verbio

Biofuel and Technology

Half-year financial report to December 31, 2019 (Q2 2019/2020)

Group key figures

[in EUR million]

Profitability	Q1 2019/2020	Q2 2019/2020	1. Hj. 2019/2020	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Sales	210.1	226.5	436.6	170.7	209.5	380.2
EBITDA	23.8	30.1	53.9	16.6	40.7	57.3
EBIT	17.6	22.3	39.9	11.0	35.6	46.6
EBIT-margin (%)	8.4	9.8	9.1	6.4	17.0	12.3
EBT	17.3	21.9	39.2	11.0	35.5	46.5
period result	12.1	13.2	25.3	7.8	25.2	33.0
Earnings per share (EUR)	0.20	0.30	0.40	0.13	0.40	0.53

Operating data	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Productions (tons)	195,706	207,082	402,788	180,333	180,698	361,031
Productions (MWh)	186,670	190,248	376,918	154,444	183,525	337,969
Utilisation Biodiesel/ Bioethanol (%) [1]	85.1	90.0	87.6	98.8	99.0	98.9
Utilisation Biomethane (%) [1]	93.0	101.5	100.5	103.0	122.5	112.7
Investments in property, plant and equipment	31.2	10.3	41.5	10.5	25.9	35.4
Number of employees [2]	695	702	702	580	582	582

Net asset position	30.09.2019	31.12.2019	31.12.2019	30.09.2018	31.12.2018	31.12.2018
Net financial assets	34.8	52,4	52,4	92.7	96.5	96.5
Equity	356.0	368.8	368.8	308.3	332.0	332.0
Equity ratio (%)	71.6	73.1	73.1	81.3	76.5	76.5
Balanca sheet total	497.3	504.4	504.4	379.4	433.9	433.9

Financial position	Q1 2019/2020	Q2 2019/2020	1. Hj. 2019/2020	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Operating cash flow	8.4	29.5	37.9	10.3	13.2	23.5
Operating cash flow per share (EUR)	0.13	0.47	0.60	0.16	0.21	0.37
Cash an cash equivalents [3]	86.3	81.5	81.5	93.2	104.4	104.4

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

Segment key figures

[in EUR million]

Biodiesel	Q1 2019/2020	Q2 2019/2020	1. Hj. 2019/2020	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Sales	140.5	147.8	288.3	112.9	146.8	259.7
EBITDA	13.6	11.5	25.1	13.7	36.6	50.4
EBIT	12.0	8.8	20.8	12.5	35.5	48.0
Production (t)	134,643	146,350	280,993	119,658	119,828	239,486
Utilisation (%) [1]	81.6	88.7	85.1	101.8	102.0	101.9
Number of employees [2]	200	199	199	116	122	122

Bioethanol (incl. Biomethane)	Q1 2019/2020	Q2 2019/2020	1. Hj. 2019/2020	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Sales	66.9	76.7	143.6	55.4	60.2	115.6
EBITDA	9.6	18.0	27.6	2.6	4.3	6.9
EBIT	5.4	13.3	18.7	−1.6	0.6	−1.0
Production (t)	61,063	60,732	121,795	60,675	60,870	121,545
Production (MWh)	186,670	190,248	376,918	154,444	183,525	337,969
Utilisation Bioethanol (%) [1]	93.9	93.4	93.7	93.4	93.7	93.5
Utilisation Biomethane (%) [1]	93.0	101.5	100.5	103.0	122.5	112.7
Number of employees [2]	330	338	338	289	293	293

Other	Q1 2019/2020	Q2 2019/2020	1. Hj. 2019/2020	Q1 2018/2019	Q2 2018/2019	1. Hj. 2018/2019
Third party sales	4.5	3.5	8.0	4.4	3.8	8.2
EBIT	0.2	0.2	0.4	0.1	−0.4	−0.3

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

Group Interim Management Report

Consolidated Interim Financial Statements (IFRS)

Other information

Group Interim Management Report

for the period from July 1, 2019 to December 31, 2019

Economic report

Economic and political environment

Market conditions in Germany

At the current time statistics issued by the German Federal Office of Economics and Export Control (BAFA) are available up to and including October 31, 2019. These statistics show a small increase in the consumption of diesel fuel in Germany (an increase of 1 percent) for the first ten months of the 2019 calendar year. This means that the clear downward trend in the calendar year 2018, which showed a decline of 1.2 million tonnes compared to the calendar year 2017, has been broken. In contrast, the quantities of biodiesel and hydrogenated vegetable oils (HVO) included in diesel for the period from January to October 2019 declined by – 1.7 percent. This means that the blending rate has fallen slightly, and as a percentage of diesel volumes amounts to 6.1 percent (2018: 6.3 percent).

The BAFA also reported a slight increase for petrol-based fuels (an increase of +0.5 percent) in the period from January to October. The use of ethanol as an additive also declined by – 1.4 percent. Within this, the E10 market share persists at a continued low level. On a cumulative basis, for the first ten months of 2019 blending was at 13.6 percent, as compared to 13.1 percent in 2018.

Market conditions in other sales markets

CNG (Compressed Natural Gas)/biomethane as a biofuel

The share of biomethane added to natural gas has again fallen significantly in recent years.

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. The figures are available up to 2018, and these demonstrate a significant increase in the use of biomethane in the fuel sector since 2015, up from 345 GWh in 2015 to 373 GWh in 2016 and 449 GWh in 2017. However, a fall to 389 GWh in 2018 has been reported. This is primarily due to the fact that the use of fossil natural gas can be credited for greenhouse gas quota purposes from January 1, 2018 following the implementation of the 38th BImSchV. This led to the owners of natural gas filling stations being a lot more cautious in the use of Bio-CNG, benefitting CNG. Overall, the market trends in this segment are still not improving, which is primarily due to the regulatory environment and the uncertainty concerning the quota demand under the GHG (greenhouse gas) quota regulation, which is an impediment to the use of biomethane in the fuel sector. However, we expect that 2019 will not have seen a further fall, and that the biomethane share will increase again in 2020 by a small amount. This is in the light of the legal background, which provides for a discount on road tolls for heavy goods vehicles powered by CNG/LNG fuels, which increases the pressure on industry to transfer to CO_2 neutral transport systems.

Markets 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. However, it can also result in market entry barriers in certain countries.

Biofuels are gaining in global competitiveness due to the continuing increases in crude oil prices and the expectation that supply and demand in crude oil markets will again be evenly matched. In any case, biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, where incentives for biofuel use, e.g. tax incentives or compulsory blending requirements, are being introduced or increased. As a result, investments are being made in new local biofuel production capacity. Indonesia and Malaysia in particular are preparing themselves for a situation whereby the EU will permit less palm oil to be used in future, since the cultivation of palm oil plants there is currently being heavily criticised in public debate.

Sales price trends

The price of biodiesel in Q2 2019/2020 was, at EUR 178/tonne, below the average for the same period in the previous year, while the price of rapeseed oil was approximately EUR 80/tonne, higher than in the same period in the previous year.

The higher biodiesel margins in the same quarter of the previous year were due to the fact that the demand for domestic rapeseed oil methyl ester was particularly high, as logistics in the Antwerp, Rotterdam and Amsterdam (ARA) region were significantly restricted as a result of the very low water levels in the Rhine. The market was better prepared for the low water levels in the Rhine in Q2 2019/2020. In the event, the Rhine remained passable and rainfall was sufficient to enable barges to be adequately laden.

Bioethanol was able to increase significantly from Q1 2019/2020 to Q2 2019/2020 (EUR + 43/cbm), and was EUR 102/cbm above the level in the same period in the previous year, whereby the price of wheat Q2 2019/2020 was approximately EUR 20/tonne lower than in the same period in the previous year. The most significant driver of this was that both of the largest ethanol plants in England were not in operation or were only operating at low capacity utilisation rates. The good demand for ethanol in South America (primarily in Brazil), China and South Korea limited the opportunities for arbitrage for imports into Europe and the arbitrage window was only open for a short period; in addition to this the high demands placed on quality and for greenhouse gas savings in Europe limited the range of potential suppliers. The availability of Ethanol in the ARA region fell consistently, and as a result the ethanol prices in the final quarter of 2019 were over EUR 700/cbm (EUR 714/cbm on November 14).

The spot price is currently around EUR 660/cbm. We continue to anticipate a market which is slightly undersupplied. The room for upward price trends will however be limited by possible imports from the USA, as the opportunities for arbitrage have been eased as a result of the abolition of anti-dumping duties.

Grain and oil seed

In its WASDE report dated 10 January 2020 (WASDE 596-8) the USDA has not made significant amendments compared to October 2019. Worldwide cereal production for the 2018/2019 season remains at 2,625.43 million tonnes. With this estimate the USDA increases world production by a further 9 million tonnes compared to the previous year's level of 2,616.6 million tonnes. For 2019/2020 the forecast in the January 2020 report is 2,662.86 million tonnes, compared to 2,659.68 million tonnes in the October 2019 forecast.

There was a minor change to the worldwide wheat production level compared to the October report. Due to the dry conditions that prevailed in parts of Europe and Australia as well as to the smaller area under cultivation, wheat production in 2018/2019 is expected to be 731.45 million tonnes compared to 730.55 million tonnes (USDA 596-18). However, in the latest estimates consumption in 2018/2019 also fell again to 736.45 million tonnes (previously 741.78 million tonnes) and closing inventories increased to 278.06 million tonnes. For 2019/2020 the January estimates of wheat production were only 765.41 million tonnes (compared to 765.53 million tonnes) with consumption of 753.76 million tonnes and closing inventories of 289.50 million tonnes.

Trends in raw material prices

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

Development of selected raw materials and products

	Q1 2018/2019	Q2 2018/2019	Q3 2018/2019	Q4 2018/2019	2018/2019	Q1 2019/2020	Q2 2019/2020
Crude oil (Brent; USD/barrel)	76	69	64	68	69	62	62
Diesel FOB Rotterdam (EUR/tonne)	575	560	518	543	549	523	530
Biodiesel (FAME –10 RED; EUR/tonne)	826	1065	865	795	888	875	887
Petrol FOB Rotterdam (EUR/tonne)	773	626	565	600	641	524	503
Bioethanol (T2 German Specs; EUR/cbm)	489	541	578	605	553	600	643
Rapeseed oil (EUR/tonne)	729	747	733	729	735	786	827
Palm oil (EUR/tonne)	488	434	473	458	463	478	609
Wheat (MATIF; EUR/tonne)	199	202	197	182	195	171	181
Sugar (EUR/tonne)	204	249	246	240	235	231	255

In its crop report issued in December 2019, COCERAL, the European agricultural association, expects a total grain harvest of 307.753 million tonnes for the EU 28 in the season 2018/2019, of which 145.035 million tonnes is wheat. With this, the EU grain production in the last harvest will be approximately 21 million tonnes greater than in the previous season. The damage caused by the heat waves in June and July was less than had been feared, but the quality of the wheat suffered. Worldwide prices increased significantly during the second half of the calendar year 2019 after having previously fallen significantly to below USD 170/tonne.

Due to the dry summer weather in the world's major growing regions prices rose to levels over USD 200/tonne on the CBOT, then fell back to below USD 170/tonne in the third quarter, and then increased continuously from September onwards. Currently the prices are again over USD 200/tonne. According to the USDA report issued on January 10, 2020 (WASDE 596-10), worldwide oil seed production for the 2018/2019 harvest year is approximately 596.63 million tonnes (latest estimates: 597.41 million tonnes). For 2019/2020 574.63 million tonnes are expected, a significantly lower total. The upcoming harvest in Argentina is expected to be 53 million tonnes (2018/2019 harvest: 55.3 million tonnes) (WASDE 596-28), Brazil will produce at least 123 million tonnes of soya (2018/2019 harvest: 117 million tonnes), and in the USA 96.84 million tonnes of beans are expected (2018/2019 harvest: 120 million tonnes). The area under cultivation for the current season 2018/2019 in the USA is stated as 89.2 million acres, slightly less than in the previous year (89.5 million acres). For 2019/2020 the area used for soya in the USA is given as only 75 million acres (USDA 596-15).

The price for soya beans has moved within a range between USD 800 ct/bu and USD 930 ct/bu over the course of the year, influenced time and again by news concerning the Chinese-American trade dispute. In addition, the protein market is affected by lower consumption in China, as African swine fever led to a significant reduction in the number of pigs in China, particularly in the first and second quarters of the calendar year 2019. The planned agreement between the parties includes, among other things, massive imports of agricultural products by the Chinese. However, in the circumstances it can be expected that more finished products such as meat and ethanol, instead of soya beans or grain, will need to be imported.

Current estimates for European rapeseed yields for 2018/2019 by COCERAL (the Oil Seed Report from December 2019), are only 17.078 million tonnes; the estimated figure in December 2018 was 19.3 million tonnes (2017/2018: 19.71 million tonnes). Overall, COCERAL expects 29.580 million tonnes of seed oil in the EU in 2018, compared to 32 million tonnes estimated in December. The dry summers in 2018 and 2019 continue to affect rapeseed in particular; the area under cultivation was reduced by approximately one million hectares to 5.6 million hectares. The oil content for the 2019 harvest is significantly lower, at 39–42 percent below the level of earlier years. The rapeseed oil prices were already higher following the harvest, with peak spot market prices in December and January of € 875/tonne. The market for vegetable oils is generally very robust. The market prices for rapeseed oil for the rest of the year 2020 are significantly above € 800/tonne.

In its issue dated December 13, 2019 (page 3), Oil World forecasts that worldwide production of rapeseed for 2019/2020 will be 61.7 million tonnes, 2.9 million tonnes lower than in 2018/2019. In particular, in Europe the area under cultivation was reduced due to the dry conditions in 2018 and 2019. The area under cultivation in Canada was also reduced, and the harvest yield there will be 18.9 million tonnes, one million tonnes lower. Early snowfalls in the prairies have led to a situation where some of the Canola regions can no longer be harvested, and it is estimated that of the 18.9 million tonnes, up to 1 million tonnes will not be available until after the spring. The losses in Europe and Australia can be compensated by better harvests in Canada, Russia and the Ukraine. A small improvement in the level of production for sunflowers is expected with 53.55 million tonnes worldwide, of which 9.46 million tonnes is in the EU.

The prices for palm oil have also been volatile. While the price of crude palm oil FOB in February 2019 hit highs of USD 538/tonne, a rapid price fall began thereafter, with a low point of USD 451/tonne in June 2019. The prices have increased again since then. The weak prices have led to stronger sales of fuels in Asia in the summer months. However, since the fall in diesel prices from mid-July the differential between palm oil and diesel has been too small to permit further flows of palm oil into the fuels sector. The increase in production of palm oil in 2020 will be 1.1 million tonnes, significantly less than in recent years (Oil World, 50, p. 619). The level of palm oil production expected is somewhat smaller, with 75.7 million tonnes in 2019 and 78.69 million tonnes in 2020 (October 2019 – September 2020). The increase in the production volumes has slowed in the past year; the growth in areas under cultivation is slow, and small farmers in particular are choosing not to use fertiliser and there continue to be problems recruiting sufficient workers, leading to harvest losses. Further weak production numbers are expected for the first quarter of 2020 in Asia. Chinese imports in 2018/2019 and 2019/2020 were 6.79 million tonnes and 6.93 million tonnes respectively. Indonesia will increase the national biodiesel requirement to 30 percent from January 1, 2020. Malaysia has announced the introduction of B20 from January 1, 2020. The world consumption of palm oil is estimated at 80.16 million tonnes for the period September 2019 to October 2020 (Oil World, October 11, 2019, page 502). The production deficit can be covered by a reduction in inventory levels. Inventories worldwide at the end of 2018 were approximately 14.86 million tonnes.

Political environment and legal framework for biofuels

The future development of the biofuels value creation chain as a whole is dependent on European Union and German government policy after 2020.

Political environment (implementation status at EU level)

The political environment and legal framework at the European level as described in the annual report 2018/2019 continues to apply. Please refer to the annual report 2018/2019 for details.

Political situation (implementation in Germany)

We refer to the annual report 2018/2019 for details of the political environment and the legal situation in Germany. This remains unchanged.

- Time and again it is necessary to draw attention to the question of whether there are any alternatives to biofuels available for use in the transport sector that can achieve the 2030 targets under sensible market conditions (market range, costs).
- In particular we communicate with the Federal Ministry for Economic Affairs and the Federal Ministry of Transport, and in part with the Federal Ministry of Agriculture, in order to promote an ambitious implementation of the Renewable Energy Directive (RED II) that will be achieved as quickly as possible. The GHG quota has proved itself and must be continued; it should be increased on a step-by-step basis up to at least 16 percent by 2030.
- Time and again, recurring questions concerning the achievability of plans have always been answered positively. Erroneous expert opinions, usually commissioned by the Federal Ministry for the Environment, such as for example about the potential of biomethane, have been debunked long ago. The Climate Cabinet was given a metastudy commissioned by the Federal Ministry for Education and Research which indicates a biomass potential of more than 1,000 petajoules.
- The Federal Government should transform the recommendations of the “Gas 2030” dialogue process into concrete policies quickly, in particular for measures to increase the use of biomethane and hydrogen in transport. Shell AG has presented a comprehensive programme for the decarbonisation of heavy goods transport. For this purpose, Shell will use liquid biomethane. Shell plans to expand its LNG network to 40 locations and sell a LNG and biomethane mix. Seat has recently announced that the sale of their CNG models in November increased to almost 11 percent of their total sales.
- When reviewing the EU fleet targets for passenger vehicles and heavy goods vehicles it is important to base this on the well-to-wheel approach. This would make the use of biomethane and green hydrogen or PTX fuels more attractive.
- Discussions have been intensified with the Federal Government concerning a solution to the problem of finding ways of importing biomethane in order to widen the supply basis, an issue which has remained unresolved for many years.
- It is positive to note that the Federal Government has planned to make funds of EUR 472 million available for research and development into advanced biofuels for the period up to 2023 (and an additional EUR 677 million for research into electrolysis).
- Whether and to what extent the EU Commission’s “New Green Deal” will offer opportunities remains to be seen. If opportunities result from the deal, then surely there will need to be further amendments to the RED II.

Regulatory and tax environment in Germany

We refer to the explanations provided in the 2018/2019 Annual Report for a description of the regulatory and tax situation in Germany. There have been no significant changes since then which have had an effect on the net assets, financial position and results of operations.

Business report and the Group's position

Results of operations

VERBIO produced 402,788 tonnes of biodiesel and bioethanol in the first six months of the 2019/2020 financial year, compared to 361,031 tonnes in the comparative period in the previous year. This now represents a total capacity utilisation rate of 88 percent. Here it should be taken into account that production at the biodiesel plant acquired in Canada was only ramped up on a step-by-step basis from August onwards. In the first half-year of the financial year 2019/2020 376,918 MWh of biomethane were produced (1 HY 2018/2019: 337,969 MWh).

With increased production and sales volumes, the Group's revenues increased by 15 percent to EUR 436.6 million (1 HY 2018/2019: EUR 380.2 million). Further information is presented in the detailed comments on the individual segments.

Other operating income increased due to higher currency exchange gains, and amounted to EUR 8.2 million (1 HY 2018/2019: EUR 7.0 million).

Material costs amounted to EUR 351.6 million, also at a higher level than in the same period in the previous year 2018/2019 (1 HY 2018/2019: EUR 301.1 million). However, taking account of changes in inventory of unfinished and finished goods, the gross margin of EUR 92.5 million is significantly higher than in the comparative period of the previous year (1 HY 2018/2019: EUR 83.4 million). This is primarily due to the margin trends in the second quarter of 2019/2020. The margin totalled EUR 51.8 million in the second quarter, primarily due to comparatively higher sales prices for bioethanol in that period.

Personnel expenses in the first six months of the financial year 2019/2020 amounted to EUR 22.0 million (1 HY 2018/2019: EUR 17.0 million). The increase is due to the increase in the number of employees as a result of the ramp-up of the new business activities.

Other operating expenses amounted to EUR 23.4 million in the reporting period (1 HY 2018/2019: EUR 18.4 million). This mainly includes expenses for repair and maintenance, outgoing freight, vehicle costs and foreign currency translation losses, whereby the increase is due primarily to the increasing expenses for maintenance.

Earnings before interest, taxes and depreciation (EBITDA) amounted to EUR 53.9 million, slightly under the level of the EBITDA in the comparative period in the previous year (1 HY 2018/2019: EUR 57.3 million). Overall the higher costs have meant that the increase in gross margins has not resulted in an improved EBITDA.

The Group operating result (EBIT) amounted to EUR 39.9 million, EUR 6.7 million lower than in the comparative period in the previous year (1 HY 2018/2019: EUR 46.6 million).

The Group result before tax (EBT) totalled EUR 39.2 million (1 HY 2018/2019: EUR 46.5 million), and the net result for the period was EUR 25.3 million (1 HY 2018/2019: EUR 33.0 million). Based on the result for the period, earnings per share (basic and diluted) were EUR 0.40 (1 HY 2018/2019: EUR 0.53).

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

Net assets and financial position

Assets and liabilities

The balance sheet total at December 31, 2019 amounted to EUR 504.4 million, representing an increase of EUR 79.5 million compared to June 30, 2019 (June 30, 2019: EUR 424.9 million).

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

Non-current assets increased by a total of EUR 44.9 million and amounted to EUR 259.1 million at the balance sheet date (June 30, 2019: EUR 214.2 million). The increase is primarily due to new investments in property, plant and equipment, which clearly exceeded scheduled depreciation charges. In addition, right-of-use assets for assets held under leasing arrangements amounting to EUR 14.1 million have been recognised at December 31, 2019 as a result of the initial application of IFRS 16.

The EUR 34.5 million increase in current assets, from EUR 210.8 million at June 30, 2019 to EUR 245.3 million, is primarily due to increases in inventory (EUR 12.3 million), derivatives (EUR 8.7 million), and cash balances (EUR 13.5 million).

The increase in inventories is attributable to the higher inventories of raw materials due to grain purchases following the 2019 harvest, and to the establishment of inventory at the biodiesel plant in Canada following the commissioning of the plant there. Please refer to the comments on the cash flow statement for details of changes in the balance of cash and cash equivalents.

The liabilities and equity side of the balance sheet includes equity of EUR 368.8 million (June 30, 2019: EUR 338.9 million), representing approximately 73.1 percent (June 30, 2019: 79.8 percent) of the balance sheet total. The lower equity ratio, despite the higher level of equity overall, is primarily due to the changes in non-current liabilities which increased from EUR 7.1 million to EUR 49.4 million compared to June 30, 2019. The increase in non-current liabilities was primarily in connection with the issue of a promissory note of EUR 30.0 million as well as the initial recognition of lease liabilities as a result of the initial application of IFRS 16.

Cash flows

The operating cash flow for the reporting period totalled EUR 37.9 million (1 HY 2018/2019: EUR 23.5 million). The increase is despite the lower result for the period compared to the previous year, primarily due to the fall in other assets (1 HY 2018/2019: increase) and a larger increase in other liabilities.

Overall net outflows in the first half-year 2019/2020 totalled EUR 42.5 million (1 HY 2018/2019: cash inflows of EUR 28.4 million) as a result of investment activities. The current year's figure includes net payments made for investments in property, plant and equipment (EUR 42.4 million; 1 HY 2018/2019: EUR 32.3 million), compared to cash inflows from the release of term deposits of EUR 60 million in the previous year.

The cash flow from financing activities for the reporting period totalled EUR 18.0 million (1 HY 2018/2019: EUR 6.6 million). This was due to the drawdown of financial liabilities of EUR 31.8 million (1 HY 2018/2019: EUR 6.6 million) and cash outflows for the repayment of financial liabilities of EUR 11.8 million (1 HY 2018/2019: EUR 0 million).

Cash and cash equivalents increased by a total of EUR 13.5 million. Cash and cash equivalents at December 31, 2019 amounted to EUR 81.5 million.

Net cash

The bank and loan finance arrangements are more than offset by cash and cash equivalents of EUR 81.5 million and other cash balances held in segregated accounts of EUR 1.4 million, so that the reported net cash balance at the balance sheet date amounted to EUR 52.8 million (June 30, 2019: EUR 64.2 million).

Investments

Investments in property, plant and equipment totalling EUR 41.5 million were made in the first half of the financial year 2019/2020 (1 HY 2018/2019: EUR 35.4 million).

Segment reporting

Biodiesel

VERBIO has an annual biodiesel production capacity of 660,000 tonnes. Production in the first six months of 2019/2020 totalled 280,993 tonnes, which represented an increase compared to the corresponding period in the previous year (1 HY 2018/2019: 239,486 tonnes). The capacity utilisation was 85.1 percent as a result of the adjustments to capacity and to the step-by-step ramp-up of production at the biodiesel plant in Canada.

Revenues in the Biodiesel segment totalled EUR 288.3 million, following EUR 259.7 million in the corresponding period in 2018/2019. The increase in sales revenues is a result of an increase in production and sales volumes in the first half of the financial year 2019/2020, despite a fall in average sales prices.

The cost of materials amounted to EUR 254.1 million (1 HY 2018/2019: EUR 201.0 million), which was, in proportion to sales revenues, higher than the cost of materials in the corresponding period in the previous year. The gross margin fell in the first half-year 2019/2020 from EUR 61.4 million to EUR 42.0 million.

Personnel expenses amounted to EUR 7.8 million in the reporting period (1 HY 2018/2019: EUR 5.4 million).

Other operating expenses totalled EUR 9.9 million (1 HY 2018/2019: EUR 7.1 million). The segment result included losses recorded on futures transactions of EUR 1.7 million (1 HY 2018/2019: EUR 0.4 million), and the segment result for the period totalled EUR 20.8 million (1 HY 2018/2019: EUR 48.0 million).

Bioethanol

VERBIO has a total annual bioethanol production capacity of 260,000 tonnes, unchanged compared to the previous year. Production in the first six months of 2019/2020 totalled 121,795 tonnes, almost identical to the corresponding period in the previous year (1 HY 2018/2019: 121,545 tonnes).

In total, the Bioethanol segment generated sales revenues of EUR 143.6 million (1 HY 2018/2019: EUR 115.6 million). The average sales prices for bioethanol were significantly higher.

The cost of materials changed little compared with the previous year at EUR 94.4 million (1 HY 2018/2019: EUR 96.3 million), with the consequence that segment gross margin, after taking the change in inventories into account, increased by EUR 27.9 million to EUR 48.9 million, after EUR 21.0 million in the previous year. In contrast to the increase in average sales prices for bioethanol, the raw material costs for grain have declined.

Other operating income in this segment in the reporting period amounted to EUR 5.9 million (1 HY 2018/2019: EUR 5.2 million).

Personnel expenses amounted to EUR 12.0 million (1 HY 2018/2019: EUR 9.4 million).

Other operating expenses amounted to EUR 15.1 million, after EUR 12.3 million in the comparative period for the first half-year 2018/2019. This primarily consists of freight delivery costs and repair and maintenance costs.

The segment result before interest and taxation totalled EUR 18.8 million in the reporting period, after EUR –1.0 million in the corresponding period of the previous year.

Other

Revenues generated in the Other segment, primarily representing revenues from transport and logistic services, totalled EUR 8.0 million in the first six months of the financial year 2019/2020 (1 HY 2018/2019: EUR 8.2 million). The segment result amounted to EUR 0.4 million (1 HY 2018/2019: EUR –0.3 million).

Outlook, opportunity and risk report

Outlook

Once again, VERBIO's order books were extremely full in the first six months of 2019/2020, and this will continue through the calendar year 2020. Our customers appreciate the high greenhouse gas savings and reliable quality of our products, and at the same time we provide a high level of delivery reliability, flexibility and individual solutions to meet greenhouse gas quotas. In view of the increase in the GHG quota to 6 percent since January 1, 2020 we also expect good market opportunities for our biofuels in 2020 and beyond; our plants will be working at full capacity.

VERBIO issued an amended earnings forecast for the financial year 2019/2020 in an ad hoc announcement made on January 22, 2020. Accordingly, EBITDA is expected to be around EUR 110 million and the net cash balance at the end of the financial year is expected to increase to around EUR 40 million. Previously the Group had expected an EBITDA of around EUR 65 million and a low level of net debt at the end of the financial year 2019/2020.

Opportunity and risk report

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

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

Detailed information on the VERBIO Group's risk management system, and on the Group's opportunities and risks, is presented in the risk and opportunity report included in the 2018/2019 annual report.

There have been no changes to the opportunities and risks presented in the 2018/2019 annual report, and no changes in the risks and opportunities profile of the VERBIO Group during the reporting period.

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

Consolidated Interim Financial Statements (IFRS)

Consolidated statement of comprehensive income

for the period July 1, 2019 to December 31, 2019

EUR (thousands)	Q2 2019/2020	Q2 2018/2019	1. Hj. 2019/2020	1. Hj. 2018/2019
1. Revenue (including energy taxes collected)	226,671	209,674	436,870	380,465
less: energy taxes	–102	–128	–231	–230
Revenue	**226,569**	**209,546**	**436,639**	**380,235**
2. Change in unfinished and finished goods	799	2,279	7,472	4,327
3. Capitalised production of own plant and equipment	103	512	299	696
4. Other operating income	1,764	4,036	8,192	6,968
5. Cost of materials	–175,546	–159,260	–351,602	–301,134
6. Personnel expenses	–11,661	–9,113	–22,043	–16,986
7. Depreciation and amortisation	–7,784	–5,128	–14,030	–10,721
8. Other operating expenses	–11,351	–9,280	–23,377	–18,423
9. Result from commodity forward contracts	–625	1,946	–1,681	1,624
10. Operating result	**22,268**	**35,538**	**39,869**	**46,586**
11. Interest income	135	38	254	38
12. Interest expense	–504	–48	–972	–85
13. Financial result	**–369**	**–10**	**–718**	**–47**
14. Result before tax	**21,899**	**35,528**	**39,151**	**46,539**
15. Income tax expense	–8,683	–10,354	–13,807	–13,564
16. Net result for the period	**13,216**	**25,174**	**25,344**	**32,975**
Result attributable to shareholders of the parent company	12,240	25,313	25,116	33,113
Result attributable to non-controlling interests	976	–139	228	–138
Income and expenses recognized directly in equity				
Items, to be reclassified either as profit or loss:				
Translation of foreign operations	–31	52	139	33
Fair value remeasurement on cash flow hedges	–455	–1,162	6,283	–1,368
Deferred taxes recognized in equity	135	–149	–1,866	406
17. Income and expenses recognized directly in equity	**–351**	**–1,259**	**4,556**	**–929**
18. Comprehensive result	**12,865**	**23,915**	**29,900**	**32,046**
Comprehensive result attributable to shareholders of the parent company	11,889	24,160	29,672	32,184
Comprehensive result attributable to non-controlling interests	976	–139	228	–138
Result per share (basic and diluted)	0.20	0.40	0.40	0.53

Consolidated balance sheet

at December 31, 2019

EUR (thousands)		31.12.2019	30.06.2019
Assets			
A.	**Non-current assets**		
I.	Other intangible assets	773	856
II.	Property, plant and equipment	238,489	209,290
III.	Right-of-use assets under leasing arrangements	14,084	0
IV.	Financial assets	3,133	95
V.	Deferred tax assets	2,601	3,914
Total non-current assets		**259,080**	**214,155**
B.	**Current assets**		
I.	Inventories	75,426	63,078
II.	Trade receivables	53,207	48,540
III.	Derivatives	11,741	2,990
IV.	Other short-term financial assets	4,061	11,233
V.	Tax refunds	653	628
VI.	Other assets	18,708	16,296
VIII.	Cash and cash equivalents	81,523	68,025
Total current assets		**245,319**	**210,790**
Bilanzsumme		**504,399**	**424,945**

EUR (thousands)		31.12.2019	30.06.2019
Liabilities and equity			
A.	**Equity**		
I.	Share capital	63,000	63,000
II.	Additional paid-in capital	487,681	487,681
III.	Fair value reserve	5,187	770
IV.	Retained earnings	–188,520	–212,076
V.	Reserve for translation differences	–26	–165
Total equity, excluding non-controlling interests		**367,322**	**339,210**
VI.	Non-controlling interests	1,495	–293
Total equity		**368,817**	**338,917**
B.	**Non-current liabilities**		
I.	Bank loans and other loans	29,880	65
II.	Lease liabilities	10,113	0
III.	Provisions	128	156
IV.	Deferred investment grants and subsidies	3,510	4,013
V.	Other non-current liabilities	3,474	2,761
VI.	Deferred taxes	2,252	137
Total non-current liabilities		**49,357**	**7,132**
C.	**Current liabilities**		
I.	Bank loans and other loans	196	9,992
II.	Lease liabilities	4,109	0
III.	Trade payables	40,717	41,316
IV.	Derivatives	4,362	3,354
V.	Other current financial liabilities	7,303	9,483
VI.	Tax liabilities	15,826	6,493
VII.	Provisions	2,622	4,826
VIII.	Deferred investment grants and subsidies	1,017	1,017
IX.	Other current liabilities	10,073	2,415
Total current liabilities		**86,225**	**78,896**
Total equity and liabilities		**504,399**	**424,945**

Consolidated cash flow statement

for the period July 1, 2019 to December 31, 2019

EUR (thousands)	1. Hj. 2019/2020	1. Hj. 2018/2019
Net result for the period	25,344	32,975
Income taxes expense (prior-year period: income)	13,807	13,564
Interest result	718	47
Depreciation and amortization	14,030	10,721
Non-cash expense	352	256
Gain (previous year period: loss) on disposal of property, plant and equipment and disposal of investment grants	–395	333
Release of deferred investment grants and subsidies	–504	–515
Non-cash changes in derivative fiancial instruments	–1,460	–520
Increase in inventories	–12,348	–16,808
Increase in trade receivables	–4,667	–459
Decrease (prior-year period: increase) in other assets and other current financial assets	1,701	–18,170
Change in provisions	–2,241	3,691
Decrease (prior-year period: increase) in trade payables	763	3,443
Increase in other current financial and non-financial liabilities	6,302	423
Interest paid	–730	–84
Interest received	249	38
Income taxes paid	–3,013	–5,393
Cash flows from operating activities	**37,908**	**23,542**
Proceeds from investment grants	0	83
Acquisition of intangible assets	–77	–408
Acquisition of property, plant and equimpment	–42,883	–32,994
Proceeds from disposal of property, plant and equipment	496	662
Cash inflows form term deposits	0	60,042
Cash inflows from addition/disposal of non-current financial assets	0	1,005
Cash flows from investing activities	**–42,464**	**28,390**

EUR (thousands)	1. Hj. 2019/2020	1. Hj. 2018/2019
Payments for the redemption of financial liabilities	–11,769	0
Proceeds from the asssumption of financial liabilites	31,788	6,575
Payment of lease liabilities	–2,054	0
Cash flows from financing activities	**17,965**	**6,575**
Cash-effective change in cash funds	13,409	58,507
Change in cash funds due to effects of exchange rates	89	7
Cash funds at beginning of year	68,025	28,516
Cash funds at end of year	**81,523**	**87,030**
Cash funds at year end comprise the following:		
Restricted cash and cash equivalents	0	0
Cash and cash equivalents	81,523	87,030
Cash funds at end of year	**81,523**	**87,030**

Consolidated statement of changes in equity

for the period July 1, 2019 to December 31, 2019

EUR (thousands)	Share capital	Additional paid-in capital	Fair value reserve	Retained earnings	Reserve for translation adjustments	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
July 1, 2018	**63,000**	**487,681**	**1,018**	**–252,443**	**–233**	**299,023**	**1,195**	**300,218**
Translation adjustments	0	0	0	0	33	33	0	33
Fair Value changes on cash flow hedges (after tax)	0	0	–962	0	0	–962	0	–962
Income and expenses recognized directly in equity	**0**	**0**	**–962**	**0**	**33**	**–929**	**0**	**–929**
Net result for the period	0	0	0	33,113	0	33,113	–138	32,975
Comprehensive result for the period	**0**	**0**	**–962**	**33,113**	**33**	**32,184**	**–138**	**32,046**
Entities in the consolidation	**0**	**0**	**0**	**0**	**0**	**0**	**–215**	**–215**
December 31, 2018	**63,000**	**487,681**	**56**	**–219,330**	**–200**	**331,207**	**842**	**332,049**
July 1, 2019	**63,000**	**487,680**	**770**	**–212,076**	**–165**	**339,210**	**–293**	**338,917**
Translation adjustments	0	0	0	0	139	139	0	139
Fair Value changes on cash flow hedges (after tax)	0	0	4,417	0	0	4,417	0	4,417
Income and expenses recognized directly in equity	**0**	**0**	**4,417**	**0**	**139**	**4,556**	**0**	**4,556**
Net result for the period	0	0	0	25,116	0	25,116	228	25,344
Comprehensive result for the period	**0**	**0**	**4,417**	**25,116**	**139**	**29,672**	**228**	**29,900**
Entities in the consolidation	**0**	**0**	**0**	**–1,560**	**0**	**–1,560**	**1,560**	**0**
December 31, 2019	**63,000**	**487,680**	**5,187**	**–188,520**	**–26**	**367,322**	**1,495**	**368,817**

Selected explanatory disclosure notes

Condensed interim consolidated financial statements

Basis for preparation of the consolidated financial statements

The VERBIO Vereinigte BioEnergie AG interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the EU, as were the consolidated financial statements as of June 30, 2019. The rules contained in IAS 34 “Interim financial reporting” were applied accordingly. The interim financial statements of all companies included in the consolidated financial statements of VERBIO AG were prepared using uniform accounting and valuation methods.

These condensed interim consolidated financial statements do not include all the information that is required when annual consolidated financial statements are prepared. Accordingly, they should be read in conjunction with the consolidated financial statements as of June 30, 2019.

The condensed interim consolidated financial statements are prepared in euros (EUR). All amounts are presented in thousands of euros (EUR thousand) unless otherwise stated. Figures have been rounded in accordance with commercial practice; rounding differences may occur.

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

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

There have been no changes to the composition of the companies included in the Group consolidated financial statement since June 30, 2019. However, the Group increased its shareholding in VERBIO North America Corporation, held by VERBIO Renewables GmbH, a Group company, from 51 percent to 100 percent in the first half of the financial year 2019/2020. In addition, the Group’s entire shareholding in XiMo Kft. was sold by XiMo AG within the Verbio AG Group to Verbio AG. As a result, XiMo Kft. is now a wholly-owned subsidiary held by VERBIO AG directly.

Further details of the companies included in the Group consolidated financial statements are provided in the notes to the consolidated financial statements for the year ended June 30, 2019. The consolidation methods and the principles for the translation of amounts denominated in foreign currencies presented in the notes to the consolidated financial statements are unchanged.

Accounting and valuation methods

Given that the interim financial statements are based on the consolidated financial statements, we refer to the notes to the consolidated financial statements as of June 30, 2019 for a detailed description of the Group’s accounting, valuation and consolidation methods. The accounting and valuation methods are consistent with those used in the previous year, with the exception of the new or amended accounting standards and interpretations listed in the consolidated financial statements at June 30, 2019 which were applicable for the first time when preparing these interim financial statements. In particular, IFRS 16 “Leases” was mandatory for the Group for the first time from July 1, 2019. The effect of the initial application is described later in this section. The implementation of other new accounting standards and the effect of amendments to existing standards applicable to the Group for the first time from July 1, 2019 had no material effect on the presentation of the financial statements.

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

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

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

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

VERBIO applied the modified retrospective method for the initial application of IFRS 16 at July 1, 2019. As a consequence, the effect of the application of IFRS 16 was recorded as an adjustment of the opening balances in the balance sheet at July 1. Comparative information has not been adjusted. Right-of-use assets with a carrying amount of EUR 11.7 million have been recognised on the initial application of IFRS 16, and as a result, non-current assets and the balance sheet total at July 1, 2019 increased by the same amount compared to the balance sheet total reported at June 30, 2019. Additions to non-current liabilities and current liabilities at July 1, 2019 amounted to EUR 8.7 million and EUR 3.0 million respectively. Here too, the initial application had an effect on non-current and current liabilities and on the balance sheet total compared to the reported balance sheet for June 30, 2019.

The lease liabilities at July 1, 2019 amounting to EUR 12.5 million at June 30, 2019 are based on the discounted payment obligations in respect of the operating lease obligations, which were previously off-balance sheet in accordance with previous accounting standards, together with amendments to those amounts reflecting different treatments of lease extension options. The lease liabilities were discounted by applying the weighted average incremental borrowing rate of interest of 3.0 percent at July 1, 2019.

Notes to individual items in the consolidated statement of comprehensive income

Sales revenue

Sales revenue wholly comprises revenue from contracts with customers (EUR 436,639 thousand; 1 HY 2018/2019: EUR 380,235 thousand). We refer to the segment reporting (see Section "Other disclosures") for an analysis of revenue by category.

Other operating income

Other operating income amounted to EUR 8,192 thousand in the reporting period (1 HY 2018/2019: EUR 6,968 thousand). This primarily includes income from grants and the release of investment subsidies of EUR 2,791 thousand (1 HY 2018/2019: EUR 2,481 thousand) and currency exchange gains of EUR 1,860 thousand (1 HY 2018/2019: EUR 1,161 thousand), as well as electricity and energy tax reimbursements of EUR 1,424 thousand (1 HY 2018/2019: EUR 1,422 thousand).

Cost of materials

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

Other operating expenses

Other operating expenses in the reporting period amounted to EUR 23,377 thousand (1 HY 2018/2019: EUR 18,423 thousand). Significant items in other operating expenses included expenses for repair and maintenance of EUR 7,765 thousand (1 HY 2018/2019: EUR 5,486 thousand), outgoing freight costs of EUR 4,050 thousand (1 HY 2018/2019: EUR 3,495 thousand) foreign currency translation losses of EUR 1,524 thousand (1 HY 2018/2019: EUR 953 thousand), as well as vehicle costs of EUR 1,343 thousand (1 HY 2018/2019: EUR 1,454 thousand).

Result from commodity forward contracts

Gains and losses resulting from the change in value and closing out of forward commodity contracts for which hedge accounting could not be applied, and the ineffective portion of forward commodity contracts for which hedge accounting (cash flow hedges) was applied, totalled EUR –1,681 thousand (1 HY 2018/2019: EUR 1,624 thousand).

Income taxes

Income tax expense for the period from July 1, 2019 to December 31, 2019 amounted to EUR 13,807 (1 HY 2018/2019: EUR 13,564 thousand), comprising a current tax expense of EUR 12,244 thousand (1 HY 2018/2019: EUR 14,520 thousand) and deferred tax expenses of EUR 1,562 thousand (1 HY 2018/2019 tax income: EUR 956 thousand).

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

Earnings per share

Earnings per share was calculated in accordance with IAS 33. The earnings per share is calculated by dividing the earnings for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding. VERBIO AG has 63,000,000 no-par shares in circulation. Each share has a nominal value of EUR 1. The total number of shares outstanding is identical to the average number of shares outstanding for the period. There was no dilutive effect. The Group result attributable to the shareholders of the parent company for the period from July 1, 2019 to December 31, 2019 totalled EUR 25,116 thousand (1 HY 2018/2019: EUR 33,113 thousand). The result per share (basic and diluted) amounted to EUR 0.40 (1 HY 2018/2019: EUR 0.53).

Notes to individual items in the consolidated balance sheet

Non-current assets

Property, plant and equipment

Taking account of the carrying amounts of systematic depreciation (EUR 11,919 thousand), disposals (EUR 229 thousand), new investments in property, plant and equipment (EUR 41,493 thousand) and the effects of changes in currency exchange rates (EUR –146 thousand), the carrying value of property, plant and equipment increased to EUR 238,489 thousand (June 30, 2019: EUR 209,290 thousand). Investments in property, plant and machinery included, among other things, the acquisition of a biodiesel plant in Welland, Ontario/Canada acquired as part of an asset deal by VERBIO Diesel Canada Corporation, a VERBIO AG subsidiary.

Right-of-use assets under leasing arrangements

This position represents the right-of-use assets recognised under leasing arrangements as a result of the initial application of IFRS 16. Please refer to the “Accounting and valuation methods” section for further details. The movements on right-of-use assets in the first half of the financial year 2019/2020 included additions as a result of new lease contracts (EUR 4,315 thousand) and depreciation of the right-of-use assets (EUR 1,951 thousand), and total EUR 14,084 at December 31, 2019.

Current assets

Inventories

Inventories consist of the following:

EUR (thousands)	31.12.2019	30.06.2019
Raw materials, consumables and supplies	31,040	26,357
Work in process and finished products	2,058	1,505
Finished product	41,653	34,766
Merchandise	675	450
Inventories	**75,426**	**63.078**

Trade receivables

Trade receivables amounted to EUR 53,207 thousand at the balance sheet date (June 30, 2019: EUR 48,540 thousand) and are presented net of valuation allowances of EUR 1,869 thousand (June 30, 2019: EUR 1,251 thousand). All trade receivables have a remaining term of up to one year.

Other current financial assets

Other current financial assets of EUR 4,061 thousand (June 30, 2019: EUR 11,233 thousand) include cash and cash equivalents in segregated accounts totalling EUR 1,355 thousand (June 30, 2019: EUR 6,197 thousand).

Other assets

Other assets of EUR 18,708 thousand (June 30, 2019: EUR 16,296 thousand) include investment grants and subsidies not yet received of EUR 4,602 thousand (June 30, 2019: EUR 5,803 thousand) and reimbursements of electricity and energy tax of EUR 5,091 thousand (June 30, 2019: EUR 5,186 thousand).

Derivatives

The derivatives held at December 31, 2019 are described in the disclosures on financial instruments.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 81,523 thousand (June 30, 2019: EUR 68,025 thousand).

Equity

Other reserves

The other reserves include the effective (hedging) element included in the cumulative change in value of forward commodity contracts that qualify as cash flow hedges. EUR 2,345 thousand was transferred from equity to the cost of materials in the reporting period as part of the cash flow hedge accounting (a reduction of material costs; 1 HY 2018/2019: EUR 709 thousand). The change in the fair values of cash flow hedges thereafter amounted to EUR 8,629 thousand. Deferred tax assets of EUR 2,192 thousand have been recorded within other reserves at December 31, 2019 (June 30, 2019: EUR 325 thousand).

Non-current liabilities

Deferred investment grants and subsidies

Movements on the investment grants and subsidies balance of EUR 4,527 thousand (June 30, 2019: EUR 5,030 thousand) result almost exclusively from the effect of scheduled releases to income.

Lease liabilities

The lease liabilities totalling EUR 14,222 include all obligations to make payments of instalments under lease arrangements recognised as a result of the initial application of IFRS 16. Please refer the Accounting and valuation methods section, above. The lease liabilities at December 31, 2019 are split into non-current liabilities of EUR 10,113 thousand and current liabilities of EUR 4,109 thousand. In the period from July 1, 2019 to December 31, 2019, the leasing liabilities of EUR 11,719 thousand were reduced by lease payments amounting to EUR 2,055 thousand and increased by additions of EUR 4,315 thousand and interest of EUR 242 thousand.

Current liabilities

Tax liabilities

Tax liabilities include obligations for trade taxes of EUR 7,924 thousand (June 30, 2019: EUR 3,543 thousand) and obligations for corporation taxes of EUR 7,902 thousand (June 30, 2019: EUR 2,950 thousand).

Provisions

Current provisions of EUR 2,622 thousand (June 30, 2019: EUR 4,826 thousand) primarily represent provisions recorded for expected losses on procurement and sales contracts.

Financial instruments

The Group's primary financial instruments that are classified as assets are primarily trade receivables, other financial assets and cash and cash equivalents, and are classified “as at amortised cost”. Financial instruments originated by the Group classified as liabilities are primarily the reported amounts of financial liabilities, trade payables and other financial liabilities. The financial instruments on the equity and liabilities side of the balance sheet are also classified “as at amortised cost”.

Included in derivative financial instruments are instruments used to hedge price risks associated with procurement and sales transactions. Forward contracts have been entered into to hedge the supply price for rapeseed oil. The financial statements for the previous year also include forward contracts entered into in respect of bioethanol procurement requirements and in respect of the crude oil price in general. Revenues under sales contracts linked to the price of biodiesel are hedged by the use of sales swaps. As the hedging transactions entered into for variable rate biodiesel 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 derivatives at December 31, 2019 amounted to EUR 11,741 thousand (June 30, 2019: EUR 2,990 thousand) and derivatives with negative market values amounted to EUR 4,362 thousand (June 30, 2019: EUR 3,354 thousand). A discussion of the impact on the consolidated statement of comprehensive income is provided in the explanatory notes describing the result from forward commodity contracts and the description of other reserves.

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

- Level 1 (based on unadjusted quoted prices on an active market): assets of EUR 0 thousand (June 30, 2019: EUR 0 thousand), liabilities of EUR 0 thousand (June 30, 2019: EUR 59 thousand).
- Level 2 (use of valuation methods, directly observable market data): assets of EUR 11,741 thousand (June 30, 2019: EUR 2,990 thousand), liabilities of EUR 4,362 thousand (June 30, 2019: EUR 3,295 thousand).

There were no reclassifications between the individual levels of fair value hierarchy in the period from July 1 2019 to December 31, 2019, or in the corresponding period in the previous year.

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

Further details on the determination of the fair values of individual financial instruments and their allocation to the different measurement categories are provided in note 10 “Disclosures on financial instruments” in the notes to the consolidated financial statements in the annual report 2018/2019.

Other disclosures

Segment reporting

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

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

Segments according to internal corporate management

Revenues are presented net of energy taxes of EUR 231 thousand (1 HY 2018/2019: EUR 230 thousand). The Biodiesel and Bioethanol segments generate revenue from the sale of goods. In the Other segment, revenues are generated through the rendering of services. The valuation and accounting methods used for segment reporting purposes and for the purposes of reporting transactions between reportable segments are identical to those used by the Group as a whole in preparing its consolidated financial statements.

All of the Group's segments generated their sales revenues primarily in Germany and in Europe in the reporting period. In the Biodiesel segment, sales revenues in the first half of the financial year 2019/2020 include sales revenues generated in North America from the sale of biodiesel produced by the Group following the commencement of production at the Group's biodiesel plant in Canada.

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

Segment reporting for the period July 1, 2019 to December 31, 2019

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	1. Hj. 2019/ 2020	**1. Hj. 2018/ 2019**	**1. Hj. 2019/ 2020**	**1. Hj. 2018/ 2019**	**1. Hj. 2019/ 2020**	**1. Hj. 2018/ 2019**	**1. Hj. 2019/ 2020**	**1. Hj. 2018/ 2019**
Sales revenues	288,256	259,694	143,640	115,619	8,024	8,152	439,920	383,465
Change in finished and unfinished products	7,821	2,688	−349	1,639	0	0	7,472	4,327
Capitalized production of own plant and equipment	299	199	0	497	0	0	299	696
Other operating income	2,148	1,680	5,935	5,206	221	237	8,304	7,123
Cost of materials	−254,050	−200,989	−94,431	−96,253	−3,880	−4,832	−352,361	−302,074
Personnel expenses	−7,844	−5,440	−12,040	−9,448	−2,159	−2,098	−22,043	−16,986
Depreciation and amortization	−4,321	−2,422	−8,936	−7,939	−773	−360	−14,030	−10,721
Other operating expenses	−9,868	−7,084	−15,093	−12,350	−1,050	−1,434	−26,011	−20,868
Result of forward contract transactions	−1,681	−360	0	1,984	0	0	−1,681	1,624
Segment result	**20,760**	**47,966**	**18,726**	**−1,045**	**383**	**−335**	**39,869**	**46,586**
Financial result	−125	−24	−565	−23	−28	0	−718	−47
Result before taxes	**20,635**	**47,942**	**18,161**	**−1,068**	**355**	**−335**	**39,151**	**46,539**

Reconciliation

EUR (thousands)	Total segments		Intersegment reveneus and expenses		Group	
	1. Hj. 2019/2020	1. Hj. 2018/2019	1. Hj. 2019/2020	1. Hj. 2018/2019	1. Hj. 2019/2020	1. Hj. 2018/2019
Sales revenues	439,920	383,465	–3,281	–3,230	436,639	380,235
Change in finished and unfin-ished products	7,472	4,327	0	0	7,472	4,327
Capitalized production of own plant and equipment	299	696	0	0	299	696
Other operating income	8,304	7,123	–112	–155	8,192	6,968
Cost of materials	–352,361	–302,074	759	940	–351,602	–301,134
Personnel expenses	–22,043	–16,986	0	0	–22,043	–16,986
Depreciation and amortization	–14,030	–10,721	0	0	–14,030	–10,721
Other operating expenses	–26,011	–20,868	2,634	2,445	–23,377	–18,423
Result of forward contract transactions	–1,681	1,624	0	0	–1,681	1,624
Segment result	**39,869**	**46,586**	**0**	**0**	**39,869**	**46,586**
Financial result	–718	–47	0	0	–718	–47
Result before taxes	**39,151**	**46,539**	**0**	**0**	**39,151**	**46,539**

Contingent liabilities and other financial commitments

Litigation

There are no open litigation issues that present a significant risk to VERBIO at December 31, 2019. Further details are provided in the notes to the consolidated financial statements for the 2018/2019 financial year.

Order commitments

Open purchase obligations for investments total EUR 22,813 thousand at December 31, 2019 (June 30, 2019: EUR 8,201 thousand).

Disclosures concerning related persons and entities

Detailed information on the nature of relationships to related persons and entities is provided in the related party disclosures in the notes to the consolidated financial statements for the financial year 2018/2019. There were no significant changes to the nature and scale of transactions with related persons and entities, with the exception of the following.

On November 13, 2018 VNA entered into a loan agreement with Nelson GmbH for an amount totalling USD 19,216 thousand. The loan agreement matured on December 31, 2019 and carried interest at 7 percent. An amount of EUR 13,302 was drawn down under this loan arrangement and repaid on December 31, 2019, including interest.

Significant events subsequent to the end of the reporting period

There have been no significant events with an effect on the net assets and financial position since December 31, 2019.

Audit of the interim financial statements and the interim management report

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

Responsibility statement

As the legal representatives of VERBIO, we declare that – to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting – the interim consolidated financial statements give a true and fair view of the income, assets and financial situation of the Group, and the interim consolidated management report includes a fair review 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 for the remaining months of the financial year.

Leipzig, February 6, 2020

Claus Sauter
Chairman of the Management Board

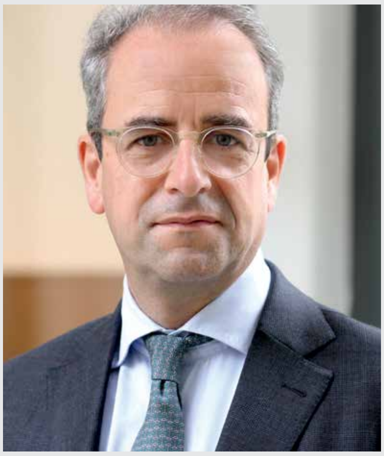
Prof. Dr. Oliver Lüdtke
Deputy Chairman of the Management Board

Theodor Niesmann
Management Board

Bernd Sauter
Management Board

Executive bodies of the Company

Supervisory Board

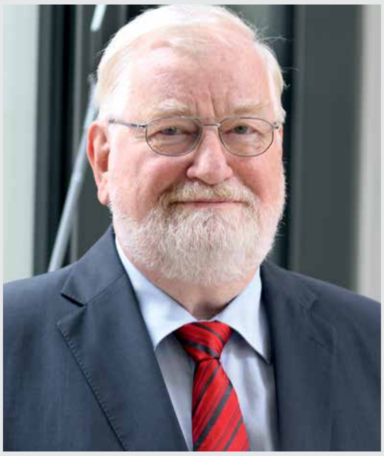


Alexander von Witzleben
Chairman of the Supervisory Board

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

Ulrike Krämer
Vice-Chairman of the Supervisory Board

Certified Public Auditor and Certified Tax Advisor, Ludwigsburg



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

Chemist and process engineer, Berlin

Management Board

Claus Sauter
Chairman of the Management Board

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

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

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

Theodor Niesmann
Management Board, Biodiesel

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

Bernd Sauter
Management Board, Procurement and Logistics

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

Financial calendar 2019/2020

November 7, 2019	Publication of the quarterly statement for the period ended September 30, 2019 (July 2019 to September 2019)
January 31, 2020	Annual general meeting in Victor's Residenz-Hotel, Leipzig
February 6, 2020	Publication of the half-yearly interim report 2019/2020 (July 2019 to December 2019)
May 7, 2020	Publication of the quarterly statement for the period ended March 31, 2020 (July 2019 to March 2020)
September 23, 2020	Publication of the annual report 2019/2020 Analyst's conference/annual financial statements press conference

Imprint

Publisher/Editing

VERBIO Vereinigte BioEnergie AG

Contact

VERBIO Vereinigte BioEnergie AG
Ritterstraße 23 (Oelßner's Hof)
04109 Leipzig
Telephone: +49 341 308530-0
Fax: +49 341 308530-998
www.verbio.de

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

We will be delighted to send you additional information about VERBIO Vereinigte BioEnergie AG on request at no charge.
Telephone: +49 341 308530-251
Fax: +49 341 308530-998
E-Mail: ir@verbio.de

VERBIO Vereinigte BioEnergie AG
Ritterstraße 23 (Oelßner's Hof)
04109 Leipzig
T: +49 341 308530-0
F: +49 341 308530-998
ir@verbio.de
www.verbio.de