Interim Report 2 2013 / 2014

Verbio

Responsible . Renewable . Refined . Biological . Innovative . Optimized

Group key figures

[in EUR million]

Profitability	Q1 2013/2014	Q2 2013/2014	1 HY 2013/2014	Q1 2012/2013	Q2 2012/2013	1 HY 2012/2013
Sales	211.9	208.3	420.2	191.4	172.5	363.9
EBITDA	10.2	11.3	21.5	2.5	4.5	7.0
EBIT	4.7	5.8	10.5	–3.3	–0.9	–4.2
EBIT-margin (%)	2.2	2.78	2.50	–1.7	–0.5	–2.2
EBT [1]	3.8	5	8.8	–4.2	–1.9	–6.1
period result	3.8	4.5	8.3	–6.5	–2.3	–8.8
earnings per share (EUR)	0.06	0.07	0.13	–0.10	–0.04	–0.14

Operating data	Q1 2013/2014	Q2 2013/2014	1 HY 2013/2014	Q1 2012/2013	Q2 2012/2013	1 HY 2012/2013
Productions (tons)	153,134	156,307	309,441	116,542	140,943	257,485
Utilization Biodiesel/ Bioethanol (%) [1]	87.8	89.6	88.7	66.8	80.8	73,80
Investments in property, plant and equipment	1.6	1.3	2.9	10.5	10.1	20.6
Number of employees [2]	645	585	585	875	842	842

Net asset position	09/30/2013	12/31/2013		09/30/2012	12/31/2012	
Net financial liabilities	74.1	55.9		100.0	102.0	
Equity	183.0	187.1		327.6	325.4	
Equity ratio (%)	46.9	54.2		45.2	48.9	
Balanca sheet total	390.5	345.1		725.2	666.1	

Financial position	Q1 2013/2014	Q2 2013/2014		Q1 2012/2013	Q2 2012/2013	
Operating cash flow	11.0	43.4		–134.1	14.4	
Operating cash flow per share (EUR)	0.17	0.69		–2.13	0.23	
Cash and cash equivalents [2]	30.7	25.1		40.3	28.9	

[1] in relation to the production capacity
[2] at cutoff date

Segment key figures

[in EUR million]

Biodiesel	**Q1 2013/2014**	**Q2 2013/2014**	**1 HY 2013/2014**	**Q1 2012/2013**	**Q2 2012/2013**	**1 HY 2012/2013**
Third party sales	124.4	133.5	257.9	132.8	102.6	235.4
EBITDA	5.9	7.4	13.3	−2.3	4.9	2.6
EBIT	4.6	6.1	10.7	−3.9	3.3	−0.6
Production (tons)	103,364	106,158	209,522	80,258	93,129	173,387
Utilization (%)	96.7	99.3	98.0	75.1	87.1	162.2
Number of employees [3]	102	107	107	102	98	98

Bioethanol (inkl. Biomethan)	**Q1 2013/2014**	**Q2 2013/2014**	**1 HY 2013/2014**	**Q1 2012/2013**	**Q2 2012/2013**	**1 HY 2012/2013**
Third party sales	80.4	70.6	151.0	52.3	68.8	121.1
EBITDA [1]	5.4	3.4	8.8	4.6	1.1	5.7
EBIT [1]	1.6	−0.5	1.1	0.9	−2.6	−1.7
Production (tons)	49,770	50,149	99,919	36,284	47,814	84,098
Utilization (%) [2]	73.7	74.3	74.0	53.8	70.8	124.6
Number of employees [3]	177	184	184	186	190	190

Other	**Q1 2013/2014**	**Q2 2013/2014**	**1 HY 2013/2014**	**Q1 2012/2013**	**Q2 2012/2013**	**1 HY 2012/2013**
Third party sales	8.5	10.0	18.5	8.8	3.6	12.4
EBIT	−1.5	0.2	−1.3	−0.3	−1.6	−1.9

1) in relation to the production capacity
2) at cutoff date

Refined.

Our biorefinery combines the production of bioethanol, biomethane and organic fertilizer. This means that over 90 percent of raw materials used is converted. This improves energy yields by 40 percent compared to traditional bioethanol plants.

Group interim management report

Consolidated interim financial statements (nach IFRS)

Further Information

Group Interim Management Report

for the first half of financial year 2013/2014 (July 1 to December 31, 2013)

General conditions

Regulatory environment

For the years 2013 and 2014, the total biofuel quota to be met by the mineral oil industry in Germany amounts to 6.25 percent (energetic) and according to the existing legal regulation, will be replaced beginning January 1, 2015 by furnishing proof of the decarburization quotas to be achieved.

Since January 1, 2011, biofuels can only be taken into account in the biofuel quota, respectively can give claim as a pure fuel to the energy tax relief, if these are produced in accordance with the regulations of the Biofuel Sustainability Regulation (Biokraft-NachV) and are put on the market.

Also, the change in the Biofuel Sustainability Regulation that was decided by the Federal Cabinet, effective January 1, 2011, whereby biofuels which are produced by certain raw materials or waste products can be doubly credited to the biofuel quota, has remained unchanged. Effective January 1, 2013, the control mechanism for double-credited biofuels, especially biodiesel sourced from waste cooking oil, were massively tightened through an amendment to the 36th ordinance on the implementation of the Federal Immission Control Act (BImSchV), in order to put a stop to fraudulent practices.

The mandatory targets of the European Union of reaching a blending quota of 10 percent (energetic) renewable energy by 2020 in the transportation sector, respectively the greenhouse gas reduction targets in the amount of at least 6 percent, in the year 2020 compared to 2010 continue to be in force. At the European level, the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD) define the legal framework for the mandatory blending target of 10 percent renewable energy in the transport sector in 2020. In addition, sustainability criteria ensure that all biofuels used in the EU are produced in a sustainable manner and that defined greenhouse gas savings in comparison to fossil fuels are achieved.

Fiscal environment

Since January 1, 2013 energy tax for pure biodiesel (B100) is at 45.0 cents/liter. With this, it represents almost the tax on fossil diesel.

Remaining tax-free are fuels whose bioethanol portion is above 70 percent, and biomethane. As the law stands at present, the fuel E85 (gasoline with an ethanol portion of 85 percent) and biomethane are exempted from the energy tax until the year 2015.

As additional fuels, natural gas and liquefied petroleum gas (LPG) are tax-privileged. Until 2018, a reduced tax rate of 1.39 cent/kWh or 18.03 cent/kg applies to these fuels. According to the coalition agreement, the tax incentives for natural gas and LPG are to be extended beyond the year 2018.

Market development

For the months of January to November 2013, the German Federal Office of Economics and Export Control (BAFA) reported that the market for the blending of biodiesel to diesel fuel declined significantly by 9.7 percent in comparison to the same period last year, although diesel sales increased slightly by 1.2 percent. This mainly results from the removal of market distortions from previous periods.

According to industry information, the import volumes of subsidized biodiesel from Argentina and Indonesia in particular have decreased significantly. This shows that the sanctions imposed by the EU Commission in the form of anti-dumping duties act are having an impact.

Likewise effective are the more stringent provisions of the 36th BImSchV (Federal Immission Control Act), which have been in force since January 1, 2013. The amounts of Used Cooking Oil Methyl Ester (UCOME) which are doubly creditable with regard to the fulfillment of the biofuel quota have also declined considerably. The measures described above and the improved market environment will result in an increased admixture of biodiesel again in 2014.

Based on the numbers from the BAFA, sales of diesel and petrol in the months of January to November 2013 amounted to 48.6 million tons, a slight increase of 0.4 percent compared with the same period last year, which, with the increase in diesel, is due to the reduction of petrol (- 0.7 percent).

The market for B100, the pure fuel biodiesel, tumbled further during the course of 2013 and, with an amount of consumption from January to November 2013 of 0.03 million tons, can be described as non-existent. The decrease compared to the same period of the previous year is 74 percent.

The amounts of ethanol consumed were reduced by 4.6 percent compared with the same period of the previous year for the amounts of both the admixture as well as E85. The market share of E10 of the petrol market in the eleven months of 2013 remained unchanged at an average of 15 percent. Thereby, it has remained at the level of the corresponding period of the previous year. The consumption of E85 in the period from January to November 2013 amounted to 13 thousand tons, a decline of 36.4 percent compared to the previous year. As a result, the E85 grade of petrol has experienced a further loss of importance in the market.

The importance of biomethane as a biofuel is continually increasing in Germany. According to recent figures from the Federal Motor Vehicle Office of Germany, in 2013, about 50 percent more natural gas vehicles were sold than in the previous year. This development is reinforced, inter alia, by the model initiative of the car manufacturers that are producing vehicles as a standard which run on CNG. It is estimated that in Germany, a total of 20 percent of the natural gas at petrol stations has meanwhile been replaced by biomethane. VERBIO, as the largest provider of biomethane (verbiogas) with a market share of about 74 percent, supplies – as of February 2014 – 134 of the 180 natural gas fuelling stations that offer pure, 100-percent biomethane.

Development of raw material prices

The prices for grains and oilseeds have stabilized during the first and second quarters of 2013/2014 with a continuing downward trend to a level of about 200 EUR/ton of wheat and 380 EUR/ton of rapeseed, respectively.

The falling price of wheat is due to good wheat harvests in the U.S., Europe, the Black Sea region and Kazakhstan. Recent estimates by the United States Department of Agriculture (USDA) dated 10 January 2014 assume that global production during crop year 2013/14 was about 713 million tons, after about 656 million tons in crop year 2012/13. Thus, production in the current crop year is increasing faster than demand, which is in turn leading to an increase of nearly 10 million tons in global final stocks, for a total of 185 million tons.

The prices of oilseeds in international markets stabilized in the second quarter of 2013/14. According to USDA estimates dated January 10, 2014, the worldwide production of oil seeds, at approximately 506 million tons in crop year 2013/14, will reach a new record level for the third year in a row (prior year: about 474 million tons). The main driver for the increase in production is the expansion of soybean acreage, in conjunction with good growth conditions in the main growing areas in South America.

The global production of sugar, provisionally estimated at around 175 million tons in crop year 2013/14, has decreased, compared with the previous year, by about 1 million tons. In particular, India and Russia recorded lower harvests, which were mainly compensated, though, by good harvests in China and Thailand. In view of the existing oversupply, prices have stabilized at a low level.

Average price movement of selected raw materials

	Q 1 2012/2013	Q 2 2012/2013	Q 3 2012/2013	Q 4 2012/2013	Q 1 2013/2014	Q 2 2013/2014	1 HY 2013/2014
Crude oil (Brent; USD/barrel)	110	111	114	103	112	110	111
Mineral diesel (EUR/ton)	782	761	737	682	716	692	704
Rapseed oil (EUR/ton)	989	923	906	868	752	744	748
Palm oil (EUR/ton)	792	623	639	650	636	655	645
Wheat (MATIF; EUR/ton)	259	264	245	221	189	204	197
Sugar (EUR/ton)	370	334	308	289	278	287	282

Developments of revenues and result

As of March 31, 2013 the Management Board with the approval of the Supervisory Board made the decision to sell Märka GmbH. Contrary to the original intention to sell Märka GmbH entirely, the sale of individual storage locations of Märka GmbH was assumed as of June 30, 2013. Due to the decision to terminate the trading activities of Märka GmbH, the results of Märka GmbH are presented as discontinued operations in the statement of comprehensive income. Income and expenses are shown separately and all comparative periods are correspondingly adjusted. The explanations regarding the development of revenues and the result relate first of all to the continuing operations.

The quantity of biodiesel and bioethanol produced by VERBIO in the first six months of financial year 2013/2014 amounted to 309,441 tons, after 257,485 tons in the corresponding period of the previous year, a significant increase of 20 percent.

Due to the increased production and sales volume of biodiesel and bioethanol, revenues have increased significantly (EUR 420.2 million; 1 HY 2012/2013: EUR 363.9 million). They are thus about 15 percent above the previous year's figure. Reference is also made to the analysis of the individual segments.

Other operating income amounted to EUR 5.6 million (1 HY 2012/2013: EUR 6.3 million).

The cost of materials amounted to EUR 381.1 million (1 HY 2012/2013: EUR 345.5 million), which was EUR 35.6 million higher than the prior-year figure. Taking into account the changes in inventories of unfinished and finished goods, the gross margin is calculated at EUR 38.8 million (1 HY of 2012/2013: EUR 30.8 million). The increase in absolute gross margin is mainly due to the increased production and sales volumes as well as the higher selling prices.

Personnel expenses in the reporting period 2013/2014 amounted to EUR 11.1 million (1 HY 2012/2013: EUR 11.8 million).

Other operating expenses in the reporting period amounted to EUR 12.5 million (1 HY 2012/2013: EUR 16.2 million) and are seen, compared to the same period of the previous year, as having decreased significantly. Here, too, positive contributions were able to be achieved, mainly through targeted cost reduction measures. Other operating expenses consist primarily of expenses for maintenance and repair, shipping costs, vehicle expenses, and expenses for insurance and contributions.

Due to the higher gross margin, reduced personnel expenses, lower other operating expenses, and the positive outcome of commodity futures of EUR 0.5 million (1 HY 2012/2013: EUR – 2.6 million), earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 21.5 million (1 HY 2012/2013: EUR 7.0 million), an increase of EUR 14.5 million over the comparable period.

After taking account of the write-downs to occur, the Group operating result (EBIT) amounted to EUR 10.5 million, well above that of the same period of the previous year (1 HY 2012/2013: EUR – 4.2 million).

The financial result of EUR –1.7 million (1 HY 2012/2013: EUR – 1.8 million) consists of interest income of EUR 0.2 million (1 HY 2012/2013: EUR 0.1 million) and interest expenses of EUR – 1.9 million (1 HY 2012/2013: EUR - 1.9 million).

Consolidated earnings before taxes (EBT) for continuing operations totaled EUR 8.8 million (1 HY 2012/2013: EUR – 6.0 million); results for the period were reported as being EUR 7.9 million (1 HY 2012/2013: EUR – 6.4 million). That leads to earnings per share (diluted/undiluted) of EUR 0.13 (1 HY 2012/2013: EUR – 0.10).

For discontinued operations, the Group's statement of comprehensive income after tax showed a profit of EUR 0.4 million (1 HY 2012/13: EUR – 2.3 million). For further explanations, please see the comments concerning the individual segments.

Net assets and financial liabilities

The balance sheet total decreased compared to June 30, 2013 by EUR 65.3 million to EUR 345.1 million (30/06/2013: EUR 410.4 million). The net assets and financial position of VERBIO is, under the condition of reaching the objectives provided for in the corporate planning and taking into account the follow-up of the strategic realignment, suitable for funding future operations.

The development of the asset side of the balance sheet is characterized in particular by a reduction in the short-term assets. The noncurrent assets have decreased from EUR 197.1 million to EUR 195.6 million. In this case, the depreciation, according to plan, of fixed assets amounting to EUR 11.2 million is essentially offset by a reclassification from current assets in the amount of EUR 7.4 million. The decrease in current assets by a total of EUR 63.8 million is primarily due to the decrease in trade accounts receivable by EUR 20.1 million and in inventories by EUR 17.0 million. In addition, the assets held for sale were reduced by EUR 29.4 million, due to disposals or the reclassification of these assets. In contrast, the stock of cash increased in particular by EUR 7.3 million. From the positive operating cash flow development and the application of funds, there was a result as of December 31, 2013 of cash and cash equivalents in the amount of EUR 25.1 million, including restricted cash.

On the liabilities side of the balance sheet, equity is reported at EUR 187.1 million, which represents approximately 54.2 percent (06/30/2013: 43.4 percent) of total assets. Compared with June 30, 2013, long-term debt of EUR 43.9 million has decreased to EUR 40.1 million and current liabilities of EUR 188.2 million to EUR 117.9 million. The development in current liabilities is mainly due to the reduction of bank loans and other loans (12/31/2013: EUR 61.6 million; 30 June 2013: EUR 113.2 million) and accrued liabilities (12/31/2013: EUR 2.3 million; 06/30/2013: EUR 13.4 million). Bank loans and other loans decreased due to the repayment of secured credit transactions, near-term loans as of June 30, 2013 as well as a partial repayment of the existing working capital financing. The development of accrued liabilities is particularly due to the use of provisions for anticipated losses formed as of June 30, 2013, as well as the reclassification of accrued liabilities in current and noncurrent financial liabilities.

Net financial liabilities

During the reporting period, net financial liabilities from long-term loans for financing biomethane plants, which have a remaining term until 2020, were repaid by EUR 10.9 million and amount to EUR 30.0 million as of December 31, 2013. Short-term bank loans were reduced by EUR 45.7. This was primarily due to the positive cash flow in the reporting period as well as the sale of Märka locations. The bank loans are seen alongside cash and cash equivalents in the amount of EUR 25.1 million, so the net financial liabilities amounted to EUR 55.9 million. Thus, the ratio of net financial liabilities to EBITDA, related to the overall financial year, is again below 2.

Cash flow

Operating cash flow for the reporting period was EUR 43.4 million (1 HY 2012/2013: EUR – 119.7 million). The positive cash flow, starting from the positive result for the period, is mainly due to the decrease in trade receivables 1 HY 2013/2014: EUR 19.9 million; 1 HY 2012/2013: EUR 25.8 million), inventories (1 HY 2013/2014: EUR 16.2 million; 1 HY 2012/2013: EUR 126.8 million increase) and other assets (1 HY 2013/2014: EUR 5.7 million; 1 HY 2012/2013: increase of EUR 1.3 million). In contrast, there was a decrease of accrued liabilities amounting to EUR 11.5 million (1 HY 2012/2013: EUR 0.2 million). Compared with the previous year, a significant change in operating cash flow resulted from the termination of the Märka trading activities. While operating cash flow was significantly negative in the previous year due to the development of inventories, operating cash flow is positive now, due to inventory levels which reduced in comparison to June 30, 2013.

Caused mainly by cash receipts from the disposal of assets held for sale, a total cash inflow from investing activities in the amount of EUR 20.2 million (1 HY 2012/2013: cash outflow of EUR 12.5 million) was recorded in the reporting period 2013/2014 . Proceeds from disposals of fixed assets amounting to EUR 22.7 million (1 HY 2012/2013: EUR 0.3 million) are in contrast to cash paid for investments in fixed assets for the first six months of financial year 2013/2014 in the amount of EUR 3.9 million (1 HY 2012/2013: EUR 19.3 million).

Cash flow from financing activities amounted to EUR – 56.3 million (1 HY 2012/2013: EUR 122.4 million). This has been influenced by payment surpluses on secured loans (1 HY 2013/2014: EUR 22.3 million; 1 HY 2012/2013 surplus payments: EUR 89.2 million) and the repayment of financial liabilities (1 HY 2013/2014: EUR 34.0 million; 1 HY 2012/2013: EUR 31.8 million). In the first half of financial year 2013/2014, no new financial liabilities were added (1 HY 2012/2013: EUR 65.0 million). The development of secured loans is related to the development of inventories and the suspension of Märka trading activities, whereby the corresponding financing requirement was significantly reduced.

Against this background, the cash and cash equivalents in the period from July 1 to December 31, 2013 increased by EUR 7.3 million. Liquid assets as of December 31, 2013 amounted to EUR 25.1 million, bearing in mind that cash amounting to EUR 6.2 million is limited in its availability.

Employees

As of December 31, 2013, VERBIO had 585 employees in total (31 December 2012: 842 employees), thereof 224 salaried employees (31 December 2012: 350 salaried employees), 337 nonsalaried employees (31 December 2012: 432 non-salaried employees) and 24 trainees (31 December 2012: 34 trainees).

Capital expenditure

In the first half of financial year 2013/2014 investments in the amount of EUR 2.9 million were made (1 HY 2012/2013: EUR 20.6 million) in property, plant and equipment.

Segment reporting

Biodiesel

VERBIO has a biodiesel production capacity of 450,000 tons p.a. In the first half of 2013/2014, production capacity stood at 98.0 percent, which is almost fully utilized (1 HY of 2012/2013: 81.1 percent). The production amounted to 209,522 tons (1 HY of 2012/2013: 173,387 tons) of biodiesel.

Sales of biodiesel in the domestic and foreign blending market were higher than the value in the corresponding period last year. This is due to the decline in imports, in the German market, of subsidized biodiesel made from soy and palm and originating from Argentina and Indonesia, the situation concerning the declining volumes of UCOME mentioned above, as well as the resulting drop in margin pressures.

The utilization of biodiesel plants was particularly enhanced by a strong increase in demand from abroad. The export quota for biodiesel increased in the reporting period to about 58 percent, while it was about 24 percent in the same period of the previous year.

During the reporting period 2013/2014, sales revenues in the biodiesel segment totaling EUR 257.9 million (1 HY 2012/2013: EUR 235.4 million) were achieved. The revenue increase is due to both higher sales volumes and higher selling prices.

The cost of materials amounted to EUR 234.5 million and was thus, according to the development in revenues, above the cost of materials of the comparable period of the prior year (1 HY 2012/2013: EUR 225.1 million). Taking into account the changes in inventories, the gross margin significantly increased from a total of EUR 16.6 million to EUR 21.3 million as a result of the increased quantities and the lower margin pressure.

Personnel costs amounted to EUR 3.3 million, virtually unchanged (1 HY 2012/2013: EUR 3.1 million).

Other operating expenses were incurred in the amount of EUR 6.6 million (1 HY 2012/2013: EUR 6.6 million).

The segment operating income totaled EUR 10.7 million (1 HY 2012/2013: EUR – 0.6 million).

In the first six months of financial year 2013/2014, as much as EUR 0.5 million (1 HY 2012/2013: EUR 1.0 million) was invested in fixed assets.

As of the effective date 31 December 2013, 98 people were employed in the biodiesel segment (31 December 2012: 98 employees).

Bioethanol

In the bioethanol segment, VERBIO has a total production capacity of 270,000 tons of bioethanol p.a. With a production of 99,919 tons of bioethanol in the first six months of financial year 2013/2014, the amount produced was significantly higher than that of the corresponding period of the prior year (1 HY 2012/2013: 84,098 tons). The decline in grain prices had a positive impact on the utilization of production capacity in the first six months of financial year 2013/2014. During the reporting period, this amounted to 74.0 percent, after 62.3 percent in the first half of 2012/2013. In addition, commercial transactions were increasingly conducted with bioethanol.

In the reporting year 2013/2014, total revenues of EUR 151.0 million will be declared for the segment, which are significantly above those of the same period of the previous year (1 HY 2012/2013: EUR 121.1 million).

The cost of materials amounted to EUR 137.6 million (1 HY 2012/2013: EUR 117.4 million), whereby, taking into account the changes in inventory for the segment, a gross margin in the amount of EUR 15.2 million resulted, compared with EUR 10.2 million in the same period of the previous year. A significant increase has been recorded here, as well.

Other operating income in this segment in the reporting period totaled EUR 3.8 million (1 HY 2012/2013: EUR 4.0 million).

Personnel expense is reported as unchanged at EUR 4.8 million (1 HY 2012/2013: EUR 4.8 million).

Other operating expenses in the reporting period of the current financial year amounted to EUR 5.4 million (1 HY 2012/2013: EUR 8.1 million).

The segment operating profit in the reporting period 2013/2014 amounted to EUR 1.1 million, after EUR – 1.7 million in the corresponding period of the prior year. The segment results for the previous year were influenced by a positive result from commodity futures totaling EUR 4.0 million.

In the first six months of financial year 2013/2014, EUR 2.3 million (1 HY 2012/2013: EUR 18.5 million) were invested in this segment.

As many as 172 people were employed in the bioethanol segment as of the effective date December 31, 2013 (December 31, 2012: 190 employees).

Discontinued operation

In the first six months of 2013/2014, sales of the discontinued operation amounted to EUR 97.1 million (1 HY 2012/2013: EUR 124.3 million), whereby these revenues include those from the continuing operations. Revenues of EUR 36.3 million were generated from trade in grain, oilseeds and fertilizers with third parties outside the Group (1 HY 2012/2013: EUR 48.1 million). In addition, accounting gains from the disposal of assets held for sale amounting to EUR 2.7 million are included in the income from the discontinued operation.

In contrast, there were total expenses of EUR 39.0 million (1 HY 2012/2013: EUR 50.5).

In addition, there was a financial result of EUR – 1.3 million (1 HY 2012/2013: EUR – 1.8 million).

Earnings before taxes for the discontinued operation amount to EUR 0.8 million (1 HY 2012/2013: EUR – 2.7 million) in the reporting period.

As of December 31, 2013, 73 staff members were employed in the discontinued operation (December 31, 2012: 235 employees).

Other

In the months July 2013 till December 2013 revenues were generated in the “Other” segment, especially from transport and logistics services, in the amount of EUR 18.5 million (1 HY 2012/2013: EUR 12.4 million).

Risk and opportunity report

In the future, capital requirements will be revised, due to the changed strategy and the positive business development, resulting thereby in a new financing structure, which is currently being developed.

In addition, no changes in the opportunities and risk profile of the VERBIO Group as presented in the detailed opportunities and risk report contained in the management report for the 2012/2013 financial year occurred in the reporting period.

Subsequent events and outlook

Amendment to the Renewable Energy Directive of the EU Commission

On October 17, 2012, the EU Commission of the European Parliament and the European Council submitted a draft of an amendment to the Renewable Energy Directive and the Fuel Quality Directive. This has been discussed since the beginning of 2013 in the European Parliament and the European Council. The Commission’s central goal is to continue to improve the carbon footprint in the production of biofuels, to limit the use of first generation biofuels, and to provide greater incentives for the consumption of second generation biofuels. Second generation biofuels represent not only the highest possible CO2 savings, but also – and especially – the use of non-food raw materials, or raw materials that do not result in any direct or indirect land use changes. In particular, the EU Commission is promoting “indirect land use change”, which is also known by the acronym iLUC. In the future, biofuels should have neither a direct nor an indirect impact on land use or the provision of food.

As things stand today, the use of first generation biofuels is to be limited to 6.0 percent and for alternative fuels, so-called “advanced fuels” (biofuels that are produced from non-foodstuffs, for example, waste, algae, straw and waste) a subquota of 2.5 percent is to be put into place. In addition, a credit of iLUC factors is to be mandatory beginning in 2020. Given the contradictory results of previously existing scientific studies on iLUC, the European Parliament has called for further analysis on this subject.

The office of the Lithuanian Council Presidency presented a compromise proposal to bring about a political agreement in the short term. However, no political decision could be reached in the Energy Council meeting on December 12, 2013.

Both the European Council and the European Parliament have to agree to the policy changes, which means a political agreement is a prerequisite for decision making. Given the upcoming election of the European Parliament in May 2014, a conclusion of the legislative process is rather unlikely before 2015.

The amendment proposals of the EU Commission to especially promote biofuels of the second generation in the future are in line with the corporate strategy of VERBIO to increasingly produce biofuels in the future from raw materials which do not compete with foodstuffs.

With its proposal, the Commission is creating the long overdue requirement to bring biofuels of the second generation into the market in the future. The fact is that second generation biofuels from non-foodstuffs are already available (e.g. biomethane and biodiesel produced on the basis of waste raw materials), but due to the wrong legal provisions there is only a lesser incentive to actually utilize these. But the fact is also that the biofuel goals of the EU are not reachable without the use of first generation biofuels, since second generation biofuels are not available for the foreseeable future to an adequate extent. Therefore, VERBIO is campaigning for the preservation of the existing capacity of first generation biofuels. The introduction of a fixed and mandatory quota for second generation biofuels is something we very much welcome.

It is crucial for the future development of the biofuel industry in general, and VERBIO in particular, that the amendments recreate a reliable legal framework in which expansion and investment activity can be resumed.

Demand for shifting the decarbonisation strategy

As of January 1, 2015, the so-called decarbonisation strategy is supposed to be implemented in Germany; as to the fulfillment of quotas, this aims exclusively at a maximum CO2 reduction, without taking into account the raw material base.

This does not fit with the current approach of the European Commission, namely to promote biofuels depending on their resource base. The implementation of the decarbonisation strategy would also require that the sustainability certification can be guaranteed worldwide. At present, however, neither EU certification nor EU control is suited to preclude fraud or abuse. VERBIO is therefore calling for a postponing of decarbonisation. This has to apply until defined and verifiable calculation models for calculating CO2 emissions are developed and, at least in Europe, the EU sustainability rules are implemented. The prerequisite for the implementation of the decarbonisation strategy should also rather be the amendment of the Renewable Energy Directive to be adopted by the EU.

Market and industry development

From the perspective of VERBIO, the market for second generation biofuels offers the greatest growth potential. VERBIO is currently the largest producer of biomethane on basis of straw and stillage in Europe, supplying the market with large quantities of biomethane as a second generation biofuel.

As far as the development of the individual markets goes, we assume that the primary sales market for biodiesel will continue to be the blending market. The pure fuel B100 will no longer play a role in Germany for the foreseeable future, due to the absence of the tax advantages; although B100 has never been as inexpensive compared to mineral diesel as it currently is.

The anti-dumping duties which were finally imposed against Argentina and Indonesia in November 2013 are having an effect and have already led, with the temporary imposition in May of last year, to a relaxation on the biodiesel market. The quantities imported into Europe and Germany have significantly reduced. In addition, the margin situation for European biodiesel producers has eased.

It is also clarity now regarding whether biodiesel imported from Argentina and Indonesia, which had been consumed in Germany before the imposition of anti-dumping duties, is creditable against the biofuel quota according to the German Federal Immission Control Act (BImSchG). We believe that the differential taxation of biodiesel and vegetable oil in Argentina and Indonesia clearly involves a direct state support in favor of the domestic biodiesel industry. Accordingly, the biodiesel imported from these countries is subject to a government subsidy and therefore cannot be counted towards the biofuel quota in Europe. The German Federal Ministry of Finance does not share this view, unfortunately, and by letter dated January 7, 2014, has stated that it has been decided, upon examination, to leave unchanged the creditability concerning the German biofuels quota with regard to biodiesel from Argentina and Indonesia which had been brought into the market in Germany in 2013 and is not subject to anti-dumping measures of the European Community.

Bioethanol is also primarily a product for the blending market.

The demand for biomethane is stable with an increasing tendency. In this connection, the use of biomethane instead of natural gas, especially for public transportation, has increased, and the filling station network has strongly improved.

According to the German Biofuels Industry Association, the available biofuel production capacity in Germany is very well utilized.

Future development of the Group

In December 2012, the European Commission granted the commitment to support the innovative VERBIO technology for the production of biomethane from 100 percent straw with a total of up to EUR 22.3 million. The funding comes as part of the NER300 initiative of the European Union to promote demonstration projects for innovative technologies in renewable energy over a period of 5 years. In January 2014, the project was officially launched with the signing of the grant agreement. The first supply of biomethane from 100 percent straw at VERBIO Schwedt will take place in the second half of 2014. In the scope of this project, we will invest further in our new straw technology in Schwedt this year and over the next few years. In the final expansion stage, the plant has a capacity of 16.5 MW.

The abandonment of the previous strategy of regional raw material procurement consequentially required the discontinuance of the trading activities of Märka and the reorganization of the raw material procurement. Up to February 7, 2014, a total of 22 of the 42 own locations of Märka were successfully sold. Various purchasers have expressed interest in the remaining locations. There are negotiations with further interested parties regarding the remaining portfolio.

Overall assessment of the expected development

Against the background of a positive first half of 2013/2014 and the current order situation, the Management Board is adjusting its forecast for financial year 2013/2014.

For financial year 2013/2014, VERBIO expects revenue in the range from EUR 670 million to EUR 730 million (so far: EUR 600 million to EUR 700 million), EBITDA in the range of EUR 30.0 million to EUR 35.0 million (so far: EUR 25.0 million) and a operating result (EBIT) in the range of EUR 3.0 million to EUR 8.0 million (so far: largely balanced).

The amount of revenue is highly dependent on the prices of raw materials and biofuels in the markets and the extent of individually concluded transactions involving fossil and biogenic fuels. In addition, the operating profit in the current financial year will be affected by liabilities from the still ongoing trading activities and pending sale of Märka warehouse locations.

Consolidated interim financial statements (nach IFRS)

Consolidated statement of comprehensive income

for the period July 1 to December 31, 2013

TEUR		Q2 2013/2014	Q2 2012/2013	1 HY 2013/2014	1 HY 2012/2013
Continuing operations					
1.	Revenue (including energy taxes collected)	209,562	203,475	424,157	426,346
	less: energy taxes	–1,238	–30,952	–3,965	–62,427
	Revenue	**208,324**	**172,523**	**420,192**	**363,919**
2.	Change in unfinished and finished goods	732	4,966	–268	12,422
3.	Capitalised production of own plant and equipment	40	241	156	568
4.	Other operating income	2,109	2,082	5,627	6,263
5.	Cost of materials				
	a) Raw materials, consumables and supplies	–175,715	–150,428	–356,361	–321,173
	b) Purchased services	–12,622	–11,915	–24,695	–24,369
6.	Personnel expenses	–5,536	–5,549	–11,100	–11,777
7.	Depreciation and amortisation	–5,494	–5,382	–11,010	–11,215
8.	Other operating expenses	–5,764	–9,210	–12,497	–16,191
9.	Result from commodity forward contracts	–186	1,814	495	–2,618
10.	**Operating result**	**5,888**	**–858**	**10,539**	**–4,171**
11.	Interest income	92	10	194	101
12.	Interest expense	–927	–962	–1,915	–1,945
13.	**Financial result**	**–835**	**–952**	**–1,721**	**–1,844**
14.	**Result before tax**	**5,053**	**–1,810**	**8,818**	**–6,015**
15.	Income tax expense	–704	–303	–892	–384
16.	**Result from continuing operations**	**4,349**	**–2,113**	**7,926**	**–6,399**
Discontinued operations					
	Result after tax of the discontinued operations	183	–126	360	–2,342
17.	**Net result for the period**	**4,532**	**–2,239**	**8,286**	**–8,741**
	Result attributable to shareholders of the parent company	4,499	–2,014	8,198	–8,479
	Result attributable to non-controlling interests	33	–225	88	–262
Income and expenses recognized directly in equity					
	Items, to be reclassified either as profit or loss:				
	Translation of foreign operations	16	9	34	40
	Fair value remeasurement on cash flow hedges	–40	–24	731	–2,064
	Deferred taxes recognized in equity	12	7	–211	640
18.	**Income and expenses recognized directly in equity**	**–12**	**–8**	**554**	**–1,384**
19.	**Comprehensive result**	**4,520**	**–2,247**	**8,840**	**–10,125**
	Comprehensive result attributable to shareholders of the parent company	4,486	–2,023	8,751	–9,869
	Comprehensive result attributable to non-controlling interests	34	–224	89	–256
Result per share (basic and diluted)		0.07	–0.03	0.13	–0.13
Result per share (basic and diluted) from continuing operations		0.07	0.00	0.13	–0.10

Consolidated balance sheet

at December 31, 2013

KEUR		12/31/2013	06/30/2013
Aktiva			
A.	**Noncurrent assets**		
I.	Other intangible assets	224	282
II.	Property, plant and equipment	195,235	196,652
III.	Financial assets	53	54
IV.	Deferred tax assets	93	92
Total noncurrent assets		**195,605**	**197,080**
B.	**Current assets**		
I.	Inventories	47,072	64,071
II.	Trade receivables	46,114	66,194
III.	Derivatives	507	1,157
IV.	Other short-term financial assets	7,511	5,021
V.	Tax refunds	6,000	6,298
VI.	Other assets	8,022	14,292
VII.	Cash and cash equivalents	25,051	17,711
VIII.	Noncurrent assets held for sale	9,248	38,589
Total current assets		**149,525**	**213,333**
Total assets		**345,130**	**410,413**

KEUR	12/31/2013	06/30/2013
Liabilities and equity		
A. Equity		
I. Share capital	63,000	63,000
II. Additional paid-in capital	487,680	487,680
III. Fair value reserve	–1,211	–1,731
IV. Retained earnings	–363,105	–371,296
V. Reserve for translation differences	–22	–55
Total equity, excluding non-controlling interests	**186,342**	**177,598**
VI. Non-controlling interests	806	710
Total equity	**187,148**	**178,308**
B. Noncurrent liabilities		
I. Bank loans and other loans	26,136	31,114
II. Provisions	150	150
III. Deferred investment grants and subsidies	10,731	11,566
IV. Other noncurrent liabilities	3,104	1,099
Total noncurrent liabilities	**40,121**	**43,929**
C. Current liabilities		
I. Bank loans and other loans	61,608	113,188
II. Trade payables	35,173	39,554
III. Derivatives	2,134	2,753
IV. Other current financial liabilities	5,322	2,985
V. Tax liabilities	8,783	8,015
VI. Provisions	2,267	13,440
VII. Deferred investment grants and subsidies	1,499	1,510
VIII. Other current liabilities	1,075	6,731
Total current liabilities	**117,861**	**188,176**
Total equity and liabilities	**345,130**	**410,413**

Consolidated cash flow statement

for the period July 1 to December 31, 2013

KEUR	1 HY 2013/2014	1 HY 2012/2013
Net result for the period from continuing operations	7,926	−6,399
Net result for the period from discontinued operations	360	−2,342
Net result for the period	**8,286**	**−8,741**
Income taxes expense (prior-year period: income)	1,355	48
Interest result	3,010	3,649
Depreciation and amortization	11,306	13,048
Non-cash expense	624	2,643
Non-cash income	−18	−510
Gains on disposal of property, plant and equipment and disposal of investment grants	−4,144	−29
Release of deferred investment grants and subsidies	−796	−1,174
Non-cash changes in derivative fiancial instruments	1,625	−9,735
Decrease (prior-year period: increase) in inventories	16,157	−126,764
Decrease in trade receivables	19,935	25,764
Decrease (prior-year period: increase) in other assets and other current financial assets	5,684	−1,308
Decrease in provisions	−11,529	−249
Decrease (prior-year period: increase) in trade payables	−3,393	741
Decrease in other current financial and non-financial liabilities	−1,318	−13,149
Interest paid	−3,591	−3,473
Interest received	477	313
Income taxes paid	−241	−755
Cash flows from operating activities	**43,429**	**−119,681**
Proceeds from time deposits	0	2,055
Acquisition of intangible assets	−34	−123
Acquisition of property, plant, and equipment	−3,874	−19,256
Proceeds from disposal of property, plant, and equipment	22,736	340
Proceeds from disposal of noncurrent financial assets	3	181
Proceeds from investment grants	1,397	4,290
Cash flows from investing activities	**20,228**	**−12,513**

KEUR	1 HY 2013/2014	1 HY 2012/2013
Payments on secured loans	–47.989	–57.101
Proceeds from secured loans	25.674	146.267
Payments for the redemption of financial liabilities	–34.014	–31.786
Proceeds from the asssumption of financial liabilites	0	65.003
Cash flows from financing activities	**–56.329**	**122.383**
Cash-effective change in cash funds	7.328	–9.811
Change in cash funds due to effects of exchange rates	12	38
Cash funds at beginning of year	17.711	38.691
Cash funds at end of year	**25.051**	**28.918**
Cash funds at year end comprise the following:		
Restricted cash and cash equivalents	6.240	3.950
Cash and cash equivalents	18.811	24.968
Cash funds at end of year	**25.051**	**28.918**

Consolidated statement of changes in equity

for the period July 1 to December 31, 2013

KEUR	Share capital	Additional paid-in capital	Fair value reserve	Retained earnings	Reserve for translation adjustments	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
July 1, 2012	**63,000**	**487,680**	**–14**	**–218,783**	**–53**	**331,830**	**3,660**	**335,490**
Translation adjustments	0	0	0	0	34	34	6	40
Fair Value changes on cash flow hedges (after tax)	0	0	–1,424	0	0	–1,424	0	–1,424
Income and expenses recognized directly in equity	**0**	**0**	**–1,424**	**0**	**34**	**–1,390**	**6**	**–1,384**
Net result for the period	0	0	0	–8,479	0	–8,479	–262	–8,741
Comprehensive result for the period	**0**	**0**	**–1,424**	**–8,479**	**34**	**–9,869**	**–256**	**–10,125**
December 31, 2012	**63,000**	**487,680**	**–1,438**	**–227,262**	**–19**	**321,961**	**3,404**	**325,365**
July 1, 2013	**63,000**	**487,680**	**–1,731**	**–371,296**	**–55**	**177,598**	**710**	**178,308**
Translation adjustments	0	0	0	0	33	33	1	34
Fair Value changes on cash flow hedges (after tax)	0	0	520	0	0	520		520
Income and expenses recognized directly in equity	**0**	**0**	**520**	**0**	**33**	**553**	**1**	**554**
Net result for the period				8,198		8,198	88	8,286
Comprehensive result for the period	**0**	**0**	**520**	**8,198**	**33**	**8,751**	**89**	**8,840**
Other changes				–7		–7	7	0
December 31, 2013	**63,000**	**487,680**	**–1,211**	**–363,105**	**–22**	**186,342**	**806**	**187,148**

Notes to the consolidated financial statements

Condensed consolidated intermin financial statements

Basis for preparation of the consolidated financial statements

The interim reports of VERBIO Vereinigte BioEnergie AG and also the consolidated financial statements as of June 30, 2013, were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the EU. The rules contained in IAS 34 "Interim Financial Reporting" were applied accordingly. All of the interim financial statements of the companies included within the consolidated financial statements of VERBIO AG were prepared in accordance with standard accounting principles.

These condensed interim financial statements do not include all information relevant for the consolidated financial statements and is therefore to be read in conjunction with the consolidated financial statements as of June 30, 2013.

The consolidated interim financial statements are presented in euros (EUR). To the extent not otherwise stated, all amounts are given in thousand euros (KEUR). Discrepancies may occur in the presentation of the figures as a result of rounding.

On July 1, 2012 the conversion of the financial year to the period July 1 to June 30 of the subsequent year became effective. When a comparison and analysis is made with the previous year, the period July 1 to December 31, 2013 (1 HY 2013/2014) is compared with the period July 1 to December 31, 2012 (1 HY 2012/2013).

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

As of March 31, 2013, the Management Board with the approval of the Supervisory Board made the decision to sell shares in Märka GmbH, which represents the trading segment of the VERBIO Group. The sale should be finalized within one year. Contrary to the original plan for an entire sale of Märka GmbH, as of June 30, 2013 a sale of the warehouse locations of Märka GmbH is anticipated. Consequently, as of June 30, 2013, the noncurrent assets of Märka GmbH at these locations have been classified as held for sale and have been combined into a disposal group. This also applies as of December 31, 2013, insofar the respective warehouse locations have actually not been sold. At the same time, due to the intended termination of the trading activities with the sale of the warehouse locations of Märka GmbH, these operations have been classified as a discontinued operation in the consolidated statement of comprehensive income.

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

There were no changes in the entities included in the consolidation as of June 30, 2013. Incidentally the consolidation methods as well as the principles for foreign currency translation remain unchanged to those applied for the consolidated financial statements as of June 30, 2013.

Accounting and valuation methods

Given that the interim financial reports are based on the consolidated financial statements, reference is made to the detailed description of the accounting and consolidation policies contained in the notes to the consolidated financial statements as of June 30, 2013. The accounting and consolidation policies applied are essentially commensurate with those applied in the previous year. The following applies in addition to the accounting and valuation methods described in the notes to the consolidated financial statements as of June 30, 2013:

There were no new and revised standards and interpretations to be applied with effectiveness from July 1, 2013 initially with the exception of the amended IAS 19 "Employee Benefits" and "Improvements to IFRS, 2009 – 2011 Cycle". The above mentioned modifications had no material impact.

Notes to individual items in the consolidated statement of comprehensive income

Other operating income

During the reporting period other operating income amounted to KEUR 5,627 (1 HY 2012/2013: KEUR 6,263). In the amount of EUR 1,278 million (1 HY 2012/2013: KEUR 0) this item comprises income from disposals of property, plant and equipment, mainly resulting from the sale of warehouse locations from the group of noncurrent assets held for sale. In addition, other operating income contains mainly reimbursements for electricity and mineral oil tax (KEUR 1,039; 1 HY 2012/2013: KEUR 1,082) and income from the release of investment grants (KEUR 796; 1 HY 2012/2013: KEUR 1,015). In the previous year's period other operating income was additionally affected by income from the trade with emission rights (KEUR 950) as well as from insurance recoveries (KEUR 708).

Cost of materials

The cost of materials can largely be attributed to the procurement of raw materials, consumables and supplies for ongoing production activities and purchased goods. Reference is hereby made to the statements contained in the section entitled "Segment reporting".

Other operating expenses

For the reporting period other operating expense are shown in the amount of KEUR 12,497 (1 HY 2012/2013: KEUR 16,191). The main items under this position are expenses for repair and maintenance (KEUR 2,865; 1 HY 2012/2013: KEUR 2,683), outgoing freight (KEUR 2,629; 1 HY 2012/2013: KEUR 2,833), motor vehicle costs (KEUR 1,210; 1 HY 2012/2013: KEUR 1,609) as well as insurances and contributions (KEUR 1,071; 1 HY 2012/2013: KEUR 1,393).

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 using fair value hedge accounting and the ineffective portion of forward contracts that are used for hedge accounting (cash flow hedges) amount in total to KEUR 495 (1 HY 2012/2013: KEUR – 2,618).

In addition, included in the discontinued operation is a result from commodity future transactions in the amount of KEUR 194 (1 HY 2012/2013: KEUR 518).

Income tax expense

Income tax expense for the period July 1 to December 31, 2013 in the amount of KEUR 892 (1 HY 2012/2013: KEUR 384) comprises current tax expense of KEUR 1,126 (1 HY 2012/2013: KEUR 65) and deferred tax income of KEUR 234 (1 HY 2012/2013: deferred tax expense KEUR 319)..

Discontinued operation

The net result from the discontinued operation is presented follows:

KEUR	1 HY 2013/2014	1 HY 2012/2013
Income	41,148	49,627
Expense	–39,035	–50,497
Operating result	**2,113**	**–870**
Financial result	–1,290	–1,805
Result before taxes	**823**	**–2,675**
Income taxes	–463	333
Net result from the discontinued operation	**360**	**–2,342**

The net cash flow of the disposal group or the discontinued operation is composed as follows:

KEUR	1 HY 2013/2014	1 HY 2012/2013
Operating activities	21,421	–102,529
Investing activities	18,928	–253
Financing activities	–46,699	132,295
Net cash flow from discontinued operation	**–6,350**	**29,513**

Earnings per share

Earnings per share were calculated in accordance with IAS 33. For the calculation of the earnings per share the earnings for the period attributable to shareholders of the parent company were divided by the weighted average number of shares outstanding. VERBIO AG has 63,000,000 no-par shares with a nominal value of EUR 1.00, which have in average been in circulation during the reporting period. There is no dilutive effect. The Group result for the first half year 2013/2014 relating to the shareholders of the parent company amounts to KEUR 8,198 (1 HY 2012/2013: – 8,479). The result per share (basic and dilutive) from continuing operations amounts to EUR 0.13 (1 HY 2012/2013: – 0.10).

	1 HY 2013/2014	1 HY 2012/2013
Issued shares on July 1	63,000,000	63,000,000
Number of average shares outstanding as of December 31	63,000,000	63,000,000
Result for the period in KEUR	8,198	–8,479
Result per share in EUR	**0.13**	**–0.13**

The calculation of the result per share for the discontinued operation was based on the above stated number of average shares. The result for the period of the discontinued operation attributable to shareholders of the parent company for the calculation of the result per share was KEUR 272 (1 HY 2012/2013: – 2,080). Therefore the basic and the dilutive earnings per share from discontinued operation amounts to EUR 0.00 (1 HY 2012/2013: EUR – 0.03).

Notes to the individual items in the consolidated balance sheet

Noncurrent assets

Property, plant and equipment

The value of property, plant and equipment reduced taking into account scheduled depreciations (KEUR 11,214), disposals of fixed assets (KEUR 527), investments in fixed assets (KEUR 2,880), reclassifications of the disposal group (KEUR 7,438) and effects from currency conversions (KEUR 6).

Current assets

Inventories

KEUR	12/31/2013	06/30/2013
Raw materials, consumables and supplies	11,967	6,953
Work in process and finished products	16,421	16,689
Merchandise	18,684	40,429
Inventories	**47,072**	**64,071**

Finished products comprise stocks of biofuel quotas which have already been generated but not yet sold in the amount of KEUR 7,082 (06/30/2013: KEUR 7,241).

As of December 31, 2013, the review of inventories with respect to recoverability resulted in allowances in total of KEUR 2,281 (06/30/2013: KEUR 2,189) to write down inventories to the lower market or net realizable value. Merchandise assigned to the disposal group with carrying amounts of KEUR 0 (06/30/2013: KEUR 23,660) were pledged as security.

Trade receivables

Trade receivables at the balance sheet date amounted to KEUR 47,072 (06/30/2013: 66,194) and are disclosed net of valuation allowances of KEUR 1,734 (06/30/2013: KEUR 2,025). All trade receivables have a remaining term of up to one year. Of these, KEUR 11,513 (06/30/2013: KEUR 14,949) relate to receivables which have been sold to a special purpose entity in connection with an ABS program, whereby the analysis of the risk-benefit balance revealed that there is no need for a write off but an assessment analogous to a refinancing of a loan.

Tax refund receivables

Tax refund receivables of KEUR 6,000 (06/30/2013: KEUR 6,298) concern construction withholding tax, corporate tax and trade tax.

Other current financial assets

Other current financial assets comprise the following:

KEUR	12/31/2013	06/30/2013
Security deposits resulting from security agreements and liability declarations	3,298	3,327
Deferral of unrealized results on forward contracts	3,208	0
Claims for damages	166	166
Insurance recoveries	17	28
Loan receivables	6	24
Deferral of realized gains on forward contracts	0	851
Miscellaneous other assets	816	625
Other financial assets	**7,511**	**5,021**

Other non-financial assets

Other non-financial assets comprise the following:

KEUR	12/31/2013	06/30/2013
Investment subsidies	4,454	5,890
Reimbursement of electricity and energy tax	1,730	2,311
Value-added tax receivable	1,158	4,272
Deffered expenses	388	1,381
Miscellaneous other assets	292	438
Other financial assets	**8,022**	**14,292**

Derivatives

Forward contracts (futures and options) have been entered into with a view to hedging the supply of raw materials for the production of biodiesel, raw material and merchandise inventories of rapeseed and wheat, and fixed obligations arising in connection with purchases of rapeseed and wheat against fluctuations in value. As of December 31, 2013, the positive market value of these derivatives amounted to KEUR 507 (06/30/2013: KEUR 1,157), and the negative market value KEUR 797 (06/30/2013: KEUR 889). With regards to the effects on the consolidated statement of comprehensive income, reference is made to the notes relating to the results from forward contracts.

Interest rate swap transactions have been entered into with a view to hedging variable interest payment obligation. The market value of the interest rate hedging transactions is recorded under derivatives. To the extent that no hedging relationships have been designated, any changes in value are recorded in the financial result. As of the balance sheet date, the negative market value of these interest rate hedging transactions amounted to KEUR 1,337 (06/30/2013: KEUR 1,075). The negative market value of the hedged interest rate swaps amounted to KEUR 690 (06/30/2013: KEUR 778) and was recorded directly in equity.

The derivatives which have been evaluated at their fair value have been allocated to the following fair value hierarchical levels:

- Level 1 (quoted market prices): KEUR 0 (assets; 06/30/2013: KEUR 1,141), KEUR 0 (liabilities; 06/30/2013: KEUR 176)
- Level 2 (valuation procedure, input data observable in the market): KEUR 507 (assets; 06/30/2013: KEUR 16), KEUR 2,134 (liabilities; 06/30/2013: KEUR 2,577).

In the period 1 July to 31 December 2013 as well as in the respective comparable previous year's period no re-classifications from one fair value hierarchical level to the other were carried out.

Cash and cash equivalents

This item includes unrestricted cash and cash equivalents in the amount of KEUR 18,811 (06/30/2013: KEUR 13,761) plus restricted cash in the amount of KEUR 6,240 (06/30/2012: KEUR 3,950).

Assets held for sale

As of March 31, 2013, the decision was made to sell the shares in Märka GmbH, which represents the trading segment of the VERBIO Group. As of June 30, 2013 and December 31, 2013, the Group assumes a sale of the warehouse locations of Märka GmbH. For this reason, as of December 31, 2013, the balance sheet item "assets held for sale" primarily includes the capital assets of Märka, for such an intention to sell exists and which were not sold since December 31, 2013. In the mean time it was decided, not to sell one of the warehouse locations and to use instead as back-up capacity for VERBIO respectively to lease. As of December 31, 2013, this warehouse location had a book value of TEUR 7,438 and was reclassified to property, plant and equipment. In connection with the classification as "held for sale", the carrying amounts of the locations are compared to their fair value less costs to sell. In the first half of financial year 2013/2014 no changes in value were recognized for the locations not yet sold; the carrying amount as of December 31, 2013 was at KEUR 9,248. For the warehouse locations sold until December 31, 2013 proceeds in the amount of KEUR 25,890 were recognized, with a corresponding book value decrease in the amount of KEUR 21,903. Corresponding book profits in the amount of KEUR 2,770 are included in the result from discontinued operation.

Equity

Equity

The fair value reserves comprise the effective portion of the cumulated changes in the valuation of commodity forward contracts classified as cash flow hedges and also interest rate swaps. During the reporting period, KEUR 541 were reallocated from equity to cost of materials (amount increasing cost of materials; 1 HY 2012/2013: KEUR 883 decreasing cost of materials) and KEUR 152 to interest expense (amount increasing interest expense; 1 HY 2012/2013: KEUR 139) in the context of cash flow hedge accounting. The change of fair values of the cash flow hedges therefore amounts to KEUR -12. At the balance sheet date deferred taxes are reflected in the amount of KEUR 246 (06/30/2013: KEUR 457). The change in value of derivatives reserved (ex ante), is shown as an increase of the other reserves in the amount of KEUR 520.

Noncurrent liabilities

Investment grants and subsidies

KEUR	Investment subsidies	Investment grants	Total
Jule 30, 2013	12,029	1,047	13,076
Additions	0	0	0
Release in current period	−734	−62	−796
Disposal	−50	0	−50
December 31, 2013	**11,245**	**985**	**12,230**
Thereof current	1,373	126	1,499
Thereof noncurrent	9,872	859	10,731

Assigned securities

We refer to the detailed explanations in the consolidated notes for the 2012/2013 financial year.

Current liabilities

Tax liabilities

Tax liabilities comprise trade tax obligations in the amount of KEUR 1,455 (06/30/2013: KEUR 1,321) state-, council and federal tax of Switzerland in the amount of KEUR 157 (06/30/2013: KEUR 157), corporate tax amounting to KEUR 1,253 (06/30/2013: EUR 619) and, unchanged to June 30, 2013, construction withholding tax in the amount of KEUR 5,918.

Provisions

Total provisions comprise the following:

KEUR	12/31/2013	06/30/2013
Impending losses on sales transactions	1,828	7,516
Litigation risks	217	5,250
Other provisions	222	674
Total provisions	**2,267**	**13,440**

With regards to the provision related to the judgment of May 22, 2013 (KEUR 5,007) of VERBIO Diesel Bitterfeld GmbH & Co. KG (VDB) reported in the financial statements as of June 30, 2013 a reclassification of the amount payable to the other financial liabilities (KEUR 3,597) was carried out. The amount payable within one year is KEUR 1,917, long term debt is at KEUR 1,680.

Other current liabilities

KEUR	12/31/2013	06/30/2013
Value added tax	491	4,255
Energy tax	87	1,185
Advance payments received on orders	0	927
Miscellaneous other current liabilities	497	364
Total other current liabilities	**1,075**	**6,731**

Other disclosures

Segment reporting

The risks and returns of the Group are significantly determined by the business segments. The VERBIO Group is accordingly segmented in line with the internal organizational and management structure into the business segments Biodiesel, Bioethanol and Other. The Other segment, as a collective segment, contains the business area of transport and logistics as well as the area of energy. Due to its classification as discontinued operation, the segment Märka Trading presented in the comparative period is no longer included in the segment reporting for the current period.

A segmentation on a geographical basis was not made, since such a segmentation is not utilized by the VERBIO.

Segments according to the internal corporate management

Revenues in the following are net of energy taxes in the amount of KEUR 3,965 (1 HY 2012/2013: KEUR 62,427). The segments Biodiesel and Bioethanol generate revenues from the sale of goods. In the Other segment revenues are generated through the rendering of services. For the segment reporting as well as for transactions between the reportable segments, the same accounting principles are applied as those applied in the consolidated financial statements.

Segment reporting for the period July 1 to December 31, 2013

KEUR	Biodiesel	Bioethanol	Other	Intersegment reveneus and expenses	Group
	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014
Sales revenues	257,873	150,967	18,505	–7,153	420,192
Change in finished and unfinished products	–2,095	1,828	–1	0	–268
Capitalized production of own plant and equipment	92	64	0	0	156
Other operating income	1,187	3,822	681	–63	5,627
Cost of materials	–234,455	–137,557	–14,703	5,659	–381,056
Personnel expenses	–3,335	–4,843	–2,922	0	–11,100
Depreciation and amortization	–2,550	–7,739	–721	0	–11,010
Other operating expenses	–6,597	–5,352	–2,105	1,557	–12,497
Result of forward contract transactions	586	–91	0	0	495
Segment result	**10,706**	**1,099**	**–1,266**	**0**	**10,539**
Financial result	–452	–1,357	88	0	–1,721
Result before taxes	**10,254**	**–258**	**–1,178**	**0**	**8,818**

Segment reporting for the period July 1 to December 31, 2012

KEUR	Biodiesel	Bioethanol	Other	Intersegment reveneus and expenses	Group
	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014	1 HY 2013/2014
Sales revenues	235,425	121,111	12,387	–5,004	363,919
Change in finished and unfinished products	6,255	6,167	0	0	12,422
Capitalized production of own plant and equipment	106	462	0	0	568
Other operating income	2,192	4,017	945	–891	6,263
Cost of materials	–225,101	–117,119	–6,962	3,640	–345,542
Personnel expenses	–3,071	–4,764	–3,942	0	–11,777
Depreciation and amortization	–3,255	–7,440	–920	400	–11,215
Other operating expenses	–6,636	–8,105	–3,305	1,855	–16,191
Result of forward contract transactions	–6,505	3,995	–108	0	–2,618
Segment result	**–590**	**–1,676**	**–1,905**	**0**	**–4,171**
Financial result	–607	–1,215	–22	0	–1,844
Result before taxes	**–1,197**	**–2,891**	**–1,927**	**0**	**–6,015**

Segment assets

KEUR	12/31/2013	06/30/2013
Biodiesel	85,964	93,876
Bioethanol	203,017	201,573
Other	49,549	68,828
Group	**338,530**	**364,277**

Contingent liabilities and other financial commitments

Contingent liabilities

Regarding contingent liabilities please refer to the information in the consolidated notes for the financial year 2012/2013.

Litigations

Regarding litigations please refer to the information in the consolidated notes for the financial year 2012/2013.

Rental and leasing contracts

Additional financial commitments of KEUR 13,401 exist from various long-term leasing contracts. Allotted to the following year are KEUR 3,786, KEUR 2,440 are allotted to the next one to five years and KEUR 7,175 for a period exceeding five years.

For further information please refer to the explanations in the consolidated notes for the financial year 2012/2013.

Commitments

As at December 31, 2013 there is an open purchase obligation for investments amounting KEUR 1,340 (06/30/2013: KEUR 1,043).

Related party disclosures

For further information please refer to the explanations of related party disclosures in the consolidated notes for the 2012/2013 financial year.

Significant events subsequent to the end of the reporting period

There were no significant events subsequent to the end of the reporting period.

Audit of the interim financial statements and interim management report

The interim financial statements and interim management report on hand were not subject to any form of audit or review by an auditor.

Responsibility statement

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

Leipzig, February 6, 2014

Claus Sauter
Chairman of the Management Board & CEO

Dr. Oliver Lüdtke
Deputy Chairman of the Management Board

Theodor Niesmann
Management Board Member

Bernd Sauter
Management Board Member

Executive bodies of the Company

Supervisory Board

Alexander von Witzleben
Chairman of the Supervisory Board

President,
Feintool International Holding AG, Lyss, Switzerland

Other Supervisory Board mandates::
- PVA TePla AG, Wettenberg
- Siegwerk Druckfarben AG & Co. KGaA, Siegburg

Mandates in comparable controlling bodies:
- Kaefer Isoliertechnik GmbH & Co. KG, Bremen

Ulrike Krämer
Deputy Chairman of the Supervisory Board

Auditor and tax advisor, Ludwigsburg

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

Chemist and process engineer, Berlin

Deputy Chariman of Arbeitsgemeinschaft Qualitätsmanagement Biodiesel e.V.

Management Board

Claus Sauter
Chairman of the Management Board & CEO

Responsible for strategic corporate development, business development, sales and trading, puchasing (liquid primary products), IT, finance and accounting, taxes, controlling and risk management, press and publicity, investor relations and law

Dr. Oliver Lüdtke
COO Bioethanol/Biomethane
Deputy Chairman of the Management Board

Responsible for the Bioethanol/Biomethane segment (production, technical investment planning, research and development, procurement of auxiliary materials, media and occupational safety) and data privacy

Theodor Niesmann
COO Biodiesel and Plant Engineering

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

Bernd Sauter
Vorstand Personal, Einkauf und Logistik

Responsible for HR, procurement of solid raw materials, logistics and transport, storage, contract management, fleet and property management, and occupational safety (purchasing and logistic) and insurances

Notes

Financial calendar 2013/2014

November 7, 2013	Publication of the quaterly financial report up to September 30, 2013
January 24, 2014	Annual General Meeting, Radisson Blu Hotel, Leipzig
February 6, 2014	Publication of the quaterly financial report up to December 31, 2013
May 8, 2014	Publication of the quaterly financial report up to March 31, 2014
September 24, 2014	Publication of consolidated financial statements 2012/2013 Analysts' conference/press conference on financial statements in Frankfurt am Main

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Biofuel and Technology

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