shareholders, representatives of shareholder associations and guests in Leipzig to the Company's 10th annual general meeting on January 27, 2017. These represented 82.46 percent of the Company's share capital. The Management and Supervisory Boards answered questions and presented information on business developments, corporate strategy, and the legal environment and market trends. All resolutions proposed by management were approved with a large majority. The Management and Supervisory Boards of VERBIO AG view the voting results as evidence that shareholders have a high level of trust in the Company's management. Details of the voting results and further information on the annual general meeting are provided in the investor relations section of the Company's website (www.verbio.de).

Communication with capital markets

VERBIO has a policy of ensuring that we provide timely and comprehensive information on an ongoing basis concerning all important events, trends and dates which are of relevance to the VERBIO Group, and that we treat all capital market participants equally. In accordance with the generally accepted principles of good communication VERBIO considers itself obliged to guarantee the highest level of transparency.

Interested capital market participants are provided with important information such as the Company's financial reports, stock market data, analyst's reports, financial calendar and corporate presentations in the investor relations section of the Company's website (www.verbio.de). Obligatory capital market communications such as disclosures of director's dealings, ad hoc reports and Corporate News are provided here on a timely basis in German and in English. In addition, regular press and analysts' conferences (held as telephone conferences) are held when half-year financial reports and annual reports are released.

In addition, the investor relations department makes itself available to institutional and private investors as well as financial analysts for an exchange of information in personal meetings or in telephone calls. VERBIO also provides information using media channels available 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 on a regular basis.

You will find the financial calendar, with all important dates for the financial year 2017/2018, on the inside of the back cover of this annual report and in the investor relations section of the Company's website (www.verbio.de).

Dividends

The Management and Supervisory Boards of VERBIO AG aim to maintain a policy of providing consistent and reliable dividends. This should provide shareholders with a reasonable dividend in order to share in the Company's success. At the same time, it is also in the interests of shareholders that the Company takes advantage of expansion opportunities to provide it with sustainable growth, and that it has sufficient cash to finance operating activities and a solid equity base. Accordingly VERBIO AG's Management and Supervisory Boards make a careful examination of their dividend proposals every year, taking the interests of the Company and its shareholders into account.

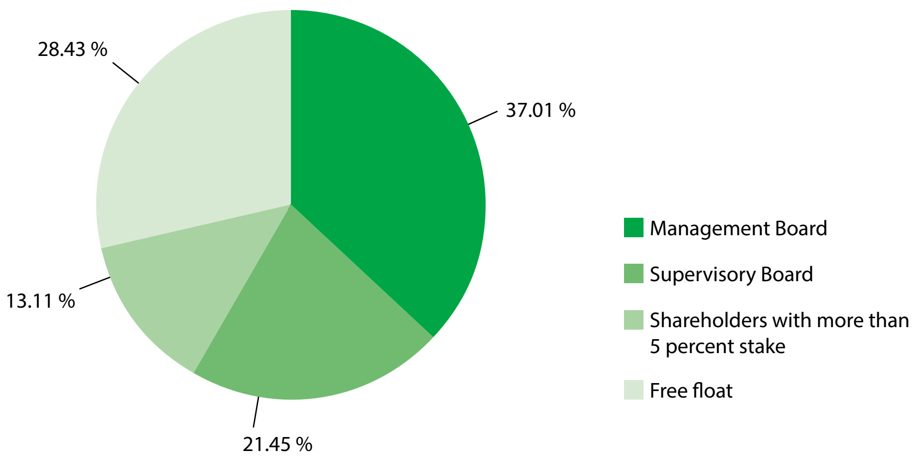
Dividend payment of EUR 0.15 per share for the financial year 2015/2016

The VERBIO AG annual general meeting held on January 27, 2017 in Leipzig approved management's proposal to make a distribution of EUR 0.15 for each share carrying dividend rights as dividend for the financial year 2015/2016 by a large majority. VERBIO AG paid a total dividend of EUR 9.45 million to its shareholders for the financial year 2015/2016. This represents a yield of 2.83 percent based on the closing price of the VERBIO share of EUR 5.30 at June 30, 2016.

Proposed dividend for the financial year 2016/2017

There has been no change in the dividend policy followed by the Management and Supervisory Boards in the current financial year. In view of the very successful financial year 2016/2017 in particular and in view of the positive liquidity position of the Company, the Management and Supervisory Boards of VERBIO AG have agreed to submit a proposal to the annual general meeting 2018 for the payment of a dividend of EUR 0.20 for each share carrying dividend rights. This represents a total payment of EUR 12.6 million (2015/2016: EUR 9.5 million). This dividend proposal, which is subject to the approval of the annual general meeting, represents an increase over the dividend payment in the previous year (2015/2016: EUR 0.15) of 33.33 percent. This represents a yield of 2.03 percent based on the closing price of the VERBIO share of EUR 9.87 at June 30, 2017.

Shareholder structure at June 30, 2017



The share at a glance

Code	VBK	
Bloomberg code (XETRA)	VBK:GR	
Reuters code (XETRA)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime Standard	
Designated sponsor	HSBC Trinkaus & Burkhardt AG (from June 1, 2016)	
Number of shares	63,000,000	
Type	Ordinary shares	
Nominal value per share	EUR 1,00	
	2016/2017	**2015/2016**
Final price (XETRA, June 30, 2017, June 30, 2016)	EUR 9.87	EUR 5.30
52-week high (XETRA)	EUR 13.43	EUR 8.69
52-week low (XETRA)	EUR 4.65	EUR 3.47
Market capitalisation (basis: final price XETRA)	EUR 621.81 million	EUR 334.1 million
Free float	28.43 %	27.87 %
Earnings per share (basic and diluted)	EUR 0.82	EUR 0.77
Operating cash flow per share	EUR 1.24	EUR 1.21
Book value per share	EUR 4.70	EUR 4.04

Group management report

Environment

We are committed to long-term environmental production, securing its capacity to absorb and regenerate, and committed to maintaining biodiversity.

We make ongoing improvements to the energy efficiency of our production locations and are actively engaged in climate and resource protection.

We optimise our processes and the use of our raw materials and consumables to reduce the greenhouse gas emissions caused by our plants.

We have introduced a certified energy management system for all businesses in the VERBIO Group.

Group Management Report

for the financial year from July 1, 2016 to June 30, 2017

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 as “the VERBIO Group”).

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

- VERBIO Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen/OT Greppin, hereinafter referred to as “VDB”
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig, hereinafter referred to as “VEZ”
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder, hereinafter referred to as “VES”
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder, hereinafter referred to as “VDS”
- VERBIO Agrar GmbH, Zörbig, hereinafter referred to as “VERBIO Agrar”
- VERBIO Logistik GmbH, Zörbig, hereinafter referred to as “VERBIO Logistik”
- VERBIO Polska Sp. z o. o., Stettin (Poland), hereinafter referred to as “VERBIO Polska”
- VERBIO India Private Limited, Gurgaon (India), hereinafter referred to as “VIP”
- VERBIO Pinnow GmbH, Zörbig (previously: VERBIO Gas Pinnow GmbH), hereinafter referred to as “VERBIO Pinnow”.

VERBIO AG also has further shareholdings in other companies. A detailed listing of the subsidiaries included in the Group can be found in the notes to the consolidated financial statements under Section 2.2, “Entities included in the consolidation”.

Business model

VERBIO is a large-scale industrial manufacturer, using its own internally developed production facilities to produce biofuels, fertiliser, pharmaceutical glycerine, feedstuffs and sterols. Biofuel sales and the procurement of the necessary raw materials for their production are carried out by VERBIO AG. The biofuels are produced by the companies VDB, VDS, VEZ and VES. These companies work on the basis of processing contacts entered into with VERBIO AG.

VERBIO Polska and VERBIO Agrar are responsible for procuring and storing the agricultural raw materials needed for production purposes within the VERBIO Group, and in addition they market the feedstuffs and fertiliser that VERBIO AG produces as by-products in its bioethanol and biomethane production processes.

To date, VERBIO has produced biofuels solely in Germany. Biodiesel, bioethanol and biomethane are sold in Germany and other European countries.

Goals and strategies

VERBIO is one of the leading independent manufacturers of biofuels in Germany and in Europe, and at the same time the only large-scale producer of biodiesel, bioethanol and biomethane in Europe. Management places emphasis on processes and production technologies that are particularly energy-efficient, and on producing goods of the highest quality. The basis for all business activities and investments is meeting sustainability criteria in the production of biofuels throughout the entire value added chain – from the procurement of raw materials, through production and up to the sale of biofuels and by-products. Thus, we combine economic success with corporate responsibility and environmental protection. With our advanced technologies and the closed loop concept, which incorporates raw material procurement through to feedback of by-products as feedstuffs and fertiliser products, we make important contributions to strengthening the agricultural economy in the region, and to providing sustainable mobility for the future.

In all of our segments, we have the necessary resources to be successful on a long-term basis and to attain a leading competitive position. In addition to flexible plant structures, efficient processes and a high level of flexibility regarding the use of raw materials, this also requires strong innovation skills as well as committed and qualified employees.

It is our objective to invest in the optimisation of existing plant and equipment and production processes in order to make further cost efficiency improvements and energy savings in production, and to make further improvements in the greenhouse gas (GHG) balance of our biofuels. In addition, we aim to establish new technology concepts to make further use of by-products which can enable us to improve our competitiveness by entering new sales markets; the sterol production at our Bitterfeld location is a good example of this.

We also place particular focus on taking a leading role in the development and market launch of so-called advanced second generation biofuels. In particular, this includes our straw-biomethane technology, which we have established at our Schwedt location. This technology also offers good opportunities for further growth internationally, for example in India or China.

We are doing this at all times with a focus 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 in the publication of our annual report.

Management system

VERBIO AG is a Company constituted under German law. A basic principle of German corporate law is the dual system of management, under which the Management Board and the Supervisory Board are established as separate corporate bodies with independent areas of responsibility. The Management Board and Supervisory Board of VERBIO AG work together to manage and supervise the business, and their working relationship is a close and trusting one. Their objective is creating a sustained increase in the value of the Company for shareholders.

The Management Board of VERBIO AG consists of four members, and together they have responsibility for managing the business of the Company, tasked with sustainable value creation. The Management Board does this under its own responsibility and in the interest of the Company. The Supervisory Board has provided the Management Board with rules of procedure, which, in addition to a catalogue of transactions requiring approval, also define the areas of responsibility that are assigned to individual members of the Management Board.

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

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

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

The effective and efficient management of capital is a key component of the VERBIO Group's integrated controlling system. This primarily comprises the management of liquidity, equity and borrowed capital. This is primarily measured using net cash (cash and cash equivalents, less bank loans and other loans) as a key performance indicator.

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

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

Research and development

VERBIO's research and development departments make an important contribution to increasing our competitiveness and to the expansion of our business by developing new innovative product 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 in the financial year 2016/2017 as we did in previous financial years. Existing processes were further developed and optimised with short- to medium-term time horizons. In addition, new research projects were initiated in order to enable us to continue to be successful in the future and to ensure the sustainable success of the Group.

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

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

Participation in joint projects with public research institutes and universities also represents a fixed component of our research and development work.

In total, EUR 1,152 thousand (2015/2016: EUR 1,098 thousand) was spent on research and development in the past financial year. Group-wide, an average of 14 (2015/2016: 12) employees worked in the research and development departments.

Research and development in the Biodiesel segment

Our processes in the Biodiesel segment have always been a trendsetter in terms of product quality, economy and sustainability. Nevertheless, they are subject to a process of constant optimisation. In order to maintain and extend our competitive advantage in biodiesel production, the Biodiesel segment's R&D department works very closely with the production department.

The R&D department's efforts in the reporting period just ended were focussed on research and development work to support the start-up and optimisation of the phytosterols production equipment. The expanded production plant began production in March 2017. Since then the research and development department has provided intensive support to help optimise the operation of the plant.

Research and development in the Bioethanol segment

The focus of research and development work in the Bioethanol segment was on ensuring that we make continuous improvement in the production process in our biorefineries. The focus of our biorefineries is to gain the highest possible levels of efficiency from the raw materials used. Given the high levels of integration of the individual production plants making up our biorefinery plant as a whole, we place a very high demand on the stability of our processes. One of the objectives of our R&D teams is to further optimise process stability. One result of this work is the increased level of biogas production while maintaining a stable level of ethanol production. We have been able to increase the production of biogas by almost 20 percent in the last two years.

In straw technology the focus of our work was on creating new products of commercial value from the digestate that is produced by the plant. Using this work, we plan to establish a pilot plant in Schwedt which should be ready to enter service by the end of the next financial year. In addition, we have also been focussing on amending our production processes on the significant variances in the quality characteristics of the raw materials.

In addition, we are continually observing and evaluating relevant technologies and market developments in order to secure our competitiveness and in order to find new technological opportunities for our biorefineries. As part of this activity, assessments of "Power to Gas" and "Power to Liquid" technologies were discussed. These are currently a strong focus of political discussion.

Employees

As of June 30, 2017 VERBIO employed a total of 527 employees (June 30, 2016: 488), of whom 224 were staff (June 30, 2016: 200), 286 were production employees (June 30, 2016: 275), 12 were trainees and apprentices (June 30, 2016: 12), 4 were mini-job employees (June 30, 2016: 1) and 1 was a temporary employee.

Economic report

Economic and political environment

Market conditions in Germany

Biodiesel and Bioethanol

On average, the price of fuels had been falling consistently since 2012. However, in recent months a slight upward trend has been noticeable for the first time. For example, the ADAC [Allgemeine Deutsche Automobil-Club e.V., "General German Automobile Club"] recorded average prices of EUR 1.37 and EUR 1.28 per litre of super E10 petrol in 2015 and 2016 respectively. In 2017 the price increased to approximately EUR 1.37 in January and February, and EUR 1.33 was recorded for June. The price of diesel was EUR 1.17 per litre in 2015 and 1.08 in 2016, then EUR 1.19 in January and February, and EUR 1.12 in June 2017. At the time of writing statistics are available from the German Federal Office of Economics and Export Control (Bundesamtes für Wirtschaft und Ausfuhrkontrolle – BAFA) for the 2017 calendar year up until June. These once again include an increase in the consumption of diesel in Germany, an increase of 4.5 percent for the period January to June compared to the same period in the previous year. If this trend continues for the rest of the year, this would mean that 40 million tonnes of diesel will have been consumed in Germany in 2017. This significant increase in consumption of fossil fuels can be compared with an even stronger fall in their biofuel equivalents. The use of HVO and biodiesel as additives in the first six months fell by 7 percent. Assuming a similar trend over the rest of the year, the total volume of biofuel additive components will only add up to around 2 million tonnes. Only last year the total was 2.15 million tonnes. This means that the increase in the statutory greenhouse gas (GHG) quota in 2017 to 4 percent had no effect at all on the volumes of additives. It is further confirmation that the improvements in biofuels, in terms of the higher and higher levels of GHG savings they achieve, enables the oil companies to make a quantitative reduction in the volume of biofuels used as additives.

The BAFA also reported an increase in consumption of petrol-based fuels for the first six months of 2017; the increase amounting to 3.4 percent compared to the same period in the previous year. In contrast to biodiesel these fuels at least showed no reduction in the absolute volume of ethanol used as additives compared to the previous year, but the volume was stagnant. However, the ratio of additive use is slightly lower. The trend of E10 sales volumes in Germany was disappointing compared to those seen in some neighbouring European countries. Here the market share has fallen to below 12 percent in recent months; in June the E10 share of the petrol market was only 11.9 percent, and only 12.1 percent on a cumulative basis for the period from January to June 2017 (period to June 2016: 12.9 percent). A change in this trend is not to be expected in the near future given the fact that the oil industry is maintaining a price difference between E5 and E10 of only 2 cents/litre.

CNG (Compressed Natural Gas)/Biomethane

The share of biomethane added to natural gas initially progressed very well in recent years. Whereas in 2011 the blended share was 4.3 percent for the market as a whole, the share in 2012 was already at least 15.3 percent, rising to 21.6 percent in 2013 and 23.3 percent in 2014. Since 2015, however, the biomethane share has been falling, and is currently standing at around 13–15 percent.

The statistical reports issued by the Federal Ministry of Finance (BMF) that are used to provide data on the fulfilment of the biofuels quota only report separate data for biomethane from 2012. Figures are currently available up to 2014. There is a noticeable significant increase in the use of biomethane in the fuel sector from 2012 to 2013, followed by only a small increase in 2014. 333 GWh was credited for the purposes of the quota in 2012, 472 GWh in 2013 and 500 GWh in 2014. For 2015 the Federal Ministry for the Environment gibes a figure of 348 GWh for the fuels sector, while the BMF has not yet issued any figures for that year or for 2016. However, a continued downward trend can be assumed.

The range of available natural gas-powered passenger vehicle models has almost tripled since 2012. In 2016 the number of new passenger vehicle registrations reached a six-year high of 3.4 million. On the other hand, the number of new registrations of CNG-powered vehicles fell to the lowest level since 2007. The number of new registrations of CNG-powered vehicles was 3,200, 40 percent lower than in 2015, the previous year.

As a result the total number of CNG vehicles registered fell from the record number of 80,000 in 2016 to 77,000, interrupting the continuous growth series recorded over a period of many years.

The significant break in the trend is due to the fact that electro mobility has attracted continued political and media interest, as well as to the uncertainty concerning the extension of the energy tax advantages accruing to natural gas sold for mobility purposes beyond 2018.

It should be possible to refocus attention to CNG and Biomethane fuels now that the energy tax advantages have been legislated. The use of price display systems used at filling stations which enable consumers to make a comparison with traditional fuels would be helpful – for example, price displays showing the price as an equivalent to a litre of petrol or a kilowatt hour of electricity.

As a result of the emissions scandal concerning diesel engines the industry is undertaking a rethink, and there is increased reflection on the increased economic and ecological savings potential offered by CNG-powered engines. Various initiatives are in place such as the CNG Mobility Days, the natural gas initiative promoted by the German Energy Agency (Die Deutsche Energie-Agentur GmbH – DENA) and the CNG Club e.V., to combine the interests of the motor industry, operators of filling stations and consumers, as well as to promote the potential of using natural gas and biomethane.

Although the CNG filling station network is getting thinner, there are still 866 filling stations across Germany, which ensures sufficient coverage is available. Biomethane is offered at approximately 100 CNG filling stations, of which 81 are Verbiogas.

The number of filling stations offering CNG as well as the number offering biomethane blends is falling for the reasons described above. The share of biomethane in the gas sold at CNG filling stations remains stable at approximately 15 to 20 percent.

Irrespective of this, it is intended to increase the natural gas share of energy consumption in the transport sector significantly between now and 2020 in cooperation with the Deutsche Energie Agentur GmbH (DENA). In addition to this, VW, Germany's largest automobile manufacturer in the CNG segment, has committed itself to a pro-CNG power drive initiative, and together with selected partners in industry plans to bring a million CNG vehicles onto the roads by 2025 and to increase the size of the CNG filling station network to 2,000.

Market situation outside Germany

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, while at the same time it can also result in market entry barriers in certain countries.

However, the competitiveness of biofuels compared to fossil fuels has been diminished by the falling prices of diesel and petrol.

Biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, meaning that there are incentives for its use in the form of tax incentives or compulsory blending requirements. Here the primary factor is not so much environmental concerns but more interest in supporting the local agricultural economy. The use of local raw materials strengthens the local value added chain, reduces energy imports and improves the balance of payments. As a result, investments are made in new local production capacity for biofuel materials, and jobs in the local agricultural industry are created or protected.

Trends in sales and raw material prices

Biodiesel prices in the financial year 2016/2017 were 80 EUR/tonne above the average level recorded in the financial year 2015/2016. Ethanol prices were approximately 20 EUR/cbm lower. Driven by demand factors, the average price of Ethanol T2 FOB Rotterdam amounted to approximately EUR 485/cbm in the first half of 2016/2017. The expansion and additional use of previously idle production capacity helped compensate for the downtime at certain plants and limited the upward price pressure from demand. The strong demand for ethanol from South America and the USA meant that hardly any volumes were exported to Europe, which also supported the price of ethanol.

The price of rapeseed oil, a raw material used in biodiesel production, increased by approximately EUR 80/t in the financial year 2016/2017. Rapeseed oil is the primary product used in Germany due to the high demands placed on biodiesel for properties which cope with cold temperatures.

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

Historical price trends of selected raw materials

	2015/ 2016	Q1 2016/ 2017	Q2 2016/ 2017	Q3 2016/ 2017	Q4 2016/ 2017	2016/ 2017
Crude oil (Brent; USD/barrel)	44	47	51	55	51	51
Diesel FOB Rotterdam (EUR/tonne)	369	370	424	454	411	415
Biodiesel (FAME -10 RED; EUR/tonne)	780	796	929	904	815	861
Petrol FOB Rotterdam (EUR/tonne)	431	412	455	513	481	465
Bioethanol (T2 German Specs; EUR/cbm)	558	482	488	606	568	536
Rapeseed oil (EUR/tonne)	713	728	853	829	766	794
Palm oil (EUR/tonne)	555	651	703	733	639	682
Wheat (MATIF; EUR/tonne)	167	160	163	170	168	165
Sugar (EUR/tonne)	285	402	426	405	303	384

Political environment and legal framework for biofuels

The often heated debates held in the past about biofuels have calmed down significantly. However, Brussels and Berlin both take a very critical stand on biofuels generally. Once again palm oil has a role in this. The first proposals from the European parliament are heading in the direction of placing significant limits on the use of palm oil as a raw material for biofuels purposes. A clear decision could have an overall positive effect in view of the continuing iLUC discussion. The fact that new initiatives are rendered necessary by the Paris climate protection accord and the initiatives of the EU Commission to continuing to develop the RED further should also be taken into account.

Current regulatory situation in the European Union

The mandatory target of the European Union is that 10 percent (energetic) of the energy used in the transportation sector should be derived from renewable energy sources by the year 2020.

At the European level, the legal basis for achieving the defined targets in the transportation sector by 2020 are set out in the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD). These should pave the way for the improvement of climate protection and the safeguarding of energy supplies within the European Union.

In addition, the minimum requirements for sustainable biomass production and processing were defined. A precondition for market entry is an appropriate sustainability certification and evidence of defined greenhouse gas savings in comparison to fossil fuels (currently at least 50 percent), as well as evidence for the source of the biomass.

The Renewable Energy Directive of the European Parliament and the European Council has been formally adopted into national law in all EU member countries, although this does not necessarily mean that the requirements will actually be implemented or have actually been implemented.

Amendment to the Renewable Energy Directive and the Fuel Quality Directive

With the Renewable Energy Directive the Commission aims to improve the climate balance in the future through the production of biofuels, to limit the utilisation of first generation biofuels, i.e. biofuels from crops such as grain, sugar plants and oil seed, and to create larger incentives for the use of advanced second generation biofuels. Advanced second generation biofuels, i.e. biofuels listed in Appendix IX a) to the RED (e.g. algae, nutshells, sludge, straw etc.), do not only represent a high potential for CO_2 savings but also primarily make use of non-food raw materials, specifically raw materials that do not lead to any direct or indirect changes in land use (Indirect Land Use Change, iLUC). In the future, biofuels should have neither a direct nor an indirect effect on the use of land or on the provision of foodstuffs.

The environmental sub-committee of the European Parliament approved the reform of the biofuels policy on April 14, 2015. The Renewable Energy Directives amending Directive (2009/28/EC) and the Fuel Quality Directive (98/70/EC) were published in the Official Journal of the European Union on September 15, 2015. This provides that 10 percent of energy consumed in the transport sector should be sourced from renewable energy sources in 2020. Of this, a maximum of 7 percent (energetic) may be sourced from traditional first generation biofuels. To promote the introduction of advanced second generation biofuels member states have been given a non-binding recommendation to introduce a minimum quota of 0.5 percent. There will be no binding iLUC factors. These will initially only be used for reporting purposes. It is also planned that advanced biofuels will be counted with a factor of 2, renewable electricity used for rail transport purposes counted with a factor of 2.5, and a factor of 5 for electrical road mobility use.

The proposals for further promotion of advanced second generation biofuels are consistent with VERBIO's business strategy of increasing production of biofuels from raw materials which are not in competition with foodstuffs. We are generally pleased about the introduction of a minimum quota for second generation biofuels, as currently large quantities of unused agricultural waste products such as cereal straw, maize straw and dung remain unused for biogenic fuel production. Unfortunately the non-binding recommendation made by the EU is not a basis on which investments can be made.

Greenhouse gas quota since January 1, 2015

Since January 1, 2011 biofuels can only count to the biofuels quota and/or can only qualify for energy tax relief as pure biofuel if they have been produced according to the provisions of the Biofuel Sustainability Regulation (Biokraftstoff-Nachhaltigkeitsverordnung – Biokraft-NachV) and are made available to the general market. These requirements continue to apply under the new GHG quota regime.

In Germany quotas ceased to be based on energy values from January 1, 2015; since then they are dependent on the fulfilment of the greenhouse reduction quota (GHG quota). The GHG quota was increased from the original level of 3.5 percent to 4.0 percent on January 1, 2017. The amount counted towards the quota, and with it the biofuel value, is solely measured based on the GHG savings potential. The lower the biofuel emission level or the greater the GHG saving respectively compared to the statutory defined fossil fuel base value of 83.8 kg CO_2 eq/gigajoule, the higher the quota value and the higher the potential market price that can be achieved. A higher potential saving means that the quantity of biofuels required by persons obliged to satisfy a quota is also lower. Accordingly the biofuels sector will be a victim of its own success in optimising its GHG emissions.

Tax concessions for natural gas

In mid-February 2017 the Federal Government approved to continue with the tax concessions for natural gas with concessions declining over the period from 2024 to 2026, and opted to continue with the lower rates of tax on fuel for agricultural use, i.e. the rebates granted for diesel used in the agricultural sector, including those from biofuels.

Heating market

The Renewable Heating Amendment Act (Erneuerbare-Wärme-Gesetz – EWärmeG) which came into force with effect from July 1, 2015 in Baden-Wuerttemberg, requires the use of 15 percent renewable energies. This obligation can be fulfilled by the use of bioheating fuel which includes at least 10 percent biodiesel. This also applies to biomethane.

The Act provides for new uses of bioheating oil and biomethane. It remains to be seen whether other Federal States will follow this example. This is significant for the Federal Government given its deliberations concerning a Heating Act for existing applications. The federal government continued to rely on financial incentives, especially for modernisations.

The EU commission presented a strategy paper on the subject of heating and cooling on February 16, 2016. This demands a significant expansion of the use of renewable energy in domestic homes. However, it remains open how much will be achieved in the time period. Accordingly this paper should be understood as a working document which leaves the member states free to make their own policy initiatives.

Business report and the Group's position

Results of operations

With production of biodiesel and bioethanol totalling 722,137 tonnes in the financial year 2016/2017, VERBIO once again exceeded the record level of production set in the previous financial year (2015/2016: 688,362 tonnes), and manufactured over 700,000 tonnes of biofuels for the first time due to the good result in Biodiesel. In addition, once again a new record level of biomethane was produced in the financial year 2016/2017 with a total 559,160 MWh produced (2015/2016: 520,959 MWh); an increase of 38,201 MWh or 7.3 percent.

The Group's sales revenues for 2016/2017 totalled EUR 726.4 million (2015/2016: EUR 654.3 million). These figures include revenues from biofuel trading of EUR 24.4 million, lower than in the previous financial year 2015/2016 (EUR 41.0 million). Further details are provided in the reports on the individual segments.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) benefited from the improved framework conditions and amounted to EUR 92.4 million, EUR 19,3 million ahead of the comparative period in the previous year (2015/2016: EUR 73.1 million).

The Group operating result (EBIT) is EUR 70.7 million, significantly higher than in the comparative prior period (2015/2016: EUR 52.0 million). As interest expenses were lower, the Group's result before taxes (EBT) increased even more significantly and amounted to EUR 70.5 million (2015/2016: EUR 50.6 million). The net result is also affected by current and deferred taxes of EUR 18.8 million (2015/2016: EUR 1.7 million), and amounted to EUR 51.8 million (2015/2016: EUR 48.9 million). Based on the result for the period, earnings per share (basic and diluted) was EUR 0.82 (2015/2016: EUR 0.77).

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

Trends in individual income and expense categories

Other operating income amounted to EUR 10.2 million (2015/2016: EUR 12.7 million) and primarily includes electricity and energy tax rebates (EUR 2.5 million (2015/2016: EUR 3.6 million), the release of investment grants and subsidies (EUR 3.4 million; 2015/2016: EUR 3.1 million) and gains on currency exchange of EUR 1.2 million (2015/2016: EUR 0.8 million).

Material costs amounted to EUR 587.3 million. Consistent with the corresponding sales revenues, this figure is higher than in the previous year 2015/2016 (2015/2016: EUR 541.5 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin amounted to EUR 142.1 million (2015/2016: EUR 116.0 million).

Personnel expenses in the financial year 2016/2017 amounted to EUR 29.1 million, approximately ten percent higher than in the previous year (2015/2016: EUR 26.5 million). With respect to basic levels of remuneration this is due to an increase in the number of employees. In addition, the provisions made for variable remuneration are higher as a result of the very good business results. The employees participate in this success with the payment of a one-off bonus, which has resulted in an increase in the average level of personnel costs per employee. As a result, the personnel expense ratio (in relation to sales revenues, change in inventories and own work capitalised) totalled 4.0 percent (2015/2016: 4.0 percent), unchanged compared to the previous year's figures.

Other operating expenses amounted to EUR 31.1 million in the period (2015/2016: EUR 31.1 million). Other operating expenses primarily include outgoing freight costs and other sales costs, the costs of repair and maintenance, motor vehicle costs and the cost of insurances and contributions. Within this, a slight increase is recorded for outward freight costs, which is offset by lower levels of repair and maintenance costs.

The financial result amounted to EUR −0.2 million (2015/2016: EUR −1.4 million) and consists of interest expenses (EUR 0.8 million; 2015/2016: EUR 1.4 million) and interest income of EUR 0.6 million.

The significant increase in the level of income tax expenses is due to the fact that available tax losses have been utilised, as well as to the recognition of deferred tax assets on tax losses in the previous year, which had the effect of reducing the tax expense recorded in that year. As a result the tax rate was 27 percent (2015/2016: 3 percent), so that the financial year 2016/2017 represented a level close to the expected normal level.

Net assets and financial position

The balance sheet total amounts to EUR 373.1 thousand at June 30, 2017 (June 30, 2016: EUR 323.0 million). The increase in the balance sheet total on the assets side is primarily due to the increased level of inventories, cash and cash equivalents and term deposits. On the equity and liabilities side of the balance sheet, the increase primarily reflects the significant increase in equity.

Non-current assets

The non-current assets fell, amounting to EUR 167.8 million at the balance sheet date (June 30, 2016: EUR 176.7 million). The change resulted from additions to property, plant and equipment (EUR 18.8 million), which were however exceeded by the scheduled depreciation of EUR 21.7 million and disposals with a remaining carrying value of EUR 0.6 million. In addition, deferred taxes fell by EUR 2.9 million (June 30, 2016: EUR 8.5 million).

Current assets

Current assets amounted to EUR 205.3 million at June 30, 2017 (June 30, 2016: EUR 146.3 million), an increase of EUR 59.0 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2017: EUR 34.3 million; June 30, 2016: EUR 26.3 million). The increase in inventories compared to June 30, 2016 is the result of the higher quantities of inventories of raw materials and higher quantities and the higher value of finished goods.

In addition to inventories, the level of cash and cash equivalents has also increased significantly. Details of changes in the balance of cash and cash equivalents are provided in the comments on the cash flow statement.

The increase in trade receivables of EUR 6.9 due to timing factors around year end, and the higher level of derivatives due to the higher valuation placed on the derivative financial instruments, resulted in an increase in the level of current assets.

Equity

Equity totalled EUR 296.4 million (June 30: 2016: EUR 254.3 million). The equity ratio amounts to 79.4 percent, a significant increase compared to the previous year's balance sheet date (June 30, 2016: 78.7 percent).

Non-current liabilities

Non-current liabilities fell by EUR 1.9 million, from EUR 12.9 million at June 30, 2016 to EUR 11.0 million at June 30, 2017. The fall was primarily due to the repayment of bank and other loans and to their shorter remaining terms to maturity. As in the previous year, no new non-current liabilities were entered into in the financial year 2016/2017.

Current liabilities

Current liabilities are higher than they were at the end of the previous financial year (June 30, 2017: EUR 65.6 million; June 30, 2016: EUR 55.8 million). This was primarily due to the significant increases in tax liabilities (EUR 15.1 million, June 30, 2016: EUR 6.2 million) and in the other current liabilities (EUR 7.8 million, June 30, 2016: EUR 2.2 million). On the other hand, bank loans and other loans presented within current liabilities fell significantly, primarily due to repayments of EUR 9.0 million.

Cash flows

The cash flow from operating activities for the reporting period totalled EUR 75.0 million, close to the level reported in the previous year (2015/2016: EUR 76.3 million). Although the reported EBIT increased, this has only had an insignificant effect on the cash flow from operating activities, primarily due to the increased level of inventories (EUR 8.1 million), trade receivables (EUR 6.9 million), and other assets (EUR 4.4 million).

Cash outflows from investment activities in the 2016/2017 reporting period totalled EUR 78.4 million (2015/2016: EUR 12.2 million). This primarily included cash outflows for term deposits (EUR 60.0 million) and for investments in property, plant and equipment (EUR 18.4 million). Cash outflows for investments in property, plant and equipment were net of a comparatively low level of receipts from the disposal of property, plant and equipment (2016/2017: EUR 0.2 million; 2015/2016: EUR 0.5 million).

The cash flow from financing activities for the reporting period totalled EUR –19.4 million (2015/2016: EUR –13.3 million). This consists of repayments of financial liabilities (EUR –10.0 million; 2015/2016: EUR –9.6 million) and the dividend payments (EUR –9.5 million; 2015/2016: EUR –6.3 million).

Given the cash outflows for term deposits and the increased dividend, the cash funds fell by EUR 22.8 million in the period from July 1, 2016 to June 30, 2017. Cash and cash equivalents shown in the balance sheet at June 30, 2017 amounted to EUR 54.7 million.

Net cash

The Company has remaining bank and loan liabilities of EUR 1.9 million, cash and cash equivalents of EUR 54.7 million, term deposits of EUR 60.0 million, and other cash balances on separate accounts of EUR 2.9 million so that net cash at the balance sheet date amount to EUR 115.7 million (June 30, 2016: EUR 65.6 million).

Investment

Investments totalling EUR 18.9 million were made in the financial year 2016/2017 (2015/2016: EUR 13.0 million). These primarily relate to investments in property, plant and equipment of EUR 18.8 million (2015/2016: EUR 12.8 million).

The investments were primarily made in the Bioethanol segment, with investments totalling EUR 10.8 million (2015/2016: EUR 5.0 million) in order to optimise and expand the current biomethane plants at Schwedt/Oder and Zörbig and to expand a phytosterol (sterol) production plant at Bitterfeld in the Biodiesel segment at a cost of EUR 1.8 million (2015/2016: EUR 3.1 million).

Overall statement on the net assets, financial position and results of operations and comparison of actual and forecast business developments

The financial year 2016/2017 just ended was the most successful year in the history of VERBIO AG. Given the sales revenues and results of operations, the financial year 2016/2017 has been a very pleasing year overall. In particular, the EBITDA of EUR 92.4 million and the net cash position of EUR 115.7 million are ahead of the original planning for the financial year 2016/2017. The forecast released in the previous year indicated an EBITDA of around EUR 55 million. The net cash level was expected to increase to around the EUR 88 million level by the end of the financial year. The original EBITDA and forecast year-end net cash balance were increased during the course of the financial year. In the forecast issued on January 12, 2017 an EBITDA of around EUR 90 million was forecast and net cash balance of around EUR 120 million was expected by the year end.

The net assets and financial position have, overall, improved again compared to the previous year and are adequate to finance the Group's future business operations.

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 2, 2018, and that the remaining profit for the period shall be carried forward.

Segment reporting

Biodiesel

IIn the financial year 2016/2017 VERBIO was able to report a record level production of biodiesel in its now ten-year company history. A total of 473,382 tonnes of biodiesel was produced (2015/2016: 449,303 tonnes). A new record level of sales volumes was also achieved.

Sales revenues in the Biodiesel segment in 2016/2017 totalled EUR 471.6 million, following EUR 423.2 million in the corresponding period in 2015/2016. The increase in sales revenues, accompanied by higher sales volumes, is primarily due to the higher average selling prices for biodiesel. Total sales revenues include revenues from sales of merchandise of EUR 6.7 million (2015/2016: EUR 30.8 million).

Biodiesel	**p.a.**	**1. HY 2015/2016**	**2. HY 2015/2016**	**2015/2016**	**1. HY 2016/2017**	**2. HY 2016/2017**	**2016/2017**
Production capacity (tonnes)	470,000	225,000	225,000	450,000	235,000	235,000	470,000
Production (tonnes)		227,101	222,202	449,303	236,430	236,952	473,382
Utilisation production capacity (%)		100.9	98.8	99.9	100.6	100.8	100.7
Number of employees at the balance sheet date		**110**	**114**	**114**	**109**	**110**	**110**

The cost of materials amounted to EUR 413.5 million (2015/2016: EUR 378.3 million), higher than in the previous year and consistent with the trend in sales revenues. Taking into consideration the change in inventories, gross profit increased from EUR 48.3 million to EUR 59.7 million as a result of the technical improvements, the stabilisation of sterol production, and the sale of biofuel quotas.

Personnel expenses in the financial year 2016/2017 amounted to EUR 9.9 million (2015/2016: EUR 9.0 million).

Other operating expenses totalled EUR 12.9 million (2015/2016: EUR 12.3 million). Taking into account the gains on futures transactions of EUR 0.8 million (2015/2016: EUR 0.7 million), the segment EBITDA for the period is EUR 39.3 million (2015/2016: EUR 29.8 million).

Investments in property, plant and equipment totalling EUR 3.9 million were made in the financial year 2016/2017 (2015/2016: EUR 4.4 million) in the Biodiesel Segment.

Bioethanol

In the financial year from July 1, 2016 to June 30, 2017 bioethanol production totalled 248,755 tonnes (2015/2016: 239,059 tonnes), following up on the production record set in the financial year 2014/2015 (248,103 tonnes). Production of biomethane in the reporting period was also significantly higher than in the previous year at 559 GWh, (2015/2016: 521 GWh).

The trend in bioethanol reflects the fact that VERBIO has been able to build on its market share of the bioethanol to petrol blending market. Average raw material prices were comparatively low and stable throughout the financial year, while sales prices increased again in the second half of the year. These conditions had a positive effect on utilisation levels and on the results of operations of the segment.

In total, the Bioethanol segment generated sales revenues of EUR 245.2 million in 2016/2017 (2015/2016: EUR 222.1 million), higher than in the previous year. The increase in sales revenues in the Bioethanol segment despite slightly lower sales prices is due to the higher sales volumes. The volume of trading activities remained at a relatively low level as in the previous year (2016/2017: EUR 17.7 million; 2015/2016: EUR 10.2 million).

The cost of materials increased compared to the previous year to EUR 165.7 million (2015/2016: EUR 155.7 million), with the consequence that the segment gross margin increased to EUR 80.9 million from EUR 66.0 million in the previous year, after taking the change in inventories into account. It was possible to generate significant savings by improving the efficiency of energy and raw material consumption with the use of targeted process technology improvements.

Other operating income in this segment in the reporting period amounted to EUR 8.6 million (2015/2016: EUR 10.6 million). The decrease was primarily the result of lower out of period income from the reversal of provisions.

Personnel costs amounted to EUR 15.4 million (2015/2016: EUR 13.9 million).

Other operating expenses amounted to EUR 20.9 million, after EUR 21.6 million in the financial year 2015/2016. These primarily include freight out and repair and maintenance expenses, whereby the decrease is primarily due to the maintenance programme carried out during the previous financial year 2015/2016. The Bioethanol segment reports losses on futures transactions of EUR 1.1 million (2015/2016: gains of EUR 0.9 million).

The segment result EBITDA for the financial year 2016/2017 totalled EUR 52.4 million, after EUR 42.2 million in the financial year 2015/2016.

Investments in this segment totalled EUR 14.5 million (2015/2016: EUR 7.8 million). This primarily comprised investments in optimising and adjusting the biomethane plants at the Schwedt/Oder and Zörbig sites of EUR 10.8 million (2015/2016: EUR 5.0 million).

Bioethanol	**p. a.**	**1. HY 2015/ 2016**	**2. HY 2015/ 2016**	**2015/ 2016**	**1. HY 2016/ 2017**	**2. HY 2016/ 2017**	**2016/ 2017**
Production capacity (tonnes)	260,000	130,000	130,000	260,000	130,000	130,000	260,000
Production (tonnes)		118,906	120,153	239,059	123,712	125,043	248,755
Utilisation production capacity (%)		91.5	92.4	92.0	95.2	96.2	95.7
Biomethane							
Production capacity (MWh)	600,000	240,000	240,000	480,000	300,000	300,000	600,000
Production (MWh)		264,003	256,956	520,959	283,487	275,673	559,160
Utilisation production capacity (%)		110.0	107.1	108.6	94.5	91.9	93.2
Number of employees at the balance sheet date		**219**	**227**	**227**	**232**	**252**	**252**

Other

Sales revenues generated in the Other segment totalling EUR 16.3 million in the financial year 2016/2017 primarily represent sales revenues from transport and logistic services (2015/2016: EUR 15.8 million). The segment result amounted to EUR 0.1 million (2015/2016: EUR 0.6 million).

The Other segment had 122 employees at June 30, 2017 (June 30, 2016: 108 employees).

Remuneration report

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

No disclosure is made of the total amount accruing to each named individual member of the Management Board, split between fixed and variable remuneration components. In the Company's view, the advantages of such disclosure for the general public and for shareholders are not of such significance that the associated disadvantages – including for the privacy of the individual members of the Company's corporate boards – should be disregarded.

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

Remuneration of the Management Board

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

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

Fixed remuneration not related to performance

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

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

Variable remuneration related to performance

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

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

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

The reference bonus is to be converted as of September 30 of each year (effective date) for the last reference year into a number of fictional shares of the Company (fictional shares), such that the reference bonus is divided by the weighted three-month average of the share price of the Company shares in the closing auction in the Xetra trading system of the Deutsche Börse AG (Xetra price) or a functional successor system. The last three months of the respective reference year are relevant for the purposes of this calculation.

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

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

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

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

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

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

Other contractual payments

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

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

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

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

Total remuneration

The total remuneration of members of the Management Board in the financial year 2016/2017 amounted to EUR 3,145 thousand (2015/2016: EUR 2,706 thousand). Thereof, EUR 1,521 thousand (2015/2016: EUR 1,463 thousand) relates to the fixed salary portions including other remuneration components, and EUR 1,624 thousand (2015/2016: EUR 1,243 thousand) pertains to the variable remuneration components.

No loans were granted to members of the Management Board in the financial year 2016/2017 or in the financial year 2015/2016. No advances were granted, and no remuneration was paid or benefits provided to members of the Management Board for services rendered personally or for consulting or procurement services.

Remuneration of the Supervisory Board

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

According to this, at the end of the business year each Supervisory Board member receives annual fixed remuneration of EUR 30 thousand. The Chairman receives twice this amount. In contrast to the function-specific, significantly higher workload of the Chairman of the Supervisory Board, the workload of the Vice-Chairman does not differ significantly from the workload of the third member. Accordingly, no additional remuneration is paid to the Vice-Chairman of the Supervisory Board.

The members of the Supervisory Board were paid remuneration of EUR 120 thousand for their activities in the financial year 2016/2017 (2015/2016: EUR 120 thousand).

In addition, the Company reimburses the Supervisory Board members for cash outlays as well as value-added tax, provided they are entitled to invoice the tax separately and avail themselves of this right. The Supervisory Board members who were in office in the 2016/2017 financial year were reimbursed with a total amount of EUR 6 thousand (2015/2016: EUR 7 thousand) for cash outlays.

In the financial year 2016/2017 the Company paid the Supervisory Board member Ulrike Krämer EUR 24 thousand (2015/2016: EUR 29 thousand) for consultancy work under an existing agreement. No other remuneration or remuneration was paid or benefits granted by the Company to members of the Supervisory Board in the financial year 2016/2017 or in the financial year 2015/2016 for services rendered personally, in particular for consulting and referral services.

Other

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

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

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

Events subsequent to the balance sheet date

Significant events subsequent to the balance sheet date

There have been no significant events subsequent to the balance sheet date.

Outlook, opportunity and risk report

Outlook

The following report provides the outlook of the VERBIO Management Board regarding the future course of the business and describes the expected development of significant economic and industry-specific conditions. It represents the knowledge of the Management Board at the time of its preparation, acknowledging that actual development 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.

VERBIO does not intend to and does not undertake, except as required by legal disclosure requirements, any obligation to update or revise any forward-looking statements contained in this report or 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 biofuel market as a growth market, particularly the market for second generation biofuels. This includes the biomethane produced by VERBIO and the biodiesel produced from waste and residue materials.

Without the use of biofuels from renewable energies, an energy turnaround on the streets has no chance of success, and the binding climate goals set by the EU which should be met by the year 2020 will not be achievable. It is unlikely that electro mobility will mean a significant displacement of conventional fuels with an associated reduction in the consumption of blended biofuels in the medium term. In our view this does not affect the current trends as far as diesel engines are concerned. Given the comparatively unattractive economics of the electric engine for the consumer, a mass market for this will remain unattainable for a substantial period of time.

However, stable business development and sustainable company development in the biofuel industry requires a reliable business environment. The Federal Emissions Protection Act with its fixed GHG quota currently offers a fixed framework on which the business plan going forward is based. The medium- and long-term future for our sales markets is characterised by uncertainty in view of the current discussions concerning the reform of the European Union's Renewable Energy Directive as well as the relevant German legislation to the extent that it affects subsidies for the use of biofuels for the years after 2020.

While VERBIO has been able to run counter to the general market trend by achieving consistently good production capacity utilisation in both the Biodiesel and Bioethanol segments in the financial year just ended, and the Group has been able to report record results, these things do not provide us with any security for the future. In the current market environment efforts will be required in every part of the business to maintain the utilisation and margins achieved and to improve margins further where possible. The significant fall in the margins in the Biodiesel segment seen in the fourth quarter are a clear reminder of this.

With respect to the individual markets, we assume that the primary market for biodiesel will continue to be the blending market.

Bioethanol is also a product which is primarily used in the blending market. However, the market potential in Germany is consistently deteriorating. Consumers have not accepted E10 fuel; its share of the petrol market continues to decrease, and has fallen to under 12 percent in recent months. Turning this around to any significant extent would require either a massive information campaign from the motor industry and the oil sector, or there must be a significant price differential at filling stations to the benefit of E10. As the oil industry currently does not appear to have an interest in increasing the use of E10 given the very high greenhouse gas savings generated by the biofuels currently available, it can be assumed that the use of E10 will continue to decline or will persist at a level below 12 percent of the total volume of petrol fuels.

We still see substantial growth potential to reduce climate-damaging CO_2 emissions using various techniques to use biomethane as an energy source, for example using it as a substitute for natural gas in passenger vehicles and trucks and in using biomethane to generate electricity under the EEG programme. VERBIO aims to increase the biomethane share of natural gas fuels further with its competitive offering to use biomethane as a substitute for natural gas and due to its use for low emission local traffic, particularly in regional public transport systems, mostly for heavy vehicles used in inner cities.

However, we also see growth potential for biomethane for private consumption given the negative headlines for diesel engines. This has been recognised by Volkswagen among others, with the start of an initiative for more sales of CNG vehicles.

VERBIO will continue to promote the acceleration of the market launch of natural gas and biomethane in Germany. Biomethane produced by VERBIO reduces CO_2 emissions by approximately 90 percent for each kilometre of travel, and it is already available at almost a hundred natural gas filling stations in Germany.

There are also other uses for biomethane which VERBIO uses to sell its biomethane on an opportunistic basis – for example, creating electricity to supply the grid with electricity from renewal sources under the Renewable Energy Act (Erneuerbare Energien Gesetz – EEG), or for heating purposes.

Trends in raw material prices

Prices for grain and oil seed have firmed up significantly since the middle of the second quarter of 2017 and have almost reached the peak levels seen in June 2016 as a result of the expected poor harvest seasons in the USA and Australia. The markets calmed down again with the onset of the harvest seasons in Russia, the USA and the Ukraine as well as south-western Europe, and prices have stabilised at around USD 190/tonne. According to a publication from the United States Department of Agriculture (USDA) published in July 2017, the worldwide grain harvest, including rice, is expected to amount to approximately 2,600 million tonnes in the financial year 2016/2017, once again exceeding expectations in March by 17 million tonnes. The worldwide production of grain for 2017/2018 is estimated be only 2,538 million tonnes.

Based on the USDA estimates, wheat production in 2016/2017 will be up slightly, rising for the third successive year at 754 million tonnes (2014/2015: 728 million tonnes, 2015/2016: 735 million tonnes). Wheat consumption increased to 739 million tonnes.

Overall, supply and demand continue to be in balance. Closing inventories at the end of the 2017/2018 season are forecast to be 265 million tonnes, an increase of 7 million tonnes compared to the previous year. In Europe, however, the harvest totalled 145 million tonnes (source: Coceral) a significant fall compared to 2015 (215 million tonnes). The fall was due to disappointing harvests in France, Germany and Great Britain, the primary growing countries. The March forecast for 2016/2017 once again estimates EU 28 wheat production at 150 million tonnes.

According to the USDA the worldwide production of oilseed in the 2016/2017 harvest year totalled approximately 571 million tonnes. The expansion of land under cultivation in North and South America and the significant increase in soya yields in the USA are the main factors leading to a stabilisation of the production of oilseed worldwide. According to the UDSA the areas under cultivation in the USA are expected to total almost 90 million acres, almost matching the area used for corn. Oilseed production for 2017/2018 was estimated in July at 574 million tonnes (USDA, July 12, 2017).

Current estimates for 2017 rape seed oil yields issued by the European agricultural trade association Coceral indicate a total yield of 21.5 million tonnes, an increase of 1 million tonnes compared with 2015/2016. Coceral estimates a total of 32.1 million tonnes of oilseed in the EU 28.

Estimates for the future trends for vegetable oils are currently significantly affected by the harvest in the USA. Prices for palm oil have weakened significantly since the beginning of the year from 2,800 MYR/tonne. However, the prices of 2,400 MYR/tonne that were forecast in March have not been sustained. Currently the price is in the range of between 2,400 and 2,500 MYR. Production volumes for 2016 have been significantly weakened as a result of the El Niño effect, and at 58.9 million tonnes were even weaker than expected in June 2016 (60.6 million tonnes). An improvement of the situation is only expected as the season 2017 progresses, with production expected to be 66.1 million tonnes (Oil-World No. 29, July 2017). Once again, a further significant increase is expected for 2018 (to 69.9 million tonnes). Despite the higher soya harvest in South America and increasing palm oil production worldwide, the price of vegetable oils also remain stable. The lack of clarity regarding biofuels policy in the USA and the treatment of import duties on biodiesel in the EU is a source of uncertainty.

Sales price trends

The energy markets worldwide are undergoing a process of comprehensive change. The production of crude oil and natural gas in the USA – the largest consumer worldwide – increased significantly until 2015, driven by new extraction methods such as fracking and tapping sources which were previously difficult to reach. According to a study issued by the International Energy Agency the USA will replace Saudi Arabia as the world's largest producer of oil by 2018, and will export more oil in future due to the surplus. Given the additional capacity and the ongoing negotiations between oil-producing companies about limiting production among the major oil exporting countries, the consequences for future trends in oil prices are difficult to foresee. Market analysts currently expect prices in a range between 40 USD/bbl and 65 USD/bbl for the second half of 2016 and the full year 2017.

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

The current low prices for fossil fuels have resulted in a situation where the price differential between fossil fuels and biofuels has grown so much that the use of biofuels is limited to those blending markets in which biofuels are subsidised.

The introduction of the GHG quota since January 1, 2015 led to a reduction of the use of biofuels for blending purposes. This is a result of the good CO_2 efficiency properties of biofuels, which was significantly better than the lawmakers had expected. The greenhouse gas reduction has become a significant price determinant. The oil industry buys the fuels shown to have a high level of reduction in order to be able to use the smallest possible quantity of biofuel to reduce greenhouse gas emissions. As expected, we do not see a general increase in demand for biofuels as a result of the increase in the GHG quota in Germany from 3.5 percent to 4 percent in 2017. There will be an increase in demand for the biofuels offering the highest GHG saving.

Political environment

In addition to the future raw material and selling price development, the political environment has a major effect on the future development of the Company.

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

Amendment to the Renewable Energy Directive and the Fuel Quality Directive

Our assessment is that the implementation of the RED by the BMUB (the 37th and 38th BImSchV) is proving difficult The BMUB would like to limit the share of first generation biofuels to 5 percent and to approve the use of CO-HVO for a limited period until 2020. Further, a minimum quota for second generation (advanced generation) biofuels should be introduced, first starting in 2020 and in small quantities. The BMUB plans a quota of up to 1.75 percent for Upstream Emission Reductions (UER) from 2020. A permanent adoption of the quota increases until 2020 has been rejected by the BMUB. We have made our position in the debate clear, in particular to the BMWi.

In mid-July of 2017 the departments agreed a compromise on the 38th BImSchV. This compromise should be implemented as a directive with effect from January 1, 2018. It is a positive step that the limitation on first generation biofuels to 5 percent as demanded by the BMUB was not pushed through; agreement was reached at 6 percent. It is regrettable that the BMUB succeeded with its position on a minimum quota for advanced biofuels (minimum quota first starting in 2020 with 0.05 percent, increasing to 0.5 percent in 2025). The BMUB was also not able to succeed with the incomprehensibly high UER quota. It is now limited to 1.2 percent from 2020.

As a result, this means that only 4.8 of the 6 percent GHG quota from 2020 remains for biofuels. This is a clear and unmistakeable indication that there is opposition within the BMUB to additional use of biofuels, irrespective of whether they are first or second generation. The overall conclusion is that the compromise between the departments shows that very little account has been taken of the needs of the future, and in particular that these decisions are as a whole not compatible with the new RED II proposals issued by the EU Commission. In addition, it should be noted that this decision has not provided any support for establishing an important industrial policy agenda to lead the automobile industry towards the use of gas. This aspect of the automobile industry and related opportunities will clearly need to be discussed more intensively in the light of "Dieselgate".

Climate protection after 2020

In recent times voices in the political and scientific community have been stronger in their calls that the contribution of the transport sector to climate protection should be more in focus. A significant push forward, even if not a concrete one, was provided by the Paris climate conference in December 2015 in which 195 countries were able to agree on a general, legally binding worldwide climate protection treaty.

Renewable energy directive II – RED II

At the end of 2016 the Commission issued its climate protection package 2030 proposals, including the reform of the biofuels policy for the years 2020 to 2030. The RED proposals oblige the member states to increase the share of renewable energies in all sectors (transport, heating/cooling, electricity) to an average of 27 percent by 2030.

The Commission wants to successively eliminate first generation biofuels from the fuel market by 2030 by introducing an escalating quota for advanced biofuels. We are currently holding discussions with the German Biofuel Industry Association (Verband der Deutschen Biokraftstoffindustrie e.V. – VDB) to establish the proper positioning. Parallel to this, discussions are ongoing with the various departments.

It will primarily be manufacturers of first generation biofuels that will invest in plants for advanced biofuels. If the market for first generation biofuels is destroyed, there will be very little investment made in advanced biofuels, primarily because of the fact that once again it is demonstrated that unreliable political statements of support for biofuels are not capable of providing a justification for long-term investments.

Critical questions need to be raised concerning the way forward. Are the aspirations for the growth of electro mobility realistic? Will there be enough electricity from renewable sources available? Are the plans for electricity-based fuels plausible in view of the expected costs associated with these fuels and the availability of renewable electricity from renewable sources? In our opinion the future goals set for electro mobility and electricity-based biofuels are not achievable under realistic assessments, and will, if implemented, lead to significant additional cost increases for consumers.

Discussions will be needed with the automobile industry in particular, but also with the oil industry, to determine a shared position as far as this is possible.

„DET's" – Differential Export Taxes

The anti-dumping penalty import duties on imported soya and palm oil methyl ester from Argentina and Indonesia which have been in place for the last four years have been declared illegal by the European Court of Justice (ECJ) and the World Trade Organization (WTO). They have been lifted as a result. The import duties were imposed in 2013 because Argentina and Indonesia obtained an unfair competitive advantage for their domestic biofuels industry in the form of so-called differential export taxes (DETs). These countries were successful with their complaint to the WTO against the anti-dumping import duties imposed by the EU Commission in 2013 on the import of biodiesel from these countries. The duties amounted to 25 percent for Argentina and approximately 19 percent for Indonesia.

As a result of the dispute the EU Commission plans to amend the duties to a level at which there will be no practical external effect. The affected trade associations have spoken out in no uncertain terms in favour of a rejection of the complaint or a continuation of the protective tariffs. At the current time it cannot be assumed that the EU Commission will be prepared to make any substantive changes to their position.

Should the EU Commission maintain its current position and recommend a reduction of the tariffs, there is a concern that increased levels of imports into Europe can be expected from Argentina and Indonesia with associated commercial consequences for the domestic biodiesel industry and its agriculture and oil mills. In the light of this, substantial pressure on biodiesel profit margins is expected by the spring of 2018 at the latest.

The anti-dumping duties levied on ethanol from the USA are also being discussed and, based on information from the EU, will expire in February 2018 if no review process is launched. The European ethanol association e-Pure has applied for a prolongation of anti-dumping duties for a five year period on the basis of a review process.

There may be substantial pressures on margins from the spring of 2018 if the anti-dumping duties for ethanol expire without prolongation.

Future development of the VERBIO Group

In the current financial year VERBIO will continue to be primarily engaged in an ongoing process of optimising and expanding its existing production plant with the associated necessary investments.

There is an ongoing process of improving, optimising and expanding the straw plant at Schwedt in order to increase production output. The experience gained in this will provide inputs to the straw power plant currently under construction in Pinnow/Angermünde, near Schwedt.

The investment in the phytosterol production plant at Bitterfeld is complete and the plant is in production with the output levels as expected. Also, the second line intended to double the capacity is already in production and operating smoothly. This plant increases value added obtained from using the raw material rapeseed oil, and has enabled VERBIO to commence production of fat-soluble substances used in the pharmaceutical and food industries. Further technical measures will enable the production capacity to be optimised in the financial year 2017/2018.

In the financial year 2017/2018 VERBIO plans to consolidate the market position it has gained in the biodiesel and bioethanol sector.

In the Biomethane segment the suitability of various locations for the construction of a stand-alone straw biomethane plant are being considered on an ongoing basis, including in foreign European and non-European countries, in addition to the Pinnow location already mentioned above. India is a particular focus due to the good availability of straw, the unstable nature of energy supplies and the appropriate subsidy instruments.

The use of waste and residues in biofuel production remains our highest priority. To realise this, and to do justice to our claim to be the innovation leader in our sector, we are again planning more expenditure in the financial year 2017/2018 for the systematic and continuous process of identifying new process technologies, their evaluation, and converting them into new research and development projects, as well as on the optimisation of existing plant and equipment.

Overall assessment of the expected development

The GHG quota has now been in place in Germany for three years since its initial introduction on January 1, 2015. The changes introduced then created new challenges for the biofuels industry and consequently for VERBIO. The changes have gone well for most providers. However, we are of the opinion that VERBIO has completed this task particularly well. Our production and profitability records demonstrate this admirably. The foundations of this success are the efficient production plants, the optimisation of procurement procedures and the comprehensive product portfolio with biodiesel, bioethanol and biomethane, as well as the increased production of high value by-products.

The statements made by us in the annual report 2015/2016 that the increase of obligatory greenhouse gas reduction quotas from 3.5 percent in 2016 to 4 percent in 2017, imposed by the Federal Emissions Protection Act, would in our opinion not lead to a significant increase in demand have proved to be accurate. The greenhouse gas reduction of biofuels has increased, as we expected, and more than compensates for which has compensated for the increasing CO_2 reduction obligations. The market for biofuels is declining due to the very high greenhouse gas reduction potential.

Despite this, the Management Board expects that the plant capacity utilisation rate will continue at the current high levels of over 90 percent in the financial year 2017/2018. However it is not expected that the extremely good figures for the financial year 2016/2017 can be exceeded again, either in volume terms or in terms of the results for the year. Sales revenue levels are very much dependent on the market prices of raw materials and biofuels, and the potential for individual trading opportunities for biogene fuels. Based on current sales volumes and raw material prices, the planned production capacity usage, as well as the uncertainty concerning the potential for competitive distortion from imported biodiesel and biomethane, the Management Board expects to achieve an EBITDA for the financial year 2017/2018 of around EUR 50 million. Net cash is expected to fall to an estimated EUR 100 million level by the end of the financial year as a result of the increase in the amount of planned investments, which will be financed using the Group's own funds. When reliable political conditions for the further development of biofuels for the years after 2020 are known, it will necessary to examine the requirement to reverse the partial impairment charges recorded against property, plant and equipment in 2012/2013. The maximum amount of potential reversal totals EUR 12.4 million.

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, 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, and the statutory quota, regulatory and energy tax policy environment. All of these processes and influencing factors are subject to opportunities and risks which are capable of affecting VERBIO's status quo, growth and corporate success. The consideration of risks and the exploiting of opportunities thus serve to safeguard the company and to increase its competitiveness.

Risk strategy and risk policy

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

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

Organisation of the risk management system

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

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

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

The risk reporting (ad hoc and/or periodic reporting) is carried out using risk reporting sheets on a quarterly basis, with the subsidiaries' management and the other responsible employees defined within the reporting process reporting to the Group's risk manager on predetermined reporting dates. The reporting includes all risks that exceed specified materiality limits which are expected to have an effect of 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, whereby these limits are adjusted over time if required by changes in the reference values.

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

The risk management system is adjusted according to the changing external environment and the resulting internal organisational structures on an ongoing basis, most recently in the fourth quarter of 2014/2015 with adjustments to the risk classes, the risk categories and the assessed probability of occurrence in order to better reflect the market conditions and numerical values and wording that was appropriate to VERBIO's current situation; more details are presented in the next section. A comprehensive inventory of risks was made on a cyclical basis in the fourth quarter of the financial year 2016/2017 just ended in order to identify changes or potential risk eliminations. The amendments calculated were presented in a summary report to the Management Board. The next comprehensive inventory is planned for the fourth quarter of 2018/2019.

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

Risks

Risk assessment

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

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

Risk category	**Description**
Low	x <= EUR 1 million
Medium	EUR 1 million < x <= EUR 5 million
High	EUR 5 million < x <= EUR 15 million
Very high	x > EUR 15 million

Based on the recommendations of the German Accounting Standards Board of the German Accounting Standards Committee e.V. (GASC) regarding the reporting of opportunities and risks, VERBIO Group's risks were categorised under the following opportunity and risk factors: market and sales, procurement, environment, tax and commercial law, production and technology, finance, human resources, organisation, legal rules and regulations, and other events.

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

There are no risks that threaten the ability of VERBIO and its subsidiaries to continue as a going concern as of the balance sheet 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 rest products such as UCO (Used Cooking Oil) which is offered into the market at dumping prices, and which could lead to a massive distortion of competition and competitive disadvantages.

This risk has been significantly reduced in recent years by the anti-dumping tariffs imposed by the European Union on biodiesel from Argentina and Indonesia and bioethanol from the USA. However, the risks are renewed as a result of recent events, as a result of Argentina's complaint to the WTO and the lapse of the tariffs imposed on ethanol from the USA from February 2018.

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

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

In addition, for the German market there is a high level of motivation for fraudulent claims when determining GHG savings made by biofuels with an associated risk to sales in Germany.

This motivation increased further with the increase of the GHG quota to 4 percent in 2017.

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

Since January 1, 2011 biofuels can only count to the biofuels quota and/or can only give claim to an energy tax relief as pure biofuels if they have been produced according to the provisions of the Biofuel Sustainability Regulation and are made available to the general market.

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

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

According to the last sustainability report issued by the German Federal Agency for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung – BMLE) for 2015, the average potential saving of CO_2 in Germany from the use of biofuel additives is approximately 70 percent. This has led to a substantial decline in biofuel additive volumes.

As part of the reform of the BImSchG, and given the demands of the EU directive, the federal government has reserved the right to make a number of legislation changes which could have a significant effect on the market situation for first generation biofuels, including, among other things, awarding credits for Upstream Emission Reductions (UER) and credits for the value of electricity created from renewable energy supplies. We consider the risk that biofuels generated from regenerative electricity (PtX) will gain a significant market share of the fuels market to be at most a long-term risk. As the 38th BImSchG which is currently being discussed should contain a rule that limits the crediting of UERs for GHG quota purposes we view this as a further obstruction for further growth in the use of biofuels, but not as an acute danger.

Corporate risk	Probability of occurrence	Risk quantification
Market and sales		
Sales side risks	High	High
Biofuel Sustainability Regulation and the Federal Emissions Protection Act	Low	Medium
Procurement		
Risks of raw material purchasing	Low	Low
Environment		
Risks due to contaminated sites and other building, land and environmental risks	Very low	Low
Tax and commercial law		
Risks of non-compliance with ongoing tax obligations	Very low	Low
Risks from tax audits	Low	Low
Production and technology		
Production and technology risks	Very low	Very high
Finance		
Financial and liquidity risks	Very low	Medium
Interest and exchange rate risks	Very low	Medium
Risks from derivatives	Low	Medium
Credit and default risks	Very low	Medium
Risks from impairment of assets	Low	Low
Legal rules and regulations		
Regulatory risks	Medium	High
Risks from legal disputes	Low	Low
Other risks		
IT risks	Low	Low

The 37th Directive for implementing the Federal Emissions Protection Act (Bundes-Immissionsschutzgesetz – BImSchV) was published by the Federal Ministry for the Environment, Nature Conservation, Construction and Nuclear Safety on February 22, 2017. The 37th BImSchV governs the quota value of electricity-based fuels from non-biogene sources as well as the quota value of fuels based on hydrated vegetable oil manufactured using refinery joint processes, together with oils from petroleum oil sources. The latter in particular, known as joint processes, could represent a not-insubstantial sales risk for the conventional biofuels industry as the quotas, in Germany at least, could be wholly met given the ready availability of the raw materials used, and it therefore represents an opportunity for oil companies to keep the entire value added chain internal. The prohibition of joint processing which has been in place until now under the Federal Emissions Protection Act ceases to apply with the 37th implementation directive. However, it is initially limited until 2020.

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 this 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 instances and in the case of special issues abroad.

Risks from tax audits

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

Production and technology

Production and technology risks

The continued success of the VERBIO Group is driven by the Group's highly competitive technologies. On the basis of the technology standards already achieved for large-scale production of biofuels (biodiesel, bioethanol and biomethane) the VERBIO Group is positioned well, and also has the process know-how to make further ongoing and coherent programmes for the further 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 are covered.

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 by property and business interruption insurance against natural disasters.

Finance

Financial and liquidity risks

VERBIO holds a liquidity reserve in the form of cash and available credit lines to ensure that its ability to meet its payment obligations and its financial flexibility are maintained at all times.

There are no currently identifiable financing risks. To the extent that there are loan covenants to be complied with, these are monitored on an ongoing basis.

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

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 if additional payment obligations cannot be fulfilled in spite of available trading facilities.

The price change risks on the procurement and sales side in the Biodiesel and Bioethanol segments are hedged to the extent possible based on market estimates made by the Management Board, and within ranges defined by the Management Board by the use of effective and ineffective derivatives on the relevant exchanges such as 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. Nevertheless, it cannot be excluded that in spite of the use of hedging instruments, undesirable market developments may lead to negative effects on results. The timing and chronological order in which the underlying transactions and the hedging transactions are entered into may also lead to deviations.

However, the Group-wide risk management procedures ensure that these risks are limited to acceptable amounts.

Credit and default risks
Credit and default risks are primarily associated with a deterioration in the economic situation of suppliers, customers or other contracting parties of the Company. As a result there is a risk of partial or complete loss of contractually agreed payments or services, and additionally, the decrease in value of financial instruments 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 carried out. The risk management system ensures that these risks are kept to a minimum.

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

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

Legal rules and regulations

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

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

A currently unquantifiable threat arises from the planned redetermination of anti-dumping measures taken against biodiesel from Argentina and, as a consequence, also against Indonesia. The European Commission had imposed anti-dumping tariffs against the biodiesel manufacturers in those countries in 2013 since both countries had caused a downward effect on market prices by the use of so-called DETs (differential export taxes) in their internal markets, given the difference in taxes imposed on palm oil exports (higher taxes) and biodiesel exports (lower taxes). As a result, manufacturers in these countries were able to purchase raw materials at prices significantly below world market prices and then flood the markets, including the European market, with their finished products. Argentina made a complaint to the WTO against the anti-dumping tariffs on the grounds that the production costs of its manufacturers were not calculated correctly. It was successful with this complaint. The EU has been required to cease imposing these measures or to recalculate them. As of August 2017 there are new proposals from the EU for tariffs which are significantly lower. These are still being rejected by the member states as they do not provide any protection for the European biodiesel market. We will see in the near future whether these will be finalised or whether the entire process will need to be rolled out all over again. However, should the significant reduction in the protective tariffs be confirmed, this will have a massive effect on VERBIO's sales market as significant quantities of subsidised biodiesel from these countries will once again be imported into Europe, as was the case five years ago prior to the introduction of the anti-dumping tariffs. This effect will be accentuated by the fact that the USA plans to introduce protective tariffs against Argentina for the same reasons that the EU introduced them in 2013, i.e. in order to protect its own biodiesel market. That means that the volumes currently being exported to the USA will then be directed to Europe.

Another effect related to the USA is that the anti-dumping tariffs of approximately EUR 49/m^3 imposed on ethanol from the USA may cease from February 2018 as the measure used to impose this charge by the EU Commission expire then. The elimination of this protective tariff could lead to renewed pouring of US ethanol onto the European market, together with associated price falls as was the case five years ago, before the tariff was imposed. Currently the renewal of the anti-dumping tariffs is being reviewed by the ethanol trade association "e-PURE" (European Renewable Ethanol).

Regulatory risks are countered by VERBIO through memberships in various industry associations, which represent the interests of the biofuel industry at the national and also at the European level. In addition, the regular, intensive and direct dialogue with political decision-making bodies and decision makers represents the core element of the political activities of VERBIO.

Currently there is no successor to the Renewable Energy Directive after 2020. The draft reform of the Renewable Energy Directive post-2020 ("RED II") has not been enacted to date. The future perspective will not be positive should the planned shrinking of the first generation biofuels to a maximum of 3.8 percent in 2030 still be on the table following the ratification process in the European parliament and agreement with the member states. On the other hand, at national level the Federal Emissions Protection Act has no time limit, and accordingly provides for a certain quantity of greenhouse gas reduction using a quota system at national level beyond 2020. However, it is currently not possible to foresee whether this will be amended again by unregulated or limiting objectives set at the European level. In addition, the lack of regulation at the European level could lead to a cessation of biofuel use in some countries, and a consequent excess supply and an associated fall in margins in Europe.

The EU directive 2015/652 permits the unlimited use of UERs to determine the life cycle greenhouse gas emission intensity of fuels. As a result there is a risk that measures taken to reduce GHG emissions during the process of extracting fossil fuels could be implemented at a lower commercial cost than using biofuels for blending purposes. A limitation on credits towards greenhouse gas quotas is being discussed in Germany. Rates of 1.75 percent and 1.2 percent are being cited. Even so, the UER could displace biofuels, at least partially.

Risks from legal disputes

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

Other risks

IT risks

IT risks with an effect on business results can materialise when information is not available or is incorrect. The effect of a failure of IT applications used for the Company's operational and strategic management and its effect on the net assets, financial position and results of operations are considered to be low due to the relevant migration measures taken, a well-functioning continuity plan and the low likelihood of occurrence.

Opportunities

Opportunities from raw material purchasing

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

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

Sales side opportunities

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

The ongoing excess supply of fossil fuels and the associated price pressure on fossil fuels has led to a significant price differential between fossil fuels and biofuels, supporting the value of fulfilling a complementary quota using biomethane.

Production and technology opportunities

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

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

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 result 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.

The Company's management is convinced that the VERBIO's profitability forms a solid basis for its future business development, in particular in its efforts to enter both new product and geographical markets, and that it has the necessary resources in the 2017/2018 financial year to pursue the opportunities offered to the Group and successfully confront the challenges from the risks described.

Other reporting obligations

Internal control systems of the Company related to financial reporting

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

The Management Board takes the overall responsibility for the scope and direction of the internal control and risk management system, including for 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 has been subject to ongoing improvement in the financial year just ended, the clear assignment of responsibilities within accounting, controlling, and Group financing and the use of appropriate controls should ensure and facilitate appropriate risk management and controls, and ensure the compliance of the financial reporting system. Also, all tasks associated with the consolidated financial statements such as consolidation measures, reconciliation of intercompany balances, reporting requirements etc. are clearly assigned, and the processes are defined in the internal control and risk management system.

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

Statement on corporate governance

The Corporate Governance Statement of VERBIO in accordance with § 289a HGB (superseded version) is published on the investor relations section of the VERBIO Vereinigte BioEnergie AG website (www.verbio.de).

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

Report on relationships with affiliated companies

The Management Board of VERBIO Vereinigte BioEnergie AG is required to prepare a report on its relationships with affiliated companies in accordance with § 312 AktG. VERBIO and its subsidiaries, as dependent companies, have prepared such a dependence 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 dependence report on transactions with related parties. No measures were undertaken or omitted in the interests of or at the instigation of the controlling company or one of its affiliated companies.

Statutory takeover disclosures in accordance with § 315 (4) HGB (superseded version)

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

The share capital of VERBIO Vereinigte BioEnergie AG is unchanged and consists of 63,000,000 no-par bearer shares. Each share grants the holder the same rights and grants one vote in the general shareholders' meeting.

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. There are no further restrictions of voting rights or share transfer restrictions. Special rights or control authority are not connected to the pooling relationship. The pooling contract extends automatically in each case by six months, if it is not cancelled prior to three months before the conclusion of its term.

Claus Sauter and Bernd Sauter, both members of the Management Board, as well as the Supervisory Board member Dr.-Ing. Georg Pollert, have direct holdings in VERBIO in excess of 10 percent. They hold directly, or via affiliated companies controlled by them, a total of 57.46 percent of the outstanding shares. In total, the old shareholders of VERBIO hold an interest in the share capital of 70.57 percent; the voting trust agreement represents 67.95 percent.

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

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 29, 2015 the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 31.5 million by means of issuing additional no-par bearer shares in exchange for cash or non-cash contributions on one or more occasions until January 28, 2020 (authorised capital). The general shareholders' meeting on January

24, 2014 authorised the Management Board until January 23, 2019 to purchase treasury shares up to 10 percent of the capital shares at that time, in one or several purchases. The authorisation is not to be used for the purpose of trading in treasury shares. The powers of the Management Board to issue or repurchase shares are comprehensively described and governed in the authorisation resolved by the general shareholders' meeting.

In the event of an early termination of the Management Board activity resulting from a change in control the Management Board member has a one-off special right of termination, and on exercising this right, 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 22, 2017

Claus Sauter
Chairman of the management board

Dr. Oliver Lüdtke
Vice-Chairman of the management board

Theodor Niesmann
Management Board

Bernd Sauter
Management Board

Consolidated financial statements (nach IFRS)

Process management

We strengthen our technology leadership in the biofuels industry.

We develop new technologies for the production of new by-products.

We increase the efficiency of our production processes to reduce the costs of raw materials and consumables.

We create new innovative processes for the efficient use of raw materials and by-products.

Consolidated statement of comprehensive income

for the period July 1, 2016 to June 30, 2017

TEUR	01.07.2016 – 30.06.2017	01.07.2015 – 30.06.2016	Notes
1. Sales revenue (including energy taxes collected)	726,985	658,786	
less: energy taxes	–543	–4,457	
Revenue	**726,442**	**654,329**	3.14/5.1
2. Change in unfinished and finished goods	2,962	3,212	
3. Own work capitalised	433	338	5.2
4. Other operating income	10,204	12,687	3.14/5.3
5. Cost of materials	–587,260	–541,534	5.4
6. Personnel expenses	–29,069	–26,480	5.5
7. Depreciation and amortisation	–21,666	–21,057	3.2/3.3/3.4/5.6
8. Other operating expenses	–31,053	–31,062	5.7
9. Result from commodity forward contracts	–301	1,606	5.8
10. Operating result	**70,692**	**52,039**	
11. Interest income	655	39	5.9
12. Interest expense	–805	–1,437	5.9
13. Financial result	**–150**	**–1,398**	3.15/5.9
14. Result before tax	**70,542**	**50,641**	
15. Income tax expense	–18,760	–1,695	5.10
16. Net result for the period	**51,782**	**48,946**	
Result attributable to shareholders of the parent company	51,499	48,746	
Result attributable to non-controlling interests	283	200	6.3.7
Income and expenses recognised directly in equity:			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations	58	–81	
Fair value remeasurement on cash flow hedges	–470	3,037	9.3
Deferred taxes recognised in equity	146	–941	
17. Income and expenses recognised directly in equity	**–266**	**2,015**	
18. Comprehensive result	**51,516**	**50,961**	
Comprehensive result attributable to shareholders of the parent	51,233	50,761	
Comprehensive result attributable to non-controlling interests	283	200	6.3.7
Result per share (basic and diluted)	**0.82**	**0.77**	3.16/6.3.6

Consolidated balance sheet

at June 30, 2017

EUR (thousands)	30.06.2017	30.06.2016	Notes
Assets			
A. Non-current assets			
I. Intangible assets	237	238	3.2/3.4/6.1.1
II. Property, plant and equipment	164,644	167,947	3.3/3.4/6.1.2
III. Financial assets	57	56	3.7/9.2
IV. Deferred tax assets	2,873	8,497	3.5/5.10
Total non-current assets	**167,811**	**176,738**	
B. Current assets			
I. Inventories	34,346	26,277	3.6/6.2.1
II. Trade receivables	38,489	31,574	3.7/6.2.2/9.2
III. Derivatives	2,391	331	3.8/6.2.3/9.3
IV. Other short-term financial assets	3,978	718	3.7/6.2.4/9.2
V. Tax refunds	112	19	3.5/6.2.5
VI. Other assets	11,230	9,873	3.7/6.2.6
VII. Term deposits	60,000	0	3.9/6.2.7
VIII. Cash and cash equivalents	54,722	77,483	3.10/6.2.8/9.2
Total current assets	**205,268**	**146,275**	
Total assets	**373,079**	**323,013**	

EUR (thousands)	30.06.2017	30.06.2016	Anhang
Liabilities and equity			
A. Equity			
I. Share capital	63,000	63,000	6.3.1
II. Additional paid-in capital	487,681	487,680	6.3.2
III. Other reserves	–507	–183	6.3.3
IV. Retained earnings	–254,767	–296,815	6.3.5
V. Reserve for translation adjustments	–32	–90	6.3.4
Total equity attributable to owners of the parent	**295,375**	**253,592**	
VI. Non-controlling interests	1,016	733	
Total equity	**296,391**	**254,325**	
B. Non-current liabilities			
I. Bank loans and other loans	561	1,531	3.13/6.4.1/9.2
II. Provisions	154	153	3.12/6.4.2
III. Deferred investment grants and subsidies	6,127	7,550	3.11/6.4.3
IV. Other non-current financial liabilities	3,912	3,333	3.13/6.4.4/9.2
V. Deferred taxes	288	347	3.5/5.10
Total non-current liabilities	**11,042**	**12,914**	
C. Current liabilities			
I. Bank loans and other loans	1,349	10,352	3.13/6.5.1/9.2
II. Trade payables	27,297	27,543	3.13/6.5.2/9.2
III. Derivatives	2,348	597	3.8/6.5.3/9.3
IV. Other current financial liabilities	9,226	7,504	3.13/6.5.4/9.2
V. Tax liabilities	15,075	6,225	3.5/3.15/6.5.5
VI. Provisions	1,532	389	3.12/6.5.6
VII. Deferred investment grants and subsidies	1,007	1,012	3.11/6.4.3
VIII. Other current liabilities	7,812	2,152	3.13/6.5.7
Total current liabilities	**65,646**	**55,774**	
Total equity and liabilities	**373,079**	**323,013**	

Consolidated cash flow statement

for the period July 1, 2016 to June 30, 2017

EUR (thousands)	01.07.2016 – 30.06.2017	01.07.2015 – 30.06.2016	Notes
Net result for the period	**51,782**	**48,946**	
Income taxes expense	18,760	1,695	5.10
Interest result	150	1,398	5.9
Depreciation and amortisation	21,666	21,057	5.6/6.1.1/6.1.2
Non-cash expenses	603	421	6.1.1/6.1.2
Non-cash income	–77	0	
Gains (previous year: loss) on disposal of property, plant and equipment and disposal of investment grants	–104	350	
Release of deferred investment grants and subsidies	–1,014	–1,021	6.4.3
Non-cash changes in derivative financial instruments	–778	19	9.3
Increase in inventories	–8,069	–1,451	6.2.1
Increase (previous year: decrease) in trade receivables	–6,915	9,855	6.2.2
Increase (previous year: decrease) in other assets and other current financial assets	–4,400	6,055	6.2.4/6.2.5/6.2.6
Increase (previous year: decrease) in provisions	1,143	–1,410	6.4.2/6.5.6
Decrease in trade payables	–590	–3,536	6.5.2
Increase (prior-year period: decrease) in other current financial and non-financial liabilities	7,855	–2,104	6.4.4/6.5.4/ 6.5.5/6.5.7
Interest paid	–723	–1,262	
Interest received	21	505	
Income taxes paid	–4,290	–3,231	
Cash flows from operating activities	**75,020**	**76,286**	
Cash outflows for term deposits	–60,000	0	
Proceeds from investment grants	0	473	
Acquisition of intangible assets	–119	–196	
Acquisition of property, plant and equimpment	–18,431	–12,952	
Proceeds from disposal of property, plant and equipment	165	498	
Cash inflows (previous year: cash inflows) from disposal of non-current financial assets	–1	1	
Cash flows from investing activities	**–78,386**	**–12,176**	

EUR (thousands)	01.07.2016 – 30.06.2017	01.07.2015 – 30.06.2016	Notes
Payments of dividends	–9,450	–6,300	
Cash outflows for the repayment of financial liabilities	–10,000	–9,629	
Proceeds from the assumption of financial liabilites	27	2,675	
Cash flows from financing activities	**–19,423**	**–13,254**	
Change in cash funds resulting from business transactions	–22,789	50,856	
Change in cash funds due to effects of exchange rates	28	–30	
Cash funds at beginning of year	77,483	26,657	
Cash funds at end of year	**54,722**	**77,483**	7.

Consolidated statement of changes in equity

for the period July 1, 2016 to June 30, 2017

EUR (thousands)	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Reserve for translation adjustments	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
July 1, 2015	**63,000**	**487,680**	**−2,279**	**−339,261**	**−9**	**209,131**	**533**	**209,664**
Translation adjustments					−81	−81		−81
Fair value changes on cash flow hedges (after tax)	0	0	2,096	0	0	2,096	0	2,096
Income and expenses recognised directly in equity	**0**	**0**	**2,096**	**0**	**−81**	**2,015**	**0**	**2,015**
Net result for the period	0	0	0	48,746	0	48,746	200	48,946
Comprehensive result for the period	**0**	**0**	**2,096**	**48,746**	**−81**	**50,761**	**200**	**50,961**
Dividend payments	**0**	**0**	**0**	**−6,300**	**0**	**−6,300**	**0**	**−6,300**
June 30, 2016	**63,000**	**487,680**	**−183**	**−296,815**	**−90**	**253,592**	**733**	**254,325**
July 1, 2016	**63,000**	**487,680**	**−183**	**−296,815**	**−90**	**253,592**	**733**	**254,325**
Translation adjustments	0	0	0	0	58	58	0	58
Fair Value changes on cash flow hedges (after tax)	0	0	−324	0	0	−324	0	−324
Income and expenses recognised directly in equity	**0**	**0**	**−324**	**0**	**58**	**−266**	**0**	**−266**
Net result for the period	0	0	0	51,499	0	51,499	283	51,782
Comprehensive result for the period	**0**	**0**	**−324**	**51,499**	**58**	**51,233**	**283**	**51,516**
Dividend payments	0	0	0	−9,450	0	−9,450	0	−9,450
June 30, 2017	**63,000**	**487,680**	**−507**	**−254,766**	**−32**	**295,375**	**1,016**	**296,391**

Employees

We can achieve more together; as a result, our success is the result of the perfect teamwork within a motivated and first-class team.

We accept our social responsibilities towards our employees and make it possible to combine work with family life.

We support our employees with targeted education and further training, and ensure our staff can share in the Company’s success.

We place much value on ensuring that the behaviour of all staff is consistent with clearly defined values, policies and standards of behaviour, both in respect of internal matters as well as in dealings with external third parties.

Notes to the consolidated financial statements

for the financial year from July 1, 2016 to June 30, 2017

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 Section 2.2, “Entities included in the consolidation”), is engaged in the production and distribution of fuels and finished products manufactured using organic raw materials.

VERBIO AG is registered in the commercial register of the district court in Stendal under the number HRB 6435. The Company’s registered office is at 06780 Zörbig, Thura Mark 18. The Company maintains business facilities at 04109 Leipzig, Ritterstraße 23 (Oelßner’s Hof). The consolidated financial statements are available at the Company’s registered office and at its business facilities, and are published in the German Federal Gazette (Bundesanzeiger) and on the Company’s website (www.verbio.de).

2 Consolidated financial statements

2.1 Basis of preparation of the consolidated financial statements

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

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

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

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

2.2 Entities included in the consolidation

In addition to VERBIO AG, the parent, the following companies are included in the consolidated financial statements and represent the parent company's shareholdings at June 30, 2017:

Name of company	Location	Share of capital	Consolidation status
VERBIO Diesel Bitterfeld GmbH & Co. KG (VDB)	Bitterfeld-Wolfen/OT Greppin	100.00 %	Fully consolidated
VERBIO Diesel Bitterfeld Verwaltung GmbH	Bitterfeld-Wolfen/OT Greppin	100.00 %	Fully consolidated
VERBIO Diesel Schwedt GmbH & Co. KG (VDS)	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Diesel Schwedt Verwaltung GmbH	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Ethanol Zörbig GmbH & Co. KG (VEZ)	Zörbig	100.00 %	Fully consolidated
VERBIO Ethanol Zörbig Verwaltung GmbH	Zörbig	100.00 %	Fully consolidated
VERBIO Ethanol Schwedt GmbH & Co. KG (VES)	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Ethanol Schwedt Verwaltung GmbH	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Finance GmbH*	Zörbig	100.00 %	Fully consolidated
Lüneburger Lager- und Agrarhandelsgesellschaft mbH***	Lüneburg	94.67 %	Fully consolidated
VERBIO Agrar GmbH	Zörbig	89.35 %	Fully consolidated
VERBIO Logistik GmbH****	Zörbig	89.35 %	Fully consolidated
VERBIO Polska Sp. z o.o.	Stettin, Poland	100.00 %	Fully consolidated
Getreide- und Agrarhandel Halle GmbH****	Halle/Saale	89.35 %	Fully consolidated
Wriezener Kraftfutter GmbH****	Wriezen	67.10 %	Fully consolidated
VERBIO Gas Pápa Kft.******	Pápa, Hungary	100.00 %	Fully consolidated
VERBIO Hungary Trading Kft.	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO Gáz Tisza-tó Kft.*****	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO India Private Limited	Gurgaon, India	100.00 %	Fully consolidated
VERBIO Pinnow GmbH**	Zörbig	100.00 %	Fully consolidated

* previously: VERBIO Cert GmbH
** previously: VERBIO Gas Pinnow GmbH
*** 44,67 % held indirectly bei VERBIO Agrar GmbH
**** Indirectly held by VERBIO Agrar GmbH; Group's percentage holding.
***** Indirectly held by VERBIO Hungary Trading Kft., Budapest/Hungary
****** In liquidation, including Verbio Gaz Tisza to Kft.

VERBIO Cert GmbH, Getreide- und Agrarhandel Halle GmbH, Wriezener Kraftfutter GmbH and VERBIO Hungary Trading Kft. are dormant companies. These are either held as off-the-shelf companies or are companies which have ceased their business activities. The Group's shareholding in Verbio Gaz Polska Sp. z o.o. was sold in the financial year just ended. VERBIO Gas Pápa Kft. and VERBIO Gáz Tisza-tó Kft. are currently being dissolved. VERBIO STS AG, which was included in the consolidation in the previous year, has been dissolved during the financial year 2016/2017.

The VERBIO Group includes VERBIO Pinnow GmbH and VERBIO India Private Limited. Both companies were formed during the financial year 2016/2017 and are currently in the process of being established.

All companies included in the consolidated financial statements are hereinafter referred to as "VERBIO" or "the VERBIO Group".

2.3 Consolidation principles

The financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements are prepared applying uniform accounting and measurement policies. The capital consolidation is performed using the acquisition method, under which the acquisition costs at the time of purchase of the investment are compared to the fair value of the (proportionally) acquired assets, liabilities and contingent liabilities. Expenses and income, as well as receivables and payables between consolidated entities, are eliminated. Gains and losses on inter-company transactions are eliminated on consolidation. Deferred taxes are determined in accordance with the balance-sheet oriented approach in accordance with IAS 12.

2.4 Foreign currency translation

The consolidated financial statements are prepared in euro, since the major portion of the Group transactions are realised in this currency and it represents the functional currency of VERBIO AG.

Transactions denominated in a currency other than the euro are translated into the functional currency of the entity at the spot rate applicable on the date of initial recognition. Monetary assets and liabilities denominated in currencies other than the euro are remeasured into the functional currency of the Company at each balance sheet date at the spot rate prevailing on the reporting date. All differences arising from the translation of monetary items are recognised in profit or loss.

The assets and liabilities of companies with a functional currency other than the euro are translated into euros at the balance sheet rate on consolidation. Equity transactions are converted at the historical exchange rate at the date of the transaction. Income and expenses are converted at average rates for the period. Income and expenses resulting from translation differences arising on consolidation are recognised directly in equity in the reserve for translation adjustments.

3 Summary of accounting policies

3.1 Changes in accounting policies

The accounting policies applied are, in principle, consistent with those applied in the previous year.
The following new and amended standards were required to be applied by the Group for the first time with effect from July 1, 2016:

- Amendments to IAS 1 “Notes Disclosures”
- Amendments to IAS 16 and IAS 38: “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to IAS 16 and IAS 41: “Agriculture: Bearer Plants”
- Amendments to IFRS 11: “Accounting for Acquisitions of Interests in Joint Operations”
- “Improvements to IFRS 2012–2014 cycle”

The new standards and interpretations and amendments did not have a significant effect on VERBIO.

3.2 Intangible assets

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

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

3.3 Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated scheduled depreciation and, where applicable, accumulated impairment losses. Assets generated internally 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 directly attributable administrative expenses. In addition, the acquisition or construction costs include the present value of the expected cost for the decommissioning of an asset after its use if the recognition criteria for a provision for decommissioning costs are met.

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 and over expected useful lives. The expected useful lives were as follows:

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

3.4 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.

3.5 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 or within other comprehensive income.

Current tax receivables and payables for the current period are measured at the amount in which a refund from the tax authority is expected 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.

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. In accordance with IAS 12, no deferred taxes are recorded for goodwill arising from business combinations. 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 a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to taxes of the same taxable entity with the same taxation authority.

3.6 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 co-products arise 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.

3.7 Financial assets and other assets

Subsequent to their initial recognition, financial assets and other assets are carried at amortised acquisition cost, less any respective valuation allowances. 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.

3.8 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 on the derivatives, in particular on the accounting principles applied, in Section 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 (IAS 39.9) and are accounted for in accordance with the “own use exemption” (IAS 39.5 f.). These contracts are not within the scope of IAS 39, but rather are handled as non-executory contracts.

3.9 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.

3.10 Cash and cash equivalents

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

3.11 Investment grants and subsidies

In accordance with the accounting option available under IAS 20, investment grants and subsidies are recognised 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.

3.12 Provisions

Provisions are recognised if there is a present obligation to a third party resulting from a past event which is expected to result in a future outflow from the entity of economic resources and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the amount required to fulfil the obligation. Provisions for obligations that will not yet result in an outflow of resources in the following year are recognised as of the balance sheet date at the discounted settlement amount, taking into account expected cost increases. The settlement amount is discounted using market rates of interest, for liabilities carrying equivalent risk. An interest rate of 0.03 percent was applied for purposes of discounting in the financial year 2016/2017 (2015/2016: 0.76 percent).

3.13 Financial liabilities and other liabilities

Financial liabilities in the sense of IAS 39 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 Section 3.9. The amortised acquisition cost of non-current financial liabilities is determined using the effective interest rate method.

3.14 Sales revenues and other operating income

Sales revenues from the sale of VERBIO Group products and other operating income is recognised at the time the respective service is performed, provided the amount of income can be measured reliably and that it is probable that the economic benefits will flow to the entity. Sales revenue is reduced by rebates and discounts.

For sales to customers of Group manufactured products and merchandise the performance is rendered when the significant risks and rewards of ownership of the manufactured products and merchandise are transferred to the customer.

3.15 Financial result

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

3.16 Earnings per share

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

3.17 Issued standards that are not yet required to be applied

As of the date of publication of the consolidated financial statements, additional IFRS and IFRICs have been issued by the IASB, some of which have not yet been endorsed by the EU and are not required to be adopted until a date subsequent to the balance sheet date. We present below only those standards which can reasonably be expected to be applicable to VERBIO. VERBIO intends to apply these standards when their application becomes mandatory. Unless otherwise stated, the application of these standards is mandatory for financial years commencing on or after January 1, 2017.

- Amendments to IAS 7 “Statement of cash flows”, as part of the disclosure initiative
- Amendments to IAS 12 “Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses”
- IFRS 9 “Financial instruments – Classification and Measurement” (January 1, 2018)
- Amendments to IFRS 2 “Share-based Payment” (January 1, 2018)
- IFRS 15 “Revenue from Contracts with Customers” (January 1, 2018)
- IFRS 16 “Leases” (January 1, 2019)
- “Improvements to IFRS 2012 – 2014 cycle” (partially from January 1, 2018)
- IFRS 16: „Leasingverhältnisse“ (1. Januar 2019)
- „Verbesserungen zu IFRS Zyklus 2014-2016“ (teilweise 1. Januar 2018)

With the exception of IFRS 16, we do not expect the presentation of the consolidated financial statements to be significantly affected by the initial application of the above changes. Our assessment of the potential effects of implementing IFRS 15 resulted in the conclusion that there will be no changes to the recognition of sales revenues. The effects on the Group as lessee of the implementation of IFRS 16 “Leases” are still being researched. The requirements will lead to existing leasing arrangements to be recognised as new assets and liabilities. In addition, the nature of expenses recorded for these leasing arrangements will change, as IFRS 16 will replace the expenses for operating leasing arrangements recorded on a straight-line basis with depreciation of right-of-use assets and interest expenses recorded on liabilities. Total financial obligations under operating leasing arrangements amounted to EUR 12.6 million at June 30, 2017.

In addition, further disclosures may be made as a result of the implementation of the new standards and interpretations.

4 Significant judgemental decisions, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the use of judgement and assumptions and the making of estimates. These affect the carrying amounts of assets and liabilities, the disclosure of contingent liabilities and commitments as of the balance sheet date, and the presentation of expenses and income.

Estimates and assumptions

The most important assumptions made concerning future events as well as other main sources of estimation uncertainty as of the balance sheet date, on the basis of which there is a considerable risk that a significant adjustment of the carrying amounts of assets and liabilities will be required in the next financial year, are explained below.

Inventories

The estimates and assumptions made which affect finished goods inventories primarily relate to the expected revenue to be earned from accepting the quota obligations for the use of biomethane fuel. This in turn affects the calculation of the Group's manufacturing costs, and as a result, of the valuation of the inventory of biomethane and biomethane quotas (June 30, 2017: EUR 6,979 thousand). Estimates of market prices made in July 2017 for the first half of 2018 were used for the valuation at June 30, 2017. Due to the fact that contracts for the quotas for the 2017 calendar year will be entered into in a period up until nine months after the balance sheet date, and the fact that the prices have proved to be very volatile, actual future revenue received may differ from the amounts estimated.

Taxes

Assumptions and estimates were made in respect of the expected realisation of future tax offsets. The estimates made concerning deferred taxes arising on tax losses carried forward are highly dependent on future results. Accordingly, the estimates can diverge from the actual amounts realised in future periods. Changes to the assumptions and estimates made are made when they become available. The conditions applicable at the date of the preparation of the consolidated financial statements are taken into account; the same applies to the conditions applying in the industry as it affects the expected future development of the VERBIO Group.

Deferred tax assets on deductible temporary differences and tax losses carried forward are only recognised to the extent that there are matching deferred tax liabilities or to the extent that it is probable that future taxable income will be available such that the deferred tax asset can be realised.

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

5.1 Sales revenues

We refer to the segment reporting (see Section 8, “Segment reporting”) for an explanation of sales revenues (including the deduction of energy taxes).

5.2 Own work capitalised

Production costs of own work capitalised amounted to EUR 433 thousand (2015/2016: EUR 338 thousand) and represent the production costs of technical plant and equipment manufactured internally. We have provided explanations of the nature of these costs in Section 3.3, “Property, plant and equipment”.

5.3 Other operating income

Other operating income comprises the following items:

EUR (thousands)	2016/2017	2015/2016
Release of investment grants and subsidies	3,440	3,076
Reimbursement of electricity and energy taxes	2,543	3,568
Realised exchange gains	1,235	783
Release of provisions and other liabilities	411	1,483
Other out-of-period income	182	892
Gains on the disposal of property, plant and equipment	138	255
Miscellaneous other operating income	2,255	2,630
Other operating income	**10,204**	**12,687**

5.4 Cost of materials

The cost of materials was as follows:

EUR (thousands)	2016/2017	2015/2016
Raw material and merchandise – biodiesel	389,190	357,059
Raw material and merchandise – bioethanol and biomethane	140,182	125,088
Additives	19,944	17,491
Addition to provision for expected contract losses	–101	–377
Use of provision for expected contract losses	1,078	101
Other	6,598	6,856
Total raw material, consumables and supplies and purchased goods	**556,891**	**506,218**
Energy costs	20,463	21,728
Miscellaneous	9,906	13,588
Expenses for purchased services	**30,369**	**35,316**
Total cost of materials	**587,260**	**541,534**

5.5 Personnel expenses

EUR (thousands)	2016/2017	2015/2016
Wages and salaries	18,403	17,875
One-off remuneration	6,899	5,008
Wages and salaries	**25,302**	**22,883**
Statutory social security costs	3,204	3,009
Employee's accident insurance association	226	228
Pension expense	337	360
Total social security expenses	**3,767**	**3,597**
Total personnel expenses	**29,069**	**26,480**

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 1,564 thousand (2016/2017: EUR 1,414 thousand). In addition, Group companies have made contributions of EUR 337 thousand (2015/2016: EUR 360 thousand) to a defined contribution scheme, including pension fund contributions, among others..

As of June 30, 2017 the Group employed 527 employees (June 30, 2016: 488), of whom 224 were salaried employees (June 30, 2016: 200), 286 were non-salaried employees (June 30, 2016: 275), 12 were trainees and apprentices (June 30, 2016: 12) and 4 were temporary workers or employees working on a mini-job basis (2015/2016: 1).

In the financial year 2016/2017 the Group had an average of 503 employees (2015/2016: 484), of whom 209 were salaried employees (2015/2016: 199), 280 were non-salaried employees (2015/2016: 270), 13 were trainees and apprentices (2015/2016: 14) and 2 were temporary workers or employees working on a mini-job basis (2015/2016: 1).

5.6 Depreciation and amortisation

We provide further information on depreciation and amortisation in Section 3.4, "Property, plant and equipment", Section 3.5, "Impairment of non-current assets" Section 6.1.1, "Goodwill and other intangible assets", and Section 6.1.2, "Property, plant and equipment".

5.7 Other operating expenses

EUR (thousands)	2016/2017	2015/2016
Outgoing freight and other selling expenses	8,507	7,625
Repairs and maintenance	8,141	9,747
Motor vehicle costs	2,557	2,489
Insurances and dues	1,611	1,498
Miscellaneous other operating expenses	10,237	9,703
Other operating expenses	**31,053**	**31,062**

5.8 Result from commodity forward contracts

The result from the valuation and from closing forward contracts which do not qualify for hedge accounting totalled EUR –301 thousand (2015/2016: EUR 1,606 thousand).

5.9 Financial result

EUR (thousands)	2016/2017	2015/2016
Interest income	655	39
Interest expense	–805	–1,437
Financial result	**–150**	**–1,398**

Further information on the composition of interest income and interest expense is provided in Section 9.4, “Other disclosures required by IFRS 7”, together with other disclosures about financial instruments.

5.10 Income tax expense

The income tax expense comprises the following:

EUR (thousands)	2016/2017	2015/2016
Current tax expense	–13,051	–6,644
Deferred tax expense (previous year: income)	–5,709	4,949
Income tax	**–18,760**	**–1,695**

Income tax expenses include current tax expenses of EUR 314 thousand (2015/2016: EUR 476 thousand) which relates to earlier periods. In addition, current tax expenses for the financial year 2016/2017 were reduced by EUR 488 thousand (2015/2016: EUR 4,726 thousand) due to the use of previously unrecognised tax losses brought forward. Deferred tax includes income of EUR 2,155 thousand (2015/2016: EUR 8,486 thousand) which resulted from the recognition of previously unrecognised non-current deferred tax assets on other differences and tax losses carried forward, as it is probable that taxable income will be available to enable these deferred tax assets to be realised. On the other hand deferred taxes include out of period expenses of EUR 149 thousand (2015/2015: income of EUR 75 thousand).

For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2015/2016: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2015/2016: 5.5 percent) plus (for the parent company) a trade tax rate of 15.32 percent (2015/2016: 15.32 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate is 31.15 percent (2015/2016: 31.15 percent). The trade tax relevant for domestic companies ranged from 12.25 percent to 15.32 percent depending on location.

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

EUR (thousands)	2016/2017	2015/2016
Result before taxes	70,542	50,641
Income tax rate	31.15 %	31.15 %
Expected income tax	**–21,974**	**–15,775**

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

EUR (thousands)	2016/2017	2015/2016
Change in unrecognised deferred taxes	2,642	13,322
Non-deductible expenses and permanent effects	711	856
Difference in tax rates	488	660
Effects relating to prior periods	–463	–400
Other differences	–164	–358
Reported income tax expense	**–18,760**	**–1,695**

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	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Property, plant and equipment	3,665	2,653	1,524	1,955	2,141	698
Inventories	102	0	0	104	102	–104
Receivables	0	0	104	54	–104	–54
Derivatives	731	83	745	0	–14	83
Investment subsidies (investment grants)	0	19	1,011	1,431	–1,011	–1,412
Other provisions	612	263	269	277	343	–14
Other liabilities	32	0	0	0	32	0
"Additional tax upon distribution of retained earnings"	0	0	0	10	0	–10
Tax losses carried forward	1,096	8,963	0	0	1,096	8,963
	6,238	**11,981**	**3,653**	**3,831**	**2,585**	**8,150**
Netted	–3,365	–3,484	–3,365	–3,484	0	0
Net deferred taxes	**2,873**	**8,497**	**288**	**347**	**2,585**	**8,150**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 5,709 thousand (2015/2016: EUR 4,949 thousand) and changes recognised directly in equity of EUR 144 thousand (2015/2016: EUR 934 thousand). The changes recognised directly in equity result from changes in the value of derivatives recognised only in equity.

As of June 30, 2017 there were unrecognised deferred tax liabilities totalling EUR 28 thousand (2015/2016: EUR 23 thousand) on timing differences of EUR 1,825 thousand (2015/2016: EUR 1,508 thousand) in connection with investments in subsidiaries 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 EUR 21,145 thousand (2015/2016: EUR 30,348 thousand) and corporation tax losses of EUR 25,043 thousand (2015/2016: EUR 34,676 thousand) as their realisation is currently not sufficiently assured.

6 Notes to the individual items in the consolidated balance sheet

6.1 Non-current assets

6.1.1 Other intangible assets

The movements in other intangible assets in the financial year 2016/2017 included additions of EUR 119 thousand (2015/2016: EUR 201 thousand), amortisation of EUR 120 thousand (2015/2016: EUR 111 thousand), resulting in a balance of EUR 237 thousand at June 30, 2017 (June 30, 2016: EUR 238 thousand). The total acquisition cost of other immaterial assets at June 30, 2017 amounted to EUR 1,819 thousand (June 30, 2016: EUR 1,700 thousand) and the carrying value is after deduction of amortisation totalling EUR 1,583 thousand (June 30, 2016: EUR 1,462 thousand).

Research and development

Research and development expenses of EUR 1,152 thousand are included in the statement of comprehensive income (2015/2016: EUR 1,098 thousand).

6.1.2 Property, plant and equipment

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

Property, plant and equipment with a carrying value of EUR 5,807 thousand (2015/2016: EUR 6,201 thousand) are pledged as security for financial liabilities.

The changes in property, plant and equipment in the period from July 1, 2016 to June 30, 2017 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, 2016	41,904	304,771	15,054	13,441	375,170
Additions	348	238	1,146	17,067	18,799
Reclassifications	96	14,226	219	–14,541	0
Reclassifications to inventories	0	0	0	0	0
Disposals	104	234	707	271	1,316
Currency effects	1	2	7	4	14
Acquisition costs as of June 30, 2017	**42,245**	**319,003**	**15,719**	**15,700**	**392,667**
Accumulated depreciation as of July 1, 2016	15,122	182,187	9,914	0	207,223
Additions	1,325	18,769	1,452	0	21,546
Disposals	104	–2	649	0	751
Currency effects		2	3	0	5
Accumulated depreciation as of June 30, 2017	**16,343**	**200,960**	**10,720**	**0**	**228,023**
Carrying amount as of July 1, 2016	26,782	122,584	5,140	13,441	167,947
Carrying amount as of June 30, 2017	**25,902**	**118,043**	**4,999**	**15,700**	**164,644**

The changes in property, plant and equipment in the period from July 1, 2015 to June 30, 2016 were as follows:

EUR (thousands)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progess	Total
Acquisition costs as of July 1, 2015	44,168	289,062	14,996	21,547	369,773
Additions	12	4,103	1,485	7,167	12,767
Reclassifications	11	14,675	267	– 14,953	0
Reclassifications to inventories	0	2,636	0	0	2,636
Disposals	2,287	430	1,684	319	4,720
Currency effects	0	– 3	– 10	– 1	– 14
Acquisition costs as of June 30, 2016	**41,904**	**304,771**	**15,054**	**13,441**	**375,170**
Accumulated depreciation as of July 1, 2015	15,429	164,325	9,975	0	189,729
Additions	1,408	18,264	1,274	0	20,946
Disposals	1,715	400	1,331	0	3,446
Currency effects	0	– 2	– 4	0	– 6
Accumulated depreciation as of June 30, 2016	**15,122**	**182,187**	**9,914**	**0**	**207,223**
Carrying amount as of July 1, 2015	28,739	124,737	5,021	21,547	180,044
Carrying amount as of June 30, 2016	**26,782**	**122,584**	**5,140**	**13,441**	**167,947**

6.2 Current assets

6.2.1 Inventories

EUR (thousands)	30.06.2017	30.06.2016
Raw materials, consumables and supplies, gross	18,540	13,265
Less: allowances	–105	–1
Raw materials, consumables and supplies	**18,435**	**13,264**
Work in process, gross	1,120	1,326
Less: allowances	–22	0
Work in process	**1,098**	**1,326**
Finished goods, gross	14,834	14,723
Less: allowances	–48	–3,127
Finished product	**14,786**	**11,596**
Merchandise	**27**	**91**
Inventories	**34,346**	**26,277**

The inventories have a carrying value of EUR 23,579 thousand (June 30, 2016: EUR 19,809 thousand) and are carried at their acquisition and production cost. In addition, inventories with a carrying value of EUR 10,767 thousand (June 30, 2016: EUR 6,468 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 175 thousand (June 30, 2016: EUR 3,128 thousand) were made after the performance of net realisable value tests. The inventory write-downs attributable to raw materials, consumables and supplies and write-downs of merchandise totalled EUR 105 thousand (2015/2016: EUR 1 thousand) and are reported in the statement of comprehensive income within “Cost of materials”, and write-downs of finished products of EUR 70 thousand (2015/2016: EUR 3,127 thousand) are included in “Changes in unfinished and finished goods”.

6.2.2 Trade receivables

Trade receivables amounted to EUR 38,489 thousand at the balance sheet date (June 30, 2016: EUR 31,574 thousand) and are presented net of valuation allowances of EUR 1,482 thousand (June 30, 2016: EUR 1,439 thousand).

Of the valuation allowances recorded in the previous year, EUR 70 thousand (2015/2016: EUR 64 thousand) were released through profit or loss in the financial year; the release amount is included in “Other operating income”. Allowances of EUR 82 thousand (2015/2016: EUR 25 thousand) were recorded in the reporting period; the expense is included in “Other operating expenses”.

No trade receivables were assigned as loan collateral at June 30, 2017 (June 30, 2016: EUR 0 thousand).

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 2,391 thousand at June 30, 2017 (June 30, 2016: EUR 331 thousand) is provided in Section 9.3, "Derivatives".

6.2.4 Other current financial assets

Other current financial assets comprise the following:

EUR (thousands)	30.06.2017	30.06.2016
Cash on segregated accounts	2,919	0
Security deposits resulting from security agreements and liability declarations	419	418
Deferral of unrealised results on forward contracts	76	191
Miscellaneous other financial assets	564	109
Other financial assets	**3,978**	**300**

6.2.5 Tax refunds receivable

EUR (thousands)	30.06.2017	30.06.2016
Reimbursement claims for trade tax	74	0
Reimbursement claims for corporation tax	38	19
Tax refunds receivable	**112**	**19**

6.2.6 Other assets

Other non-financial assets comprise the following:

EUR (thousands)	30.06.2017	30.06.2016
Investment grants and subsidies	5,181	5,276
Reimbursement of electricity and energy tax	3,562	2,546
Value added tax and interest due from tax authorities	1,068	190
Deferred expenses	697	461
Miscellaneous other assets	722	1,400
Other non-financial assets	**11,230**	**9,873**

6.2.7 Term deposits

Term deposits amounted to EUR 60,000 thousand at the balance sheet date and had a maturity exceeding three months, earning interest at 0.15 percent.

6.2.8 Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 54,722 thousand (June 30, 2016: EUR 77,483 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 54,709 thousand (June 30, 2016: EUR 77,460 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 share capital at June 30, 2017 was unchanged at EUR 63,000 thousand, and is divided into 63,000,000 no-par shares registered in the name of the holders. The ownership of the shares entitles the holder to exercise voting rights at the general shareholders' meeting and the right to participate in dividend distributions, provided that a distribution is approved.

Under a shareholders' resolution approved at the annual general meeting of shareholders held on January 29, 2015, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital in exchange for cash or non-cash contributions on one or more occasions until January 28, 2020 by a total of EUR 31,500 thousand (authorised capital). The previous authorised capital was cancelled under the same resolution.

The Management Board is empowered, subject to the approval of the Supervisory Board, to exclude existing shareholders' subscription rights for shares issued in exchange for contributions in kind of up to an amount of EUR 9,450 thousand. This also includes the use of the authorised capital to fulfil purchase obligations or purchase rights for the Company's shares based on agreements made or to be made with members of the Company's Management Board under Management Board remuneration agreements. Existing shareholders shall have a right to subscribe for shares issued in a share issue made in exchange for cash contributions. However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders if the share issue price of shares issued on the same terms is not significantly less than the stock market price.

The Management Board is also authorised, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in order to issue new shares up to a proportional amount of EUR 500,000.00 to employees of VERBIO Vereinigte BioEnergie 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 the authorised capital is not or is not completely utilised by January 28, 2020, to amend the authorisation after its expiry.

The above was registered at the commercial register of the Company on March 3, 2015.

6.3.2 Additional paid-in capital

Additional paid-in capital results primarily from the acquisition costs of VDB for the purchase of VES, VEZ, VDS and STS in connection with the merger carried out in 2006, to the extent that it was not reflected in share capital. The entire amount of the additional paid-in capital is restricted under German company law and is not available for distribution to the shareholders. 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.

6.3.3 Other reserves

The other reserves include 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, 2017.

6.3.4 Reserve for translation adjustments

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

6.3.5 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on the annual financial statements of VERBIO AG, which are prepared under German commercial law requirements. The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.20 per qualifying share at the annual general meeting to be held on February 2, 2018, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements attributable to owners of the parent Company decreased by the positive Group result for the year (EUR 51,499 thousand).

6.3.6 Earnings per share

VERBIO AG has 63,000,000 no-par shares with an arithmetic nominal value of EUR 1 each. The Group result attributable to the shareholders of the parent company for the financial year 2016/2017 amounts to EUR 51,499 thousand (2015/2016: EUR 48,746 thousand).

The number of shares in issue in the financial year 2016/2017 was unchanged at 63,000,000. Accordingly the weighted average number of shares outstanding during the reporting period was 63,000,000.

There were no dilutive effects on earnings per share in either the financial year 2016/2017 or in the previous year. The basic result per share from continuing operations amounts to EUR 0.82 (2015/2016: EUR 0.77). The diluted earnings per share from continuing operations in both periods is identical to the basic earnings per share.

	2016/2017	**2015/2016**
Outstanding shares on June 30, 2017 and 2016	63,000,000	63,000,000
Number of average shares outstanding as of the balance sheet date	63,000,000	63,000,000
Result for the year (in EUR thousands)	51,499	48,746
Result per share in EUR	**0.82**	**0.77**

6.3.7 Non-controlling interests

There are third party non-controlling interests in VERBIO Agrar and its subsidiaries. The following table provides information on non-controlling interests (before eliminations arising on consolidation).

EUR (thousands)	2016/2017	2015/2016
Sales revenues (without group eliminations)	20,626	20,816
Net result for the period	2,658	1,882
Result attributable to non-controlling interests	**283**	**200**

EUR (thousands)	2016/2017	2015/2016
Current assets	7,787	8,504
Non-current assets	10,335	10,045
Current liabilities	8,397	10,487
Non-current liabilities	844	1,848
Equity	8,881	6,214
Non-controlling interests	**1,016**	**733**

EUR (thousands)	2016/2017	2015/2016
Cash flows from operating activities	4,659	3,556
Cash flows from investing activities	–249	–316
Cash flows from financing activities	–6,000	–1,999
Net change in cash funds	**–1,590**	**1,241**

6.4 Non-current liabilities

6.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 1,910 thousand as of the June 30, 2017 balance sheet date (June 30, 2016: EUR 11,883 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance 30.06.2017	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Bank 1	1,031	500	531	30.11.2021	4.60	monthly (1)
Other loans	770	770	0	31.12.2017	7.50	semi-annual/ annual (1)
Other loans	109	79	30	b.a.w.	2.00	monthly (1)
Total	**1,910**	**1,349**	**561**			

(1) fixes-interest rate

The bank loans and other loans as of June 30, 2016 are presented below in their current and non-current components:

EUR (thousands)	Balance 30.06.2017	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Bank 1	2,031	1,000	1,031	30.11.2021	4.60	monthly (1)
Other loans	9,770	9,270	500	31.12.2017	7.50	semi-annual/ annual (1)
Other loans	82	82	0	b.a.w.	2.00	monthly (1)
Total	**11,883**	**10,352**	**1,531**			

(1) fixes-interest rate

The carrying amounts of security are provided in Sections 6.1.2, “Property, plant and equipment”, 6.2.1, “Inventories”, 6.2.2, “Trade receivables” and 6.2.7, “Cash and cash equivalents”. We refer to explanations presented under Section 11.2.3 for detains of loan agreements with related parties.

The only significant risks from changes in interest rates are in connection with the overdraft facility, which is subject to a variable interest rate agreement. Details of the risks from changes in interest rates are provided in Section 10.2.3, “Market risks”.

6.4.2 Provisions

Non-current provisions of EUR 154 thousand (June 30, 2016: EUR 153 thousand) include asset retirement obligations of EUR 25 thousand (June 30, 2016: EUR 24 thousand) in connection with wind power plants and provisions of EUR 129 thousand (June 30, 2016: EUR 129 thousand) for archiving costs.

6.4.3 Deferred investment grants and subsidies

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2016 to June 30, 2017 were as follows:

EUR (thousands)	Investment subsidies	Investment grants	Total
July 1, 2016	7,896	666	8,562
Additions	2	0	2
Release in current period	–889	–126	–1,015
Disposal	–415	0	–415
June 30, 2017	**6,594**	**540**	**7,134**
Thereof: current	881	126	1,007
Thereof: non-current	5,713	414	6,127

The movements on the deferred investment grants and subsidies reserve in the period July 1, 2015 to June 30, 2016 were as follows:

EUR (thousands)	Investment subsidies	Investment grants	Total
July 1, 2015	9,245	792	10,037
Additions	28	0	28
Release in current period	–896	–126	–1,022
Disposal	–481	0	–481
June 30, 2016	**7,896**	**666**	**8,562**
Thereof: current	886	126	1,012
Thereof: non-current	7,010	540	7,550

Further information about the nature of the subsidies received and their respective conditions is provided in Section 11.1, “Contingent liabilities and other financial commitments”. The release of the deferred investment grants and subsidies is made through the income statement. Details are provided in Section 5.3, “Other operating income”.

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

6.4.5 Deferred tax liabilities
Information on deferred taxes is provided in Section 5.10, “Income taxes”.

6.5 Current liabilities

6.5.1 Bank loans and other loans
Current liabilities include bank loans of EUR 500 thousand (June 30, 2016: EUR 1,000 thousand), which represent the current portion of bank loans described in Section 6.4.1, “Bank loans and other loans”, and other loans of EUR 849 thousand (June 30, 2016: EUR 9,352 thousand).

6.5.2 Trade payables
Trade payables at the balance sheet date amount to EUR 27,285 thousand (June 30, 2016: EUR 27,543 thousand).

6.5.3 Derivatives
Information on the Group’s derivative financial liabilities with a carrying value of EUR 2,348 thousand at June 30, 2017 (June 30, 2016: EUR 597 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 trade account balances with customers with a credit balance.

6.5.5 Tax liabilities

The tax liabilities in the financial years 2016/2017 and 2015/2016 comprised the following:

EUR (thousands)	01.07.2016	Utilisation	Release	Addition	30.06.2017
Trade tax	3,215	645	2	3,065	5,633
Corporate tax	3,010	1,277	0	7,709	9,442
Tax liabilities	**6,225**	**1,922**	**2**	**10,774**	**15,075**

EUR (thousands)	01.07.2015	Utilisation	Release	Addition	30.06.2016
Trade tax	1,807	1,369	45	2,822	3,215
Corporate tax	2,092	1,443	0	2,361	3,010
Tax liabilities	**3,899**	**2,812**	**45**	**5,183**	**6,225**

6.5.6 Provisions

Current provisions at June 30, 2017 and June 30, 2016 included the following:

EUR (thousands)	01.07.2016	Utilisation	Release	Addition	30.06.2017
Expected losses on sales and purchase contracts	101	101	0	1,078	1,078
Litigation risks	134	7	1	174	300
Other provisions	154	0	0	0	154
Provisions	**389**	**108**	**1**	**1,252**	**1,532**

EUR (thousands)	01.07.2015	Utilisation	Release	Addition	30.06.2016
Expected losses on sales and purchase contracts	377	377	0	101	101
Litigation risks	147	0	44	31	134
Other provisions	1,221	1,065	6	4	154
Provisions	**1,745**	**1,442**	**50**	**136**	**389**

6.5.7 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	30.06.2017	30.06.2016
Value added tax	6,380	1,063
Wage and church taxes	414	348
Social Security	460	430
Miscellaneous other current liabilities	558	311
Total other current liabilities	**7,812**	**2,152**

7 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 54,722 thousand (2015/2016: EUR 77,483 thousand) and restricted cash and cash equivalents of EUR 0 thousand (2015/2016: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 75,020 thousand, comparable with the previous year (2015/2016: EUR 76,286 thousand). Although the reported EBIT increased, this has only had an insignificant effect on the cash flow from operating activities, primarily due to the increased level of inventories (EUR 8.1 million), trade receivables (EUR 6.9 million), and other assets (EUR 4.4 million).

The cash flow from investing activities of EUR –78,386 thousand (2015/2016: EUR –12.176 thousand) is primarily driven by payments made for investments in term deposits (EUR 60,000 thousand) and investments in property, plant and equipment of EUR 18,431 thousand (2015/2016: EUR 12,952 thousand).

The cash flow from financing activities for the reporting period totalled EUR –19,423 thousand (2015/2016: EUR –13,254 thousand). Net repayments of financial liabilities amounted to EUR 9,973 thousand (2015/2016: EUR 6,954 thousand). A dividend payment of EUR 0.15 per share was approved for the financial year 2015/2016 at the annual general meeting held on January 27, 2017 (financial year 2014/2015: EUR 0.10 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 9,450 thousand (2015/2016: EUR 6,300 thousand).

8 Segment reporting

The risks and returns of the Group are primarily those of the Group's 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 and the energy division.

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

Segments according to internal corporate management

Sales revenues are presented net of energy taxes of EUR 543 thousand (2015/2016: EUR 4,457 thousand). The Biodiesel and Bioethanol segments generate sales revenues from the sale of goods. In the Other segment, sales revenues are generated through the rendering of services. The valuation and accounting methods used for segment reporting purposes and for the purposes of reporting transactions between reportable segments are identical to those used by the Group as a whole in preparing its consolidated financial statements.

Operating assets are almost exclusively located in Germany, and investments made in production facilities were made wholly in Germany.

The acquisition costs of segment assets that are expected to be utilised for more than one reporting period amounted to EUR 18,918 thousand in the financial year 2016/2017 (2015/2016: EUR 12,969 thousand).

The VERBIO Group made sales of goods and services to customers in foreign countries (primarily Europe) totalling EUR 126,180 thousand (2015/2016: EUR 139,059 thousand).

Sales revenues with one external customer exceeded 15.58 percent of total sales revenues in the reporting period; the sales revenues with this customer totalled EUR 113,212 thousand (2015/2016: three customers totalling EUR 228,965 thousand). Sales revenues of EUR 86,916 thousand (2015/2016: EUR 167,465 thousand) are attributable to the Biodiesel segment and sales revenues of EUR 26,296 thousand (2015/2016: EUR 61,500 thousand) are attributable to the Bioethanol segment.

Segment reporting for the period from July 1, 2016 to June 30, 2017

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Sales revenues	471,600	423,163	245,199	222,091	16,259	15,839
Change in finished and unfinished goods	1,600	3,530	1,362	−318	0	0
Own work capitalised	213	178	220	160	0	0
Other operating income	1,437	1,891	8,613	10,585	293	395
Cost of materials	−413,453	−378,346	−165,653	−155,736	−9,218	−8,707
Personnel expenses	−9,945	−9,046	−15,359	−13,858	−3,765	−3,576
Other operating expenses	−12,942	−12,340	−20,920	−21,610	−2,882	−2,805
Result from commodity forward contracts	757	706	−1,058	900	0	0
Segment result	**39,267**	**29,736**	**52,404**	**42,214**	**687**	**1,146**
Depreciation and amortisation	−4,694	−4,477	−16,414	−16,033	−558	−547
Segment EBIT	**34,573**	**25,259**	**35,990**	**26,181**	**129**	**599**
Financial result	−208	−447	64	−953	−6	2
Result before taxes	**34,365**	**24,812**	**36,054**	**25,228**	**123**	**601**

Reconciliation of segment revenues and results

EUR (thousands)	Segments total		Inter-segment sales revenues, expenses and other adjustments		Group	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Sales revenues	733,058	661,093	−6,616	−6,764	726,442	654,329
Change in finished and unfinished goods	2,962	3,212	0	0	2,962	3,212
Own work capitalised	433	338	0	0	433	338
Other operating income	10,343	12,871	−139	−184	10,204	12,687
Cost of materials	−588,324	−542,789	1,064	1,255	−587,260	−541,534
Personnel expenses	−29,069	−26,480	0	0	−29,069	−26,480
Other operating expenses	−36,744	−36,755	5,691	5,693	−31,053	−31,062
Result from commodity forward contracts	−301	1,606	0	0	−301	1,606
Segment result	**92,358**	**73,096**	**0**	**0**	**92,358**	**73,096**
Depreciation and amortisation	−21,666	−21,057	0	0	−21,666	−21,057
Segment EBIT	**70,692**	**52,039**	**0**	**0**	**70,692**	**52,039**
Financial result	−150	−1,398	0	0	−150	−1,398
Result before taxes	**70,542**	**50,641**	**0**	**0**	**70,542**	**50,641**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016
Other intangible assets	119	135	118	102	0	1	237	238
Property, plant and equipment	35,148	35,997	128,188	130,239	1,308	1,711	164,644	167,947
Inventories	15,080	11,745	19,130	14,428	136	104	34,346	26,277
Trade receivables	24,394	19,928	13,036	10,603	1,059	1,043	38,489	31,574
Other assets and other financial assets	3,502	1,191	11,586	9,232	177	224	15,265	10,647
Cash and cash equivalents	24,245	35,696	29,649	40,655	828	1,132	54,722	77,483
Total segment equivalents	**102,488**	**104,692**	**201,707**	**205,259**	**3,508**	**4,215**	**307,703**	**314,166**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016	30.06. 2017	30.06. 2016
Deferred investment grants	1,093	1,280	5,933	7,169	108	113	7,134	8,562
Non-current provisions	71	70	78	78	5	5	154	153
Trade payables and other current provisions	15,570	13,833	12,310	13,322	949	777	28,829	27,932
Other current financial liabilities and other current liabilities	7,353	3,520	8,857	5,399	828	737	17,038	9,656
Total segment liabilities	**24,087**	**18,703**	**27,178**	**25,968**	**1,890**	**1,632**	**53,155**	**46,303**

Reconciliation segments assets and segment liabilities

EUR (thousands)	Group	
	30.06.2017	30.06.2016
Total segment assets	307,703	314,166
Derivatives	2,391	331
Deferred tax assets	2,873	8,497
Income tax refunds	112	19
Term deposits	60,000	0
Total assets	**373,079**	**323,013**
Total segment liabilities	53,155	46,303

EUR (thousands)	Group	
	30.06.2017	30.06.2016
Bank loans and other loans	1,910	11,883
Other tax liabilities	15,075	6,225
Other non-current liabilities	3,912	3,333
Deferred tax assets	288	347
Derivatives	2,348	597
Total liabilities	**76,688**	**68,688**

Investments

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Investments	**3,922**	**4,428**	**14,473**	**7,798**	**523**	**742**	**18,918**	**12,968**

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.

Financial instruments originated by the Group classified as assets are primarily trade receivables, other financial assets and cash and cash equivalents.

Financial instruments originated by the Group classified as liabilities are primarily the reported amounts of financial liabilities, trade payables and other financial liabilities.

Included in derivative financial instruments are instruments used to hedge price risks relating to procurement and sales transactions. Derivative financial instruments are recognised and measured at their fair value upon acquisition. Subsequent to initial recognition they are remeasured to fair value. Forward commodity contracts used to hedge purchasing prices on the procurement market (see 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 directly in equity (within other reserves) without affecting the income statement. This reserve is released as soon as the hedged raw material purchases are recorded in the income statement or, if applicable, when the cash flows of the underlying transaction are no longer highly probable.

Derivatives which are or were not in a hedging relationship (see Sections 9.3.2 B and C) are freestanding derivatives and as a result are strictly classified as “held for trading”. Gains or losses resulting from the 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”.

None of the Group’s financial assets and financial liabilities are classified to the measurement classifications “fair value option”, “held to maturity financial instruments” or “available for sale financial instruments”.

9.2 Categories of financial assets and financial liabilities

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

Assets

Valuation	At amortised cost		At fair value				Total	
Measurement	Loans and receivables		Held for trading financial instruments		Derivatives with hedging relationships			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	38,489	38,489	0	0	0	0	38,489	38,489
Other non-current and current financial assets	4,035	4,035	0	0	0	0	4,035	4,035
Derivatives			1,238	1,238	1,153	1,153	2,391	2,391
Cash and cash equivalents	114,722	114,722					114,722	114,722
Total (June 30, 2017)	**157,246**	**157,246**	**1,238**	**1,238**	**1,153**	**1,153**	**159,637**	**159,637**
Trade receivables	31,574	31,574	0	0	0	0	31,574	31,574
Other non-current and current financial assets	774	774	0	0	0	0	774	774
Derivatives	0	0	0	0	331	331	331	331
Cash and cash equivalents	77,483	77,483	0	0	0	0	77,483	77,483
Total (June 30, 2016)	**109,831**	**109,831**	**0**	**0**	**331**	**331**	**110,162**	**110,162**

Liabilities

Valuation	At amortised cost		At amortised cost				Total	
Measurement category	Other financial liabilities		Held for trading financial instruments		Derivatives with hedging relationsships			
EUR (thousands)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to banks and other loans	1,910	1,910					1,910	1,910
Trade payables	27,297	27,297					27,297	27,297
Other financial liabilities	13,138	13,138					13,138	13,138
Derivatives			460	460	1,888	1,888	2,348	2,348
Total (June 30, 2017)	**42,345**	**42,345**	**460**	**460**	**1,888**	**1,888**	**44,693**	**44,693**
Liabilities to banks and other loans	11,883	11,883	0	0	0	0	11,883	11,883
Trade payables	27,543	27,543	0	0	0	0	27,543	27,543
Other financial liabilities	10,837	10,837	0	0	0	0	10,837	10,837
Derivatives	0	0	0	0	597	597	597	597
Total (June 30, 2016)	**50,263**	**50,263**	**0**	**0**	**597**	**597**	**50,860**	**50,860**

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, 2016 and June 30, 2015 balance sheet dates:

EUR (thousands)	Nominal volume	Asset derivative = positive market value	Liability derivative = negative market value
Stand-alone derivatives			
Sales transactions	12,000 t	551	460
Foreign currency hedges	10,250 TUSD	687	0
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	37,600 t	1,153	1,888
Derivatives (June 30, 2017)		**2,391**	**2,348**

EUR (thousands)	Nominal volume	Asset derivative = positive market value	Liability derivative = negative market value
Stand-alone derivatives			
Sales transactions	0 t	0	0
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	7,500 t	331	597
Derivatives (June 30, 2016)		**331**	**597**

EUR (thousands)	30.06.2017			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	2,391	0	2,391
Derivative liabilities	0	2,348	0	2,348

EUR (thousands)	30.06.2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	331	0	331
Derivative liabilities	0	597	0	597

The fair values of the derivatives is 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).

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

A. Forward contracts for rapeseed oil (assets: EUR 1,153 thousand; liabilities: EUR 1,888 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 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 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 transactions are standard forward contracts with an effectiveness of 100 percent; accordingly there is no ineffectiveness that requires recognition through profit or loss.

The effectiveness of cash flow hedges from rapeseed commodity forwards is determined prospectively using critical terms matches and retrospectively through a dollar-offset method (hypothetical derivative method). As long as the hedge is effective in a range of 80 to 125 percent, hedge accounting is continued; otherwise, the entire hedging relationship is recognised through profit or loss. In the month of purchase, which is the scheduled or unscheduled occurrence of the underlying transaction, the results of the hedging transaction recognised in equity are set off in profit or loss against the cost of materials. The amount transferred from equity to profit or loss in connection with cash flow hedge accounting in the reporting period amounted to EUR 6,861 thousand (2015/2016: EUR 966 thousand) and is shown in the income statement under “Cost of materials”. There were no ineffective portions requiring recognition at the balance sheet date.

9.3.2 Description of the Group’s significant freestanding derivatives

B. Freestanding derivatives from sales transactions
In addition to the derivatives designated as hedging instruments, use has been made of Biodiesel swaps to hedge sales contracts which are linked to the quoted market price of biodiesel. Derivatives with a positive market value of EUR 551 thousand and derivatives with a negative market value of EUR 460 thousand were held at June 30, 2017 (2015/2016: EUR 0 thousand).

C. Freestanding derivatives from currency hedging
As the hedging transactions entered into for sales contracts were denominated in US dollars, additional EUR/USD currency contracts were entered into in order to reduce the currency risk. The positive market value of these derivatives at June 30, 2017 amounted to EUR 687 thousand (June 30, 2016: EUR 0 thousand).

9.3.3 Change in equity

The effects on equity of the hedging transactions entered into in the financial year 2016/2017 and the previous year are presented below:

EUR (thousands)	**Rapeseed procure-ment**	**Bioethanol-/Diesel/Pet-rol swaps**	**Interest rate swaps**	**Total**
July 1, 2016	**–266**	**0**	**0**	**–266**
Recognition in the income statement (cost of materials)	–6,861	0	0	–6,861
Recognition in the income statement (sales revenue)	0	0	0	0
Change in fair value measurement	6,392	0	0	6,392
Balance (June 30, 2017)	**–735**	**0**	**0**	**–735**
Less: deferred taxes				228
				–507

EUR (thousands)	**Rapeseed procure-ment**	**Bioethanol-/Diesel/Pet-rol swaps**	**Interest rate swaps**	**Total**
July 1, 2015	**556**	**–3,859**	**0**	**–3,303**
Recognition in the income statement (cost of materials)	–966	0	0	–966
Recognition in the income statement (sales revenue)	0	5,456	0	5,456
Change in fair value measurement	144	–1,597	0	–1,453
Balance (June 30, 2016)	–266	0	0	–266
Less: deferred taxes				**83**
Zuzüglich latenter Steuern				–183
				–2,279

9.3.4 Realisation of the underlying and hedging transactions

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

EUR (thousands)	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months
June 30, 2017				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	1,153	34,215	33,246	969
Liability	1,888	37,611	32,711	4,900
Effect on the income statement				
Commodity forward contracts				
Asset	1,153	1,153	1,151	2
Liability	1,888	1,888	1,662	226
June, 30, 2016				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	331	23,686	22,191	1,495
Liability	597	20,607	19,800	807
Effect on the income statement				
Commodity forward contracts				
Asset	331	331	303	28
Liability	597	597	591	6

9.4 Other disclosures required by IFRS 7

9.4.1 Information on income and expense positions

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

	Interest result		Subsequent measurement				
EUR (thousands)	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Writedown (Writedown financial instruments or other operating expenses)	Total
2016/2017							
Loans and receivables	655	0	85	−82	0	−51	607
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	0	0
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	−301	0	−301
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	−805	0	0	0	0	−805
Interest rate swaps	0	0	0	0	0	0	0
Total	**655**	**−805**	**85**	**−82**	**−301**	**−51**	**−499**

EUR (thousands)	Interest result		Subsequent measurement				Total
	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Writedown (Writedown financial instruments or other operating expenses)	
2015/2016							
Loans and receivables	39	0	94	–25	0	–5	103
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	0	0	0
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	1,606	0	1,606
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	–1,437	0	0	0	0	–1,437
Interest rate swaps	0	0	0	0	0	0	0
Total	**39**	**–1,437**	**94**	**–25**	**1,606**	**–5**	**272**

The reversal of write-downs of loans and receivables of EUR 85 thousand (June 30, 2016: EUR 94 thousand) relates primarily to the release of the specific allowances on trade receivables.

Allowances made for the impairment write-down of loans and receivables of EUR 82 thousand (June 30, 2016: EUR 25 thousand) relate to write-downs made to reflect non-recoverable trade receivables.

9.4.2 Information on collateral

Other financial assets represent separate cash and cash equivalents totalling EUR 1,479 thousand which serve as collateral security for futures contracts.

9.4.3 Information regarding allowances for credit losses on financial assets

The allowances made relate to the risk of credit losses on trade receivables and other current assets. The movements on the allowances in the financial year 2016/2017 were as follows:

EUR (thousands)	01.07.2016	Addition	Release	Utilisation	currency differences	30.06.2017
Valuation allowances						
Trade receivables	1,439	82	70	0	31	1,482
Other current assets	1,402	0	0	0	0	1,402
Valuation allowances	**2,841**	**82**	**70**	**0**	**31**	**2,884**

EUR (thousands)	01.07.2015	Addition	Release	Utilisation	currency differences	30.06.2016
Valuation allowances						
Forderungen aus Lieferungen und Leistungen	1,537	25	64	59	0	1,439
Sonstige kurzfristige Vermögenswerte	1,405	0	0	3	0	1,402
Wertberichtigungen	**2,942**	**25**	**64**	**62**	**0**	**2,841**

The credit risks of all doubtful receivables are assessed and valued individually, with particular attention paid to overdue receivables, receivables from customers with known payment difficulties or receivables that are in dispute. Appropriate allowances are made where required.

Receivables are derecognised at the time when their recoverability is highly unlikely.

10 Financial risks and risk management, capital management

10.1 Organisation

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

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

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.

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. right of offset agreements), is as follows:

EUR (thousands)	30.06.2017	30.06.2016
Trade receivables	38,489	31,574
Other non-current and current assets	4,035	774
Derivatives	2,391	331
Cash and cash equivalents	114,722	77,483
	159,637	**110,162**

In order to minimise the risk of non-collection of trade receivables, certain receivables are insured using trade credit insurance. At the balance sheet date the Group had commercial credit insurance policies whereby the insurer guarantees a maximum sum of at least EUR 6.0 million (June 30, 2016: EUR 6.0 million) for all damages in each insurance year. Large customers are excluded from this agreement.

In addition, the General Terms and Conditions include reservation-of-title clauses for all products sold.

Concentration of credit risks

Credit risks relating to trade receivables are distributed among the following customer groups and regions (the respective carrying amounts represent the respective credit risk):

Concentration according to customer groups

EUR (thousands)	30.06.2017	30.06.2016
Oil companies	19,180	17,696
Processing industries (in particular oil mills and pharmaceutical companies) and trading companies	14,825	10,637
Electric utilities	2,216	1,769
Farmers	887	685
Other	1,381	787
	38,489	**31,574**

Concentration according to region

EUR (thousands)	30.06.2017	30.06.2016
Inland	18,087	16,384
Europe	19,162	15,190
Other foreign	1,240	0
	38,489	**31,574**

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 loans and receivables as of the June 30, 2017 and June 30, 2016 balance sheet dates:

EUR (thousands)	Carrying amount	Thereof as of 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, 2017								
Trade receivables	38,489	37,293	1,136	9	2	12	5	32
Other long-term and short-term financial assets	4,035	4,035	0	0	0	0	0	0
	39,605	**38,409**	**1,136**	**9**	**2**	**12**	**5**	**32**
June 30, 2016								
Trade receivables	31,574	30,731	767	8	1	1	4	62
Other long-term and short-term financial assets	774	774	0	0	0	0	0	0
	32,348	**31,505**	**767**	**8**	**1**	**1**	**4**	**62**

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 (three employees) is responsible for the management of liquidity.

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

The central treasury department receives the required information from subsidiaries via the weekly reporting procedure, enabling it to generate a liquidity profile. All financial assets, financial liabilities and other 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 into account the requirements identified in the business plan.

The following table presents an analysis of the maturities of all contractually agreed financial liabilities as of June 30, 2017 and June 30, 2016:

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, 2017						
Non-derivative financial liabilities						
Liabilities to banks and other loans	1,910	62	1,022	305	584	0
Trade payables	27,297	26,083	1,214	0	0	0
Other financial liabilities	13,138	9,485	0	0	3,653	0
	42,345	**35,630**	**2,236**	**305**	**4,237**	**0**
Derivative financial liabilities						
Derivatives used in hedging relationships	1,888	106	756	1,026	0	0
"Held for trading" derivatives	460	156	257	47		
	2,348	**262**	**1,013**	**1,073**	**0**	**0**
Financial liabilities	**44,693**	**35,892**	**3,249**	**1,378**	**4,237**	**0**

* Including 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, 2016						
Non-derivative financial liabilities						
Liabilities to banks and other loans	11,883	8,285	38	2,451	1,699	0
Trade payables	27,543	27,465	78	0	0	0
Other financial liabilities	10,837	7,763	0	0	3,074	0
	50,263	**43,513**	**116**	**2,451**	**4,773**	**0**
Derivative financial liabilities						
Derivatives used in hedging relationships	597	182	265	150	0	0
	597	**182**	**265**	**150**	**0**	**0**
Financial liabilities	**50,860**	**43,695**	**381**	**2,601**	**4,773**	**0**

* Including future interest payments

Information on financial liability ratios

There are no indications of any matters that indicate a payment delay or contract violation in respect of the financial liabilities totalling EUR 43,492 thousand at June 30, 2017 (June 30, 2016: EUR 50,860 thousand). Interest and loan repayment obligations on all financial liabilities totalling EUR 43,492 thousand are 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.

Very little use is made of currency forward exchange contracts. The VERBIO Group is primarily exposed to currency risks in US dollars and Polish zloty.

In the financial year 2016/2017 sales invoices denominated in foreign currencies (in US dollars and PLN) were issued with a converted amount of EUR 47,787 thousand (2015: EUR 34,047 thousand). Payments against these invoices are made into US dollar and PLN denominated bank accounts. Trade receivables denominated in foreign currencies totalled EUR 3,470 thousand at June 30, 2017 (June 30, 2016: EUR 4,694 thousand).

Interest rate risks

Due to the fact that long-term financing arrangements with banks provide for fixed rates of interest, the Group has only a minor exposure to interest rate risk. Interest rate risks result only from instruments with variable interest rates. Such risks are present on the asset side of the balance sheet for balances at banks; on the liabilities side of the balance sheet the Group has no interest rate risks resulting from bank liabilities and other loans (June 30, 2016: EUR 0 thousand).

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

Commodity price risks

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

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

The table below shows the sensitivity of the value of the derivatives to changes in the price of rape seed oil.

Nachfolgend werden die Sensitivitäten der Bewertung von Derivaten auf den Rapsölpreis analysiert.

- Sensitivity of the value of the derivatives to changes in the price of rape seed oil
  A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2017 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 940 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 other financial commitments”.

10.2.5 Other risks

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

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

10.3 Capital management

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

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

A further goal for the VERBIO Group is to maintain a strong capital base, in order to finance future growth as soon as the political environment regarding biofuels allows competitive growth. The equity of VERBIO as of June 30, 2017 amounts to EUR 296,391 thousand (June 30, 2016: EUR 254,325 thousand), which represents an equity ratio of 79.4 percent (June 30, 2016: 78.7 percent). Debt capital amounted to EUR 76.688 thousand (June 30, 2016: EUR 68,688 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 other financial commitments

11.1.1 Government grants and subsidies

The following table shows the amounts of grants awarded or applied for, for which the restricted covenant periods have not yet expired based on the applicable investment grant law:

EUR (thousands)	30.06.2017	30.06.2016
VES	966	1,767
VEZ	357	713
VDS	1	87
VDB	187	332
	1,511	**2,900**

The grants are repayable in case of non-compliance with the covenants.

The investment subsidies were granted under the conditions that the assets subsidised belong to a business in the development area qualifying for the subsidy for at least five years after their purchase or construction, the assets remain in a business qualifying for development assistance, and that their private use does not exceed 10 percent.

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

Further, claims of EUR 3,501 thousand have been recorded in the balance sheet for EU grants (NER 300) in connection with biomethane production from straw at the Schwedt plant, on which assessments have been issued (June 30, 2016: EUR 2,618 thousand). The subsidies were awarded under the condition that certain investment obligations shall be fulfilled and certain defined volumes of biomethane production are achieved.

11.1.2 Guarantee credits and other collateral arrangements

VERBIO and Swiss Re International SE, German branch, have entered into a security deposit insurance contract dated May 11, 2015 (and subsequently amended). Under this agreement a EUR 18,000 thousand credit line for customs duties is made available to VERBIO. An amount of EUR 16,910 thousand has been drawn down under this credit line as of June 30, 2017.

11.1.3 Litigation

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2017. Provisions have been recognised, primarily for the costs of ongoing procedures.

11.1.4 Rental and lease contracts

The companies VES and VDS have leasehold rights from PCK Raffinerie GmbH, Schwedt, as landowner, to erect and operate bioethanol and biogas/biodiesel production plants on land owned by that company. The leasehold rights end on May 31 and December 31, 2053 and on December 31, 2054 respectively.

VERBIO AG, VLS have entered into leasing agreements for machinery and other operating equipment. In addition, VERBIO Agrar and VDB have entered into minor value rental and lease contracts for the use of land and warehouse space.

The rental, lease contracts and leasehold arrangements described above are treated as operating leases for financial reporting purposes. The future financial obligations in the amount of the minimum lease payments on these contracts are presented below:

EUR (thousands)	30.06.2017	Up to 1 year	1-5 years	Over 5 years
Leasehold rental VES	5,330	126	519	4,685
Rental and leasing contracts, properties, warehouses and buildings	635	229	222	184
Leasehold rental VDS	1,288	28	130	1,130
Rental for machinery and equipment	5,381	2,681	2,700	0
	12,634	**3,064**	**3,571**	**5,999**

EUR (thousands)	30.06.2016	Up to 1 year	1-5 years	Over 5 years
Leasehold rental VES	5,455	125	513	4,817
Rental and leasing contracts, properties, warehouses and buildings	319	76	49	194
Leasehold rental VDS	1,302	28	115	1,159
Rental for machinery and equipment	7,470	3,334	4,136	0
	14,546	**3,563**	**4,813**	**6,170**

Rental and leasehold expenses totalled EUR 4,783 thousand in the reporting period (2015/2016: EUR 4,886 thousand).

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 4,657 thousand at June 30, 2017 (June 30, 2016: EUR 1,327 thousand).

11.2 Disclosures concerning related persons and entities

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

Portion of share capital of VERBIO AG in %	30.06.2017	30.06.2016	Change in %-points
Pollert Holding GmbH & Co. KG	18.40	18.96	–0.56
Dr.-Ing. Georg Pollert	0.02	0.02	0.00
Bernd Sauter	15.23	15.23	0.00
Claus Sauter	21.18	21.18	0.00
Daniela Sauter	7.16	7.16	0.00
Marion Sauter	5.95	5.95	0.00
Total	**67.94**	**68.50**	**–0.56**

11.2.2 Key management personnel

- Claus Sauter (member of the Management Board of VERBIO AG)
- Bernd Sauter (member of the Management Board of VERBIO AG)
- Dr. Oliver Lüdtke (member of the Management Board of VERBIO AG)
- Theodor Niesmann (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.-Ing. Georg Pollert (member of the Supervisory Board of VERBIO AG)

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

Guarantees and other security rights

Claus Sauter and Bernd Sauter have provided a guarantee on behalf of VERBIO Agrar GmbH in respect of subsidies of EUR 4,383 thousand awarded in connection with the construction of a grain storage facility in Niemegk.

Bernd Sauter and Claus Sauter have each pledged security portfolios for a loan granted to VERBIO Agrar GmbH. The loan has a balance of EUR 500 thousand as of June 30, 2017 (June 30, 2016: EUR 2,031 thousand).

Loan agreements

Bernd Sauter provided VERBIO Agrar GmbH with a loan in the financial year 2006. Under a subsequent amendment to the loan agreement dated March 26, 2015, a fixed maturity date of December 31, 2017 was agreed for the loan balance remaining at that date which amounted to EUR 2,500 thousand. Loan repayments of EUR 500 thousand are now being made twice annually. The balance at June 30, 2017 stood at EUR 500 thousand. Bernd Sauter has entered into a declaration that his loan is a subordinated loan.

In addition, Claus Sauter provided two loans totalling EUR 9,545 thousand to VERBIO AG and VERBIO Agrar in the financial year 2013/2014. These loans had a fixed maturity date of March 31, 2015. Repayments of EUR 1,545 thousand were made in the financial year 2014/2015, and under a subsequent amendment to the loan agreement dated March 26, 2015, a fixed maturity date of December 31, 2017 was agreed for both loans. Two contract amendments were agreed on July 20, 2016 to the effect that early repayment of both loans on July 31, 2016 was agreed, together with an early payment compensation fee of EUR 53 thousand. From April 1, 2015 the loans carried an annual interest rate of 7.5 percent.

Interest expenses of EUR 228 thousand were incurred on the above loans in the financial year 2016/2017 (2015/2016: EUR 846 thousand).

Consultancy contracts

Ulrike Krämer has provided consultancy services since January 1, 2014 under an agreement with VERBIO AG. The expense for these services totalled EUR 24 thousand in the financial year 2016/2017 (2015/2016: EUR 29 thousand).

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

Rental contracts

Autokontor Bayern GmbH has a rental agreement for a site used for parking and a motor vehicle business with VEZ. The monthly rent under this agreement is EUR 10 thousand. The contract period was subsequently amended on September 22, 2010. Under this amendment the contract was extended until June 30, 2015. Autokontor Bayern GmbH has the right to cancel the contract as of June 30 of each calendar year with a notification period of six months, as well as an option to extend the rental contract by an additional five years to June 30, 2020. By letter dated June 30, 2014, Autokontor Bayern GmbH has exercised its right to extend the rental contract until June 30, 2020; this extension was accepted by VEZ. VEZ generated revenues of EUR 120 thousand from this contract in the financial year 2016/2017 (2015/2016: EUR 120 thousand).

In addition, 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 VERBIO AG has rented office space from Oelßner's Hof GmbH & Co. KG. The rental agreement is for a period of five years, 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 monthly rental charge of EUR 15 thousand plus operating overhead costs was agreed. Rental expenses of EUR 180 thousand were incurred by VERBIO AG in the financial year 2016/2017. A repayment of EUR 13 thousand has been received fin the financial year 2016/2017 following the settlement of the charges for operating overhead costs for 2015.

Service contracts

VDB Wind power plant

Sauter Verpachtungsgesellschaft receives annual rental payment of EUR 7 thousand for the use of land to accommodate a wind power plant belonging to VDB. In addition, Sauter Verpachtungsgesellschaft mbH receives EUR 3 thousand for the operation of the plant.

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

Dated 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 0.10 EUR per tonne.

The contract period commenced on September 1, 2014 and was originally due to end on August 31, 2015. In a subsequent amendment dated March 27, 2017 it was agreed that the contract will be extended until December 31, 2017. 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.

11.2.5 Summary of business relationships with related-party companies

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

EUR (thousands)		Revenue/Income		Expense	
Contract partner	**Transaction**	**2016/2017**	**2015/2016**	**2016/2017**	**2015/2016**
Alois Sauter Landes-produktengroßhand-lung GmbH & Co. KG	Sale of fuel	0	0	0	3
	Other deliveries and services	10	28	1	2
Autokontor Bayern GmbH	Sale of fuel	0	2	535	613
	Vehicle rentals	0	0	136	210
	Other deliveries and services	143	162	210	211
Sauter Verpachtungs-gesellschaft mbH	Verhicle rentals	11	7	24	56
	Grain sales/purchases	0	0	1,693	4,322
	Transport services	182	174	363	252
	Feedstuffs	218	220	0	0
	Other deliveries and services	235	88	142	215
Landwirtschafts-gesellschaft mbH „Neukammer“	Grain sales/purchases	0	0	0	0
	Other deliveries and services	40	38	0	0
Farma Polska Sp. z o.o.	Sale of investment in shares	0	0	4	0
LANDGUT Coschen GmbH	Other deliveries and services	7	4	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	5,020	2,735
	Other deliveries and services	81	72	107	10
FUPRORA GmbH	Other deliveries and services	0	0	1	0
Compos GmbH	Other deliveries and services	0	0	0	20
Oelßner's Hof GmbH & Co. KG	Office rental	0	0	180	180
	Other deliveries and services	12	0	0	0
Agro Beef Sp. z o.o.	Feedstuffs	117	0	0	0

The sales revenue and income respectively from other services provided to Sauter Verpachtungsgesellschaft mbH primarily relate to sales of animal food and fertiliser.

The expenses from other deliveries and services from Autokontor Bayern GmbH relate primarily to repair expenses for the Company's own vehicle fleet.

The income from other deliveries and services with Landwirtschaftsgesellschaft mbH Neukammer and Farma Redlo primarily relate to sales of fertiliser.

In addition, construction services to a value of EUR 26 thousand provided by Sauter Verpachtungsgesellschaft mbH have been capitalised.

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

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

The following table shows the receivables and payables balances recorded by Group companies resulting from transactions with related-party companies as of June 30, 2017 and June 30, 2016:

	Alois Sauter Landespro-duktengroßhandlung GmbH & Co. KG		Autokontor Bayern GmbH		Landwirtschafts-gesellschaft mbH „Neukammer“	
EUR (thousands)	**30.06.2017**	**30.06.2016**	**30.06.2017**	**30.06.2016**	**30.06.2017**	**30.06.2016**
VERBIO AG						
Receivables	1	0	0	0	6	1
Payables	0	0	0	2	0	0
VDB						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VES						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VEZ						
Receivables	0	0	0	15	0	0
Payables	0	0	16	6	0	0
VERBIO Logistik						
Receivables	0	0	0	0	3	0
Payables	0	0	24	29	0	0
VERBIO Agrar						
Receivables	0	0	0	0	0	0
Payables	0	0	2	2	0	0
VERBIO Polen						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
Total						
Receivables	**1**	**0**	**0**	**15**	**9**	**1**
Payables	**0**	**0**	**42**	**39**	**0**	**0**

	Sauter Verpachtungs-gesellschaft mbH		LANDGUT Coschen GmbH		Farma Redlo Sp. z o.o.		Agro Beef Sp. z o.o.	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	423	621	5	4	0	0	0	0
	232	827	0	0	3	0	0	0
	0	0	0	0	0	0	0	0
	13	0	0	0	0	0	0	0
	47	0	0	0	2	2	0	0
	0	5	0	0	0	0	0	0
	4	2	0	0	0	0	0	0
	0	1	0	0	0	0	0	0
	41	28	0	0	1	0	0	0
	0	6	0	0	0	0	0	0
	0	0	0	0	27	0	0	0
	622	1	0	0	0	0	0	0
	0	0	0	0	0	0	4	0
	0	0	0	0	48	61	0	0
	515	**651**	**5**	**4**	**30**	**2**	**4**	**0**
	867	**840**	**0**	**0**	**51**	**61**	**0**	**0**

11.3 Audit fees

Fees for KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor of the consolidated financial statements recorded as expenses in the financial year 2016/2017, amounted to EUR 113 thousand (2015/2016: EUR 128 thousand) for annual audit services, EUR 15 thousand (2015/2016: EUR 9 thousand) for other attestation services and EUR 1 thousand (2015/2016: EUR 3 thousand) for other consultancy services. The other consultancy services were training measures.

11.4 Executive bodies and executive remuneration

Disclosures required regarding the compensation of members of the Management Board and the Supervisory Board and the structure of the compensation system amounts are presented in the compensation report, included in the VERBIO Group management report.

Members of the Management Board of VERBIO AG in the financial year 2016/2017 were:

- Claus Sauter, Dipl.-Kaufmann, Leipzig (Chairman)
- Dr. Oliver Lüdtke, Engineer, Markkleeberg (Vice-Chairman)
- Bernd Sauter, Commercial manager, Leipzig
- Theodor Niesmann, Engineer, Leipzig

The members of the Management Board received remuneration from VERBIO AG totalling EUR 3,145 thousand in the financial year 2016/2017 (2015/2017: EUR 2,706 thousand). This included fixed remuneration of EUR 1,482 thousand (2015/2016: EUR 1,433 thousand), variable remuneration of EUR 1,624 thousand (2015/2016: EUR 1,243 thousand) and other compensation elements of EUR 39 thousand (2015/2016: EUR 30 thousand). Details of the remuneration rules are provided in the compensation report, which is included in the Group management report.

The variable compensation components and the other non-current financial liabilities and the other current financial liabilities partially include the long-term bonus awards for members of the Management Board totalling EUR 6,253 thousand (2015/2016: EUR 5,581 thousand). The fair values of the long-term bonus awards were measured using a Black-Scholes option pricing model. The variables used in the calculation are shown in the following table:

	Fictional shares 3 07/2013-06/2017	Fictional shares 4 07/2014-06/2018	Fictional shares 5 07/2015-06/2019	Fictional shares 6 07/2016-06/2020
Average share price	1,99	2,79	6,76	9,66
Volatility	52,83 %	52,83 %	52,83 %	52,83 %
Interest rate	0,000	−0,249	−0,126	0,002
Payment date	Oktober 15, 2017	Oktober 15, 2018	Oktober 15, 2019	Oktober 15, 2020

The long-term bonus awards recognised with profit or loss effect as an expense in comprehensive income (personnel expense) amounted to EUR 3,179 thousand (2015/2016: EUR 2,357 thousand).

Members of the Supervisory Board of VERBIO AG in the financial year 2016/2017 were:

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

Ulrike Krämer, Certified Auditor and Certified Tax Advisor (Vice-Chairman of the Supervisory Board)

Dr.-Ing. Georg Pollert, Dipl.-Chemiker, Berlin (member of the Supervisory Board)
Chairman of Arbeitsgemeinschaft Qualitätsmanagement Biodiesel e. V. (AGQM)

The members of the Supervisory Board received ongoing remuneration of EUR 120 thousand for their Supervisory Board activities in the financial year 2016/2017 (2015/2016: EUR 120 thousand), as well as compensation for expenses of EUR 6 thousand (2015/2016: EUR 7 thousand). Details of the remuneration rules are provided in the remuneration report, which is included in the Group management report.

11.5 Shareholdings in VERBIO Vereinigte BioEnergie AG, reportable under § 21 (1) of the Securities Trading Act (WpHG)
VERBIO AG has not been informed of any shareholdings reportable under § 21 (1) of the Securities Trading Act (WpHG) in the reporting period 2016/2017.

11.6 Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG)
The declaration regarding the Governmental Commission on the German Corporate Governance Code as required by § 161 AktG was published on September 22, 2017 on the Company's website (www.verbio.de) and thereby made accessible on a permanent basis.

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

11.8 Use of exemptions available under § 264 (3) HGB) and § 264 b HGB
The following subsidiaries have taken advantage of an option under § 264 (3) and § 264b 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 Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen/OT Greppin,
- VERBIO Diesel Bitterfeld Verwaltung GmbH, Bitterfeld-Wolfen/OT Greppin,
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig,
- VERBIO Ethanol Zörbig Verwaltung GmbH, Zörbig,
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder,
- VERBIO Diesel Verwaltung GmbH, Schwedt/Oder,
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder,
- VERBIO Ethanol Schwedt Verwaltung GmbH, Schwedt/Oder,
- VERBIO Finance GmbH, Zörbig (formerly known as: VERBIO Cert GmbH)
- VERBIO Pinnow GmbH, Zörbig (formerly known as: VERBIO Gas Pinnow GmbH)

11.9 Approval for publication

The Management Board of VERBIO AG approved these IFRS consolidated financial statements to be submitted to the Supervisory Board on September 22, 2017. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September 22, 2017

Claus Sauter
Chairman of the management board

Dr. Oliver Lüdtke
Vice-Chairman of the Management Board

Theodor Niesmann
Management Board

Bernd Sauter
Management Board

Affirmation of the legal representatives

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

Zörbig, September 22, 2017

Claus Sauter
Chairman of the Management Board

Dr. Oliver Lüdtke
Vice-Chairman of the Management Board

Theodor Niesmann
Member of the Management Board

Bernd Sauter
Member of the Management Board

Reproduction of the Auditor's Report

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

Independent Auditor's Report

To VERBIO Vereinigte BioEnergie AG, Zörbig

Report on the Audit of the Consolidated Financial Statements

Opinion on the Consolidated Financial Statements

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, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from July 1, 2016 to June 30, 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies.

Pursuant to Section 322 (3) (1) half sentence 2 HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on our knowledge obtained in the audit, the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315a (1) (superseded version) of the German Commercial Code [HGB], and give a true and fair view of the net assets and financial position of the Group as at June 30, 2017 as well as the results of operations for the financial year from July 1, 2016 to June 30, 2017, in accordance with these requirements.

Pursuant to Section 322 (3) (1) half sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with Section 317 HGB (superseded version) and EU auditor's regulation [EU-Abschlussprüferverordnung] (No. 537/2014; hereinafter "EU-APrVO") and in compliance with German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Our responsibilities under those standards and additional guidelines are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the requirements of European and German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities applicable in Germany in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with Article 10 (2) f EU-APrVO we declare that the prohibited non-audit services referred to in Article 5 (1) EU-APrVO were not provided and that we remained independent in accordance with the EU-APrVO of the Group in conducting the audit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the greatest significance in our audit of the consolidated financial statements for the financial year from July 1, 2016 to June 30, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Reversal of Impairment Losses recorded in the Cash-Generating Unit "Bioethanol"
We refer to note 3.4 for details of the accounting policy affected.

The Financial Statements Risk

The Company recorded an impairment loss of EUR 19.8 million against property, plant and equipment in the cash-generating unit "Bioethanol" in the financial year 2012/2013. No reversal of the impairment losses up to the historical acquisition costs of the assets was recorded in the financial year 2016/2017. An impairment loss recorded in prior periods shall only be reversed when a change in the estimates that were used to determine the recoverable value of the assets since the last impairment loss was recognised. The reversal of the impairment losses is limited to the historical acquisition costs of the affected assets.

The indicators leading to an examination of a potential impairment loss reversal, and the decision to maintain the existing carrying values in the financial year 2016/2017, were based on the Group's current planning and the associated expectations of the Management Board concerning future expected net cash inflows. Given the inherent judgement involved in such assessments, there is a risk of inappropriate measurements being applied.

Our Response

We have convinced ourselves that the net cash inflows used to calculate the recoverable amount were calculated appropriately as follows. The calculations were based on the business plan prepared by the Management Board and approved by the Supervisory Board for the financial year 2017/2018. Based on this, the Management Board drew up the three-year detailed business plan through to 2019/2020 together with the forward projections based on growth factors through to an assumed end of the useful life of the bioethanol plant in the year 2036/2037. We have compared the assumptions used in preparing the business plan concerning future trends in sales prices and manufacturing costs to market data and to publicly available information, and considered the reasonableness and consistency of assessments made by the Management Board of the effects of the regulatory environment on the planning calculations. In doing so we have performed a plausibility analysis of the growth factors used and the date assumed for the end of the useful life of the plant. In addition, we have examined the extent to which the business plan prepared in the prior year has been achieved in the current financial year 2016/2017. We have also assessed whether the amounts stated in the business plan and the assumptions made concerning plant utilisation, bioethanol sales prices and sales prices for the by-product biomethane, the prices of grain as the primary raw material, and the gross margins and EBITDA are within reasonable ranges. We have also calculated our own expected values for sensitivity purposes based on the Company's planning model in order to make an assessment of the assumptions on which the planning is based. For this purpose we varied the assumed levels of plant utilisation and gross margin by 10 percent respectively in order to determine the quantitative effect on the expected net cash inflows.

Our Observations

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation of the consolidated financial statements, which comply with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (superseded version), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the management is responsible for such internal control as it deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to its status as a going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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 to issue an auditor's report that includes our opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB (superseded version) and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW] will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with Section 317 HGB (superseded version) and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW], we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the Group management report or, if such disclosures are inadequate, to modify our opinion. 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 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 represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (superseded version).
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and 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 report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Report on the Group Management Report

Opinion on the Group Management Report

We have audited the Group management report of VERBIO Vereinigte BioEnergie AG, Zörbig for the financial year from July 1, 2016 to June 30, 2017.

In our opinion, based on our knowledge obtained in the audit, the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the Group management report.

Basis for Opinion on the Group Management Report

We conducted our audit in accordance with Section 317 (2) HGB (superseded version) and German generally accepted standards for the audit of management reports promulgated by the German Institute of Public Auditors [IDW]. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and of Those Charged with Governance for the Group Management Report

The management is responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with the German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the management is responsible for such arrangements and measures (systems) as it deems necessary to enable the preparation of the Group management report in compliance with the requirements of German commercial law applicable pursuant to Section 315a (1) HGB (superseded version) and for providing sufficient and appropriate evidence for the statements in the Group management report.

Those charged with governance are responsible for overseeing the Group's financial reporting process for the preparation of the Group management report.

Auditor's Responsibilities for the Audit of the Group Management Report

Our objectives are to obtain reasonable assurance as to whether the Group management report as a whole provides a suitable view of the Group's position, and, in all material respects, is consistent with the consolidated financial statements and our knowledge obtained in the audit, complies with the German statutory requirements, and suitably presents the opportunities and risks of future development and to issue an auditor's report that includes our opinion on the Group management report.

As part of an audit, we examine the Group management report in accordance with Section 317 (2) HGB (superseded version) and German generally accepted standards for the audit of management reports promulgated by the IDW, and we draw attention to the following:

- The audit of the Group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these arrangements and measures (systems).
- We perform audit procedures on the prospective information presented by the management in the Group management report. Based on sufficient and appropriate audit evidence, in particular we hereby trace the significant assumptions used by the management as a basis for the prospective information, and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate opinion on the prospective information or the underlying assumptions. There is a significant unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate opinion on individual disclosures in the Group management report; our opinion covers the Group management report as a whole.

Additional Requirements in Accordance with Article 10 EU-AprVO

We were elected as auditors by the shareholders' meeting held on January 27, 2017. We were appointed by the Supervisory Board on June 28, 2017. We have been engaged as auditors of VERBIO Vereinigte BioEnergie AG continuously since the audit of the financial statements for the short financial year from May 19 to June 30, 2006. We declare that the audit opinion in this auditor's report is consistent with the additional report to the audit committee according to Article 11 EU APrVO (long form audit report).

Responsible Auditor

The engagement partner on the audit resulting in this independent auditor's report is Antje Strom.

Leipzig, September 22, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Strom	Dr. Schneider
Wirtschaftsprüfer	Wirtschaftsprüfer

Further information

Executive bodies of the Company

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

- President of the Board of Directors, Feintool International Holding AG, Lyss, Schweiz
- President of the Board of Directors and CEO, Arbonia AG, Arbon, Schweiz
- Member of the Board of Directors, Artemis Holding AG, Aarburg, Schweiz
- 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 Auditor and Certified Tax Advisor, Ludwigsburg

Dr.-Ing. Georg Pollert
Mitglied des Aufsichtsrats

Chemist and process engineer, Berlin

Chairman, Arbeitsgemeinschaft Qualitätsmanagement Biodiesel e.V.

Management Board

Claus Sauter
Chairman of the Management Board

Responsible for strategic corporate development, business development, sales and trading, procurement (liquid primary products), contract management, finance and accounting, taxes, press and publicity, investor relations and legal matters

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

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

Theodor Niesmann
Management Board, Biodiesel and Human Relations

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

Bernd Sauter
Management Board, Procurement and Logistics

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

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).

Biofuel
> Biofuels

Biogas
Biogas is a gas mix containing methane manufactured by means of the anaerobic fermentation of energy crops or organic waste (for example, slops, straw and manure from animal farming) at temperatures of 35–55°C. It is used for power or heat generation. It can be processed into biomethane (i.e. biogas with the properties of natural gas) and fed into the natural gas network. In this way it can also be used as fuel for vehicles powered by natural gas, or used in the chemical industry.

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

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

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

Biofuel Sustainability Regulation (Biokraft-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 and detailed requirements are set out for the protection of nature and of the environment.

Biofuel quota
The biofuel quota obliged the oil industry in Germany to distribute a minimum amount of biofuels by the end of 2014, the quantities being defined based on their annual total sales volumes of petrol and diesel. 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 (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 fuel for natural gas-powered vehicles or used in the chemical industry.

Biorefinery

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

Blending

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

BMUB

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

Lower and higher heating value

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

The lower heating value (LHV) represents the thermal energy released by burning when the steam in the gas is not condensed.

The higher heating value (HHL) refers to the energy released by burning together with the exhaust/latent heat released during condensation.

BtL (Biomass to Liquid)

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

B100

> Biodiesel

Coceral

European umbrella organisation for the Cereals, Animal Feed, Oilseeds, Olive Oil, Oils and Fats and Agrosupply Trade

CO_2

> Carbon dioxide

Co-HVO

Co-processed vegetable oils describes vegetable oils (mostly palm oil) used in refinery processes to manufacture fossil fuels. In the draft 38th BImschV this Co-HVO, a bio-component, will 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. In comparison with petrol and diesel, natural gas has the advantage of burning more cleanly. CNG will receive tax incentives in Germany until December 31, 2018.

CNG-Club e.V.
The CNG-Club e.V. was formed in early 2017 and is a non-profit organisation representing drivers of CNG powered vehicles as well as a consultant for public policy, natural gas science and for the automotive industry regarding matters concerning CNG mobility.

Decarbonisation
Decarbonisation refers to shifts in the economy, particularly in relation to energy use, which have the goal of further reducing CO_2 emissions. 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
The German Energy Agency GmbH (dena) is a competence centre for energy efficiency and regenerative energies. Formed as a limited company, dena operates on a cost and performance basis. It finances its projects using public grants and income from private business.

DET's
Differential export taxes are protective tariffs imposed by the European Union (EU) against biodiesel which has been unfairly subsidised by Argentina and Indonesia.

German Corporate Governance Code (DCGK)
The German Corporate Governance Code presents essential statutory regulations concerning the management and supervision of German listed companies and contains internationally and nationally recognised standards of good and responsible company management in the form of recommendations and suggestions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

Advanced biofuels
> Second generation biofuels

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

FQD – Fuel Quality Directive
> Fuel Quality Directive

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

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

Heating value
> Lower and higher heating value

HVO (Hydrot Treated Vegetable Oil)
The term Hydrogenated or Hydrotreated Vegetable Oils (HVO) describes vegetable oils which are converted to hydrocarbons by means of a catalytic reaction with hydrogen (hydrogenation). In this process the properties of vegetable oils are processed so that they can be used as fossil fuels (in particular diesel fuels), enabling them to be used as additives or as substitutes for the fuel.

Indirect Land Use Change (iLUC)
The additional agricultural production of bioenergy fuels is changing the pressure on available agricultural space. iLUC occurs when raw materials, i.e. energy plants for the production of biofuels, are grown using space that has previously been used for producing foodstuffs and livestock feed, and the previous applications are removed to space that was not previously used for agricultural purposes. All available space worldwide is considered for this purpose.

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

Conventional fuels
> Fossil fuels

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

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

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

MYR
Currency code for the Malaysian Ringgit

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

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

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.

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.

RED – Renewable Energy Directive
> Renewable Energy Directive

Sterols
> Phytosterols

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

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

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

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

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

UER (Upstream emissions reductions)
UERs describe the reduction of all emissions throughout the fuel value added production chain including the obtaining of raw materials, processing and transport. The Federal Government is considering giving partial accreditation to the reduction of emissions as greenhouse gas reductions counted against the volume of fossil fuels supplied to the market in Germany independently of the geographic location of where those savings are made, i.e. where reductions which are relevant to climate change even if those savings are made in a completely different part of the world.

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

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

verbiodiesel

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

verbioethanol

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

verbiogas

*verbio*gas is a second generation biofuel for natural gas vehicles which is manufactured without the use of foodstuffs. *verbio*gas is produced solely from agricultural waste, for example slops, a residue from bioethanol production, or from straw. The biogas is processed into biomethane of natural gas quality and fed into the natural gas network. The use of *verbio*gas saves 90 percent CO_2 compared to the use of petrol.

verbioglycerin

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

Notes

Notes

Financial calendar 2017/2018

September 27, 2017	Publication of annual report 2016/2017 Analyst's conference/annual financial statements press conference
November 9, 2017	Publication of the quarterly statement for the period ended September 30, 2017 (July 2017 to September 2017)
February 2, 2018	Annual General Meeting, Radisson Blu Hotel, Leipzig
February 8, 2018	Publication of the half-yearly interim report 2017/2018 (July 2017 to December 2017)
May 9, 2018	Publication of the quarterly statement for the period ended March 31, 2018 (July 2017 to March 2018)
September 26, 2018	Publication of annual report 2017/2018 Analyst's conference/annual financial statements press conference

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