DRAWING THE BALANCE

Annual Report 2010

verbio

Biofuel and Technology

NEGATIVE BALANCE SHEET

Annual Report 2010

verbio

Biofuel and Technology

We are proud of our contribution to a negative balance.

A trained eye can tell at a glance whether a balance sheet is good or bad. When it comes to our climate, a good result is definitely negative: reducing the CO_2 content in the atmosphere is a necessary step in order to protect the climate and preserve the environment. The time to discuss this is past – we have to act!

And VERBIO AG has already started. Over the past fiscal year, we made considerable progress in implementing our comprehensive company strategy. We were able to achieve the goals we set. The assumptions we had made were shown to be correct. The central points of our strategy continue to be the development of vertical integration of the biofuel value-added chain from field to tank, continued optimisation of the greenhouse gas balance of the biofuels, and flexible use of various raw materials and waste products to produce biofuels. This strategic direction clearly separates VERBIO from other market participants, opens an enormous new potential for growth, and underlines its innovative and cutting-edge role in achieving the EU climate protection goals.

VERBIO AG acts according to its mission: **„Preserve through Innovation“**. We have invested a lot of research and development into our unique technology, with the goal of maximum efficiency and reduction of CO_2 throughout the entire production process, from the raw material to the product. With our biofuels, we can contribute to improved climate protection and to preserving the earth for future generations. In this way we want to change society and encourage every individual to participate in the green revolution, especially in the area of sustainable mobility. This is the only way we can succeed in achieving a negative CO_2 footprint.

Our product range includes all biofuels, since comprehensive climate protection requires a combination of different approaches. In our opinion, this also obsoletes the discussion about the E10 blend: there are enough sustainable options available to achieve the minimum and overall quotas for fuel retailers set by legislation.

In addition to the proven use of B100, a major step towards green mobility can also be taken by promoting natural gas vehicles. The market share of biogas as a biofuel can be increased significantly, so that the broad introduction of E10 to meet the biofuels quota does not seem to be absolutely necessary. Nevertheless, continuous promotion of the new and ecological E10 fuel among users is important.

Claus Sauter
Chairman of the Board at VERBIO AG

We are against growth

806,41

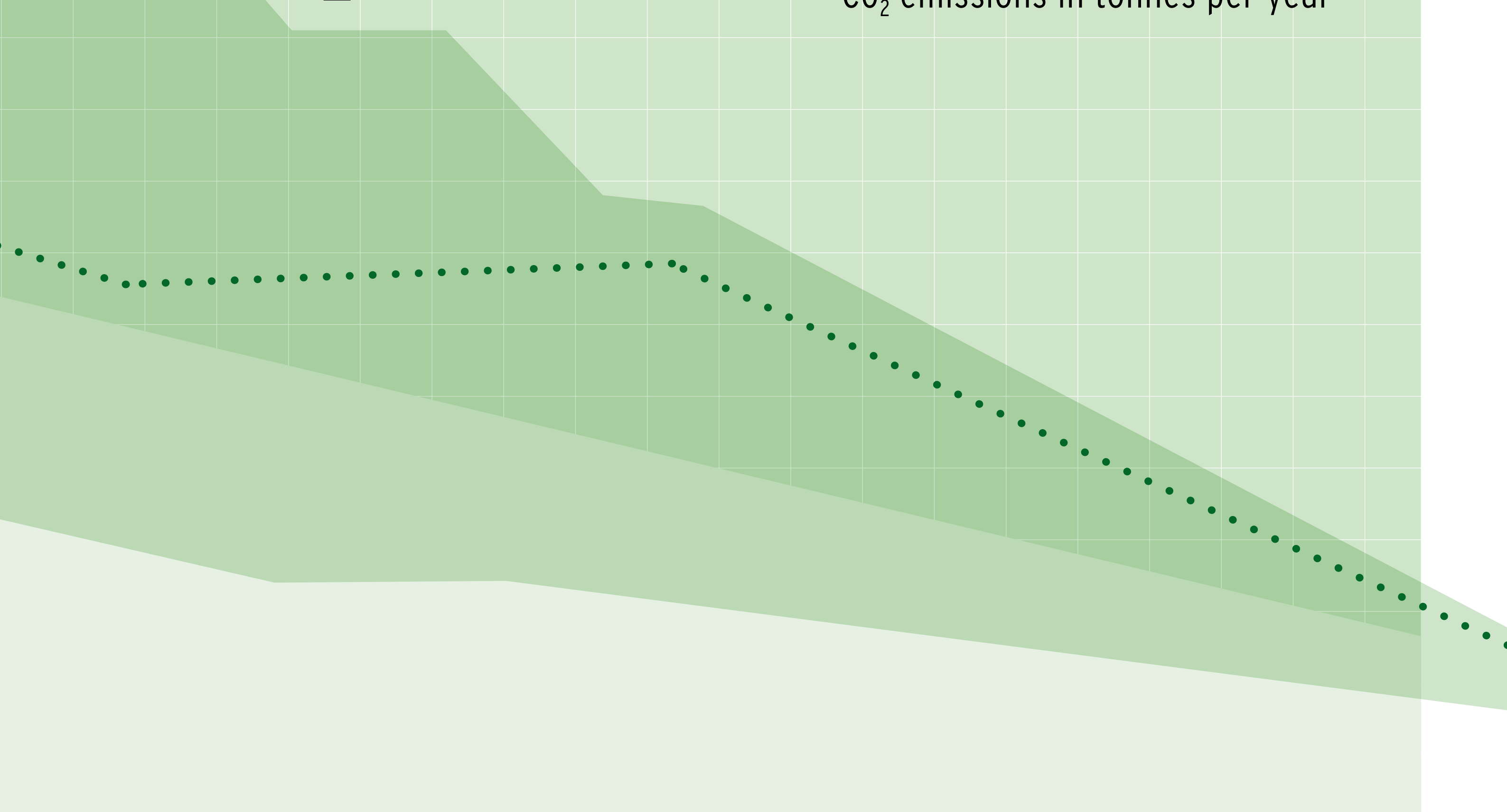
That is the last official figure of Germany's CO_2 emissions, released by the EU in 2009. It is an impressive record of the high volume of emissions which are harmful to the environment. The main contributor with over 740 million tons is the energy sector, with the remainder produced by the processing industry, traffic, industrial processes, and private households.

The climate goals the EU has set for 2020 recognise this. They demand that 20 percent of energy come from renewable sources, that CO_2 output by the traffic sector be reduced by 10 percent, and that CO_2 emissions from new vehicles be limited to 95 g/km, among other things. While the focus is on the seemingly insatiable demand for energy of an increasingly urban society, we believe that whatever possible must also be done in the areas of mobility and agriculture in order to reduce CO_2 emissions significantly for more effective climate protection.

Increased use of sustainable biofuels such as biodiesel, bioethanol, and biogas can make a decisive contribution to the reduction of CO_2 emissions.

5,080

CO_2 emissions in tonnes per year




92 765
92 765

“I’m a pig”

Agriculture is among the major sources of greenhouse gas emissions. Carbon dioxide (CO_2) and methane (CH_4) are released both during the cultivation of land and during intensive animal husbandry. Experts have found that methane is 23 times as damaging to the climate as CO_2* - and a dairy cow produces around 235 litres a day through its metabolism.

But direct and indirect changes to land use for the production of biofuels are also a major factor in the release of greenhouse gases. Slash and burn clearing and the burning of agricultural residues (e.g. straw) – especially on fields in Eastern Europe – are among the current problem areas since large amounts of CO_2 are released through these processes. In addition, monocultures of corn or rapeseed minimise biodiversity, while the inefficient use of fertilisers increases the harmful effect on the environment.

VERBIO AG has analysed these complex relationships in detail, allowing it to offer the key to climate-friendly alternatives in its CO_2 reducing approach.

*FAO: Life Stock’s Long Shadow. Environmental Issues and Options, 2006

Bernd Sauter, Procurement and Logistics Director, already emphasises the use of climate-friendly processes during the production of raw materials.

The highest possible reduction in CO_2 is not only achieved by the advanced technologies, but also by the fact that the production cycle at VERBIO AG is based on sustainability.

The required raw materials are purchased through Märka GmbH. This company has been a member of the VERBIO group since 2010. As a procurement dealer for grain, oilseed, legumes and straw, it ensures a supply of sustainably produced raw materials. „Direct access to agriculture is a decisive advantage to us. This allows us to have a direct influence on raw materials production in terms of CO_2 efficiency, and also allows us to return the produced fertiliser to the cycle", Bernd Sauter explains.

VERBIO uses grain qualities for which the farmer cannot find another market, since they are not suitable for food production. Domestic agriculture is supported through rye cultivation framework agreements for ethanol production. Rapeseed for biodiesel production is also sourced from local farmers.

„For us, sustainability includes the entire value-added chain, from seeding to delivery of the fuel. Therefore key factors include starting the CO_2 reduction process with the production of raw materials, and challenging our suppliers to meet the requirements of the sustainability directive which came into effect on January 1, 2011", Bernd Sauter concludes.

Dr.-Ing. Georg Pollert, Production, Technology and HR Director, is responsible for process technology and plant engineering at VERBIO AG.

Under his management, the optimised interaction of these areas has resulted in a unique concept: the VERBIO biorefinery, which produces bioethanol, biogas, and bio-fertiliser.

For this work, VERBIO received the Biogas Innovation Prize from the German Energy Agency (dena) in 2010. Particularly noteworthy: 90 percent of the raw material slop resulting from the production of bioethanol is converted to energy in the form of biogas. The remaining inorganic components of the slop are returned to the cycle as fertiliser, allowing for highly sustainable agriculture.

„Our goal is to continue increasing the efficiency of the production and to allow for the use of new raw materials such as straw. Our biorefinery will soon be capable of this revolutionary feat", Dr.-Ing. Georg Pollert explains. „We work closely with the automobile industry and research institutes in producing our biofuels, since meeting the demands of current motor technology is essential."

killer


verbiodiesel
verbioethanol

Our products generate losses.

Helping the climate every time filling up: VERBIO makes it possible, because our biofuels hold the potential for significant CO_2 reduction.

verbiogas

The biogas produced by VERBIO AG is made exclusively from agricultural residues. This means that no food is used for its production. Compared to fossil fuels, the resulting ver**bio**gas has the best climate footprint: it allows for a CO_2 reduction of up to 90 percent.* ver**bio**gas is filtered to the same quality as natural gas and fed into the natural gas grid. (2011 production capacity: 480 GWh)

verbiodiesel

Biodiesel is obtained from vegetable oil. As a pure fuel (B100), verbiodiesel results in a 62 percent reduction in CO_2 when com-pared to fossil fuel.** VERBIO primarily uses rapeseed oil, as well as residues from oil and biodiesel production as raw materials. (Production capacity: 450 000 t/year)

verbioethanol

Bioethanol is alcohol obtained through the fermentation of raw materials rich in sugar and starch. VERBIO primarily uses low-quality grain. Ver**bio**ethanol is blended into Super resulting in E5 or E10, and as E85 for use in so-called flexible fuel vehicles. Compared to fossil fuels, pure ver**bio**ethanol provides an 81 percent reduction in CO_2.* (Production capacity: 300 000 t/year)

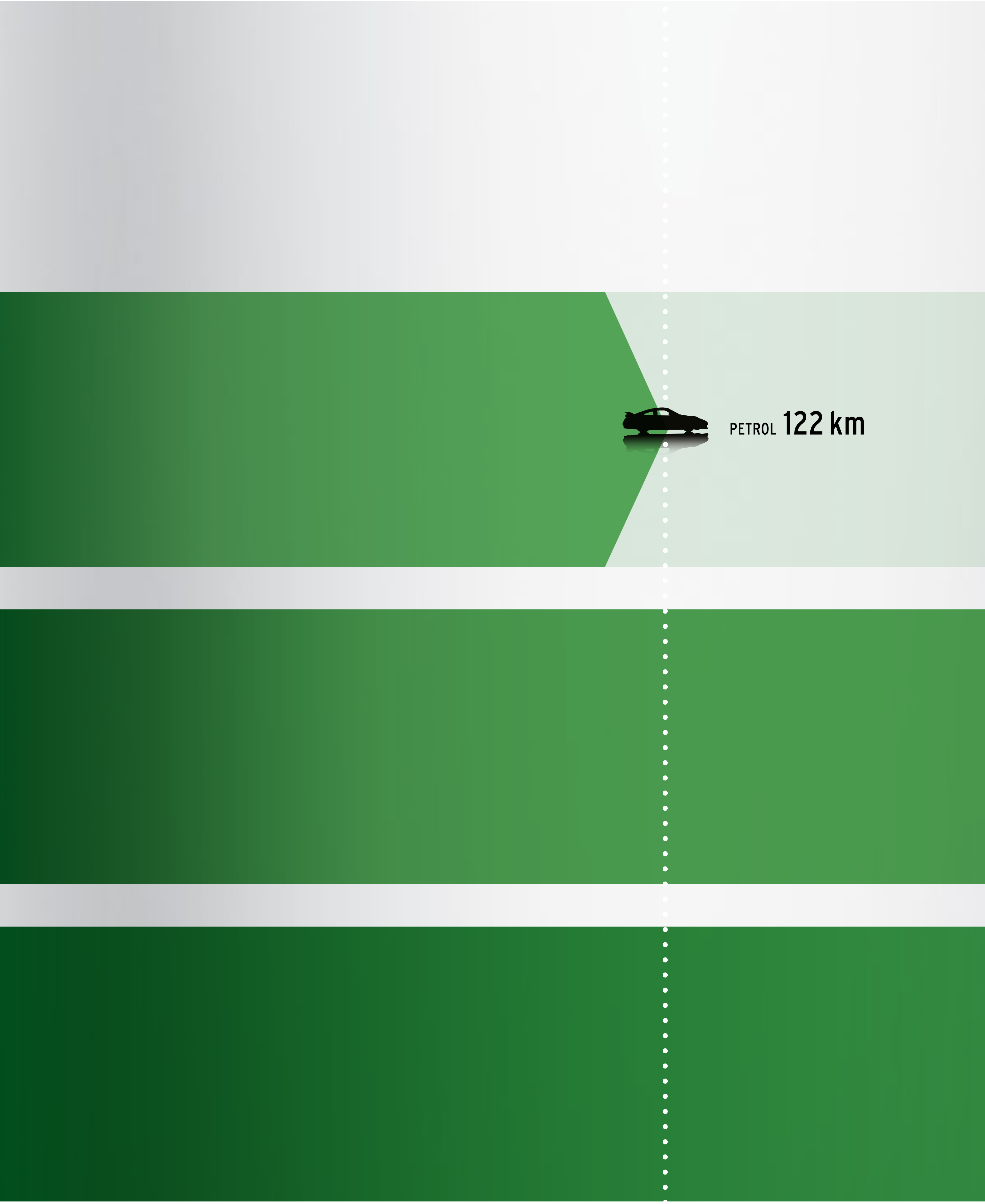
* Independent study by the IFEU (Institute for Energy and Environmental Research, Heidelberg)
** According to our calculations

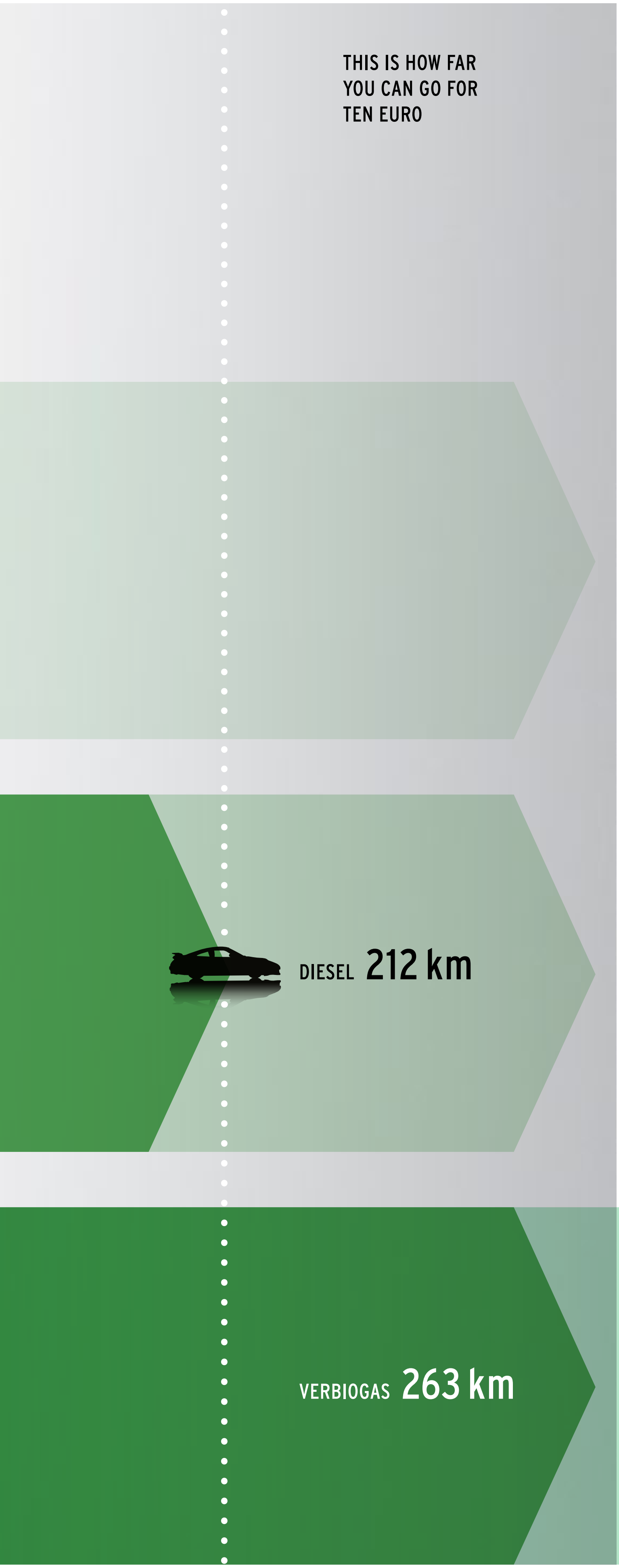
The same … but not equal.

Natural gas primarily consists of methane, a molecule composed of one carbon atom and four hydrogen atoms. The chemical formula of biogas is identical to that of natural gas. So transportation and storage via the natural gas grid is easy. All natural gas vehicles can also be run on biogas without any technical problems. Biogas can be mixed with natural gas at any conceivable ratio for distribution at the pump. Technical problems, such as those encountered with E10 through the addition of ethanol or with B7 through the addition of biodiesel, are therefore precluded.

Compared to gasoline, natural gas results in a 24 percent reduction in CO_2, making an active contribution to climate protection. By adding 20 percent biogas, this value can already be increased to a reduction of 39 percent.[*] ver**bio**gas has a lot more to offer in this regard: as a biofuel obtained from waste material, 100 percent ver**bio**gas result in a CO_2 reduction of 90 percent when the entire production cycle include farming of raw materials is considered.[**]

* German Energy Agency: Erdgas und Biomethan im künftigen Kraftstoffmix, January 2010 (Natural Gas and Biomethane in the Future Fuel Mix)
** Independent study by the IFEU (Institute for Energy and Environmental Research, Heidelberg)


PETROL 122 km



Half the price, twice the performance?

The calculation is easy and the results are clear: people who use ver**bio**gas go further for less.

For 10 Euro, a vehicle running on natural gas or biogas can cover over 263 climate friendly kilometres, while a gasoline vehicle only covers 122 kilometres.*

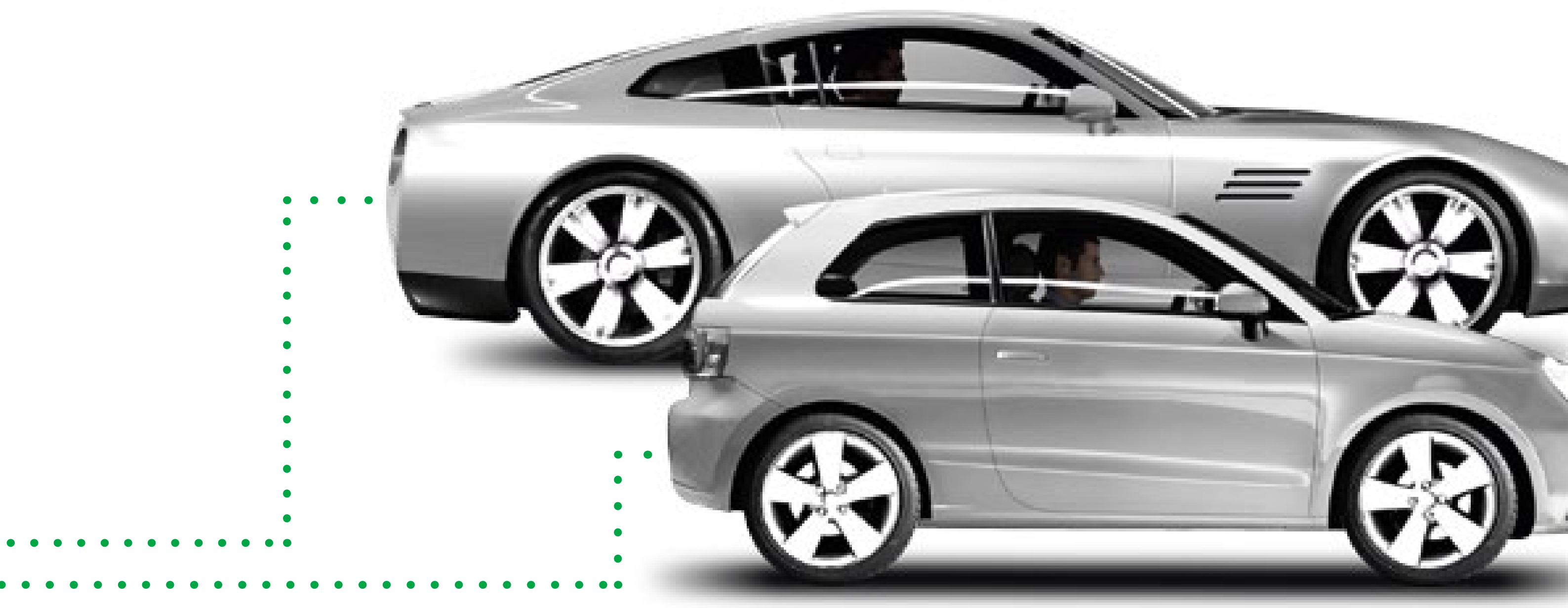
Frequent drivers take note, because even diesel vehicles have to pass at these performance figures.

* erdgas mobil, February 2010

Who saves more CO_2

From zero to 100 in 3 seconds sets new standards. But powerful acceleration consumes a lot of energy and produces a correspondingly large amount of emissions.

Is it, consequently, necessary to give up horsepower and driving pleasure in order to go easy on the climate?



Wrong!

Natural gas vehicles also provide a lot of driving fun and comfort.

The high performance is illustrated by the VW Scirocco R Cup, where drivers compete in race cars fuelled by biogas.

Thanks to ver**bio**gas, green mobility is no longer subject to limitations.

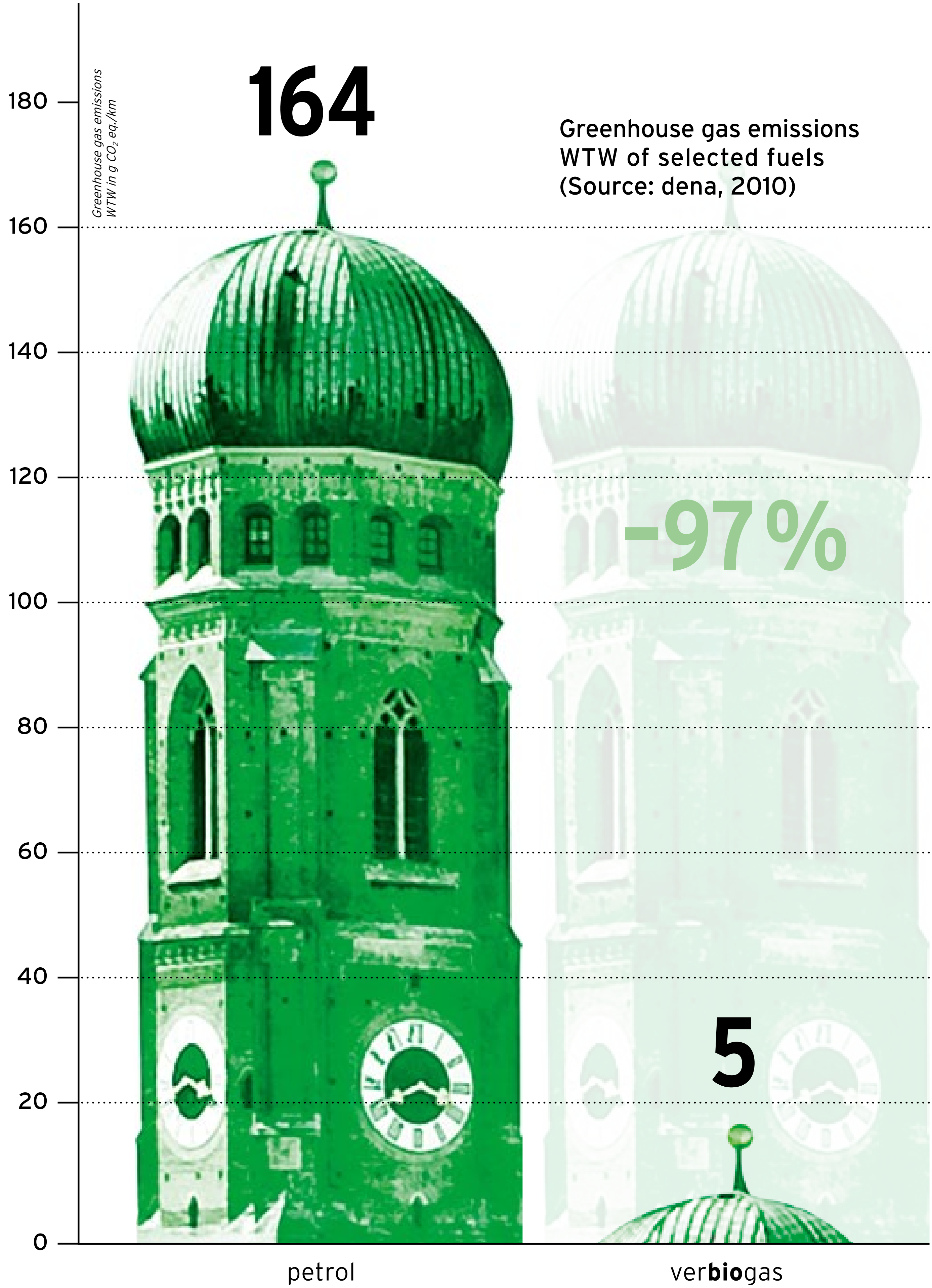
Bavaria scales down.

Public services are not the only ones who can benefit from the immediate and practical solution provided by ver**bio**gas to get closer to their climate goals – without additional conversions or costs in comparison to natural gas.

In 2010 the Munich public services – convinced by this approach – entered into a cooperative venture with VERBIO AG which is unique to Germany and started offering ver**bio**gas at its natural gas filling stations.

Starting in April 2011, Augsburg will go this route as well and include biogas in the mix at its filling stations. VERBIO is actively approaching environmentally conscious cities in order to initiate targeted partnerships and to expand economic activity in the area of green mobility.

This is a necessary change since cities generate around 80 percent of greenhouse gases. This forces them to improve their climate footprint through more effective CO_2 reduction concepts. Today, over 70 percent of people are living in urban areas - and they are contributing to the continuous increase of CO_2 in the atmosphere through their households, traffic, and industry.



164
Greenhouse gas emissions WTW of selected fuels (Source: dena, 2010)
Greenhouse gas emissions WTW in g CO_2 eq./km
180
160
140
120
100
80
60
40
20
0
–97%
5
petrol
ver**bio**gas

"It’s tap

Around 900 public natural gas filling stations currently exist in Germany. But that is not enough.

Within the framework of the Germany Energy Agency (dena) task force, VERBIO is working on trendsetting concepts with leading vehicle manufacturers, petroleum companies, and the gas industry and consumer associations in order to promote natural gas vehicles. Among other things, these concepts will enter into the mobility and fuel strategy of the federal government.

The declared goal is to develop a nationwide network of filling stations. There will be no way around natural gas and biogas in the future.

pped!”

We’ve had enough.

The „food or fuel“ discussion is finished: feeding humanity has priority when it comes to arable land and the production of raw materials. According to calculations by the Renewable Energy Agency and the German Renewable Energy Federation, the area under cultivation for the production of bioenergy in Germany can still be doubled by 2020 without restricting food production.*

VERBIO primarily focuses on reactivating fallow fields. These fields can become arable again through the use of special varieties of rye. This helps the farmers in the region who are then able to farm their fields again, and provides a cost-effective raw material for the production of green energy. Eastern Europe also continues to harbour a huge development potential for the production of sustainably produced raw materials and agricultural residues for the production of biofuels.

Consistently sustainable production using existing regional resources is a decisive factor in dispelling concerns regarding the use of biofuels. The VERBIO production sites were already certified by REDcert** early on.

* unendlich-viel-energie.de
** Certification system approved in Germany for implementation of the biomass sustainability directive


The futu
belongs
to the
EconoMi

According to official statistics, 225 to 270 million tons of residual biomass are produced in the EU27 every year.* Add to this the waste products and residuals for which VERBIO sees a great potential for industrial processing: slurry and manure.

VERBIO is also working on converting these waste products to energy in the future. This doesn't just make sense from an ecological perspective. It is also a profitable investment from an economic aspect, since the raw material is inexpensive and available in Germany and Eastern Europe in large quantities.

* Bloomberg Study 2010


Notice a nasty smell?

The green revolution has begun:
it is time to stop talking and
start acting. Participate – join
the ecolution!

For green mobility and a healthy
environment.


Join the
ecolution

Ecolution – a neologism out of ecological and economic evolution – summarises the beliefs and goals of VERBIO AG.

The goal is to gain supporters for a „better“ society and a new (environmental) awareness.

A society which doesn‘t abandon progress, but in which protecting the environment and a CO_2 reduced lifestyle in particular are important.

Everyone can contribute to climate protection without having to change their entire lifestyle. This opportunity must not be wasted! For this reason, VERBIO AG invites you to join the green revolution now and to contribute to preserving the environment for future generations.

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Variances for technical reasons
For technical reasons (e. g. the conversion of electronic formats) there may be variances between the financial statements contained in this annual report and those submitted to the electronic Federal Gazette. In this case the version submitted to the electronic Federal Gazette is considered to be binding.

Statements relating to the future
This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of VERBIO Vereinigte BioEnergie AG. Even if the management is of the opinion that these assumptions and estimates are appropriate the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. VERBIO Vereinigte BioEnergie AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this annual report. It is neither the intention of VERBIO Vereinigte BioEnergie AG nor does VERBIO Vereinigte BioEnergie AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The annual report is available in German; if there are variances the German version has priority over the English translation. It is available for download in both languages at http://www.verbio.de.

We will be delighted to send you additional copies and further information material on VERBIO Vereinigte BioEnergie AG free of charge on request.
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Biofuel and Technology

POSITIVE BALANCE-SHEET

2010 Annual Report

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Biofuel and Technology

Group key figures

[in EUR million]

Profitability	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales	111.5	131.6	127.4	150.1	520.6	501.7	666.6
EBITDA	7.5	5.4	3.6	5.4	21.9	8.1	25.5
EBIT	5.1	2.6	0.2	2.5	10.4	− 3.0	13.9
EBIT-margin (%)	4.6	2.0	0.2	1.7	2.0	− 0.6	2.1
EBT	4.4	2.1	− 0.6	1.3	7.2	− 2.8	11.2
Period result	2.2	3.2	0.9	1.7	8.0	− 7.3	9.1
Earnings per share (EUR)	0.04	0.05	0.01	0.03	0.13	− 0.12	0.15

Operating data							
Production (tons)	131,306	145,988	149,390	157,627	584,311	567,688	537,280
Utilisation (%) [1]	75.3	83.7	85.7	90.4	83.8	81.4	77.0
Investments in property, plant and equipment	8.8	18.1	8.7	12.7	48.3	15.2	8.9

Net asset position	31/03/2010	30/06/2010	30/09/2010		31/12/2010	31/12/2009	31/12/2008
Net financial assets	8.0	13.9	22.2		− 58.3	11.3	17.9
Equity	309.3	315.4	320.9		332.5	311.1	325.0
Equity ratio (%)	67.0	73.1	66.2		54.7	64.1	66.3
Balance-sheet total	461.9	431.7	485.1		608.4	485.6	491.1

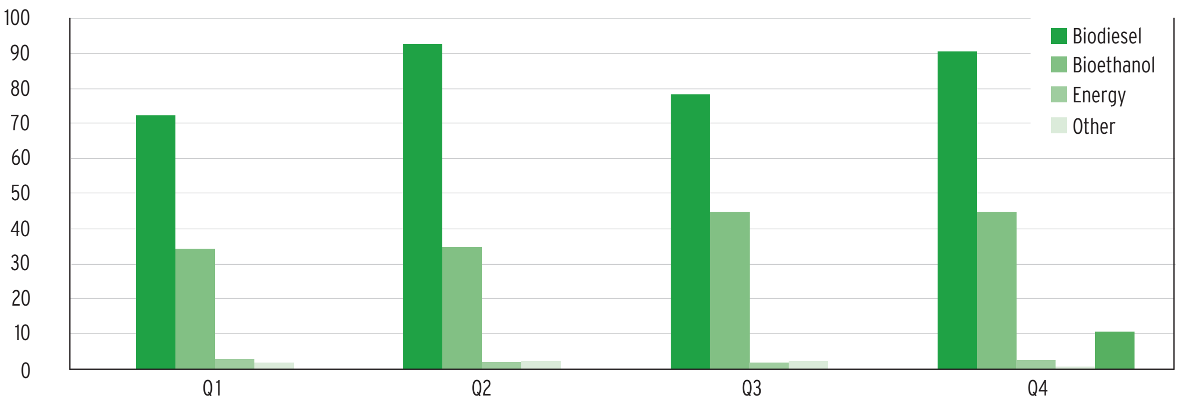
Financial status							
Operating cash flow	19.9	45.6	19.7		25.3	− 32.7	68.4
Operating cash flow per share (EUR)	0.32	0.74	0.32		0.41	− 0.52	1.10
Cash and cash equivalents	37.3	42.9	49.6		47.8	48.8	66.7

	31/03/2010	30/06/2010	30/09/2010		31/12/2010	31/12/2009	31/12/2008
Number of employees	417	416	428		743	411	390

[1] In relation to the production capacity
[2] Intersegmentary sales excluded
[3] Expenses from write-downs (EUR million 85.0) excluded
[4] Income from reversals of write-downs (EUR million 86.1) excluded

Segment sales 2010 on quarterly basis

[in EUR million]



Biodiesel	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales [2]	72.6	92.7	78.5	90.6	334.4	345.6	456.4
EBIT [3]	−1.7	0.1	−0.5	2.1	0.0	0.4	9.6
Production (tons)	89,002	98,179	93,037	98,621	378,839	386,926	398,802
Utilisation (%) [1]	83.3	91.9	87.1	92.3	88.6	90.5	93.3
Number of employees	100	99	103		101	101	99

Bioethanol	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales [2]	34.1	34.9	44.7	44.9	158.6	130.3	182.2
EBIT [4]	1.8	1.9	0.6	−2.3	2.0	−8.6	3.5
Production (tons)	42,304	47,809	56,353	59,006	205,472	180,762	138,478
Utilisation (%) [1]	62.7	70.8	83.5	87.4	76.1	66.9	51.3
Number of employees	171	166	171		169	167	156

Energy	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales [2]	3.0	1.9	1.9	3.0	9.8	17.4	20.1
EBIT [3]	5.1	0.7	−0.2	−0.1	5.5	5.0	0.9

Trade – Märka	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales	0	0	0	11.1	11.1	0	0
EBIT	0	0	0	−0.9	−0.9	0	0

Other	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	2008
Sales [2]	1.9	2.0	2.3	0.5	6.7	8.5	7.8
EBIT [3]	−0.1	−0.1	0.3	−0.1	0.0	0.2	−0.1

[1] In relation to the production capacity
[2] Intersegmentary sales excluded
[3] Expenses from write-downs (EUR million 85.0) excluded
[4] Income from reversals of write-downs (EUR million 86.1) excluded

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Letter to our Shareholders

Dear Shareholders,
Employees and Friends of VERBIO AG,

Situations can occur in which a negative result may be adjudged a real success, and indeed this applies in our case, given that VERBIO's objective is a negative carbon footprint. Admittedly an ambitious goal, but one to which we devote our entire energies and manpower, while nevertheless achieving economic success. The results we are able to report today are positive ones, then.

Claus Sauter
(Chairman of the Management Board)

REGULATORY FRAMEWORK PROVIDES STABLE CORPORATE PLANNING CONDITIONS

In 2010 the German federal government established a framework of law for the furtherance of climate protection and achievement of the long-term goal of reducing greenhouse gas emissions in the transport sector by 2020. This is apparent both from the approval of E10 as a new fuel type containing ten per cent bioethanol and the federal government's commitment to bioenergy and biogas in its 'Energiekonzept 2050' study.

NEW ROADS TO CLIMATE PROTECTION

The time is ripe for a transformation of the energy market. In future renewable energy will play a key role as a mainstay of our energy provision and as a growth sector in which new jobs will be created. Indeed, the sector already provides some 340,000 people with work. This will also make Germany less dependent on imported energy, with renewables projected to reduce the annual imported energy bill by more than EUR five billion. Despite the economic crisis many billions of euros have been invested in renewable energy, making it one of the growth drivers as the German economy rebounded during 2010.

Our company's activities are determined by our corporate strategy, which is characterised by a continual search for ways of improving climate protection in our plants and products. Our overriding objective is to reduce CO_2 emissions. If we succeed in doing this in our own plants and products, we thereby promote climate-friendly mobility and the provision of climate-friendly power and heat. Concerning the latter we have already gained allies and public recognition: In December our biorefinery, comprising a bioethanol, biogas and organic fertiliser plant, was awarded the 2010 biogas partner innovation prize by the German Energy Agency (dena).

MARKET-DRIVEN PRODUCTION

One milestone on the road to achieving our objective was passed with the on-schedule commissioning of our two biogas plants in Zörbig and Schwedt/Oder, in which we have invested a total of some 80 million euros. The plant in Zörbig commenced operations in July 2010. In December 2010 it was connected to the natural gas grid, and it now feeds an annual output of some 250 gigawatt hours of biogas into the gas high pressure grid of Mitgas Netz GmbH. This corresponds to the heating needs of 25,000 modern family houses. The plant at Schwedt has also been completed, and was officially opened in March 2011 by German Environment Minister Dr. Norbert Röttgen. Both plants offer an impressively high level of energy efficiency coupled with closed production circuits. By the end of 2013 we intend to complete the second construction phases in both these biogas plants, which will raise our total capacity to 125 megawatts (MW). We see plenty of growth potential in the biogas industry, driven by the demand for biogas both in the transport sector and for electricity and heat generation.

All in all, during 2010 the bioethanol market experienced healthy growth, with rising sales and higher capacity utilisation coupled with increasing prices. However, the picture is not so rosy when it comes to biodiesel. Competition in the biodiesel market is fierce, the margins slow.

SUSTAINABLE SUPPLIES OF RAW MATERIALS

Since mid-2010 factors including crop failures have led to rises in the prices of grain and oilseeds. VERBIO has continued its intensive efforts to become more independent of international markets by continuously pursuing a strategy of making almost exclusive use of regional raw materials. On top of this we have intensified our efforts to use the entire plant for the manufacture of our biofuels. In future we will use not only straw for the production of biogas but also the large available volumes of biomass residue such as manure and slurry.

One key step towards securing sustained long-term supplies of raw materials was the acquisition of a majority holding in Märka GmbH, an established trader in grain, oilseeds, pulses and straw, in October 2010. This acquisition offers VERBIO direct access to European farmers. It is vitally important to work in partnership with farmers and commodity suppliers, indeed in our view this is indispensible in building on our leading position in the field of sustainably produced biofuels with maximised reductions in CO_2 emissions. CO_2-optimised agriculture has grown markedly in importance, and all the more so given the plans contained in the Coalition Agreement to introduce the decarbonisation of biofuels in 2015. Thus we have safeguarded our plants' long-term supplies of raw materials, in view of which VERBIO can guarantee to deliver suitably high-quality products to energy and fuel suppliers.

In September 2010 VERBIO once again demonstrated its pioneering role in the field of sustainability when it became the first to submit a biomass sustainability verification dataset to the Federal Agency for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung — BLE). This sustainability regulation, which became binding from January 2011 onwards, provides that fuels with bio components may only be marketed if their sustainable production can be seamlessly documented, and VERBIO was thus the first supplier in the EU to furnish this proof.

CLIMATE-FRIENDLY MOBILITY AS A SUCCESS FACTOR

Another great success in November 2010 was our cooperation with Stadtwerke München (Munich City Utilities) offering verbiogas at natural gas service stations in the Munich area. The project slogan: "Munich goes CO_2-free" attracted considerable public interest, and for VERBIO AG it paved the way for possible future collaborations with other city utility companies.

In connection with the German Energy Agency's activities, VERBIO works with automobile manufacturers, the petroleum and natural gas industries and trade associations on strengthening the market position of biogas and natural gas as fuels. Our aim is to catch up with other European countries and work in partnership with the other players to increase the number of natural gas vehicles and fuelling stations in Germany, as well as arguing the case for a regulatory framework which will stimulate sales of natural gas vehicles. As the experts in sustainable production and energy efficiency issues, VERBIO can make a key contribution to progress and development in these areas.

VERBIO ACTIVELY PROMOTES THE CLIMATE PROTECTION ISSUE

We used 2010 to actively promote our own 'CO_2 Efficiency' agenda and highlight the productivity of our own enterprise. This was, among others, conveyed as part of our Energy Policy Appeal to the Federal Government. VERBIO was thereby able to raise its public profile as an innovative enterprise focusing on sustainability and climate protection, and at the same time we managed to generate interest in our sustainably-produced biogas using agricultural by-products.

Now in 2011 we aim to channel our ecological agenda into a broadly-based movement. Under the slogan "Join the Ecolution", we shall be campaigning publicly for the efficient and climate-friendly use of resources. The use of biogas as an additional source of in the transport sector will play a key role here.

THANK-YOU TO OUR EMPLOYEES

In order to achieve our goals we count on our employees also in future. At the end of 2010 743 people worked for the VERBIO Group, 35 of them trainees. We would like to thank them for their hard work and the special dedication with which they have applied their professional expertise on behalf of our company. We will continue to reward their motivation through targeted personnel development measures and by providing the best-possible working environment.

MANAGEMENT BOARD EXPECTS STABLE PERFORMANCE IN 2011

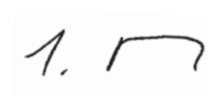
It is certainly difficult at the moment to make a concrete forecast concerning business trends in 2011. Current political developments in North Africa have led to rising crude oil prices, but at the moment it is anybody's guess whether this will prove to be a long-term development or whether the oil-producing countries will intervene. The question of what impact on prices the food and feeding situation will have over coming months, after crop failures in Russia and Australian, is also one that can only be answered speculatively.

Despite these uncertainties we shall be aiming during 2011 for revenues in the 550 to 600 million euro bracket. Our goal is to achieve an operating result of between 15 and 20 million euros. We will further improve our production and distribution activities, working actively to increase our revenues, particularly in the verbiogas segment.

In conclusion, we would like to thank our shareholders for the confidence they have shown to us. For the future we would be pleased to have your support for our climate protection efforts.

Bernd Sauter
(Member of the
Management Board)

Claus Sauter
(Chairman of the
Management Board)



Dr.-Ing. Georg Pollert
(Vice Chairman of the
Management Board)

Report of the Supervisory Board

Dear Shareholders,

Alexander von Witzleben
[Chairman of the Supervisory Board]

During the past financial year the Supervisory Board has subjected VERBIO's progress and prospects to intensive scrutiny and painstakingly carried out the tasks required by law, the Articles of Association and the Rules of Procedure.

Both the commissioning of the two biogas plants at Zörbig and Schwedt and the acquisition of a qualified majority holding in Märka GmbH, thereby safeguarding VERBIO's long-term raw material supply, were major strategic milestones which were regularly discussed during Supervisory Board meetings. These measures further strengthen VERBIO's structures for the future and provide the business model with a broader base.

During the year under review we kept a close eye on the progress of the biogas projects. We also discussed the financial reporting for the 2010 quarters and half year and advised the Management Board regularly on the running of the company and continuously supported and monitored its leadership. We were fully involved at an early stage in all decisions of key importance for VERBIO.

Our cooperation with the Management Board was characterised by intensive and open exchanges of opinions. We were regularly, promptly and exhaustively informed, both verbally and in writing, of all issues of importance for the company, and in particular of matters relating to business policy, key corporate management and planning decisions, the course of business, the company's status and prospects as well as risk management and compliance considerations. Outside of the scheduled meetings my colleagues and I remained in close contact with the Management Board in order to keep ourselves informed about such matters as current business developments, new draft legislation and amendments affecting the biofuel industry and also all significant business occurrences. In addition to this, as Supervisory Board chairman I conducted separate regular meetings with the Management Board throughout 2010, during which we discussed the monthly reporting and current issues, and I shall continue to do the same this year. As a result of the detailed reports provided by the Management Board we are convinced that the company and the Group is managed appropriately, properly and economically and saw no reason to make use of our audit rights as laid down in Section 111 paragraph 2 of the German Stock Corporations Act (Aktiengesetz – AktG).

We thoroughly checked and extensively discussed all business occurrences of significance to the company on the basis of the reports and proposed resolutions presented by the Management Board during the plenary session. Accordingly we have kept abreast of all major developments and decisions and provided the Management Board with advice and support. Wherever required by law or the Articles of Association, corresponding resolutions were passed at our meetings.

Given its importance for the company's future, the Supervisory Board paid particularly close attention to VERBIO's acquisition of a qualified majority holding in Märka GmbH. As our two Management Board members, Claus and Bernd Sauter, had an indirect holding in Märka GmbH, it was all the more important for me as Supervisory Board chairman to monitor this transaction very closely, for instance through personal participation in the contractual negotiations. In order to verify the valuation report on Märka GmbH commissioned by the Management

Board, and also the contract for the acquisition of shares in Märka GmbH, the Supervisory Board obtained its own separate report.

The Supervisory Board has laid down Rules of Procedure for the Management Board which specify those transactions requiring Supervisory Board approval. After in-depth scrutiny of the meeting documents and consultation between the Supervisory Board and Management Board, we duly approved the transactions submitted to us for that purpose.

FORMATION OF COMMITTEES

As the Supervisory Board comprises just three people no committees were formed. All issues that would have been dealt with by such committees were addressed during plenary meetings.

SUPERVISORY BOARD MEETINGS

During the period under review the Supervisory Board held four scheduled meetings and one extraordinary meeting. Each of these meetings was attended by all three Supervisory Board members.

In compliance with the statutory provisions of Section 90 paragraph 1 and 2 AktG, at its meetings the Management Board regularly reports to the Supervisory Board on current business developments, the regulatory framework and the market situation as well as the net assets, financial position and results of operations for the Group and its various segments. The reporting to the Supervisory Board also always covers the risk situation and risk and opportunities management as well as reports on all significant investment and expansion projects as well as transactions by the Management Board or the management of subsidiaries which require Supervisory Board approval.

The central items on the agenda of the Supervisory Board meeting on 22 March 2010 were the financial statements of VERBIO Vereinigte BioEnergie AG and the VERBIO Group. In compliance with Section 90 paragraph 1 No. 2 AktG, the profitability of VERBIO AG and the VERBIO Group was discussed. For the above-mentioned items the auditors of the annual financial statements were present and reported on their audit. In addition, the Declaration of Conformity pursuant to Section 161 AktG was discussed and approved by the Management Board and Supervisory Board, as were the proposed resolutions and agenda for the Annual General Meeting of Shareholders (AGM). The dividend policy was also discussed. At this meeting the Supervisory Board also resolved to adjust the excess for Supervisory Board members in the light of the amendment of Section 3.8 of the German Corporate Governance Code.

The second Supervisory Board meeting took place after the AGM on 28 June 2010. As well as dealing with the regular items on the agenda, in compliance with Section 114 AktG the Supervisory Board approved the existing contracts between VERBIO AG and M & K Treuhand, where Ulrike Krämer, on that same date appointed to the Supervisory Board, serves as managing partner. M & K Treuhand has business dealings with the VERBIO Group involving the provision of operational activities.

The central theme of the extraordinary Supervisory Board meeting held on 7 October 2010 was the appointment of a new deputy Supervisory Board chairman. In a letter dated 24 September 2010 and received on 25 September 2010 Professor Fritz Vahrenholt had resigned his post as deputy Supervisory Board chairman with immediate effect. Accordingly Dr. Meyer-Wulf, previously a substitute member of the Supervisory Board, became a full Board member, while Ulrike Krämer was appointed deputy Supervisory Board chairman.

We devoted the meeting on 25 October 2010 to in-depth discussions with the Management Board on the contract for the acquisition of shares in Märka GmbH and giving our approval. Associated issues were deciding on the reorganisation of the Management Board and redrafting the directors' employment contracts in light of the entry into force in August 2009 of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG). The Supervisory Board also approved various other transactions requiring its approval and discussed the planning premises and planning for 2011, as well as approving the financial calendar for 2011.

At the meeting on 13 December 2010 the Management Board presented its corporate plans for 2011, and these were approved after intensive discussion and scrutiny. Another central theme was preparations for the 2011 AGM and the Management Board's report on activities in connection with the marketing of biogas.

CHANGES IN THE SUPERVISORY BOARD AND MANAGEMENT BOARD

As laid down in the Articles of Association, VERBIO's Supervisory Board comprises three members. During 2010 the Supervisory Board's composition underwent the following changes: Supervisory Board member Bernd Sauter resigned his post with effect from the end of the ordinary AGM on 28 June 2010. At the same AGM Ulrike Krämer was elected to the Supervisory Board with effect from 28 June 2010. Ulrike Krämer is an independent member whose professional expertise is in the fields of accounting and auditing within the meaning of Section 100 paragraph 5 AktG.

With effect from 24 September 2010, Professor Fritz Vahrenholt resigned his post as VERBIO's deputy Supervisory Board chairman. Former substitute member Dr. Claus Meyer-Wulf was appointed a full member of the Supervisory Board. At the Supervisory Board meeting on 7 October 2010 responsibilities within the board were reassigned, with Ulrike Krämer becoming the new deputy chairman. The Supervisory Board would like to thank the departing members for their many years of valuable and successful service to VERBIO.

With the appointment of Bernd Sauter to VERBIO's Management Board on 1 November 2010, the board once again comprised three members. Bernd Sauter is responsible for the Purchasing and Logistics departments, which will be assigned even greater importance with a view to further strengthening VERBIO's position in the field of sustainably produced biofuels in furtherance of European climate protection goals, as well as positioning VERBIO as a leading high-tech enterprise in the bioenergy sector.

Furthermore, technology director and co-founder of VERBIO Dr.-Ing. Georg Pollert has notified the Supervisory Board that he will not seek re-appointment as a director when his term in office comes to an end in May 2011. Over the past years Dr.-Ing. Georg Pollert has made a major contribution in both strategic and operational terms to VERBIO's development as a technology enterprise. He will be handing on a smoothly-running department and an orderly succession. With effect from 19 May 2011, the Supervisory Board has appointed Theodor Niesmann director of the Biodiesel segment and Dr. Oliver Lüdtke director of the Bioethanol/Biogas segment for a five-year period. Both Theodor Niesmann and Dr. Oliver Lüdtke have several years of successful experience as VERBIO segment managers. The Supervisory Board would like to thank Dr.-Ing. Georg Pollert for the major contribution he has made to VERBIO's progress over the years and for his leadership of the company, particularly in the fields of plant construction and research & development, on the road to becoming a pioneer in the biofuel production sector.

Management Board Chairman Claus Sauter was appointed to a further five-year term on the board.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board attaches great importance to its compliance with the German Corporate Governance Code and keeps itself up-to-date on any changes to the Code. On 21 March 2011 the Management Board and Supervisory Board jointly issued an updated Declaration of Conformity pursuant to Section 161 AktG. This can be consulted by our shareholders at any time on the company website. Information on Corporate Governance at VERBIO can be found in the Corporate Governance report of this Annual Report.

In previous years the Supervisory Board has conducted an efficiency audit, but in 2010 refrained from doing so.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

On 28 June 2010 the AGM of VERBIO Vereinigte BioEnergie AG appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, to conduct the audit of the annual financial statements and consolidated financial statements. Prior to proposing KPMG to the AGM, the Supervisory Board obtained a declaration from the auditors confirming their independence from VERBIO Vereinigte BioEnergie AG and its directors as of 17 March 2010. The audit assignment was awarded on 7 October 2010.

KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, audited VERBIO Vereinigte BioEnergie AG's annual financial statements produced by the Management Board according to the rules of the German Commercial Code (Handelsgesetzbuch – HGB) for the year from 1 January to 31 December 2010, as well as the management report for the year from 1 January to 31 December 2010. The auditors issued an unqualified audit opinion. The consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the year from 1 January to 31 December 2010 and the consolidated management report were drawn up according to Section 315 a HGB, on the basis of IFRS international accounting standards as applied in the European Union. The auditors also gave the consolidated financial statements and consolidated management report an unqualified audit opinion.

The Supervisory Board received both the financial statements and the auditors' reports in good time to inspect them. At our financial statements meeting on 21 March 2011 we subjected the financial statements, reports and profit appropriation proposal to detailed scrutiny and discussion. The auditors reported to the Supervisory Board on the principal findings of their audit and were on hand to answer questions and provide additional information.

After concluding our own checks we raised no objections to the financial statements or management reports. We concurred with the audit findings and approved the financial statements drawn up by the Management Board for both VERBIO Vereinigte BioEnergie AG and the Group to 31 December 2010. Accordingly the annual financial statements of VERBIO Vereinigte BioEnergie AG have been duly adopted. We approved the Management Board's profit appropriation proposal, to wit its reinvestment in full.

DEPENDENCY REPORT

As VERBIO Vereinigte BioEnergie AG is a member of a group of companies, pursuant to Section 312 AktG the Management Board has prepared a report on its relations with affiliated companies in 2010. This states that VERBIO Vereinigte BioEnergie AG has received fair compensation in respect of its legal transactions with affiliated companies, given the circumstances of which it was aware at the time of said legal transactions, and that it neither took action requiring reporting nor omitted to take action in a way requiring reporting.

The auditors have audited the report on relationships with affiliated companies and issued the following unqualified audit opinion:

"Having concluded our statutory audit and assessment we hereby confirm that

1. The factual information given in the report is correct;
2. Payments by the company in connection with legal transactions referred to in the report were not unduly high;
3. With respect to the measures cited in the report, no circumstances exist which might favour a judgement differing significantly from that arrived at by the Management Board."

Both the report on relations with affiliated companies and the corresponding audit report have been submitted to the Supervisory Board. We have also scrutinised these and have no objection to the report on relations with affiliated companies, including the Management Board's closing declaration contained therein. Accordingly we hereby concur with the auditors' judgement.

CLOSING REMARKS

The bedrock for the achievement of our goals in 2010 has been the successful working relationships among all VERBIO Group personnel. The Supervisory Board would like to take this opportunity to thank all of you and also the Management Board for the dedication you have shown.

Leipzig, 21 March 2011
For the Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board of VERBIO AG

The VERBIO-share

2010: STOCK MARKET RECOVERY

Events on the stock markets during 2010 were shaped by the debate over the debt crisis in various European Union member states, the announcement of savings packages in the Eurozone, weaker US economic data and more restrictive monetary policy in China. All problems which continue to beset the world economy.

Despite this, driven by Germany's robust economic recovery, during the course of 2010 the DAX continued on the upward trend which began in 2009, rising 16 per cent by the end of the year. In January the DAX suffered some sharp setbacks, plummeting below the 6,000 mark and reaching its year's low at the beginning of February. Over the following months the index experienced volatile sideways movement, before rising strongly during the final quarter, pushing through the 7,000-point mark at the start of December. However, the year's end rally anticipated by investors failed to materialise. Quite the reverse: on the final day of trading the German stock market again suffered sharp losses, and the DAX closed the year on 6,914 points.

PRICE DEVELOPMENT OF THE VERBIO-SHARE IN 2010

Performance (02/01/2010 – 30/12/2010)
[Chart in EUR; Volume in unites]

2011: THE YEAR OF THE SHARE?

The signs are good for the 2011 stock exchange year, at least in the opinion of various experts. Good economic figures, rising company profits and positive consumer sentiment have whipped up optimism on the exchanges. Reason enough for financial experts to pronounce that 2011 will be the year of the share. Meaning, of course, that the upward trend seen on the DAX since mid-2010 can be expected to continue in 2011.

VERBIO SHARE IN 2010 ON THE UP, WITH HIGH TRADING VOLUMES

Over the year the VERBIO-share gained almost 26 per cent in value. At the start of 2010 the share price stood at EUR 3.30. Throughout the year the price was volatile. During the first quarter the price rose, before suffering setbacks during the second quarter. The price then experienced a short-term boost after the announcement on 27 May 2010 of the VERBIO share's listing on the MSCI Small Cap Index, but during the rest of the quarter the price fell back, reaching a low point for the year of EUR 2.50 on 20 July 2010. By the end of the third quarter the share had recovered to its price at the start of the year, before rising particularly strongly during the final quarter on the back of positive business trends and active reporting. The share reached its 2010 peak of EUR 4.88 on 2 November. On 30 December 2010 the VERBIO-share was quoted at EUR 4.15, 26 per cent up on its price on the equivalent date in 2009.

The average daily trading volume throughout 2010 was 113,157 shares, up seven per cent on the 2009 figure of 105,747.

OWN SHARES AS ACQUISITION CURRENCY

Right now, VERBIO does not hold any of its own shares. During the share buyback programme from 26 October 2007 to 31 May 2008 we acquired 1,470,000 of our own shares, corresponding to 2.33 per cent of the share capital, at an average price of EUR 2.06, for a total of EUR 3,030,256.45. The shares acquired in the buyback programme were then used as acquisition currency when taking over the Märka group.

On 28 June 2010 the AGM renewed the Management Board's authorisation, with the Supervisory Board's consent, to buy back own shares worth up to ten per cent of the share capital (EUR 63,000,000). This mandate, valid until 27 December 2012, may not be used for the purpose of trading in VERBIO shares.

INVESTOR RELATIONS: ACTIVE DIALOGUE WITH SHAREHOLDERS AND INVESTORS

VERBIO sets great store by open and ongoing dialogue with investors and analysts. Alongside individual meetings and capital market conferences, telephone conferences on the quarterly reports represent a further key component of our investor relations work. In 2010 we held significantly more individual meetings with analysts, fund managers and asset managers, and in 2011 we aim to further intensify our contacts with capital market participants and make our presence felt through increasing individual and group meetings, regular roadshows and by visiting investor conferences.

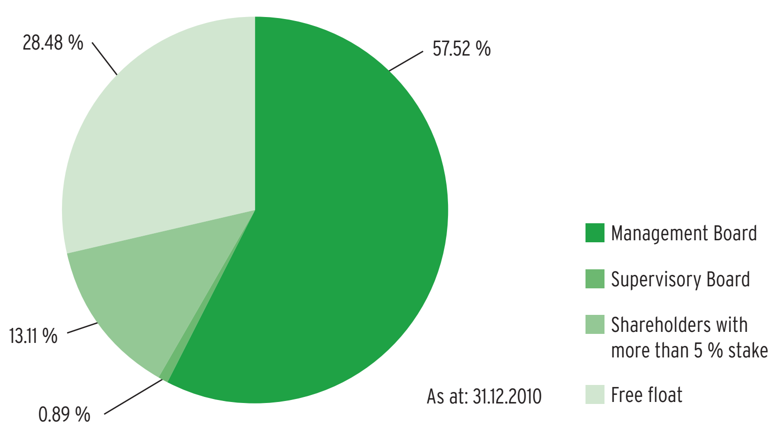
The first Capital Markets Day in Zörbig took place on 18 August 2010. Both the Management Board and senior employees were on hand to inform the analysts and investors present on how the VERBIO biorefinery system works and on the execution of the biogas projects in Zörbig and Schwedt. After that, guests had the opportunity to tour the bioethanol & biogas plant in Zörbig and the biodiesel plant in Bitterfeld.

Another vital component of our investor relations work is contact with private investors. We view the AGM as the central event for our private investors, and the 4th VERBIO AG AGM took place on 28 June 2010 in Leipzig. Around 100 shareholders and representatives of shareholders groups took the opportunity to ask the Management Board and Supervisory Board questions about the company and its strategic direction and to learn about the biofuel industry and the regulatory framework.

Interested parties can also access all the information on VERBIO they will need by going to our website at www.verbio.de, where we provide comprehensive, up-to-date details of all relevant issues and media views. All our financial publications are available for downloading in both German and English.

In 2010 SES Research GmbH, Hamburg (now Warburg Research GmbH, Hamburg) provided active coverage of the VERBIO-share. Meanwhile, Credit Suisse, London continues to monitor and value our shares, and thanks to the upward movement of the VERBIO-share and renewed interest from various investment firms in renewable energy securities, interest in coverage has been sparked. As a result, in January 2011 Montega AG of Hamburg commenced coverage of the VERBIO share. Both these firms of analysts have issued a buy recommendation for the share.

SHAREHOLDER STRUCTURE AS OF 31/12/2010



THE SHARE AT A GLANCE

Abbreviation	VBK	
Bloomberg abbreviation (XETRA)	VBK:GR	
Reuters abbreviation (XETRA)	VBKG.DE	
ISIN	DE000A0JL9W6	
Market segment	Prime Standard	
Designated sponsor	Close Brothers Seydler Bank AG	
Number of shares	63,000,000	
Type	Ordinary shares	
Nominal value per share	EUR 1.00	

	2010	2009
Final price XETRA (last trading day)	EUR 4.15	EUR 3.03
52-week high (04/01/2011)	EUR 5.00	EUR 4.10
52-week low (20/07/2010)	EUR 2.45	EUR 0.94
Market capitalisation (basis: final price at XETRA)	EUR million 261,5	EUR million 190.9
Free float	28.48 %	28.49 %
Earnings per share (basic and diluted)	EUR 0.13	EUR – 0.12
Operating cash flow per share	EUR 0.41	EUR – 0.52
Book value per share	EUR 5.28	EUR 4.94

Corporate Governance statement

The actions of the management and control bodies of VERBIO Vereinigte BioEnergie AG are determimed by the principle of good governance. In the case of VERBIO, management and control of the Company is aimed, consistent with a sustainable creation of value, to ensure the existence of the Company and to ensure an increase in company value. In this connection, the Company complies with law and order and with the recommendations of the German Corporate Governance Code (DCGK). Furthermore, management principles are detailed in the internal Company guidelines. In addition, there is a Company communication that informs on the development of the Company on a timely, transparent and comprehensive basis.

VERBIO meets the recommendations of DCGK in the version of June 6, 2008, or as applicable, since it went into force in its expanded version of June 18, 2009 and May 26, 2010, with few exceptions. In connection with their meetings, the management board and supervisory board have addressed the compliance with code have and the declaration of conformity with the code expressed at the end of this report in their meeting on March 21, 2011. This statement is available to shareholders at all times. The current declaration of conformity is published on the internet homepage (www.verbio.de) and according to No. 3 DCGK the declarations of conformity of the last five years can be viewed as well under www.verbio.de -> investor relations -> Corporate Governance -> declaration of conformity.

Group management and Group monitoring

VERBIO has a three-member management board and a supervisory board that is also composed of three members. In addition, a replacement member was named for the supervisory board. The management board and supervisory board of VERBIO AG work closely and trustfully together in managing and monitoring of the Company and strive to increase the value of the Company for shareholders on a sustained basis.

Supervisory board

The members of the supervisory board have the required knowledge, abilities and professional experience for their duties. They have provided themselves with rules of conduct that are oriented both on the legal requirements and on the recommendations of the DCGK. The supervisory board particularly advises and monitors the management board in connection with the management of the Company. It is involved in questions regarding the strategy and planning as well as in all questions of fundamental importance for the Company. The chairman of the supervisory board coordinates the work in the supervisory board, chairs its meetings and attends to the affairs of supervisory board externally. During the reporting year, the management board informed the supervisory board on a regular basis and in a detailed and comprehensive manner regarding the economic position of the company, the status of the corporate planning and current events.

In the 2010 financial year, the following changes occurred on supervisory board: The supervisory board member Bernd Sauter resigned from his post, effective at the time of the closing of the general shareholder's meeting on June 28, 2010. In the same general shareholder's meeting, Ulrike Krämer appointed to the supervisory board effective at the time of the closing of the general shareholder's meeting on June 28, 2010 for the remaining time of the current period of office of the current supervisory board, i. e. until the closing of the general shareholder's meeting which resolves the discharge for the 2010 financial year. Ulrike Krämer is not a member of a further legally required supervisory board or similar domestic or foreign controlling body. She is independent and has expertise in the areas of accounting or auditing in terms of § 100 (5) AktG. As of September 25, 2010 Prof. Dr. Fritz Vahrenholt, vice chairman of the supervisory board, resigned from his post as supervisory board member of VERBIO due to potential conflicts of interest. The replacement member Dr.-Ing. Claus Meyer-Wulf was appointed as successor member of the supervisory board. Thereupon in the supervisory board meeting on October 7, 2010 the responsibilities within the body were newly assigned and Ulrike Krämer was elected as the new vice chairman of the supervisory board.

In the reporting period no contracts were entered into between the company and members of the supervisory board. The existing contractual relationship with M & K Treuhand GmbH, whose managing shareholder Ulrike Krämer is, continues to exist unchanged. The approval of the supervisory board is available.

Management Board

Effective November 1, 2010, Bernd Sauter was appointed as a member of the management board. With this appointment, the management board of VERBIO consists of three members who are managing the business with the goal of sustained value creation. The management board does this under its own responsibility and in the interest of the company; this pertains as well to the establishment of corporate goals and the Company strategy. The supervisory board provided a rule of procedure to the management board in which, in addition to a catalog of transactions requiring approval, also the individual management board responsibilities are assigned in connection with the business distribution scheme. Meetings of the management board, in which all important decisions and measures are dealt with, take place weekly. The management board informs the advisory board on a regular basis and comprehensively, in verbal and written form, through management board reports and minutes of meetings, regarding the situation of the Company, questions regarding strategy and their implementation, planning as well as the business development, including the financial and profit situation, risk management and compliance. In the case of significant events, an extraordinary meeting of the supervisory board is called, if required.

In the reporting period, not contracts were entered into between the Company and members of the management board.

Independence of the members of the bodies

During the reporting period, the supervisory board member Bernd Sauter was active in management positions of companies, with which VERBIO has business relationships. The transactions are carried in this connection at conditions the same as with independent third parties. For this reason, in the view of VERBIO, these activities do not affect the independence of the supervisory member Bernd Sauter.

In addition, possible conflicts of interest were avoided from the outset by the fact that the affected members of the supervisory board disclosed potential conflicts of interest to the entire board, and they did not participate in the handling of relevant topics and abstained from casting a vote for any resolution.

Members of the management board or parties related thereto did not enter into any significant transactions during the 2010 financial year with VERBIO or its subsidiaries. Transactions with companies that are related parties of members of the management board (for example, Märka up to the time of its acquisition by VERBIO) were carried out according to normal industry practice and were approved by the supervisory board.

Compensation report

In order to avoid repeating text, the individual management board and supervisory board compensation and well as the basic principles and compensation rules of the management board and supervisory board compensation as required in accordance with the DCGK are presented in the compensation report, which represents a portion of the management report. Basically, the compensation of the management board comprises performance-based and fixed components. The advisory board receives attendance fees, a variable compensation, that is dependent upon reaching certain targets, as well the reimbursement of cash expenses.

Stock transactions of the management board and supervisory board (directors' dealings)

According to § 15a of the Securities Trading Act (WpHG), individuals with management responsibilities and certain related parties are required to report on the purchase and sale of shares of the company or financial instruments related to the company to the German Federal Financial Supervisory Authority (BaFin) and to the company. If the value of the transactions carried out within a calendar year reaches or exceeds a total EUR 5,000.

VERBIO publishes messages on directors' dealings in accordance with good Corporate Governance on its internet homepage without delay upon receipt of a message.

In the 2010 financial year the following reportable securities transactions according to § 15a WpHG were reported:

Date	Person subject to registration	Function	Financial instrument	Purchase/Sale	Units	Price per item
27. October 2010	Claus Sauter	Member of the Management Board	Bearer shares	Transfer/Addition (off-market)	735,000	3.48 EUR
27. October 2010	Bernd Sauter	Member of the Management Board	Bearer shares	Transfer/Addition (off-market)	735,000	3.48 EUR

Since the direct or indirect holdings of shares of all supervisory board and management board members exceed one per cent of the shares issued by VERBIO, the entire holdings are shown below, by individual and separately for the management board and supervisory board.

	Units	In % of share capital
Management Board		
Claus Sauter	13,345,000	21.18
Dr.-Ing. Georg Pollert	13,300,000	21.11
Bernd Sauter	9,595,000	15.23
Supervisory Board		
Alexander von Witzleben	500,000	0.79
Ulrike Krämer	35,708	0.06
Dr. Claus Meyer-Wulf	25,000	0.04

Stock option programme

In the AGM of September 18, 2006 it was resolved, to give the Management Board members and key management members of VERBIO the opportunity to participate in the Company's stock option programme. So far no stock option plan has been put in place.

Transparency in communication and the promotion of shareholders' rights

VERBIO pursues the goal of informing domestic and foreign shareholders, as well as other interested parties, on a timely basis and transparently about the development of the company and the Corporate Governance practiced.

An important medium for this is our internet site www.verbio.de, that contains all significant information and messages received and over which we publish on a timely basis, this means within the time frame recommended by the DCGK, annual reports, interim reports as well as the financial calendar. In addition, the internet site of the Company contains the document to be prepared annually according to § 10 of the Prospectus Act (WpPG) in which all relevant Company information for the previous calendar year is summarized. Also to be found on the internet site are the current articles of association of the Company. The announcements of the Company are made according to law and order mainly through publications in the electronic Federal Gazette.

The annual financial statements are presented to the public in a balance-sheet press and analyst conference. After publication of the quarterly reports, telephone conferences take place with the management board. In connection with investor relations activities, individual discussions with analysts and investors are carried out. In addition, VERBIO management participates regularly in capital market conferences.

The annual shareholders' meeting is the platform for the shareholders of VERBIO to exercise their voting rights, to obtain information and for dialog with the management board and the supervisory board. The ordinary general shareholders' meeting of the Company takes place annually, normally in June. The chair of the annual shareholders meeting is the chairman of the supervisory board. The annual shareholders' meeting decides regarding all matters assigned to it by law (e. g., election of the supervisory board members, changes in by-laws, appropriation of earnings, capital measures).

Treasury shares

Right now, VERBIO holds no treasury shares. In connection with the share buy-back programme, between October 26, 2007 and May 31, 2008 1,470,000 treasury shares, representing 2.33 per cent of the capital stock, were purchased at an average price of EUR 2.06. This represented a total amount of EUR 3,030,256.45. The treasury shares acquired through the buy-back programme were used in connection with the acquisition of the Märka-Group.

The general shareholder's meeting on June 28, 2010 resolved a new authorisation for the purchase of new treasury shares. According to this, the management board is authorised, with the approval of the supervisory board, to purchase treasury shares of up to ten per cent of the share capital (KEUR 63,000). The authorisation, which is in force until December 27, 2012, is not permitted to be exercised for the purpose of trading in treasury shares.

Control and risk management system / compliance

The purpose of the risk management system of VERBIO is to register, evaluate and document on a structured basis potential risks for the parent company and for the subsidiaries, so that in the event of a risk occurring, it is recognised and the established measures can be directly taken. The advisory board is informed regarding existing risks and their development by the management board. The risk management system is continually further developed and is adapted to changing conditions. Details of the risk management are presented in the risk and opportunities report, which is a part of the management report and is subject to audit by the auditor of the annual financial statements. This includes the report required by the German Accounting Law Modernization Act (BilMoG) regarding the financial reporting-related internal control and risk management system.

The existing compliance system is also continually further developed by the management board and is adapted to changing conditions.

In addition, VERBIO set up the prescribed register for insider transactions in accordance with § 15b of the Securities Trading Act (WpHG). The affected individuals were informed regarding the legal requirements and sanctions.

Accounting and financial statement audit

The consolidated financial statements of the VERBIO Group are prepared by the management board on the basis of International Financial Reporting Standards (IFRS) and the annual financial statements of VERBIO AG according to the regulations of the German Commercial Code (HGB). The consolidated financial statements are published within 90 days after the end of the financial year. The consolidated and separate annual financial statements are audited by the supervisory board and approved and adopted, respectively. In accordance with the Code, the semiannual and quarterly financial reports of VERBIO are discussed by the supervisory board with the management board before publication.

In the reporting period, the supervisory board recommended KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig as auditor. The general shareholders meeting followed the recommendation. KPMG confirmed its independence of the advisory board of VERBIO. The auditor informs the supervisory board immediately regarding significant findings and incidents that result from carrying out the financial statement audit. Furthermore, the auditor is to inform the supervisory board and, if necessary, to note in the audit report, if in performing the audit facts are ascertained that indicate an inaccuracy in the declaration of conformity submitted by the management board and supervisory board in accordance with § 161 AktG.

Declaration of the Management Board and Supervisory Board of VERBIO Vereinigte BioEnergie AG on Corporate Governance according to § 161 AktG

§ 161 AktG requires the management board and the supervisory board of VERBIO Vereinigte BioEnergie AG to submit a declaration of conformity with the recommendations of the Government Commission German Corporate Governance Code.

The management board and the supervisory board of VERBIO Vereinigte BioEnergie AG, in their meeting on March 21, 2011, issued the following declaration of conformity:

Wording of the declaration of conformity

"The Management Board and the Supervisory Board of VERBIO Vereinigte BioEnergie AG hereby declare in accordance with § 161 AktG that VERBIO Vereinigte BioEnergie AG since the last issued declaration of conformity on March 22, 2010 has followed and will continue to follow the recommendations of the Government Commission German Corporate Governance Code in the version of May 26, 2010 as well as the version of June 18, 2009, published in the official section of the electronic Federal Gazette (Bundesanzeiger), with the following exceptions:

No. 3.8 of DCGK provides that in a liability insurance (so-called D&O insurance) for the advisory board, a deductible of at least ten per cent of the damage up to the amount of one and a half times the fixed yearly compensation of the advisory board member should be agreed. The Company in the course of 2010, after publishing the last declaration of conformity, concluded a formal obligation for the members of the supervisory board that provides for the deductible required by the DGCK. Insofar, No. 3.8 of the Code is now followed.

No. 4.2.3 of DCGK recommends that the compensation structure for members of the management board be directed to a sustainable company development. The monetary compensation components should comprise fixed and variable portions. The supervisory board has to ensure that the variable compensation components have in principle a assessment basis taking into consideration a number of years. The establishment of the individual management board members' compensation is the duty of the supervisory board, in accordance with the Rules of Procedure for the Supervisory Board.

Already since June of 2008 the German Corporate Governance Code provides that the supervisory board not only advises and reviews the structure of the compensation system, but also determines the compensation system for the management board, including the significant elements in the contracts. An advice on the compensation system last occurred in the meeting of the supervisory board on October 25, 2010. The "old contracts", to which the DCGK does not apply already comply today for the most part with the parameters introduced by VorstAG but, however, hey do not contain an assessment basis taking into consideration a number of years for the variable compensation components. The contract entered into between VERBIO and the management board member Bernd Sauter is oriented to sustainable company development and entirely fulfills the requirements of the Code.

With No. 5.3 of DCGK it is recommended to form committees in the supervisory board. The supervisory board of VERBIO Vereinigte BioEnergie AG has not formed any committees and will not have committees in the future. The supervisory board of VERBIO Vereinigte BioEnergie AG is composed of only three individuals that have the necessary knowledge and professional experience to ensure an effective supervisory board work even without forming committees. Since there are no committees, there is also no separate compensation for members of advisory board committees reported, as recommended in No. 5.4.6 (1) Sent. 3 (2nd part) of DCGK.

No. 5.1.2 respectively 5.4.1 provide that the composition of the management board as well as the recommendations for the election of supervisory board members should consider diversity. The supervisory board shall set concrete objectives. Although a female is a member of the VERBIO supervisory board, VERBIO will not follow the recommendations in the form of fixed objective appointment, since in the opinion of the Company, this criterion is not suitable for the appointment of members of the management board or the election of members of the supervisory board. Rather, in the opinion of the Company, the composition of the management board and the recommendation for the election of the supervisory board should be based on the respective business and responsibility areas and the required knowledge, skills and experience of a suitable candidate."

GROUP MANAGEMENT REPORT

Group Management Report

For the financial year from January 1 to December 31, 2010

VERBIO in 2010 — structure and strategy

VERBIO Vereinigte BioEnergie AG (hereinafter also "VERBIO AG"), Zörbig, is the Group holding company of the VERBIO Group (hereinafter also "VERBIO" or the "Company"). In the reporting period, in addition to VERBIO AG itself, the following companies belonged to VERBIO:

- VERBIO Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen OT Greppin; (hereinafter "VDB")
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig, (hereinafter "VEZ")
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder, (hereinafter "VES")
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder; (hereinafter "VDS")
- VERBIO STS AG, Thal, Switzerland, (hereinafter "STS")
- HBE Hansa BioEnergie GmbH, Zörbig, (hereinafter "HBE")
- BBE Bulgarian BioEnergy EOOD, Sofia, Bulgaria, (hereinafter "BBE")

In addition, VERBIO holds 100 per cent of the general partner GmbH interest in the abovementioned partnerships, VDB, VEZ, VES und VDS.

BBE Bulgarian BioEnergy EOOD has no operations and is a shelf company. HBE is also held as a shelf company.

Effective November 1, 2010, VERBIO acquired 89.35 per cent of the shares in Märka GmbH, Eberswalde, (hereinafter "Märka") and additional subsidiaries, which became part of the VERBIO Group at that date. With the majority takeover of Märka, VERBIO is implementing the vertical integration and with this has direct access to European farmers.

VERBIO operates in the field of large industrial biofuel production. In this connection, the sale of product and the procurement of raw materials are carried out VERBIO AG; the biofuels themselves are produced by the companies VDB, VDS, VEZ and VES. These companies work on the basis of processing contacts for VERBIO AG, which provides the raw materials for the production process.

In addition, the plant engineering segment is part of to VERBIO AG, although currently its field of activity currently comprises solely activities within the VERBIO Group.

Märka operates as a collection trader of grain, oil seed and straw and provides VERBIO with the necessary raw materials for the production. In addition, Märka sells seed, fertilizer and biodiesel.

So far, VERBIO has produced biofuels exclusively in Germany. Biodiesel, bioethanol, and biogas are sold in Germany and other European countries.

The strategic goal of VERBIO is unchanged. VERBIO is one of the largest suppliers of continually produced biofuels in Europe. In this connection, management places emphasis on energy-efficient process and production technologies and on the highest quality of production. Meeting the criteria for sustainability in the production of biofuels, relating to the entire value added chain from procurement of raw materials, through production and up to the sale of biofuels, is the basis for all business activities and investments. Provided that political and market related conditions argue for the expansion of capacity in Germany and Europe, VERBIO will again follow a growth strategy, also through external growth, to increase the shareholder value on a sustained basis.

ECONOMIC AND POLITICAL ENVIRONMENT

Economy

The global economy in 2010 recovered more quickly than was expected by many experts. According to projections of World Bank experts, the price-adjusted global gross domestic product (GDP) amounted to 3.9 per cent. These projections showed that countries such as China and India clearly outpaced the large industrial countries with respect to their growth dynamic, also after the crisis. GDP in the euro area is expected to amount to 1.7 per cent and in Germany 3.6 per cent, price-adjusted.

The economic recovery is being sustained primarily from exports. According to the Federal Office of Statistics, the increase in exports, after the severe drop in 2009, amounted to 18.5 per cent. In Germany, manufacturers of cars and machinery, as well as the chemical and electrical industries, have profited from a strong demand, especially from the countries China, Brazil and India. The exports to these countries increased by 26.0 per cent, while exports to euro countries rose by 12.7 per cent. The most important market for goods "made in Germany" continues, however, to be the countries within the European Union. Goods having a value of EUR 571 billion were exported to these countries; approximately EUR 381 billion to non-member countries. In 2010, goods with a value of approximately EUR 798 billion were exported, an increase of 20 per cent over 2009.

The development of the labor market in Germany was also encouraging. On average in 2010, the unemployment rate (on the basis of the entire civilian labor force) amounted to 7.7 per cent (average in 2009: 8.2 per cent).

Food prices increased in 2010 at a rate above average. Overall, the consumer prices in-crease by 1.1 per cent over the prior year; for food the price increase was 1.6 per cent.

Market development of crude oil and fuels

Also significantly higher than in the prior year were the prices for gasoline and diesel. According to analysis of the ADAC, super gasoline cost on average EUR 1.405 per liter (average 2009: EUR 1.273 per liter) and diesel on average EUR 1.214 per liter (average 2009: EUR 1.077 per liter). The highest prices were quoted in December 2010.

The reason for the increase was especially the higher crude oil prices. In spite of an economic recovery in 2010 and adequate reserves, the global market price per barrel was USD 80, after USD 62 in 2009 – whereby the price increase itself in the course of the year was significantly below that in the prior year. Unfavorable at times for Germany was the weakness of the euro compared to the US currency. This was due to uncertainties as to what effects would be of the rescue operations of the EU countries for Greece and Ireland.

From January to November 2010, 44.7 million tons of mineral fuel was consumed in Germany (2009: 44.1 million tons). This is split into 27.4 million tons diesel (2009: 26.4 million tons) and 17.2 million tons gasoline (2009: 17.8 million tons). The sale of Biodiesel amounted to 2.4 million tons (2009: 2.3 million tons).Thereof, approximately 2.1 million tons (2009: 2.1 million tons) were used for blending; only 0.3 million tons (2009: 0.2 million tons) was sold in the form of pure biodiesel (B100). In the same period, the demand for Ethanol was 0.9 million tons (2009: 0.8 million tons), of which 0.1 million tons (2009: 0.2 million tons) was used for ETBE production. Encouraging is that the admixture volume of 0.6 million tons increased to more than 0.8 million tons. The share of E85 compared to the total ethanol usage increased slightly, but remains small. The share of blended biodiesel amounted to 7.4 per cent (2009: 7.6 per cent); the share for blended ethanol was 5.1 per cent (2009: 4.5 per cent).

Development of raw material prices

The prices for grain, oilseed and feeding stuff have again significantly increased as of the 2010 year end. The reason for the (also speculative) increase in grain prices was the explicit export ban in Russia after the heat and drought in the second half of the year. The weather-related catastrophes in Australia and the USA also led rather to price increase than price stability. The prices for oil seed persist at a high level, especially for goods that are received sustainability certification. Price decreases, due to the continued high level of demand, are also not expected in the area of futures. Strongly increased in 2010 is the price for sugar, due to the worldwide strained supply situation.

The following table shows the average development in price for selected raw materials on the international markets:

DEVELOPMENT FOR SELECTED RAW MATERIALS (AVERAGE PRICES)

	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009	Change
Crude oil (Brent; USD/Barrel)	77	79	77	87	80	62	29 %
Mineral diesel (EUR/ton)	466	539	516	548	517	381	36 %
Rapeseed oil (EUR/ton)	657	695	772	930	763	622	23 %
Wheat (MATIF; EUR/ton)	125	132	200	225	170	136	25 %
Sugar (EUR/ton)	388	269	343	471	368	281	31 %

Political environment

The legal requirements created by the EU in the form of renewable energy directives and changes in the Fuel Quality Directive have significantly improved the perspective for the biofuel industry. In Germany, among others, the Renewable Energies Act (EEG) was adapted to the EU regulations on August 11, 2010. In the run up to this, the EU member states had to submit a national action plan for the promotion of renewable energy by the midyear 2010.

On August 4, 2010 the Federal Cabinet passed this national action plan. It is planned that in the year 2020, the mandatory goal of 18 per cent share of renewable energy to the total gross end user energy consumption should be exceeded with 19.6 per cent (share in 2010: 10.3 per cent). The share of renewable energy in the electricity sector in this connection should be 38.6 per cent, in the heating and cooling sector 15.5 per cent, and in the transportation sector 13.2 per cent. With this, there is an attractive growth potential in all three energy consumption sectors. In addition to Germany, only Austria submitted the required action plan on a timely basis.

As far as the transportation sector is concerned, in 2010 as a result of the change in the Fuel Quality Directive the legal conditions were so created, that from January 1, 2011, gasoline with an ethanol share of up to 10 per cent in volume can be offered at filling stations ("E10"). Also established was that from January 1, 2011, fluid or gas fuels must be supplied with biomass, starting with the 2010 harvest, if a certificate of their sustainable production can be shown.

In 2010, pure biodiesel (B100) was taxed at 18.6 cents/liter. In connection with the Growth Acceleration Act (Wachstumsbeschleunigungsgesetz) this tax rate was written into law through 2012. Rexmaining tax-privileged are fuels whose bioethanol share lie over 70 per cent. Thus, the fuel E85 (includes 85 per cent ethanol) is tax-privileged until 2015 based on the current legal status; the bioethanol share is entirely excluded from taxation.

DEVELOPMENT OF REVENUES AND RESULT

Group revenues increase compared to the prior year by 4 per cent to EUR 520.6 million (2009: EUR 501.7 million). The sales share of Märka for the months of November and December 2010 amounted to EUR 11.1 million. In addition, VERBIO profited from an increased demand. The sales weakness of pure diesel fuel (B100), which was already showing in the 2009 financial year, continued in 2010. A further consideration is that the export of biodiesel to Eastern Europe, due to the overall economic situation and an intensified competitive situation, has sharply declined. While 11.8 per cent diesel could be sold in 2009 from the VERBIO production, this amount was only 6.0 per cent in 2010. Regarding bioethanol production, as a result of the positive demand, an increase in production could be reported, especially in the second half of 2010. The quantities produced were primarily supplied to the blending market; only one per cent bioethanol was exported (2009: 1.0 per cent).

The Group operating result amounted to EUR 10.4 million (2009: EUR −3.0 million). The improvement in the result was due in particular to an improvement in the margin from a higher utilisation in the Bioethanol segment and the sale of six wind energy plants. In consideration of book losses arising (EUR 0.2 million), total book losses of EUR 4.5 million were realised. From the disposal of the corresponding deferred investment grants and subsidies an additional gain resulted in the amount of EUR 2.5 million. The impairment loss of goodwill (EUR 85.0 million) and the gains on the reversal of write-downs of property, plant and equipment (EUR 86.1 million) significantly affected the consolidated operating result. For details, reference is made to the explanations in the notes to the consolidated financial statements.

The consolidated result before taxes (EBT) amounted to EUR 7,2 million (2009: −2.8 million); the result for the period was reported in the amount of EUR 8.0 million (2009: EUR −7.3 million). This represents a result per share (basic and diluted) of EUR 0.13 (2009: EUR −0.12)

Development of individual expense items

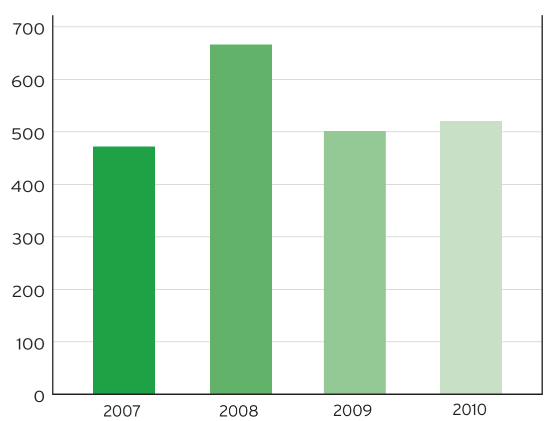
The cost of materials amounts to EUR 464.1 million and is slightly higher than cost of materials in the prior year (EUR 458.4) due to the increase in production. Personnel expenses amount to EUR 20.3 million (2009: EUR 17.4 million). Personnel expense quota (as a per centage of revenues, changes in inventory and capitalized own capitalized) amounted to 3.9 per cent (2009: 3.5 per cent) and increased slightly as a result of the increased number of employees and inclusion of the Märka Group.

In 2010, depreciation increased especially due to the startup of the two biogas plants, from EUR 11.1 million to EUR 12.6 million.

Other operating expenses amounted to EUR 34.8 million (2009: EUR 33.6 million). They contained especially expenses for freight out, expenses for necessary repairs and storage costs.

The financial result amounts to EUR −3.2 million (2009: 0.2 million) and comprises interest income in the amount of EUR 0.6 million (2009: EUR 1.1 million) and interest expense in the amount of 3.7 million (2009: EUR 3.8 million). The other financial result included in the prior year gains on the disposal of financial assets in the amount of EUR 3.0 million, as well as write-downs of financial assets of EUR 0.1 million.

Development of revenues



NET ASSETS AND FINANCIAL POSITION

Particularly the takeover of the Märka assets and also the completion of the biogas plant led to an increase in the balance-sheet total of EUR 122.8 million, from EUR 485.6 million to EUR 608.4 million.

Noncurrent assets

Noncurrent assets increased by EUR 79.7 million and amount to EUR 345.8 million at the balance-sheet date (December 31, 2009: EUR 266.1 million). This is due primarily to the investments in the biogas plants as well as the additions of property, plant and equipment of the Märka Group. The impairment test carried out as of October 31, 2010 on goodwill assigned to the Biodiesel segment on the basis of realizable cash flows of the segment resulted in the need for an impairment write-down in the amount of EUR 85.0 million. The test for the Bioethanol segment, on the other hand, resulted in a recoverable amount that was higher than the maximum allowable reversal of prior write-downs.

Current assets

Current assets amount to EUR 262.6 million (December 31, 2009: EUR 219.5 million) and compared to the prior year have increased by EUR 43.1 million.

In particular with regards to the inventories there is an increase in balances compared to the prior year (December 31, 2010 EUR 126.0 million; December 31, 2009: EUR 84.9 million). The increase in inventories compared to December 31, 2009 results primarily from the acquisition of Märka.

In addition, the balance of trade receivables went up by EUR 18.0 million to EUR 38.4 million (December 31, 2009: EUR 20.4 million). The balance of other assets developed in the other direction (decrease of EUR 11.5 million).

Equity

Equity amounts to EUR 332.5 million (December 31, 2009: EUR 311.1 million); with this, and as a result of the increased balance-sheet total, the equity ratio is calculated to be 54.7 per cent, which lies 9.4 per cent below the equity ratio at the prior year's balance-sheet date (December 31, 2009: 64.1 per cent).

Noncurrent liabilities

Noncurrent liabilities increase by EUR 27.5 million, from EUR 41.8 million to EUR 69.3 million. This results mainly from the taking up of bank loans for the financing of the biogas plants, as well as the addition of financial liabilities of the Märka Group. The financial liabilities increased by EUR 26.0 million, from EUR 9.4 million to EUR 35.4 million as of the balance-sheet date.

Current liabilities

Current liabilities, compared to the prior year, increased significantly. This is due in particular to the increased liabilities from the raw material financing (December 31, 2010: EUR 62.1 million; December 31, 2009: EUR 51.6 million) in connection with the build-up of inventories, the rise in derivative liabilities (December 31, 2010: EUR 23.1 million; December 31, 2009: 6.6 million) and the increase in current financial liabilities, which resulted from the acquisition of Märka (December 31, 2010: EUR 52.8 million; December 31, 2009: EUR 10.2 million).

Cash flows

The operating cash flows in the reporting period amounted to EUR 25.3 million (2009: EUR −32.7 million). The significant increase results, in addition to the positive result for the year of EUR 8.0 million, primarily from the decrease in inventory balances by EUR 27.0 million (2009: by EUR −33.0 million increase in inventory balances). The increase in the recognised inventory balances results from the acquisition of Märka. Furthermore, the reduction of other assets in the amount of EUR 6.5 million (prior year: EUR 8.1 million increase in other assets) had a positive effect on the financial position. Having a negative effect was the reduction in trade payables by EUR 11.2 million (prior year EUR 1.7 million).

From the investing activities there were cash outflows in total, in the amount of EUR 16.7 million. These are comprised especially of payments for investments in property, plant and equipment (EUR 35.0 million; prior year: EUR 25.8 million) and from the payments for the acquisition of shares (EUR −11.7 million; prior year EUR 0.0 million). From the proceeds on time deposits and the disposal of property, plant and equipment there was the amount of EUR 27.3 million (prior year: EUR 17.0 million) going in the other direction. The cash disbursements for the acquisition of shares take into consideration the takeover of liquid funds from the acquired shareholding in the amount of EUR 6.3 million.

The cash flows from financing activities amount to EUR 1.0 million. This is affected by the excess proceeds from secured loan transactions (EUR 5.9 million), considering an excess of payments from the repayment and take up of financial liabilities (EUR 4.9 million).

Against this background, the cash funds increased in the period from January 1 to December 31, 2010 by EUR 9.6 million. The cash funds at December 31, 2010 amounted to EUR 43.8 million.

In evaluating the financial position it is to be considered that time deposits and cash funds in the total amount of EUR 14.9 million are restricted as to their availability (thereof EUR 11.3 million cash funds and EUR 3.6 million time deposits).

EMPLOYEES

The success of VERBIO depends significantly on the commitment, the motivation and the skills of our employees. In total there were ten new individuals hired and five trainees were taken over and given unlimited employment contracts. This has primarily to do with the expansion of personnel in the areas of construction and bioethanol/biogas project development, as well as plant operators and service personnel for the biogas area. The number of employees increased significantly as a result of the acquisition of the shares of the Märka Group. With these employees, the Group as of December 31, 2010 has 743 employees (December 31, 2009: 411 employees), thereof 274 salaried employees (December 31, 2009: 152 salaried employees), 434 nonsalaried employees (December 31, 2009: 234 nonsalaried employees) and 35 trainees (December 31, 2009: 25 trainees).

INVESTMENTS

In the 2010 financial year investments in the amount of EUR 48.3 million were made (2009: EUR 15.2 million). These relate primarily to investments in property, plant and equipment (2009: EUR 15.1 million). EUR 44.5 million relates to the biogas plants of the company in Zörbig and in Schwedt/Oder that were completed in the 2010 financial year (2009: EUR 10.0 million). The biogas plants complement the existing bioethanol plants.

Through the purchase of the shares of Märka GmbH, the noncurrent assets increased by EUR 49.9 million.

With respect to significant investment commitments we refer to the disclosures und Item 9.5 "Contingencies and commitments" in the notes to the consolidated financial statements.

SEGMENT REPORTING

Biodiesel

In 2010, sales revenues were generated in the Biodiesel segment in the amount of EUR 334.9 million (2009: EUR 345.6 million). The decline in revenues compared to the prior year is due primarily to the strongly decreased demand for pure biodiesel (B100) and a decrease in the prices that can be realised in the market.

Costs of materials amounted to EUR 304.9 million (2009: EUR 313.5 million).

Personnel expenses remained in 2010 with EUR 7.1 million almost unchanged to the prior year (2009: EUR 7.0 million).

Other operating expenses were incurred in the amount of EUR 14.3 million (2009: EUR 17.2 million).

Non-cash expenses from the write-down of goodwill of the segment were recognised in the amount of EUR 85.0 million in accordance with IAS 36.

The segment operating result amounted to EUR −85.0 (2009: EUR 0.4 million) and was affected by futures transactions in the amount of EUR 6.1 million (2009: EUR 1.7 million).

In 2010, EUR 0.7 million (2009: EUR 2.4 million) was invested in property, plant and equipment.

Bioethanol

In 2010, sales revenues in the Bioethanol segment were realised in the amount of EUR 158.6 million (2009: EUR 130.3 million). The segment result amounts to EUR 88.1 million, after EUR −8.6 million in the prior year, and contains reversals of write-downs on property, plant and equipment in the amount of EUR 86.1 million.

Other operating income in this segment amounts to EUR 11.6 million (2009: EUR 9.6 million) and includes, among others, insurance settlements in the amount of EUR 6.8 million. Furthermore, a release of a valuation allowance recorded in the 2007 financial year on loan receivables is included in the amount of EUR 1.0 million.

BIODIESEL

in tons	p.a.	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009
Nominal capacity	450,000						
Production capacity p.a.	427,500						
Nominal capacity		112,500	112,500	112,500	112,500	450,000	450,000
Production capacity p.a.		106,875	106,875	106,875	106,875	427,500	427,500
Production		89,002	98,179	93,037	98,621	378,839	386,926
Utilisation nominal capacity		79.1%	87.3%	82.7%	87.7%	84.2%	85.6%
Utilisation production capacity		83.3%	91.9%	87.1%	92.3%	88.6%	90.1%
Employees as of December 31						**101**	**101**

BIOETHANOL

in tons	p.a.	Q 1 2010	Q 2 2010	Q 3 2010	Q 4 2010	2010	2009
Nominal capacity p.a.	300,000						
Production capacity p.a.	270,000						
Nominal capacity		75,000	75,000	75,000	75,000	300,000	300,000
Production capacity		67,500	67,500	67,500	67,500	270,000	270,000
Production		42,304	47,809	56,353	59,006	205,472	180,762
Utilisation of nominal capacity		56.4%	63.7%	75.1%	78.7%	68.5%	60.3%
Utilisation of production capacity		62.7%	70.8%	83.5%	87.4%	76.1%	66.9%
Number of employees on June, 30						**169**	**167**

Costs of material increased over the prior year as a result of the increased utilisation, to EUR 141.0 million (2009: EUR 127.5 million).

Personnel expenses are reported in the amount of EUR 9.2 million (2009: EUR 8.0 million). The reason for this is primarily new hires in the areas of process engineering and biogas, which primary affected 2010 in its entirety.

Other operating expenses in the amount of EUR 14.6 million (2009: EUR 13.1 million) include especially freight out, storage costs and maintenance.

The Bioethanol segment is showing a loss on futures contracts in the amount of EUR 2.5 million (2009: EUR 0.3 million).

In total, EUR 46.9 million (2009: EUR 12.6 million) was invested in this segment. This investment deals primarily with investments in the biogas plants located in Zörbig and Schwedt/Oder in the amount of EUR 44.5 million (2009: EUR 10.0 million).

The segment reporting also includes revenues and expenses from the production of biogas, which was started up in 2010. In the reporting period, 51.6 GWh of biogas were produced, of which 32.9 GWh was directly fed into the natural gas network and 18.7 GWh was used for the operation of its own plant. In total, this resulted in revenues in the reporting period of EUR 1.8 million. The depreciation on the the biogas plants amounted to EUR 2.6 million in the reporting year.

Energy

VERBIO operates 26 wind energy plants (2009: 61 wind energy plants). In the financial year 2010 this segment achieved revenues in the amount of EUR 9.8 million (2009: 17.4 million) and a result before interest and tax of EUR 5.5 million (2009: EUR 5.0 million).

The decline in revenues compared to the prior year is explained by sale at the end of 2009 and beginning of 2010 of a total of twelve wind energy plants as well as expiration of various leasing contracts.

Out of this there was a small feed-in volume into the electricity grid.

From the sale of own plants a gain in the amount of EUR 4.5 million, as well as gain from the disposal of the corresponding deferred investment grants and subsidies in the amount of EUR 2.5 million was realised.

Märka Trading

In the months of November and December, the contribution to revenues of the Märka Group amounted to EUR 49.9 million, whereby EUR 38.8 million relates to intersegment sales. From trading with third parties from grain, oil seed and fertilizer, EUR 11.1 million was realised. For the consolidation period mentioned above, the Märka Group is showing a result before interest of EUR – 0.9 million. The Märka Group has 319 employees at December 31, 2010.

Other

In 2010, sales revenues in the amount of EUR 8.4 million (2009: EUR 8.4 million) were realised in the Other segment, which comprises mainly transportation and logistics services. The segment result amounts to EUR 0.0 million, compared to EUR 0.2 million in the prior year.

COMPENSATION REPORT

A core element of good corporate government for us is a transparent reporting on the compensation of the management board and supervisory board. The following compensation report constitutes a portion of the management report. It explains among others the compensation system for the management board and advisory board, as well as the structure and amount of the compensation components. It has been prepared in accordance with the recommendations of the German Corporate Governance Code and contains disclosures that are required by the German Commercial Law, extended by the "Law for the Disclosure of Management Board Compensation" (VorstOG), which went into effect on August 11, 2005 and "the Law for the Appropriateness of Management Board Compensation" (VorstAG), which went into effect on August 5, 2009, and represents a part of the notes to the financial statements according to § 314 HGB and the management report according to § 315 HGB.

"The Law for the Appropriateness of Management Board Compensation" (VorstAG), which went into effect on August 5, 2009, resulted in a number of changes in company law with respect to the compensation of the management board and transfers the authority to determine the compensation of the management board entirely to the supervisory board. VorstAG is not applicable to existing management board contracts ("old contracts"); it applies for the first time in the case of a renewal of a management board member's contract or to a new contract.

The following compensation report comprises the already existing management board contracts ("old contracts") in the 2010 financial year on the basis of legal situation in effect and relevant for the "old contracts" up until the time of the taking effect of the new rules. In addition, the contract of the new management board member, Bernd Sauter, is presented. The requirements of VorstAG were accordingly considered in connection with the drawing up of the contract. The structure of the compensation system, as set forth in the new contract for the management board member Bernd Sauter, requires the long-term success of the company and creates incentives to take only those risks that are statistically well controllable.

Main features and compensation rules for members of the management board

According to the procedural rules and VorstAG, the establishment of the individual management board member's compensation is the responsibility of the supervisory board. Furthermore, the German Corporate Governance Code provides that the plenum not only discusses and reviews the structure of the compensation system, but resolves the compensation for the management board, including the significant contract elements. This occurred most recently in the meeting of the supervisory board on October 25, 2010.

The main features of the compensation system for the members of the management board provide for, in addition to a fixed compensation which is independent of the company's success, a variable remuneration, the amount of which is determined depending on the achievement of objectives.

The yearly fixed salary of the Chairman of the management board, Claus Sauter, is KEUR 400 and of his deputy, Dr.-Ing. Georg Pollert, is KEUR 380. In the case of both management board contracts it concerns "old contracts" that retain their validity until the end of the contract term on May 18, 2011. The variable compensation of the management board members Claus Sauter and Dr.-Ing. Georg Pollert is oriented on the extent to which the planned consolidated result of the ordinary operations (before income taxes, after other taxes, without considering bonus payments) is reached.

The target bonus for Claus Sauter and for Dr.-Ing. Georg Pollert is KEUR 100 p.a. each. The target bonus is paid in full upon reaching 125 per cent of the planned result. If the actual result falls between 75 per cent and 125 per cent of the planned result, the target bonus is paid proportionately. If less than 75 per cent of the planned result is reached, no target bonus is owed. In case of unusual events the supervisory board applying equitable discretion can establish a different assessment basis for the target bonus. In the event that the employment relation of the management board member is for less than an entire calendar year, the target bonus is paid only for the portion of the time when the employment relation exists.

The employment contracts of the management board members give the management board members the opportunity to participate in a stock option program of the company, which was resolved by the general shareholders' meeting on September 18, 2006. The supervisory board has not adopted any share option program for management board. In accordance with their employment contracts, the management board members are provided a company car for official and private use. All costs in connection with the maintenance and use of the car are borne by the Company.

On October 25, 2010, the supervisory board of the company appointed Bernd Sauter as member of the management board of the Company, effective November 1, 2010. Bernd Sauter receives an annual fixed compensation in the amount of KEUR 300. He receives in addition to this fixed compensation a variable compensation, is comprised of a yearly bonus and a long-term bonus. The amount of the yearly bonus for the respective financial period (reference year) amounts to 0.75 per cent of the positive consolidated net income shown in the consolidated financial statements for the reference year, which and if it ex-ceeds KEUR 6,300.

The yearly bonus amounts to a maximum amount of half the annual fixed compensation (yearly bonus cap). For the 2010 financial year, Bernd Sauter receives no yearly bonus, the yearly bonus for the 2011 financial year amounts to at least KEUR 75. The supervisory board can increase the yearly bonus by way of an additional, subsequent recognition premium for special achievements in the reference year, as long this is reasonable. It also resolves regarding the amount of the yearly bonus at each time in connection with the adoption of the consolidated financial statements of the Company. Within one month of this resolution, the yearly bonus is to be paid to the management board member.

The basis of the long-term bonus amounts to KEUR 150 for each reference year (reference bonus). The calculation basis for the long-term bonus is calculated as follows and is to be paid to Bernd Sauter:

The reference bonus of KEUR 150 is to be converted as of April 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 3-month average of the share price of the Company shares in the closing auction in the Xetra trading system of the Deutsche Börse AG (or on a functionally similar system that replaces this system) (Xetra price). Governing for this calculation are the last three months of the respective reference year. The fictional shares so converted are to be maintained for each reference year separately as fictional shares 1, fictional shares 2, fictional shares 3, etc. Three years after the respective effective date, thus on April 30 of this respective following year (payment year), the related fictional shares are to be reconverted into to a sum of money, such that the number of fictional shares is multiplied with the Xetra price for the period of the last three months before this reconversion. The long-term bonus for each reference year is limited in amount to the double amount of the fixed compensation, i.e. KEUR 600 (long-term bonus cap). The Company has the power, with respect to the money amount, to substitute the payment of the money amount with the respective number of fictional shares to Bernd Sauter. This power of substitution can be exercised for the fictional shares 1, 2, 3, etc. for each year separately; if it is exercised, the company can in each case only exercised the power uniformly for all fictional shares of the year in question. If shares are allocated to Bernd Sauter, he is only permitted to sell them after the expiration of a vesting period of one year after the allocation. Regarding the calculation and retrograde calculation of the long-term bonus and also regarding the possible substitution of the money amount with shares is to be resolved by the supervisory board. For the year of the beginning and the year of the end of the employment contract, no long-term bonus is granted. If for previous reference years a retrograde calculation cannot yet be made, this is to be carried out on the day of the termination of employment. Applicable for the retrograde calculation is the Xetra price for the period of the last three months before termination of the employment contract. The money amount so calculated is to be paid to Bernd Sauter two months after termination of the employment contract. The same applies to the exercise of the substitution power.

The compensation of the members of the management board is borne in full amount by the Company. There are no direct pledges of pension payments from the Company to the management board members. For this reason, there are no respective provisions recorded by the Company.

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

The employment contracts of the management board members contain no other provisions regarding the termination of employment.

The total compensation of the management board members in the reporting year totaled KEUR 830 (2009: KEUR 830). The total compensation is split among the individual management board members as follows:

2010 KEUR	Fixed compensation	Variable compensation	Special payments	Total compensation
Claus Sauter	400	0	0	400
Dr.-Ing. Georg Pollert	380	0	0	380
Bernd Sauter	50	0	0	50
Total compensation	**830**	**0**	**0**	**830**

2009 KEUR	Fixed compensation	Variable compensation	Special payments	Total compensation
Claus Sauter	400	0	0	400
Dr.-Ing. Georg Pollert	380	0	0	380
Martin Meurer	50	0	0	50
Total compensation	**830**	**0**	**0**	**830**

With respect to the variable compensation to be granted to the management board members Claus Sauter and Dr.-Ing. Georg Pollert, each in the amount of KEUR 100, for the reporting year, the management board members affected have waived their special payments and have resolved to distribute the respective amounts in equal parts to all non-salaried and salaried employees that have been in the employment of the VERBIO Group (companies) for at least a year.

The management board members Claus Sauter and Dr.-Ing. Georg Pollert have not taken advantage, either in 2009 or in 2010, of the contractual provision to be provided a company car.

The management board member Martin Meurer resigned from the Company on February 28, 2009. The benefits granted to Martin Meuer based on his employment contract for the period January 1 to February 28, 2009 amounted to KEUR 6.1. Martin Meurer was engaged as a consultant for VERBIO Vereinigte BioEnergie AG in the period from March 1, 2009 to May 31, 2009. In this connection, a monthly compensation of in the amount of KEUR 20 was agreed and was accordingly paid.

In the financial years 2010 and 2009 there were no loans receivable from members of the management board. No advances were granted, nor was compensation paid or benefits provided to members of the management board for services rendered or for consulting or procurement services.

Main features and compensation rules for members of the supervisory board

According to the by-laws each supervisory board member receives at the end of the business year a fixed compensation of KEUR 15 per year. The Chairman receives twice this amount and the vice chairman one and a half times this amount. According to the by-laws the supervisory board members further receive a variable compensation, the amount of which is determined by the profitability of the VERBIO Group for the year ended.

The details of the variable compensation as well as the granting of attendance fees were specified by the resolution of the general shareholders' meeting on August 23, 2006. According thereto, the variable compensation of the supervisory board members as governed by the by-laws is dependent on the EBIT of the Company and its subsidiaries. For every percentage point of EBIT margin in the Group consolidated financial statements of VERBIO AG supervisory board member receives an amount of KEUR 1. The EBIT margin is taken from the Group consolidated financial statements of the respective year ended, or when applicable, the stub period ended. The chairman receives twice, and the vice chairman one and a half times the previously-mentioned amount.

The variable compensation is limited to KEUR 15 for a basic supervisory board member, to KEUR 22,5 for the vice chairman and KEUR 30 for the chairman and is due upon the closing of the general sharehold-

2010 KEUR	Fixed compensation	Variable compensation	Attendance fees	Total compensation
Alexander von Witzleben	30	4	5	39
Ulrike Krämer	9	1	3	13
Dr. Claus Meyer-Wulf	4	1	1	6
Prof. Dr. Fritz Vahrenholt	17	2	1	20
Bernd Sauter	7	1	1	9
Total compensation	**67**	**9**	**11**	**87**

2009 KEUR	Fixed compensation	Variable compensation	Attendance fees	Total compensation
Alexander von Witzleben	30	0	5	35
Prof. Dr. Fritz Vahrenholt	23	0	4	27
Bernd Sauter	15	0	3	18
Total compensation	**68**	**0**	**12**	**80**

ers' meeting in which the resolution for the appropriation of not-yet allocated profit for the affected year is passed.

Furthermore, each supervisory board member additionally receives an attendance fee of KEUR 0.5 for each meeting of the supervisory board which he attended. The Chairman receives twice this amount and the vice chairman one and a half times this amount.

In the 2010 financial year, the members of the supervisory board were granted compensation of KEUR 87 (2009: KEUR 80) for their services. This compensation is presented individually for each member of the supervisory board in the above table.

In addition, the Company reimbursed the supervisory board members for cash outlays as well as value-added tax, if they are entitled to invoice the tax separately and avail themselves of this right. Alexander von Witzleben was reimbursed KEUR 3.7 (2009: 1.9), the remaining members of the supervisory board that were in office in 2010 were reimbursed in total KEUR 1.0 (2009: 0.9) for cash outlays. Bernd Sauter in his function as member of the supervisory board received no reimbursements for outlays (2009: KEUR 0).

The Company granted supervisory board members in the past two years no other compensation. Nor were supervisory board members paid or granted benefits for personally rendered services, especially for consulting and referral services.

D & O Insurance

The Company entered into a property loss/liability group insurance (so-called D&O insurance) for members of the management and supervisory boards and key management members. The insurance covers the legal liability in the event that claims for property loss are made against this group of individuals in connection with its activities. The insurance coverage pertains therefore to the members of the management board and the advisory board. An individual allocation of the premium is not possible.

The deductible for the management board represents amount set forth in the Stock Corpation Act (Aktiengestz) since August 5, 2009 of a minimum of ten per cent of the damage claim up to one and a half times the fixed annual compensation. The existing insurance contract was already accordingly changed on August 13, 2009.

RISKS AND OPPORTUNITIES

Risk management

The business process of VERBIO is especially influenced by the smoothly running and continuous operation of the production facilities and an optimal logistic in relation to the raw material procurement and the sale of manufactured production quantities. An additional critical influencing factor is the development of the raw material and production prices. The legal, regulatory and energy-related tax environments likewise have an important effect on the development of the business. For this reason VERBIO AG has established and implemented a risk management system for the Group. Predefined risks are constantly monitored through early warning indicators in connection with a quarterly reporting are communicated to the management of the subsidiaries and to the management board or are addressed earlier in status meetings held weekly. The risk manager reports risks identified by the subsidiaries and Group divisions in summarized form to the management board. New risks or risks that no longer exist are also included in the reporting. Thereby, risks which need to be promptly addressed are informally presented to the risk manager immediately without delay.

The risk management system is continually adjusted to the changing external environment and the internal organizational structures that result therefrom. This pertains as well to the continuous monitoring of the defined individual risks as regards their completeness and their substance.

The majority acquisition of VERBIO AG as of November 1, 2010 was integrated into the risk management system and provided with notification forms that have been especially adapted to their potential risks.

Internal control systems of the Company

The control system within the VERBIO Group is based on monthly production, profitability and liquidity reports that are delivered to VERBIO AG. Important for the Group controls are the raw material prices and the gross profit margin. Decisive for the Group management are raw material prices and gross profit. A refinement of the control system with regard to key revenue data has been put in place. As a result of the monthly reporting and weekly meetings, the management board is always informed of the situation of the respective entities of the Group.

Financial reporting-related internal control and risk management systems

The risk management system of VERBIO, on the basis of the underlying risk strategy and risk tolerance, has its focus on the recognition and evaluation of risks as well how to deal with those risks. The internal control system is a part of the risk management system and has as its goal the management and monitoring of risks. Generally, the risk management system and internal control system also comprises the financial-reporting related processes as well as risks and controls in the area of financial reporting.

With respect to the financial-reporting related processes it is the goal to identify risks that stand in the way of a rule-compliant compilation of the financial statements. The internal control system, though the implementation of appropriate controls, should ensure with reasonable certainty that in spite of identified risks, rule-compliant financial statements are prepared.

Thus, the management board takes the overall responsibility for the scope and direction of the internal control and risk management system also in the area of financial reporting. All subsidiaries are organizationally involved in this process.

The central organization, the uniformity of the EDP programs applied and the clear assignment of responsibilities within the accounting and controlling should ensure or facilitate the risk management, control and correctness of the financial reporting. Also, for the consolidated financial statements all tasks such as consolidation measures, reconciliation of intercompany balances, reporting requirements, etc. are clearly assigned, and the processes are integrated in the internal control and risk management system.

Identified risks and necessary measures are reported to the management board in connection with the quarterly risk recording and reporting. 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 yearly preparation. The internal monitoring is carried out by an independent controlling department and reported directly to the management board.

RISKS

Raw material procurement risks

The results of VERBIO are extremely dependent on the availability and prices of the raw materials used. For biodiesel this is predominantly rapeseed oil. The intense volatility of prices in the last year was counteracted by VERBIO by appropriate derivatives on the open markets. Also in the future this will be the strategy for minimizing risks on the purchase and sales positions. For bioethanol principally grain are processed. The risks on the raw materials side exist in particular in a potential shortage of the raw materials due to unfavorable harvests or a continuing rise in demand in highly populated countries such as China and India. . In order to minimize this risk, VERBIO follows a "multi-feedstock strategy" which allows the lowest-price raw material – depending upon the supply in the agriculture markets – to be used for the production of biodiesel and bioethanol. After the extreme increase in prices of all raw materials during the course of 2008 and the subsequent downward movement, the price development for grain and vegetable oils in 2009 until the summer of 2010 moved almost entirely sideways. The wet weather conditions in the current year led to a very bad harvest in Germany, which was reflected in a strong price increase for the raw materials used. This price increase further strengthened at the year end 2010. The risk of price changes on the procurement marked is countered, as described, as far as possible by hedging transactions. In particular, it is attempted in connection with the sale side to create constant margin policy.

In the event of noticeable market developments or market situations, key management of the Group is immediately informed, also in between the regular weekly market and production committee meetings.

Risks relating to revenues

In the biodiesel segment during the course of 2010 the vegetable oil purchase prices increased overproportionately to the sales prices for diesel fuel. Due to the resulting higher production costs, sales in the pure biofuel market (B100) were only attractive in the first half of the year. However, this is also only subsidized through expected sales quotas. Significant B100 quantities were not able to be sold in the second half of the year. Overall, due to this diverging price development, the German B100 market has almost come to a standstill since there is no incentive for the consumer to fill with biodiesel. This situation led in turn to the fact that larger volumes of biodiesel were delivered in the admixture, which resulted in intensified completion in blending market and creates an additional price and sales risk.

With appropriate hedging transactions, the risk of price changes on the procurement side as well as the sales side is counteracted in the biodiesel segment. By entering into derivatives, a margin is fixed between both markets to the extent possible. Nevertheless, it cannot be ruled out that unfavorable market developments could lead to negative influences on results, despite the use of hedging instruments. The sequence of timing of entering into the underlying transaction and the hedging transaction can also lead to variances.

Since a corresponding method cannot currently be implemented in the bioethanol segment due to the lack of available hedging instruments – no adequately liquid hedges for bioethanol are possible – VERBIO is exposed to a larger extent to changes in prices in this segment.

Production and technology risks

The technological leadership of the VERBIO Group is deciding for a further successful development of the Company. The VERBIO Group, based on current state-of-the-art technology standards for large industrial production of biofuels, is leading and also has the process know-how to further develop and optimize the existing production processes. There-fore, risks only exist to the extent that completely different and more efficient production and processing technologies suddenly emerge. The biogas plants were started up in the third quarter of 2010 and are not yet producing their projected nominal capacity in the start-up phase. In so far the risk exists that the output quantities which serve as a basis for the planning will not be reached.

The production plants are up-to-date and are subject to constant maintenance and certification of the technical inspection authority (TÜV). Insofar, environmental risks form the point of view of the Company's management are minimized. All plants are insured with machinery breakdown insurance, including business interruption insurance, against technical defects of the technical plants. For periods of downtime resulting, for example from floods, business interruption insurance exists.

Financial and liquidity risks

The customers of VERBIO are for the most part large petroleum companies and have high credit ratings. With the assistance of an effective receivable management and the monitoring of payment behavior of the customers, solvency risks, and therefore risks of uncollectability, are reduced. Furthermore, the company has group-wide commercial credit insurance. In general, the VERBIO Group currently has available adequate funds to finance the operating business. The failure to reach planned results and the related cash flows is to be considered as a general liquidity risk.

Risks from derivatives

The risks from derivatives depend on risk structure of the individual derivatives. The derivatives utilised by VERBIO Group belong to different risk groups and are used both to hedge raw material purchases and to hedge sales contracts. The risk exists of inadequate hedging effectiveness with respect to the underlying transaction. In connection with the implementation of the position management implemented in 2009 and improved in 2010, these risks are maintained at a manageable level. In order to minimize the risk, the effects of raw material and revenue risks are continually monitored by way of sensitivity analyses. In order to further avoid risks in connection with hedging transactions, the necessity and possibility of a diversification in the nature and extent relating to financial institutions is considered.

Impairment risks

Goodwill, which was determined in connection with the purchase price allocation connected to the non-cash contribution of the subsidiaries, is not amortised on a regular basis, but is subject to a periodic test for recoverability. For this purpose, an impairment test according to IAS 36 is performed. The sales forecast is made on the basis of long-term contracts, plus spot market transactions entered into and market price estimates for production capacity not yet sold. The planning used as a basis for the impairment test is approved by the executive board and the supervisory board and encompasses beginning in 2011 the expected revenue effect from the Biomass Sustainability Regulation and beginning in 2015 legally-established decarburization quotas.

The material cost was planned according to the raw material mix used as basis. The additional revenues and expenses were adjusted for one-time effects and significant variations compared to the prior year, and were projected based on the adjusted prior period's amounts. In the event that the assumptions used as a basis for the impairment test are not borne out, especially with respect to the expected decarburization in 2015 (conversion of the calculation of the blending quota from volume to CO_2 reduction), it cannot be ruled out that future impairment losses of goodwill and other assets might be required to be recorded through the income statement, potentially to the extent of a complete write off.

Risks relating to the Biomass Sustainability Regulation — sales

Beginning as of January 1, 2011, biofuels only have a value for the oil industry and/or can only give claim to an energy tax relief as pure biodiesel, if these have been produced according to the provisions of the biofuel sustainability directive and are made available to the general market.

VERBIO and Märka GmbH, as one of the first biofuel producers and first gatherers in the beginning of August 2008, received a respective required certificate. VERBIO, on September 8, 2010 submitted as the first operator a corresponding sustainability evidence record to the supervising authority — the Federal Institute for Agriculture and Nutrition (BLE). Since the system provides for a certain protection of confidence, there is no risk from, for example, a subsequent withdrawal of a certificate of the primary suppliers or the self-declaration of the farmer. Here, the issued certificates are valid for the oil industry, regardless.

A potential risk could exist from consciously entering a raw material position with non-sustainable goods, if this position cannot be settled over a related product sale in technical sector or export, for which sustainable goods are not required. These raw materials or the finished goods produced from these are practically worthless for the fuel market, since, due to the provisions of the biofuel sustainability directive, they are neither allowable for the biofuel quota nor tax advantaged.

VERBIO and Märka GmbH, in connection with their position management and the regular contract controls, at all times have in view the comparison of these volume balances. Furthermore, the central controlling department carries out random tests.

Litigation risks

In Denmark, a claim for damages against VDB is pending in the amount of EUR 3.2 million, plus interest, due to an alleged failure to comply with a contract. The plaintiff claims from VDB, among others, income received after VDB cancelled a contract.

In a judgment on July 21, 2008, VDB was sentenced to pay damages in the amount of EUR 3.4 million, plus interest. VDB appealed the sentence within the time limit. VDB argues that the cancellation was legally in compliance. Nevertheless, to cover the risk, VERBIO has recognised a provision in the amount EUR 1.2 million.

In the event that the sentence is upheld in the appeals process, besides the compensation for damages and interest, additional costs of litigation would be incurred that would have a negative effect on the net assets, financial position and results of operations.

OPPORTUNITIES

Opportunities relating to raw material procurement

VERBIO Group follows a "multi-feedstock strategy" that makes it possible to utilise the most advantageous raw materials in the production of biodiesel and bioethenol, depending upon the availability in the agricultural markets. This can result in price advantages and therefore competitive advantages. As a result of the concluded cultivation contracts with farmers over the Märka GmbH, the VERBIO Group has secured a portion of its raw material requirements in a logistically favorable manner from the immediately surrounding area of the production facilities.

Production and technology opportunities

The production facilities are state-of-the-art and in almost all case have been built with the Company's own processing know-how. Therefore, it is possible to optimize the production facilities or adjust them for different raw materials using the Company's own resources. The production facilities are positioned very well with respect to their energy balance. The biogas plants were substantially completed in 2010 and will be further optimized in 2011 so that a constantly improving output can be expected. However, the technical challenges which still exist in the start-up phase should not be underestimated.

Chances in connection with the Biomass Sustainability Regulation

The measurement of biofuels based on their greenhouse gas reduction potential and the introduction of carbon-lowering quotas starting in 2015, the moving up of which to 2014 is currently being discussed, provides the opportunity for VERBIO AG to optimally utilise its own vertical network in the raw material chain, the highly efficient production technology and the optimized logistical flows.

Overall evaluation of the risks

In the reporting period, the risk environment for the VERBIO Group did not change significantly compared to the prior year. The assessment of the overall risk situation is the result of the consolidated consideration of all significant individual risks. In all areas of the company an active and efficient risk management is performed, so that in total the risks in the Group are limited and are manageable.

The overall assessment of all risks has led to the conclusion that the continuance of the Company under substance and liquidity aspects is not endangered and no risks that could threaten the existence of the Company are identifiable for the foreseeable future.

OUTLOOK

Actual future results can differ significantly from the described expectations of the anticipated development.

Economic environment

After a slight decline in the economic recovery in the fourth quarter of 2010, the global economic climate, according to polls of the ifo-Instituts für Wirtschaftsforschung e. V. again improved. Nevertheless, the World Bank, for example, assumes that the growth in the worldwide gross national product (GDP) in 2011 will decline to 3.3 per cent and will first rise again in 2012 – by 3.6 per cent. The World Bank assumes this development pattern in almost all regions of the world, only at different high levels. That means, a worldwide constant growth is predicted until 2012, nevertheless, the high national debt – especially in the industrialize countries – and the high unemployment in certain countries will have a negative effect on the recovery. Still unresolved problems in the financial sector could negatively influence the future economic growth. An additional risk factor with respect to the stability of the economic recovery lies in the currently relatively high food prices, also if a weaker dollar relieves the situation here somewhat.

The same predictions are being made by the International Monetary Fund (IMF). It sees a danger for the global economic growth in the high levels of national debt of the wealthy countries, the not yet carried out financial reforms and the high raw material prices. As far as inflation is concerned, the IMF expects for 2011, on a worldwide average, a price in-crease of 3.4 per cent (2010: 3.1 per cent). In North America and Western Europe, in each case a price increase of 2.0 per cent has been calculated (2010: North America: 1.6 per cent; Western Europe: 1.8 per cent).

For Germany, the Federation of German Industries (BDI) expects for 2011 an increase in the GDP of 2.5 per cent. Decisive for this, according to the Association of Foreign Trade is consumer spending, due to the demand situation in the labor market. But the Association sees potential danger for sustainable growth. In particular, they are stressing the need for substantially more investment in education, research, infrastructure and renewable energy. Current dangers, according to BDI could come from the financial markets, the euro and — due to political unrest in the Northern African countries — from declining reliability as to raw material supplies.

Development of raw material prices

According to information of the International Energy Agency (IEA), the global demand for crude oil in 2010, due to the worldwide economic recovery amounted, with 87.8 million barrels per day, is 2.8 million barrel per day above estimates. For 2011, demand in the amount of 89.3 million barrels per day is assumed. Against this — also due to the assumption that the growth in 2011 will be lower as in 2010 — there is a supply capacity of 88.6 million barrels per day.

With regards to the price for crude oil, especially the furious increase since the beginning of the year, this is due to the political trouble spots in Libya and other Northern African counties, which lead to major uncertainties in the crude oil market. The flickering demonstrations in Iran and unrest in Saudi Arabia, encouraged by the successful overthrow of dictatorship leaders in Tunisia and Egypt, are also fueling the worries regarding a secure supply of crude oil. Whether the oil price will actually climb to USD 200 is currently pure speculation. However, a further increase cannot be ruled out as long as the unrest continues.

The prices for raw materials used for the manufacture of biofuels have increased markedly in 2010 compared to 2009. From today's point of view, it must be assumed that at least in the first half of 2011, the prices for grain and oil seed will remain at a high level. According to experts at the Agrarmarkt Informations-Gesellschaft (AMI), the global demand for wheat in 2010/11 exceeds the supply by an estimated 14 to 20 million barrels. In the case of feed grain, the demand exceeds the supply by up to 47 million tons. The reasons are crop short-falls due to drought, storms and increasing usage. Grain usage, for example, has increased by approximately 30 per cent in the last 20 years. In 2010/11, grain was used 47 per cent for human consumption, 34 per cent for feed and six per cent for bioethenal.

Political environment

The legal framework to reach the climate protection goals of the EU are in the meantime in place. With certainty there will be amendments to these laws in the next years, depending upon how the implementation of the goals is arranged and how the political will changes.

Market and industry development

We are seeing both the biofuel and biogas market as a growth market in the future. After the legal rules were put into place, the demand for biofuels as well as the demand for power and heat energy from renewable and sustainably produced raw materials will increase.

We see as positive the approval for the increase in the ethanol portion in gasoline, from five to 10 per cent, beginning January 1, 2011. With this, filling stations have the possibility, to additionally offer a fuel that contains 10 per cent ethanol (E10). Although at least 90 per cent of vehicles are E10 suitable, a grandfather rule should ensure that for non-suited vehicles, fuel with a blend of five per cent ethanol continues to be offered until at least 2013. How-ever, as to the offering of E10, there is still not legal requirement. E10 is being offered at German filling stations since the middle of February 2011. However, due to insufficient information campaigns and customer information through the automobile industry, automobile clubs and the oil industry, the desired acceptance of drivers has not been reached.

Whether E10 can be profitably sold in the future and with it the market potential for the bioethanol business can double, will depend on the success of the information campaigns carried out.

In addition, according to current state of discussions, the decarburization strategy, i.e., the CO_2-related obligation for the use of bio components in fuel, is to be moved forward from 2015 to 2014. This would have a large positive effect for VERBIO, since we already fulfill the related requirements for the most part today.

Future development of the Group

In the 2011 financial year we are striving to further solidify our market share of biodiesel and bioethanol. We are established on the market with our products biodiesel and bioethanol and are expanding our product range to include biogas. With respect to biogas, the complete commissioning of the biogas plants, which in 2011 should provide a nominal capacity of 500 GWh/year, will be achieved. Furthermore, we have core competencies in plant construction and in process technology. With this, VERBIO is well positioned for future challenges. We especially want to more intensively develop and serve the biogas market in 2011.

We want to also meet the demands as the innovation leader in our industry in the future. Our focus is especially on the processing of waste materials from refuse. Investment is planned in 2011 of approximately EUR 16.5 million in the systematic and ongoing identification of new processing technologies, in their evaluation and transfer into new development projects.

At our bioethanol/biogas location (bio refinery location) Zörbig already planned, in addition to the processing of residues from the bioethanol plant (stillage), is the processing of straw in the biogas plant. The approval for the operation of the required expansion has been requested and we assume that the plant can be started up in late summer 2011. With this, we are increasing our productivity and production security of our biogas plant significantly. Investment has been made and will be made in this expansion in a total amount of approximately EUR 4.6 million.

In order, in the future, to maintain our technology leadership and to strengthen our market position, we need to invest. For the period through 2012 we are striving to make investments of approximately EUR 110 in property, plant and equipment, and also in the expansion in the direction of Eastern Europe. Concretely, we are following a project in Hungary with the integrative linking of a very large farming production and an industrial biogas plant. We will thereby place our focus on the use of non-marketable waste from livestock farming in the biogas plant in order to reach independence to greatest extent from the international price levels for plant-derived raw materials such as corn and wheat.

For the long-term security of raw materials necessary for the production, we are planning to accelerate and expand the contractual linking of farmers via cultivation contracts. An important project to be implemented in 2011 in this connection is the integration of the Märka Group. Märka will make a significant contribution to reaching a reliable and adequately priced supply of raw materials. Especially with a view to the decarburization quotas that come into force in 2015, Märka will also take over an important contribution of farmer education. This will contribute particularly relating to the use of agricultural raw materials to the optimal reduction of greenhouse gases.

VERBIO is facing intense completion, also in the search for qualified employees who, with us, together will implement our goals. We offer our employees the possibility to obtain occupational qualification and the assumption of responsibility. We currently assume that the growth in staff in 2011 will correspond to development of the business.

The purchase of the Märka Group and the plans for growth of VERBIO will also be reflected in personnel changes beginning in May 2011. Dr.-Ing. Pollert, a co-founder and management board member responsible for production, technology and personnel, will not be extending his mangenment board post and will retire from the Company as of May 18, 2011. In the past years, Dr.-Ing Georg Pollert had decisively influenced the development of VERBIO, both strategically and operationally, into a technology company. He is giving over a well ordered portfolio and an orderly succession. Upon his recommendation, the supervisory board appointed Theodor Niesmann as management board member of the Biodiesel segment and D. Oliver Lüdtke as management board member for the Bioethanol/Biogas segment as of May 19, 2011 for a period of five years. Both Theodor Niesmann and Dr. Oliver Lüdtke have been successfully active in the Company.

Overall statement on the anticipated development

We judge the outlook of VERBIO for the financial years 2011 and 2012, in each year to be positive, as long as there are no significant changes to the currently forecasted economic and regulatory environment. From the current viewpoint, it is assumed that all segments will contribute to future growth in sales and results.

Beginning in 2011, we are striving for revenues in a range of between EUR 550 million and EUR 600 million. EBITDA should be between EUR 35 million to EUR 40 million, the operating result (EBIT) should be in a range of between EUR 15 million to EUR 20 million.

INFORMATION ACCORDING TO § 315 PARA. 4 HGB

The share capital of VERBIO Vereinigte BioEnergie AG consists unchanged of 63,000,000 no-par bearer shares. Restrictions on voting rights of shares could result from regulations of the German Stock Companies Act (Aktiengesetz). The shareholders are accordingly subject under certain circumstances to a voting prohibition (§136 AktG). Furthermore, the Company has no voting rights on its treasury shares (71b AktG). The old/original share-holders, by entering into a pooling contract, have agreed to a voting trust. No further restrictions exist with respect to voting rights or the transfer of shares. Special rights or control authority are not connected to the share holdings.

Mr. Claus Sauter und Dr.-Ing. Georg Pollert, both members of the management board, have direct holdings in VERBIO in excess of 10 per cent. They hold directly or via affiliated companies controlled by them 57.52 per cent of the outstanding shares. In total, the old shareholders of VERBIO AG hold an interest in the share capital of 72.79 per cent, for which a voting trust in connection with the pooling contract exists.

By resolution of the general shareholders' meeting on July 12, 2007, the management board is authorized to increase the share capital, with the approval of the supervisory board, through the issuance of new no-par bearer shares once or several times by up to EUR 31.5 million until June 11, 2012 in exchange for cash or in-kind contributions (authorized capital).

The general shareholder's meeting on September 18, 2006 authorized the management board in connection with an employee participation program, "VERBIO Stock Option Plan 2006 to 2011" , with the approval of the supervisory board, until September 17, 2011 (Authorization period) to issue one time or several times up to 2,000,000 stock options with subscription rights to shares of the Company with a term of up to seven years, with the stipulation, that each stock option grants the right to subscribe to one share of the Company.

The general shareholder's meeting on June 28, 2010 authorized the management board, until December 27, 2012, to purchase treasury shares up to ten per cent of the capital shares at that time, in one or several purchases. The authorization is not to be used for the purposed of trading in treasury shares. The powers of the management board to issue or re-purchase shares are comprehensively presented and governed in the authorization re-solved by the general shareholder's meeting.

The terms for the appointment and dismissal of members of the management board, as well as for the change in by-laws are in conformity with legal regulations. Compensation agreements for the event of a change in control due to a takeover do not exist with either the management board or with employees.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

With a date of March 3, 2011, VERBIO sold two of the three wind energy plants still owned by the Company. The net sales price amounted to EUR 2.0 million.

CONCLUDING DECLARATION OF DEPENDENCE AND DEPENDENCY REPORT

Declaration of the management board according to § 313 Para. 3 AktG

VERBIO Vereinigte BioEnergie AG, as a dependent company, has prepared a dependence report according to § 313 Para. 3 AktG. Under the circumstances that were known to the executive board at the time of undertaking the legal transactions or the taking of measures, the companies of VERBIO Vereinigte BioEnergie AG received for every legal transaction concerning relationships with related parties described in this report an appropriate consideration and were not disadvantaged by measures described or omitted in this report. There are no measures at the instigation of or in the interest of the controlling company or a related party thereof that were omitted.

CORPORATE GOVERNANCE STATEMENT (IN ACCORDANCE WITH § 289A HGB)

The Corporate Governance statement (according to § 289a HGB) contains a declaration of conformity in accordance with § 161 AktG, relevant disclosures regarding Corporate Governance practices, that are applied beyond the legal requirements, together with information as to where they are publicly available. In addition they include a description of the functioning of the management board and the supervisory board. These can be found on our website www.verbio.de -> Investor Relations -> Corporate Governance.

Zörbig, March 21, 2011

Claus Sauter
(Management Board Chairman)

Dr.-Ing. Georg Pollert
(Management Board member)

Bernd Sauter
(Management Board meber)

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of comprehensive income

for the period January 1 to December 31, 2010

EUR k		Notes	2010	2009
1.	Revenue (including energy taxes collected)		539,573	520,025
	Less: energy taxes		−18,997	−18,313
	Revenue	**3.16/6.1**	**520,576**	**501,712**
2.	Change in unfinished and finished goods		1,501	−3,784
3.	Capitalised production of own plant and equipment	6.2	1,844	1,950
4.	Other operating income	3.16/6.3	26,030	19,663
5.	Income from reversal of write-downs	6.4	86,088	0
6.	Cost of materials	6.5		
	a) Raw materials, consumables and supplies		−431,660	−416,060
	b) Purchased services		−32,426	−42,336
7.	Personnel expense	6.6	−20,291	−17,392
8.	Depreciation and amortisation	3.3/3.4/6.7/7.1	−12,611	−11,119
9.	Other operating expenses	6.8	−34,755	−33,586
10.	Expenses of impairment write-downs	3.5/6.9/7.1	−84,973	0
11.	Result from forward contracts	6.10	−8,896	−2,034
12.	**Operating result**		**10,427**	**−2,986**
13.	Interest income	6.11	558	1,088
14.	Interest expense	6.11	−3,742	−3,775
15.	**Other interest result**	**6.11**	**0**	**2,895**
16.	**Financial result**	**3.17/6.11**	**−3,184**	**208**
17.	**Result before tax**		**7,243**	**−2,778**
18.	Income tax benefit (expense)	3.18/6.12	744	−4,485
19.	**Net result for the period**		**7,987**	**−7,263**
	Result attributable to shareholders of parent company		8,109	−7,263
	Result attributable to non-controlling interests		−122	0
Income and expenses recognised in equity:				
	Fair value remeasurement on cash flow hedges		4,053	−9,244
	Deferred taxes recognised in equity		−1,170	2,552
20.	**Income and expense directly recognised directly in equity**		**2,883**	**−6,692**
21.	**Comprehensive result**		**10,870**	**−13,955**
	Comprehensive result attributable to shareholders of parent company		10,992	−13,955
	Comprehensive result attributable to non-controlling interests		−122	0
Earnings per share (basic and diluted)		7.17	0.13	−0.12

Consolidated balance-sheet

at December 31, 2010

Assets EUR k		Notes	31/12/2010	31/12/2009
A.	**NON-CURRENT ASSETS**			
I.	Goodwill	3.2/3.5/4/7.1	70,682	155,655
II.	Customer relationships	3.2/3.5/4/7.1	15,055	16,507
III.	Other intangible assets	3.2/3.5/4/7.1	163	255
IV.	Property, plant and equipment	3.4/3.5/7.2	258,239	92,333
V.	Financial assets	3.8/7.3	1,707	1,332
VI.	Deferred tax assets	3.6/4./6.13	0	19
Total non-current assets			**345,846**	**266,101**
B.	**CURRENT ASSETS**			
I.	Inventories	3.7/7.4	126,048	84,887
II.	Trade receivables	3.8/7.5	38,417	20,418
III.	Tax refunds	3.8/7.6	8,027	8,460
IV.	Other assets	3.8/7.7/9.2	38,862	50,336
V.	Derivatives	3.9/7.8/9.2	3,408	1,319
VI.	Time deposits	3.10/7.9	4,000	14,634
VII.	Cash and cash equivalents	3.11/7.10	43,796	34,156
VIII.	Non-current assets held for sale	3.12/7.11	0	5,247
Total current assets			**262,558**	**219,457**
Total assets			**608,404**	**485.558**

Equity and liabilities EUR k	Notes	31/12/2010	31/12/2009
A. EQUITY			
I. Share capital	7.12	63,000	63,000
II. Additional paid-in capital	7.13	487,680	483,659
III. Other reserves	7.14	195	−2,688
IV. Reserve for treasury shares	7.15	0	−3,030
V. Retained earnings		−221,738	−229,847
Total equity, excluding non-controlling interest		**329,137**	**311,094**
VI. Non-controlling interests	7.16	3,358	0
Total equity		**332,495**	**311,094**
B. NON-CURRENT LIABILITIES			
I. Provisions	3.14/7.18	56	226
II. Financial liabilities	3.15/7.19	35,443	9,445
III. Deferred investment grants and subsidies	3.13/7.20	12,648	11,213
IV. Other non-current liabilities	3.15/7.21	18,082	17,757
V. Deferred tax liabilities	3.6/6.13/7.22	3,117	3,182
Total non-current liabilities		**69,346**	**41,823**
C. CURRENT LIABILITIES			
I. Tax liabilities	3.15/7.23	8,541	8,435
II. Provisions	3.14/7.24	3,006	1,423
III. Financial liabilities	3.15/7.25	52,776	10,239
IV. Trade payables	3.15/7.26	32,597	33,709
V. Deferred investment grants and subsidies	3.13/7.20	1,990	1,976
VI. Other current liabilities	3.15/7.27/9.2	84,586	66,748
VII. Derivatives	3.9/7.28/9.2	23,067	6,597
VIII. Liabilities in connection with non-current assets held for sale	3.15/7.29	0	3,514
Total current liabilities		**206,563**	**132,641**
Total equity and liabilities		**608,404**	**485,558**

Consolidated cash flow statement

for the period January 1 to December 31, 2010

EUR k	2010	2009
Net income for the period (in prior period: net loss)	7,987	−7,263
Income tax expense	−744	4,485
Financial result	3,184	2,687
Depreciation and amortisation	12,611	11,259
Non-cash losses on impairment write-downs	84,973	0
Non-cash gains	−89,995	0
Gains on disposal of property, plant and equipment and disposal of investment grants	−6,875	−4,606
Gain on disposal of non-current financial assets	0	−3,035
Release of deferred investment grants and subsidies	−2,046	−2,072
Non-cash changes in derivative financial instruments	−896	4,362
Decrease (in prior period: increase) in inventories	27,005	−33,012
Increase (in prior period: decrease) in trade receivables	−2,243	20,914
Decrease (in prior period: increase) in other assets	6,489	−8,063
Increase (in prior period: decrease) in provisions	1,088	−15,775
Decrease in trade payables	−11,155	−1,747
Increase in other liabilities	534	1,330
Interest paid	−3,612	−3,469
Interest received	526	1,035
Income tax amounts paid (in prior period: received)	−1,504	262
Cash flows from operating activities	**25,327**	**−32,708**
Disbursements for time deposits	0	−32,635
Proceeds from time deposits	10,634	39,100
Disbursements for investments in intangible assets	−40	−101
Disbursements for investments in property, plant and equipment	−35,049	−25,831
Proceeds from disposal property, plant and equipment	16,655	10,549
Disbursements for investments in noncurrent financial assets	0	−6
Proceeds from disposal of noncurrent financial assets	345	4,041
Proceeds from investment grants	2,482	6,626
Disbursements for acquisition of subsidiaries less acquired net cash and cash equivalents	−11,688	0
Cash flows from investing activities	**−16,661**	**1,743**

EUR k	2010	2009
Proceeds from secured loans	84,190	87,287
Disbursements for payments on secured loans	–78,322	–58,857
Proceeds from taking out of financial liabilities	20,060	288
Disbursements for repayment of financial liabilities	–24,954	–9,209
Cash flows from financing activities	**974**	**19,509**
Net cash flows	9,640	–11,456
Cash funds at beginning of the period	34,156	45,612
Cash funds at end of the period	**43,796**	**34,156**
Cash funds at the end of the period comprise the following:		
Restricted cash and cash equivalents	11,254	3,636
Cash and cash equivalents	32,542	30,520
Cash funds at the end of the period	**43,796**	**34,156**
Complementary information:		
Time deposits	4,000	14,634

Consolidated statement of changes in equity

for the period January 1 to December 31, 2010

EUR k	Share capital	Additional paid-in capital	Other reserves
01/01/2009	**63,000**	**483,659**	**4,004**
Fair value remeasurement on cash flow hedges (after tax)	0	0	−6,692
Income and expenses recorded directly to equity	0	0	−6,692
Net loss for the period	0	0	0
Comprehensive result for the period	**0**	**0**	**−6,692**
31/12/2009	**63,000**	**483,659**	**−2,688**
Fair value remeasurement on cash flow hedges (after tax)	0	0	2,883
Income and expenses recorded directly to equity	0	0	2,883
Net income for the period	0	0	0
Comprehensive result for the period	**0**	**0**	**2,883**
Sale of treasuy shares	0	4,021	0
Acquisition of a subsidiary	0	0	0
31/12/2010	**63,000**	**487,680**	**195**

Reserve for treasury shares	Retained earnings	Total equity exluding non-controlling interests without non-controlling shares	Non-controlling interests	Total equity
−3,030	**−222,584**	**325,049**	**0**	**325,049**
0	0	−6,692	0	−6,692
0	0	−6,692	0	−6,692
0	−7,263	−7,263	0	−7,263
0	**−7,263**	**−13,955**	**0**	**−13,955**
−3,030	**−229,847**	**311,094**	**0**	**311,094**
0	0	2,883	0	2,883
0	0	2,883	0	2,883
0	8,109	8,109	−122	7,987
0	**8,109**	**10,992**	**−122**	**10,870**
3,030	0	7,051	0	7,051
0	0	0	3,480	3,480
0	**−221,738**	**329,137**	**3,358**	**332,495**

Consolidated notes

For the period from January 1 to December 31, 2010

1 INFORMATION ABOUT THE COMPANY

VERBIO Vereinigte BioEnergie AG (hereinafter also ("VERBIO AG" or "Company") is a publicly-held stock company. The VERBIO Group with the parent company VERBIO AG and the consolidated subsidiaries (see Chapter 2.2, "Entities included in the consolidation"), operates in the field of production and distribution of fuels and finished products based on organic raw materials. Through the acquisition of the Märka Group in the 2010 financial year, trading of grain and oil seed as well as the trading of seed and fertilizer has been added. In addition, the VERBIO Group, with the operation of 26 leased and owned wind power plants (prior year: 61 wind power plants) in the area of energy generation.

VERBIO is entered in the commercial register of the local court in Stendal under the number HRB 6435. The company's registered office is at Thura Mark 18, 06780 Zörbig. The Company maintains business facilities in 04109 Leipzig, Augustusplatz 9. The consolidated financial statements are available at the Company's registered office and its business facilities and are published electronically in the German Federal Bulletin (Bundesanzeiger) under www.verbio.de.

2 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis for preparation of the consolidated financial statements

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS/IAS) of the International Accounting Standards Board 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). Unless otherwise mentioned, all amounts are presented in thousands of Euros (KEUR). Figures have been rounded, and therefore rounding differences are possible.

These consolidated financial statements include the operations of all Group entities, whereby Märka GmbH, which was acquired in the financial year, and its subsidiaries are included from the acquisition date of November 1 to December 31, 2010. All other Group companies are included for the period from January 1 to December 31, 2010. The prior period comparative consolidated balance-sheet date is December 31, 2009 and the comparative period for the consolidated statement of comprehensive income is the period from January 1 to December 31, 2009. All companies included in the consolidated financial statements have the calendar year as the financial year.

The consolidated financial statements have been prepared under the assumption of a going concern.

In accordance with IAS 1, the preparation of 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, items in the statement of comprehensive income and in the balance-sheet have in some cases been combined and are explained in the notes.

The consolidated financial statements were prepared on the basis of amortised cost or net realizable value except for derivative financial instruments, which are measured at fair value.

2.2 Entities included in the consolidation

In addition to the parent company VERBIO AG; the following companies, which represent the shareholdings at December 31, 2010, are included in the consolidated financial statements:

Name of company	Location	Share of capital	Consolidation status
VERBIO Diesel Bitterfeld GmbH & Co. KG (VDB)	Bitterfeld-Wolfen OT Greppin	100.00 %	Fully consolidated
VERBIO Diesel Bitterfeld Verwaltung GmbH	Bitterfeld-Wolfen	100.00 %	Fully consolidated
VERBIO Diesel Schwedt GmbH & Co. KG (VDS)	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Diesel Schwedt Verwaltung GmbH	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Ethanol Zörbig GmbH & Co. KG (VEZ)	Zörbig	100.00 %	Fully consolidated
VERBIO Ethanol Zörbig Verwaltung GmbH	Zörbig	100.00 %	Fully consolidated
VERBIO Ethanol Schwedt GmbH & Co. KG (VES)	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO Ethanol Schwedt Verwaltung GmbH	Schwedt/Oder	100.00 %	Fully consolidated
VERBIO STS AG (STS)	Thal/ Switzerland	100.00 %	Fully consolidated
HBE Hansa BioEnergie GmbH (HBE)	Zörbig	100.00 %	Fully consolidated
Lüneburger Lager- und Agrarhandelsgesellschaft mbH*	Lüneburg	94.67 %	Fully consolidated
BBE Bulgarien BioEnergy EOOD (BBE)	Sofia/Bulgaria	100.00 %	Fully consolidated
Märka GmbH	Eberswalde	89.35 %	Fully consolidated
Trans Märka GmbH **	Eberswalde	89.35 %	Fully consolidated
Trans Märka Polska Sp. Z o.o.**	Szczecin/Poland	89.35 %	Fully consolidated
Märka Landhandel Süd GmbH**	Bamberg	89.35 %	Fully consolidated
Märka Landhandel Sachsen GmbH**	Seitschen	89.35 %	Fully consolidated
Hallesche Logistik GmbH	Halle	89.35 %	Fully consolidated
Getreide- und Agrarhandel Halle GmbH	Halle	89.35 %	Fully consolidated
Wriezener Kraftfutter GmbH	Wriezen	67.10 %	Fully consolidated

* Thereof is a share of 44.67% held indirectly over Märka GmbH
** Shares are held indirectly over Märka GmbH. Presentation of capital share from viewpoint of VERBIO AG

HBE Hansa BioEnergie GmbH, BBE Bulgarian BioEnergy EOOD and VERBIO STS AG are shelf companies and have no operational business.

All companies included in the consolidated financial statements are hereinafter referred to as "Group" or "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 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. Intercompany results are eliminated. The intercompany profit elimination for raw material deliveries from Märka GmbH in the period from November 1 to December 31, 2010 was based on the assumption that most recent assets purchased are the first to be consumed or sold (last in — first out). Deferred taxes are determined in accordance with the balance-sheet oriented approach in accordance with the provisions of IAS 12.

2.4 Foreign currency translation

In the financial statements of the entities consolidated, transactions in foreign currency are translated into the functional currency of the entity at the rate on the transaction date. At the balance-sheet date monetary items are measured at the balance-sheet date rate. Translation differences arising in this connection are recorded to the income statement. The functional currency of all entities included in the consolidation is the Euro, and this reflects the presentation currency of the consolidated financial statements.

3 ACCOUNTING POLICIES

3.1 Amendments to accounting methods

The accounting methods applied generally represent the methods applied in the prior year. Effective January 1, 2010 the following listed new and revised Standards and Interpretations were to be applied for the Group:

- IFRS 1 revised 2008 including Amendments "First-time Adoption of International Financial Reporting Standards"
- IFRS 2 "Share-based Payment — Group cash-settled share-based payments"
- IFRS 3 "Business Combinations (revised)" and !AS 27 "Consolidated and Separate Financial Statements (revised), including consequential amendments t IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 "Financial Instruments: Recognition and Measurement — Eligible Hedged Items"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 18 "Transfers of Assets from Customers"
- "Improvements to IFRS 2008"
- "Improvements to IFRS 2008"

The application of Standards and Interpretations that are relevant for the VERBIO Group are explained below:

IFRS 3 "Business Combinations (revised)" and IAS 27 "Consolidated and Separate Financial Statements (revised)" — IFRS 3 (revised) leads to significant changes in the measurement of non-controlling interests, the accounting for transaction costs, the recognition and subsequent measurement of conditional consideration and in the case of acquisitions achieved in stages. Business combinations formed by contract and business combinations formed by exchange of ownership interests fall within the scope of IFRS 3 (2008). In addition, the definition of a business is has been made broader, and condition consideration is to be recognised at its fair value at the date of acquisition. For the measurement of non-controlling interests an option was introduced (proportionate share of the acquiree's identifiable net assets of the acquired company or at fair value). Acquisition-related costs are to be recognised as expense. IAS 27 (revised) sets forth that changes in the amount of investment that do not lead to a loss of control are to be accounted for as transactions with shareholders in their capacity as shareholders. The new rules under IFRS 3 and IAS 27 have an effect on the acquisition and loss of control of subsidiaries and on transactions with shares without control that take place on or after January 1, 2010.

IAS 39 "Financial Instruments: Recognition and Measurement — Eligible Hedged Items" — It is clarified that it is permissible to designate only a portion of the changes in fair value or cash flow fluctuations of a financial instrument as a hedged item. The Group determined that this change has no effect on the net assets, financial position or results of operations of the Group, since such partitioning of hedged items has not occurred.

IFRIC 17 "Distributions of Non-cash Assets to Owners" — This interpretation contains guidelines for the accounting for agreements, under which companies make no-cash distributions to owners as distributions from reserves or as dividends. This Interpretation has no effect on the presentation of the net assets, financial position or results of operations of the Group.

"Improvements to IFRS 3008 and 2009" — In May 2008 and in April 2009 the IASB issued two collection standards with changes to various IFRS. The application of the following new rules led to changes in the accounting methods but had no effect on the net assets, financial position or results of operations of the Group:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" — This clarifies that for non-current assets and disposal groups that are classified as held for sale, and for discontinued operations, only the disclosure requirements in IFRS 5 are relevant, unless other Standards explicitly require these disclosures also for assets accounted for under IFRS 5 and discontinued operations. This clarification did not lead to any changes in the financial year.
- IFRS 8 "Operating Segments" — This clarifies that segment assets and liabilities are only required to be disclosed if these assets and liabilities are regularly reported to the chief operating decision maker. Since the chief operating decision maker of the Group monitors the development of the segment assets and segment liabilities, the Group continues to disclose this information.
- IAS 36 "Impairment of Assets" — The change clarifies that a cash generating unit to which goodwill has been allocated in connection with a business combination cannot be larger than an operating segment as defined by IFRS 8 before the aggregation according to criteria specified therein. The change has no effect on the Group, since the impairment test is carried out at the level of the operating segment.

There were no effects on the accounting and the presentation of the net assets, financial position or results of operations of the Group resulting from the new rules contained in the "Improvements to IFRS" listed below:

- IFRS 2 "Share-Based Payments"
- IAS 1 "Presentation of Financial Statements"
- IAS 7 "Statement of Cash Flows"
- IAS 17 "Leases"
- IAS 34 "Interim Financial Reporting"
- IAS 38 "Intangible Assets"
- IAS 39 "Financial Instruments — Recognition and Measurement"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 16 "Hedges of a net Investment in a Foreign Operation"

3.2 Goodwill and other intangible assets

Business combinations are accounted for by applying the acquisition method. The acquisition cost of a business combination represents the sum of the consideration transferred measured at fair value at the date of the acquisition, plus the amount of any non-controlling interest in the acquired entity. The non-controlling interests are valued at the proportional share of the identified net assets of the acquired entity. Costs incurred in connection with the business combination are recognised as expense.

Goodwill arises in a business combination from the difference between consideration transferred and the share, excluding non-controlling interests, of fair values of the identified assets, liabilities and contingent liabilities acquired. If the consideration is below the fair value of the net assets of the acquired entity, the difference is recognised in the income statement.

After the initial recognition, goodwill is carried at acquisition cost, less any accumulated impairment write-downs. Goodwill is allocated to cash-generating units and tested for impairment losses at least annually or upon an indication of potential impairment.

3.3 Intangible assets

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

Normal amortisation is recorded in the income statement under the caption "Depreciation and amortisation" on a straight-line basis and over expected useful lives. The expected useful lives are 15 years for customer relationships; for other intangible assets these range from three to five years.

3.4 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, an appropriate portion of the construction-related overheads and the estimated future costs of dismantling obligations. Self-constructed property, plant and equipment include all costs directly related to the manufacturing process and an appropriate portion of production overheads. Construction-related depreciation and a share of the directly attributable administrative expenses were included in the measurement as construction-related overheads. In addition, the acquisition or construction costs include the estimated future costs in connection with existing asset retirement obligations.

Borrowing costs have not been considered in determining acquisition and production costs according to IAS 23, since the requirement for borrowing costs to be directly attributable to the production of a qualifying asset was not fulfilled.

Scheduled depreciation is recorded in the income statement on a straight-line basis and over expected useful lives. Expected useful lives are determined as follows:

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

If indications exist 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 Impairment of non-current assets

Goodwill is tested annually for any impairment in accordance with IAS 36. Other intangible assets and property, plant and equipment are tested for impairment if there are indications of impairment of the relevant assets.

October 31 has been established as the designated date for performing the impairment test, since the planning for the following year has been completed by this time.

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 is the higher of the fair value less costs to sell and 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.

For purposes of the impairment test Goodwill has been allocated to the cash generating units. In this connection, based on the current management and organisational structures and the financial presentation of VERBIO, the cash generating units have been determined to be the segments as defined by IFRS 8. The carrying amount of goodwill is allocated entirely to the biodiesel segment.

3.6 Taxes

Current tax receivables and payables for the current period are measured at the amount in which a refund from tax authority is expected or a payment to the tax authority is expected. The calculation of the amount is based on the tax rates and tax law that are in effect at the balance-sheet date.

Deferred taxes are determined on the basis of the balance-sheet oriented liability method. According to this method, deferred taxes result from temporary differences between the IFRS carrying values of assets and liabilities and their tax values. In addition, deferred tax assets are recognised on tax loss carry forwards. In accordance with IAS 12, no deferred taxes are recorded for goodwill arising from business combinations. Deferred taxes are measured at the tax rate which is applicable at the time of the expected reversal of the temporary differences. 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 a future taxable result will be available against which the deferred tax claim can be realised.

3.7 Inventories

Inventories are measured at the lower of acquisition or production costs and net realizable value. Net realizable value represents the estimated selling price less estimated costs of completion and the estimated necessary selling costs for normal operating activities. In the case of impairment of inventories, a write-down to the net realizable value is made and the lower net realizable 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. Production costs comprise direct costs of materials, and, if appropriate, direct production costs and those over-heads that are incurred in order to bring the inventories to their present location and condition. Acquisition or production costs are determined by the weighted average method.

3.8 Trade receivables and other financial assets

Subsequent to their initial recognition, trade receivables and other financial assets are carried at amortised cost, less any respective valuation allowances. Allowances are recognised individually or for a group of receivables that have comparable non-collectability profiles. Concrete information regarding non-collectability leads to a write-off of the related receivables or assets.

3.9 Derivatives

The VERBIO Group uses derivate 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 in subsequent periods remeasured at fair value. Derivative financial instruments are recognised as financial assets if their fair value is positive and as financial liabilities if their fair value is negative.

For comprehensive disclosures relating to derivatives, in particular to accounting principles applied, we refer to our comments under Section 9.2, "Information on financial instruments".

VERBIO has forward fixed-price supply contracts, which basically meet the definition of derivatives (IAS 39.9), that 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.

3.10 Time deposits

The time deposits are not available on a daily basis and are held until their respective maturities. These relate to investments with original (i.e. from the time of concluding the investment transaction) maturities extending beyond three months. The time deposits are carried at amortised cost. Due to the maturities, the carrying values represent the fair values.

3.11 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 less than three months. Currency balances which are restricted as collateral for derivatives entered into, for utilised guaranteed credit lines and for bank loans granted are also shown under cash and cash equivalents.

3.12 Noncurrent assets held for sale

Noncurrent assets held for sale are recognised at book value, since the fair value less costs to sell is higher than the book value. Noncurrent assets are classified as held for sale if the respective carrying amount will be realised in a sales transaction rather than through continuing use. This is only the case when the sale is highly probable and the asset is immediately salable in its current condition. Management must have committed the entity to the sale, and the sale must be expected within one year of the classification for the recognition as held for sale to be considered.

3.13 Investment grants and subsidies

In accordance with the option in IAS 20 investment grants and subsidies are recognised as liabilities and 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 fulfill the conditions related to the granting of the subsidy and that the subsidies will be granted.

3.14 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 resources embodying economic benefits and its amount can be reliably estimated. Provisions are measured at the amount required to fulfill the obligation in accordance with the best estimate. Provisions for obligations that will not yet result in an outflow of resources in the following year are recognised as of the balance-sheet date at the discounted settlement amount, taking into account expected cost increases. The discounting to the settlement amount is carried out on the basis of market rates of interest. An interest rate of 4.75 per cent (in prior period: 5.39 per cent) was applied for purposes of discounting in the financial year 2010.

3.15 Financial liabilities

Financial liabilities according to 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 the initial recognition financial liabilities are carried at amortised cost. Regarding the derivative financial assets reference is made to Section 3.9. For noncurrent liabilities, amortised cost is determined by applying the effective interest rate method.

3.16 Revenue and other operating income

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

Upon the sale by the Group of manufactured products and merchandise to customers, recognition takes place when significant opportunities and risks ownership of the manufactured products and merchandise are transferred to the customer.

3.17 Financial result

Interest income and interest expense are recorded in the appropriate period taking into account the effective interest method. In addition to interest income and financing expenses, impairment losses on financial investments and gains on the disposal of financial assets are also presented under the financial result.

3.18 Income taxes

Income taxes on the result for the period include both current and deferred income taxes. Current taxes are determined in accordance with the respective legal requirements. Deferred taxes are determined in accordance with the explanations in Section 3.6 "Taxes".

3.19 Issued Standards that are not yet required to be applied

As of the date of the publication of consolidated financial statements, additional IFRS and IFRIC were issued that have already been partially endorsed by the EU, but are not required to be adopted until a future date. Following are only those Standards and Interpretations that relevant or could be relevant for VERBIO AG. VERBIO AG intends to apply these standards when their application is mandatory.

- IAS 32 "Financial instruments; Presentation" (revised) — Classification of Rights Issues
- IFRS 7 "Financial Instruments; Disclosures" (revised) — Disclosures about transfers of certain financial instruments
- IFRS 9 "Financial Instruments" — Classification and measurement of financial instruments (not endorsed)
- IFRS 9 "Financial Instruments" — Accounting for financial liabilities (not endorsed)
- IAS 24 "Related Party Disclosures"
- IAS 12 "Income Taxes" — Accounting for deferred taxes on investment property (not endorsed)
- "Improvements to IFRS 2010"
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"(revised)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (not endorsed)

We do not expect any significant effects on the presentation of the financial statements from the first-time application of these changes (with the exception of IFRS 9, whose effects are still being fully investigated). However, there could be changes with respect to the extent of disclosures in the notes.

4. SIGNIFICANT DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements according to IFRS requires assumptions and estimates to be made that 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 concerning the future as well as other main sources of estimates that are subject to uncertainty as of the balance-sheet date, because of which a considerable risk exists that within the next financial years that a significant adjustment of the carrying amounts of assets and liabilities will be required, are explained below.

Write-downs of non-financial assets

The estimates and assumptions made relate primarily to the occurrence of premises in connection with the impairment test of goodwill and intangible assets and property, plant and equipment, as well as the determination of the economic useful lives of intangible assets and property, plant and equipment. Significant assumptions in connection with the impairment test relate in particular to the assumed stability of political and legal conditions, the assumed costs and price changes, and in connection with the planning of anticipated conclusion of contracts for biogas to arrive at the assumed capacity utilisation.

An impairment exists when the carrying amount of an assets or a cash generating unit is in excess of its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher amount of the fair value, less costs to sell, and the value in use. In order to calculate the value in use, a discounted cash flow method is used. The cash flows are derived from the financial planning for the next years, whereby significant future investments that would increase the profitability of the cash generating unit are not included. The basic assumptions to determine the recoverable amount for the various cash generating units, including a sensitivity analysis, are explained under Section 7.1 "Goodwill and other intangible assets".

The carrying amount of goodwill at December 31, 2010 amounted to KEUR 70,682 (2009: KEUR 155,655).

Taxes

In addition, the assumptions and estimates made relate to the realisablity of future tax relief. With respect to deferred taxes on deductible loss carry forwards, the estimates are highly dependent on the development of income. The estimates could therefore differ from actual amounts in later periods. Changes in the required assumptions and estimates are reflected in income at the time they become known. The circumstances existing at the time of the preparation of the consolidated financial statements and the future development of the industry-related environment as regards the future business development of the VERBIO Group have been used as a basis.

The carrying amount of the deferred tax assets at December 31, 2010 amounts to KEUR 0 (2009: KEUR 19).

5 BUSINESS COMBINATION

Acquisition of the Märka Group

On November 1, 2010 the VERBIO Group acquired 89.35 per cent of the voting shares of Märka GmbH. Märka GmbH and its subsidiaries operate as gathering traders for grain, oil seed, legumes, and straw. In addition, the Märka Group offers fertiliser, seeds, and biodiesel. Regional focal points are significant portions of Brandenburg, Saxony, Thuringia and Saxony-Anhalt, as well as portion of Poland.

With Märka GmbH, VERBIO will have direct access in the future to European farmers. Thereby, the increasingly important raw material procurement is assured for the Company on a long-term basis and can be further optimised. The VERBIO Group valued the non-controlling interests on the acquired company corresponding fair value.

The fair values of the identifiable assets and liabilities of Märka at the date of acquisition were as follows:

EUR k	Fair value at the date of acquisition
ASSETS	
Other intangible assets	62
Property, plant and equipment	49,814
Cash and cash equivalents	6,263
Trade receivables	15,785
Inventories	53,291
Other assets	1,283
Tax refunds receivable	1,964
Deferred tax assets	519
Total assets	**128,981**
LIABILITIES	
Trade payables	12,658
Financial liabilities	60,450
Provisions	349
Other liabilities	16,032
Derivatives	4,375
Tax liabilities	864
Deferred tax liabilities	1,543
Total liabilities	**96,271**
Total identifiable net assets at fair value	**32,710**
Non-controlling interests measured at fair value	3,482
Negative goodwill arising from the business combination	2,725
Total consideration transferred	**26,503**

The fair value of the trade receivables amounts to KEUR 15,785. The gross amount of the trade receivables amounts to KEUR 16,795. Except for an allowance in the amount of KEUR 1,010, the contractually agreed amounts are expected to be collectable.

The negative goodwill from the business combination (KEUR 2,725), which considers expected losses of the Märka Group for 2010 at the time of concluding the purchase agreement, was recognised in the consolidated income statement under the caption "Other operating income".

Since the date of acquisition, Märka has contributed EUR 11.1 million to the sales revenues and KEUR −1,197 to the result for the period before taxes of the Group.

Had the business combination taken place at the beginning of the year, the consolidated sales would have been KEUR 564,693 and the consolidated result would have amounted to KEUR 10,617.

The applicable fair values of the total transferred consideration as of the acquisition date are presented as follows:

EUR k	
CONSIDERATION	
Transferred shares, measured at fair value	7,052
Cash purchase price payment	17,951
Retention	1,500
Total consideration	**26,503**
ANALYSIS OF CASH OUTFLOW DUE TO BUSINESS COMBINATION	
Cash purchase price payment	−17,951
(included in cash flows from investing activities)	
Transaction expenses in connection with the business combination	−351
(included in cash flows from operating activities)	
Cash and cash equivalents acquired with the subsidiary	6,263
(included in cash flows from investing activities)	
Actual cash outflow due to the business combination	**−12,039**

As consideration for the investment in Märka, VERBIO AG transferred, among other consideration, 1,470,000 of its treasury shares. The fair value of the treasury shares transferred out of the inventory of treasury shares represented the market price of the of the shares of VERBIO AG as of the acquisition date, which amounted to EUR 4.79 per share.

The agreed-upon retention is payable at June 30, 2011 in cash, if no claims for damages are made by the acquirer.

According to the concluded share sale and purchase contract, the contract parties agreed that resulting from certain contractually-defined value-enlightening information, an adjustment of the share purchase price, and under certain conditions, also a withdrawal can be made by both the acquirer and the seller up to March 31, 2011. VERBIO assumes that a withdrawal will not occur.

The transaction costs in the amount of KEUR 351 were recorded as expenses and are shown und other operating expenses.

6 NOTES TO THE INDIVIDUAL ITEMS IN THE GROUP COMPREHENSIVE INCOME STATEMENT

6.1 Revenues

For an explanation of revenues (including the deduction of mineral taxes) we refer to the Segment reporting (see Section 9.1 "Segment reporting").

6.2 Own work capitalised

The capitalised own work in the amount of KEUR 1,844 (2009: KEUR 1,950) relate to Company production costs incurred in the financial year 2010 for self-constructed technical plants (in particular, biogas plants). Regarding the nature of costs included in the production costs we refer to the comments in Section 3.4 "Property, plant and equipment".

6.3 Other operating income

Other operating income comprises the following items:

EUR k	2010	2009
Insurance recoveries	6,956	193
Gains on disposals of property, plant and equipment	4,910	2,788
Negative goodwill from business combination	2,725	0
Gains on the disposal of investment grants	2,520	1,863
Release of investment grants	2,275	2,073
Reimbursement of electricity tax and mineral oil tax	1,370	1,427
Income from written-off receivables	1,005	480
Release of other provisions and write-off of trade payables	651	4,220
Rental income	644	651
Release of allowance for doubtful receivables	486	2,131
Other out-of-period income	405	146
Realised exchange gains	85	244
Miscellaneous	1,998	3,447
Total other operating income	**26,030**	**19,663**

The insurance recoveries were granted primarily as compensation for a business interruption at the Zörbig location (Bioethanol segment).

The gains on the disposals of property, plant and equipment result in the amount of KEUR 4,517 from seven wind power plants and relate to the Energy segment. Following the sale, deferred investment grants and subsidies attributable to the wind energy plants of VDB were released to profit and loss in the amount of KEUR 2,520. Included in the release amount is income from the wind energy plants in the amount of KEUR 876 shown at December 31, 2009 under balance-sheet item "Liabilities in connection with noncurrent assets held for sale". We refer in this connection, and also in connection to the release of investment grants, to our comments in Section 3.13 "Investment grants and subsidies".

Regarding the reported negative goodwill from business combination, we refer to comments under Section 5 "Businsess Combination".

6.4. Income from reversals of write-downs

With regards to income from reversals of write-downs, reference is made to the comments on the impairment test in Section 7.1 "Goodwill and other intangible assets".

6.5 Cost of materials

Cost of material comprises the following:

EUR k	2010	2009
Crude oil, raffinate, biodiesel, rapeseed, fatty acid	276,929	306,442
Grain	105,616	84,349
Bioethanol	17,608	8,102
Additives	12,940	10,110
Release of provision for pending loss contracts	0	−12,257
Increase in provision for pending loss contracts	1,294	18
Miscellaneous	17,273	19,296
Total raw materials, consumables, supplies and purchased goods	**431,660**	**416,060**
Energy costs	19,234	18,607
Expense wind power	5,750	13,682
Miscellaneous purchased services	7,442	10,047
Expense for purchased services	**32,426**	**42,336**
Total cost of materials	**464,086**	**458,396**

6.6 Personnel expenses

EUR k	2010	2009
WAGES AND SALARIES		
Wages and salaries	15,260	13,644
Special remuneration	1,887	1,182
Total	**17,147**	**14,826**
SOCIAL SECURITY EXPENSES		
Compulsory social security	2,512	2,064
Employees' accident insurance association	147	141
Pension expense	338	275
Support payments	147	86
Total social security expenses	**3,144**	**2,566**
Total personnel expenses	**20,291**	**17,392**

Included in the compulsory social security are primarily are the employer's share of social security in the amount of KEUR 1,266 (2009: KEUR 1,064). Furthermore, in connection with a defined benefit pension plan, the companies paid KEUR 338 (2009: KEUR 275) into, among others, a pension fund.

As of December 31, 2010 the Group employed 743 (31/12/2009: 411) staff, of which 274 (31/12/2009: 152) were salaried, 434 (31/12/2009: 234) non-salaried and 35 (31/12/2009: 25) trainees and apprentices.

In the year 2010 the Group had an average of 474 employees (2009: 409 employees), thereof 178 salaried employees (2009: 139 salaried employees), 269 non-salaried employees (2009: 248 non-salaried employees) and 27 trainees and apprentices (2009: 22 trainees and apprentices).

6.7 Depreciation and amortisation

For a presentation of the depreciation and amortisation we refer to Sections 3.4 "Property, plant and equipment" and Section 3.5 "Goodwill and other intangible assets".

6.8 Other operating expenses

EUR k	2010	2009
Outgoing freight	9,568	10,999
Repairs	5,379	4,976
Insurances and dues	2,159	2,291
Motor vehicle costs	2,070	1,559
Selling expenses	1,956	1,088
Warehousing expenses	1,948	4,563
Legal and consulting fees	1,417	1,220
Miscellaneous personnel expense	1,403	1,849
Losses on receivables and increase in allowances	1,228	865
Rental and leasing expenses	1,013	501
Other out-of-period expenses	703	280
Financial statements	418	344
Losses on the disposal of property, plant and equipment	338	47
Foreign exchange losses	90	90
Supervisory Board compensation	88	88
Miscellaneous other operating expenses	4,977	2,826
Total other operating expenses	**34,755**	**33,586**

Amounts shown in 2010 under losses on receivables and increase in allowances are primarily for specific allowances on trade receivables of KEUR 407 (2009: KEUR 603) and on other assets of KEUR 622 (2009: KEUR 78). We refer to our comments in Section 3.8 "Trade receivables and other financial assets".

6.9 Expenses from write-downs

With respect to expenses from write-downs reference is made to the comments on the impairment test in Section 7.1 "Goodwill and other intangible assets".

6.10 Result from commodity forward contracts

The result from the valuation and closing of positions of forward contracts which do not qualify for hedge accounting, the result from commodity futures that are used for hedge accounting (fair value hedges) and the ineffective portion of forward contracts that are used for hedge accounting (cash flow hedges) amounts in total to KEUR −8,896 (2009: KEUR −2,034). In addition, included in this item is the remeasurement result relating to embetted derivatives in the amount of KEUR −303.

In the 2010 financial year, the result from commodity future transactions is affected by positive amounts (KEUR 14,875) from commodity future transactions in connection with the application of fair value hedge accounting.

In addition, as of the balance-sheet date KEUR 2,833 (2009: KEUR −6,692) taking into consideration deferred taxes of KEUR −1,170 (2009: KEUR 2,552) from the valuation of future commodity transactions was taken from the other reserves without income statement effect, resulting from the qualification as cash flow hedges.

6.11 Financial result

EUR k	2010	2009
Interest income	558	1,088
Interest expense	−3,742	−3,775
Miscellaneous financial result	0	2,895
Total financial result	**−3,184**	**208**

For further explanations regarding the composition of interest income and interest expense reference is made to disclosures on financial instruments in Section 9.2.2.3 "Other information required by IFRS 7".

The other financial result shown for the prior period includes primarily a gain on the disposal of financial assets (KEUR 3,035) from the sale of the investment in Neckermann Renewables Wittenberg GmbH, Wittenberg.

6.12 Income tax expense

Income tax expense comprises the following:

EUR k	2010	2009
Current tax expense	−1,496	−2,557
Deferred tax income (previous year: expense)	2,240	−1,928
Total income tax	**744**	**−4,485**

For the calculation of domestic deferred taxes a corporation tax rate of 15.0 per cent (prior year: 15.0 per cent) plus the solidarity surcharge of 5.5 per cent (prior year 5.5 per cent) plus for the parent company a trade tax rate of 15.17 per cent (prior year: 11.77 per cent) was applied. After considering the solidarity surcharge and the effective trade tax rate the applicable tax rate is 31.0 per cent (prior year: 27.6 per cent). The trade tax relevant for domestic companies ranged between 11.20 per cent and 15.17 per cent depending upon the location.

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

EUR k	2010	2009
Result before taxes	7,243	−2,778
Income tax rate	31.0 %	27.6 %
Expected income tax expense	**−2,245**	**767**

The following effects led to a difference between the effective and the expected income tax expense:

EUR k	2010	2009
Write-down of goodwill	−26,337	0
Change in non-recognised deferred taxes due to reversal of impairment write-down	27,326	0
Change in other non-recognised deferred taxes	251	−5,785
Difference in tax rates	1,785	611
Non-deductable expenses and permanent effects	−83	613
Additional tax upon distribution of retained earnings	−25	−654
Effects relating to prior periods	−68	−22
Other differences	140	−15
Reported income tax expenses	**744**	**−4,485**

The deferred tax assets and liabilities in the consolidated balance-sheet are based on temporary differences between the carrying values in the IFRS consolidated financial statements and the tax carrying values of the following assets and liabilities as well as on tax loss carry forwards:

EUR k	Deferred tax assets		Deferred tax liabilities		Total	
	2010	2009	2010	2009	2010	2009
Intangible assets	0	0	4,667	4,556	−4,667	−4,556
Property, plant and equipment	2,047	12,259	5,882	5,209	−3,835	7,050
Inventories	0	35	0	2,345	0	−2,310
Derivatives	1,286	1,719	685	262	601	1,457
Investment grants and subsidies (investment grants)	216	156	3,743	4,217	−3,527	−4,061
Pension liabilities	15	0	0	0	15	0
Other provisions	413	25	610	97	−197	−72
Other non-current liabilities	0	0	32	57	−32	−57
Additional tax upon distribution of retained earnings	0	0	25	653	−25	−653
Loss carryforwards	8,550	40	0	0	8,550	40
	12,527	14,234	15,644	17,396	−3,117	−3,162
Netted	0	−14,215	0	−14,215	0	0
Net deferred taxes	**12,527**	**19**	**15,644**	**3,181**	**−3,117**	**−3,162**

The deferred tax liabilities on investment grants and subsidies (investment grants) result from grants received in connection with the acquisition of the company.

The change in the recognised deferred tax liabilities results from changes with income-statement effect in the amount of KEUR 2,240 (prior year: KEUR −1,928) as well as from changes recognised directly in equity in the amount of KEUR −2,195 (2009: KEUR 2,552). The changes recognised directly in equity relate to changes in the measurement of derivatives that are only recognised in equity (KEUR −1,170; prior year: KEUR 2,552), as well as additions to deferred tax liabilities in connection with the acquisition of the Märka Group in the 2010 financial year (KEUR −1,025).

For trade tax losses that can be carried forward in the amount of KEUR 56.604 (2009: KEUR 72,377), corporate tax carryforwards in the amount of KEUR 3,853 (2009: KEUR 51,350) as well as temporary differences in the amount of KEUR 0 (2009: KEUR 17,803), no deferred taxes were recognised, since their recoverability is currently not sufficiently certain.

Deferred tax liabilities in the amount of KEUR 25 (2009: KEUR 653) have been recorded for the five per cent additional tax upon distribution of the undistributed profits STS in the amount of KEUR 1,832 (2009: KEUR 47,353).

7 NOTES TO THE INDIVIDUAL ITEMS IN THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

7.1 Goodwill and other intangible assets

The intangible assets developed in the period from January 1 to December 31, 2010 as follows:

EUR k	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition costs as of January 1, 2010	269,319	29,219	717	299,255
Addition to consolidated companies	0	0	62	62
Additions	0	0	40	40
Disposals	0	0	16	16
Acquisition costs as of December 31, 2010	**269,319**	**29,219**	**803**	**299,341**
Accumulated amortisation as of January 1, 2010	113,664	12,712	462	126,838
Additions	0	1,452	185	1,637
Write-downs in accordance with IAS 36	84,973	0	0	84,973
Disposals	0	0	7	7
Accumulated amortisation as of December 31, 2010	**198,637**	**14,164**	**640**	**213,441**
Carrying amount as of January 1, 2010	155,655	16,507	255	172,417
Carrying amount as of December 31, 2010	**70,682**	**15,055**	**163**	**85,900**

The intangible assets developed in the period from January 1 to December 31, 2009 as follows:

KEUR	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition costs as of January 1, 2009	269,319	29,219	645	299,183
Additions	0	0	101	101
Disposals	0	0	29	29
Acquisition costs as of December 31, 2009	**269,319**	**29,219**	**717**	**299,255**
Accumulated amortisation as of January 1, 2009	113,664	11,260	308	125,232
Additions	0	1,452	183	1,635
Disposals	0	0	29	29
Accumulated amortisation as of December 31, 2009	**113,664**	**12,712**	**462**	**126,838**
Carrying amount as of January 1, 2009	155,655	17,959	337	173,951
Carrying amount as of December 31, 2009	**155,655**	**16,507**	**255**	**172,417**

Goodwill

Goodwill in the Biodiesel segment was required to be tested for recoverability. The annual impairment test in the Biodiesel segment was carried out as of October 31, 2010 and resulted in an impairment loss of EUR 84.97 million. The write-down is recognised in the comprehensive income statement under the caption "expenses from write-downs".

In the Bioethanol segment, goodwill was fully written-down as the December 31, 2007 balance-sheet date. Property, plant and equipment were written down in addition to goodwill. For this reason, it was necessary to determine for this cash generating unit if an indication exists that the impairment in excess of the goodwill no longer exists or might have become smaller. We examined this as of October 31, 2010. The test resulted in a recoverable amount that substantially exceeded the maximum allowable reversal of the impairment write-down (EUR 86,09 million). The reversal of the write-down was shown in the comprehensive income statement under the caption "Income from reversal of write-downs".

The impairment tests for the biodiesel and ethanol segments were performed, with no change in method to the prior year, on the basis of the determination of the recoverable amounts of the cash generating units. To accomplish this, the recoverable amounts were determined based on the value in use. We did not determine the fair value less costs to sell, since there were no apparent indications that this value is higher than the value in use.

The cash flow projections are based on the plans for the year 2011 that have been approved by the management board and supervisory board and on the middle-term plan for the years 2012 through 2015 as authorized by the management board. The plans were prepared based upon experience and current market developments.

The expected positive effects from the not-yet-enacted Biomass Sustainability Regulation have provided a basis for the plan. In particular, an increase in revenues and the resulting cash flows have been incorporated in the plan. The positive effects from the Biomass Sustainability Regulation (BioNachV) are based on the conversion of the calculation of the admixture ratio from a volume share to providing evidence of a sustainably generated biomass. According to this, the biofuels are only to be taken into account when crops that are utilised for the biofuel production are cultivated on sustainable land, the protection of natural habitats is assured and a quantitative minimum of greenhouse gases is avoided. Beginning in the year 2015, biofuels are to be rated according to their CO_2 and greenhouse gas reduction. In this connection the sustainability of the raw material cultivation and the CO_2 efficiency of the production process for biofuels are to be certified. Furthermore, competitive advantages are seen by VERBIO in the energy efficiency of the existing biodiesel plants. VERBIO sees itself at advantage over the competition, in some cases already currently, with respect to all required criteria. As a result of this, VERBIO anticipates a significant additional margin after BioNachV comes into force.

Details of the planning:

Revenue planning

Detailed revenue planning and the basis of existing contracts, additional spot market transactions entered into, market price estimates based on currently still unsold capacity for relating to the planning period. Revenue increases based on the expected positive effects from the enacted sustainability regulation.

Average sales prices in the biodiesel segment range between 700 EUR/ton and 900 EUR/ton. Starting in 2015 an increase in revenues of 0.05 EUR per liter biodiesel is expected due to the sustainability regulation.

In the bioethanol segment the planned sales prices range between 600 EUR/ton and 800 EUR/ton. Due to the sustainability regulation, a revenue increase of 0.02 per liter ethanol is anticipated beginning in 2015.

Material cost planning

The material cost was planned based on sales volumes taking into consideration the respective raw material mix.

The primary raw materials in the Biodiesel segment are planned to be rapeseed, rapeseed raffinate, and fatty acid. Fatty acid results from the transesterification process from vegetable oils and through esterification can be refined into biodiesel. Average purchase prices for vegetable oil range between 600 EUR/ton and 850 EUR/ton.

In the Ethanol segment grain was planned as the primary raw material. Average purchase prices here range between 130 EUR/ton and 190 EUR/ton.

Additional revenues and expenses

Additional revenues and expenses were planned based on a comparison to the prior period and were adjusted for one-time effects and significant changes compared to the prior year or projected based on prior period's data.

Cash flows were estimated after taxes and interest and were discounted with an after-tax risk-adjusted cost of capital rate.

A risk-adjusted discount rate was applied to the forecasted cash flow in accordance with IAS 36.55. The discount factor as of October 31, 2010 for the biodiesel segment was 6.67 per cent (2009: 6.96 per cent) and for the ethanol segment was also 6.67 per cent (2009: 7.14 per cent). The determination of the basic assumptions was made based on experience over a long number of years and took into consideration industry-related comparable amounts.

The impairment test of the biodiesel segment led to the result that impairment exists. The primary cause of the impairment were the sharply increased purchase prices compared to the prior year of oil seed, which was not able to be completely passed on to end customers over the sales price of biodiesel. This is based in turn on the growing competition in the blending market. The test, moreover, also showed that if the effects VERBIO expects from BioNachV cannot be realised, in the future a further impairment of goodwill could exist. This risk is explicitly pointed out.

Furthermore, variations to the basic assumptions for purchase and sales prices compared to the budgeted prices have, above all, significant effects on the result of the cash flow projections and the recoverable amounts.

By a sustained increase in the raw material price for biodiesel raw materials of 13 EUR/ton, all other things being equal, an impairment write-down of goodwill by EUR 70.7 million would be required; by a sustained decrease in sales prices of 15 EUR/ton and all other things being equal, an impairment write-down of goodwill also by EUR 70.7 million would be required.

Customer relationships

Customer relationships are amortised over 15 years on a scheduled basis.

The recoverability of the customer relationships shown in the Biodiesel segment were tested through the impairment test in the Biodiesel segment, since the customer relationships are included in the segment assets. This revealed no need for a write-down beyond the scheduled amortisation.

EUR k	Biodiesel
Carrying value at January 1, 2010	16,507
Scheduled amortisation 2010	1,452
Carrying value at December 31, 2010	**15,055**

Research and development

Expenses of KEUR 746 (2009: KEUR 750) for the area of research and development are included in the comprehensive income statement.

7.2 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 KEUR 93,282 (2009: KEUR 59,021) are pledged as security for financial liabilities.

Property, plant and equipment developed in the period from January 1 to December 31, 2010 as follows:

EUR k	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Total
Acquisition costs as of January 1, 2010	29,181	194,457	12,499	14,286	250,423
Additions to consolidated companies	36,184	9,266	4,129	234	49,813
Additions	505	45,751	445	1,600	48,301
Reclassifications	325	14,766	19	−15,110	0
Disposals	237	13,902	738	24	14,901
Acquisition costs as of December 31, 2010	**65,958**	**250,338**	**16,354**	**986**	**333,636**
Accumulated depreciation as of January 1, 2010	9,882	142,758	4,978	472	158,090
Additions	1,028	8,176	1,771	0	10,975
Reversals of write-downs	5,866	80,223	0	0	86,089
Reclassifications	0	472	0	−472	0
Disposals	0	7,112	467	0	7,579
Accumulated decpreciation as of December 31, 2010	**5,044**	**64,071**	**6,282**	**0**	**75,397**
Carrying amount at January 1, 2010	19,299	51,699	7,521	13,814	92,333
Carrying amount at December 31, 2010	**60,914**	**186,267**	**10,072**	**986**	**258,239**

With respect to the reversal of write-downs of property, plant and equipment of the Bioethanol segment, we refer to the comments in Section 7.1 "Goodwill and other intangible assets".

Property, plant and equipment developed in the period from January 1 to December 31, 2009 as follows:

KEUR	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Total
Acquisition costs as of January 1, 2009	27,827	214,254	12,390	4,241	258,712
Additions	1,092	2,306	917	10,818	15,133
Reclassifications	262	−7,231	−14	−773	−7,756
Disposals	0	14,872	794	0	15,666
Acquisition costs as of December 31, 2009	**29,181**	**194,457**	**12,499**	**14,286**	**250,423**
Accumulated depreciation as of January 1, 2009	9,059	146,727	3,756	472	160,014
Additions	808	6,923	1,753	0	9,484
Reclassifications	15	−3,581	0	0	−3,566
Disposals	0	7,311	531	0	7,842
Accumulated depreciation as of December 31, 2009	**9,882**	**142,758**	**4,978**	**472**	**158,090**
Carrying amount at January 1, 2009	18,768	67,527	8,634	3,769	98,698
Carrying amount at December 31, 2009	**19,299**	**51,699**	**7,521**	**13,814**	**92,333**

7.3 Financial assets

The amount shown under this caption relates primarily to the noncurrent portion of a loan receivable (KEUR 1,642; prior year: KEUR 1,332), which is carried at amortised cost.

CURRENT ASSETS

7.4 Inventories

EUR k		31/12/2010		31/12/2009
Raw materials, consumables and supplies- bioethanol production	13,221		28,005	
less: allowance	0		0	
		13,221		**28,005**
Raw materials, consumables and supplies- biodiesel production	36,580		52,318	
less: allowance	0		−9	
		36,580		**52,309**
Raw materials, consumables and supplies- other	257		0	
less: allowance	0		0	
		257		**0**
Work in process biodiesel		406		202
Finished products: biodiesel and pharmaglycerine	3,168		3,022	
less: allowance	−17		0	
		3,151		**3,022**
Finished products: bioethanol	0		0	
less: allowance	0		0	
		2.517		**1.349**
Merchandise		69,916		0
Total inventories		**126,048**		**84,887**

Inventories are carried at acquisition and production costs in the amount of KEUR 124,480 (31/12/2009: KEUR 84,843). In addition, inventories in the amount of KEUR 1,568 (31/12/2009: KEUR 53) are carried at net realisable value.

The examination of inventories for recoverability resulted in allowances totaling KEUR 17 (31/12/2009: KEUR 9) to adjust to the lower market or net realisable value. The write-downs for raw materials, consumables and supplies as well as for merchandise is included in "cost of materials" (KEUR 0; 31/12/2009: KEUR 9) and for finished product in "change in unfinished and finished goods" (KEUR 17; 31/12/2009: KEUR 0).

Inventory with carrying amounts of KEUR 24,638 (31/12/2009: KEUR 149) were pledged as security. Furthermore, restraints of disposal regarding raw materials, consumables and supplies as well as merchandise in the amount of KEUR 65,910 (31/12/2009: KEUR 71,856) exist in connection with a secured loan.

7.5 Trade receivables

Trade receivables at the balance-sheet date amounted to KEUR 38,417 (31/12/2009: 20,418) and are disclosed net of valuation allowances of KEUR 1,660 (31/12/2009: KEUR 723).

Of the valuation allowances recorded in the prior period KEUR 484 (2009: KEUR 31) were released through the income statement in the financial year; the release amount is included in "other operating income". In the reporting year allowances were recognised in the amount of KEUR 407 (2009: KEUR 603) and are reflected under the caption, "other operating expenses".

Trade receivables include receivables from related parties in the amount of KEUR 110 (31/12/2009: KEUR 1,427).

Trade receivables amounting to KEUR 6,635 at December 31, 2010 (31/12/2009: KEUR 568) are assigned for security on loans. The receivables have a remaining term of up to one year.

7.6 Tax refunds receivable

EUR k		31/12/2010		31/12/2009
Building deduction tax STS		5,918		5,920
Claims for reimbursement from taxing authorities:		2,109		2,540
Corporation tax 2010 (Märka)	35		0	
Corporation tax 2010 (VERBIO AG)	2		0	
Corporation tax 2009 (Märka)	5		0	
Corporation tax 2009 (VERBIO AG)	1,320		1,320	
Corporation tax 2009 (VEZ Verwaltung GmbH)	1		1	
Corporation tax 2008 (VERBIO AG)	687		687	
Corporation tax 2008 (VDB Verwaltung GmbH)	0		1	
Trade tax 2009 (Märka)	59		0	
Trade tax 2008 (VDB)	0		354	
Trade tax 2007 (VDB)	0		177	
Total tax refunds receivables		**8,027**		**8,460**

7.7 Other assets

Other assets comprise the following:

EUR k	31/12/2010	31/12/2009
Security deposits for unrealised losses on forward transactions	15,618	183
Investment subsidies	12,781	10,144
Security deposits resulting from security agreements and liability declarations	3,275	3,249
Value-added tax receivables	1,609	6,233
Loan receivables	1,192	340
Reimbursement of electricity and energy tax	1,016	1,227
Deferred expenses	941	642
Security deposits for guaranteed credit lines	864	2,219
Other receivables VERBIO STS AG	700	1,260
Claims from the sale of wind power plants	179	11,760
Advance deposits on property, plant and equipment	0	11,253
Realised gains on forward transactions	0	368
Miscellaneous other assets	687	1,458
Total other assets	**38,862**	**50,336**

STS has recognised a receivable in the amount of KEUR 1,400, of which KEUR 700 (31/12/2009: KEUR 140) has been written down through an allowance. The receivable resulted from a cooperation agreement in the amount of KEUR 3,280, which was offset in the amount of KEUR 1,880 by repayment claims of the business partner. According to the cooperation agreement, the cooperation has been agreed with this business partner in the business field of the development of projects in the areas of biogenic fuel production. The valuation allowance was recognised because the contract partner in the cooperation agreement denies the receivable.

7.8 Derivatives

Derivatives recorded as assets at December 31, 2010 in the amount of KEUR 3,408 (31/12/2009: KEUR 1,319) are described under Section 9.2 "Information on financial instruments".

7.9 Time deposits

Time deposits as of the balance-sheet date in the amount of KEUR 4,000 (31/12/2009: KEUR 14,634) had a maturity of more than three months and carried an interest rate of 1.11 per cent p.a. An amount of KEUR 3,645 (31/12/2009: KEUR 4,215) of the time deposits is pledged as security for credit lines issued and well as financial guarantees and there-fore withdrawn from direct availability.

7.10 Cash and cash equivalents

This caption includes unrestricted cash and cash equivalents in the amount of KEUR 32,542 (31/12/2009: KEUR 30,520) and restricted cash and cash equivalents in the amount of KEUR 11,254 (31/12/2009: KEUR 3,636).

The unrestricted cash and cash equivalents comprise mainly cash in banks in the amount of KEUR 32,542 (31/12/2009: KEUR 30,508) (carrying interest at 0.5 per cent p.a.; 2009: 0.3 per cent p.a.) as well as time deposits in the amount of KEUR 0 (31/12/2009: KEUR 5) with a term of less than three months.

The restricted cash and cash equivalents serve as security for certain transactions with financial derivatives, as security for guarantees granted and as security for bank loans. The restricted cash and cash equivalents and the unrestricted cash and cash equivalents together represent the cash and cash equivalents shown in the statement of cash flows.

7.11 Assets held for sale

Effective January 29, 2010, three wind energy plants (Energy segment) were sold. Of these two wind energy plants were carried by VDB and one wind energy plant by VEZ. The carrying amount as of the December 31, 2009 balance-sheet date amounts, taking into consideration the capitalised recultivation obligations, amounted to KEUR 5,247. In the prior year a reclassification was made from property, plant and equipment to "assets held for sale". From the sale of these wind energy plants, taking into consideration income from the disposal of deferred investment grants and subsidies (KEUR 876), a gain in the amount of KEUR 1,433 was realised in the financial year.

EQUITY

7.12 Share capital

The development of equity is presented in the statement of changes in equity.

The share capital at December 31, 2010 amounted to KEUR 63,000 (at 31/12/2009: KEUR 63,000) and, unchanged from December 31, 2009, is divided into 63,000,000 no-par shares of in the name of the holders. Connected to the ownership of the shares are the voting rights in the general shareholders' meeting and the right to participation in resolved dividend distributions.

By resolution of the general shareholders' meeting on September 18, 2006 a contingent capital increase of up to KEUR 2,000 was carried out. This capital increase is strictly for the purpose of redemption of options under the stock option program of VERBIO AG. The supervisory board and management board have not yet adopted an employee stock option program.

By resolution of the general shareholders' meeting on June 12, 2007 the existing authorised capital was cancelled and a new authorised capital in the amount of KEUR 31,500 — this represents 50 per cent of the share capital at the time of the resolution — was created, which was entered into the commercial register of the Company on July 19, 2007. The authorised capital authorises the management board to increase the share capital, with the approval of the supervisory board, once or several times until June 11, 2012 by a total of KEUR 31,500 through the issuance of new shares in exchange for cash or inkind contributions (authorised capital).

7.13 Additional paid-in capital

Additional paid-in capital results primarily from the acquisition costs of VDB for the purchase of VES, VEZ, VDS and STS in connection with the merger carried out in 2006, to the extent it was not reflected in share capital. According to German company law regulations, the entire amount of the additional paid-in capital is restricted and is not available for distribution to the shareholders. It was reduced in 2006 by KEUR 49,900 as a result of share capital increase from the company's own resources. The excess of the proceeds of the initial public offering over the cash capital increase was added to the paid-in capital (KEUR 175,500). The costs of the initial public offering in the prior year reduced the paid-in capital in accordance with IAS 32.37.

In the financial year, KEUR 4,021 was added to paid-in capital. The amount represents the difference between the carrying amount and the fair value of the treasury shares, which were a component of the purchase price for the Märka shares.

7.14 Other reserves

The other reserves comprise the effective portion of changes in the fair value of forward purchase contracts which qualify as cash flow hedges which up until December 31, 2010 had not been realised.

7.15 Reserve for treasury shares

With a resolution dated June 28, 2010, the general shareholders' meeting authorised, with the simultaneous cancellation of the existing resolution from August 24, 2009, the management board to purchase treasury shares up to 10 per cent of the share capital. The purchase authorisation is effect until December 27, 2012.

On December 31, 2009 the Company held 1,470,000 treasury shares, representing 2.3 per cent of the share capital, which were purchased at an average price of 2.06 EUR per share. Thus, as December 31, 2009 there were 61,530,000 shares outstanding. In connection with the acquisition of Märka GmbH, the entire treasury shares were transferred as a portion of the purchase price. Therefore, as of December 31, 2010, all 63,000,000 shares were outstanding.

7.16 Retained earnings and appropriation of profit

Distributions to the shareholders of VERBIO AG are resolved based on year-end financial statements of VERBIO AG, prepared under German commercial principles. The management board intends to carry forward the retained earnings shown therein to the new accounts.

The negative retained earnings in the consolidated financial statements decreased by the result for the year in the amount of KEUR 8,109.

7.17 Earnings per share

VERBIO AG has 63,000,000 no-par shares with a calculated value of EUR 1.00. The Group result for the year 2010 relating to the controlling interests of VERBIO AG amounts to KEUR 8,109 (2009: KEUR −7,263).

The number of shares in the financial year 2010 was 63,000,000 shares. Taking into consideration the weighted average number of shares outstanding, there were 61,775,671 shares during the reporting period.

Composition of share capital (number of shares)	**2010**	**2009**
Issued shares on January 1	61,530,000	61,530,000
Effect of treasury shares	245,671	0
Number of average shares outstanding on December 31	**61,775,671**	**61,530,000**

In the 2010 financial year and in the comparative period there were no dilutive effects on earnings per share. The undiluted result per share amounts to EUR 0.13 (2009: EUR −0.12). The diluted earnings per share represent the respective undiluted earnings per share in both periods.

	2010	2009
Issued shares on January 1,	61,530,000	61,530,000
Effect of treasury shares	245,671	0
Number of average shares outstanding as of December 31,	61,775,671	61,530,000
Net result for the period in EUR k	8,109	−7,263
Earnings per share in EUR	**0.13**	**−0.12**

NON-CURRENT LIABILITIES

7.18 Provisions

Non-current provisions in the amount of KEUR 56 (31/12/2009: KEUR 226) represent asset retirement obligations for wind power plants. According to IAS 16.16c the liability represents a portion of the acquisition cost of the plants. The measurement represents the net present value arrived at using a discount rate of 4.75 per cent (31/12/2009: 5.39 per cent).

7.19 Financial liabilities

As of the December 31, 2010 balance-sheet date, financial liabilities (bank loans) totaled KEUR 88,219 (31/12/2009: KEUR 19,684). These are classified as follows (current and non-current portions):

EUR k	31/12/2010	To one year	Non-current	Maturity	Interest rate p.a.	Payment modality	
Bank 1	9,400	0	9,400	01/10/2014	5.50	at maturity	(2)
Bank 1	5,229	100	5,129	31/08/2012	5.70	monthly	(1)
Bank 2	20,025	2,025	18,000	31/12/2020	3.02	semiannual	(2)
Bank 3	41,164	39,329	1,835	2011-2015	4.85 - 7.32	yearly	(2)
Bank 4	99	46	53	2011-2013	1.80 - 3.50	monthly	(1)
Bank 5	1,043	264	779	30/09/2014	1.30	quarterly	(2)
Bank 6	83	52	31	30/06/2012	6.00	monthly	(1)
Bank 7	45	45	0	15/04/2011	0.00	quarterly	
Bank 7	34	34	0	15/03/2011	1.99	yearly	(1)
Bank 8	466	324	142	31/05/2012	6.88	monthly	(1)
Bank 9	99	39	60	02/11/2013	2.12 - 5.20	yearly	(1)
Bank 10	32	18	14	31/10/2012	6.24	yearly	(1)
Other loans	10,500	10,500	0	2011	4.00 - 7.50	at maturity	(1)
Total	**88,219**	**52,776**	**35,443**				

(1) fixed interest rate
(2) variable interest rate

The bank loans are classified at December 31, 2009 as follows (current and non-current portions):

KEUR	Balance 31/12/2009	To 1 year	Non-current	Maturity	Interest rate p. a.	Payment modality
Bank 1	9,400	0	9,400	01/10/2014	5.50	at maturity (2)
Bank 2	4,717	4,717	0	22/02/2010	2.45	monthly (2)
Bank 3	200	200	0	30/12/2009	5.10	monthly (1)
Bank 3	214	214	0	30/12/2009	5.60	monthly (1)
Bank 4	2,158	2,158	0	10/08/2010	5.45	monthly (1)
Bank 5	142	142	0	30/11/2010	3.90 – 5.75	monthly (1)
Bank 6	1,087	1,087	0	20/01/2010	4.75	semiannual (1)
Bank 6	789	789	0	20/01/2010	4.50	semiannual (1)
Bank 6	788	788	0	20/01/2010	5.00	monthly (2)
Bank 7	189	144	45	15/04/2011	0.00	quarterly
Total	**19.684**	**10.239**	**9.445**			

(1) fixed interest rate
(2) variable interest rate

Regarding the carrying values of the securities assigned we refer to the comments in the Sections 7.2 "Property, plant and equipment", 7.4 "Inventories", 7.5 "Trade receivables", 7.9 "Time deposits" and 7.10 "Cash and cash equivalents".

As of the balance-sheet date an interest rate risk exists only with respect to the current account credit, for which a variable interest rate exists. Because of the small risk, no interest hedging transactions have been entered into. Regarding interest rate risks we refer to our comments under Section 9.3.2.3. "Market risks".

7.20 Deferred investment grants and subsidies

The investment grants and subsidies deferred developed as follows in the period January 1 to December 31, 2010:

EUR k	Investment subsidies	Investment grants	Total
Balance as of January 1, 2010	11,249	1,939	13,188
Additions	3,708	1,674	5,382
Release	−1,255	−1,020	−2,275
Disposal	−1,657	0	−1,657
Balance as of December 31, 2010	**12,045**	**2,593**	**14,638**
Thereof current	1,365	625	1,990
Thereof non-current	10,680	1,968	12,648

For the period from January 1 to December 31, 2009 the deferred investment grants and subsidies are presented as follows:

KEUR	Investment subsidies	Investment grants	Total
Balance as of January 1, 2009	11,623	2,452	14,075
Addition	4,974	0	4,974
Reclassification to liabilities in connection with noncurrent assets held for sale	−876	0	−876
Release for current period	−1,560	−513	−2,073
Disposal	−2,912	0	−2,912
Balance as of December 31, 2009	**11,249**	**1,939**	**13,188**
Thereof current	1,463	513	1,976
Thereof non-current	9,786	1,426	11,212

Due to the sale of six wind energy plants, deferred investment grants in the amount of KEUR 1,644 (2009: KEUR 1,863) were booked out to earnings. Furthermore, KEUR 876 was already reclassified in the prior year to the position "liabilities in connection with non-current assets held for sale"; these were also released to earnings.

For further explanation regarding the nature of the subsidies received and their respective conditions reference is made to Section 9.5 "Contingent liabilities and other financial commitments". The release of the deferred investment grants is made through the income statement. We refer to Section 6.3. "Other operating income".

7.21 Other non-current liabilities

EUR k	31/12/2010	31/12/2009
Loan PREPS held by VDB	12,882	12,817
Loan PREPS held by STS	4,961	4,940
Remaining non-current liabilities	239	0
Total other non-current liabilities	**18,082**	**17,757**

The PREPS loan ("Preferred Pooled Shares") represents an innovative financing instrument with the meaning of mezzanine equity. Claims under these subordinated loans are deferred in favor of the claims of all present and future creditors of the firm, in the way that they rank, following the liquidation or insolvency of the firm, after the claims in accordance with § 39 (1) No. 4 InsO [Insolvency Code] and are therefore only satisfied following the satisfaction of the claims ranking before them but before the claims in accordance with § 39 (1) No. 5 InsO. . Both VDB and the STS as well as the creditors were granted an extraordinary termination right for good cause under conditions that are specified in detail in the contracts. Within the framework of the contract, the creditors have furthermore been granted extensive information and control rights.

The loans run until August 4, 2012 (KEUR 4,949) and until December 8, 2012 (KEUR 12,894) and are each due for repayment on the third business day before the expiry date. The loans carry and interest rate of between 7.05 per cent and 7.15 per cent p.a. Interest to paid in the amount of KEUR 1,283 was recorded to interest expense in the financial year.

7.22 Deferred tax liabilities

Regarding deferred taxes we refer to the comments in Section 6.13. "Income taxes".

CURRENT LIABILITIES

7.23 Tax liabilities

In the 2010 financial year, as well as in 2009, the tax liabilities are presented as follows:

EUR k	01/01/2010	Utilisation	Release	Addition to consolidated companies	Addition	31/12/2010
Building deduction tax (VDS)	5,918	0	0	0	0	5,918
Trade tax 2010	0	0	0	331	591	922
Trade tax 2009	903	246	86	0	0	571
Trade tax 2007	210	74	136	0	0	0
Trade tax 2005/2006	0	0	0	12	0	12
State, local and federal tax 2009 (STS)	1,404	1,247	0	0	0	157
Corporation tax 2010	0	64	0	313	712	961
Tax liabilities	**8,435**	**1,631**	**222**	**656**	**1,303**	**8,541**

KEUR	01/01/2009	Utilisation	Release	Addition	31/12/2009
Building deduction tax (VDS)	5,918	0	0	0	5,918
Trade tax 2009	0	0	0	903	903
Trade tax 2008	15	15	0	0	0
Trade tax 2007	775	565	0	0	210
State, local and federal tax 2009 (STS)	0	0	0	1,404	1,404
State, local and federal tax 2008 (STS)	225	211	21	7	0
Branch Profits Tax 2007 (STS)	28	28	0	0	0
Tax liabilities	**6,961**	**819**	**21**	**2,314**	**8,435**

7.24 Provisions

Provisions as of the December 31, 2010 and 2009 balance-sheet dates comprise the following:

EUR k	01/01/2010	Reclassifi-cation	Utilisation	Disposal	Addition	Addition to consoli-dated companies	31/12/2010
Impending losses on sales transactions	18	0	0	0	1,294	0	1,312
Litigation risks	1,142	0	0	5	154	98	1,389
Waste disposal	159	0	159	0	0	0	0
Other provisions	104	0	66	12	67	212	305
Total provisions	**1,423**	**0**	**225**	**17**	**1,515**	**310**	**3,006**

KEUR	01/01/2009	Reclassifi-cation	Utilisation	Release	Addition	31/12/2009
Impending losses on sales transactions	12,257	0	12,257	0	18	18
Impending liabilities for premium guaranties in connection with the energy crop programme	2,968	0	90	2,878	0	0
Litigation risks	700	0	0	0	442	1,142
Waste disposal	0	0	0	0	159	159
Other provisions	101	0	0	0	3	104
Total provisions	**16,026**	**0**	**12,347**	**2,878**	**622**	**1,423**

Impending losses on sales transactions

A provision for impending losses on existing sales contracts in the Biodiesel segment was recognised in the amount of KEUR 1,312 (2009: KEUR 18). The provision was recorded in the amount that the anticipated production costs exceed the expected sales prices.

Litigation risks

With a judgment of July 21, 2008, VDB was sentenced to pay damage compensation in the amount of KEUR 3,416 plus interest. VDB appealed the sentence in due time. In this connection, VDB seeks a legal cancellation. Nevertheless, in the consolidated financial statements VERBIO recognised a provision in the amount of KEUR 1,223 to cover the litigation risk.

In the event that the sentence is confirmed in connection with the appeal, in addition to the damage compensation and interest, further expenses for the process would be incurred that would have a negative effect on the net assets, financial and profit situation.

7.25 Financial liabilities

Only bank loans in the amount of KEUR 52,776 (31/12/2009: KEUR 10,239) are shown under current financial liabilities, which represent the current portion of bank loans discussed in Section 7.19 "Financial liabilities".

7.26 Trade payables

Trade payables at the balance-sheet date amount to KEUR 32,597 (at 31/12/2009: KEUR 33,709). With the exception of KEUR 597 (2009: KEUR 102), these have a remaining term of up to one year.

7.27 Other current liabilities

EUR k	**31/12/2010**	**31/12/2009**
Liabilities from grain and rapeseed transactions	62,097	51,558
Value-added tax	6,295	11,741
Energy tax	5,644	519
Advanced payments received on orders	2,599	0
Realised losses on forward contracts	1,682	37
Bonuses and special payments	1,511	760
Liabilities from the acquisition of Märka	1,500	0
Wages and salaries	893	769
Miscellaneous other current liabilities	2,365	1,364
Total other current liabilities	**84,586**	**66,748**

Liabilities from grain and rapeseed transactions

The liabilities from grain transations result from repurchase agreements entered into in the reporting period, including interest and storage fees.

7.28 Derivatives

Amounts shown as liabilities on derivatives as of December 31, 2010 in the amount of KEUR 23,067 (31/12/2009: KEUR 6,597) are presented in Sections 9.2 "Information on financial instruments".

7.29 Liabilities in connection with assets held for sale

Two wind energy plants carried by VDB and one by VEZ were sold, effective as of January 29, 2010. Bank liabilities (KEUR 2,533), investment grants issued (KEUR 876) and provisions for recultivation (KEUR 107) in this connection were reclassified to the separate balance-sheet caption "Liabilities in connection with assets held for sale".

Up until the time the financial statements were issued, three additional wind energy plants of VDB were sold, which as of December 31, 2009 continued to be shown under non-current assets since the sale was not highly probable as of the balance-sheet date. The liabilities existing in connection with the wind energy plants relate to bank liabilities (KEUR 3,537), investment grants (KEUR 1,259) and provisions for recultivation (KEUR 215)

8 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash funds include only the cash and cash equivalents shown in the balance-sheet (KEUR 43,796; 2009: KEUR 34,156), including restricted cash balances in the amount of KEUR 11,254 (2009: KEUR 3,636).

The acquisition of Märka GmbH as of November 1, 2010 leads to the fact that amounts can only be reconciled on a limited basis to the consolidated cash flow statement as of December 31, 2010.

In addition to the positive result for the year (KEUR 25,327; 2009: KEUR −32,708), cash flows from operating activities of KEUR 7,987 were significantly affected by the following factors:

Finished goods and merchandise was sold to a larger extent (KEUR 27,005). The increase in inventories shown in the balace sheet (KEUR: 41,161) results from the stocks taken over from Märka GmbH. Other assets decreased by KEUR 6,489 (2009: increase of KEUR 8,063).

Having the opposite effect of reducing cash funds was especially the reduction of trade payables (KEUR 11,155; 2009: KEUR 1,747).

The non-cash income comprises primarily the reversal of write-offs of property, plant and equipment in the Bioethanol segment (KEUR 86,088), the write-up of a loan receivable (KEUR 917) and the negative goodwill (KEUR 2,725) arising in connection with the acquisition of Märka GmbH.

Interest paid in the amount of KEUR 3,612 (2009: KEUR 3,469) was in excess of interest received of KEUR 526 (2009: KEUR 1,035) by KEUR 3,086 and had a negative effect on the cash flows from operating activities.

Cash flows from investing activities (KEUR −16,661; 2009: KEUR 1,743) are especially effected by the payments for investments in property, plant and equipment (KEUR 35,049; 2009: KEUR 25,831) and payments for the acquisition of shareholdings (KEUR 11,688; 2009 KEUR 0). Cash inflows related primarily to proceeds in connection with the disposal of property, plant and equipment (KEUR 16,655; 2009: KEUR 10,549) and proceeds from time deposits (KEUR 10,634; 2009: KEUR 39,100).

The additions to property, plant and equipment in the financial year include non-cash reclassifications from advanced payments made in prior periods in the amount of EUR 11.3 million. In addition, opposite the additions to property, plant and equipment in the amount of EUR 2.0 million are trade payables as of the balance-sheet date.

The cash flows from financing activities (KEUR 974; 2009: KEUR 19,509) is affected by net proceeds from collateralized loans (KEUR 5,868; 2009: KEUR 28,430) and proceeds from the taking up of financial liabilities (KEUR 20,060; 2009: KEUR 288). Opposite the proceeds were repayments of financial liabilities (KEUR 24,954; 2009: KEUR 9,209). The increase in financial liabilities shown in the balance-sheet results from the financial liabilities taken over from Märka GmbH.

9 OTHER DISCLOSURES

9.1 Segment reporting

The risks and results of the group are significantly determined by the business segments. The VERBIO Group is segmented accordingly in accordance with the internal organisational and management structure into the business segments biodiesel, bioethanol, energy and other. The "other" segment includes in particular the business segment transportation and logistic. Effective November 1, 2010, the Trading segment has been added.

A segmentation on a geographical basis was not made, since such a segmentation is not utilised by the VERBIO Group for internal management purposes.

Segments according to the internal corporate management

Revenues in the following are net of energy taxes in the amount of KEUR 18,997 (2009: KEUR 18,313). For transactions between the reportable segments, the same accounting principles are applied as those applied in the consolidated financial statements.

Segment reporting January 1 to December 31, 2010

Segment revenues and results

EUR k	Biodiesel	Bioethanol	Energy	Trade Märka	Other
Revenue	334,873	158,628	9,836	49,933	8,426
Change in finished and unfinished products	333	1,168	0	0	0
Capitalised production of own plant and equipment	0	1,844	0	0	0
Other operating income	3,597	11,643	7,722	1,110	233
Reversals of write-downs	0	86,088	0	0	0
Cost of materials	−304,901	−141,012	−8,685	−46,555	−3,451
Personnel expenses	−7,149	−9,209	−97	−1,619	−2,217
Depreciation and amortisation	−6,349	−3,975	−492	−760	−1,035
Impairment write-downs in accordance with IAS 36	−84,973	0	0	0	0
Other operating expenses	−14,343	−14,610	−2,759	−2,750	−1,936
Result of forward contract transactions	−6,103	−2,490	0	−303	0
Segment result	**−85,015**	**88,075**	**5,525**	**−944**	**20**
Financial result	−1,655	−1,244	34	−253	−66
Result before taxes	**−86,670**	**86,831**	**5,559**	**−1,197**	**−46**

Reconciliation

EUR k	Total segments	Intersegment revenues and expenses	Other corrections Group	Group
Revenue	561,696	– 41,120	0	520,576
Change in finished and unfinished products	1,501	0	0	1,501
Capitalised production of own plant and equipment	1,844	0	0	1,844
Other operating income	24,305	– 1,000	2,725	26,030
Reversals of write-downs	86,088	0	0	86,088
Cost of materials	– 504,604	40,469	49	– 464,086
Personnel expenses	– 20,291	0	0	– 20,291
Depreciation and amortisation	– 12,611	0	0	– 12,611
Impairment write-downs in accordance with IAS 36	– 84,973	0	0	– 84,973
Other operating expenses	– 36,398	1,643	0	– 34,755
Result of forward contract transactions	– 8,896	0	0	– 8,896
Segment result	**7,661**	**– 8**	**2,774**	**10,427**
Financial result	– 3,184	0	0	– 3,184
Result before taxes	**4,477**	**– 8**	**2,774**	**7,243**

Segment assets

EUR k	Biodiesel	Bioethanol	Energy	Trade Märka	Other	Group
Other intangible assets	36	68	1	57	1	163
Goodwill	70,682	0	0	0	0	70,682
Customer relationships	15,055	0	0	0	0	15,055
Property, plant and equipment	43,051	160,285	1,771	49,150	3,982	258,239
Inventories	59,499	41,837	0	24,712	0	126,048
Trade receivables	23,337	7,201	1,315	6,541	23	38,417
Other assets	15,137	22,981	340	1,462	649	40,569
Cash and cash equivalents	14,656	11,891	2,077	14,807	365	43,796
Total segment assets	**241,453**	**244,263**	**5,504**	**96,729**	**5,020**	**592,969**

Segment liabilities

EUR k	Biodiesel	Bioethanol	Energy	Trade Märka	Other	Group
Deferred investment grants and subsidies	4,593	9,197	322	0	526	14,638
Non-current provisions	0	0	56	0	0	56
Trade payables and other current provisions	14,895	9,976	1,887	8,501	344	35,603
Other current liabilities	52,535	29,656	40	2,036	319	84,586
Total segment liabilities	**72,023**	**48,829**	**2,305**	**10,537**	**1,189**	**134,883**

Reconciliation

EUR k						Group
Assets						
Total segment assets						592,969
Derivatives						3,408
Income tax refunds						8,027
Time deposits						4,000
Assets						**608,404**
Liabilities						
Total segment liabilities						134,883
Financial liabilities						88,219
Deferred tax liabilities						3,117
Other tax liabilities						8,541
Other non-current liabilities						18,082
Derivatives						23,067
Liabilities						**275,909**

Investment

EUR k	Biodiesel	Bioethanol	Energy	Trade Märka	Other	Group
Investment	**742**	**46,916**	**0**	**396**	**287**	**48,341**

Segment reporting January 1 to December 31, 2009

Segment revenues and results

EUR k	Biodiesel	Bioethanol	Energy	Other	Group
Revenue	345,602	130,341	17,398	8,371	501,712
Change in finished and unfinished products	−3,592	−192	0	0	−3,784
Capitalised production of own plant and equipment	129	1,821	0	0	1,950
Other operating income	3,825	9,589	6,100	149	19,663
Cost of materials	−313,492	−127,535	−14,001	−3,368	−458,396
Personnel expenses	−6,997	−8,037	−166	−2,192	−17,392
Depreciation and amortisation	−6,195	−1,205	−2,502	−1,217	−11,119
Other operating expenses	−17,151	−13,059	−1,824	−1,552	−33,586
Result of forward contract transactions	−1,699	−335	0	0	−2,034
Segment result	**430**	**−8,612**	**5,005**	**191**	**−2,986**
Interest income	705	314	53	16	1,088
Interest expense	−2,160	−993	−436	−186	−3,775
Other financial result	2,965	−70	0	0	2,895
Result before taxes	**1,940**	**−9,361**	**4,622**	**21**	**−2,778**

Segment assets

EUR k	Biodiesel	Bioethanol	Energy	Other	Total
Other intangible assets	114	132	6	3	255
Goodwill	155,655	0	0	0	155,655
Customer relationships	16,507	0	0	0	16,507
Property, plant and equipment	47,010	30,952	8,978	5,393	92,333
Financial investments	0	1,332	0	0	1,332
Inventories	55,533	29,354	0	0	84,887
Trade receivables	13,504	4,417	1,484	1,013	20,418
Other assets	7,389	29,280	12,563	1,104	50,336
Cash and cash equivalents	21,179	8,021	4,445	511	34,156
Non-current assets held for sale	0	0	5,247	0	5,247
Total segment assets	**316,891**	**103,488**	**32,723**	**8,024**	**461,126**

Segment liabilities

EUR k	Biodiesel	Bioethanol	Energy	Other	Group
Deferred investment grants and subsidies	4,515	6,228	1,923	522	13,188
Non-current provisions	16	6	204	0	226
Trade payables and other current provisions	15,996	16,285	2,270	583	35,134
Other current liabilities	48,846	17,569	86	247	66,748
Liabilities in connection with non-current assets held for sale	0	0	3,514	0	3,514
Total segment liabilities	**69,373**	**40,088**	**7,997**	**1,352**	**118,810**

Reconciliation

EUR k						Group
Assets						
Total segment assets						461,126
Deferred tax assets						19
Derivatives						1,319
Income tax refunds						8,460
Time deposits						14,634
Assets						**485,558**
Liabilities						
Total segment liabilities						118,810
Financial liabilities						19,684
Deferred tax liabilities						3,181
Other tax liabilities						8,436
Other non-current liabilities						17,757
Derivatives						6,597
Liabilities						**174,465**

Investments

EUR k	Biodiesel	Bioethanol	Energy	Other	Group
Investments	**2,380**	**12,645**	**0**	**209**	**15,234**

Other information regarding the segments

Operating assets are predominately located in the home country. All investments in production facilities were made in the home country.

The acquisition costs of segment assets that are expected to utilised for more that one reporting year amounted to KEUR 48,341 (2009: 15,234).

In the reporting year VERBIO had revenues with foreign-located customers (principally in Europe) in the amount of KEUR 237,278 (2009: KEUR 241,031).

In the reporting period, revenues with three external customers in the total amount of KEUR 190,895 (2009: four customers with KEUR 277,014) exceeded 10 per cent of the total revenues. The revenues relate in the amount of KEUR 124,984 to the Biodiesel segment and in the amount of KEUR 65,911 to the Bioethanol segment.

9.2 Information on financial instruments

9.2.1 General information

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments of the Group can be differentiated between original and derivative financial instruments.

The original financial instruments include on the asset side primarily the non-current loans (financial investments), trade receivables, other assets, time deposits, as well as cash and cash equivalents.

On the liability side the original financial instruments consist primarily of the disclosed financial liabilities, trade payables and other current liabilities.

Included in the derivative financial instruments are instruments for hedging interest rate risks from loan agreements and price risks relating to procurement and sales transactions. Derivative financial instruments are recognised and measured at their fair value upon acquisition. Subsequently, they are remeasured to fair value. The financial instruments relating to commodity forward contracts for the hedging of purchase prices in the procurement market (see Section 9.2.2.2.A) as well as relating to swap transactions (see Section 9.2.2.2.B) to hedge the sales price of biodiesel, which is connected to the price of mineral diesel, satisfy the qualifications of a cash flow hedge and therefore are classified as derivatives with a hedging relationship. In addition, derivative financial instruments used to hedge inventories against price fluctuations as well as to hedge fixed commitments, which meet the requirements for fair value hedges, are also classified as derivatives with a hedging relationship.

The respective remeasurements of the derivatives with a hedging relationship and are used to hedge cash flows are recorded directly to equity (fair value reserve) without income statement effect. The release of this reserve occurs as soon as the hedged raw material purchases and/or the hedged revenues are recorded in the income statement or, as the case may be, the cash flows of the underlying transaction are no longer highly likely.

The respective remeasurement of derivatives with a hedging relationship that are used as fair value hedges are recognised in the income statement under the caption result of commodity forward contracts. The change in the fair value of the underlying transaction which gives rise to the hedged risk is recognised as a portion of the carrying amount of the hedged underlying transaction and also under the caption result of commodity forward contracts.

Derivatives that do not have a hedging relationship (see Section 9.2.2.2. C) and d)) are stand-alone hedges and as a result are strictly classified as "held for trading". A gain or loss resulting from the subsequent remeasurement is recognised in the income statement.

The measurement classifications "fair value option", "held to maturity financial instruments" and "available for sale financial instruments" are not relevant with respect to the existing financial assets and financial liabilities.

9.2.2 Categories of financial assets and financial liabilities

The fair values and carrying amounts for classes of financial instruments as defined by IFRS 7 are presented below. The carrying value represents the fair value.

ASSETS

Measurement	At amortised cost		At fair value				Total	
Measurement category	Loans and receivables		Held for trading financial instruments		Derivatives with hedging relationships			
EUR k	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
31/12/2010								
Trade receivables	38,417	38,417	0	0	0	0	38,417	38,417
Other assets	23,944	23,944	0	0	0	0	23,944	23,944
Derivatives	0	0	1,025	1,025	2,383	2,383	3,408	3,408
Time deposits	4,000	4,000	0	0	0	0	4,000	4,000
Cash and cash equivalents	43,796	43,796	0	0	0	0	43,796	43,796
Assets	**110,157**	**110,157**	**1,025**	**1,025**	**2,383**	**2,383**	**113,565**	**113,565**
31/12/2009								
Trade receivables	20,418	20,418	0	0	0	0	20,418	20,418
Other assets	22,060	22,060	0	0	0	0	22,060	22,060
Derivatives	0	0	366	366	953	953	1,319	1,319
Time deposits	14,634	14,634	0	0	0	0	14,634	14,634
Cash and cash equivalents	34,156	34,156	0	0	0	0	34,156	34,156
Assets	**91,268**	**91,268**	**366**	**366**	**953**	**953**	**92,587**	**92,587**

LIABILITIES

Measurement	At amortised costs		At fair value				Total	
Measurement category	Loans and receivables		Held for trading financial instruments		Derivatives with hedging relationships			
EUR k	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
31/12/2010								
Non-current and current financial liabilities								
Liabilities to banks	88,219	88,219	0	0	0	0	88,219	88,219
Other non-current liabilities	17,843	17,843	0	0	0	0	17,843	17,843
Trade payables	32,597	32,597	0	0	0	0	32,597	32,597
Other current liabilities								
Liabilities on grain and rapeseed transactions	62,097	62,097	0	0	0	0	62,097	62,097
Other financial liabilities	7,498	7,498	0	0	0	0	7,498	7,498
Derivatives	0	0	6,840	6,840	16,227	16,227	23,067	23,067
Liabilities	**208,254**	**208,254**	**6,840**	**6,840**	**16,227**	**16,227**	**231,321**	**231,321**

LIABILITIES

Measurement	At amortised costs		At fair value				Total	
Measurement category	Loans and receivables		Held for trading financial instruments		Derivatives with hedging relationships			
EUR k	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
31/12/2009								
Non-current and current financial liabilities								
Liabilities to banks	19,684	19,684	0	0	0	0	19,684	19,684
Other non-current liabilities	17,757	17,757	0	0	0	0	17,757	17,757
Trade payables	33,709	33,709	0	0	0	0	33,709	33,709
Other current liabilities								
Liabilities on grain and rapeseed transactions	51,558	51,558	0	0	0	0	51,558	51,558
Other financial liabilities	2,626	2,626	0	0	0	0	2,626	2,626
Liabilities in connection with assets held for sale	2,533	2,533	0	0	0	0	2,533	2,533
Derivatives			1,930	1,930	4,667	4,667	6,597	6,597
Liabilities	**127,867**	**127,867**	**1,930**	**1,930**	**4,667**	**4,667**	**134,464**	**134,464**

The following additional explanations are provided regarding the financial instruments presented above.

Valuation in the individual measurement categories

a. For derivatives, the fair values in both the measurement categories "Held for trading financial instruments" and "Derivatives with hedging relationships" were determined using the "mark-to-market" method based on exchange or market prices.
b. Fair values of the "loans and receivables" and "other financial liabilities" measured at amortised cost are presented as follows:
ba. With respect to financial assets, trade receivables, and other assets, the fair value represents the respective nominal values less required allowances; non-interest bearing liabilities or liabilities with carrying a low interest rate with a remaining term of more than one year were not considered;
bb. For time deposits and cash funds the fair value represents the nominal value;
bc. For all liabilities included in the measurement category "other financial liabilities", fair value represents the repayment amount; non-interest bearing liabilities or liabilities with carrying a low interest rate with a remaining term of more than one year were not considered.

Reconciliation to balance-sheet captions

The categories of financial instruments according to IFRS 7 basically represent the captions in the consolidated balance-sheet. Differing classification groups are reconciled in the following schedule to the balance-sheet captions as of December 31, 2010.

Classification according to IFRS 7	EUR k	Balance-sheet caption	EUR k
Other assets	22,237	Other current assets	38,862
Assets which do not represent financial instruments	16,625		
	38,862		**38,862**
Other assets	1,707	Other non-current liabilities	1,707
	1,707		**1,707**
Bank liabilities	77,719	Non-current financial liabilities	35,443
Other loans	10,500	Current financial liabilities	52,776
	88,219		**88,219**
Liabilities on grain and rapeseed transactions	62,097	Other current liabilities	84,586
Other financial liabilities	7,498		
Liabilities which do not represent financial instruments	14,991		
	84,586		**84,586**
Financial liabilities	17,843	Other non-current liabilities	18,082
Liabilities which do not represent financial instruments	239		
	18,082		**18,082**

9.2.2.1 Other assets and other current liabilities

Regarding the presentation of other assets and other current liabilities, only those claims are included that represent a contractual right to receive or obligation to pay cash at a future date. Accordingly, in particular all claims regarding taxes and duties, investment credits and payments in advance for outstanding deliveries and services have not been considered.

The financial assets and financial liabilities – based on the balance-sheet carrying amounts – are as follows:

EUR k	31/12/2010		31/12/2009	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Amount shown in balance-sheet	**38,862**	**84,586**	**50,336**	**66,748**
Less:				
Tax refunds	2,840	0	7,460	0
Tax liabilities	0	12,246	0	12,473
Other duties	0	112	0	91
Investment grants	12,781	0	10,114	0
Advance payments	37	2,599	11,378	0
Other	967	34	656	0
	22,237	**69,595**	**20,728**	**54,184**

9.2.2.2 Derivatives

The derivative assets and liabilities are presented with their fair values and underlying nominal values, as follows:

EUR k	Nominal volume	Derivative assets = positive market value	Derivative liabilities =negative market value
31/12/2010			
STAND-ALONE DERIVATIVES			
Wheat commodity futures	8,351	0	1,251
Rapeseed oil commodity futures	7,207	1,025	1,025
Interest rate swaps	32,976	0	1,452
Derivatives embedded in purchase contacts	21,611	0	3,112
DERIVATIVES WITH HEDGING RELATIONSHIPS			
Cash flow hedges			
Commodity futures rapeseed oil	8,921	2,210	0
Diesel/gasoline swap transactions	48,840	173	1,860
Fair value hedges			
Rapeseed oil commodity futures	34,864	0	10,867
Wheat commodity futures	23,365	0	3,500
		3,408	**23,067**
31/12/2009			
STAND-ALONE DERIVATIVES			
Rapeseed commodity futures	7,154	0	183
Rapeseed oil commodity futures	5,377	366	366
Diesel/gasoline swap transactions	22,453	0	1,381
DERIVATIVES WITH HEDGING RELATIONSHIPS			
Cash flow hedges			
Commodity futures rapeseed oil	20,842	948	0
Diesel/gasoline swap transactions	76,887	5	4,667
	0	**1,319**	**6,597**

The determination of fair value is based on the "mark-to-market" method.

The following table analyses the financial instruments measured at fair value with regard to the "fair value hierarchy levels". The different hierarchy levels are defined as follows:

- Level 1: Quoted prices on an active market (not adjusted) for similar assets or liabilities.
- Level 2: For the asset or liability, directly observable direct (as price) or indirect (derived from price) inputs, other than Level 1 inputs.
- Level 3: Inputs applied for the asset or liability that are not based on market data which is observable (non-observable input data).

EUR k	31/12/2010			
	Level 1	Level 2	Level 3	Total
Derivative assets	0	3,408	0	3,408
Derivative liabilities	15,618	7,449	0	23,067

Description of derivatives existing at the balance-sheet date

A. Forward contracts to hedge rapeseed purchases (assets KEUR 3,235, liabilities KEUR 1,025)
   In order to hedge raw material supply for biodiesel production, in addition to forward delivery contracts, derivatives are utilised in the form of purchased forward contracts for the supply of vegetable oil to guarantee margins and defined price levels and to guarantee access to raw materials as procurement instrument. These relate to standard futures contracts with 100 per cent hedging effectiveness, so that no amounts are required to be recognised through the income statement for hedging non-effectiveness

B. Swaps used to hedge sales revenues that are linked to the mineral diesel/gasoline price
   In order to hedge revenues on sales contracts that are linked to the mineral diesel/gasoline prices, hedges in the form of fixed diesel/gasoline sales (fix) against variable diesel/gasoline prices are utilised. The positive fair value of these swaps at the balance-sheet date amounted to KEUR 173 (31/12/2009: KEUR 5), the negative fair value was KEUR 1,860 (31/12/2009: KEUR 4,667). After taking into consideration hedge ineffectiveness in the amount of KEUR 4 (31/12/2009: KEUR 0), which is recognised in the income statement, the fair value of these swaps in the amount of KEUR −1,683 (31/12/2009: KEUR −4,662) is recorded directly to equity. The prospective effectiveness measurement is the permitted range. The retrospective effectiveness was determined using the dollar-offset method.

C. Futures to hedge raw material and merchandise inventories against value fluctuations
   In order to hedge raw material and merchandise inventories of rapeseed and grain as well fixed obligations for rapeseed procurement against value fluctuations, forward sales are entered into. The negative market value of the hedging instruments amounted to KEUR 15,618 as of the balance-sheet date (prior year: KEUR 183). In connection with fair value hedges, the changes in fair value of the underlying transactions which give rise to the hedged risk were recognised in the amount of KEUR 14,875 as a part of the carrying value of the underlying hedged transaction.

D. Stand-alone derivatives on rapeseed forwards and diesel/gasoline swaps
   In addition, , freestanding derivatives consisting of diesel/gasoline swaps have been entered into to hedge proceeds of sales contracts that are fixed to mineral diesel/gasoline prices, in order to provide a certain amount of flexibility regarding the hedging policy. As of the December 31, 2010 balance-sheet date there were no such transactions open. (31/12/2009: KEUR 1,381).

E. Derivatives embedded in purchase contracts
In connection with raw materials purchase contracts, there is price indexing that relates to the sales price of the products manufactured from the raw materials. These price indexings are bifurcated from the related purchase contracts as embedded derivatives. As of the balance-sheet date, such embedded derivatives exist with a negative market value in the amount of KEUR 3,112 (31/12/2009: KEUR 0).

F. Stand-alone derivatives from interest rate swaps
In order to hedge variable interest payment obligations, interest rate swaps were entered into. If no hedging relationship is designated, the market value of the interest rate hedging transactions is presented under derivatives. Changes in the value are accordingly presented in the financial result. As of December 31, 2010, the negative market value of the stand-alone interest rate hedging transactions amounts to KEUR 1,452 (31/12/2009: KEUR 0).

Hedging relationships

With the use of derivatives under the responsibility of risk management, the prices of raw material supply of rapeseed is hedged. The hedged transaction is the highly probable procurement of vegetable oil; the hedging instrument is the purchase of forward contracts and the risk being hedged is the risk of price increases that can cause negative effects on the profit margin. The hedging starts approximately one year prior to the supply need. It is strived for to secure at least 80 per cent of the necessary volumes for a maximum of 4 months prior to product delivery.

The effectiveness of cash flow hedges of commodity forward contracts is measured prospectively using a regression analysis and the critical term matches, and retrospectively using a dollar offset method (hypothetical derivative model). As long as the hedging effectiveness lies in the range of 80 per cent to 125 per cent, the hedge accounting is continued. Otherwise, the entire hedging relationship is recognised through the income statement. Thus, in the month of the delivery, the regular or unscheduled results of the underlying transaction are netted with the income-statement neutral effects recorded in equity, with the net amount recorded to the income statement in cost of materials. The amount that was transferred in the reporting period to earnings from equity in connection with cash flow hedge accounting amounted to KEUR −4,635 (31/12/2009: KEUR −5,701) and is included in the income statement caption "cost of materials". As of the balance-sheet date there were no non-effective portions to be recognised.

In addition, using diesel/gasoline swaps, the revenues of biodiesel and ethanol which are tied to mineral diesel/gasoline prices were hedged by an exchange of fixed diesel/gasoline prices against variable diesel/gasoline prices, in order to hedge the price risk by biodiesel and bioethenol revenues. In connection with the cash flow hedge accounting, these transactions are recognised without income-statement effect. As of the balance-sheet date, ineffective portions in the amount of KEUR 4 (31/12/2009: KEUR 0) was recognised in income. In the reporting period KEUR 14,099 (31/12/2009: KEUR −7,881) was removed from equity and recognised in the income statement.

The effectiveness of cash flow hedges from forward contracts is measured prospectively using a regression analysis and the critical term matches, and retrospectively using a dollar offset method. As long as the hedging effectiveness lies in the range of 80 per cent to 125 per cent, the hedge accounting is continued. In connection with fair value hedges, the change in fair value of underlying transactions that give rise to the hedged risk, in the amount of KEUR 14,875 (31/12/2009: KEUR: 0), was recognised as a portion of the carrying amount of the hedged underlying transaction.

Changes in equity

EUR k	Rapeseed procurement	Diesel/gasoline swaps	Total
January 1, 2010	**948**	**−4,662**	**−3,714**
Recognition in profit or loss (Cost of materials)	−4,635	0	−4,635
Recognition in profit or loss (Revenues)	0	14,099	14,099
Derivatives released in advanced	0	−186	−186
Change in fair value valuation	5,897	−10,935	−5,038
Balance at December 31, 2010	**2,210**	**−1,684**	**526**
Less: deferred taxes			−145
Derivatives released in advanced			−186
			195
January 1, 2009	**−2,846**	**8,376**	**5,530**
Recognition in profit or loss (Cost of materials)	5,701	0	5,701
Recognition in profit or loss (Revenues)	0	−7,881	−7,881
Change in fair value valuation	−1,907	−5,157	−7,064
Balance at December 31, 2009	**948**	**−4,662**	**−3,714**
Less: deferred taxes			1,026
			−2,688

Realisation of the underlying transactions

The following table shows when the cash flows on existing cash flow hedges occur and when they impact the income statement.

EUR k	Carrying amount	Expected cash flows	Up to 6 months	6 to 12 months	1 to 2 years	More than 2 years
2010						
Realisation of the underlying transaction						
Commodity forward contracts						
Asset	3,235	8,921	8,921	0	0	0
Liability	15,392	73,787	68,126	5,661	0	0
Swap transactions						
Asset	173	8,722	8,722	0	0	0
Liability	1,860	40,118	40,118	0	0	0
Comprehensive income statement effect						
Commodity forward contracts						
Asset	3,235	3,235	3,235	0	0	0
Liability	15,392	15,392	14,563	829	0	0
Swap transactions						
Asset	173	173	173	0	0	0
Liability	1,860	1,860	1,860	0	0	0
2009						
Realisation of the underlying transaction						
Commodity forward contracts						
Asset	1,314	20,842	11,222	9,620	0	0
Liability	365	5,377	5,377	0	0	0
Swap transactions						
Asset	5	918	918	0	0	0
Liability	4,667	75,969	49,917	26,052	0	0
Comprehensive income statement effect						
Commodity forward contracts						
Asset	1,314	1,314	635	679	0	0
Liability	365	365	365	0	0	0
Swap transactions						
Asset	5	5	5	0	0	0
Liability	4,667	4,667	2,996	1,671	0	0

9.2.2.3 Other information required by IFRS 7

Information regarding income and expense captions
The following presentation shows the net result of financial assets and financial liabilities according to income statement captions:

	Interest result		Subsequent measurement				
EUR k	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Write-down (write-down financial instruments or other operating expenses)	Total
2010							
Loans and receivables	558	0	1,491	1,029	0	199	821
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	1,422	0	1,422
Derivatives with 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	−10,315	0	−10,315
Derivatives with hedging relationships	0	0	0	0	−3	0	−3
Other financial liabilities	0	3,936	0	0	0	0	−3,936
Interest rate swaps	0	−194	0	0	0	0	194
Total	**558**	**3,742**	**1,491**	**1,029**	**−8,896**	**199**	**−11,817**

	Interest result		Subsequent measurement				
EUR k	Interest income	Interest expense	Value increases (other operating income)	Value decreases (other operating expenses)	Use of derivatives (result from forward contracts)	Write-down (write-down financial instruments or other operating expenses)	Total
2009							
Loans and receivables	1,088	0	2,611	681	0	184	2,834
Financial assets measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	3,912	0	3,912
Derivatives with hedging relationships	0	0	0	0	511	0	511
Financial liabilities measured at fair value:							
Financial instruments held for trading purposes	0	0	0	0	−6,457	0	−6,457
Derivatives with hedging relationships	0	0	0	0	0	0	0
Other financial liabilities	0	3,775	0	0	0	0	−3,775
Total	**1,088**	**3,775**	**2,611**	**681**	**−2,034**	**184**	**−2,975**

The reversal of write-downs of loans and receivables in the amount of KEUR 1,491 (31/12/2009: KEUR 2,611) relates in the amount of KEUR 1,000 primarily to the release of the specific allowance on a loan receivable (2009: KEUR 1,332), KEUR 491 relates mainly the release of specific and general allowances on trade receivables. In the prior year there was additionally the release of a valuation allowance on a purchase price receivable from the sale of a block heat and power station included (KEUR 400).

The valuation allowance on loans and receivables in the amount of KEUR 1,029 (31/12/2009: KEUR 681) relates to non-recoverable claims in the area of delivery and services in the amount of KEUR 407 (2009: KEUR 603) and the write-down of non-recoverable receivables under other assets in the amount of KEUR 622 (2009: KEUR 78).

The write-downs of loans and receivables in the amount of KEUR 199 (31/12/2009: KEUR 184) results primarily from write-downs in the product and service area.

Information on security

Financial assets that serve as security comprise the following captions and carrying amounts:

EUR k	31/12/2010	31/12/2009
Trade receivables	6,635	568
Other assets	4,101	5,445
Time deposits	3,645	4,215
Cash and cash equivalents	11,254	3,636
Total	**25,635**	**13,864**

The security relating to trade receivables and cash and cash equivalents is or was provided for non-current and current financial liabilities (bank loans) in the amount of KEUR 61,835 (31/12/2009: 6,683).

Included in other assets are security deposits that are primarily in connection with guarantees of Euler Hermes Kreditversicherungs-AG for customs guarantees and intervention grain (KEUR 3,172; 31/12/2009: KEUR 3,162) and secured credit lines at the Rabobank International (KEUR 864; 31/12/2009: KEUR 2,219).

The time deposits in the amount of KEUR 3,645 (31/12/2009: KEUR 4,215) are pledged as security for secured credit lines (KEUR 3,645; 31/12/2009: KEUR 3,600) as well as for financial guarantees and bank loans (KEUR 0; 31/12/2009: KEUR 615).

Of cash and cash equivalents, KEUR 5,766 (31/12/2009: KEUR 636) is pledged as security for derivative transactions, KEUR 5,388 (31/12/2009: KEUR 2,900) for bank loans granted, and KEUR 100 (31/12/2009: KEUR 100) for secured credit lines.

There are no financial assets which have been received as security, for which VERBIO has a right to sell or pledge such assets without the occurrence of a loss.

Information regarding allowances for credit losses on financial assets

The provision for risks relates to trade receivables and other current assets and developed as follows in the financial year 2010:

EUR k	01/01/2010	Addition	Addition to consolidated companies	Release	Utilisation	31/12/2010
Valuation allowances						
Trade receivables	723	407	1,155	484	141	1,660
Other current assets	1,423	622	0	1,002	0	1,043
Valuation allowances	**2,146**	**1,029**	**1,155**	**1,486**	**141**	**2,703**

EUR k	01/01/2009	Addition	Addition to consolidated companies	Release	Utilisation	31/12/2009
Valuation allowances						
Trade receivables	263	603	0	31	112	723
Other current assets	3,955	78	0	2,100	510	1,423
Valuation allowances	**4,218**	**681**	**0**	**2,131**	**622**	**2,146**

All doubtful receivables are assessed as to their credit risk and are valued. Especially receivables that are overdue and are from customers with known payment difficulties or receivables that are disputed are considered in this assessment. Required specific allowances are appropriately estimated.

9.3 Financial risks and risk management

9.3.1 Organisation

In connection with its business operations VERBIO Group, in addition to its operating risks, sees the following risks results from the use of financial instruments: credit risks, liquidity risks and market risks. The Company has established a clear functional organization for the risk control process.

In connection with a risk-oriented and future-directed management approach, VERBIO developed and installed a risk management system for the Group. The implementation of a functional risk management system is seen here as part of the general responsibility of management. Individual risks defined in advance are constantly monitored by early warning indicators and mostly included in the quarterly reporting to the risk manager by management of the subsidiaries. The risk inventory carried out in 2006 and completely repeated in 2008 and 2009 is continually reviewed for new or changed risks. A detailed risk handbook is available.

Responsibilities are clearly assigned to the organisational units that form part of the risk management process:

Management Board
The risk management process starts with the management board, which in the course of the overall management on the basis of the 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 taken and is controlled by compliance with limits.

Risk controlling
Through risk controlling, the groupwide and uniform identification, measurement and evaluation of all risks is carried out. 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.

9.3.2 Risk groups
In connection with its business operations, VERBIO Group, along with the operating risks, is subject to a number of financial risks such as credit risks, liquidity risks and market risks, which are described below.

9.3.2.1 Credit risks
Credit risk results from the deterioration of the economic situation of customers or other contracting parties of the Company. Consequently, there is on the one hand the risk of partial or complete loss of contractually agreed payments or services and on the other hand a decrease in value of financial instruments due to credit worthiness.

Risks of uncollectability exist for all financial instruments recorded as assets, although the carrying amount of the financial assets represents the maximum risk of non-collection. To the extent that individual risks on individual financial instruments are apparent, allowances are recorded. The general credit risk associated with trade receivables is covered by recognising a general allowance in the amount of one per cent of the receivables (excluding value-added tax) for which no specific allowance has been recorded.

Maximum risk of uncollectability

The maximum risk of uncollectability for financial instruments, without considering possible securities received or other credit enhancements (e. g., right of offset agreements) is presented below:

Carrying amount as equivalent for maximum

EUR k	31/12/2010	31/12/2009
Trade receivables	38,417	20,418
Other current and non-current assets	23,944	22,060
Derivatives	3,408	1,319
Deposits	4,000	14,634
Cash and cash equivalents	43,796	34,156
	113,565	**92,587**

In order to minimise the risk of uncollectability, commercial credit insurance is partially obtained. As of the balance-sheet date commercial credit insurance policies were in existence that provide for an indivual compensation per order of at least EUR 3.2 million (31/12/2009: 2.6 million). The maximum compensation depends on the premium paid. Major customers are excluded from this agreement.

In addition, based on the General Terms and Conditions Act, there are reservation-of-title clauses for all products sold.

Concentration of credit risk

The credit risks relating to trade receivables are distributed to the following customer groups and regions (showing respective carrying amounts as the equivalent for the existing credit risk):

CONCENTRATION ACCORDING TO CUSTOMER GROUPS

EUR k	31/12/2010	31/12/2009
Processing industry (in particular: oil mills, pharmaceutical companies) as well as trading companies	14,582	8,683
Oil companies	16,000	7,396
Electric utilities	2,232	1,480
Transportation companies	158	1,258
Farmers	2,885	0
Other	2,560	1,601
	38,417	**20,418**

CONCENTRATION ACCORDING TO REGION

EUR k	31/12/2010	31/12/2009
Inland	19,939	12,076
Europe	16,876	6,126
Other foreign	1,602	2,216
	38,417	**20,418**

Other current assets include primarily the cash coverage amount on the security deposit insurance contract with Euler Hermes Kreditversicherungs-AG in the amount of KEUR 3,172 (31/12/2009: KEUR 3,162) and on the secured credit line contract with Rabobank International in the amount of KEUR 864 (31/12/2009: KEUR 2,219. Furthermore, the investments include a receivable of STS from a third party which is carried at net present value of KEUR 1,400 (31/12/2009: KEUR 1,400) less a valuation allowance of KEUR 700 (2009: KEUR 140). In this connection, reference is made to Section 7.7 "Other assets".

The Company monitors its concentration of credit risk by industry sectors as well as by region.

Aging analysis

The following table provides an overview of the non-reserved credits and receivables as of December 31, 2010 and December 31, 2009, according to maturities:

EUR k	Carrying amount	Thereof as of the balance-sheet date						
		Not reserved and not overdue	Not reserved and in the following aging categories (in days)					
			To 30	Between 30 and 60	Between 61 and 90	Between 91 and 180	Between 181 and 360	More than 360
31/12/2010								
Trade receivables	38,417	30,386	3,952	317	483	1,590	918	2,430
Other current and non-current financial assets	23,944	22,703	5	5	5	52	403	1,954
	62,361	**53,089**	**3,957**	**322**	**488**	**1,642**	**1,321**	**4,384**
31/12/2009								
Trade receivables	20,418	18,516	1,597	189	26	90	0	0
Other current and non-current financial assets	22,060	21,942	118	0	0	0	0	0
	42,478	**40,458**	**1,715**	**189**	**26**	**90**	**0**	**0**

9.3.2.2 Liquidity risks

Liquidity risk exists, in a narrow sense, when the Company does not have adequate funds to settle its ongoing payment obligations. The payment obligations result from the investment area, trade payables, interest payments and loan repayments, margin calls in connection with futures contracts and tax liabilities.

The company manages its liquidity by way of a weekly, monthly and middle-term planning in such a way that at any time adequate funds are available to settle liabilities in accordance with due dates and potential risks are identified on an early basis.

The central treasury (three employees) is responsible for the management of liquidity. The task of the liquidity management is to guarantee for the VERBIO Group the ability to pay an all times and to optimise the interest income.

The central treasury receives via a weekly reporting the required information from the subsidiaries to be able to produce a liquidity profile. All financial assets, financial liabilities and other expected cash flows from planned transactions are included.

For the management of its liquidity risk the Company utilises the yearly and weekly liquidity planning as well as sensitivity analyses.

A significant portion of the Company's liquidity is ensured by term-optimised money investments and working capital management.

Based on the current planning, no liquidity risk is foreseeable at this time.

The instruments that are available ensure that the liquidity of the Company is assured at all times and are appropriate to fill the requirements of the future liquidity needs in connection with the Company's planning.

The following table presents an analysis of the maturities of all contractually agreed financial liabilities as of December 31, 2010 and December 31, 2009:

EUR k	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
31/12/2010						
NON-DERIVATIVE FINANCIAL LIABILITIES						
Liabilities to banks	77,719	622	312	41,342	21,602	13,841
Other non-current liabilities (preps loan)	17,843	0	0	0	17,843	0
Trade payables	32,597	29,501	2,141	358	597	0
Liabilities on grain and rapeseed transactions	62,097	62,097	0	0	0	0
Other financial liabilities	17,998	5,468	1,653	10,877	0	0
	208,254	**97,688**	**4,106**	**52,577**	**40,042**	**13,841**
DERIVATIVE FINANCIAL LIABILITIES						
Derivatives classified as "held for trading"	6.840	1.376	477	3.634	1.353	0
Derivatives with hedging relationships	16,227	1,540	10,838	3,849	0	0
	23,067	**2,916**	**11,315**	**7,483**	**1,353**	**0**
Financial liabilities	**231,321**	**100,604**	**15,421**	**60,060**	**41,395**	**13,841**

EUR k	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
31/12/2009						
NON-DERIVATIVE FINANCIAL LIABILITIES						
Liabilities to banks	19.684	3.087	4.744	2.408	9.445	0
Other non-current liabilities (preps loan)	17,757	0	0	0	17,757	0
Trade payables	33,709	33,136	442	29	102	0
Liabilities on grain and rapeseed transactions	51,558	51,558	0	0	0	0
Other financial liabilities	2,626	2,626	0	0	0	0
Liabilities in connection with assets held for sale	2,533	1,179	1,354	0	0	0
	127,867	**91,586**	**6,540**	**2,437**	**27,304**	**0**
DERIVATIVE FINANCIAL LIABILITIES						
Derivatives classified as "held for trading"	1930	299	92	1539	0	0
Derivatives with hedging relationships	4,667	371	1,122	3,174	0	0
	6,597	**670**	**1,214**	**4,713**	**0**	**0**
Financial liabilities	**134,464**	**92,256**	**7,754**	**7,150**	**27,304**	**0**

Information regarding delay of payment and contract breaches of own financial liabilities

With respect to the reported financial liabilities as of December 31, 2010 in the amount of KEUR 231,321 (31/12/2009: KEUR 134,464) there are no events or circumstances recognisable that could lead to a default or breach of contract

9.3.2.3 Market risks

Market risks arise from potential changes in risk factors that lead to a lowering of market value of transactions containing these risk factors. The following groups of general risk factors are relevant for the Company: currency risk, interest rate risks and commodity price risks.

Currency risks

The VERBIO Group is exposed to currency risks through procurement and price hedging in purchasing and sales. With the help of an ongoing review of exchange rate expectations, the currency risk is minimised by appropriate financial instruments, in the financial year particularly forward exchange transactions and netting of foreign currency receipts and disbursements. Currency risks exist for the VERBIO Group primarily in USD and Swiss francs.

In the financial year outgoing invoices were issued in foreign currencies (exclusively in USD) in the converted amount of KEUR 518 (2009: KEUR 279). The payments are received in a USD bank account. As of December 31, 2010 there are trade receivables in foreign currencies in the amount of KEUR 36 (31/12/2009: KEUR 79).

Interest rate risks

Due to the existence of fixed interest agreements with banks regarding the long-term financing of investments, there exists only an insignificant interest rate risk.

Interest rate risks result only from instruments with variable interest rates. They exist on the asset side from bank balances and on the liability side from bank liabilities with variable interest rates. More significant interest rate risks can exist due to the variable interest on raw material financing of rapeseed and grain, in the amount of KEUR 61,821 (31/12/2009: KEUR 51,422), whereby these risks are partially eliminated through the investment in bank balances with matching maturities in the form of time deposits.

In the following, the sensitivity of the valuation of credits with variable interest rates is shown. Derivatives and foreign currency loans did not exist as of the balance-sheet date.

An increase (decrease) of the interest rate by 100 basis points as of December 31, 2010 (31/12/2009: 100 basis points) would worsen (Improve) the result for the year, and equity, by KEUR 618 (31/12/2009: KEUR 514).

Commodity price risks

In connection with the production of biofuels, derivatives are entered into for the purpose of price management in procurement and sales and in margin hedging/optimising.

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 with the help of continually reviewed market price expectations. In the reporting year, futures, forwards and swaps were utilised as hedging instruments.

In the following, the sensitivities of the valuation of derivatives on gasoline, diesel, rapeseed and rapeseed oil are analysed. This analysis was carried out under the assumption than all other parameters (underlying transactions) do not change. Only those derivatives were included in the analysis whose market price fluctuation would influence equity and, respectively, the result for the year. This relates to derivatives that are accounted for as freestanding derivatives, as well as derivatives that are used as hedging instruments in connection with cash flow hedges. In contrast, our production and sales positions were not included in the analysis. Therefore, the following sensitivities do not represent the actual economic risks of the VERBIO Group and serve only to fulfill the disclosure requirements of IFRS 7.

Sensitivities relating to rapeseed price for derivatives with hedging relationship

A decrease (increase) in the market price by 25 EUR/ton as of the December 31, 2010 balance-sheet date would improve (worsen) equity by KEUR 2,315.

Sensitivities relating to Diesel related derivatives with hedging relationship

A decrease (increase) in the market price by 50 EUR/ton as of the December 31, 2010 balance-sheet date would improve (worsen) equity by KEUR 2,100.

Sensitivities relating to Gasoline related derivatives with hedging relationship

A decrease (increase) in the market price by 50 EUR/ton as of the December 31, 2010 balance-sheet date would improve (worsen) equity by KEUR 2,000.

Sensitivities relating to wheat price for derivatives with hedging relationship

A decrease (increase) in the market price by 25 EUR/ton as of the December 31, 2010 balance-sheet date would improve (worsen) equity by KEUR 2,500.

Sensitivities relating to wheat price for derivatives without hedging relationship

A decrease (increase) in the market price by 25 EUR/ton as of the December 31, 2010 balance-sheet date would improve (worsen) the result for the year by KEUR 1,205.

9.3.2.4 Risks in connection with the use of public subsidies

For a detailed explanation of the risks in connection with the use of public subsidies we refer to Section 9.5. "Contingent liabilities and other financial committments".

9.3.2.5 Other risks

The VERBIO Group is insured against normal risks that can arise.

9.4 Capital management

The capital management of VERBIO is aimed first and foremost at continually assuring the financial flexibility. VERBIO develops the guidelines for an effective capital management based on the strategic objectives of the Company. The focus is on a long-term increase in the value of the company in the interests of investors, customers and employees.

The objective is to increase the profitability through efficiency increases in production, in procurement, as well as on the sales side. In order to achieve this, both the operating and financial risks and also financial flexibility are focused upon by management. This pertains as well to the generation of cash flows.

A further goal of VERBIO 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 December 31, 2010 amounts to KEUR 332,495 (31/12/2009: KEUR 311,094), which represents an equity ratio of 54,7 per cent (2009: 64.1 per cent). Liabilities total KEUR 275,909 (31/12/2009: 174,464).

From October 26, 2007 to May 31, 2008 VERBIO used the authorisation of the general shareholders' meeting on June 12, 2007 to repurchase up to two million treasury shares; this amounts to 3.17 per cent of the share capital. The repurchased shares are for the purpose of servicing an option and employee share program and for the purpose of using the shares as an acquisition currency. The shares were only repurchased on the stock exchange. In connection with the acquisition of Märka, the repurchase shares were reissued in the 2010 financial year.

Upon cancellation of the authorisation to repurchase treasury shares on August 24, 2009 the management board was newly authorised on June 28, 2010 to purchase treasury shares of up to ten per cent of the share capital. In connection with this authorisation, so far no shares have been repurchased.

VERBIO has currently not introduced any employee stock option program or management stock option program available.

VERBIO is not subject to any capital requirements under its articles of incorporation.

9.5 Contingent liabilities and other financial commitments

Public subsidies

The following investment grants, for which the period of validity has not expired, have been granted to Group companies or have been applied for under the conditions of the respective governing investment grant laws:

EUR k	31/12/2010	31/12/2009
VDB	716	15,992
VDS	1,385	6,485
VEZ	5,214	14,753
VES	8,179	21,767
	15,494	**58,997**

The grants must be repaid if the respective terms of the grant are not complied with.

The investment subsidies were granted under the condition that the assets subsidised belong to a business in the development area at least five years after their purchase or construction, remain in a business qualifying for development assistance and are not used more than 10 per cent for private purposes.

With respect to investment grants applied for by VES for the year 2005 on condition that the company fulfils the definition of a small and mediumsized entity (SME), the fiscal authority so far has intended to refuse to recognise the SME status. Accordingly, the risk exists that receivables recognised in the amount of KEUR 841 will not be collected and will negatively affect the future result of VERBIO in this amount. VERBIO continues to anticipate that the requirements for the issuance of the grant will be fulfilled in the relevant period.

In addition, VDB, VDS, VEZ and VES have received purpose-related grants from funds of the Brandenburg and Saxony-Anhalt Federal States.

In the reporting period only VDS was granted a subsidy, from the Investment Bank of the State of Brandenburg in the amount of KEUR 1,674. The investment grants and subsidies were granted as purpose-related for the funds to be used for the projects applied for. The committed purpose ends in both of the Federal States of Saxony-Anhalt and Brandenburg, in accordance with the development regulations, five years after the end of the investment project. The following conditions have to be fulfilled in this period:

- VDB: 46 permanent jobs, of which four apprentice jobs
- VEZ: 77 permanent jobs, of which seven apprentice jobs
- VES: 95 permanent jobs (of which ten for women), of which five apprentice jobs
- VDS: 80 permanent jobs (of which five for women), of which five apprentice jobs.

The Company assumes that all conditions will be fulfilled.

In addition, the Märka Group was issued investment grants in the amount of KEUR 7,708, for which the appropriation period has not yet expired. According to the funding guidelines of the State of Brandenburg, this period ends five to twelve years after the completion of the investment project.

Contingent liabilities

Effective July 31, 2007, a security deposit insurance contract was entered into between VERBIO and Euler Hermes Kreditversicherungs-AG, Hamburg. As a result, a secured credit line of KEUR 10,000 was arranged for VERBIO which pertains to customs guarantees. The secured credit line can be utilised by the subsidiaries VEZ, VES, VDS and VDB. As of December 31, 2010, the secured credit line was utilised in the amount of KEUR 8,560 (31/12/2009: KEUR 8,560).

Effective March 27, 2008 VERBIO, VDB, VDS, VEZ, and VES entered into an agreement with Atradius Kreditversicherung, Köln over the validity of ownership retention rights and the form of their extention. Therein, the parties agreed that the companies will transfer current and future receivables – after processing or compounding/mixing – in the amount of the respective invoice amounts provided to Atradius by the respective insured entities from the further sale

Litigation

Regarding the pending claim for damage in Denmark, reference is made to the comments in Section 7.24 "Provisions".

In addition, a claim is pending in the district court of Hamburg, in which a business partner is claiming refunds from a project contract entered into in previous years with STS in the amount of KEUR 1,900. VERBIO assumes that this claim is not legitimate and therefore has recognised no provision.

With respect to claims from a cooperation agreement with the same business partner, reference is made to explanations under Section 7.7 "Other assets".

Regarding an energy tax assessment in the amount of KEUR 504, VEZ has appealed. Since VERBIO presumes that it is less likely than not that it will have to pay the assessed tax, no provision has been recognised.

In the case of the Märka Group, several tax disputes, totalling KEUR 800, are pending. No provisions have been recognised, since VERBIO presumes that there will be outcome. In addition, as a result of the provisions in the purchase contract for the Märka acquistion, there are claims to recouse against the seller.

Other potential claims resulting from dispute have been appropriately considered taking into consideration the possibility of defeat.

Rental and lease contracts

The property owner, PCK Raffinerie GmbH, Schwedt, has granted VES and VDS the right each to establish and operate a plant for bioethanol production. The leasehold rights end on December 31, 2053 and December 31, 2054, respectively.

VES and VEZ leased from various owners 23 wind power plants to be operated. The contracts for the remaining leased plants each have a term until December 31, 2011. An extension of the contracts is possible.

The three wind power plants operated by VDB as of year end (2009: 9 wind power plants) are situated on on leasehold land. The related leases were concluded in 2001 and 2003 and have remaining terms of up to the year 2031, whereby the plant operator, VDB, has been granted a termination right if the operation of the wind power plant is discontinued. At the same time, VDB was granted an unlimited extension option or an extension option for ten years, the exercise of which must be notified in writing to the owner of the land at the latest on June 30 of the last year before the year of expiration of the lease. The agreed utilisation fee amounts to KEUR 7 per constructed wind power plant and year. These lease contracts create a dismantling obligation following the end of the lease period, which is recognised as a provision.

Märka GmbH has entered into rental and lease contracts for the use of land and warehouse space with various remaining terms. Furthermore, there are lease contracts of Märka for office furniture and equipment, which pertain primarily to trucks.

The lease contracts and leaseholds 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 k	31/12/2010	Up to 1 year	1-5 years	Over 5 years
Wind power plant leases VEZ	288	288	0	0
Wind power plant leases VES	6,336	6,336	0	0
Leasehold land contracts VDB	416	20	80	316
Leasehold rental VEZ	3,295	64	262	2,969
Leasehold rental VDS	1,452	27	109	1,316
Rental of office building VERBIO AG	462	252	210	0
Märka Group lease warehouse	881	410	317	154
Märka Group lease other equipment	1,755	662	1,093	0
	14,885	**8,059**	**2,071**	**4,755**

in EUR k	31/12/2009	Up to 1 year	1-5 years	Over 5 years
Wind power plant leases VEZ	697	697	0	0
Wind power plant leases VES	6,804	6,804	0	0
Leasehold land contracts VDB	585	31	106	448
Leasehold rental VEZ	3,358	63	260	3,035
Leasehold rental VDS	1,478	26	108	1,344
	12,922	**7,621**	**474**	**4,827**

In the reporting period, rental and leasehold expenses amounted to KEUR 6,101 (2009: KEUR 13,151).

Purchase obligations
Purchase obligations are those typical for normal operations.

Open purchase orders
As at December 31, 2010 the VERBIO Group has open purchase orders for investments in property, plant and equipment amounting to KEUR 1,858 (31/12/2009: KEUR 18,293).

9.6 Related party disclosures
The following individuals, groups of individuals and entities are considered related parties of VERBIO AG for the reporting period (share of ownership is shown in parenthesis):

a. Shareholders of VERBIO AG, who form a pool based on contractual agreements:

Portion of share capital of VERBIO AG in %	31/12/2010	31/12/2009	Change %-points
Pollert Familien GmbH & Co. KG	2.13	2.13	0.00
Pollert Holding GmbH & Co. KG	18.96	18.96	0.00
Dr.-Ing. Georg Pollert	0.02	0.02	0.00
Bernd Sauter	11.48	10.32	1.16
Bernd Sauter GbR	3.75	3.75	0.00
Claus Sauter	15.56	14.40	1.16
Claus Sauter GbR	5.62	5.62	0.00
Daniela Sauter GbR	2.00	2.00	0.00
Daniela Sauter	5.16	5.16	0.00
Marion Sauter	5.95	5.95	0.00
Total	**70.63**	**68.31**	**2.32**

In connection with the acquisition of Märka GmbH, in the 2010 financial year 735,000 treasury shares each were transferred to Claus Sauter and Bernd Sauter. Their respective portion of the share capital of VERBIO AG was thereby increased.

No further transactions were carried out with shareholders of the pool in the past financial year.

b. Entities that can be controlled by natural persons belonging to the Sauter family and members of management in key positions:

- Sauter Verpachtungsgesellschaft mbH, Zörbig (Claus Sauter 25 per cent; Bernd Sauter 25 per cent; Alois Sauter 25 per cent; Albertina Sauter 25 per cent)
- Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG, Obenhausen (Claus Sauter 50 per cent; Bernd Sauter 50 per cent)
- Autokontor Bayern GmbH, Buch (Claus Sauter 33.33 per cent; Bernd Sauter 33.33 per cent)
- Compos Entsorgung GmbH, Zörbig (Claus Sauter 100 per cent)

Until October 31, 2010:

- Märka GmbH, Eberswalde (45.63 per cent Lüneburger Lager- und Agrarhandelsgesellschaft mbH, Lüneburg; 27.50 per cent Sauter Verpachtungsgesellschaft mbH, Zörbig; 6 per cent Daniela Sauter)
- Trans Märka GmbH, Eberswalde (100 per cent Märka GmbH, Eberswalde)
- Trans Märka Polska, sp.z.o.o. (100 per cent Trans Märka GmbH, Eberswalde)
- Getreide- und Agrarhandel Halle GmbH, Halle (100 per cent Märka GmbH, Eberswalde)
- Hallesche Logistik GmbH, Halle (100 per cent Getreide- und Agrarhandel Halle GmbH, Halle)
- Märka Landhandel Sachsen GmbH, Göda (100 per cent Märka GmbH, Eberswalde)
- Märka Landhandel Süd GmbH, Bamberg (100 per cent Märka GmbH, Eberswalde)
- Wriezener Kraftfutter GmbH, Wriezen (75,1 per cent Märka GmbH, Eberswalde)
- Lüneburger Lager- und Agrarhandelsgesellschaft mbH, Lüneburg (50 per cent Märka GmbH, Eberswalde; 50 per cent Sauter Verpachtungsgesellschaft mbH, Zörbig)
- Landwirtschaftsgesellschaft mbH "Neukammer", Radensleben (78.62 per cent Sauter Verpachtungsgesellschaft mbH, Zörbig; 21.38 per cent Angelika Sauter)
- LANDGUT Coschen GmbH, Coschen (70 per cent Sauter Verpachtungsgesellschaft mbH, Zörbig)

c. Key management personnel:

- Dr.-Ing. Georg Pollert (management board member of VERBIO AG)
- Claus Sauter (management board member der VERBIO AG)
- Bernd Sauter (supervisory board member of VERBIO AG until June 28, 2010, thereafter management board member VERBIO AG)
- Alexander von Witzleben (supervisory board member of VERBIO AG)
- Prof. Dr. Fritz Vahrenholt (supervisory board member of VERBIO AG, until September 25, 2010
- Ulrike Krämer (supervisory board member of VERBIO AG, since June 28, 2010)
- Dr. Claus Meyer-Wulf (supervisory board member of VERBIO AG, since September 26, 2010)

Compensation of Supervisory Board and Management Board
In this connection reference is made to Section 9.8 "Members of the Management Board and Supervisory Board and compensation of board members".

Presentation of the relationships with the pool members

Guarantees and other security rights
For various loans in the total amount of KEUR 9,400 which were granted by Allianz AG and VES, Daniela Sauter and Marion Sauter have taken over joint and several liability for the repayment as additional borrowers. As security, they transferred claims on several life insurance policies to Allianz AG and submitted to mortgages on private land parcels at the available levels of subordination.

For financial assistance granted in the amount of KEUR 4,383 in connection with the construction of a grain storage facility in Nienegk, Claus and Bernd Sauter took over a directly enforceable guaranty for Märka GmbH. They have pledged their securities deposit accounts as security.

Loan contracts
The pool members Daniela Sauter, Claus Sauter and Bernd Sauter issued loans to Märka GmbH in the 2006 financial year in the total amount of KEUR 10,000. The loans carry an interest rate of 7.5 per cent p.a. and callable beginning April 1, 2011 with a notice period of six months to the end of the month.

For the period that Märka GmbH was included in the consolidated financial statements (November through December 2010) there was interest expense of Märka GmbH in the amount of KEUR 125.

Rental contracts
Since December 2004 Bernd Sauter has rented three wind power plants to VES for a monthly rent of KEUR 29 plus value added tax. The rental agreement has a fixed term until December 31, 2009 and was extended in accordance with the contract an additional twelve months until December 31, 2010. With a written notification of September 19, 2010 the contract was cancelled by Bernd Sauter. In the financial year the expenses under this rental contract amounted to KEUR 351 (2009: KEUR 351). As of December 31, 2010 VES has a trade payable due to Mr. Bernd Sauter amounting to KEUR 85 (2009: KEUR 35).

Through the charge out of related costs of the wind park to Mr. Sauter, VES earned KEUR 42 (2009: KEUR 19). Furthermore, in January 2010, based on newly concluded electricity supply contracts between the energy purchaser and Bernd Sauter, but still without a transfer of the contracts to VES, KEUR 29 feed-in revenues was charged to Bernd Sauter (2009: KEUR 19). As of December 31, 2010, receivables were recognised in the amount of KEUR 37 by VES (2009: KEUR 26).

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

Rental contracts

Autokontor Bayern GmbH rented a lot for parking and preparation of vehicles from VEZ. The monthly rent is KEUR 10. On September 22, 2010, through an amendment to the existing contract, the contract period was extended until June 30, 2015. Autokontor Bayern GmbH has the right to cancel the contract as of June 30 of a calendar year with a notification period of six months. Autokontor Bayern GmbH has also been provided the option to extend the rental contract by an additional five years to June 30, 2020.

In the 2008 financial year a rental contra for office space was entered into between Märka GmhH as lessee and VEZ as lessor. The office spaces are located on the premises of VEZ in Zörbig. The contract started on August 1, 2008 and was entered into for an indefinite period. A rental amount of 8.50 EUR/m² was agreed.

In addition, in the financial year 2008 additional rental contracts were entered into between VEZ as lessor and Märka GmbH as lessee, as follows:

- Warehouse with approx. 8,200 m² in Riesa-Gröba, Industriestraβe
- Warehouse with approx. 5,000 m² in Zörbig, Thura Mark 20

A monthly net basic rental was agreed of KEUR 22 for the warehouse in Riesa-Gröba and KEUR 15 in Zörbig (in both cases, net).

In each case, the rental was agreed to on November 1, 2008 for an indefinite period. Beginning in the 2010 financial year, VEZ is again using a portion of the rented warehouse for its own purpose; the monthly rental was accordingly adjusted by KEUR 3.

In the 2009 financial year VDS entered as lessor into a rental contract with Trans Märka GmbH as lessee for the rental of 344.47 m² of office space at the location of Schwedt. Rental was agreed of 6.00 EUR/m² per month plus operating costs. The contractual relationship began on July 1, 2009 and runs to December 31, 2014.

Service contracts

Stillage contract

VERBIO AG and Märka entered into a service contract on June 2, 2009, whereby Märka is obligated to takeover and utilise the amount of spent grains, cereal residues, dried solubles, and evaporation concentrate that results from the production process. For the rendering of the services a monthly compensation of KEUR 15 (handling fee) was agreed upon. The invoicing takes place directly between VERBIO AG and the purchaser of the by-products. The contract began on June 1, 2009 and ends initially at the close of May 31, 2010. It renews according to the contract by a further year until May 31, 2011.

Raw material supply contracts

A contract for the supply of rye was entered into between VERBIO AG and Märka GmbH on March 22, 2010, with the first amendment dated November 3, 2010. According to the contract, VERBIO AG is obligated in the period from April to December 2010 to purchase a minimum total of 438,600 tons of rye from Märka. In addition, there was the option to purchase an additional 77,400 tons, which, however, was not exercised. The purchase price was agreed at EUR 125 per ton rye, as well as a variable component depending on ethanol prices. The minimum price of EUR 105 and maximum price of EUR 145 per ton rye was established. Until October 31, 2010, 355,500 tons of grain was purchased.

A raw material supply contract was also entered between VERBIO AG and Märka GmbH into on March 22, 2010 for the delivery of 370,000 tons of corn silage p. a. beginning in 2011. Depending on the dry matter, the agreed-upon purchase price lies between EUR 32.00 and EUR 35.00 per ton of corn silage. The contract runs from April 1, 2010 until June 30, 2015. It extends by a year at a time if it is not cancelled twelve months before the expiration of the respective contract term. No amounts were purchased by VERBIO on this contract up until October 31, 2010.

General warehousing contract

A general warehousing agreement was entered into between VERBIO AG and Märka GmbH, dated November 2, 2010, for the warehousing of raw materials purchased from Märka GmbH (grain and rapeseed). Märka GmbH is hereby obligated to maintain the quality and value of the warehoused raw materials of VERBIO AG. As compensation, EUR 1.45 per ton was agreed. The contract began on January 1, 2010 and runs for an indefinite time.

Contracts with carriers

In July 2007 Trans Märka GmbH entered into a framework carrier contract with each of the companies VEZ, VES and VDS. Trans Märka GmbH acts in this connection as freight forwarder and the subsidiaries of VERBIO AG act as freight carriers. Under this contract the subsidiaries of VERBIO AG are obligated to transport goods for Trans Märka GmbH. It was agreed that the carrier receives a compensation basically amounting to 90 per cent of the compensation agreed between the freight forwarder and the customer. The contracts began on August 1, 2007 and were concluded for an unlimited period. These contracts were modified in the financial year 2008 to the effect that a minimum utilisation must be guaranteed on the part of the forwarder.

Consulting contracts

A service contract exists since October 1, 2008 between M & K Treuhand GmbH, whose managing shareholder is Ms. Ulrike Krämer (member of the supervisory board of VERBIO), and VERBIO AG relating to business consulting services which have been agreed to for an indefinite period. In addition, tax consulting services are being rendered by M & K Treuhand GmbH for Group companies of VERBIO AG. M & K Treuhand GmbH is furthermore active as a business consultant for Märka.

Wind energy plants of VDB

The wind energy plants operated by VDB were constructed on land that is partially owned or leased by SauterV. SauterV makes land available to VDB contractually for the operation of a wind farm together with the related operating plant, underground cables and accesses, for EUR 6,646.79 (DM 13,000) or EUR 6,650 p. a. for each wind power plant. VDB may use the land on the basis of the contracts until December 31, 2022 or, as applicable, November 15, 2031.

In addition, for the SauterV receives for its operating activities a net yearly compensation of KEUR 2.5 per wind energy plant.

In total, up to now 11 of the 14 plants have been sold to third parties (2009: 5 plants, 2010: 6 plants), the land use contracts for these plants have been cancelled.

Share purchase and transfer agreement

With a notarial certificate number 1877/2010 A dated September 28, 2010 the shares of Sauter Verpachtungsgesellschaft mbH and Lüneburger Lager- und Agrarhandelsgesellschaft mbH (Lülag) were transferred to VERBIO AG. VERBIO AG now holds directly and indirectly over Lülag shares of Märka GmbH. Since Märka GmbH holds treasury shares and in turn holds 50 per cent of Lülag's shares, VERBIO AG's shareholding of Märka amounts economically to 89.35 per cent.

We refer in this connection also to the comments in Section 5 "Business Combination".

Purchase and transfer contract

With contracts dated November 8, 2010, Sauter Verpachtungsgesellschaft mbH sold its limited partner equity in Windpark Löberitz-Großzöberitz/Wolfen Infrastruktur GmbH & Co. KG and Windpark Löberitz-Großzöberitz/Roitzsch Infrastruktur GmbH & Co. KG to VDB. Sauter Verpachtungsgesellschaft mbH holds in both cases the only limited partner's shares in these companies. Sauter Verpachtungsgesellschaft mbH was furthermore the single shareholder of Verwaltung GmbH's [companies acting as general partner for the partner-ships] and held in each case held the only share. Before the purchase, these shares were already transferred from Sauter Verpachtungsgesellschaft mbH to the two infrastructure companies. KEUR 42 and KEUR 57 was agreed as purchase price for the limited shares. The shares of the infrastructure companies relating to the sold shares of the wind energy plants were transferred from VDB to the buyer of the wind energy plants.

Loan agreement

In the 2006 financial year, Sauter Verpachtungsgesellschaft mbH granted a loan in the amount of KEUR 500 to Märka GmbH. The loan carries an interest rate of 4.0 per cent p. a. and basically has an unlimited term.

Summarised presentation of business relationships with related party companies

The following table summarises the revenues and expenses from legal transaction with related party companies for the VERBIO Group:

EUR k		Sales/income		Expenses	
Contract partner	Transaction	2010	2009	2010	2009
Alois Sauter Landes-produktengroßhandlung GmbH & Co. KG	Purchase/sale of fuel	0	59	0	0
	Other deliveries and services	5	0	118	230
Autokontor Bayern GmbH	Purchase/sale of fuel	792	1,194	0	0
	Truck rental	0	0	79	200
	Other deliveries and services	178	209	211	269
Märka GmbH	Purchase/sale of fuel	3,340	4,918	0	0
	Transportation services	0	0	1,083	1,852
	Grain sales/purchases	2,900	2	92,877	98,485
	Rapeseed sales/ purchases	6,487	23,704	38,954	91,797
	Stillage disposal	0	0	150	1,750
	Other deliveries and services	572	937	3,004	7,177
Sauter Verpachtungs-gesellschaft mbH	Purchase/sale of fuel	1,583	626	770	1,187
	Transportation services	63	168	0	0
	Other deliveries and services	29	32	1,232	875
Trans Märka GmbH	Purchase/sale of fuel	1,762	1,748	1,146	1,059
	Transportation services	6,586	8,228	4,950	6,234
	Other deliveries and services	85	40	909	973
Landwirtschaftsgesell-schaft mbH Neukammer	Grain sales/purchases	11	0	138	0
	Rapeseed sales/ purchases	0	0	9	0
	Other deliveries and services	27	0	0	0
LANDGUT Coschen	Grain sales/purchases	24	0	94	0
	Rapeseed sales/ purchases	0	0	4	0
	Other deliveries and services	168	0	0	0
M & K Treuhand GmbH	Tax advisory expenses	0	0	27	0
	Other consulting expenses	0	0	85	0

The other deliveries and services with Märka relate primarily to storage costs, while the other deliveries and services with Sauter Verpachtungsgesellschaft mbH include primarily the charge out of expenses, for example, toll fees.

Other matters

For the rendering of excavation work for the two biogas plants in Schwedt and Zörbig, Sauter Verpachtungsgesellschaft mbH invoiced KEUR 1,553 (2009: KEUR 1,539).

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 receivables and payables of related parties are shown by the subsidiaries as of December 31, 2010 and December 31, 2009, resulting from transactions with related party companies:

	Alois Sauter Landesprodukten-großhandlung GmbH & Co. KG		Autokontor Bayern GmbH		Märka GmbH	
EUR k	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
VERBIO AG						
Receivables	0	0	0	160	0	0
Payables	0	0	0	0	0	8,368
VDB						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	0
VDS						
Receivables	0	0	0	0	0	0
Payables	28	25	1	3	0	0
VES						
Receivables	0	0	0	0	0	0
Payables	34	32	0	0	0	0
VEZ						
Receivables	16	0	0	11	0	0
Payables	0	2	10	20	0	5
STS						
Receivables	0	0	0	0	0	0
Payables	0	0	0	0	0	47
Märka						
Receivables	0	0	1	1	0	0
Payables	0	0	0	0	0	0
Total						
Receivables	16	0	1	172	0	0
Payables	62	59	11	23	0	8,420

The companies of the Märka Group are included in the consolidated financial statement since November 1, 2010. Therefore, there are no balances shown here.

	Sauter Verpachtungsgesells-chaft mbH		Trans Märka GmbH		LANDGUT Coschen		M & K Treuhand	
	2010	2009	2010	2009	2010	2009	2010	2009
	41	113	0	95	0	0	0	0
	1,501	294	0	332	0	0	13	0
	0	0	0	0	0	0	0	0
	0	4	0	0	0	0	1	0
	0	0	0	219	0	0	0	0
	39	45	0	81	0	0	0	0
	0	0	0	423	0	0	0	0
	25	25	0	133	0	0	0	0
	15	174	0	205	0	0	0	0
	83	122	0	39	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	552	0	0	0	3	0	6	0
	56	287	0	942	0	0	0	0
	2,200	490	0	585	3	0	20	0

9.7 Audit fees

Fees for the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, recorded as expense in the financial year 2010 amounted to KEUR 321 (2009: KEUR 298) for year-end audit services, KEUR 0 (2009: KEUR 4) for other audit services, KEUR 2 (2009: KEUR 0) for tax services and KEUR 2 (2009: KEUR 31) for other consulting services.

9.8 Members of the management board and supervisory board and compensation of board members

The information according to § 314 Para. 1 No. 6a Sent. 5 to 9 HGB and additional information regarding compensation of members of the management board and the supervisory board, the structure of the compensation system, as well as the individual compensation amounts are presented in the compensation report, a part of the Group management report of VERBIO.

Members of the management board of VERBIO AG in the financial year 2010 were:

Claus Sauter, Dipl.-Kaufmann, Buch-Obenhausen (Chairman)
Dr.-Ing. Georg Pollert, Dipl.-Chemiker, Berlin (Vice Chairman)
Bernd Sauter, Kaufmann, Buch-Obenhausen (since November 1, 2010)

The members of the management board received compensation from VERBIO during the financial year 2010 in the amount of KEUR 830 (2009: KEUR 830), thereof fixed KEUR 830 (2009: KEUR 830) and KEUR 0 variable (2009: KEUR 0). Regarding the compensation of the management board we refer to the compensation report, which is part of the management report.

Members of the supervisory board of VERBIO AG in 2010 were:

Alexander von Witzleben, Dipl.-Kaufmann (Chairman of the Supervisory Board)
President of the management board of Feintool International Holding AG, Lyss, Switzerland

Supervisory board memberships:

- PVA TePla AG, Aßlar (Chairman of the supervisory board)
- caverion GmbH, Stuttgart (Chairman of the supervisory board until August 31, 2010)

Membership on comparable boards:
Kaefer Isoliertechnik GmbH & Co. KG, Bremen (Member of the advisory board)

Ulrike Krämer, Certified auditor and certified tax advisor Member of the Supervisory Board since June 28, 2010 und and Vice Chairman of the Supervisory Board since October 7, 2010)
Managing shareholder of M & K Treuhand GmbH, Ludwigsburg

Dr. Claus Meyer-Wulf, Dipl.-Chemiker, (Member of the Supervisory Board since September 26, 2010)
Head of environmental protection of Aurubis AG, Lünen

Prof. Dr. Fritz Vahrenholt, Dipl.-Chemiker (Vice Chairman of the Supervisory Board until September 25, 2010)
Chairman of the management board of RWE Innogy GmbH, Essen
Member of the supervisory board:

- Aurubis AG, Hamburg (Member of the supervisory board)
- KELAG -Kärntner Elektrizitäts-Aktiengesellschaft, Klagenfurt, Austria, (Vice Chairman of the supervisory board)

- RADAG Rheinkraftwerk Albbruck-Dogern AG, Laufenburg, (Chairman of the supervisory board)

Bernd Sauter, Kaufmann, Buch-Obenhausen, (member of the supervisory board until June 28, 2010)

Managing partner:

- Autokontor Bayern GmbH, Buch-Obenhausen (holds 33.33 per cent)
- Sauter Verpachtungsgesellschaft mbH, Zörbig, (holds 25 per cent)
- Alois Sauter Landesproduktengroβhandlung GmbH & Co. KG, Buch-Obenhausen (holds 50 per cent)
- K+S Immobilien GbR (holds 50 per cent)
- Nidder KG (holds 50 per cent)
-

Managing director:

- Landwirtschaftsgesellschaft mbH "Neukammer", Radensleben
- LANDGUT Coschen GmbH, Neiβenmünde
- Windpark Mittenwalde

The members of the supervisory board received current compensation for their activities on the supervisory board in the total amount of KEUR 74 (2009: KEUR 80). With respect to the compensation rules and compensation amounts, reference is made to the compensation report, which is a part of Group Management Report.

9.9 Investment in VERBIO Vereinigte BioEnergie AG, that is to be reported according to § 21 Para. 1 of the Securities Trading Act (WpHG)

In the financial year 2010 VERBIO was not informed of any investment in accordance with § 21 Abs. 1 WpHG.

9.10 Declaration of conformity in accordance with § 161 of the German Companies Law (AktG)

The declaration regarding the German Corporate Governance Kodex as required by § 161 of the German Public Companies Act (Aktiengesetz) was published on March 21, 2011 on our website (www.verbio.de) and thereby made continually available.

9.11 Events subsequent to the balance-sheet date

There were no significant events subsequent to the balance-sheet date.

9.12 Exemption according to § 264 (3) HGB and § 264 b HGB

The possibility to be exempted from the requirement to prepare financial statements and a management report according to rules for unlimited companies, to be audited and to publish was, according to § 264 (3) and § 264b No. 3a HGB, utilised for the following subsidiaries:

- VERBIO Diesel Bitterfeld GmbH & Co. KG, Bitterfeld-Wolfen OT Greppin
- VERBIO Diesel Bitterfeld Verwaltung GmbH, Bitterfeld-Wolfen
- VERBIO Ethanol Zörbig GmbH & Co. KG, Zörbig
- VERBIO Ethanol Zörbig Verwaltung GmbH, Zörbig
- VERBIO Diesel Schwedt GmbH & Co. KG, Schwedt/Oder
- VERBIO Diesel Verwaltung GmbH, Schwedt/Oder
- VERBIO Ethanol Schwedt GmbH & Co. KG, Schwedt/Oder
- VERBIO Ethanol Schwedt Verwaltung GmbH, Schwedt/Oder
- HBE Hansa BioEnergie GmbH, Zörbig

9.13 Approval for publication

The management board of VERBIO AG on March 21, 2011 approved these IFRS consolidated financial statements to be passed on to the supervisory board. The supervisory board has the responsibility to review the consolidated financial statements and state whether it approves them.

Zörbig, March 21, 2011

Claus Sauter
(Chairman of the
Management Board)

Dr.-Ing. Georg Pollert
(Vice Chairman of the
Management Board)

Bernd Sauter
(Member of the
Management Board)

Responsibility Statement of the Company's Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair view 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, March 21, 2011

Claus Sauter (Chairman of the Management Board)	Dr.-Ing. Georg Pollert (Vice Chairman of the Management Board)	Bernd Sauter (Member of the Management Board)

Auditor's report

We have audited the consolidated financial statements prepared by VERBIO Vereinigte BioEnergie AG, Zörbig comprising the consolidated balance-sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements together with the group management report for the financial year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) HGB [Handelsgesetzbuch – "German Commercial Code"] are the responsibility of the Executive Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Leipzig, March 21, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Flascha
Wirtschaftsprüfer

Pülmanns
Wirtschaftsprüfer

KPMG AG Wirtschaftsprüfungsgesellschaft
Wirtschafts-prüfungs-gesellschaft
Siegel
Berlin

Executive Bodies of the Company

SUPERVISORY BOARD

Alexander von Witzleben
Chairman of the Supervisory Board

President of the Feintool International Holding AG, Lyss, Switzerland

Other supervisory board mandates:
- caverion GmbH, Stuttgart (until 31. August 2010)
- PVA TePla AG, Aßlar

Mandates in comparable controlling bodies:
- Kaefer Isoliertechnik GmbH & Co. KG, Bremen

Ulrike Krämer
Member of the Supervisory Board (since 28. June 2010)
Deputy Chairman (since 7. October 2010)

Managing director:
- M & K Treuhand GmbH, Ludwigsburg

Dr.-Ing. Claus Meyer-Wulf
Member of the Supervisory Baord (since 26. September 2010)

Manager environmental protection at Aurubis AG, Lünen

Bernd Sauter
Member of the Supervisory Baord (until 28. June 2010)

Managing partner:
- Autokontor Bayern GmbH, Buch-Obenhausen
- Sauter Verpachtungsgesellschaft mbH, Zörbig
- AllEn GmbH, Buch-Obenhausen
- Alois Sauter Landesproduktengroßhandlung GmbH & Co. KG, Buch-Obenhausen
- K+S Immobilien GbR, Buch-Obenhausen
- Nidder KG, Schöneck

Managing director:
- Landwirtschaftsgesellschaft mbH “Neukammer“, Radensleben
- LANDGUT Coschen GmbH, Neißenmünde

Prof. Dr. Fritz Vahrenholt
Deputy Chairman (until 25. September 2010)
Chairman of RWE Innogy GmbH, Essen

Other Supervisory Board mandates:
- Aurubis AG, Hamburg
- KELAG – Kärntner Elektrizitäts-Aktiengesellschaft, Klagenfurt, Österreich
- RADAG Rheinkraftwerk Albbruck-Dogern AG, Laufenburg

MANAGEMENT BOARD

Claus Sauter
Chairman & CEO

Responsible for corporate development, press and publicity, puchasing, sales and trading, product planning, mergers & acquisitions, finance and accounting, taxes, controlling, treasury, investor relations, law and IT

Dr.-Ing. Georg Pollert
Production, technology and HR director
Deputy Chairman

Responsible for research and development, production, quality management, technical investment planning, workplace safety and HR

Bernd Sauter
Procurement and logistics director (since 1. November 2010)

Responsible for procurement, logistics and transport, insurances, fleet and property management

Glossary

B100
B100 is a diesel fuel which consists entirely of RME (rapeseed methyl ester). The pure rapeseed oil produced from the plant is transformed into rapeseed methyl ester during a chemical process involving methanol.

Barrel
A barrel is a unit of volume used as a measure of crude oil.

Biodiesel
Biodiesel refers to a biosynthetic fuel which is used in a similar way to hydrocarbon based diesel. In Europe, it is primarily produced through transesterification of rapeseed oil with methanol (rapeseed methyl ester). Biodiesel can be used in suitable engines in a pure state – known as B100 – or blended with hydrocarbon-based diesel.

Bioethanol
Alcohol produced using renewable raw materials. Possible materials are starchbased, sugarbased or cellulosic biomasses. VERBIO uses rye, wheat, triticale, corn, sugar, sugar syrup and molasses.

Biogas
Biogas is a flammable gas which is produced by fermenting biomasses in biogas systems and is then used to generate bioenergy.

Biofuels
Fuels such as bioethanol, biodiesel, biomethane and plant oil which are produced from biomass.

Blending (with petrol)
Refers to the addition of bioethanol to automotive fuel. In Europe, the maximum permissible amount is governed by the EN 228 standard, which allows for the addition of 5 per cent volume in the case of › ethanol, or 15 per cent volume in the case of › ETBE. Different ethanol blend rates apply for conventional automotive fuels throughout the world.

Carbon dioxide (CO_2)
CO_2 is produced when a carbonic material is burned and is used as a raw material to create vegetable biomass during photosynthesis. When a biomass combusts, it only releases the same amount of CO_2 which it has previously absorbed during growth. Carbon dioxide is the most significant › greenhouse gas.

CO_2
› Carbon dioxide

Cold mashing
Cold mashing is an energy saving process, whereby a mash is heated to 50 degrees Celsius to ensure that starch is broken down using a special enzyme mixture.

dena
The German Energy Agency (dena) is the centre of excellence for energy efficiency and renewable energies

E5
E5 is a fuel mixture consisting of five per cent volume of bioethanol and 95 per cent volume of petrol.

E10
E10 is a fuel mixture consisting of ten per cent volume of bioethanol and 90 per cent volume of petrol. Since January 1, 2011 it is allowed to offer E10 at German filling stations.

E85
E85 is a highly effective fuel for › FFVs which contains about 85 per cent bioethanol blended with about 15 per cent petrol. VERBIO produces and markets E85 fuel under the brand name verbioE85.

Emissions
The introduction of any type of solid, liquid or gaseous substances, noise, odours, radiation and vibration into the environment. This usually refers to harmful substances issued from industrial plants, such as exhaust gases, discharged air, solid waste, effuents, electromagnetic radiation and radioactivity.

Esterification
Esterification refers to an equilibrium and condensation reaction, whereby an alcohol or phenol reacts with an acid to form an ester.

ETBE (Ethyl Tert-Butyl Ether)
ETBE is a petrol additive used to improve the antiknock properties of fuel. It consists of 47 per cent

bioethanol and can be blended with petrol at a ratio of up to 15 per cent volume in compliance with the applicable standard EN 228. Today, ETBE has largely replaced the octane booster methyl tert- butyl ether.

Ethanol
Also called ethyl alcohol, pure alcohol, or grain alcohol. It is a type of alcohol. In common usage, it is often referred to simply as alcohol or spirits. Ethanol is the main product of alcoholic fermentation and is the chief component in spirits and alcohol for oral consumption. It serves as a fuel additive (> bioethanol) and as a fuel in its own right. It is also used in the chemical and pharmaceutical industries.

Fermenter
A bioreactor, often also referred to as a fermenter, is a vessel in which specific microorganisms, cells or small plants are cultivated (or fermented) under optimum conditions. Bioreactor operation is a biotechnology application which uses or makes use of biological processes such as bioconversion or biocatalysis in a technological device or system

FFVs (Flexible-Fuel Vehicles)
FFVs are alternative fuel vehicles which can run either on pure automotive fuel or – in Europe – on petrol blended with 85 per cent bioethanol. They feature a single tank and use a sensor to detect the mix ratio between bioethanol and petrol. The engine management system automatically adjusts the ignition timing to the blend composition.

Fuel Quality Directive
Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998, which specifies the minimum standards with regard to consistency and markings for fuel quality related data. Fuels are required to emit ten per cent fewer greenhouse gases by the end of 2020, with the per centage gradually increased over three stages during this period. Compliance can be achieved by using biofuels in place of fossil fuels and using modern technology to produce crude oil. If biofuels are used to comply with the greenhouse gas reduction targets specified in the Fuel Quality Directive, these may only be produced using sustainable processes. The Directive plans to phase in the use of petrol containing ten per cent ethanol by the end of 2010. The quality standard required for such a measure is currently being drawn up by European standards committees.

German Federal Biofuels Sustainability Ordinance (Biokraft-NachV)
The German Federal Biofuels Sustainability Ordinance (full title 'Ordinance regarding the requirements for sustainable production of biofuels') was decreed on September 30, 2009 (German Federal Law Gazette I 3182). The ordinance is designed to comply with the requirements set out in the European Renewable Energy Sources Directive. Regardless of whether renewable raw materials for producing biofuels are grown within the union or outside it, the energies generated will only be taken into account within the framework of Renewable Energy Sources Directive specifications and requirements if they lead to a reduction in greenhouse gas emissions of at least 35 per cent; as from 2017, this per centage will increase to 50 per cent; in the case of interfaces which come into operation after December 31, 2016, the reduction will be 60 per cent as from 2018. Moreover, only raw materials which are grown using sustainable cultivation processes may be used. Detailed specifications have been set out in this respect with regard to nature conservation and environmental protection. The use of raw materials from oldgrowth forests, such as rainforests, is thus excluded.

Greenhouse gases
In addition to methane, nitrous oxide and fluorocarbons > carbon dioxide is the main anthropogenic greenhouse gas. The increase in greenhouse gas concentration in the atmosphere is responsible for climate change. The main producer of CO_2 emissions is industry, followed by buildings (due to room heating, electrical appliances and similar) and transportation.

IEA – International Energy Agency
The International Energy Agency, or IEA, is an intergovernmental organisation dedicated to the research, development, commercial launch and application of energy technologies. It was founded by 16 industrial nations in 1973 as a joint response to the seventies oil crisis.

IFEU
The IFEU (Institut für Energie und Umweltforschung Heidelberg – Institute for Energy and Environmental

Research) is an independent, ecological research institute founded in 1978 by scientists at the University of Heidelberg.

Multi-Feedstock

Multifeedstock refers to the capacity of a bioethanol system to use several types of raw material. VERBIO is a multifeedstock compatible system when processing raw materials to produce bioethanol and uses the most competitively priced raw materials available on the market.

Such materials include rye, wheat, triticale, corn, sugar, sugar syrup and molasses.

Pharmaceutical-grade glycerin

Pharmaceutical-grade glycerin is produced by purifying and distilling raw glycerine and is used in the chemical and pharmaceutical industries.

Renewable Energies

Regenerative energies which are theoretically unlimited in supply, unlike fossil fuel resources. There is a difference between the three groups of heat, electricity and fuels, which can each be subdivided into further groups.

Renewable Energy Sources Directive (RES Directive)

The Renewable Energy Sources Directive refers to the European Parliament and Council Directive 2009/28/EC on the promotion of the use of energy from renewable sources of 23 April, 2009, which amends and subsequently repeals Directives 2001/77/EC und 2003/30/EC. It sets out a binding target for each EU member state to increase the share of renewable energy of their total energy consumption by 2020, so that the overall share of energy consumption from renewable energy sources in the EU stands at 20 per cent. Moreover, within this overall target, the share of fuels from renewable sources in the transport sector, including electric mobility, must amount to at least ten per cent of final fuel consumption in the sector in each member state.

Sustainability

The concept of sustainability describes the usage of a regenerative system in such a way that the system retains its essential character and that its supply can be replenished naturally.

Sustainability criteria

Criteria which must be fulfilled by biofuels used to achieve Renewable Energy Sources Directive targets and by biofuels bene fitting from national support programmes in order to prove they are ecologically sustainable. Examples of such sustainability criteria include a minimum reduction of greenhouse gases and the conservation of regions with high biodiversity. The inclusion of social standards in sustainability criteria is currently under discussion.

Stillage

Residue of nonfermentable materials which remain after distillation. Stillage from grain is used, amongst other things, as a highgrade animal feed due to its content of protein, fats, and nitrogen compounds

Verband der Deutschen Biokraftstoffndustrie e. V. (VDB, or German Biofuels Industry Association)

The VDB has represented the interests of the German biofuels industry on a national and European level since 2001. The association currently has 26 ordinary members and three extraordinary members, who together account for around 80 per cent of biofuel output in Germany.

FINANCIAL CALENDAR 2011

March 23, 2011	Publication of consolidated financial statements 2010 Analysts' conference/press conference on financial statements in Frankfurt/Main
May 12, 2011	Publication of the quarterly financial report up to March 31, 2011 Telephone conference with analysts' and investors
June 24, 2011	Annual General Meeting at Radisson Blu Hotel, Leipzig
August 11, 2011	Publication of the quarterly financial report up to June 30, 2011 Telephone conference with analysts' and investors
November 10, 2011	Publication of the quarterly financial report up to September 30, 2011 Telephone conference with analysts' and investors

IMPRINT

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Biofuel and Technology

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