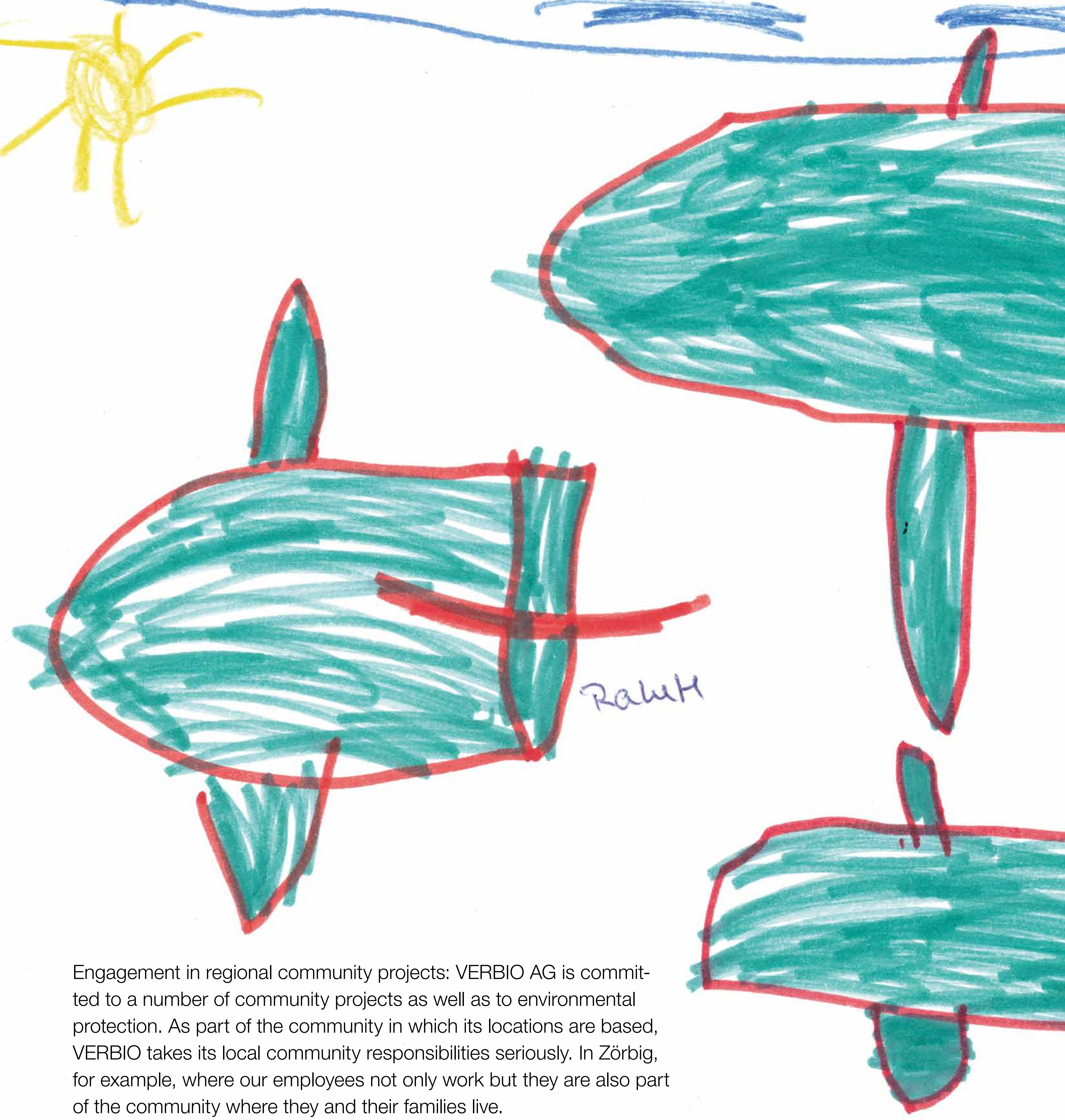
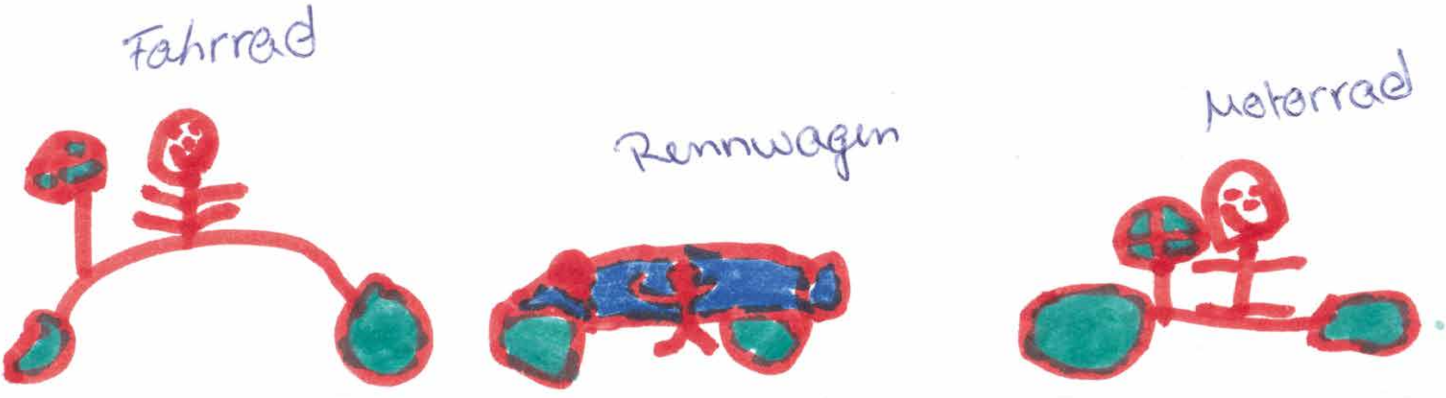
verbio

Biofuel and Technology

Annual Report 2017/2018



Engagement in regional community projects: VERBIO AG is committed to a number of community projects as well as to environmental protection. As part of the community in which its locations are based, VERBIO takes its local community responsibilities seriously. In Zörbig, for example, where our employees not only work but they are also part of the community where they and their families live.



Mobility – as seen by the pre-school children of the "Rotkäppchen" (Little Red Riding Hood) kindergarten at VERBIO's Zörbig location. This project was undertaken as part of an educational project sponsored by VERBIO at the kindergarten in May 2018.

To our shareholders

Group management report

Consolidated financial statements (IFRS)

Further information

Group key figures

[in EUR million]

Profitability	1 HY 2017/2018	2 HY 2017/2018	2017/2018	1 HY 2016/2017	2 HY 2016/2017	2016/2017
Sales revenue	352.2	333.7	685.9	338.8	387.6	726.4
EBITDA	30.4	14.4	44.8	49.1	43.3	92.4
EBIT	19.2	3.2	22.4	38.3	32.4	70.7
EBIT margin (%)	5.5	1.0	3.3	11.3	8.4	9.7
EBT	19.1	3.1	22.2	37.7	32.8	70.5
Net result for the period	13.3	1.8	15.1	26.2	25.6	51.8
Earnings per share (EUR)	0.21	0.03	0.24	0.41	0.41	0.82

Operating data	1 HY 2017/2018	2 HY 2017/2018	2017/2018	1 HY 2016/2017	2 HY 2016/2017	2016/2017
Production (tonnes)	366,718	355,793	722,511	360,142	361,995	722,137
Production (MWh)	295,544	312,768	608,312	283,487	275,673	559,160
Utilisation Biodiesel/ Bioethanol (%)	100.5	97.5	99.0	98.7	99.4	98.9
Utilisation Biomethane (%)	98.5	104.3	101.4	94.5	91.9	93.2
Investments in property, plant and equipment	10.1	16.5	26.6	9.1	9.7	18.8
Number of employees [1]	535	563	563	493	527	527

Net asset position	31.12.2017	30.06.2018	30.06.2018	31.12.2016	30.06.2017	30.06.2017
Net financial assets	106.9	90.1	90.1	72.6	115.7	115.7
Equity	309.6	300.2	300.2	286.3	296.4	296.4
Equity ratio (%)	81.1	82.0	82.0	80.4	79.4	79.4
Balance sheet total	381.6	366.0	366.0	356	373.1	373.1

Financial position	1 HY 2017/2018	2 HY 2017/2018	2017/2018	1 HY 2016/2017	2 HY 2016/2017	2016/2017
Operating cash flow	–1.6	12.7	11.1	15.5	59.5	75.0
Operating cash flow per share (EUR)	–0.02	0.20	0.18	0.25	0.94	1.19
Cash and cash equivalents [2]	108.3	90.5	90.5	76	117.6	117.6

[1] At the balance sheet date
[2] At the balance sheet date, including cash on segregated accounts

Segment key figures

[in EUR million]

Biodiesel	**1 HY 2017/2018**	**2 HY 2017/2018**	**2017/2018**	**1 HY 2016/2017**	**2 HY 2016/2017**	**2016/2017**
Sales revenue	232.0	224.8	456.8	236.3	235.3	471.6
EBITDA	14.4	10.0	24.4	27.8	11.5	39.3
EBIT	12.0	7.6	19.6	25.4	9.2	34.6
Production (tonnes)	241,234	234,977	476,211	236,430	236,952	473,382
Utilisation (%)	102.7	100.0	101.3	100.6	100.8	100.7
Number of employees [1]	113	113	113	109	110	110

Bioethanol (incl. biomethane)	**1 HY 2017/2018**	**2 HY 2017/2018**	**2017/2018**	**1 HY 2016/2017**	**2 HY 2016/2017**	**2016/2017**
Sales revenue	114.8	104.3	219.1	97.5	147.7	245.2
EBITDA	15.7	4.2	19.9	20.8	31.6	52.4
EBIT	7.2	−4.4	2.8	12.7	23.3	36.0
Production (tonnes)	125,484	120,816	246,300	123,712	125,043	248,755
Production (MWh)	295,544	312,768	608,312	283,487	275,673	559,160
Utilisation bioethanol (%)	96.5	92.9	94.7	95.2	96.2	95.7
Utilisation biomethane (%)	98.5	104.3	101.4	94.5	91.9	93.2
Number of employees [1]	257	260	260	232	252	252

Other	**1 HY 2017/2018**	**2 HY 2017/2018**	**2017/2018**	**1 HY 2016/2017**	**2 HY 2016/2017**	**2016/2017**
Third party revenues	8.0	7.7	15.7	8.2	8.1	16.3
EBIT	0.1	−0.1	0.0	0.1	0.0	0.1

[1] At the balance sheet date

Letter to our shareholders

Dear shareholders,

The financial year 2017/2018 was characterised by market upheavals and changes to political conditions which have had far-reaching implications for the sales markets of our Biodiesel and Biomethane segments. The repeal of import duties on biodiesel imports from Argentina and Indonesia, together with the entry into force of the 38th BImSchV at the start of the current calendar year have had a more significant effect on these markets than we had anticipated. In these circumstances the results that we have achieved are satisfactory. Once again, this is definitive evidence of our commercial stability, our competitiveness and our technology leadership.

Unchanged from last year, the Management and Supervisory Boards will propose to the annual general meeting to be held in February 2019 that the Company shall pay a dividend of EUR 0.20 per qualifying share. In this way we wish to demonstrate continuity and stability to you, our shareholders.

Corrected forecasts comfortably achieved

With total production of biodiesel and bioethanol amounting to 722,511 tonnes, close to the previous year's level, and production plant utilisation at 99 percent, our EBITDA of EUR 44.8 million and net cash balance of EUR 90.1 million were in line with our last results forecast issued on April 30, 2018 (EBITDA of EUR 40 million and net cash of EUR 85 million). Despite prudent planning, the consequences of the market upheavals were, however, more significant than expected. The experience in this financial year strengthens our resolution to accelerate our strategy of internationalising the business and of creating more diversity in our product range.

The Group's equity ratio is now 82.0 percent, which represents a further increase compared to the previous year. For one thing, this healthy earnings performance represents our life insurance, given that the European biofuels market is characterised by political uncertainty. At the same time, it is also a solid basis on which we can implement further growth projects outside the biofuels market and outside Europe.

The new straw biomethane plant at Pinnow is currently close to being brought into use.

Claus Sauter
Vorstandsvorsitzender

Investment secures innovation and growth opportunities

Our position is unchanged: biomethane created from waste materials is the most efficient and sustainable biofuel for the future, and the economic alternative to electro mobility. Despite this we have to market increasing volumes for use in other applications, such as for electricity generation or as a raw material in the chemical industry. Why? Because with the 38th BImSchV coming into force from January 1, 2018 the federal Government has once again thrown a spanner in the works, sabotaging our proven business model for using biomethane for fuel purposes.

The 38th BImSchV permits the low greenhouse gas savings made by using fossil fuel natural gas compared to the petrol and diesel reference values to be credited towards meeting greenhouse gas quotas. This means that the operators of CNG filling stations can now also generate additional revenue income from the sale of non-renewable methane by marketing the greenhouse gas quotas. This new rule is both a blessing and a curse. The additional income from the greenhouse gas quotas which can be obtained from fossil natural gas is, literally speaking, the saviour of a number of uneconomic CNG filling stations. It is good for CNG-powered transport, since the decline in the number of CNG filling stations nationally has stopped. At the same time, however, the practical consequence is a further increase in the price differential between biomethane and fossil natural gas. In commercial terms this means that there is no longer any good reason to offer biomethane instead of natural gas at filling stations. The share of biomethane as a proportion of CNG fuel has fallen further as a result. Politics is burying the 2020 climate protection targets. We are diversifying our marketing activities to offer our products for use in other applications. To be honest, it is a farce!

RED II (Renewable Energy Directive II) – not everything that it is made out to be

At the European level, the Renewable Energy Directive (RED II) covering the period from 2021 to 2030 was approved in July 2018. This included a greenhouse gas saving target of 14 percent for the transport sector. There will continue to be an upper limit on first generation biofuels, and sub-quotas with staged increases for second generation biofuels – known as advanced biofuels – from 2022 onwards.

In our view it is positive that first generation biofuels will continue to play an important role. The targets for advanced biofuels on the other hand are not especially ambitious. This means that there is no real change: political policy means that there will be no market for advanced second generation biofuels in the EU before 2025.

The RED II must be transformed into national law by June 30, 2021. There are major inconsistencies in transport policy which contradict effective climate protection. For example, an electric car, which is 100 percent powered by fossil fuels, contributes zero emissions to the automobile manufacturer's vehicle fleet. At the same time, a CNG-powered vehicle is treated in the same way as a vehicle powered by fossil fuel, even when it is fuelled by 100 percent biomethane. We demand that increased use of biofuels is given accreditation for fleet limit values in the interest of both the German automotive and biofuels industries. This creates an incentive to actively market combustion engines which are environmentally friendly and which really do contribute to climate protection.

The pressure on politicians is growing

In addition to the RED II, another important instrument to implement the Paris climate accord is the European "Effort Sharing Regulation", which was issued in May 2018. This provides for binding targets for emission reductions to be met by the member states in individual sectors, which include the transport sector and agriculture. The climate protection targets set for Germany are very ambitious. There is a risk of significant penalty payments if these target levels are not met. This increases the pressure on the Federal Government to increase their climate protection efforts significantly over and above the implementation of RED II. Further one-sided focussing on electro mobility will not be sufficient. Ambitious targets for the use of first and second generation biofuels will also be necessary. VERBIO is well prepared in both areas and can successfully leverage this potential. However, there will be no change in the situation that no investments will be made in Europe until there is a legal framework and, with that, a market.

Summary and outlook

The national implementation of RED II and the Effort Sharing Regulation will be an important issue for our business in the period up until 2030. In the short term we see ourselves facing challenges arising from the current legal framework. We are making our best possible efforts, in particular in the biomethane market, to make optimal use of the ecological opportunities at the CNG filling stations, as well as ecological opportunities presented by alternative sales channels. With our biomethane we definitely have the best product available at the best price for cities and municipalities which care about the climate – for individual transport, freight transport, and for local public transport systems.

Our remaining efforts are being expended to maintain our consistent strategy of expanding on the manufacture and sale of by-products in order to decrease the Company's dependence on biofuel markets.

In addition to these product specific issues, we also need to address the issue of the declining availability of skilled personnel in the European employment market, and increase our efforts to promote sustained staff loyalty and to attract talented young professionals at an early stage. To this end we have, in addition, to making use of traditional human resource policies, also increased the scale and intensity of our regional social engagements at all our locations. As an example of this, please see the results of a joint educational project together with the "Rotkäppchen" (Little Red Riding Hood) kindergarten at VERBIO's Zörbig location, which we present within this report.

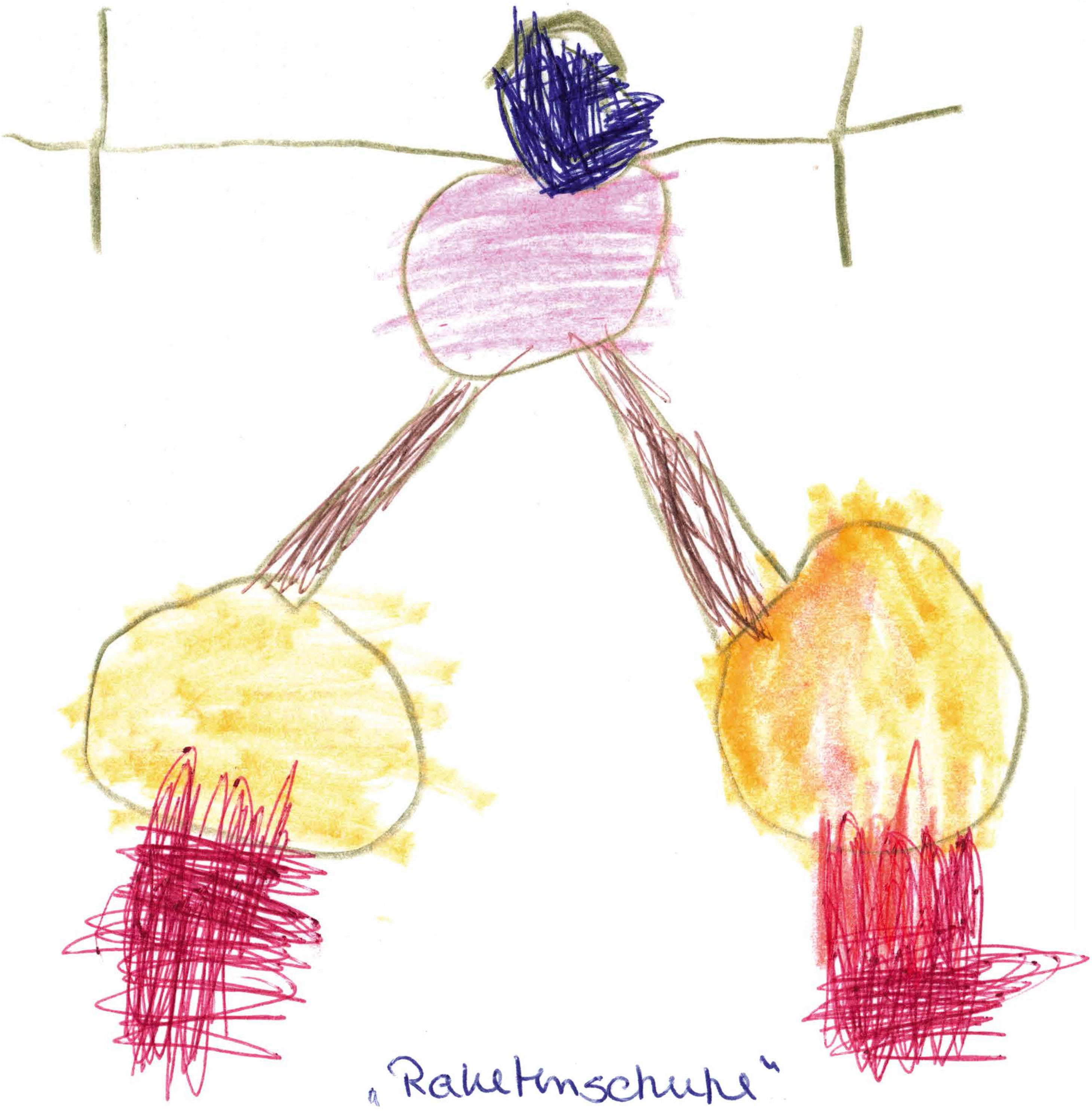
Focussing our plant on the use of waste and residues for biofuel production remains our highest priority. For the coming financial year 2018/2019 we continue to hold to the objective of being the innovation leader in our industry. In addition, we will focus on international growth projects in Asia and in the USA.

Based on current levels of sales volumes and current raw material prices, as well as the planned production capacity usage and planned investments, the Management Board expects an EBITDA for the financial year 2018/2019 of around EUR 45 million. The balance of net cash at the end of the financial year is expected to be around EUR 73 million, primarily as a result of the high level of investments which will be financed from the Group's own funds.

We thank you for the trust you have placed with us until now, and we are appreciative of your continued support.

Yours, Claus Sauter
Chairman of the Management Board

Space for creative ideas: the “Rotkäppchen” (Little Red Riding Hood) kindergarten is full of creative ideas, but until now there were no rooms large enough in the kindergarten for the children to drawing and other creative activities, a room large enough for the children to explore their creative ideas, where materials can be kept and unfinished projects can be left for later completion. Now, a creative room has been established in the new garden house.



Mobility – as seen by the pre-school children of the “Rotkäppchen” (Little Red Riding Hood) kindergarten at VERBIO’s Zörbig location. This project was undertaken as part of an educational project sponsored by VERBIO at the kindergarten in May 2018.

Report from the Supervisory Board

Dear shareholders,

Although VERBIO's profit this year is lower than in recent years, this is wholly due to current market trends and political framework conditions. However, it also illustrates that the Company has a solid competitive position in the global market, and because of its own strength it is in a position to react to these trends quickly and successfully. For example, we were once again able to increase production capacity over the course of the past financial year and to ensure full production capacity usage.

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 the growth strategy which is energetically supported by the Supervisory Board on a consistent basis.

Alexander von Witzleben
Vorsitzender des Aufsichtsrats

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 2017/2018 the members of the Supervisory Board of VERBIO AG have performed the tasks imposed on them by law, by the articles of association and by internal rules of procedure, discharging these duties in full and with the utmost care. The reporting obligations of the Management Board and the requirement to issue a catalogue of transactions requiring prior approval are legal requirements, and the detailed application of these requirements are set out in the Company's internal rules of procedure for the Management Board to follow.

We have met with the Management Board on a regular basis to discuss the management function and the Group's strategic direction, we have made ourselves available to provide advice on a regular basis, and we have accompanied and supervised its management of the business on a continuous basis, and 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 comprehensive and relevant written documents provided to each member of the Supervisory Board on a timely basis in advance of each meeting, so that the members of the Supervisory Board had sufficient opportunity to perform a critical assessment of the reports and the proposed resolutions submitted by the Management Board and in order to enable them to contribute their own proposals. The Supervisory Board was able to assure itself of the lawful, appropriate and proper conduct of the Company's management.

The collaboration between the Supervisory Board and the Management Board was characterised by an intensive and open discourse at all times. We were provided with comprehensive information in good time and on a regular basis, both orally and in writing, regarding all matters of importance for the Company, in particular concerning business trends, business planning, fundamental questions regarding 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. The Management Board provided detailed information on variances between the course of business and the business plans and objectives, and discussed the reasons for the variances as well as the measures taken in response to them with the Supervisory Board in depth. 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, and accordingly it is of an appropriate size to discuss and make resolutions on all Supervisory Board matters. 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 2017/2018 the Supervisory Board held five ordinary meetings; one of these meetings was held in the form of a telephone conference. In addition, two extraordinary Supervisory Board meetings were held, one of which was in the form of a telephone conference. The Management Board were present for the majority of these meetings. In addition, resolutions were approved by written circulation procedure. 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, the current market situation, and the asset, financial and earnings positions of the Group and its segments, as well as the status of current projects. A risk report is also always included in the agenda of the meetings, including information on market price change risk positions and the 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 meeting held to approve the financial statements was held on September 22, 2017. The meeting held to approve the financial statements addressed the audit and approval of the annual and consolidated financial statements and the management reports of VERBIO AG and 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, the Supervisory Board approved the budget plan prepared by the Management Board for the financial year 2017/2018 at the same meeting. Other matters addressed were the approvals of resolutions determining the variable compensation component of the remuneration of the Management Board in accordance with their Management Board employment contracts, and the agreement of a grain supply contract with a company which is a related party of a member of the Management Board.

The meeting held on November 6, 2017 was primarily concerned with discussing the quarterly statement for the period ended September 30, 2017. The agenda and proposed resolutions for the annual general meeting 2018 were also discussed at this meeting, as well as the approval of non-audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig. In addition, this meeting also included a report by the compliance officer, who provided a review and a preview of relevant compliance issues affecting the Group. Further, the Supervisory Board voted on the prolongation of a trust agreement, a transaction for which the Management Board is required to obtain approval under its rules of procedure. Following this meeting we subjected our work as Supervisory Board to an efficiency audit. The final evaluation was postponed until the next ordinary meeting.

The extraordinary Supervisory Board meeting held on January 18, 2018 in the form of a telephone conference was held to discuss a potential investment project in a foreign country to pursue the Group's strategic development, and to make the associated resolutions concerning the formation of new VERBIO AG subsidiaries.

In the meeting following the annual general meeting, held on February 2, 2018, the regular agenda matters were discussed, and in addition discussions were held on the draft half-year financial report for the period ended December 31, 2017. Also, a resolution was considered at this meeting concerning a rental contract over land and buildings in Zörbig and an associated purchase option, as these are also contracts for which the Management Board requires approval under the Management Board's rules of procedure. The financial calendar for the financial year 2017/2018 was approved, and potential acquisitions and investment projects were discussed. In addition we considered the matter of non-financial reporting, which is obligatory under law for the first time for German companies whose stocks or bonds are traded on a regulated market for financial years commencing after December 31, 2016, provided that they meet the criteria set out in § 289b HGB. Finally, the results of the efficiency audit in the previous meeting were discussed and evaluated.

In the extraordinary meeting held on February 18, 2018 we dealt with the difficult market environment for biodiesel and VERBIO AG's associated future strategic approaches.

On May 3, 2018 an ordinary meeting of the Supervisory Board was held in the form of a telephone conference which, in addition to the regular agenda topics, was primarily concerned with discussing the quarterly statement for the quarter ended March 31, 2018.

The meeting held on June 8, 2018 was primarily concerned with the presentation of the preliminary business plan for the financial year 2018/2019. In addition, 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, 2019. Ulrike Krämer abstained from voting in this matter. This meeting was held in Schwedt/Oder. We had the opportunity to visit the biodiesel, bioethanol and biomethane plants on location. In addition, we visited the straw biomethane plant in Pinnow, which is currently under construction.

Two resolutions were approved by written circulation procedure during the financial year 2017/2018; these concerned the approval of non-audit services by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, and the change of name and the change in Company's objects in the articles of VERBIO Cert GmbH. In addition, a resolution was approved to approve a grain supply contract entered into with a company which is a related party of a member of the management Board. However, this resolution was rendered obsolete by a new resolution approved at the meeting held on September 22, 2017.

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, 2019. She will continue to support VERBIO during ongoing external tax audits, audits of investment subsidy claims, and with the preparation of investment subsidy claims. 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 and declaration of conformity

The Supervisory and Management Boards are aware of the fact that good corporate governance is an important foundation for the Company's success. Accordingly, the Supervisory Board has again considered the recommendations and suggestions of the German Corporate Governance Code (in the version dated February 7, 2017) in the financial year 2017/2018. The Management Board reports jointly on behalf of itself and the Supervisory Board on corporate governance at VERBIO on an annual basis, in accordance with § 3.10 of the German Corporate Governance Code.

In the meeting held on September 21, 2018 we discussed and approved the joint declaration of conformity issued by the Management and Supervisory Boards on the basis of the German Corporate Governance Code in the version dated February 7, 2017 (the text of which is unchanged from the previous year). With certain exceptions, which we have 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 in the form of a self-evaluation procedure, using a comprehensive company-specific checklist. The checklist addresses significant issues such as cooperation with the Management Board, the preparation and conduct of meetings, the scope and content of documentation and the timeliness and appropriateness of information provided, in particular concerning financial reporting, compliance and audit, as well as controlling and risk management.

The Supervisory Board audited and evaluated the efficiency of its work in detail in the financial year 2017/2018, having previously examined its work in detail in the financial year 2015/2016, and after having not performed an efficiency audit in the financial year 2016/2017. Finally, we discussed the results of the Supervisory Board's efficiency audit, in particular the measures that may be taken to further improve the efficiency of the work performed by the board. This includes, as part of the Supervisory Board's further education and training, making visits to the Group's production plants to obtain a first-hand impression of the production conditions and the work performed by management. This measure has already been implemented by making a visit to the plants in Schwedt and Pinnow on June 8, 2018.

Members of the Supervisory Board and Management Board

There have been no changes in the membership of 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 an available substitute member.

Accordingly, the VERBIO Management Board consists of the following persons:
- Claus Sauter (Chairman)
- Dr. Oliver Lüdtke (Vice-Chairman of the Management Board)
- 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 123 of this annual report.

Audit of the annual and consolidated financial statements

At the Company's annual general meeting held on February 2, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig was appointed to audit the annual and consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year 2017/2018. In a letter dated September 22, 2017 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 22, 2018 in accordance with the resolution approved at the annual general meeting.

KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig has audited the annual financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2017 to June 30, 2018 prepared by the Management Board in accordance with the German Commercial Code (Handelsgesetzbuch – HGB), together with the management report for the financial year from July 1, 2017 to June 30, 2018. The auditor issued an unqualified audit opinion. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the financial year from July 1, 2017 to June 30, 2018 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 both 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 21, 2018. 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, the financial statements of VERBIO Vereinigte BioEnergie AG and endorsed the Group's consolidated financial statements prepared by the Management Board for the year ended June 30, 2018. The annual financial statements of VERBIO Vereinigte BioEnergie AG have therefore been adopted. The Supervisory Board has examined the proposal for the appropriation of profits submitted by the Management Board. In doing so, particular account has been taken of the Group's liquidity, tax aspects and financial and investment plans. Following this examination, the Supervisory Board has agreed with the proposal for the appropriation of profits submitted by the Management Board. This includes the payment of a dividend and appropriation of the remaining profit to reserves.

Dependency report

As in previous years, in the financial year 2017/2018 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, after completing its audit, the Supervisory Board has not raised any objections to the closing remarks of the Management Board at the end of the dependency report. Accordingly, the Supervisory Board concurs with the auditor's opinion.

Closing comments

Looking back at the financial year 2017/2018 we are able to conclude that the year ended with a positive net income result.

A large part of this success is due to the contributions made by employees of VERBIO AG and all of its Group companies. The Supervisory Board of VERBIO Vereinigte BioEnergie AG thanks them for their hard work and high levels of commitment. I would like to express the same thanks to the members of the Management Board for their very successful management of the Company, for the way in which they have, at all times, worked in a positive and trusting manner, and for all the work that they have done over the past year. I am looking forward to the Company's continued progress with optimism.

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 21, 2018

For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

The VERBIO share

VERBIO Vereinigte BioEnergie AG's shares are listed in the Prime Standard segment of the German stock exchange (ticker: VBK) and are traded on the electronic securities trading platform XETRA, among others.

2017 – Mixed fortunes for the DAX, Germany's leading index

The DAX experienced a weak phase in mid-2017. However, the loss was subsequently recovered with a strong year-end rally. The DAX reached 13,478.86 in November, which was not only the year's high but also an all-time high, and subsequently ended the year on 12,917.64, which represents an annual performance gain of 12.5 percent. The positive trend recorded by Germany's leading stock market index was supported by the continued loose monetary policy pursued by the European Central Bank (ECB), which in 2017 held base rates unchanged at 0.0 percent and announced its intention to halve its bond purchases in early 2018 while at the same time extending the bond purchase programme until at least the end of September 2018. The falls in the price of oil in the summer months had a slight negative effect on the DAX, while on the other hand the political uncertainties, such as the difficulties in forming a coalition government among Germany's political parties, did not have a notable negative effect on the DAX.

In the USA the Dow Jones Index was able to make a sustainable breakthrough to pass the significant 20,000 mark, ending 2017 at 24,719.22. Despite the stricter monetary policy followed by the Fed, the US central bank, which increased the base rate in December for the third time by 0.25 basis points to 1.25–1.50 percent, and global uncertainties such as the USA-North Korea crisis, there was more optimism on US exchanges. One positive influence, among others, was the corporate tax reform introduced by the US President at the end of the year, a move which not only influenced stock markets in the USA but also had a positive effect on the German stock market.

1 Half-year 2018 – political decisions drive the stock markets

The DAX index fell from 13,500 points to 12,100 within just a few trading days at the beginning of the new trading year. The index even fell below the psychologically significant 12,000 level twice in succession during March. Both falls were in reaction to the aggressive attitude of the US central bank to potential interest rate rises, as well as to the turbulence of technology shares as a consequence of problems relating to data protection issues, developments on credit markets and discussions concerning increased taxation of US technology corporates by the European Union. In addition, worries about a possible trade war between the USA and China put pressure on share prices. In June 2018 China reacted to import duties imposed by the USA by imposing penalty import duties of their own amounting to the same value. As a result the Dow Jones Index in the US lost 1.81 percent in the first half of 2018.

These uncertainties taken together had an effect on economic growth in the Eurozone. At the beginning of 2018, economic growth in the Eurozone weakened slightly. Gross domestic product grew by only 0.4 percent in the first quarter of 2018, compared to growth of 0.6 percent in the first quarter of 2017. In June 2018 the ECB provided the market with at least a concrete indication concerning interest rate expectations. At its last press conference in Riga it announced that it intends to end its bond purchasing programme by the end of 2018, and that it plans to hold base rates at 0.0 percent at least until the late summer of 2019. The DAX ended the first half of 2018 with a loss of a good 5.0 percent.

Positive start on the stock market in the second half of 2018 despite continuing geopolitical uncertainty

The DAX made a positive start to the second half of 2018 after experiencing weak phases during the first six months. The German economy made gains in May 2018, and continued the upswing with a further solid month in July 2018. Matching this, the business barometer published by the German Institute for Economic Research [Deutsches Institut für Wirtschaftsforschung, "DIW"] rose in July 2018, which according to the DIW indicates that the economy can be expected to continue with its above-average growth. For the year 2018 as a whole the OECD, representing industrial countries, forecasts GDP growth of 2.1 percent for Germany compared to the previous year. Earlier, the Ifo-Institut at the University of Munich [Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V. "Ifo-Institut"] revised its growth forecast for Germany from 2.6 percent to 1.8 percent.

Known uncertainties remained in the second half of 2018. These include the commercial and political uncertainties associated with the trade war and the related escalation of the dispute between the USA and China, as well as the uncertainties concerned with Brexit, the arrangements under which Great Britain plans to leave the European Union.

The VERBIO share under pressure in the financial year 2017/2018

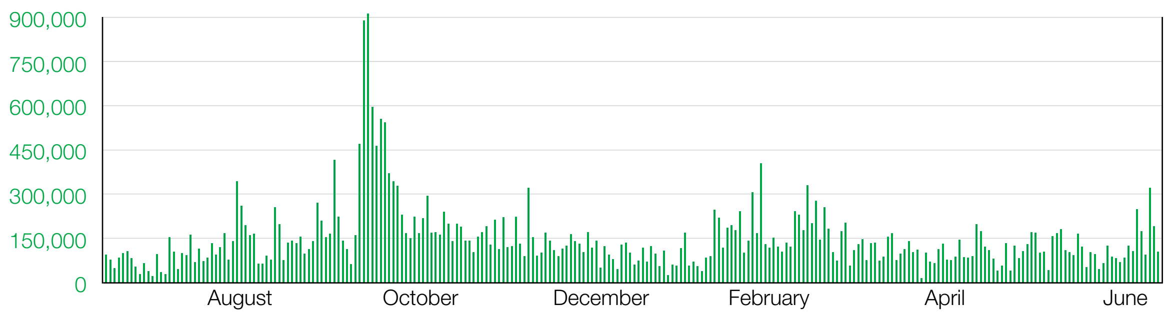
The VERBIO share started the financial year 2017/2018 on July 3, 2017 priced at EUR 9.87 per share (XETRA). Until mid-August 2017 the share price moved sideways in a range between EUR 9.32 and EUR 10.21, before reaching its ten-year record high of EUR 13.80 on September 18, 2017, representing a gain of almost 40 percent over the period from the start of July. This was also the annual high recorded by the VERBIO share in the financial year 2017/2018. The share price fell by approximately 38 percent within four days around the date of the publication of VERBIO's good results for the financial year 2016/2017, with an EBITDA of EUR 92.4 million, 26 percent up compared to the previous year 2015/2016. With the publication of the full year's results VERBIO made a downward adjustment to the EBITDA forecast for the financial year 2017/2018 due to uncertainties concerning the competitiveness of biodiesel manufactured from domestic rapeseed oil. In the following four months the VERBIO share moved sideways in a tight range between EUR 7.70 and EUR 8.70.

From the end of January 2018, the VERBIO share price continued its downward trend, reaching its annual low of EUR 3.96 on May 3, 2018. In the remaining two months of the financial year 2017/2018 the share price was able to recover, gaining more than 35 percent from its lowest level. The VERBIO share closed at EUR 5.39 on June 29, 2018.

In the first half-year of the financial year 2017/2018 the average daily trading volume in the XETRA trading system amounted to 170,915 shares, while the average daily trading volume in the second half of the year fell to 129,664 shares. Overall, however, the average daily trading volume increased significantly to 150,372 compared to the previous year (2016/2017: average of 118,721).

Performance and trading volume of the VERBIO share (XETRA) from July 1, 2017 to June 30, 2018 (in euros)

Performance of the VERBIO share (XETRA)
from July 1, 2017 to June 30, 2018 (in euros)



Trading volume (XETRA)
from July 1, 2017 to June 30, 2018 (in number of shares)

Annual general meeting 2018

The Management and Supervisory Boards welcomed around one hundred shareholders, representatives of shareholder associations and guests, to the Company's 11th annual general meeting in Leipzig on February 2, 2018. These represented 84.15 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 convened 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 on a regular basis using media channels such as 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.

You will find the financial calendar, with all the important dates for the financial year 2018/2019, 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.

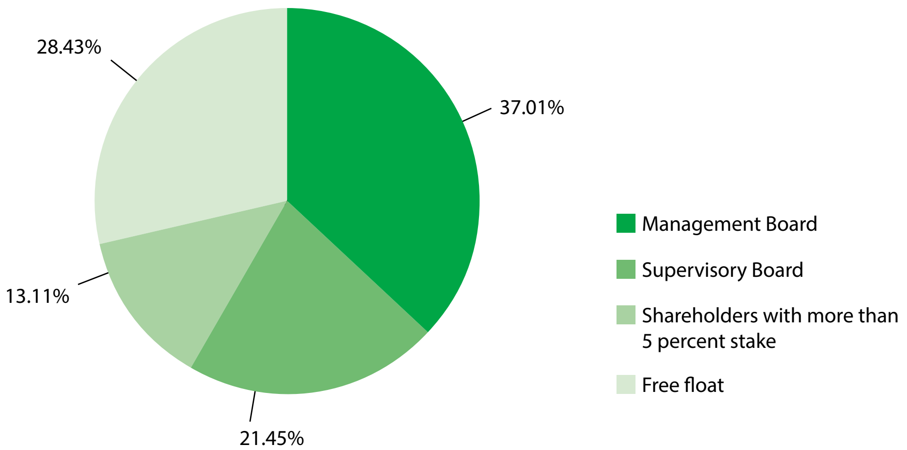
Dividend payment of EUR 0.20 per share for the financial year 2016/2017

The VERBIO AG annual general meeting, held on February 2, 2018 in Leipzig, approved by a large majority management's proposal to make a distribution of EUR 0.20 for each share carrying dividend rights, as dividend for the financial year 2016/2017. VERBIO AG paid a total dividend of EUR 12.6 million to its shareholders for the financial year 2016/2017. 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.

Proposed dividend for the financial year 2017/2018

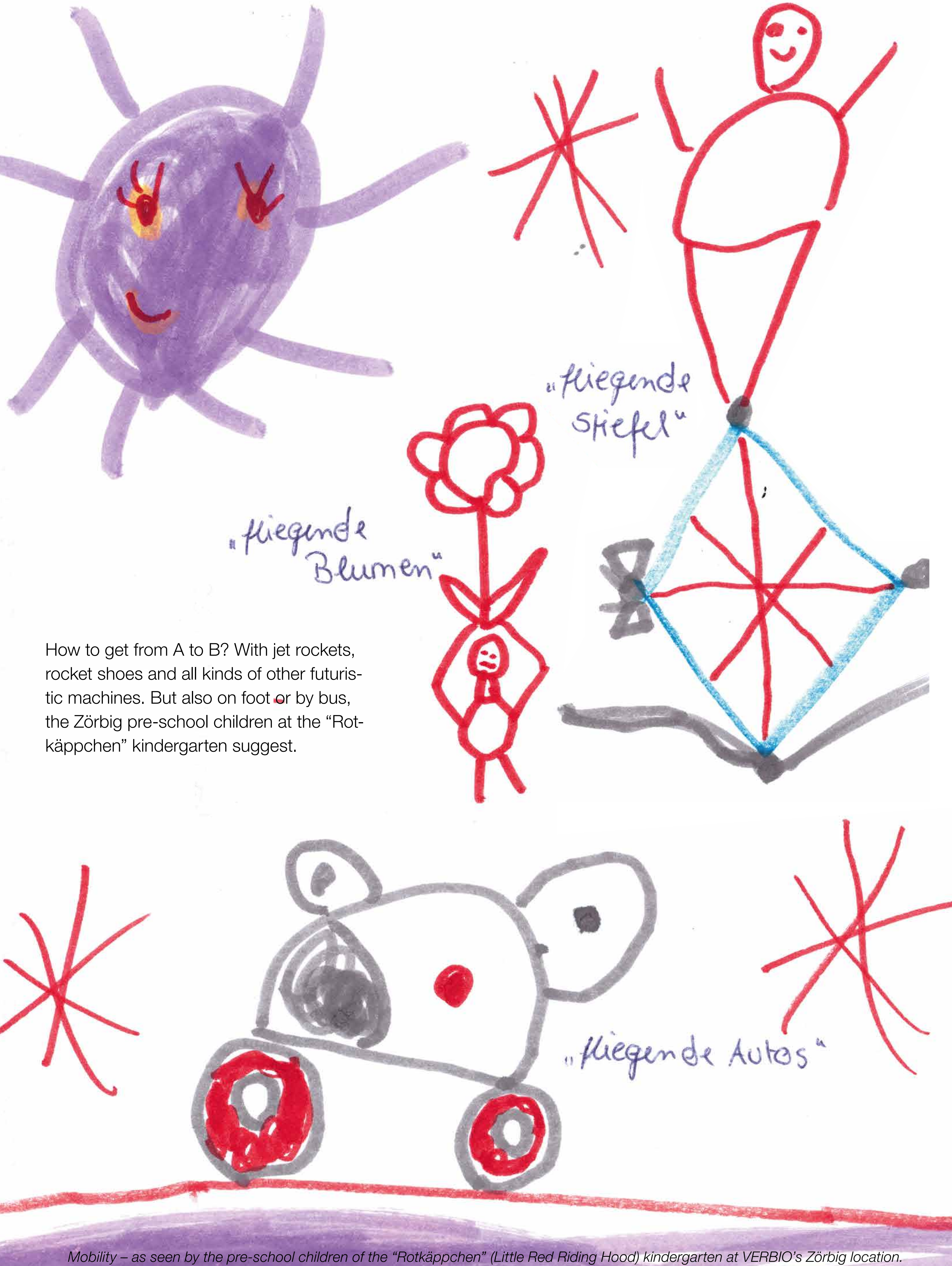
There has been no change in the dividend policy followed by the Management and Supervisory Boards in the current financial year. Particularly in view of the good results in the financial year 2017/2018, which have been achieved in difficult market conditions, and in view of the continued positive liquidity position of the Company, the Management and Supervisory Boards of VERBIO AG have agreed to submit a proposal to the annual general meeting 2019 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 (2016/2017: EUR 12.6 million). This dividend proposal, which is subject to the approval of the annual general meeting, is unchanged to the dividend payment in the previous year (2016/2017: EUR 0.20). This represents a yield of 3.71 percent based on the closing price of the VERBIO share of EUR 5.39 at June 30, 2018.

Shareholder structure at June 30, 2018



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	
Number of shares	63.000.000	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	
	2017/2018	**2016/2017**
Final price (XETRA, June 30, 2018; June 30, 2017)	EUR 5.39	EUR 9.87
52-week high (XETRA)	EUR 13.80	EUR 13.43
52-week low (XETRA)	EUR 3.96	EUR 4.65
Market capitalisation (basis: final price XETRA)	EUR 339.57 million	EUR 621.81 million
Free float	28.43 %	28.43 %
Earnings per share (basic and diluted)	EUR 0.24	EUR 0.82
Operating cash flow per share	EUR 0.18	EUR 1.19
Book value per share	EUR 4.77	EUR 4.70



How to get from A to B? With jet rockets, rocket shoes and all kinds of other futuristic machines. But also on foot or by bus, the Zörbig pre-school children at the "Rotkäppchen" kindergarten suggest.

Mobility – as seen by the pre-school children of the "Rotkäppchen" (Little Red Riding Hood) kindergarten at VERBIO's Zörbig location. This project was undertaken as part of an educational project sponsored by VERBIO at the kindergarten in May 2018.

Group management report

Group Management Report

for the financial year from July 1, 2017 to June 30, 2018

Fundamentals of the Group

Group structure

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

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

- VERBIO Diesel Bitterfeld GmbH (formerly: 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 (formerly: 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, Chandigarh (India), hereinafter referred to as "VIP"
- VERBIO Pinnow GmbH, Pinnow, 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 manufactures biofuels, fertiliser and animal feed, as well as sterols and pharmaceutical glycerine for use as a raw material in the cosmetic/pharmaceutical and food industries in its large-scale production plants, which have been developed by the company itself. 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, while pharmaceutical glycerine and sterols are sold worldwide.

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. In this way 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 manufacturing 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 plant 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 Asia or the USA.

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, when our annual report is published.

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 and Supervisory Boards 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 profitability at 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 also 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. The most important key performance indicator used for this is the measurement of net cash (cash and cash equivalents, less bank loans and other loans).

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 system of generating reports on planning, expected and actual data is based on a reliable and meaningful financial and controlling information system.

Research and development

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

For this reason, we have continued to drive forward targeted research and development activities in the financial year 2017/2018, 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 teams consisting of process engineers, chemists, biotechnologists, laboratory technicians and chemicals technicians, we are in a position to work on many ideas in both theory and practice.

We prepare the large-scale implementation of new processes and process improvements and analyse economic parameters such as yields, consumption, 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 and private research institutes and universities also plays an ongoing role in our research and development work.

In total, EUR 1,406 thousand (2016/2017: EUR 1,152 thousand) was spent on research and development in the past financial year. Group-wide, an average of 16 (2016/2017: 14) 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. The Biodiesel segment's R&D department works very closely with the production department in order to maintain and extend our competitive advantage in biodiesel production.

Research and development in the Bioethanol segment
The focus of research and development work in the Bioethanol segment is to ensure that we make continuous improvement in the production process in our biorefineries. Our biorefineries are concentrated on making the most efficient possible use of the input raw materials. The high levels of integration of the individual elements in our production plants place heavy demands on the stability of the processes. Our R&D team is currently focussing on researching potential opportunities for further value-added chains in the animal food sector using residual products from the raw materials used in the manufacture of ethanol. The focus in the financial year 2017/2018 was on improving the profitability of the straw biomethane plant.

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.

Employees
As of June 30, 2018 VERBIO employed a total of 563 employees (June 30, 2017: 527), of whom 231 were staff (June 30, 2017: 224), 310 were production employees (June 30, 2017: 286), 15 were trainees and apprentices (June 30, 2017: 12), and 7 were mini-job employees (June 30, 2017: 4). In the previous year there was additionally one temporary employee.

Economic report

Economic and political environment

Market conditions in Germany

Biodiesel and Bioethanol
The first half of 2018 has seen a continuation of the upward trend for fuel prices seen in the calendar year 2017. The German motoring association, the Allgemeine Deutsche Automobil-Club e. V. (ADAC), reported that the price of a litre of Super E10 petrol was EUR 1.445 in June 2018, the highest level seen since July 2015, and for diesel the price was EUR 1.287, which was the highest price since November 2014.

On average, the price of a litre of Super E10 increased from EUR 1.281 in 2016 to EUR 1.347 in 2017, and to EUR 1.379 for the first six months of 2018. The average price of diesel increased from EUR 1.078/litre in 2016 to EUR 1.161/litre in 2017, and to EUR 1.226/litre for the first six months of 2018. 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 2018 calendar year up until June. At the same time, a slight decline in the consumption of diesel in Germany was reported, with a reduction of 3.7 percent compared to the same period in the previous year. This is the first decline in the consumption of diesel since 2007; from that year onwards consumption increased annually for a period of ten years, from 29 million tonnes in 2007 to 38.7 million tonnes in 2017 – an average annual increase of 3.3 percent. If this recent decline continues for the rest of the year, this would mean that 36.6 million tonnes of diesel will have been consumed in Germany in 2018. It is difficult to estimate the extent to which the change in the trend is attributable to the diesel emissions issue. However, the strong fall in sales of vehicles powered by diesel engines will be part of the cause, despite the dominance of heavy goods vehicles in the consumption figures. Compared to the decline in diesel consumption there has been an astounding increase in the use of its biogene equivalent; the use of hydrogenated vegetable oil (HVO) as an additive in biodiesel increased by 11.2 percent in the first six months. Assuming a similar trend over the rest of the year, the total volume of biofuel additive components will total approximately 2.3 million tonnes. In 2017 the figure was 2.2 million tonnes. It can be assumed that the oil companies have made use of the relatively low biodiesel prices, which are competitive from their point of view, in order to increase the blending rates and to prepare themselves for the increase in the minimum greenhouse gas quota from 4 percent to 6 percent, effective from 2020. The current legislation does not yet make clear whether biofuels brought into circulation up until the end of 2019, together with the associated greenhouse gas quotas (GHG quotas), can be carried forward and credited for 2020.

The BAFA also reported a slight decrease in consumption of petrol-based fuels for the first six months of 2018, a decrease of 0.5 percent compared to the same period in the previous year. Again, this includes an increase in the use of additives compared to the previous year, a rise of 7.2 percent. The use of ethyl tert-butyl ether (ETBE) in petrol-based fuels also increased in the first six months of 2018 compared to the same period in 2017, with an increase of 7.3 percent. The decline in E10 sales recorded since 2015 has not continued; the share of E10 in total sales has stabilised at a level of around 13 percent. In order to achieve a significant increase in market share a larger price differential in prices for E10 and E5 at the filling stations is required. The current price differential of 2 cents/litre is not enough to persuade the consumer to use E10, with its lower emissions, instead of E5.

CNG (Compressed Natural Gas)/Biomethane

The share of biomethane blended with natural gas fuel as an additive had initially made good progress 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. The biomethane share has been falling again since 2015, and is currently standing at around 13–15 percent; again in 2017 an increase was not possible.

The report issued by the Federal Ministry of Finance (BMF) on the statistics for the fulfilment of the biofuels quota has been updated. The statistics for biomethane have only been shown separately in this report from the year 2012 onwards. The figures are now available up until 2016, and a significant increase in the use of biomethane in the fuels sector is apparent from 2012 to 2014 (2012: 333 GWh, 2013: 472 GWh, 2014: 500 GWh); this then fell in 2015 to 345 GWh, followed by a slight increase in 2016 to 373 GWh. The Federal Ministry for the Environment reports a stagnation of the volume at 380 GWh biomethane used for transport purposes in 2017. For the next few years, as a result of the 38th Regulation on the Implementation of the Federal Emissions Protection Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – 38th BImSchV), which is effective from January 1, 2018 and provides for credits for the use of natural gas for GHG quota purposes, stability or more likely a fall in the use of biomethane as an additive to natural gas fuels can be assumed.

The range of available natural gas-powered passenger vehicle models has almost tripled since 2012. During 2017 there were 3.44 million new passenger vehicle registrations in total, including all engine types – this is an increase of 2.7 percent over 2016, and a seven-year high. In 2017 there was also a renewed increase in new registrations for CNG vehicles, although the absolute levels remain low. While in 2016 3,240 new CNG vehicles were registered (a decline of 38.7 percent compared to 2015), there were 3,723 in 2017 (an increase of 14.9 percent). In the first half-year of 2018, 7,194 new registrations have already been recorded by the vehicle registration authority, and the market share increased from 0.1 percent to 0.4 percent.

These figures are evidence of a small refocussing towards CNG and biomethane fuels. The prolongation of the energy tax advantage for CNG-powered vehicles has been approved, and in addition, as a result of the diesel emissions scandals a number of vehicle manufacturers, for example the VW Group, have rediscovered this low-emission fuel powertrain and are promoting it actively. 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. The use of price display systems at filling stations which enable consumers to make a comparison with traditional fuels would be helpful as further support – for example, price displays showing the price as an equivalent to a litre of petrol or a kilowatt hour of electricity.

Although the CNG filling station network is getting thinner, there are still 861 filling stations across Germany, which ensures that sufficient coverage is available. Biomethane is offered at approximately 100 CNG filling stations, of which 81 are Verbiogas.

The share of biomethane in the total gas sold at CNG filling stations is stable at around 15–20 percent.

We maintain our commitment 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).

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

The comparatively low prices of diesel and petrol has reduced the competitiveness of biofuels compared to fossil fuels globally.

Biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, meaning that incentives for its use, e.g. tax incentives or compulsory blending requirements, are provided. Here the primary factor is not so much environmental concerns but 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 2017/2018 were approximately 84 EUR/tonne below the average level recorded in the financial year 2016/2017. Ethanol prices were approximately 55 EUR/cbm lower. The price trend for biodiesel is primarily a consequence of massive imports of soya methyl ester (SME), and a result of a fall in the prices of raw materials. The price of rapeseed oil, a raw material used in biodiesel production, fell by approximately EUR 70/tonne in the period, while the price of palm oil dropped by approximately EUR 112/tonne.

The average price of Fuel Grade Ethanol T2 FOB Rotterdam amounted to approximately EUR 481/cbm in the financial year 2017/2018. The strong demand for ethanol in South America, China and South Korea limited the arbitrage possibilities for imports, but was not enough to stop the downward trend. The ethanol price has been increasingly under pressure since the second quarter of 2017/2018. Previously unused production capacity in Europe has been activated. For example, French ethanol production plants recommenced production with the start of the sugar beet harvest.

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

Historical price trends of selected raw materials

	2016/ 2017	Q1 2017/ 2018	Q2 2017/ 2018	Q3 2017/ 2018	Q4 2017/ 2018	2017/ 2018
Crude oil (Brent; USD/barrel)	51	52	61	67	75	64
Diesel FOB Rotterdam (EUR/tonne)	415	414	468	482	550	479
Biodiesel (FAME-10 RED; EUR/tonne)	861	818	833	704	755	777
Petrol FOB Rotterdam (EUR/tonne)	465	459	535	558	638	547
Bioethanol (T2 German Specs; EUR/cbm)	536	550	466	457	449	481
Rapeseed oil (EUR/tonne)	794	758	783	672	684	724
Palm oil (EUR/tonne)	682	588	599	547	546	570
Wheat (MATIF; EUR/tonne)	165	164	161	161	173	165
Sugar (EUR/tonne)	384	262	272	241	220	249

Political environment and legal framework for biofuels

The new Federal Government is committed to the Paris accords. It remains to be seen how the important interim steps agreed for the years to 2030 will be implemented. It is positive to note that the coalition agreement includes a commitment that the Federal Government will continue to make progress on the GHG quota in order to support the production of biofuels – including production using waste materials as well as plant-based products. The responsibilities for mobility policy have been rearranged, as responsibility is now shared between three ministries led by the CDU/CSU (the Federal Ministry for Economic Affairs and Energy [Bundesministerium für Wirtschaft und Energie – BMWi], the Federal Ministry for Transport and Digital Infrastructure [Bundesministerium für Verkehr und digitale Infrastruktur – BMVI] and the Federal Ministry for Food and Agricultire [Bundesministerium für Ernährung und Landwirtschaft – BMEL]), as well as the SPD-led Federal Ministry for the Environment, Nature Conservation and Nuclear Safety [Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit – BMUB]). The previous Federal Government's climate protection plan 2050 as well as the energy reference forecast for 2030 show that an increase in the use of first and second generation biofuels is needed. The current public discussion is very one-sided, focussing on the potential for electro mobility, although the timeframe for achieving this and the level of consumer acceptance is not yet clear. We expect the Federal Government to be diligent in continuing to pursue all available decarbonisation options and not to limit themselves to the electrification of transport, the effect of which cannot be expected until no earlier than from 2025.

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.

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 all of the requirements will be or have been implemented.

Amendment to the Renewable Energy Directive and the Fuel Quality Directive

The reform of the Renewable Energy Directive (Erneuerbare-Energien-Richtlinie – RED) in 2015 made it necessary to make amendments to the relevant German directives. In July 2017 the responsible departments at the BMWi, BMUB and BMEL reached compromise agreements on the 38. BImSchV. These compromises were implemented with effect from January 1, 2018. It is a positive step that the BMUB demands for a 5 percent limit on first generation biofuels was not implemented. A compromise of 6.5 percent was agreed upon, while the reformed RED allows a maximum of 7 percent for cultivated biomass. On the other hand, it is regrettable that the BMUB pushed through its position of requiring a minimum quota for second generation advanced biofuels (minimum quota initially from 2020 beginning at 0.05 percent, increasing to 0.5 percent in 2025). With this approach the Federal Government continues in its failure to create an incentive to invest in advanced biofuels.

A GHG quota credit for Upstream Emission Reductions (UER) from 2020 was also introduced from January 1, 2018. These credits are limited to a maximum of 1.2 percent. UER projects reduce emissions in the process of oil production and refining. We expect that the oil industry will use this method to meet GHG quotas from 2020. As a result, however, this means that only 4.8 of the 6 percent GHG quota from 2020 remains for biofuels, which is in effect a quota reduction for biofuels. In the light of the failure to meet the climate targets in 2020 it is not clear why, in particular on the part of the BMUB, there has been resistance until now to a phased increase in the GHG quota in Germany, and an objection to an increased use of biofuels, irrespective of whether these are first or second generation. Overall this approach shows that the necessary planning for the future has hardly been addressed, and especially that these resolutions are largely incompatible with meeting the greenhouse gas reduction targets in the Effort Sharing Regulation. This takes effect from 2021, and provides for binding greenhouse gas reductions in the agriculture and forestry, buildings and road transport sectors over the period from 2021–2030, replacing the fuel quality directive.

Greenhouse gas quotas

Since January 1, 2011 biofuels can only count to the biofuels quota 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. There is no longer the potential for making energy tax incentives available for the use of pure biofuels, e.g. for biomethane and biodiesel B100, with the withdrawal of the relevant paragraph 50 of the Energy Tax Act with effect from January 1, 2018. The only market incentive remaining for bringing biofuels to market is the quota credit system.

In Germany quotas ceased to be based on energy values from January 1, 2015; since then they have been 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, the more quota credits are achieved, and accordingly 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.

With the 38. BImschV it was also resolved to include natural gas used as a fuel in the GHG quota from January 1, 2018. However, as natural gas already more than fulfils the current 4 percent savings target compared to the 94.1 grCO_2/MJ reference values for diesel and petrol fuels, there is less incentive to use biomethane from waste products (second generation). As a consequence, the sale of biomethane at Germany's CNG filling stations has fallen significantly. This was clearly not the intention of the legislators. However, it can only be compensated for with a minimum quota for advanced second generation biofuels. We will be pressing for action on this matter in our discussions with the responsible ministries.

Business report and the Group's position

Results of operations

With production of biodiesel and bioethanol totalling 722,511 tonnes in the financial year and a strong increase in the biodiesel segment in 2017/2018, VERBIO has once again set a new production record with a slight increase in production compared to the previous financial year (2016/2017: 722,137 tonnes). In addition, once again a new record level of biomethane was produced in the financial year 2017/2018 with total production amounting to 608,312 MWh (2016/2017: 559,160 MWh) – an increase of 49,152 MWh or 8.8 percent.

The Group's sales revenues for 2017/2018 totalled EUR 685.9 million (2016/2017: EUR 726.4 million). These figures include sales revenues from trading in biofuels of EUR 18.2 million, lower than in the previous financial year 2016/2017 (EUR 24.4 million). Further details are provided in the reports on the individual segments.

Earnings before interest, taxation, depreciation and amortisation (EBITDA), under deteriorated framework conditions, amounted to EUR 44.8 million, EUR 47.6 million lower than in the comparative period in the previous year (2016/2017: EUR 92.4 million).

The Group operating result (EBIT) is EUR 22.4 million, significantly lower than in the comparative prior period (2016/2017: EUR 70.7 million). The net result is also affected by current and deferred taxes of EUR 7.1 million (2016/2017: EUR 18.8 million), and amounted to EUR 15.1 million (2016/2017: EUR 51.8 million). Based on the result for the period, earnings per share (basic and diluted) was EUR 0.24 (2016/2017: EUR 0.82).

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 11.6 million (2016/2017: EUR 10.2 million), including the release of investment grants and subsidies (EUR 3.9 million; 2016/2017: EUR 3.4 million) electricity and energy tax rebates (EUR 2.8 million (2016/2017: EUR 2.5 million) and gains on currency exchange of EUR 2.1 million (2016/2017: EUR 1.2 million).

Material costs amounted to EUR 597.1 million, slightly higher than in the previous year (2016/2017: EUR 587.3 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin amounted to EUR 93.7 million (2016/2017: EUR 142.1 million).

Personnel expenses in the financial year 2017/2018 amounted to EUR 26.7 million, approximately 8 percent lower than in the previous year (2016/2017: EUR 29.1 million). Due to the business results the accruals made for variable remuneration are lower, and the additional profit-participation bonus awards for employees were also lower. There was a fall in the average personnel cost per employee as a result. The personnel expense ratio (in relation to sales revenue, change in inventories and own work capitalised) totalled 3.9 percent, almost unchanged compared to the previous year (2016/2017: 4.0 percent).

Other operating expenses amounted to EUR 33.6 million in the period (2016/2017: 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. Higher costs for repairs and maintenance were partially offset by lower outgoing freight costs.

The financial result amounted to EUR –0.2 million (2016/2017: EUR –0.2 million) and includes interest expenses EUR 0.4 million (2016/2017: EUR 0.8 million) and interest income of EUR 0.2 million (2016/2017: EUR 0.6 million).

The lower income tax expense of EUR 7.1 million (2016/2017: EUR 18.8 million) is a result of the lower profit before tax. The tax charge represented an effective tax rate of 32 percent (2016/2017: 27 percent) as a result of out-of-period effects so that the rate in financial year 2017/2018 was slightly high.

Net assets and financial position

The balance sheet total amounts to EUR 366.0 thousand at June 30, 2018 (June 30, 2017: EUR 373.1 million). The lower balance sheet total is, on the assets side of the balance sheet, primarily due to the lower total amount of cash and cash equivalents, while inventories and trade receivables increased. On the equity and liabilities side of the balance sheet, the decrease primarily resulted from the change in the tax liability.

Non-current assets

Non-current assets increased, amounting to EUR 171.7 million at the balance sheet date (June 30, 2017: EUR 167.8 million). The change resulted primarily from additions to property, plant and equipment (EUR 26.6 million), which exceeded scheduled depreciation of EUR 22.4 million, and disposals with a remaining carrying value of EUR 0.9 million.

Current assets

Current assets amounted to EUR 194.2 million at June 30, 2018 (June 30, 2017: EUR 205.3 million), a decrease of EUR 11.1 million compared to the previous year.

A further increase in the level of inventories compared to the previous year has been recorded (June 30, 2018: EUR 45.2 million; June 30, 2017: EUR 34.3 million). The increase in inventories compared to June 30, 2017 was primarily a result of higher quantities of inventories of raw materials on hand and the overall higher value of finished goods inventories on hand.

The increase in trade receivables of EUR 6.7 million, which was due to timing factors around year end, also contributed to the increase in the level of current assets.

In the same period, the level of cash and cash equivalents in particular has decreased significantly. Details of changes in the balance of cash and cash equivalents are provided in the comments on the cash flow statement.

Equity

Equity totalled EUR 300.2 million (June 30, 2017: EUR 296.4 million). The equity ratio amounts to 82.0 percent, a further year on year increase compared to the previous year's balance sheet date (June 30, 2017: 79.4 percent).

Non-current liabilities

Non-current liabilities fell by EUR 3.3 million, from EUR 11.0 million at June 30, 2017 to EUR 7.7 million at June 30, 2018. This was primarily a result of the decrease in non-current financial liabilities. As in the previous years, no new long-term liabilities were entered into in the financial year 2017/2018.

Current liabilities

Current liabilities are also lower than they were at the end of the previous financial year (June 30, 2018: EUR 58.1 million; June 30, 2017: EUR 65.6 million). This was primarily due to the significant decreases in tax liabilities (EUR 9.3 million, June 30, 2017: EUR 15.1 million) and in the other current liabilities (EUR 2.3 million, June 30, 2017: EUR 7.8 million). On the other hand, trade payables increased due to timing factors around the year end reporting date.

Cash flows

The cash flow from operating activities for the reporting period totalled EUR 11.1 million, significantly lower than in the previous year (2016/2017: EUR 75.0 million). This is due to the lower EBIT, as well as to advanced payments made in the financial year 2017/2018 for other financial liabilities and for taxes.

Cash outflows from investment activities in the 2017/2018 reporting period totalled EUR 23.1 million (2016/2017: EUR 78.4 million). This primarily resulted from payments made for investments in property, plant and equipment (EUR 25.2 million). Cash outflows for investments in property, plant and equipment were net of a comparatively low level of receipts from investment grants (2017/2018: EUR 2.3 million; 2016/2017: EUR 0 million).

The cash flow from financing activities for the reporting period totalled EUR –14.1 million (2016/2017: EUR –19.4 million). This consists of repayments of financial liabilities (EUR –1.5 million; 2016/2017: EUR –10.0 million) and the dividend payments (EUR 12.6 million; 2016/2017: EUR 9.5 million).

As a result of the above, cash and cash equivalents fell by a total of EUR 26.1 million in the period July 1, 2017 to June 30, 2018. Cash and cash equivalents reported in the balance sheet at June 30, 2018 amounted to EUR 28.5 million.

Net cash

The remaining bank and loan finance arrangements of EUR 0.4 million are more than offset by cash and cash equivalents of EUR 28.5 million, term deposits of EUR 60.0 million and other cash balances held in segregated accounts of EUR 2.0 million, so that the reported net cash balance at the balance sheet date amounted to EUR 90.1 million (June 30, 2017: EUR 115.7 million).

Investment

Investments totalling EUR 26.7 million were made in the financial year 2017/2018 (2016/2017: EUR 18.9 million). These primarily relate to investments in property, plant and equipment of EUR 26.6 million (2016/2017: EUR 18.8 million).

The investments were primarily made in the Bioethanol segment, with investments totalling EUR 15.5 million (2016/2017: EUR 10.8 million) in order to optimise and expand the current biomethane plants at Pinnow, Schwedt/Oder and Zörbig, as well as further expansion of the phytosterol (sterol) production plants at Bitterfeld and Schwedt at a cost of EUR 3.3 million (2016/2017: EUR 1.8 million).

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

Given the sales revenues and results of operations, the financial year 2017/2018 has been a satisfactory year overall. In particular, the EBITDA of EUR 44.8 million and the net cash position of EUR 90.1 million are slightly below the original planning for the financial year 2017/2018. The forecast released in the previous year indicated an EBITDA of around EUR 50 million. The balance of net cash at the end of the financial year was expected to fall to around EUR 100 million, primarily as a result of the planned increase in investments which will be financed from the Group's own funds. The original EBITDA and forecast year-end net cash balance were corrected during the course of the financial year. In the forecast issued on April 30, 2018 an EBITDA of around EUR 40 million was forecast and net cash balance of around EUR 85 million was expected by year end, based on current prevailing sales and raw material prices levels.

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

The Management Board and the Supervisory Board of VERBIO AG will recommend the payment of a dividend of EUR 0.20 per qualifying share at the annual general meeting to be held on February 1, 2019, with the remaining profit for the period to be carried forward.

Segment reporting

Biodiesel

Continuing a series of records set in recent financial reporting years, VERBIO has again been able to increase its total production of biodiesel in the financial year 2017/2018. A total of 476,211 tonnes of biodiesel was produced (2016/2017: 473,382 tonnes). A new record level of sales was also achieved.

Biodiesel	p. a.	1 HY 2016/ 2017	2 HY 2016/ 2017	2016/ 2017	1 HY 2017/ 2018	2 HY 2017/ 2018	2017/ 2018
Production capacity (tonnes)	470,000	235,000	235,000	470,000	235,000	235,000	470,000
Production (tonnes)		236,430	236,952	473,382	241,234	234,977	476,211
Utilisation production capacity (%)		100.6	100.8	100.7	102.7	100.0	101.3
Number of employees at the balance sheet date		**109**	**110**	**110**	**113**	**113**	**113**

Sales revenues in the Biodiesel segment in 2017/2018 totalled EUR 456.8 million, following EUR 471.6 million in the corresponding period in 2016/2017. The decrease in sales revenues, accompanied by stable sales volumes, is primarily due to the lower average selling prices for biodiesel. Total sales revenues include revenues from sales of merchandise of EUR 7.4 million (2016/2017: EUR 6.7 million).

The cost of materials amounted to EUR 411.7 million (2016/2017: EUR 413.5 million), almost unchanged compared to the previous year. Taking into consideration the change in inventories, gross profit fell from EUR 59.7 million to EUR 44.6 million. This is primarily a result of the fact that average raw material prices over the course of the financial year have not fallen as fast as the price of biodiesel. It was not possible to wholly compensate the price trends for raw materials and for biodiesel with further technical optimisation measures and with the stabilisation of sterol production.

Personnel expenses in the financial year 2016/2017 amounted to EUR 8.2 million (2016/2017: EUR 9.9 million).

Other operating expenses totalled EUR 13.1 million (2016/2017: EUR 12.9 million). Taking into account the losses on futures transactions of EUR 1.2 million (2016/2017: gains of EUR 0.8 million), the segment EBITDA for the period is EUR 24.4 million (2016/2017: EUR 39.3 million).

Investments in property, plant and equipment totalling EUR 5.9 million were made in the Biodiesel segment in the financial year 2017/2018 (2016/2017: EUR 3.9 million).

Bioethanol

In the financial year from July 1, 2017 to June 30, 2018 bioethanol production totalled 246,300 tonnes, only slightly below the previous year's level (2016/2017: 248,755 tonnes). On the other hand, the production of biomethane was increased by almost 9 percent compared to the previous year (2017/2018: 608.3 GWh; 2016/2017: 559.2 GWh). This pleasing development was achieved by a programme of ongoing optimisation in our plant and equipment.

In total, the Bioethanol segment generated sales revenues of EUR 219.1 million in 2017/2018, lower than in the previous year (2016/2017: EUR 245.2 million). In the Bioethanol segment the decline in sales despite almost unchanged sales volumes was due to the lower sales prices. The volume of trading activities remained at a relatively low level, as in the previous year (2017/2018: EUR 10.8 million; 2016/2017: EUR 17.7 million).

The cost of materials increased compared to the previous year to EUR 177.9 million (2016/2017: EUR 165.7 million), with the consequence that the segment gross margin fell to EUR 46.6 million compared to EUR 80.9 million in the previous year, after taking the change in inventories into account.

Other operating income in this segment in the reporting period amounted to EUR 9.4 million (2016/2017: EUR 8.6 million), with the increase primarily the result of higher proceeds from insurance claims and exchange rate gains.

Personnel costs amounted to EUR 14.4 million (2016/2017: EUR 15.4 million).

Other operating expenses amounted to EUR 22.3 million, after EUR 20.9 million in the financial year 2016/2017. These primarily include freight out and maintenance expenses, whereby the increase is primarily due to higher maintenance expenses. The Bioethanol segment reports losses on futures transactions of EUR 0.2 million (2016/2017: EUR 1.1 million).

The segment result EBITDA for the financial year 2017/2018 totalled EUR 19.9 million, after EUR 52.4 million in the financial year 2016/2017.

Investments in this segment totalled EUR 18.5 million (2016/2017: EUR 14.5 million). This primarily comprised investments of EUR 15.5 million (2016/2017: EUR 10.8 million) in establishing, expanding and optimising the existing biomethane plants at the Pinnow, Schwedt/Oder and Zörbig sites.

Bioethanol	p.a.	1 HY 2016/ 2017	2 HY 2016/ 2017	2016/ 2017	1 HY 2017/ 2018	2 HY 2017/ 2018	2017/ 2018
Production capacity (tonnes)	260,000	130,000	130,000	260,000	130,000	130,000	260,000
Production (tonnes)		123,712	125,043	248,755	125,484	120,816	246,300
Utilisation production capacity (%)		95.2	96.2	95.7	96.5	92.9	94.7
Biomethane							
Production capacity (MWh)	600,000	300,000	300,000	600,000	300,000	300,000	600,000
Production (MWh)		283,487	275,673	559,160	295,544	312,768	608,312
Utilisation production capacity (%)		94.5	91.9	93.2	98.5%	104.3	101.4
Number of employees at the balance sheet date		**232**	**252**	**252**	**257**	**260**	**260**

Other

Sales revenues generated in the Other segment totalling EUR 15.7 million in the financial year 2017/2018 primarily represent revenues from transport and logistic services (2016/2017: EUR 16.3 million). The segment result amounted to EUR –0.1 million (2016/2017: EUR 0.1 million).

The Other segment had 124 employees at June 30, 2018 (June 30, 2017: 122 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 for 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 compliant 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 an appropriate 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 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 a member of the Management Board, 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 2017/2018 amounted to EUR 3,088 thousand (2016/2017: EUR 3,145 thousand). Thereof, EUR 1,538 thousand (2016/2017: EUR 1,521 thousand) relates to the fixed salary portions including other remuneration components, and EUR 1,550 thousand (2016/2017: EUR 1,624 thousand) pertains to the variable remuneration components.

No loans were granted to members of the Management Board in the financial year 2017/2018 or in the financial year 2016/2017. 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 2017/2018 (2016/2017: 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 2017/2018 financial year were reimbursed with a total amount of EUR 6 thousand (2016/2017: EUR 6 thousand) for cash outlays.

In the financial year 2017/2018 the Company paid the Supervisory Board member Ulrike Krämer EUR 19 thousand for consultancy work under an ongoing consultancy agreement (2016/2017: EUR 24 thousand). No other remuneration or remuneration was paid or benefits granted by the Company to members of the Supervisory Board in the financial year 2017/2018 or in the financial year 2016/2017 for services rendered personally, in particular for consulting or 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, including in circumstances 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 developments may differ significantly either positively or negatively from this outlook, due to the occurrence of risks and opportunities as described in the risk and opportunity report.

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. In particular, this includes the biomethane manufactured from straw 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. The sale of electric vehicles has started to take off to a limited extent, although the absolute level remains comparatively low. In our view this picture remains unaffected by current trends concerning diesel engines. Given the fact that the economics of the electric engine are still comparatively unattractive for the consumer, as well as the range problems, a mass market for this will remain unattainable for a substantial period of time.

However, a reliable business environment is needed to ensure a stable business development and a sustainable business for the company in the biofuel industry. The Federal Emissions Protection Act with its fixed GHG quota currently offers a fixed framework on which the business plan going forward is based.

Although at the same time VERBIO's production capacity usage in both the Biodiesel and Bioethanol segments was very high over the course of the past financial year, the lower Group net result generated compared to the results in recent years demonstrates that in current market conditions an ongoing effort is required in order to maintain the production capacity utilisation achieved to date, and, where possible, to improve margins.

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. It remains to be seen whether this will be a growth market as a result of the expected slow ongoing growth in consumption of petrol-based fuels in the light of the diesel discussion. Looking at the E10 market share, the most recent BAFA data indicates a stagnation or a marginal increase, for the first time in a long period. However, turning this around to any significant extent would, in our opinion, either require 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 persist at a level of around 13 percent of the total volume of sales of petrol-based 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, by 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 in the medium term with its competitive offering to use biomethane as a substitute for natural gas and, due to its low emissions, particularly in public regional traffic uses and for use by commercial vehicles operating in inner cities. However, it should be noted that the implementation of the 38th BImSchV, and with it the opportunity to credit the use of fossil natural gas for greenhouse gas quota purposes, makes the sale of biomethane to the operators of CNG filling stations increasingly difficult.

However, 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: to produce electricity to be supplied to the grid under the Renewable Energy Act (Erneuerbare Energien Gesetz – EEG), as a material, or for heating purposes, openings that VERBIO uses on an opportunistic basis.

Trends in raw material prices

The United States Department of Agriculture (USDA) in its World Agricultural Supply and Demand Estimates (WASDE report) issued on August 10, 2018 reports total worldwide grain production for the 2017/2018 season at only 2,561 million tonnes, and accordingly forecasts that production will be 40 million tonnes lower than in the 2016/2017 season. The lower total is a result of the smaller area under cultivation in the USA. Production in 2018/2019 is estimated at 2,559 million tonnes.

At 758 million tonnes the production of wheat continued to increase in the current year; at 742 million tonnes, consumption was also slightly increased (2016/2017: 739 million tonnes). However, for 2018/2019 wheat production is only expected to be 729 million tonnes due to the massive damage caused by dry weather in Europe, Australia and Russia.

Overall, the supply of wheat is considered to be good. The final inventory of wheat in the 2017/2018 season is estimated at 273 million tonnes, representing an increase of 16 million tonnes compared to the closing 2016/2017 inventory.

In its crop report issued on June 11, 2018 COCERAL expects a total harvest of 299 million tonnes for the EU 28 in the season 2017/2018, of which 139 million tonnes was wheat. This represents approximately the same harvest as in the previous year, although for wheat this represents a fall of approximately 2.8 million tonnes.

Prices have hardened significantly in the first half-year 2018 as a result of the continued dry weather in the major growing regions outside the USA. From the beginning of 2018 the market prices have recovered from the lows in the fourth quarter of 2017, and have increased again with sustained prices above 450 USD/tonne. With market prices of over 580 USD/tonne, prices have even matched the levels seen in 2015.

According to the USDA report issued on August 10, 2018, worldwide oil seed production for the 2017/2018 harvest year is expected to be approximately 573 million tonnes (latest estimates: 592 million tonnes). The decline in the harvest compared to the previous year is primarily due to the situation in Argentina, where the expected harvest was cut to 37 million tonnes due to weather conditions, a decline of approximately 18 million tonnes compared to the previous year. The lost volume can only partially be compensated for by the good harvests in Brazil (119.5 million tonnes; 2016/2017: 114.1 million tonnes) and the USA (119.5 million tonnes; 2016/2017: 116.9 million tonnes).

The area under soya cultivation in the USA almost reached a record level once again as a result of the poor wheat prices in 2017. The area under cultivation this year is given as 89.6 million acres by the USDA (2017/2018: 90.1 million acres). The price situation has been extremely volatile since the start of the trade dispute between China and the USA. The price for US beans has fallen by approximately 15 percent since the end of May 2018, and is in a range of 800–900 ct/Bushel.

Current estimates made for European rapeseed yields for 2017/2018 by COCERAL, the European agricultural association, are only 21 million tonnes; the estimate made in March was 22 million tonnes (2016/2017: 21.5 million tonnes). Overall COCERAL expects 32.6 million tonnes of seed oil in the EU in 2018, compared to 33.6 million tonnes estimated in March.

Oil-World forecasts that worldwide production for 2017/2018 will be 66.6 million tonnes. The losses in Europe and Australia can be compensated for by better harvests in Canada, Russia and the Ukraine.

The continued price trends for vegetable oils are currently driven by the changes in trading patterns. The dispute between the USA and China and other trading partners is leading to major uncertainties in the markets and, as a result, to higher volatility. The consumption of vegetable oils will increase by a further 3.1 percent to 193.5 million tonnes in 2018/2019.

The price for palm oil has fallen back significantly from the 3,200 MYT/tonne mark since the beginning of 2017. Following a number of interim highs, the prices have now been below 2,500 MYT/tonne for several weeks.

The production numbers in 2016 had been weakened significantly by the El Niño effect and were extremely low at 59.1 million tonnes. A notable improvement in the situation could be observed in the course of 2017. According to Oil-World, the worldwide production of palm oil will reach 70.8 million tonnes in 2018. For the coming year (2019) production is expected to total 73 million tonnes.

Sales price trends

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 – has increased significantly, driven by new extraction methods such as fracking and tapping sources which were previously difficult to master. 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 its domestic 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 72 USD/barrel and 95 USD/barrel for the second half of 2018 and the full year 2019.

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 increase in the prices of fossil fuels increases the competitiveness of biofuels generally.

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 were 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. However, 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.

In July 2018 the new version of the Renewable Energy Directive (RED II) was approved covering the period from 2021 to 2030, following a long trilogue procedure between the European Council, the European Parliament and the European Commission. This sets out binding targets for the use of renewable energy for member states in all sectors.

In addition, on May 30, 2018 the Effort Sharing Regulation (ESR) was published in the official Journal of the European Union. This directive is the direct implementation of the 2015 Paris Climate Accord and provides binding greenhouse gas reduction targets for each member state for the sectors which are not represented in the European emissions trading system (ETS). These include road transport, agriculture and forestry as well as buildings. At the same time the ESR replaces the Fuel Quality Directive.

Renewable Energy Directive, RED II

In mid-July 2018 the European Commission, the European Parliament and the European Council agreed on a compromise for the new Renewable Energy Directive (RED II) covering the period from 2021 to 2030. The compromise consisted of the following. The renewable energies target increased from 20 percent in 2020 to 32 percent in 2030. The target for transport included in that figure was fixed at 14 percent by 2030, with an opportunity for review in 2023. Sub quotas, rising over time, were fixed for the use of advanced biofuels made from raw materials included in Appendix IX Part A of RED II; these are set to rise from 2022 to 2030, increasing from 0.1 percent to 1.75 percent on a physical basis. In addition, double credits for these sub quotas are provided for, i.e. the 1.75 percent target for advanced biofuels counts as a 3.5 percent achievement of the total. Upper limits are also set for biofuels from cultivated biomass, which until now have been set at a maximum of 7 percent and for RED II represent the consumption of cultivated biomass for each member state in 2020, with an additional flexibility of 1 percent. The use of cultivated biomass may not exceed 7 percent in the future. Biofuels from used cooking fat and animal fats (RED II, Appendix IX Part B) are also subject to an upper limit of up to 1.7 percent, which is slightly above current usage levels and also counts double. In addition, a ruling, which has not yet been specified in precise detail, has been created for raw materials from cultivated biomass associated with a high risk of indirect land use change (ILUC). The use of these raw materials is to be limited to the levels in 2019 and reduced from 2024 on a step by step basis, and shall be zero by 2030. This was done with a view to reducing the use of palm oil, the use of which as a raw material for biofuels has been controversial for some time. A methodology for classifying raw materials as high or low risk is to be presented by the EU Commission by February 2019. It remains to be seen whether this rule will have any significant effect. The use of RED II as GHG quota is expressly permitted. Co-processed vegetable oils with mineral oil-based oil products in an oil refinery (Co-HVO) are permitted as a fulfilment option, as in RED I. In Germany this option is limited to the period up to 2020. It remains to be seen how RED II will be implemented in Germany. RED II continues to work with a number of multiple crediting arrangements, for example a factor of 1.5 for renewable electricity for railway use or a factor of 4 for electro mobility. This gives member states an opportunity to fulfil the arithmetical target for transport, but without affecting the total target for RED II and the ESR. In the light of this it is positive that biofuels from cultivated biomass will continue to play an important role, and that a reduction of today's consumption volumes was not enacted. Overall, the targets for the use of advanced biofuels are not very ambitious.

The RED II must be transformed into national law by June 30, 2021. There are major inconsistencies which contradict effective climate protection. For example, an electric car, which is powered 100 percent from the use of fossil fuels, contributes zero emissions to the automobile manufacturer's vehicle fleet. A CNG vehicle powered by 100 percent renewable biomethane, on the other hand, will be treated as a vehicle powered by fossil fuel. The increased use of biofuels should be credited against the fleet limits in the interests of the German automobile and biofuels industries. This creates an incentive to actively market combustion engines which are environmentally friendly and which really do contribute to climate protection.

Effort Sharing Regulation – ESR)

In addition to the Renewable Energy Directive (RED II), another significant instrument resulting from the 2015 Paris climate accord is the Effort Sharing Regulation (ESR). This addresses all industry sectors which are not part of the European Emissions Trading System (ETS). These are the road transport, agriculture and forestry and building sectors, known as non-ETS sectors, and they must cumulatively make a 30 percent GHG saving compared to 2005, as a contribution to the EU's climate protection target of a 40 percent saving compared to 1990. This directive was published on May 30, 2018 and applies from 2021 to 2030. Each member state is given a specific target for its non-ETS sectors. For Germany, the savings target is 38 percent compared to 2005. Although there are multiple and partially new flexibility options, e.g. to shift savings between member states where targets are exceeded (i.e. Effort Sharing), the targets are very ambitious. For road transport in particular it will not be possible to meet these targets without additional efforts over and above the RED II. This not only means major effort in electro mobility, but in particular the further and increased use of biofuels from cultivated biomass, as well as significantly more ambitious targets and an appropriate minimum quota for advanced biofuels from waste products, e.g. straw.

As a result of the Effort Sharing regulation the Federal Government is forced to achieve the targeted results; otherwise significant penalties can be incurred. The Ökoinstitut (Institute of Ecology) has made initial calculations indicating that these could amount to as much as EUR 20 billion for all the member states. As these regulations follow over time until 2030 and there is more than a little doubt about the hopes placed on electro mobility and electricity as a fuel, the BMU will also need to acknowledge that penalties will be incurred by the Federal Government without the additional use of biofuels.

Differential Export Taxes (DET's)

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 invalid by the European Court of Justice (ECJ) and the World Trade Organization (WTO). They have had to be lifted as a result. The import duties were imposed in 2013 because Argentina and Indonesia provided their domestic biofuels industry with an unfair competitive advantage in the form of so-called differential export taxes (DETs). These countries successfully appealed to the World Trade Organization (WTO) against the anti-dumping duties imposed by the EU Commission on imports of biodiesel from these countries in 2013.

The EU Commission announced at the end of July 2018 that the two anti-dumping processes (against Indonesia and Argentina) were to be finally closed, as there were no substantive grounds to reintroduce penalty import duties as an anti-dumping measure. However, the Commission is examining anti-subsidy import duties against Argentina, and we expect a preliminary resolution in the near future (in September/October 2018). For Indonesia, the European Biodiesel Board (EBB) is examining whether it will apply to the EU Commission for anti-subsidy import duties.

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 from this will provide inputs to the straw power plant that is currently under construction in Pinnow/Angermünde, near Schwedt.

Investment in production lines 1 and 2 of the phytosterol production plant at Bitterfeld is complete and the plant is in production with the output levels as expected. This plant increases the 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 2018/2019. In addition, the Supervisory Board approved investment in a third production line. It is planned that this will commence production in the first quarter of the financial year 2019/2020.

In the financial year 2018/2019 VERBIO plans to consolidate the market position it has gained in the biodiesel and bioethanol sector.

In the Biomethane segment there is an ongoing examination of the suitability of various locations for the construction of stand-alone straw biogas plants, including in foreign European and non-European countries, in addition to the Pinnow location already mentioned above. The Pinnow location will commence production in the very near future.

India and the USA are particularly in focus due to the good availability of straw, the unstable nature of energy supplies and appropriate subsidy instruments.

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, we are again planning more expenditure in the financial year 2018/2019 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 the optimisation of existing plant and equipment.

Overall assessment of the expected development

The GHG quota has now been in place in Germany for four years since its initial introduction on January 1, 2015. As with most of our competitors in Europe, this change presented unique challenges for VERBIO. Product sales, together with the marketing of the associated greenhouse gas reductions for customers, are becoming ever more complex and challenging. The record sales of our biofuels are evidence that VERBIO has mastered this challenge very well.

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. This trend has also continued in the first six months of 2018. In line with our forecasts, the specific greenhouse gas reductions achieved by the biofuels in use has increased, and more than meets the increasing CO_2 savings obligations.

Despite this, the Management Board expects that the plant capacity utilisation rate will continue at its current high level of over 90 percent in the financial year 2018/2019 in both segments. 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 and the uncertainty concerning possible competitive distortions resulting from imported biodiesel and bioethanol, the Management Board expects to achieve an EBITDA for the financial year 2018/2019 of around EUR 45 million. The balance of net cash at the end of the financial year is expected to fall to around EUR 73 million, primarily as a result of the planned increase in investments which will be financed from the Group's own funds. When reliable political conditions for the further development of biofuels for the years after 2020 are known, it will be necessary to examine the requirement to make a partial reversal of the impairment charges recorded against property, plant and equipment in 2012/2013, which by then could be up to an amount not exceeding EUR 11 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 named a 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 on the net assets, financial position and results of operations. These materiality limits are set by the VERBIO Management Board and approved by the Supervisory Board, and are adjusted over time if required by changes in the reference values.

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

The risk management system is 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. References to the compliance requirements were added to the risk handbook in the financial year 2017/2018. 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 the current financial year 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, regulations and compliance, 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.

Corporate risk	Probability of occurrence	Risk category
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-Risiken	Gering	Gering

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.

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 towards the biofuels quota 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, rising to 4.0 percent from 2017 and 6.0 percent from the year 2020, through the use of biofuels or other greenhouse gas reduction measures (de-carbonising quota).

The legislators have recently issued several new regulations covering the biofuels market which are intended to adjust the reductions of fossil fuel greenhouse gas emissions to the current European Directives. The 37th Regulation on the Implementation of the Federal Emissions Protection Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV) issued on May 15, 2017, the 38th BImSchV issued on December 8, 2017 and the Upstream Emission Reductions Regulation (Upstream-Emissionsminderungs-Verordnung – UERV) issued on January 22, 2018 result in significant changes. All of these regulations, implementing credits for electricity powered mobility and co-processing of biogene oils in oil refineries (37th BImSchV), further amendments for crediting biofuels and natural gas (38th BImSchV) as well as credits for upstream emission reductions (UERV) from 2020, the initial mandatory year, are the determinants of the sales-side risks. The risk that the oil industry will be able to partially achieve its greenhouse gas reduction obligations by other methods, which may result in a reduction in demand for conventional biofuels, has accordingly increased significantly.

Procurement

Risks of raw material purchasing

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

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

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

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

Environment

Risks due to contaminated sites and other building, land and environmental risks

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

Tax and commercial law

Risks of non-compliance with ongoing tax obligations

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

VERBIO counters this risk through appropriate internal tax compliance measures, and by taking external advice in particularly complex 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 implement 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 will be covered. The continual expansion and optimisation of co-production manufacturing is one of the significant drivers of VERBIO's competitiveness, but at the current time it cannot be guaranteed that we will be able to operate our plant commercially should there no longer be sales channels for biofuels.

The production plants are technically state of the art and are subject to constant maintenance. Accordingly, from the viewpoint of the Company's management, environmental risks are minimised to the greatest extent possible. Nevertheless, potential environmental damage is insured through environmental liability insurance. All plants are insured against natural disasters by property and business interruption insurance.

Finance

Financial and liquidity risks
VERBIO holds a liquidity reserve in the form of cash and available credit lines amounting to EUR 5 million 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. Where there are covenants attached to loan agreements, 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, for example, NYMEX, ICE, CBOT and EURONEXT, as well as through OTC transactions. Through the use of derivative contracts, a production margin in the respective segment is fixed to the extent possible on a forward basis. Nevertheless, it cannot be excluded that in spite of the use of hedging instruments, undesirable market developments may lead to negative effects on results. The timing and chronological order in which the underlying transactions and the hedging transactions are entered into may also lead to deviations.

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

Credit and default risks

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

Risks from impairment of assets

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

In particular, when the assumptions underlying the planning prove to be 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 environments, in particular in countries such as the USA, China, India, Brazil, Malaysia or Indonesia, could have a direct impact on VERBIO's activities.

In 2013 the EU Commission imposed anti-dumping import duties on imports of biodiesel from Argentina and Indonesia. The respective countries made a complaint to the WTO, and the arbitration award required that the EU reverse these measures and amend the protective tariffs. It was not specifically denied that dumping had taken place, but the calculation of the damages was judged to be incorrect. For this reason the EU lowered the anti-dumping duties significantly in August 2017, and since then they have had not had any protective effect. In May 2018 the EU Commission undertook a new review of the issue and in August 2018 resolved to maintain the protective tariffs, which had been reduced to zero by that time, and to end the anti-dumping process against both countries.

In anticipation of a negative outcome, the European Biodiesel Board (Europäische Industrie-Verband für Biodiesel – EBB) had already applied to the EU Commission for an anti-dumping process against Argentina in January 2018, which is currently being examined. If the outcome is positive a result can be expected in October 2018. In that case the EU can impose temporary anti-dumping duties and final protective tariffs, probably in December 2018. If this does not happen or if the measures are insufficient, then subsidised biodiesel will enter the European market from Argentina. On the other hand, Argentina has started to reduce the export tax differential between biodiesel and vegetable oils from July 2018, so that the subsidy advantage has been reduced.

In the case of Indonesia, a decision as to whether an application for an anti-subsidy process will be made is still pending.

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.

Agreement has been reached in June 2018 between the European Council, the EU Commission and the European Parliament on the Renewable Energy Directive 2 (RED II) applicable from 2021. However, the formal vote of the European Parliament remains outstanding; this is expected in November 2018. Reductions of the contribution of conventional first generation biofuels which had initially been planned by the EU Commission for the years up to 2030 are no longer included in the final version of the text; instead, the sales of these biofuels will be capped at 2020 levels with 1 percent flexibility. This result provides significantly better planning security for the manufacturers of first generation biofuels, as it means that the sales levels will not fall further. For VERBIO, as a leading technologically innovative Company, this result should provide further market opportunities after 2020. With RED II there will be an obligatory minimum quota for advanced second generation biofuels, which will open up potential market opportunities for VERBIO as a leading manufacturer of biomethane from straw.

There are uncertainties concerning the implementation of RED II in the respective countries, including in Germany. The process of implementing RED II in Germany will begin in the autumn of 2018 and must be completed by the end of 2020. We will accompany this process in a constructive manner as a Company, and in our role as a member of the associations we form a part of.

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 overall, 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 various different raw materials, whichever are offered at the most advantageous purchasing conditions 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

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

The international crude oil markets are increasingly meeting demand, the prices for fossil fuels are rising, and with them the competitiveness of biofuels.

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

The Company's management is convinced that VERBIO's profitability forms a solid basis for its future business development, in particular its efforts to enter new product and geographical markets, and that it has the necessary resources in the 2018/2019 financial year and thereafter to pursue the opportunities offered to the Group and successfully confront the challenges from the risks described.

Other reporting obligations

Internal control 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 comply with the relevant requirements. 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 design 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 business intelligence interface – which is improved on an ongoing basis – as well as the clear assignment of responsibilities within accounting, controlling and Group financing, and the use of appropriate controls should ensure and facilitate appropriate risk management and controls, and ensure the compliance of the financial reporting. Also, all tasks associated with the consolidated financial statements, such as consolidation measures, reconciliation of intercompany balances, reporting requirements etc., are clearly assigned, and the processes are defined in the internal control and risk management system.

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

Statement on corporate governance

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

In addition to providing a description of the Management and Supervisory Boards' working methods, the statement includes the corporate governance report, the declaration of conformity 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 has 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 a (1) HGB

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

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

Zörbig, September 21, 2018

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

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

for the period July 1, 2017 to June 30, 2018

EUR (thousands)		01.07.2017 – 30.06.2018	01.07.2016 – 30.06.2017	Notes
1.	Sales revenue (including energy taxes collected)	687,064	726,985	
	less: energy taxes	–1,166	–543	
	Sales revenue	**685,898**	**726,442**	3.14/5.1
2.	Change in unfinished and finished goods	4,906	2,962	
3.	Own work capitalised	1,181	433	5.2
4.	Other operating income	11,631	10,204	3.14/5.3
5.	Cost of materials	–597,069	–587,260	5.4
6.	Personnel expenses	–26,729	–29,069	5.5
7.	Depreciation and amortisation	–22,381	–21,666	3.2/3.3/3.4/5.6
8.	Other operating expenses	–33,588	–31,053	5.7
9.	Result from commodity forward contracts	–1,435	–301	5.8
10.	**Operating result**	**22,414**	**70,692**	
11.	Interest income	176	655	5.9
12.	Interest expense	–411	–805	5.9
13.	**Financial result**	**–235**	**–150**	3.15/5.9
14.	**Result before tax**	**22,179**	**70,542**	
15.	Income tax expense	–7,077	–18,760	5.10
16.	**Net result for the period**	**15,102**	**51,782**	
	Result attributable to shareholders of the parent company	14,923	51,499	
	Result attributable to non-controlling interests	179	283	6,3,7
Income and expenses recognised directly in equity:				
	Items that may be reclassified subsequently to profit or loss:			
	Translation of foreign operations	–201	58	
	Fair value remeasurement on cash flow hedges	2,183	–470	9.3
	Deferred taxes recognised in equity	–658	146	
17.	**Income and expenses recognised directly in equity**	**1,324**	**–266**	
18.	**Comprehensive result**	**16,426**	**51,516**	
	Comprehensive result attributable to shareholders of the parent	16,247	51,233	
	Comprehensive result attributable to non-controlling interests	179	283	6,3,7
Result per share (basic and diluted)		**0.24**	**0.82**	3.16/6,3,6

Consolidated balance sheet

at June 30, 2018

EUR (thousands)	30.06.2018	30.06.2017	Notes
Assets			
A. Non-current assets			
I. Intangible assets	334	237	3.2/3.4/6,1,1
II. Property, plant and equipment	167,962	164,644	3.3/3.4/6,1,2
III. Financial assets	55	57	3.7/9.2
IV. Deferred tax assets	3,392	2,873	3.5/5.10
Total non-current assets	**171,743**	**167,811**	
B. Current assets			
I. Inventories	45,171	34,346	3.6/6,2,1
II. Trade receivables	45,233	38,489	3.7/6,2,2/9.2
III. Derivatives	3,392	2,391	3.8/6,2,3/9.3
IV. Other short-term financial assets	2,691	3,978	3.7/6,2,4/9.2
V. Tax refunds	195	112	3.5/6,2,5
VI. Other assets	9,006	11,230	3.7/6,2,6
VII. Term deposits	60,042	60,000	3.9/6,2,7
VIII. Cash and cash equivalents	28,516	54,722	3.10/6,2,8/9.2
Total current assets	**194,246**	**205,268**	
Total assets	**365,989**	**373,079**	

EUR (thousands)	30.06.2018	30.06.2017	Notes
Equity and liabilities			
A. Equity			
I. Share capital	63,000	63,000	6,3,1
II. Additional paid-in capital	487,681	487,681	6,3,2
III. Other reserves	1,018	–507	6,3,3
IV. Retained earnings	–252,444	–254,767	6,3,5
V. Reserve for translation adjustments	–233	–32	6,3,4
Total equity attributable to owners of the parent	**299,022**	**295,375**	
VI. Non-controlling interests	1,195	1,016	
Total equity	**300,217**	**296,391**	
B. Non-current liabilities			
I. Bank loans and other loans	11	561	3.13/6,4,1/9.2
II. Provisions	155	154	3.12/6,4,2
III. Deferred investment grants and subsidies	5,102	6,127	3.11/6,4,3
IV. Other non-current financial liabilities	2,010	3,912	3.13/6,4,4/9.2
V. Deferred taxes	437	288	3.5/5.10
Total non-current liabilities	**7,715**	**11,042**	
C. Current liabilities			
I. Bank loans and other loans	369	1,349	3.13/6,5,1/9.2
II. Trade payables	31,185	27,297	3.13/6,5,2/9.2
III. Derivatives	2,159	2,348	3.8/6,5,3/9.3
IV. Other current financial liabilities	7,294	9,226	3.13/6,5,4/9.2
V. Tax liabilities	9,342	15,075	3.5/6,5,5
VI. Provisions	4,349	1,532	3.12/6,5,6
VII. Deferred investment grants and subsidies	1,035	1,007	3.11/6,4,3
VIII. Other current liabilities	2,324	7,812	3.13/6,5,7
Total current liabilities	**58,057**	**65,646**	
Total equity and liabilities	**365,989**	**373,079**	

Consolidated cash flow statement

for the period July 1, 2017 to June 30, 2018

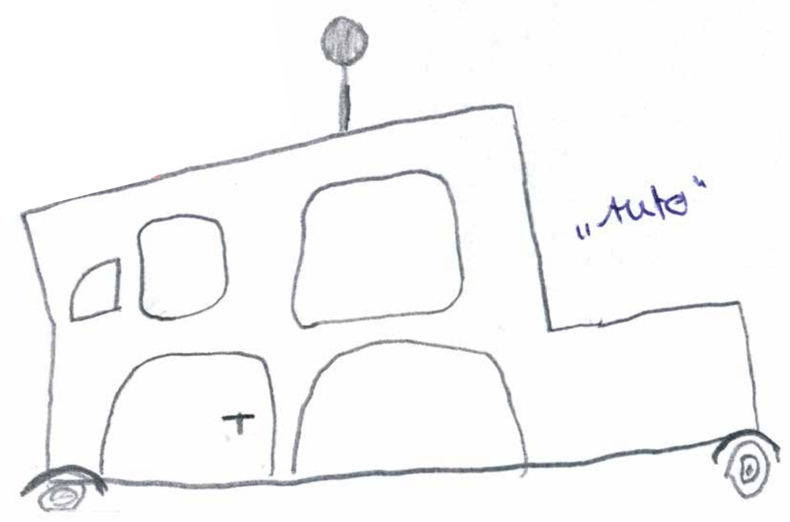
EUR (thousands)	01.07.2017 – 30.06.2018	01.07.2016 – 30.06.2017	Notes
Net result for the period	**15.102**	**51.782**	
Income taxes expense	7,077	18,760	5.10
Interest result	235	150	5.9
Depreciation and amortisation	22,381	21,666	5.6/6,1,1/6,1,2
Non-cash expenses	371	603	6,1,1/6,1,2
Non-cash income	–234	–77	
Loss (previous year: gain) on disposal of property, plant and equipment and derecognition of investment grants	210	–104	
Release of deferred investment grants and subsidies	–1,025	–1,014	6,4,3
Non-cash changes in derivative financial instruments	994	–778	9.3
Increase in inventories	–10,825	–8,069	6,2,1
Increase (previous year: decrease) in trade receivables	–6,744	–6,915	6,2,2
Decrease (previous year: increase) in other assets and other current financial assets	1,809	–4,400	6,2,4/6,2,5/6,2,6
Decrease (previous year: increase) in provisions	2,456	1,143	6,4,2/6,5,6
Increase (previous year: decrease) in trade payables	2,524	–590	6,5,2
Decrease (previous year: increase) in other current financial and non-financial liabilities	–9,326	7,855	6,4,4/6,5,4/ 6,5,5/6,5,7
Interest paid	–411	–723	
Interest received	111	21	
Income taxes paid	–13,624	–4,290	
Cash flows from operating activities	**11,081**	**75,020**	
Cash outflows for term deposits	0	–60,000	
Proceeds from investment grants	2,265	0	
Acquisition of intangible assets	–163	–119	
Acquisition of property, plant and equimpment	–25,198	–18,431	
Proceeds from disposal of property, plant and equipment	42	165	
Cash outflows (previous year: cash inflows) from addition/disposal of non-current financial assets	2	–1	
Cash flows from investing activities	**–23,052**	**–78,386**	

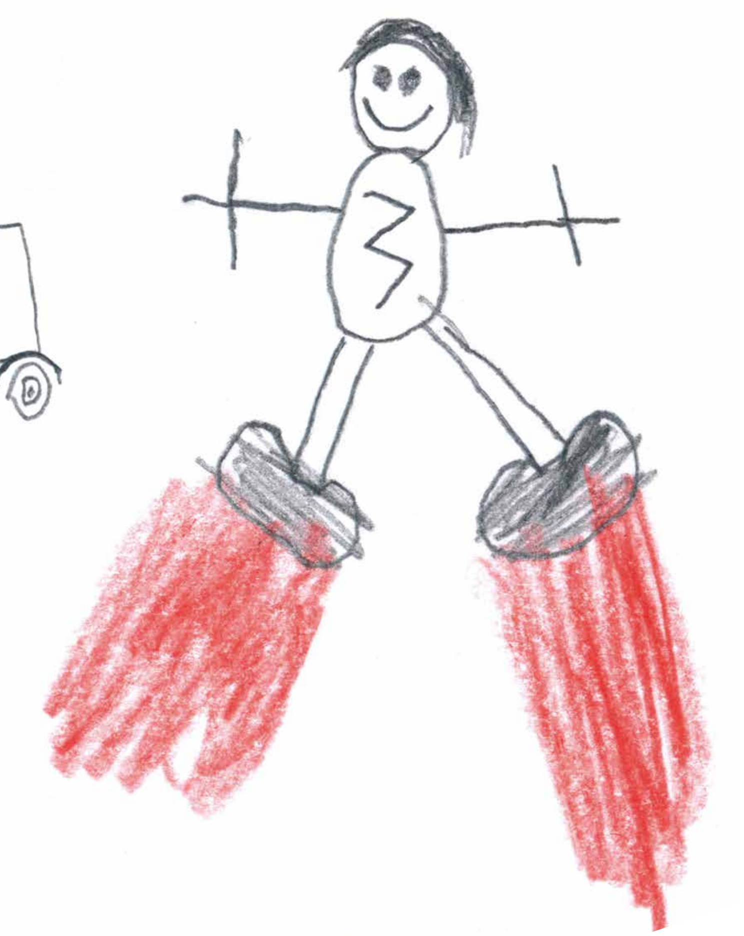
EUR (thousands)	01.07.2017 – 30.06.2018	01.07.2016 – 30.06.2017	Notes
Payments of dividends	–12,600	–9,450	
Cash outflows for the repayment of financial liabilities	–1,530	–10,000	
Proceeds from new financial liabilites	0	27	
Cash flows from financing activities	**–14,130**	**–19,423**	
Change in cash funds resulting from business transactions	–26,101	–22,789	
Change in cash funds due to effects of exchange rates	–105	28	
Cash funds at beginning of year	54,722	77,483	
Cash funds at end of year	**28,516**	**54,722**	7.

Consolidated statement of changes in equity

for the period July 1, 2017 to June 30, 2018

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, 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**
July 1, 2017	**63,000**	**487,680**	**–507**	**–254,766**	**–32**	**295,375**	**1,016**	**296,391**
Translation adjustments	0	0	0	0	–201	–201	0	–201
Fair Value changes on cash flow hedges (after tax)	0	0	1,525	0	0	1,525	0	1,525
Income and expenses recognised directly in equity	**0**	**0**	**1,525**	**0**	**–201**	**1,324**	**0**	**1,324**
Net result for the period	0	0	0	14,923	0	14,923	179	15,102
Comprehensive result for the period	**0**	**0**	**1,525**	**14,923**	**–201**	**16,247**	**179**	**16,426**
Dividend payments	0	0	0	–12,600	0	–12,600	0	–12,600
June 30, 2018	**63,000**	**487,680**	**1,018**	**–252,443**	**–233**	**299,022**	**1,195**	**300,217**





The Zörbig children take possession of their attractive new room with songs and with their ideas about mobility. Without Verbio’s help, the new creative room could not have been completed so quickly.

Mobility – as seen by the pre-school children of the “Rotkäppchen” (Little Red Riding Hood) kindergarten at VERBIO’s Zörbig location. This project was undertaken as part of an educational project sponsored by VERBIO at the kindergarten in May 2018.

Notes to the consolidated financial statements

for the financial year from July 1, 2017 to June 30, 2018

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 corporate office, and are in addition 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 of the financial statements, certain items in the statement of comprehensive income and in the balance sheet have been combined; these are explained in the notes.

The consolidated financial statements were prepared on the basis of 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 in which VERBIO AG has a majority shareholding are included in the consolidated financial statements and represent the parent company's material shareholdings at June 30, 2018:

Name of company	Location	Share of capital	Consolidation status
VERBIO Diesel Bitterfeld GmbH (VDB)	Bitterfeld-Wolfen/ OT Greppin	100.00 %	Fully consolidated
VERBIO Diesel Schwedt GmbH (VDS)	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
Wriezener Kraftfutter GmbH**	Wriezen	67.10 %	Fully consolidated
VERBIO Hungary Trading Kft.	Budapest, Hungary	100.00 %	Fully consolidated
VERBIO India Private Limited	Gurgaon, India	100.00 %	Fully consolidated
VERBIO Pinnow GmbH	Pinnow	100.00 %	Fully consolidated
VERBIO Renewables GmbH	Zörbig	100.00 %	Fully consolidated

* 44,67 % held indirectly bei VERBIO Agrar GmbH
** Indirectly held by VERBIO Agrar GmbH; Group's percentage holding

VERBIO Diesel Bitterfeld GmbH (VDB) and VERBIO Diesel Schwedt GmbH (VDS) were created in the financial year 2017/2018 by means of a reorganisation of their predecessor entities, VERBIO Diesel Bitterfeld GmbH & Co. KG and VERBIO Diesel Schwedt GmbH & Co. KG respectively. The predecessor entities VERBIO Diesel Bitterfeld Verwaltung GmbH and VERBIO Diesel Schwedt Verwaltung GmbH were merged into VERBIO Diesel Bitterfeld GmbH and VERBIO Diesel Schwedt GmbH respectively. Getreide- und Agrarhandel Halle GmbH, which was included in the consolidation in the previous year, was merged into VERBIO Agrar GmbH in the financial year 2017/2018. VERBIO Renewables GmbH, which was formed in the financial year 2017/2018, is a new company in the process of establishing its business activities. VERBIO Finance 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 wholly owned subsidiaries VERBIO Gas Pápa Kft., Budapest/Hungary, and VERBIO Gáz Tisza tó Kft., Budapest/Hungary, are currently being liquidated and were no longer included in the consolidation in the financial year 2017/2018.

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 (EUR), 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, 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”
- “Annual Improvements to IFRS Standards 2014–2016 Cycle”

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

3.2 Intangible assets

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 expected cost for the decommissioning of those assets for which there is a decommissioning obligation.

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

Scheduled depreciation is recorded in the income statement on a straight-line basis 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 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 more than one product is created from one production process, the allocation of the production costs to the individual products is carried out according to an allocation formula based on the relationship between the sales prices of the respective end products.

3.7 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 of the derivatives, in particular of 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 result in an outflow of resources within the next twelve months are recognised as of the balance sheet date at the discounted settlement amount, taking into account of the effect of expected cost increases. The settlement amount is discounted using market rates of interest, for liabilities carrying equivalent risk. An interest rate of 0.43 percent was applied for purposes of discounting in the financial year 2017/2018 (2016/2017: 0.39 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 3.8. The amortised acquisition cost of non-current financial liabilities is determined using the effective interest rate method.

3.14 Revenue and other operating income

Revenue 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. 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

In addition to interest income and borrowing costs, the financial result also includes impairment losses on non-current financial assets and gains on the disposal of such 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 Standards that have been issued but which are not yet mandatory

BAs 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, 2018.

- IFRS 9 “Financial Instruments” – Classification and Measurement
- Amendments to IFRS 2 “Share-based Payment”
- IFRS 15 “Revenue from Contracts with Customers”
- IFRS 16 “Leasing” (January 1, 2019)
- “Annual Improvements to IFRS Standards IFRS 2014–2016 Cycle” (extracts)

IFRS 9 “Financial Instruments” replaces all earlier versions of IAS 39 and concerns the classification and measurement of financial assets and liabilities as well as for accounting for hedging instruments. IFRS 9 includes new guidelines for classifying and measuring financial instruments, among other things this includes the introduction of a new model under which impairments of financial assets are determined, based on expected credit losses. VERBIO has performed an analysis of the impact of IFRS 9 on the consolidated financial statements and, overall, does not expect that there will be a significant impact on the balance sheet and on equity. This assessment is based on the information which is available at the current time and can changed should new information become available during the course of the financial year 2018/2019.

No significant changes as a result of the implementation of IFRS 9 are expected which will affect assets which are currently measured at historical acquisition cost. Loans and receivables are held in order to collect the contractual cash flows, which wholly consist of receipts of payment of principal and interest on the outstanding nominal balances. VERBIO has performed an analysis of the contractual cash flows and concluded that these meet the “solely payments of principal and interest” criteria and that no reclassification is required.

For the purposes of calculation impairment, VERBIO will use the simplified approach and record impairment allowances based on the expected credit loss over the lifetime of all trade receivables. VERBIO has calculated that the risk allowances against uninsured loans and receivables will increase as a result by an amount of less than EUR 0.1 million.

A review of VERBIO's accounting policies for hedge accounting revealed that all instruments currently designated as effective hedging instruments also meet the criteria permitting them to be used for hedge accounting purposes under IFRS 9. No significant changes are expected in the hedge accounting applied in the consolidated financial statements as IFRS 9 does not change the general approach used to account for effective hedging arrangements.

IFRS 15 "Contracts with customers" provides detailed guidance on whether, to what extent, and at what date sales revenues are recognised. IFRS 15 replaces existing standards on recognising sales revenues, including IAS 18 "Revenue", IAS 11 "Construction contracts" and IFRIC 13 "Customer Loyalty Programmes".

Under IFRS 15, sales revenues from the sale of goods is recognised at the date on which the customer obtains control of the goods. Currently, revenue from the sale of biofuels and other products created in the process of producing biofuels is recognised when the goods are delivered to the customers, whereby the place of delivery can vary and the arrangement is dependent on the terms of delivery agreed between the parties. The date of the delivery to the customer is the date on which the customers accepts the risks and opportunities associated with the transfer of ownership of the goods. In VERBIO's assessment, the changes implemented by IFRS 15 concerning the supply of goods does not result in a change in the date of revenue recognition. The amount of sales revenues recognised is also not affected by the changes implemented by IFRS 15.

Sales revenues which are recognised for services primarily consist of transport services, these are recognised in the period in which the services are rendered. It is not necessary to allocate the consideration received for services into different reporting periods as the services invoiced are for short term periods of supply and are invoiced in the appropriate periods. IFRS 15 requires that the total consideration payable for services are allocated to individual services performed in proportion to the relative stand-alone selling prices for those services. The stand-alone selling prices are based on list prices showing the prices offered for those services on a stand-alone basis. As the services provided are invoiced as separate transactions, VERBIO does not expect the implementation of IFRS 15 to change the timing of revenue recognition for such services.

In conclusion, based on VERBIO's assessment of all revenue transactions, the implementation of IFRS 15 will not lead to any changes to reported figures and will have no effect on the Group's equity at July 1, 2018.

IFRS 16 "Leasing" introduces substantial new rules for accounting for leasing arrangement, 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. A lessee records a right-of-use asset which represents its right to use the underlying leased asset, and in addition records a liability representing its obligation to make the payments under the terms of the lease. There are exceptions available for short-term leases and for leasing arrangements for the use of small value assets.

VERBIO has performed an initial assessment of the possible effect on the consolidated financial statements; the detailed analysis has not been concluded. The actual amounts on implementation will depend on future economic factors, such as the level of interest rates at July 1, 2019, the composition of the leasing portfolio at that date, and the extent to which VERBIO makes use of the exceptions and the recognition exemptions available.

At the current time it is to be anticipated that VERBIO will recognise new assets and liabilities arising from its operating lease arrangements for land and buildings and to some extent from leases over machinery and factory and office equipment. The undiscounted minimum lease obligations under non-cancellable operating lease arrangements, at June 30, 2018 amount to EUR 11.0 million (see note 11.1.4). 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. In the cash flow statement, the payments for operating lease arrangements will in future be reported as cash flows from financing activities, which will result in an improvement in cash flow from operating activities compared to the amounts reported under IAS 17.

In addition, further disclosures will be made as a result 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/provisions for expected losses on sales contracts

Impairment write downs of EUR 1,176 thousand have been made against the calculated manufacturing cost of inventories of finished goods. These were necessary to reflect the expected net sales proceeds. Provisions include provisions for expected losses on sales contracts totalling EUR 4,005 thousand to take account of sales contracts which are not covered by finished goods in inventory on hand. The estimates and assumptions made which affect finished goods inventories and provisions for expected losses on sales contracts 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 inventory of biomethane and biomethane quotas (June 30, 2018: EUR 13,165 thousand) and the amounts recorded for expected losses on sales contracts. Estimates of market prices made in July 2018 for the first half of 2019 were used for the valuation at June 30, 2018. Due to the fact that contracts for the quotas for the 2018 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

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

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

Identifying impairment reversals where the value of non-current assets has recovered

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. We refer to section 3.4. The assumptions and estimates made are based on the cash flow forecasts obtained in the Company's business plans. These take account of the circumstances existing at the time of the preparation of the consolidated financial statements and developments in the industry-specific environment as it affects the future business development of the VERBIO Group.

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

5.1 Revenues

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

5.2 Own work capitalised

Production costs of own work capitalised amounted to EUR 1,181 thousand (2016/2017: EUR 433 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)	2017/2018	2016/2017
Release of investment grants and subsidies	3,855	3,440
Reimbursement of electricity and energy taxes	2,782	2,543
Realised exchange gains	2,104	1,235
Release of provisions and other liabilities	151	411
Other out-of-period income	113	182
Gains on the disposal of property, plant and equipment	52	138
Miscellaneous other operating income	2,574	2,255
Other operating income	**11,631**	**10,204**

5.4 Cost of materials

The cost of materials was as follows:

EUR (thousands)	2017/2018	2016/2017
Raw material and merchandise – biodiesel	388,240	389,190
Raw material and merchandise – bioethanol and biomethane	146,149	140,182
Additives	21,525	19,944
Addition to provision for expected contract losses	4,005	1,078
Use of provision for expected contract losses	– 1,078	– 101
Other	7,647	6,598
Total raw material, consumables and supplies and purchased goods	**566,488**	**556,891**
Energy costs	21,972	20,463
Miscellaneous	8,609	9,906
Expenses for purchased services	**30,581**	**30,369**
Total cost of materials	**597,069**	**587,260**

5.5 Personnel expenses

EUR (thousands)	2017/2018	2016/2017
Wages and salaries	20,316	18,403
One-off remuneration	2,319	6,899
Wages and salaries	**22,635**	**25,302**
Statutory social security costs	3,513	3,204
Employee's accident insurance association	238	226
Pension expense	343	337
Total social security expenses	**4,094**	**3,767**
Total personnel expenses	**26,729**	**29,069**

Social security costs include the employer's share of statutory pension scheme contributions totalling EUR 1,674 thousand (2016/2017: EUR 1,564 thousand). In addition, Group companies have made contributions of EUR 343 thousand (2016/2017: EUR 337 thousand) to a defined contribution scheme, including pension fund contributions, among others.

As of June 30, 2018 the Group employed 563 employees (June 30, 2017: 527), of whom 231 were staff (June 30, 2017: 224), 310 were production employees (June 30, 2017: 286), 15 were trainees and apprentices (June 30, 2017: 12) and 7 were mini-job employees (June 30, 2017: 4). No employees were on short-term contracts (June 30, 2017: 1).

In the financial year 2017/2018 the Group had an average of 541 employees (2016/2017: 503), of whom 227 were salaried employees (2016/2017: 209), 294 were production employees (2016/2017: 280), 15 were trainees and apprentices (2016/2017: 13), and 4 were mini-job employees (2016/2017: 2).

5.6 Depreciation and amortisation

We provide further information on depreciation and amortisation in Section 3.3, "Property, plant and equipment", Section 3.4, "Impairment of non-current assets", Section 6.1.1, "Intangible assets", and Section 6.1.2, "Property, plant and equipment".

5.7 Other operating expenses

EUR (thousands)	2017/2018	2016/2017
Outgoing freight and other selling expenses	7,658	8,507
Repairs and maintenance	10,466	8,141
Motor vehicle costs	2,877	2,557
Insurances and dues	1,577	1,611
Miscellaneous other operating expenses	11,010	10,237
Other operating expenses	**33,588**	**31,053**

5.8 Result from commodity forward contracts

The result from the valuation and from the closing-out of forward contracts which do not qualify for hedge accounting totalled EUR –1,435 thousand (2016/2017: EUR –301 thousand).

5.9 Financial result

EUR (thousands)	2017/2018	2016/2017
Interest income	176	655
Interest expense	–411	–805
Financial result	**–235**	**–150**

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)	2017/2018	2016/2017
Current tax expense	–8,105	–13,051
Deferred tax expense	1,028	–5,709
Income tax	**–7,077**	**–18,760**

Income tax expenses include current tax expenses of EUR 824 thousand (2016/2017: EUR 314 thousand) which relate to earlier periods. Deferred tax includes income of EUR 798 thousand (2016/2017: EUR 2,155 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 238 thousand (2016/2017: EUR 149 thousand).

For the calculation of domestic deferred taxes a corporation tax rate of 15.0 percent (2016/2017: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2016/2017: 5.5 percent) plus (for the parent company) a trade tax rate of 13.87 percent (2016/2017: 15.32 percent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate is 29.70 percent (2016/2017: 31.15 percent). The trade tax relevant for domestic companies ranged from 12.25 percent to 13.87 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)	2017/2018	2016/2017
Result before taxes	22,179	70,542
Income tax rate	29.70%	31.15%
Expected income tax	**–6,587**	**–21,974**

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

EUR (thousands)	2017/2018	2016/2017
Change in unrecognised deferred taxes	385	2,642
Difference in tax rates	230	488
Non-deductible expenses and permanent effects	180	711
Effects relating to prior periods	–1,063	–463
Other differences	222	–164
Reported income tax expense	**–7,077**	**–18,760**

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	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Property, plant and equipment	2,982	3,665	1,094	1,524	1,888	2,141
Inventories	64	102	2	0	62	102
Receivables	0	0	113	104	–113	–104
Derivatives	64	731	430	745	–366	–14
Investment subsidies (investment grants)	0	0	591	1,011	–591	–1,011
Other provisions	1,634	612	410	269	1,224	343
Other liabilities	21	32	2	0	19	32
Additional tax upon distribution of retained earnings	0	0	0	0	0	0
Tax losses carried forward	832	1,096	0	0	832	1,096
	5,597	**6,238**	**2,642**	**3,653**	**2,955**	**2,585**
Netting	–2,205	–3,365	–2,205	–3,365	0	0
Net deferred taxes	**3,392**	**2,873**	**437**	**288**	**2,955**	**2,585**

The change in the recognised deferred tax balances results from changes affecting profit or loss totalling EUR 1,028 thousand (2016/2017: EUR 5,709 thousand) and changes recognised directly in equity of EUR 658 thousand (2016/2017: EUR 144 thousand). The changes recognised directly in equity result from changes in the value of derivatives recognised only in equity.

As of June 30 2018, there were unrecognised deferred tax liabilities totalling EUR 22 thousand (2016/2017: EUR 28 thousand) for temporary timing differences and in connection with investments in subsidiaries of EUR 1,513 thousand (2016/2017: EUR 1,825 thousand) because VERBIO AG can control their reversal and their reversal will not take place in the foreseeable future.

No deferred tax assets are recognised on trade tax losses carried forward of EUR 18,808 thousand (2016/2017: EUR 21,145 thousand) and corporation tax losses of EUR 22,729 thousand (2016/2017: EUR 25,043 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 Intangible assets

The movements in intangible assets in the financial year 2017/2018 included additions of EUR 163 thousand (2016/2017: EUR 119 thousand), reclassifications (EUR 95 thousand), the effects of changes in currency exchange rates on acquisition costs (EUR –2 thousand) and amortisation (EUR –2 thousand), as well as amortisation of EUR 161 thousand (2016/2017: EUR 120 thousand), resulting in a balance of EUR 334 thousand at June 30, 2018 (June 30, 2017: EUR 237 thousand). The total acquisition cost of other intangible assets at June 30, 2018 amounted to EUR 2,075 thousand (June 30, 2017: EUR 1,819 thousand) and the carrying value is after deduction of amortisation totalling EUR 1,741 thousand (June 30, 2017: EUR 1,583 thousand).

Research and development

Research and development expenses of EUR 1,406 thousand are included in the statement of comprehensive income (2016/2017: EUR 1,152 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 5,418 thousand (2016/2017: EUR 5,807 thousand) are pledged as security for financial liabilities.

The changes in property, plant and equipment in the period from July 1, 2017 to June 30, 2018 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, 2017	42,245	319,003	15,719	15,700	392,667
Additions	712	383	3,137	22,329	26,561
Reclassifications	414	3,064	190	−3,764	−96
Disposals	1,367	483	698	112	2,660
Currency effects	−25	−4	−4	0	−33
Acquisition costs as of June 30, 2018	**41,979**	**321,963**	**18,344**	**34,153**	**416,439**
Accumulated depreciation as of July 1, 2017	16,343	200,960	10,720	0	228,023
Additions	1,300	19,326	1,593	0	22,219
Disposals	835	299	626	0	1,760
Currency effects	0	−2	−3	0	−5
Accumulated depreciation as of June 30, 2018	**16,808**	**219,985**	**11,684**	**0**	**248,477**
Carrying amount as of July 1, 2017	25,902	118,043	4,999	15,700	164,644
Carrying amount as of June 30, 2018	**25,171**	**101,978**	**6,660**	**34,153**	**167,962**

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 progess	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
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	0	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**

6.2 Current assets

6.2.1 Inventories

EUR (thousands)	30.06.2018	30.06.2017
Raw materials, consumables and supplies, gross	24,365	18,540
Less: allowances		– 105
Raw materials, consumables and supplies	**24,365**	**18,435**
Work in process, gross	2,805	1,120
Less: allowances		– 22
Work in process	**2,805**	**1,098**
Finished goods, gross	19,161	14,834
Less: allowances	– 1,176	– 48
Finished product	**17,985**	**14,786**
Merchandise	**16**	**27**
Inventories	**45,171**	**34,346**

The inventories have a carrying value of EUR 32,006 thousand (June 30, 2017: EUR 23,579 thousand) and are carried at their acquisition and production cost. In addition, inventories with a carrying value of EUR 13,165 thousand (June 30, 2017: EUR 10,767 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 1,176 thousand (June 30, 2017: EUR 175 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 0 thousand (2016/2017: EUR 105 thousand) and are reported in the statement of comprehensive income within “Cost of materials”, and write-downs of finished products of EUR 1,176 thousand (2016/2017: EUR 70 thousand) were included in “Change of unfinished and finished goods”.

6.2.2 Trade receivables

Trade receivables amounted to EUR 45,233 thousand at the balance sheet date (June 30, 2017: EUR 38,489 thousand) and are presented net of valuation allowances of EUR 1,251 thousand (June 30, 2017: EUR 1,482 thousand).

Of the valuation allowances recorded in the previous year, EUR 63 thousand (2016/2017: EUR 70 thousand) were released through profit or loss in the financial year; the release amount is included in “Other operating income”. Allowances of EUR 29 thousand (2016/2017: EUR 82 thousand) were recorded in the reporting period; the expense is included in “Other operating expenses”.

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 3,392 thousand at June 30, 2018 (June 30, 2017: EUR 2,391 thousand) is provided in Section 9.3, "Derivatives".

6.2.4 Other current financial assets

Other current financial assets comprise the following:

EUR (thousands)	30.06.2018	30.06.2017
Cash on segregated accounts	1,968	2,919
Security deposits resulting from security agreements and liability declarations	422	419
Deferral of unrealised results on forward contracts	228	76
Miscellaneous other financial assets	73	564
Other financial assets	**2,691**	**3,978**

6.2.5 Tax refunds receivable

EUR (thousands)	30.06.2018	30.06.2017
Reimbursement claims for trade tax	172	74
Reimbursement claims for corporation tax	23	38
Tax refunds receivable	**195**	**112**

6.2.6 Other assets

Other non-financial assets comprise the following:

EUR (thousands)	30.06.2018	30.06.2017
Investment grants and subsidies	3,998	5,181
Reimbursement of electricity and energy tax	4,014	3,562
Value added tax and interest due from tax authorities	394	1,068
Deferred expenses	427	697
Miscellaneous other assets	173	722
Other non-financial assets	**9,006**	**11,230**

6.2.7 Term deposits

Term deposits amounted to EUR 60,042 thousand (June 30, 2017: 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 28,516 thousand (June 30, 2017: EUR 54,722 thousand).

The unrestricted cash and cash equivalents primarily include balances at banks of EUR 28,509 thousand (June 30, 2017: EUR 54,709 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, 2018 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 incurred by VDB for the purchase of VES, VEZ, VDS and STS in connection with the merger carried out in 2006, to the extent that these exceeded the amount reflected in share capital. An amount of EUR 168,937 thousand 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, 2018.

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 1, 2019, and that the remaining profit for the period shall be carried forward.

The negative retained earnings in the consolidated financial statements decreased by EUR 2,323 thousand, representing the positive Group result attributable to owners of the parent Company (EUR 14,923 thousand) less the dividend paid for the previous year (EUR 12,600 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 2017/2018 amounts to EUR 14,923 thousand (2016/2017: EUR 51,499 thousand).

The number of shares in issue in the financial year 2017/2018 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 the financial year 2017/2018, as in the previous financial years. The basic result per share from continuing operations amounts to EUR 0.24 (2016/2017: EUR 0.82). The diluted earnings per share from continuing operations in both periods is identical to the basic earnings per share.

	2017/2018	**2016/2017**
Outstanding shares on June 30, 2018 and 2017	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)	14,923	51,499
Result per share in EUR	**0.24**	**0.82**

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)	2017/2018	2016/2017
Sales revenues (before group eliminations)	20,880	20,626
Net result for the period	1,683	2,658
Result attributable to non-controlling interests	**179**	**283**

EUR (thousands)	2017/2018	2016/2017
Current assets	6,480	7,787
Non-current assets	10,477	10,335
Current liabilities	6,102	8,397
Non-current liabilities	276	844
Equity	10,579	8,881
Non-controlling interests	**1,195**	**1,016**

EUR (thousands)	2017/2018	2016/2017
Cash flows from operating activities	816	4,659
Cash flows from investing activities	–1,616	–249
Cash flows from financing activities	–1,500	–6,000
Net change in cash funds	**–2,300**	**–1,590**

6.4 Non-current liabilities

6.4.1 Bank loans and other loans

Bank loans and other loans totalled EUR 380 thousand as of the June 30, 2018 balance sheet date (June 30, 2017: EUR 1,910 thousand). These are classified as follows (current and non-current portions):

EUR (thousands)	Balance 30.06.2018	Due within one year	Non-current	Maturity	Interest rate p.a. in %	Payment modality
Bank 1	31	31	0	31.01.2019	4.60	annual (1)
Other loans	270	270	0	b.a.w.	0.00	bullet (1)
Other loans	79	68	11	b.a.w.	2.00	monthly (1)
Total	**380**	**369**	**11**			

(1) Fixes interest rate

The bank loans and other loans as of June 30, 2017 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	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

Details of the carrying values of collateral security provided are provided in the disclosures in Section 6.1.2, “Property, plant and equipment”. We refer to explanations presented under Section 11.2.3 for details of loan agreements with related parties.

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 155 thousand (June 30, 2017: EUR 154 thousand) include provisions for the costs of asset retirement obligation in connection with wind power plants of EUR 26 thousand (June 30, 2017: EUR 25 thousand) and provisions of EUR 129 thousand (June 30, 2017: 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, 2017 to June 30, 2018 were as follows:

EUR (thousands)	Investment subsidies	Investment grants	Total
July 1, 2017	6,594	540	7,134
Additions	33	0	33
Release in current period	–899	–126	–1,025
Disposals	–4	0	–4
June 30, 2018	**5,724**	**414**	**6,138**
Thereof: current	909	126	1,035
Thereof: non-current	4,814	288	5,102

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
Disposals	–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

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 31 thousand (June 30, 2017: EUR 500 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 338 thousand (June 30, 2017: EUR 849 thousand).

6.5.2 Trade payables

Trade payables at the balance sheet date amount to EUR 31,185 thousand (June 30, 2017: EUR 27,297 thousand).

6.5.3 Derivatives

Information on the Group’s derivative financial liabilities with a carrying value of EUR 2,159 thousand at June 30, 2018 (June 30, 2017: EUR 2,348 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 2017/2018 and 2016/2017 comprised the following:

EUR (thousands)	01.07.2017	Utilisation	Release	Addition	30.06.2018
Trade tax	5,633	2,321	68	1,691	4,935
Corporate tax	9,442	5,684	48	697	4,407
Tax liabilities	**15,075**	**8,005**	**116**	**2,388**	**9,342**

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**

6.5.6 Provisions

Current provisions at June 30, 2018 and June 30, 2017 included the following:

EUR (thousands)	01.07.2017	Utilisation	Release	Addition	30.06.2018
Expected losses on sales and purchase contracts	1,078	1,078	0	4,005	4,005
Litigation risks	300	21	75	6	210
Other provisions	154	23	0	3	134
Provisions	**1,532**	**1,122**	**75**	**4,014**	**4,349**

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**

6.5.7 Other current liabilities

Other current liabilities comprise the following:

EUR (thousands)	30.06.2018	30.06.2017
Value added tax	1,038	6,380
Wage and church taxes	387	414
Social security costs	621	460
Miscellaneous other current liabilities	278	558
Total other current liabilities	**2,324**	**7,812**

7 Notes to the consolidated cash flow statement

Cash funds as reported in the balance sheet include cash and cash equivalents of EUR 28,516 thousand (2016/2017: EUR 54,722 thousand), whereby these include no restricted cash and cash equivalents (2016/2017: EUR 0 thousand).

The cash flow from operating activities for the reporting period totalled EUR 11,081 thousand, significantly lower than in the previous year (2016/2017: EUR 75,020 thousand). The decrease is a result of the lower net result for the period, which fell by EUR 36,680 thousand. In addition, the cash flow from operations also fell as a result of the increase in inventories of EUR 10,825 thousand (2016/2017: EUR 8,069 thousand); the increase in trade receivables of EUR 6,744 thousand (2016/2017: EUR 6,915 thousand); the decrease in other financial and non-financial liabilities of EUR 9,326 thousand (2016/2017: an increase of EUR 7,855 thousand) and taxes paid on income of EUR 13,624 thousand (2016/2017: EUR 4,290 thousand).

The cash flow from investing activities of EUR –23,052 thousand (2016/2017: EUR –78.386 thousand) is primarily driven by payments made for investments in property, plant and equipment of EUR 25,198 thousand (2016/2017: EUR 18,431 thousand), and in the previous year additionally as a result of payments into term deposits.

The cash flow from financing activities for the reporting period totalled EUR –14,130 thousand (2016/2017: EUR –19,423 thousand). Net repayments of financial liabilities amounted to EUR 1,530 thousand (2016/2017: EUR 9,973 thousand), which have reduced the bank loans and other loans reported in the balance sheet to EUR 380 thousand (June 30, 2017: EUR 1,910 thousand). A dividend payment of EUR 0.20 per share was approved for the financial year 2016/2017 at the annual general meeting held on February 2, 2018 (financial year 2015/2016: EUR 0.15 per share). The payment of the dividend resulted in a cash outflow from financing activities of EUR 12,600 thousand (2016/2017: EUR 9,450 thousand), and reduced the retained earnings by the same amount.

8 Segment reporting

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

Revenues are presented net of energy taxes of EUR 1,166 thousand (2016/2017: EUR 543 thousand). The Biodiesel and Bioethanol segments generate revenues 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.

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 26,724 thousand in the financial year 2017/2018 (2016/2017: EUR 18,918 thousand).

The VERBIO Group generated revenues of EUR 133,016 thousand in the reporting period from sales and services outside Germany (primarily in Europe) (2016/2017: EUR 126,180 thousand).

Revenues with two external customers exceeded 10 percent of total revenues in the reporting period; the revenues with these customers totalled EUR 194,828 thousand (2016/2017: one customer with revenue totalling EUR 113,212 thousand). Revenues of EUR 133,548 thousand (2016/2017: EUR 86,916 thousand) are attributable to the Biodiesel segment and revenues of EUR 61,280 thousand (2016/2017: EUR 26,296 thousand) are attributable to the Bioethanol segment.

Segment reporting for the period from July 1, 2017 to June 30, 2018

Segment revenues and results

EUR (thousands)	Biodiesel		Bioethanol		Other	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Sales revenues	456,808	471,600	219,130	245,199	15,710	16,259
Change in finished and unfinished goods	–486	1,600	5,392	1,362	0	0
Own work capitalised	301	213	880	220	0	0
Other operating income	2,004	1,437	9,362	8,613	538	293
Cost of materials	–411,710	–413,453	–177,946	–165,653	–8,676	–9,218
Personnel expenses	–8,218	–9,945	–14,394	–15,359	–4,117	–3,765
Other operating expenses	–13,076	–12,942	–22,327	–20,920	–2,945	–2,882
Result from commodity forward contracts	–1,220	757	–215	–1,058	0	0
Segment result	**24,403**	**39,267**	**19,882**	**52,404**	**510**	**687**
Depreciation and amortisation	–4,768	–4,694	–17,040	–16,414	–573	–558
Segment EBIT	**19,635**	**34,573**	**2,842**	**35,990**	**–63**	**129**
Financial result	–95	–208	–141	64	1	–6
Result before taxes	**19,540**	**34,365**	**2,701**	**36,054**	**–62**	**123**

Reconciliation of segment revenues and results

EUR (thousands)	Segment totals		Inter-segment sales revenues, expenses and other adjustments		Group	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Sales revenues	691,648	733,058	–5,750	–6,616	685,898	726,442
Change in finished and unfinished goods	4,906	2,962	0	0	4,906	2,962
Own work capitalised	1,181	433	0	0	1,181	433
Other operating income	11,904	10,343	–273	–139	11,631	10,204
Cost of materials	–598,332	–588,324	1,263	1,064	–597,069	–587,260
Personnel expenses	–26,729	–29,069	0	0	–26,729	–29,069
Other operating expenses	–38,348	–36,744	4,760	5,691	–33,588	–31,053
Result from commodity forward contracts	–1,435	–301	0	0	–1,435	–301
Segment result	**44,795**	**92,358**	**0**	**0**	**44,795**	**92,358**
Depreciation and amortisation	–22,381	–21,666	0	0	–22,381	–21,666
Segment EBIT	**22,414**	**70,692**	**0**	**0**	**22,414**	**70,692**
Financial result	–235	–150	0	0	–235	–150
Result before taxes	**22,179**	**70,542**	**0**	**0**	**22,179**	**70,542**

Segment assets

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017
Intangible assets	121	119	213	118	0	0	334	237
Property, plant and equipment	36,535	35,148	129,200	128,188	2,227	1,308	167,962	164,644
Inventories	15,741	15,080	29,295	19,130	135	136	45,171	34,346
Trade receivables	28,966	24,394	15,167	13,036	1,100	1,059	45,233	38,489
Other assets and other financial assets	3,345	3,502	8,302	11,586	105	177	11,752	15,265
Cash and cash equivalents	11,407	24,245	16,519	29,649	590	828	28,516	54,722
Total segment equivalents	**96,115**	**102,488**	**198,696**	**201,707**	**4,157**	**3,508**	**298,968**	**307,703**

Segment liabilities

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017	30.06. 2018	30.06. 2017
Deferred investment grants	886	1,093	5,161	5,933	90	108	6,137	7,134
Non-current provisions	72	71	78	78	5	5	155	154
Trade payables and other current provisions	14,862	15,570	19,951	12,310	721	949	35,534	28,829
Other current financial liabilities and other current liabilities	3,746	7,353	5,093	8,857	779	828	9,618	17,038
Total segment liabilities	**19,566**	**24,087**	**30,283**	**27,178**	**1,595**	**1,890**	**51,444**	**53,155**

Reconciliation segments assets and segment liabilities

EUR (thousands)	Group	
	30.06.2018	30.06.2017
Total segment assets	298,968	307,703
Derivatives	3,392	2,391
Deferred tax assets	3,392	2,873
Income tax refunds	195	112
Term deposits	60,042	60,000
Total assets	**365,989**	**373,079**

EUR (thousands)	Group	
	30.06.2018	30.06.2017
Total segment liabilities	51,444	53,155
Bank loans and other loans	380	1,910
Other tax liabilities	9,342	15,075
Other non-current liabilities	2,010	3,912
Deferred tax assets	437	288
Derivatives	2,159	2,348
Total liabilities	**65,772**	**76,688**

Investments

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Investments	**5,876**	**3,922**	**18,537**	**14,473**	**2,311**	**523**	**26,724**	**18,918**

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 not or were not used for hedging relationship purposes (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	45,233	45,233	0	0	0	0	45,233	45,233
Other non-current and current financial assets	2,746	2,746	0	0	0	0	2,746	2,746
Derivatives			79	79	3,313	3,313	3,392	3,392
Cash and cash equivalents	88,558	88,558	0	0	0	0	88,558	88,558
Total at 30.06.2018	**136,537**	**136,537**	**79**	**79**	**3,313**	**3,313**	**139,929**	**139,929**
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 at 30.06.2017	**157,246**	**157,246**	**1,238**	**1,238**	**1,153**	**1,153**	**159,637**	**159,637**

Liabilities

Valuation	At amortised cost		At fair value				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	380	380	0	0	0	0	380	380
Trade payables	31,185	31,185	0	0	0	0	31,185	31,185
Other financial liabilities	9,304	9,304	0	0	0	0	9,304	9,304
Derivatives	0	0	294	294	1,865	1,865	2,159	2,159
Total at 30.06.2018	**40,869**	**40,869**	**294**	**294**	**1,865**	**1,865**	**43,028**	**43,028**
Liabilities to banks and other loans	1,910	1,910	0	0	0	0	1,910	1,910
Trade payables	27,297	27,297	0	0	0	0	27,297	27,297
Other financial liabilities	13,138	13,138	0	0	0	0	13,138	13,138
Derivatives	0	0	460	460	1,888	1,888	2,348	2,348
Total at 30.06.2017	**42,345**	**42,345**	**460**	**460**	**1,888**	**1,888**	**44,693**	**44,693**

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, 2018 and June 30, 2017 balance sheet dates:

EUR (thousands)	Nominal volumes	Asset values = positive market values	Liability values = negative market values
Stand-alone derivatives			
Sales transactions	6,000 t	79	258
Foreign currency hedges	4,500 TUSD	0	36
Derivatives in hedging relationships			
Cash flow hedge			
Commodity future rapeseed oil	51,000 t	3,313	1,865
Derivatives at 30.06.2018		**3,392**	**2,159**

EUR (thousands)	Nominal volumes	Asset values = positive market values	Liability values = negative market values
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 at 30.06.2017		**2,391**	**2,348**

EUR (thousands)	30.06.2018			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	3,392	0	3,392
Derivative liabilities	36	2,123	0	2,159

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

The fair values of the derivatives are based on the mark-to-market method. The following table shows an analysis of the financial instruments measured at fair value based on the respective “fair value hierarchy levels” of the instruments. The fair value hierarchy levels are defined as follows:

- Level 1: Quoted prices on an active market (not adjusted) for identical assets or liabilities
- Level 2: Directly observable (as price) or indirect (derived from price) inputs for the asset or liability, other than quoted Level 1 price inputs
- Level 3: Inputs applied to the asset or liability that are not based on observable market data (non-observable input data)

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 3,313 thousand; liabilities: EUR 1,865 thousand)
Under the responsibility of risk management personnel, derivatives in the form of purchased forward contracts (forwards) are used to hedge the price of rapeseed oil, a raw material. The underlying hedged transactions are highly probable purchases of rapeseed oil, the hedging instrument is the purchase of forwards, and the risk being hedged is the risk of price increases that could result in a negative effect on the profit margin. The hedging begins approximately one year in advance of the physical requirements, and the objective is to hedge at least 80 percent of the required quantities no later than four months prior to delivery. The 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 1,087 thousand (2016/2017: EUR 6,861 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 79 thousand (2016/2017: EUR 551 thousand) and derivatives with a negative market value of EUR 259 thousand were held at June 30, 2018 (2016/2017: EUR 460 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 negative market value of these contracts at June 30, 2018 amounted to EUR 35 thousand (June 30, 2017: positive market value of EUR 687 thousand).

9.3.3 Change in equity

The effects on equity of the hedging transactions entered into in the financial year 2017/2018 and the previous year are presented below:

EUR (thousands)	Rapeseed procurement	Bioethanol-/ Diesel/Petrol swaps	Interest rate swaps	Total
July 1, 2017	**–735**	**0**	**0**	**–735**
Recognition in the income statement (cost of materials)	1,087	0	0	1,087
Recognition in the income statement (sales revenue)	0	0	0	0
Change in fair value measurement	1,096	0	0	1,096
Balance (June 30, 2018)	**1,448**	**0**	**0**	**1,448**
Less: deferred taxes				–430
				1,018

EUR (thousands)	Rapeseed procurement	Bioethanol-/ Diesel/Petrol 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

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, 2018				
Realisation of the underlying and hedging transactions				
Commodity forward contracts				
Asset	3,313	69,144	47,850	21,294
Liability	1,865	36,146	36,146	0
Effect on the income statement				
Commodity forward contracts				
Asset	3,313	3,313	2,497	816
Liability	1,865	1,865	1,865	0
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

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)**	**Impairments (other operating expenses)**	**Use of derivatives (result from forward contracts)**	**Write-downs (Other operating expenses)**	**Total**
2017/2018							
Loans and receivables	176	0	73	–29	0	–55	165
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	–1,435	0	–1,435
Derivatives used in hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	–411	0	0	0	0	–411
Interest rate swaps	0	0	0	0	0	0	0
Total	**176**	**–411**	**73**	**–29**	**–1,435**	**–55**	**–1,681**

EUR (thousands)	Interest result		Subsequent measurement				Total
	Interest income	Interest expense	Value increases (other operating income)	Impairments (other operating expenses)	Use of derivatives (result from forward contracts)	Write-downs (Other operating expenses)	
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**

The reversal of write-downs of loans and receivables of EUR 73 thousand (June 30, 2017: EUR 85 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 29 thousand (June 30, 2017: EUR 82 thousand) relate to write-downs made to reflect non-recoverable trade receivables.

9.4.2 Information on collateral

Segregated accounts reported as other financial assets with a carrying value of EUR 1,968 thousand are provided as collateral for forward contracts entered into.

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 2017/2018 were as follows:

EUR (thousands)	01.07.2017	Addition	Release	Utilisation	Currency difference	30.06.2018
Valuation allowances						
Trade receivables	1,482	29	63	175	–22	1,251
Other current assets	1,402	0	0	0	0	1,402
Valuation allowances	**2,884**	**29**	**63**	**175**	**–22**	**2,653**
EUR (thousands)	**01.07.2016**	**Addition**	**Release**	**Utilisation**	**Currency difference**	**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**

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 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, 2015 and 2017 is reviewed for new or changed risks on an ongoing basis. 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)	30.06.2018	30.06.2017
Trade receivables	45,233	38,489
Other non-current and current assets	2,746	4,035
Derivatives	3,392	2,391
Cash and cash equivalents	88,558	114,722
	139,929	**159,637**

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, 2017: 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)	30.06.2018	30.06.2017
Oil companies	28,660	19,180
Processing industries (in particular oil mills and pharmaceutical companies) and trading companies	11,004	14,825
Electric utilities	2,248	2,216
Farmers	874	887
Other	2,447	1,381
	45,233	**38,489**

Concentration according to region

EUR (thousands)	30.06.2018	30.06.2017
Inland	14,042	18,087
Europe	31,068	19,162
Other foreign	123	1,240
	45,233	**38,489**

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, 2018 and June 30, 2017 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
30.06.2018								
Trade receivables	45,233	44,063	801	78	40	31	65	155
Other long-term and short-term financial assets	2,746	2,746	0	0	0	0	0	0
	47,979	**46,809**	**801**	**78**	**40**	**31**	**65**	**155**
30.06.2017								
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
	42,524	**41,328**	**1,136**	**9**	**2**	**12**	**5**	**32**

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 account of 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, 2018 and June 30, 2017:

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, 2018						
Non-derivative financial liabilities						
Liabilities to banks and other loans	380	1	2	366	11	0
Trade payables	31,185	29,239	1,946	0	0	0
Other financial liabilities	9,304	7,294	0	0	2,010	0
	40,869	**36,534**	**1,948**	**366**	**2,021**	**0**
Derivative financial liabilities						
Derivatives used in hedging relationships	1,865	876	659	330	0	0
"Held for trading" derivatives	294	294	0	0	0	0
	2,159	**1,170**	**659**	**330**	**0**	**0**
Financial liabilities	**43,028**	**37,704**	**2,607**	**696**	**2,021**	**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, 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 finanzielle Verbindlichkeiten						
Derivatives used in hedging relationships	1,888	106	756	1,026	0	0
"Held for trading" derivatives	460	156	257	47	0	0
	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

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 43,028 thousand at June 30, 2018 (June 30, 2017: EUR 44,693 thousand). Interest and loan repayment obligations on all financial liabilities totalling EUR 43,028 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 (USD) and Polish zloty (PLN).

In the financial year 2017/2018 sales invoices denominated in foreign currencies were issued with a converted amount of EUR 71,070 thousand (in USD; in the previous year in USD and PLN) (2016/2017: EUR 47,787 thousand). Payments against these invoices are made into US dollar denominated bank accounts (and in the previous year in PLN denominated bank accounts). Trade receivables denominated in foreign currencies totalled EUR 13,632 thousand at June 30, 2018 (June 30, 2017: EUR 3,470 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, 2017: EUR 0 thousand).

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

Commodity price risksn

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

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

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

- Sensitivity of the value of the derivatives to changes in the price of rapeseed oil
  A decrease (increase) in the market price of EUR 25/tonne at the June 30, 2018 balance sheet date would result in an improvement (deterioration) of the equity total of EUR 1,275 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, 2018 amounts to EUR 300,217 thousand (June 30, 2017: EUR 296,391 thousand), which represents an equity ratio of 82.0 percent (June 30, 2017: 79.4 percent). Debt capital amounted to EUR 65,772 thousand (June 30, 2017: EUR 76,688 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 period for which continuing covenant obligations remain under the terms of government subsidies received in the past has expired in respect of subsidies received by VES, VEZ, VDS and VDB. At the end of the previous financial year there were grant awards of EUR 1,511 thousand for which the continuing obligations had not yet expired.

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

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 3,914 thousand have been recorded in the balance sheet for NER 300 EU grants in connection with biomethane production from straw at the Schwedt plant, on which assessments have been issued (June 30, 2017: EUR 3,501 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 16,917 thousand has been drawn down under this credit line as of June 30, 2018.

11.1.3 Litigation

There are no open litigation issues that present a significant risk to VERBIO at June 30, 2018. 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 and 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)	30.06.2018	Up to 1 year	1-5 years	Over 5 years
Leasehold rental VES	5,204	127	525	4,552
Rental and leasing contracts, properties, warehouses and buildings	479	284	74	121
Leasehold rental VDS	1,246	28	117	1,100
Rental for machinery and equipment	4,039	2,536	1,503	0
	10,967	**2,975**	**2,219**	**5,774**

TEUR	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**

Rental and leasehold expenses totalled EUR 4,424 thousand in the reporting period (2016/2017: EUR 4,783 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 13,577 thousand at June 30, 2018 (June 30, 2017: EUR 4,657 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)

Shareholding in VERBIO AG in %	30.06.2018	30.06.2017	Change in %-points
Pollert Holding GmbH & Co. KG	18.40	18.40	0.00
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**	**67.94**	**0.00**

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.

Loan agreements
The loan granted by Bernd Sauter, a pool member, to VERBIO Agrar was repaid during the financial year 2017/2018. The loan had a carrying value of EUR 500 thousand at June 30, 2017. The loan carried an annual interest rate of 7.5 percent.

Interest expenses of EUR 19 thousand were incurred on the above loans in the financial year 2017/2018 (2016/2017: EUR 228 thousand). Interest expenses for the previous year also included interest expenses on two loans provided by Claus Sauter, Chairman of the Management Board to VERBIO AG and VERBIO Agrar, respectively.

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 19 thousand in the financial year 2017/2018 (2016/2017: EUR 24 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 to lease a site from VEZ which is used for parking and for a motor vehicle business. 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. The rental contract was cancelled with effect from March 31, 2018 following a change in ownership at Autokontor Bayern GmbH. VEZ generated revenues of EUR 90 thousand from this contract in the financial year 2017/2018 up until the cancellation of this contract (2016/2017: 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 2017/2018.

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 EUR 0.10 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 contract was extended during the financial year 2017/2018 until December 31, 2018. 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 revenues and expenses from transactions with related-party companies of the VERBIO Group:

EUR (thousands)		Revenue/Income		Expense	
Contract partner	**Transaction**	**2017/2018**	**2016/2017**	**2017/2018**	**2016/2017**
Alois Sauter Landes-produktengroßhand-lung GmbH & Co. KG	Other deliveries and services	4	10	8	1
Autokontor Bayern GmbH	Sale of fuel	0	0	363	535
	Vehicle rentals	0	0	82	136
	Other deliveries and services	163	143	268	210
Sauter Verpachtungs-gesellschaft mbH	Verhicle rentals	10	11	27	24
	Grain sales/purchases	0	0	1,691	1,693
	Transport services	60	182	298	363
	Feedstuffs	172	218	0	0
	Other deliveries and services	152	235	181	142
Landwirtschafts-gesellschaft mbH “Neukammer”	Grain sales/purchases	0	0	0	0
	Other deliveries and services	50	40	0	0
Farma Polska Sp. z o.o.	Sale of investment in shares	0	0	0	4
LANDGUT Coschen GmbH	Other deliveries and services	4	7	0	0
Farma Redlo Sp. z o.o.	Grain sales/purchases	0	0	13,412	5,020
	Other deliveries and services	453	81	416	107
FUPRORA GmbH	Other deliveries and services	0	0	0	1
Oelßner’s Hof GmbH & Co. KG	Office rental	0	0	180	180
	Other deliveries and services	6	12	0	0
Agro Beef Sp. z o.o.	Feedstuffs	254	117	1	0

The 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.

Income from other deliveries and service with Landwirtschaftsgesellschaft mbH Neukammer and Farma Redlo primarily relate to sales of fertiliser.

In addition, construction services to a value of EUR 179 thousand provided by Sauter Verpachtungsgesellschaft mbH have been capitalised. Passenger vehicles with a value of EUR 102 thousand were acquired from Autokontor Bayern in the financial year. Further, Oelßners Hof GmbH sold an air conditioning unit to VERBIO AG for use in its offices in Leipzig for an amount of EUR 12 thousand.

Autokontor Bayern GmbH ceased to be a related party as defined under § 312 AktG from April 30, 2018 following its change of ownership. Expenses and income recorded with AKB are therefore only included up until this date.

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, 2018 and June 30, 2017:

	Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG		Autokontor Bayern GmbH		Landwirtschaftsgesellschaft mbH „Neukammer“	
EUR (thousands)	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**
VERBIO AG						
Receivables	0	1	0	0	1	6
Payables	0	0	0	0	0	0
VDB						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VDS						
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	0	0	0
Payables	0	0	0	16	0	0
VERBIO Logistik						
Receivables	0	0	0	0	2	3
Payables	0	0	0	24	0	0
VERBIO Agrar						
Receivables	0	0	0	0	0	0
Payables	0	0	0	2	0	0
VERBIO Polen						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
Summe						
Receivables	**0**	**1**	**0**	**0**	**3**	**9**
Payables	**0**	**0**	**0**	**42**	**0**	**0**

Sauter Verpachtungs-gesellschaft mbH		LANDGUT Coschen GmbH		Farma Redlo Sp. z o.o.		Agro Beef Sp. z o.o.	
30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
0	423	0	5	0	0	0	0
294	232	0	0	0	3	0	0
0	0	0	0	0	0	0	0
0	13	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
7	47	0	0	0	2	0	0
0	0	0	0	0	0	0	0
4	4	0	0	0	0	0	0
0	0	0	0	0	0	0	0
5	41	0	0	5	1	0	0
0	0	0	0	0	0	0	0
1	0	0	0	0	27	0	0
0	622	0	0	0	0	0	0
0	0	0	0	45	0	84	4
0	0	0	0	218	48	0	0
17	**515**	**0**	**5**	**50**	**30**	**84**	**4**
294	**867**	**0**	**0**	**218**	**51**	**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 2017/2018, amounted to EUR 114 thousand (2016/2017: EUR 113 thousand) for annual audit services, EUR 16 thousand (2016/2017: EUR 15 thousand) for other attestation services and EUR 0 thousand for other consultancy services (2016/2017: EUR 1 thousand). The other consultancy services provided in the previous year were training measures.

11.4 Executive bodies and executive remuneration

Disclosures of the remuneration paid to the members of the Management and Supervisory Boards are presented in the remuneration report, which is part of VERBIO's Group management report.

Members of the Management Board of VERBIO AG in the financial year 2017/2018 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 3,088 thousand in the financial year 2017/2018 (2016/2017: EUR 3,145 thousand). This included fixed remuneration of EUR 1,500 thousand (2016/2017: EUR 1,482 thousand), variable remuneration of EUR 1,550 thousand (2016/2017: EUR 1,624 thousand) and other compensation elements of EUR 38 thousand (2016/2017: EUR 39 thousand). Details of the rules of the remuneration system are provided in the compensation report, which is included in the Group management report.

The variable compensation components include, among other things, the long-term bonus awards for members of the Management Board which are included in the other non-current and current financial liabilities and which total EUR 2,886 thousand (2016/2017: EUR 6,253 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 5 07/2014–06/2018	Fictional shares 6 07/2015–06/2019	Fictional shares 7 07/2016–06/2020	Fictional shares 8 07/2017–06/2021
Average share price	2.79	6.76	9.66	4.71
Volatility	53.97%	53.97%	53.97%	53.97%
Interest rate	0.000	−0.255	−0.178	−0.056
Payment date	Oktober 15, 2018	Oktober 15, 2019	Oktober 15, 2020	Oktober 15, 2021

The statement of comprehensive income includes long-term bonus awards (personnel expenses) of which EUR 1,875 thousand were released to income and amounts of EUR 1,108 thousand were recognised as an expense (2016/2017: EUR 3,179 thousand).

Members of the Supervisory Board of VERBIO AG in the financial year 2017/2018 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)

The members of the Supervisory Board received ongoing remuneration of EUR 120 thousand for their Supervisory Board activities in the financial year 2017/2018 (2016/2017: EUR 120 thousand) and reimbursements of expenses amounting to EUR 6 thousand (2016/2017: EUR 6 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)

The following notifications had been received by VERBIO AG in the financial year 2017/2018 up until the end of the financial year:

LRI Invest S.A., Munsbach/Luxembourg notified the Company that its share of the Company's voting rights amounted to 3.13 percent on June 22, 2018.

VERBIO AG was not 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 on the German Corporate Governance Code as required by § 161 AktG was published on September 21, 2018 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 (vormals: VERBIO Diesel Bitterfeld GmbH & Co. KG), Bitterfeld-Wolfen/OT Greppin
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig
- VERBIO Ethanol Zörbig Verwaltung GmbH, Zörbig
- VERBIO Diesel Schwedt GmbH (vormals: VERBIO Diesel Schwedt GmbH & Co. KG) Schwedt/Oder
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder
- VERBIO Ethanol Schwedt Verwaltung GmbH, Schwedt/Oder
- VERBIO Finance GmbH, Zörbig
- VERBIO Pinnow GmbH, Pinnow
- VERBIO Renewables GmbH, Zörbig

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 21, 2018. The Supervisory Board has the responsibility to review the consolidated financial statements and state whether they are approved by them.

Zörbig, September 21, 2018

Claus Sauter
Vorstandsvorsitzender

Dr. Oliver Lüdtke
Stellvertretender Vorstandsvorsitzender

Theodor Niesmann
Vorstand

Bernd Sauter
Vorstand

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 21, 2018

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 independent auditor's report

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

Independent auditor's report

To the Verbio Vereinigte BioEnergie AG, Zörbig

Report on the audit of the consolidated financial statements and of the Group management report

Opinions

We have audited the consolidated financial statements of VERBIO Vereinigte BioEnergie AG, Zörbig and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from July 1, 2017 to June 30, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of VERBIO Vereinigte BioEnergie AG, Zörbig for the financial year from July 1, 2017 to June 30, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at June 30, 2018, and of its financial performance for the financial year from July 1, 2017 to June 30, 2018, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German generally accepted standards for financial statement audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from July 1, 2017, to June 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Potential reversal of impairment losses recorded in the cash-generating unit "Bioethanol".

We refer to note 3.4 and note 4 in the notes to the consolidated financial statements for details of the accounting policy affected.

The financial statement 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 charge was recorded in the financial year 2017/2018. An impairment loss recorded to reduce the carrying value of an asset in prior periods shall only be recorded when there has been a change in the estimates that were used to determine the recoverable value of the assets since the last impairment loss was recognised.

The examination to determine whether a potential impairment loss reversal is required, and the decision to maintain the existing carrying values in the financial year 2017/2018, were based on the Group's updated 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 audit approach
We have convinced ourselves of the reasonableness of calculations of the net cash inflows used to calculate the recoverable amount 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 2018/2019 and the three-year detailed business plan through to 2020/2021, 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 2037/2038. 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 2017/2018. 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.

Other information
The other information consists of the annual report, with the exception of the audited consolidated financial statements, the Group management report, and our auditor's report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of audit conclusion thereon.

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

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

Responsibilities of the Management and Supervisory Boards for the consolidated financial statements and the Group management report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board'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 the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Additional requirements in accordance with article 10 EU-AprVO

We were elected as Group auditor by the annual general meeting on February 2, 2018. We were engaged by the Supervisory Board on June 22, 2018. We have been the Group auditor of VERBIO Vereinigte BioEnergie AG without interruption since the short financial year from May 19 to June 30, 2006, including an extension in accordance with 318 (1a) HGB.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to providing financial statement audit services for the Company and its subsidiaries, we have performed the following services which are not disclosed within the consolidated financial statements and the Group management report:

In addition to performing the audit of the consolidated financial statements, we have audited the separate annual financial statements of VERBIO Vereinigte BioEnergie AG, the dependency report for the Management Board as well as performing various audits of annual financial statements and audits of closing balance sheets of subsidiary companies for the purposes of completing merger arrangements. Further, we performed other statutory audits, for example audits under energy legislation such as the EEG, KWK-G and StromNEV Acts.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Burkhard Lauer.

Leipzig, September 21, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

gez. Lauer	gez. Dr. Schneider
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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

Ulrike Krämer
Vice-Chairman of the Supervisory Board

Certified Public Auditor and Certified Tax Advisor,
Ludwigsburg

Dr.-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 (liquid primary products), contract management, finance and accounting, taxes, press and publicity, investor relations, legal matters and compliance.

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
Vorstand Einkauf und Logistik

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

> See '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).

Biofuels

> See '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 (CNG) 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 subsequentlyestericated. 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-Nachhaltigkeitsverordnung – Biokraft-NachV)

The Biofuel Sustainability Regulation was issued on September 30, 2009 to implement the requirements of the European Union's "Renewable Energy Directive". Essentially the regulation requires that statutory subsidies of biofuels are only permitted if the energy produced by biofuels reduces CO_2 by at least 35 percent (50 percent from 2017 and 60 percent from 2018). Equally, only raw materials from sustainable cultivation may be used, for which detailed requirements have been issued covering the protection of nature and of the environment.

Biofuel quota

The biofuel quota obliged the oil industry in Germany to distribute a minimum volume of biofuels by the end of 2014, the quantities being defined based on their annual total sales volumes of petrol-based and diesel fuels.

The quota could be achieved by adding biofuels to fossil fuels or by the use of pure biofuels. The total quota was 6.25 percent (energetic) for the years 2010 to 2014. In addition, up until and including 2014, companies marketing diesel fuels had to meet a minimum quota, by supplying biofuels replacing diesel with a minimum of 4.4 percent (energetic). A minimum quota of 2.8 percent (energetic) of biofuel petrol substitutes applied to companies supplying petrol fuels. From the start of 2015 the energetic quota has been replaced by the net greenhouse gas reduction (GHG) quota.

Biofuel Quota Act (Biokraftstoffquotengesetz – BioKraftQuG)

The Biofuel Quota Act (Act Introducing a Biofuel Quota by Amending the Federal Emissions Protection Act and to Amend Energy and Electricity Tax Provisions) is an amendment act which provides statutory requirements and regulations for adding biofuels to motor vehicle fuels in Germany. The act was passed by the German parliament on October 26, 2006 and implemented a requirement that a minimum level of biofuel shall be added to petrol and diesel engine fuels from January 1, 2007. The BioKraftQuG obliges the oil industry to distribute a fixed minimum share of fuels from biofuel sources.

Biomass

Biomass refers to stored solar energy in the form of energy crops, wood or residues such as straw, compost or manure. Electricity, heat and fuel can be obtained from solid, liquid and gaseous biomass.

Biomethane

The term biomethane refers to biogas processed to the standard of natural gas. As part of the natural gas processing the raw gases, produced by fermentation and saturated with steam, are largely purified from water, CO_2 and hydrogen sulphide before being conditioned and compressed and fed into the natural gas network. The chemical structure of biomethane is identical to natural gas, and in addition to being used to generate electricity and heat it can also be used as a biofuel (CNG) for natural gas-powered vehicles or used in the chemical industry.

Biorefinery

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

Blending

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

BMUB

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

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

> See ‘Biodiesel’

Coceral

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

CO_2

> See ‘Carbon dioxide’

Co-HVO

Co-hydrogentated vegetable oil. Co-HVO describes vegetable oils (mostly palm oil) used as an additional component in fossil fuel refinery processes. In the 38th BImschV which entered into effect from January 2018 this Co-HVO, a bio-component can be accredited as contributing to a reduction of greenhouse gas emissions when used in fossil fuels.

CNG (Compressed Natural Gas)
Natural gas as a fuel, in gas form, is injected into natural gas vehicles under pressure in special pressure tanks. The advantage of natural gas in compared to petrol and diesel is that natural gas burns more cleanly, and has a higher-octane ratio and a higher energy content. CNG combustion is almost free of particulate and nitrogen oxide emissions. CNG fuel benefits from tax advantages in Germany.

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 reducing CO_2 emissions further. This includes replacing actions and processes which emit CO_2 with processes that minimise or compensate for these emissions. Decarbonisation is a key tool for climate protection and a main pillar of the transition to sustainable energy. The long-term goal is a carbon-neutral economy.

Decarbonisation quota
> See ‘Greenhouse gas reduction quota’

dena (Deutsche Energie-Agentur GmbH)
The German Energy Agency GmbH (DENA) is a competence centre for energy efficiency and regenerative energies. Formed as a limited company, DENA operates on a cost and performance basis. It finances its projects using public grants and income from private business.

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
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-Effekt
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 quota for second generation alternative fuels known as ‘advanced biofuels’ (biofuels that are created from surplus and waste). Member states were required to implement these rules into national law by 2017.

In July 2018 the new version of the Renewable Energy Directive (RED II) was approved covering the period from 2021 to 2030 following a long trilogue procedure between the European Council, the European Parliament and the European Commission. This sets out binding targets for the use of renewable energy for member states in all sectors.

Renewable 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.

ESR (Effort Sharing Regulation)
The ESR (Effort Sharing Regulation) is part of the European Union’s climate and energy package. It includes binding targets for reducing emissions in industry sectors which are not part of the European Emissions Trading System, covering the years 2021 2030.

The regulation is designed to ensure that the EU meets its target of reducing greenhouse gas emissions in the effort sharing sectors by 30 percent compared to 2005 levels by 2030. These include the building, agriculture, (non-CO_2-emissions), waste disposal and transport (with the exception of air transport and international sea transport) sectors.

ETBE
ETBE (ethyl tert-butyl ether) is an additive component for petrol which is manufactured from bioethanol (approximately 44 - 47 percent) and from isobutene, which is obtained from natural gas. Given its very high-octane ratio ETBE is used to increase the octane ratio of petrol-based fuels.

Ethanol
Ethanol, also called ethyl alcohol, belongs to the alcohol family and is in a narrow sense a synonym for alcohol. Ethanol is the main product of alcoholic fermentation and the primary component of spirits and potable alcohol. It is used as a fuel additive (bioethanol) and on its own as a fuel, but also in the chemical and pharmaceutical industries.

ETS (Emissions Trading System)
The European Union Emissions Trading System (EU-ETS) is the central instrument of the European Union's climate policy which is aimed at reducing the emissions of greenhouse gases (including CO_2) by issuing a limited number of emission rights which are subsequently traded in a market. The EU-ETS is the first cross-border emission rights trading scheme and the largest worldwide. It was approved by the European Parliament and the European Council in 2003 and entered into effect from January 1, 2005. The EU-ETS registers emissions from approximately 12,000 power plants and energy intensive industrial plants across Europe. Taken together, these plants cause approximately 45 percent of Europe's greenhouse gas emissions. Air transport within Europe has also been included in the EU-ETS since 2012.

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
> See '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
> See '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 values
> See '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
> See '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
> See 'Renewable Energy Directive'

Sterols
> See '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 Emission Reduction)

UERs describe the reduction of all emissions throughout the fuel value added production chain including the obtaining of raw materials, processing and transport. The Federal Government issued the UER regulation in January 2018, which permits the accreditation of reductions in upstream greenhouse gas emissions against the volume of fossil fuels supplied to the market in Germany independently of the geographic location of where those savings are made, i.e. where reductions which are relevant to climate change even if those savings are made in a completely different part of the world.

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.

*verbio*diesel

*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.

*verbio*ethanol

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.

*verbio*gas

*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.

*verbio*glycerin

*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.

The first colourful artwork show that the creative room is a success. Following their visit to the VERBIO plant in Zörbig the pre-school children have put their ideas about mobility to paper. The favourite images of the young artists are aeroplanes and rocket shoes. The children and staff of the kindergarten create these pictures to express their thanks for the financial support provided by VERBIO AG.

Mobility – as seen by the pre-school children of the "Rotkäppchen" (Little Red Riding Hood) kindergarten at VERBIO's Zörbig location. This project was undertaken as part of an educational project sponsored by VERBIO at the kindergarten in May 2018.

Notes

Financial calendar 2018/2019

September 26, 2018	Publication of the annual report 2017/2018, Analyst's conference/annual financial statements press conference
November 8, 2018	Publication of the quarterly statement for the period ended September 30, 2018 (July 2018 to September 2018)
February 1, 2019	Annual general meeting in Victor's Residenz-Hotel, Leipzig
February 7, 2019	Publication of the half-yearly interim report 2018/2019 (July 2018 to December 2018)
May 9, 2019	Publication of the quarterly statement for the period ended March 31, 2019 (July 2018 to March 2019)
September 25, 2019	Publication of the annual report 2018/2019, Analyst's conference/annual financial statements press conference

Contact address and imprint

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VERBIO Vereinigte BioEnergie AG

Contact
VERBIO Vereinigte BioEnergie AG
Ritterstraße 23 (Oelßner's Hof)
04109 Leipzig
Phone: +49 341 308530-0
Fax: +49 341 308530-999
www.verbio.de

We will be delighted to send you additional information about VERBIO Vereinigte BioEnergie AG on request at no charge.
Phone: +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 308530-999
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