Verbio

Biofuel and Technology

Half-year financial report to December 31, 2018 (Q2 2018/2019)

Group key figures

[in EUR million]

Profitability	Q1 2018/2019	Q2 2018/2019	1. HY 2018/2019	Q1 2017/2018	Q2 2017/2018	1. HY 2017/2018
Sales	170.7	209.5	380.2	178.2	174.0	352.2
EBITDA	16.6	40.7	57.3	15.9	14.5	30.4
EBIT	11.0	35.6	46.6	10.3	8.9	19.2
EBIT-margin (%)	6.4	17.0	12.3	5.8	5.1	5.5
EBT	11.0	35.5	46.5	10.2	8.9	19.1
period result	7.8	25.2	33.0	7.4	5.9	13.3
Earnings per share (EUR)	0.13	0.40	0.53	0.12	0.09	0.21

Operating data	Q1 2018/2019	Q2 2018/2019	1. HY 2018/2019	Q1 2017/2018	Q2 2017/2018	1. HY 2017/2018
Productions (tons)	180,333	180,698	361,031	183,663	183,055	366,718
Productions (MWh)	154,444	183,525	337,969	131,110	164,434	295,544
Utilization Biodiesel/ Bioethanol (%)	98.8	99.0	98.9	100.6	100.3	100.5
Utilization Biomethane (%)	103.0	122.5	112.7	87.4	109.6	98.5
Investments in property, plant and equipment	10.5	24.9	35.4	4.6	5.5	10.1
Number of employees [1]	580	582	582	535	535	535

Net asset position	30.09.2018	31.12.2018	31.12.2018	30.09.2017	31.12.2017	31.12.2017
Net financial assets	92.7	96.5	96.5	120.4	106.9	106.9
Equity	308.3	332.0	332.0	304.0	309.6	309.6
Equity ratio (%)	81.3	76.5	76.5	80.8	81.1	81.1
Balanca sheet total	379.4	433.9	433.9	376.3	381.6	381.6

Financial position	Q1 2018/2019	Q2 2018/2019	1. HY 2018/2019	Q1 2017/2018	Q2 2017/2018	1. HY 2017/2018
Operating cash flow	10.3	13.2	23.5	7.4	−9.0	−1.6
Operating cash flow per share (EUR)	0.16	0.21	0.37	0.12	−0.14	−0.02
Cash an cash equivalents [2]	93.2	104.4	104.4	122.3	108.3	108.3

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

Segment key figures

[in EUR million]

Biodiesel	**Q1 2018/2019**	**Q2 2018/2019**	**1. HY 2018/2019**	**Q1 2017/2018**	**Q2 2017/2018**	**1. HY 2017/2018**
Sales	112.9	146.8	259.7	114.7	117.3	232.0
EBITDA	13.7	36.6	50.4	5.1	9.3	14.4
EBIT	12.5	35.5	48.0	3.9	8.1	12.0
Production (t)	119,658	119,828	239,486	121,445	119,789	241,234
Utilization (%)	101.8	102.0	101.9	103.4	102.0	102.7
Number of employees [1]	116	122	122	112	113	113

Bioethanol (incl. Biomethane)	**Q1 2018/2019**	**Q2 2018/2019**	**1. HY 2018/2019**	**Q1 2017/2018**	**Q2 2017/2018**	**1. HY 2017/2018**
Sales	55.4	60.2	115.6	60.9	53.9	114.8
EBITDA	2.6	4.3	6.9	10.6	5.1	15.7
EBIT	−1.6	0.6	−1.0	6.3	0.9	7.2
Production (t)	60,675	60,870	121,545	62,218	63,266	125,484
Production (MWh)	154,444	183,525	337,969	131,110	164,434	295,544
Utilization Bioethanol (%)	93.4	93.7	93.5	95.7	97.3	96.5
Utilization Biomethane (%)	103.0	122.5	112.7	87.4	109.6	98.5
Number of employees [1]	289	293	293	257	257	257

Other	**Q1 2018/2019**	**Q2 2018/2019**	**1. HY 2018/2019**	**Q1 2017/2018**	**Q2 2017/2018**	**1. HY 2017/2018**
Third party sales	4.4	3.8	8.2	4.0	4.0	8.0
EBIT	0.1	−0.4	−0.3	0.1	0.0	0.1

[1] at the balance sheet date

Group Interim Management Report

Consolidated Interim Financial Statements (IFRS)

Other information

Group Interim Management Report

for the period from July 1, 2018 to December 31, 2018

Economic report

Economic and political environment

Market conditions in Germany

At the current time statistics issued by the German Federal Office of Economics and Export Control (BAFA) are available up to and including October 31, 2018. These statistics show quite a significant decline (–3 percent) in the consumption of diesel fuels in Germany in the first ten months of the 2018 calendar year, representing a fall of 1 million tonnes compared to the same period in 2017. On the other hand, the quantity of biodiesel and hydro-treated vegetable oil (HVO) has increased markedly, with an increase of 6.8 percent (126,000 tonnes) compared to the comparable period in the previous year. Ac-cordingly, the blending ratio as a proportion of the physical quantity of diesel consumed has increased sharply from 5.7 percent to 6.3 percent.

The BAFA also reported a fall for petrol-based fuels in the period from January to October, although the decline is only small (–1.3 percent). On the other hand, the ethanol blending rate increased compara-tively strongly, with a gain of 4.0 percent. Within this, the E10 market share persists at a continued low level. On a cumulative basis for the first ten months of 2018 blending was 12.9 percent, as compared to 13 percent in 2017.

Market conditions in other sales markets

Compressed natural gas (CNG)/biomethane as biofuel

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

The statistical reports issued by the Federal Ministry of Finance (BMF) that are used to provide data on the fulfilment of the biofuels quota only report separate data for biomethane from 2012. The figures are available up to 2017, and show a significant increase in the use of biomethane in the fuel sector, up from 345 GWh in 2015 to 449 GWh in 2017. The number of filling stations has now been stable over the last two years at approximately 860. The number of new vehicle registrations recovered noticeably from 2017 to 2018, with almost 11,000 new CNG vehicles registered in 2018. Overall, however, the market trends in this segment are neutral, which is primarily due to the regulatory environment and the uncertainty concerning the quota demand under the GHG (greenhouse gas) quota regulations, which is an impediment to the use of biomethane in the fuel sector.

Markets outside Germany

The sales markets for biofuels in Europe are still affected by the fact that the Renewable Energy Directive (RED) is being implemented very differently in different EU member states. On the one hand, this situation offers arbitrage possibilities. However, it can also result in market entry barriers in certain countries.

Biofuels are gaining in global competitiveness due to the continuing increases in crude oil prices and the expectation that supply and demand in crude oil markets will be evenly matched in 2018. In any case, biofuels are gaining in importance in countries with predominantly agricultural economies in Asia and South America, where incentives for biofuel use, e.g. tax incentives or compulsory blending requirements, are being introduced or increased. As a result, investments are being made in new local biofuel production capacity.

Sales price trends

The price of biodiesel in Q2 2018/2019 was 232 EUR/tonne above the average for the same period in the previous year, although the price of rapeseed oil was approximately 36 EUR/tonne lower than in the same period in the previous year.

The higher biodiesel prices are due to particularly high demand for RME in this quarter. One reason for this was the extremely low water levels in the Rhine and the Donau.

The price of Bioethanol increased significantly from Q1 2018/2019 to Q2 2018/2019. The primary reason for this was that ethanol plants belonging to Vivergo in Hull (UK) and CropEnergies/Ensus in Wilton (UK) ceased production due to persisting low margins. The good demand for ethanol in South America (e.g. Brazil), China and South Korea also limits the opportunities of arbitrage of imports. The availability in Amsterdam/Rotterdam/Antwerp fell successively, and as a result the ethanol price was over 600 EUR/cbm by year end.

The spot price is currently around EUR 580/cbm. The upwards potential is limited as the possible ending of anti-dumping tariffs on products from the USA could open up arbitrage opportunities for imports from the USA.

Trends in raw material prices

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

Grain and oil seed

The WASDE-Report (World Agricultural Supply and Demand Estimates) issued by the United States Department of Agriculture (USDA) on December 11, 2018 reports that grain production for the 2018/2019 season only totalled 2,598.17 million tonnes, and accordingly it estimates that the total will be approximately 17.26 million tonnes lower than in 2017/2018 and 62.87 million tonnes lower than in the 2016/2017 season.

At 763.06 million tonnes the production of wheat in 2017/2018 continued to increase on recent years; at 744 million tonnes consumption was also slightly increased (2016/2017: 739 million tonnes). However, wheat production for 2018/2019 is only expected to be 733 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 279.94 million tonnes, representing an increase of almost 19 million tonnes compared to the closing 2016/2017 inventory.

In its crop report issued on December 4, 2018, COCERAL expects a total grain harvest of 281,069 million tonnes for the EU 28 in the season 2017/2018, of which 128 million tonnes was wheat. As a result, EU grain production is 19.17 million tonnes lower than in the previous year's harvest, with the largest proportion of this deficit due to poorer wheat yields in Germany, Scandinavia, the Baltic states and Poland. The decline in wheat compared to 2017 was 13.86 million tonnes. This represents a significant adjustment of the estimates made by COCERAL in its previous report issued in June. In December the EU returned to being a net importer of grain over the course of the 2018/19 financial year, for the first time in over a decade. Up until December 16, 2018 exports totalled 12.64 million tonnes compared to imports of 13.15 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. However, a renewed price fall can be observed from August, driven by very good yields in the USA and better than expected results in Russia. Currently (September/December 2018) the prices for wheat on the CBOT range between 530 and 490 US cent/bushel (approximately 197–180 USD/tonne).

According to the USDA report issued on December 11, worldwide oil seed production for the 2017/2018 harvest year is approximately 575.35 million tonnes (latest estimates: 574 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 37.8 million tonnes due to weather conditions, a decline of approximately 18 million tonnes compared to the previous year. The lost volume can only be partially compensated by the good harvests in Brazil (120.30 million tonnes; 2016/2017: 114.1 million tonnes) and the USA (120.04 million tonnes; 2016/2017: 116.9 million tonnes).

Development of selected raw materials and products

	Q1 2017/2018	Q2 2017/2018	Q3 2017/2018	Q4 2017/2018	2017/2018	Q1 2018/2019	Q2 2018/2019
Crude oil (Brent; USD/barrel)	52	61	67	75	64	76	69
Diesel FOB Rotterdam (EUR/tonne)	414	468	482	550	479	575	560
Biodiesel (FAME -10 RED; EUR/tonne)	818	833	704	755	777	826	1065
Petrol FOB Rotterdam (EUR/tonne)	459	535	558	638	547	773	626
Bioethanol (T2 German Specs; EUR/cbm)	550	466	457	449	481	489	541
Rapeseed oil (EUR/tonne)	758	783	672	684	724	729	747
Palm oil (EUR/tonne)	588	599	547	546	570	488	434
Wheat (MATIF; EUR/tonne)	164	161	161	173	165	199	202
Sugar (EUR/tonne)	262	272	241	220	249	204	249

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 by the USDA as 89.6 million acres (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 soya has fallen by approximately 15 percent since the end of May 2018, and is in the range of 800–920 US cent/bushel.

Current estimates of European rapeseed yield for 2017/2018 by COCERAL, the European agricultural association are only 19.36 million tonnes; the estimated figure in March was 22 million tonnes (2016/2017: 21.5 million tonnes). Overall, COCERAL expects 32.04 million tonnes of seed oil in the EU in 2018, compared to 33.6 million tonnes estimated in March.

Oil-World, in its January 11, 2019 issue, forecasts that worldwide production of seed oil for the 2017/2018 harvest year will be 66.5 million tonnes. The losses in Europe and Australia can be compensated by better harvests in Canada, Russia and the Ukraine. Production in the 2018/2019 harvest year is estimated to be only 62.9 million tonnes. There were significant losses in particular in the EU 28 (–2.28 million tonnes), Canada (–1.0 million tonnes) and Australia (–1.43 million tonnes). An increase in the sunflower harvest of 3.2 million tonnes to 52.76 million tonnes is expected, almost exclusively attributable to 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 in 2018/2019 has been re-estimated at 196.02 million tonnes, compared to an estimate of 193.5 million tonnes in September 2018, a 4.4 percent increase compared to the previous year.

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 2,300 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 was observable during 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 now expected to total 74.4 million tonnes (an increase of 1.4 million tonnes compared to the September 2018 estimate). The spot prices are currently at 508 USD/tonne FOB Malaysia on January 15, 2019, again above the ten-year low recorded on November 16, 2018 (423 USD/tonne). Consumption for the period from October 2018 to September 2019 is estimated at 74.4 million tonnes, and meanwhile the world's inventories reached record levels at approximately 15 million tonnes at the end of the year 2018.

Political environment and legal framework for biofuels

The political environment and legal framework as described in the annual report 2017/2018 continues to apply.

2030 target achievement and Effort Sharing Regulation – ESR

The RED II must be transformed into national law by June 30, 2021. There are major inconsistencies overall which contradict effective climate protection. For example, an electric car, which is 100 percent powered by electricity produced from fossil fuels, nevertheless contributes zero emissions to the automobile manufacturer's vehicle fleet. On the other hand, a CNG vehicle powered by 100 percent renewable biomethane 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.

The Effort Sharing Regulation (ESR) and the Climate Active Directive will have a significant influence on future decision making. These prescribe CO_2 reductions of 38 percent by 2030 (based on 2005 levels) for the non-Emission Trade System (ETS) sector. For this purpose, it is very important to note that it is not only the target in the year 2030 that is relevant; an emissions budget must be set for each year.

The Federal Government's climate protection plan sets a sector objective of –40 to –42 percent for the transport sector. Based on this target, a saving of approximately 70 million tonnes needs to be achieved compared to 2016. Should the Federal Government not achieve these targets, it will be obliged to pay penalties by purchasing emissions certificates; initial calculations indicate that this will cost the federal budget somewhere between EUR 5 billion and EUR 62 billion.

It will now be decisive how the Federal Government implements the requirements of RED II. It is clear that a 1:1 implementation will fail to meet the targets by a large margin. Based on the Federal Government's energy reference estimates, the targets will only be achievable if, in addition to reaching 6 million electro vehicles and substantial efficiency gains, a 20 percent share in the fuels market is also achieved. This represents a greenhouse gas quota of 16 percent. The current discussion between government departments, and also in the various National Future Mobility Platform (Nationalen Plattform Zukunft der Mobilität – NPM) working groups established by the Federal Government, has not yet resulted in a recognisably clear position.

However, attention should be drawn to two important points. First, statements made by Transport Minister Scheuer give a clear thumbs-down to speed limits on German motorways, and a similar rejection to implementing tax increases. On the other hand, there was an astonishingly direct answer given by the Federal Government to a parliamentary question raised in mid-December 2018 on the potential of so-called e-fuels. The Federal Government made it clear that it does not see any potential in e-fuels at all up to 2030, and limited potential thereafter, given their numerous problems (e.g. price, the availability of renewable electricity, production capacity). Specifically, this means that the Federal Government has significantly limited its own room for manoeuvre up to 2030. There is agreement with the Federal Ministry for Economic Affairs and Energy (BMWi) that the role of biofuels will be strengthened significantly. At this point it is essential to arrive at an even stronger and more clearly defined political position with other trade associations. The GHG quota needs to be increased to 16 percent on a step-by-step basis, and the cap for biofuels from waste materials and cultivated biomass needs to be increased.

The automobile industry must make independent decisions about how it will meet its obligations under the fleet limits. Following the recent EU decision to reduce CO_2 emissions by a further 37 percent, pressure to meet these obligations has increased significantly. The automobile industry will not meet the targets with electro mobility alone. It has been cautious on the subject of gas until now, but this position needs to be reviewed in light of the competitiveness of the raw material potential, and in particular the CO_2 record, of sustainable biomethane.

Differential Export Taxes (DET's)

Argentina has made a counterproposal to the anti-subvention measures initiated by the Commission against biodiesel imports, these proposals would include an internal obligation to adhere to a kind of minimum import price. However, this would only affect a proportion of the biodiesel imports. The details of the calculation are relatively complicated and have significant weaknesses. Accordingly, the VDB has submitted a paper to the Commission providing a comprehensive commentary on the changes needed. It can be assumed that the Commission will not react warmly to counter proposals. Accordingly, it remains to be seen whether and to what extent further positive amendments can be achieved.

Regulatory and tax environment in Germany

We refer to the explanations provided in the 2017/2018 Annual Report for a description of the regulatory and tax situation in Germany. There have been no significant changes since then which have had an effect on the net assets, financial position and results of operations.

Business report and the Group's position

Results of operations

VERBIO produced 361,031 tonnes of biodiesel and bioethanol in the first six months of the 2018/2019 financial year, compared to 366,718 tonnes in the comparative period in the previous year. This now represents a capacity utilisation rate of 99 percent. In addition, 337,969 MWh of biomethane were produced in the first half-year of the financial year 2018/2019 (1 HY 2017/2018: 295,544 MWh).

With production and sales volumes decreasing slightly over the first half-year 2018/2019 as a whole, the Group's revenues increased by 8 percent to EUR 380.2 million (1 HY 2017/2019: EUR 352.2 million). Further information is presented in the detailed comments on the individual segments.

Other operating income of EUR 7.0 million increased, due primarily to higher grant income (1 HY 2017/2018: EUR 5.6 million).

Material costs amounted to EUR 301.1 million, comparable to the same period in the year 2017/2018 (1 HY 2017/2018: EUR 305.0 million). Taking account of changes in inventory of unfinished and finished goods, the gross margin of EUR 83.4 million is significantly higher than in the same period of the comparative year (1 HY 2017/2018: EUR 55.5 million). This is primarily due to the margin trends in the second quarter of 2018/2019. The margin totalled EUR 52.6 million in the second quarter due to comparatively higher sales prices for biodiesel in that period.

Personnel expenses in the first six months of the financial year 2018/2019 amounted to EUR 17.0 million (1 HY 2017/2018: EUR 13.4 million). The increase is due to the higher number of employees as a result of expansion and the acquisition of new business activities. In addition, significant wage increases were awarded within the production departments in order to make a significant improvement in VERBIO's attractiveness as an employer in its market environment.

Other operating expenses amounted to EUR 18.4 million in the reporting period (1 HY 2017/2018: EUR 16.7 million). These primarily include the costs of repair and maintenance, outgoing freight costs, motor vehicle costs and insurance and contributions. The increase in other operating expenses overall is not attributable to the changes in these expense categories.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first six months of the financial year 2018/2019 amounted to EUR 57.3 million, significantly higher than the EBITDA in the comparative period in the previous year (1 HY 2017/2018: EUR 30.4 million). Again, as with the trend for gross margins, this reflects the strong second quarter in 2018/2019 in particular; EBITDA in the second quarter alone amounted to EUR 40.7 million (Q2 2017/2018: EUR 14.5 million).

The Group operating result (EBIT) amounted to EUR 46.6 million, a 27.4 percent increase over the comparative period in the previous year (1 HY 2017/2018: EUR 19.2 million).

The Group result before tax (EBT) totals EUR 46.5 million (1 HY 2017/2018: EUR 19.1 million), and the net result for the period is EUR 33.0 million (1 HY 2017/2018: EUR 13.3 million). Based on the result for the period, earnings per share (basic and diluted) were EUR 0.53 (1 HY 2017/2018: EUR 0.21).

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

Net assets and financial position

Assets and liabilities

The balance sheet total at December 31, 2018 amounted to EUR 433.9 million, representing an increase of EUR 67.9 million compared to June 30, 2018 (June 30, 2018: EUR 366.0 million).

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

Non-current assets increased by a total of EUR 25.5 million and amounted to EUR 197.2 million at the balance sheet date (June 30, 2018: EUR 171.7 million). The increase is primarily due to new investments in property, plant and equipment, which exceeded scheduled depreciation charges.

The EUR 42.4 million increase in current assets, from EUR 194.2 million at June 30, 2018 to EUR 236.6 million, is primarily due to increases in inventory (EUR 16.8 million), other current financial assets (EUR 15.9 million) and derivatives (EUR 8.7 million).

The increase in inventories is primarily attributable to the higher inventories of raw materials due to grain purchases following the 2018 harvest, as well as to the increase in inventory of finished goods at the year end. The increase in other current financial assets reported reflects the balance of cash and cash equivalents included in segregated accounts.

The liabilities and equity side of the balance sheet includes equity of EUR 332.0 million (June 30, 2018: EUR 300.2 million), representing approximately 76.5 percent (June 30, 2018: 82.0 percent) of the balance sheet total. This included an increase in current liabilities compared to the June 30, 2018 balance sheet date; this change was in connection with short-term financing arrangements for investments.

Cash flows

The operating cash flow for the reporting period totalled EUR 23.5 million (1 HY 2017/2018: EUR –1.6 million). The increase is primarily due to the result for the year, offset somewhat by the increase in the level of inventories and current financial assets. In addition, more income tax is payable than in the same period in the previous year (EUR 5.4 million; 1 HY 2017/2018: EUR 2.6 million).

Cash inflows from investment activities in the first half-year 2018/2019 totalled EUR 28.4 million (1 HY 2017/2018: cash outflows of EUR 7.5 million). This primarily resulted from payments made for investments in property, plant and equipment (EUR 33.0 million; 1 HY 2017/2018: EUR 9.7 million), offset by receipts from the release of term deposits to cash (EUR 60.0 million; 1 HY 2017/2018: EUR 0 million).

The cash flow from financing activities for the reporting period totalled EUR 6.6 million (1 HY 2017/2018: EUR –0.5 million). This was due to the drawdown of financial liabilities of EUR 6.6 million (1 HY 2017/2018: EUR 0.5 million).

As a result, cash and cash equivalents increased by EUR 58.5 million in the period from July 1, 2018 to December 31, 2018. Cash and cash equivalents at December 31, 2018 amounted to EUR 87.0 million.

Net cash

The bank and loan finance arrangements are more than offset by cash and cash equivalents of EUR 87.0 million and other cash balances held in segregated accounts of EUR 17.4 million, so that the reported net cash balance at the balance sheet date amounted to EUR 96.5 million (June 30, 2018: EUR 90.1 million).

Investments

Investments in property, plant and equipment totalling EUR 35.4 million were made in the first half of the financial year 2018/2019 (1 HY 2017/2018: EUR 10.1 million).

Segment reporting

Biodiesel

VERBIO has an annual biodiesel production capacity of 470,000 tonnes. Production in the first six months of 2018/2019 totalled 239,486 tonnes, comparable with the corresponding period in the previous year (1 HY 2017/2018: 241,235 tonnes). Production capacity usage was again in excess of 100 percent.

Revenues in the Biodiesel segment in 1 HY 2018/2019 totalled EUR 259.7 million, following EUR 232.0 million in the corresponding period in 2017/2018. The increase in sales revenues in the first six months of 2018/2019, despite the production and sales volume quantities being largely unchanged, is due to the higher average sales prices.

The cost of materials amounted to EUR 201.0 million (1 HY 2017/2018: EUR 210.0 million), lower than the cost of materials in the corresponding period in the previous year despite the higher sales revenues. The gross margin increased in Q2 2018/2019 from EUR 25.1 million to EUR 61.4 million.

Personnel expenses in the first half-year 2018/2019 amounted to EUR 5.4 million (1 HY 2017/2018: EUR 4.2 million).

Other operating expenses totalled EUR 7.1 million (1 HY 2017/2018: EUR 6.4 million). The segment result included gains and losses recorded on futures transactions of EUR 0.4 million (1 HY 2017/2018: EUR –1.0 million), and the segment result for the period totalled EUR 48.0 million (1 HY 2017/2018: EUR 12.0 million).

Bioethanol

VERBIO has a total annual bioethanol production capacity of 260,000 tonnes, unchanged compared to the previous year. Production in the first six months of 2018/2019 totalled 121,545 tonnes, slightly lower than in the corresponding period in the previous year (1 HY 2017/2018: 125,484 tonnes).

In total, the Bioethanol segment generated revenues of EUR 115.6 million (1 HY 2017/2018: EUR 114.8 million). The change in revenues is explained by the higher sales volumes, accompanied by slightly lower average sales prices.

The cost of materials increased compared to the previous year, rising to EUR 96.3 million (1 HY 2017/2018: EUR 91.2 million), with the consequence that segment gross margin, after taking the change in inventories into account, fell by EUR 7.9 million to EUR 21.0 million, after EUR 28.9 million in the previous year. This was primarily due to the comparatively high price of grain.

Other operating income in this segment in the reporting period amounted to EUR 5.2 million (1 HY 2017/2018: EUR 4.8 million).

Personnel expenses amounted to EUR 9.4 million (1 HY 2017/2018: EUR 7.2 million).

Other operating expenses amounted to EUR 12.3 million, after EUR 11.0 million in the comparative period for the first half-year 2017/2018. This primarily consists of freight delivery costs and repair and maintenance costs.

The segment result before interest and taxation totalled EUR –1.0 million in the reporting period, after EUR 7.2 million in the corresponding period of the previous year.

Other

Revenues generated in the Other segment, primarily representing revenues from transport and logistic services, totalled EUR 8.2 million in the first six months of the financial year 2018/2019 (1 HY 2017/2018: EUR 8.0 million). The segment result amounted to EUR –0.3 million (1 HY 2017/2018: EUR 0.1 million).

Outlook, opportunity and risk report

Outlook

Once again, VERBIO's order books were extremely full in the first six months of 2018/19, and this will also continue through the calendar year 2019. Our customers appreciate the high greenhouse gas savings and reliable quality of our products, and we provide a high level of delivery reliability, flexibility and individual solutions to meet greenhouse gas quotas. We also expect excellent market opportunities for our biofuels beyond the year 2019, in the light of the increase in the GHG quota to 6 percent from January 1, 2020.

VERBIO issued an amended earnings forecast for the financial year 2018/2019 in an ad hoc announcement made on December 11, 2018. EBITDA is expected to be around EUR 80 million, and the net cash balance at the end of the financial year is expected to increase to around EUR 90 million. Previously the Group had expected an EBITDA of around EUR 45 million and net cash of EUR 73 million.

Risk and opportunity report

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

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

Detailed information on the VERBIO Group's risk management system, and on the Group's opportunities and risks, is presented in the risk and opportunity report included in the 2017/2018 annual report.

There have been no changes to the opportunities and risks presented in the 2017/2018 annual report, and no changes in the risks and opportunities profile of the VERBIO Group during the reporting period.

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

Consolidated Interim Financial Statements (nach IFRS)

Consolidated statement of comprehensive income

for the period July 1, 2019 to December 2018

EUR (thousands)		Q2 2018/2019	Q2 2017/2018	1. HY 2018/2019	1. HY 2017/2018
1.	Revenue (including energy taxes collected)	209,674	174,105	380,465	352,444
	less: energy taxes	–128	–155	–230	–257
	Revenue	**209,546**	**173,950**	**380,235**	**352,187**
2.	Change in unfinished and finished goods	2,279	7,291	4,327	8,345
3.	Capitalised production of own plant and equipment	512	561	696	561
4.	Other operating income	4,036	3,473	6,968	5,598
5.	Cost of materials	–159,260	–154,781	–301,134	–305,003
6.	Personnel expenses	–9,113	–7,013	–16,986	–13,373
7.	Depreciation and amortisation	–5,128	–5,566	–10,721	–11,129
8.	Other operating expenses	–9,280	–8,473	–18,423	–16,725
9.	Result from commodity forward contracts	1,946	–517	1,624	–1,215
10.	**Operating result**	**35,538**	**8,925**	**46,586**	**19,246**
11.	Interest income	38	107	38	110
12.	Interest expense	–48	–150	–85	–244
13.	**Financial result**	**–10**	**–43**	**–47**	**–134**
14.	**Result before tax**	**35,528**	**8,882**	**46,539**	**19,112**
15.	Income tax expense	–10,354	–2,974	–13,564	–5,835
16.	**Net result for the period**	**25,174**	**5,908**	**32,975**	**13,277**
	Result attributable to shareholders of the parent company	25,313	5,832	33,113	13,146
	Result attributable to non-controlling interests	–139	76	–138	131
Income and expenses recognized directly in equity:					
	Items, to be reclassified either as profit or loss:				
	Translation of foreign operations	52	55	33	–42
	Fair value remeasurement on cash flow hedges	–1,162	–589	–1,368	–94
	Deferred taxes recognized in equity	–149	183	406	29
17.	**Income and expenses recognized directly in equity**	**–1,259**	**–351**	**–929**	**–107**
18.	**Comprehensive result**	**23,915**	**5,557**	**32,046**	**13,170**
	Comprehensive result attributable to shareholders of the parent company	24,054	5,481	32,184	13,039
	Comprehensive result attributable to non-controlling interests	–139	76	–138	131
Result per share (basic and diluted)		0.40	0.09	0.53	0.21

Consolidated balance sheet

at December 31, 2018

EUR (thousands)		31.12.2018	30.06.2018
Assets			
A.	**Non-current assets**		
I.	Other intangible assets	597	334
II.	Property, plant and equipment	192,224	167,962
III.	Financial assets	55	55
IV.	Deferred tax assets	4,348	3,392
Total non-current assets		**197,224**	**171,743**
B.	**Current assets**		
I.	Inventories	61,979	45,171
II.	Trade receivables	45,695	45,233
III.	Derivatives	12,105	3,392
IV.	Other short-term financial assets	18,562	2,691
V.	Tax refunds	188	195
VI.	Other assets	11,073	9,006
VII.	Term deposits	0	60,042
VIII.	Cash and cash equivalents	87,030	28,516
Total current assets		**236,632**	**194,246**
Total assets		**433,856**	**365,989**

EUR (thousands)		31.12.2018	30.06.2018
Liabilities and equity			
A.	**Equity**		
I.	Share capital	63,000	63,000
II.	Additional paid-in capital	487,681	487,681
III.	Fair value reserve	56	1,018
IV.	Retained earnings	−219,330	−252,444
V.	Reserve for translation differences	−200	−233
Total equity, excluding non-controlling interests		**331,207**	**299,022**
VI.	Non-controlling interests	842	1,195
Total equity		**332,049**	**300,217**
B.	**Non-current liabilities**		
I.	Bank loans and other loans	0	11
II.	Provisions	155	155
III.	Deferred investment grants and subsidies	4,588	5,102
IV.	Other non-current liabilities	2,105	2,010
V.	Deferred taxes	30	437
Summe langfristige Schulden		**6,878**	**7,715**
C.	**Current liabilities**		
I.	Bank loans and other loans	7,956	369
II.	Trade payables	37,092	31,185
III.	Derivatives	11,720	2,159
IV.	Other current financial liabilities	5,542	7,294
V.	Tax liabilities	18,460	9,342
VI.	Provisions	8,048	4,349
VII.	Deferred investment grants and subsidies	1,035	1,035
VIII.	Other current liabilities	5,076	2,324
Total current liabilities		**94,929**	**58,057**
Total equity and liabilities		**433,856**	**365,989**

Consolidated cash flow statement

for the period July 1, 2018 to December 31, 2018

EUR (thousands)	1. HY 2018/2019	1. HY 2017/2018
Net result for the period	32,975	13,277
Income taxes expense (prior-year period: income)	13,564	5,835
Interest result	47	134
Depreciation and amortization	10,721	11,129
Non-cash expense	401	333
Non-cash income	–660	–608
Gains on disposal of property, plant and equipment and disposal of investment grants	333	79
Non-cash changes in derivative fiancial instruments	-520	858
Increase in inventories	–16,808	–20,918
Increase in trade receivables	–459	–1,264
Decrease in other assets and other current financial assets	–18,170	–1,334
Change in provisions	3,691	–245
Decrease in trade payables	3,443	4,701
Increase in other current financial and non-financial liabilities	423	–10,870
Interest paid	–84	–151
Interest received	38	46
Income taxes paid	–5,393	–2,589
Cash flows from operating activities	**23,542**	**–1,587**
Proceeds from investment grants	83	2,265
Acquisition of intangible assets	–408	–95
Acquisition of property, plant and equimpment	–32,994	–9,677
Proceeds from disposal of property, plant and equipment	662	10
Cash inflows form term deposits	60,042	0
Cash inflows from addition/disposal of non-current financial assets	1,005	0
Cash flows from investing activities	**28,390**	**–7,497**

EUR (thousands)	1. HY 2018/2019	1. HY 2017/2018
Payments for the redemption of financial liabilities	0	–513
Proceeds from the asssumption of financial liabilites	6,575	0
Cash flows from financing activities	**6,575**	**–513**
Cash-effective change in cash funds	58,507	–9,597
Change in cash funds due to effects of exchange rates	7	–43
Cash funds at beginning of year	28,516	54,722
Cash funds at end of year	**87,030**	**45,082**
Cash funds at year end comprise the following:		
Restricted cash and cash equivalents	0	0
Cash and cash equivalents	87,030	45,082
Cash funds at end of year	**87,030**	**45,082**

Consolidated statement of changes in equity

for the period July 1, 2018 to December 31, 2018

EUR (thousands)	Share capital	Additional paid-in capital	Fair value reserve	Retained earnings	Reserve for translation adjustments	Total equity excluding non-controlling interests	Non-controlling interests	total equity
July 1, 2017	**63,000**	**487,681**	**-507**	**-254,767**	**-32**	**295,375**	**1,016**	**296,391**
Translation adjustments	0	0	0	0	–42	–42	0	–42
Fair Value changes on cash flow hedges (after tax)	0	0	–65	0	0	–65	0	–65
Income and expenses recognized directly in equity	**0**	**0**	**–65**	**0**	**–42**	**–107**	**0**	**–107**
Net result for the period	0	0	0	13,146	0	13,146	131	13,277
Comprehensive result for the period	**0**	**0**	**–65**	**13,146**	**–42**	**13,039**	**131**	**13,170**
December 31, 2017	**63,000**	**487,681**	**–572**	**–241,621**	**–74**	**308,414**	**1,147**	**309,561**
July 1, 2018	**63,000**	**487,681**	**1,018**	**–252,443**	**–233**	**299,023**	**1,195**	**300,218**
Translation adjustments			0		33	33	0	33
Fair Value changes on cash flow hedges (after tax)			–962			–962	0	–962
Income and expenses recognized directly in equity	**0**	**0**	**–962**	**0**	**33**	**–929**	**0**	**–929**
Net result for the period				33,113		33,113	–138	32,975
Comprehensive result for the period	**0**	**0**	**–962**	**33,113**	**33**	**32,184**	**–138**	**32,046**
Entities in the consolidation	**0**	**0**	**0**	**0**	**0**	**0**	**–215**	**–215**
December 31, 2018	**63,000**	**487,681**	**56**	**–219,330**	**–200**	**331,207**	**842**	**332,049**

Selected explanatory disclosure notes

Condensed interim consolidated financial statements

Basis for preparation of the consolidated financial statements

The VERBIO Vereinigte BioEnergie AG interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the EU, as were the consolidated financial statements as of June 30, 2018. The rules contained in IAS 34 "Interim financial reporting" were applied accordingly. The interim financial statements of all companies included in the consolidated financial statements of VERBIO AG were prepared using uniform accounting and valuation methods.

These condensed interim consolidated financial statements do not include all the information that is required when annual consolidated financial statements are prepared. Accordingly, they should be read in conjunction with the consolidated financial statements as of June 30, 2018.

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

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

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

There have been the following changes to the companies included in the Group consolidated financial statements since June 30, 2018:

The VERBIO North America Corporation, Grand Rapids/Michigan, USA (VNA), in which the Group holds a 51 percent share (held indirectly via VERBIO Renewables GmbH) has been included in the Group consolidated financial statements on a fully consolidated basis from October 1, 2018. In addition, XiMo AG, Horw, Switzerland, which is wholly-owned by VERBIO AG, together with its wholly-owned subsidiary XiMo Kft., Budapest, Hungary (combined: XiMo), have been included in the Group consolidated financial statements on a fully consolidated basis from November 7, 2018.

Further details of the companies included in the Group consolidated financial statements are provided in the notes to the consolidated financial statements for the year ended June 30, 2018. The consolidation methods and the principles for the translation of amounts denominated in foreign currencies presented in the notes to the consolidated financial statements are unchanged.

Accounting and valuation methods

Given that the interim financial reports are based on the consolidated financial statements, we refer to the notes to the consolidated financial statements as of June 30, 2018 for a detailed description of the Group's accounting, valuation and consolidation methods. The accounting and valuation methods are consistent with those used in the previous year. From July 1, 2018 the new standards IFRS 9 "Financial Instruments – Classification and Measurement" and IFRS 15 "Revenue from Contracts with Customers" were compulsorily applicable.

IFRS 9 includes new guidelines for classifying and measuring financial instruments. Among other things this includes the introduction of a new model under which the impairment of financial assets is based on expected credit losses. VERBIO has performed an analysis and determined that there is no material effect on the balance sheet and on equity. Accordingly, no additional impairment allowances have been recorded at December 31, 2018.

IFRS 15 provides detailed guidance on whether, to what extent, and at what date sales revenues are recognised. The initial application of the requirements of IFRS 15 resulted in no adjustments to amounts previously reported, and accordingly there has been no effect on equity as of July 1, 2018.

The implementation of other new accounting standards and the effect of amendments to existing standards applicable to the Group for the first time from July 1, 2018 also had no material effect on the presentation of the financial statements.

Business combinations

Acquisition of XiMo AG

On November 8, 2018 VERBIO AG acquired the entire share capital of XiMo AG, Horw, Switzerland and its wholly-owned subsidiary company XiMo Kft., Budapest, Hungary. XiMo AG and its subsidiary company XiMo Kft. develop and market metathesis catalysts. The objective of the acquisition is to enable the Group, by making use of the catalysts developed by XiMo, to produce other chemical raw materials in future on the basis of vegetable oil alongside biodiesel. The acquisition has been accounted for under the purchase method of accounting. The results of XiMo for the period from November 8 to December 31, 2018 are included in the condensed interim consolidated financial statements.

The fair value of the identifiable net assets acquired on the acquisition date totalled EUR 45 thousand, consisting of assets totalling EUR 746 thousand and liabilities of EUR 701 thousand.

As the subsidiary held cash and cash equivalents at the date of acquisition, the acquisition generated a net cash inflow of EUR 443 thousand.

Since the acquisition date, XiMo has contributed EUR 89 thousand to Group revenues and EUR -329 thousand to the Group's result before tax. Had the business combination been effected as of the beginning of the financial year the Group's revenues would have been EUR 920 thousand higher and the result before tax would have been EUR 128 thousand lower.

Acquisition of a shareholding in VNA

On September 29, 2018 VERBIO Renewables GmbH acquired a 51 percent shareholding in VERBIO North America Corporation, Grand Rapids/Michigan, USA. VNA plans to introduce VERBIO's straw-biomethane technology to the US market for Renewable Natural Gas (RNG). The transaction has been treated as a contract for the acquisition of assets, as VNA was still in the process of being developed at the date of acquisition and did not meet the definition of a business as set out in IFRS 3.3. Assets totalling EUR 606 thousand and liabilities totalling EUR 1,000 thousand were included in the consolidated financial statements as a result of the acquisition. The minority shareholding interests in VNA were included in "non-controlling interests" in VERBIO Group equity. Expenses of EUR 20 thousand were incurred in connection with the acquisition of the VNA shareholding. As the subsidiary held cash and cash equivalents of EUR 562 thousand at the date of acquisition, the acquisition generated a net cash inflow of EUR 542 thousand.

Notes to individual items in the consolidated statement of comprehensive income

Other operating income

Other operating income amounted to EUR 6,968 thousand in the reporting period (1 HY 2017/2018: EUR 5,598 thousand). This primarily includes income from grants and the release of investment subsidies of EUR 2,481 thousand (1 HY 2017/2018: EUR 1,814 thousand), electricity and energy tax reimbursements of EUR 1,422 thousand (1 HY 2017/2018: EUR 1,415 thousand) and currency exchange gains of EUR 1,161 thousand (1 HY 2017/2018: EUR 746 thousand).

Cost of materials

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

Other operating expenses

Other operating expenses in the reporting period amounted to EUR 18,423 thousand (1 HY 2017/2018: EUR 16,725 thousand). Significant items in other operating expenses included expenses for repair and maintenance of EUR 5,486 thousand (1 HY 2017/2018: EUR 5,122 thousand), outgoing freight costs of EUR 3,495 thousand (1 HY 2017/2018: EUR 3,739 thousand), vehicle costs of EUR 1,454 thousand (1 HY 2017/2018: EUR 1,460 thousand) and insurance and subscriptions of EUR 539 thousand (1 HY 2017/2018: EUR 788 thousand).

Result from commodity forward contracts

Gains and losses resulting from the change in value and closing out of forward commodity contracts for which hedge accounting could not be applied, and the ineffective portion of forward commodity contracts for which hedge accounting (cash flow hedges) was applied, totalled EUR 1,624 thousand (1 HY 2017/2018: EUR – 1,215 thousand).

Income taxes

Income tax expense for the period from July 1, 2018 to December 31, 2018 amounted to EUR 13,564 (1 HY 2017/2018: EUR 5,835 thousand), comprising a current tax expense of EUR 14,520 thousand (1 HY 2017/2018: EUR 5,868 thousand) and deferred tax income of EUR 956 thousand (1 HY 2017/2018: EUR 33 thousand). The tax expense was calculated using an estimated effective tax rate of 29 percent on reported results before tax for the interim period, based on the rate that is expected to apply to the results over the year as a whole, under consideration of the Group's tax planning. In doing so, the tax expense calculated is adjusted for amounts which are recognised in full in the interim period financial statements.

Earnings per share

Earnings per share was calculated in accordance with IAS 33. The earnings per share is calculated by dividing the earnings for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding. VERBIO AG has 63,000,000 no-par shares in circulation. Each share has a nominal value of EUR 1. The total number of shares outstanding is identical to the average number of shares outstanding for the period. There was no dilutive effect. The Group result attributable to the shareholders of the parent company for the period from July 1, 2018 to December 31, 2018 totalled EUR 33,113 thousand (1 HY 2017/2018: EUR 13,146 thousand). The result per share (basic and diluted) amounted to EUR 0.53 (1 HY 2017/2018: EUR 0.21).

Notes to individual items in the consolidated balance sheet

Non-current assets

Property, plant and equipment

Movements on property, plant and equipment included scheduled depreciation (EUR 10,721 thousand), disposals (EUR 697 thousand), new investments in property, plant and equipment (EUR 35,405 thousand), the effects of changes in currency exchange rates (EUR 111 thousand) and additions from business combinations (EUR 164 thousand). As a result, the carrying value of property, plant and equipment increased to EUR 192,224 thousand (June 30, 2018: EUR 167,962 thousand).

Current assets

Inventories

Inventories consist of the following:

EUR (thousands)	**31.12.2018**	**30.06.2018**
Raw materials, consumables and supplies	36,851	24,365
Work in process and finished products	2,480	2,805
Finished product	22,637	17,985
Merchandise	11	16
Inventories	**61,979**	**45,171**

Trade receivables

Trade receivables amounted to EUR 45,695 thousand at the balance sheet date (June 30, 2018: EUR 45,233 thousand) and are presented net of valuation allowances of EUR 1,327 thousand (June 30, 2018: EUR 1,251 thousand). All trade receivables have a remaining term of up to one year.

Other current financial assets

Other current financial assets of EUR 18,562 thousand (June 30, 2018: EUR 2,691 thousand) include cash and cash equivalents in segregated accounts totalling EUR 17,440 thousand (June 30, 2018: EUR 1,968 thousand).

Other assets

Other assets of EUR 11,073 thousand (June 30, 2018: EUR 9,006 thousand) include investment grants and subsidies not yet received of EUR 3,488 thousand (June 30, 2018: EUR 3,998 thousand) and reimbursements of electricity and energy tax of EUR 5,446 thousand (June 30, 2018: EUR 4,014 thousand).

Derivatives

The derivatives held at December 31, 2018 are described in the disclosures on financial instruments.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and cash equivalents of EUR 87,030 thousand (June 30, 2018: EUR 28,516 thousand).

Equity

Other reserves

The other reserves include the effective (hedging) element included in the cumulative change in value of forward commodity contracts that qualify as cash flow hedges. Cash flow hedges with a value of EUR 709 thousand were transferred from equity to the cost of materials in the reporting period as part of the cash flow hedge accounting (a reduction of material costs; 1 HY 2017/2018: EUR 41 thousand). The change in the fair values of cash flow hedges thereafter amounted to EUR 659 thousand. Deferred tax assets of EUR 24 thousand have been recorded within other reserves at December 31, 2018 (June 30, 2018: EUR 430 thousand).

Non-current liabilities

Deferred investment grants and subsidies

Movements on the investment grants and subsidies balance of EUR 4,588 thousand (June 30, 2018: EUR 5,102 thousand) result almost exclusively from the effect of scheduled releases to income.

Current liabilities

Tax liabilities

Tax liabilities include obligations for trade taxes of EUR 8,150 thousand (June 30, 2018: EUR 4,935 thousand) and corporation taxes of EUR 10,310 thousand (June 30, 2018: EUR 4,407 thousand).

Provisions

Current provisions amounting to EUR 8,048 thousand (EUR 4,349 thousand) primarily represent amounts for expected losses on pending procurement and sales transactions.

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 associated with procurement and sales markets. Forward contracts have been entered into to hedge the supply price for rapeseed oil. Further forward contracts are entered into in respect of bioethanol procurement requirements and in respect of the crude oil price in general. Revenues under sales contracts linked to the price of biodiesel are hedged by the use of sales swaps. As the hedging transactions entered into for variable rate biodiesel sales contracts were denominated in US dollars, additional EUR/USD currency contracts were entered into in order to reduce the currency risk. The positive market value of these derivatives at December 31, 2018 amounted to EUR 12,105 thousand (June 30, 2018: EUR 3,392 thousand) and derivatives with negative market values amounted to EUR 11,720 thousand (June 30, 2018: EUR 2,159 thousand). A discussion of the impact on the consolidated statement of comprehensive income is provided in the explanatory notes describing the result from forward commodity contracts and the description of other reserves.

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

- Level 1 (based on unadjusted quoted prices on an active market): assets of EUR 0 thousand (June 30, 2018: EUR 0 thousand), liabilities of EUR 1,371 thousand (June 30, 2018: EUR 36 thousand).
- Level 2 (use of valuation methods, directly observable market data): assets of EUR 12,105 thousand (June 30, 2018: EUR 3,392 thousand), liabilities of EUR 10,349 thousand (June 30, 2018: EUR 2,123 thousand).

There were no reclassifications between the individual levels of fair value hierarchy in the period from July 1, 2018 to December 31, 2018, or in the corresponding period in the previous year.

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

Further details on the determination of the fair values of individual financial instruments and their allocation to the different measurement categories are provided in note 9 in the notes to the consolidated financial statements in the annual report 2017/2018.

Other disclosures

Segment reporting

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

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

Segments according to internal corporate management

Revenues are presented net of energy taxes of EUR 230 thousand (1 HY 2017/2018: EUR 257 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.

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

Segment reporting for the period July 1, 2018 to December 31, 2018

EUR (thousands)	Biodiesel		Bioethanol		Other		Group	
	1. Hj. 2018/2019	1. Hj. 2017/2018	1. Hj. 2018/2019	1. Hj. 2017/2018	1. Hj. 2018/2019	1. Hj. 2017/2018	1. Hj. 2018/2019	1. Hj. 2017/2018
Sales revenues	259,694	231,976	115,619	114,825	8,152	8,030	383,465	354,831
Change in finished and unfinished products	2,688	3,127	1,639	5,218	0	0	4,327	8,345
Capitalized production of own plant and equipment	199	124	497	437	0	0	696	561
Other operating income	1,680	694	5,206	4,806	237	212	7,123	5,712
Cost of materials	−200,989	−210,037	−96,253	−91,159	−4,832	−4,378	−302,074	−305,574
Personnel expenses	−5,440	−4,192	−9,448	−7,195	−2,098	−1,986	−16,986	−13,373
Depreciation and amortization	−2,422	−2,367	−7,939	−8,514	−360	−248	−10,721	−11,129
Other operating expenses	−7,084	−6,387	−12,350	−11,001	−1,434	−1,524	−20,868	−18,912
Result of forward contract transactions	−360	−985	1,984	−230	0	0	1,624	−1,215
Segment result	**47,966**	**11,953**	**−1,045**	**7,187**	**−335**	**106**	**46,586**	**19,246**
Financial result	−24	−16	−23	−118	0	0	−47	−134
Result before taxes	**47,942**	**11,937**	**−1,068**	**7,069**	**−335**	**106**	**46,539**	**19,112**

Reconciliation

EUR (thousands)	Total segments		Intersegment reveneus and expenses		Group	
	1. Hj. 2018/2019	1. Hj. 2017/2018	1. Hj. 2018/2019	1. Hj. 2017/2018	1. Hj. 2018/2019	1. Hj. 2017/2018
Sales revenues	383,465	354,831	−3,230	−2,644	380,235	352,187
Change in finished and unfinished products	4,327	8,345	0	0	4,327	8,345
Capitalized production of own plant and equipment	696	561	0	0	696	561
Other operating income	7,123	5,712	−155	−114	6,968	5,598
Cost of materials	−302,074	−305,574	940	571	−301,134	−305,003
Personnel expenses	−16,986	−13,373	0	0	−16,986	−13,373
Depreciation and amortization	−10,721	−11,129	0	0	−10,721	−11,129
Other operating expenses	−20,868	−18,912	2,445	2,187	−18,423	−16,725
Result of forward contract transactions	1,624	−1,215	0	0	1,624	−1,215
Segment result	**46,586**	**19,246**	**0**	**0**	**46,586**	**19,246**
Financial result	−47	−134	0	0	−47	−134
Result before taxes	**46,539**	**19,112**	**0**	**0**	**46,539**	**19,112**

Contingent liabilities and other financial commitments

Litigation
There are no open litigation issues that present a significant risk to VERBIO at December 31, 2018.

Rental and leasing contracts
Other financial obligations totalling EUR 12,437 thousand arise from various long-term lease agreements. Of this total, EUR 2,751 thousand falls due within one year, EUR 3,997 thousand falls due after more than one year and within five years, and EUR 5,689 thousand falls due after more than five years.

Further details are provided in the notes to the consolidated financial statements for the 2017/2018 financial year.

Order commitments
Open purchase obligations for investments total EUR 9,059 thousand at December 31, 2018 (June 30, 2018: EUR 13,577 thousand).

Disclosures concerning related persons and entities

Detailed information in particular on the nature of relationships to related persons and entities is provided in the related party disclosures in the notes to the consolidated financial statements for the financial year 2017/2018. There were no significant changes to the nature and scale of transactions with related persons and entities, with the exception of the following.

On September 29, 2018 VERBIO Renewables GmbH acquired 51 percent of the shares of VNA from Nelson GmbH, a company controlled by a member of the VERBIO AG shareholder consortium pool, for a consideration price of EUR 20 thousand.

On November 13, 2018 VNA entered into a loan agreement with Nelson GmbH for an amount totalling USD 19,216 thousand. The loan agreement matures on December 31, 2019 and carries interest at 7 percent. Drawdowns under the loan agreement amounted to USD 8,647 thousand at December 31, 2018.

Significant events subsequent to the end of the reporting period

There have been no significant events with an effect on the net assets and financial position since December 31, 2018.

Audit of the interim financial statements and the interim management report

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

Responsibility statement

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

Leipzig, February 7, 2019

Claus Sauter
Chairman of the Management Board

Dr. Oliver Lüdtke
Deputy Chairman of the Management Board

Theodor Niesmann
Management Board

Bernd Sauter
Management Board

Executive bodies of the Company

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

- President of the Board of Directors, Feintool International Holding AG, Lyss, Switzerland
- President of the Board of Directors, 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, sales and trading, procurement (liquid primary products), contract management, finance and accounting, taxes, press and publicit, investor relations, legal matters, business development und compliance

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

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

Theodor Niesmann
Management Board, Biodiesel,

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

Bernd Sauter
Management Board, Procurement and Logistics

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

Financial calendar 2018/2019

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, Victor's Residenz-Hotel, Leipzig
February 7, 2019	Publication of the half-yearly interim report 2018/2019 (July 2018 to December 2018) Analyst's conference/half-year financial statements press conference
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 annual report 2018/2019 Analyst's conference/annual financial statements press conference

Contact address and imprint

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Forward-looking statements
The financial report includes various statements concerning forecasts, expectations and information that relate to the future development of the VERBIO Group and VERBIO Vereinigte BioEnergie AG. These statements are based on assumptions and estimates and may be associated with known and unknown risks and uncertainties. Actual developments and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions stated. Such differences may be due, among other things, to market fluctuations, changes in worldwide market prices for raw materials as well asf inancial markets and exchange rates, changes in national and international laws and directives, or fundamental changes in the economic and political climate. VERBIO does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this statement.

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

We will be delighted to send you additional information about VERBIO Vereinigte BioEnergie AG on request at no charge.
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