

Corporate News

Challenging market conditions in Q1 2024/25; optimistic outlook for HY 2 2024/25

- Q1 2024/25 EBITDA lower than in the comparative quarter of the previous year and the previous quarter
- Forecast confirmed: Verbio expects significant increases in earnings in HY 2 2024/25
- Verbio views the BMUV draft paper to combat the consequence of climate fraud positively

Leipzig, November 12, 2024 – Verbio’s earnings before interest, taxes and depreciation and amortisation (EBITDA) were EUR -6.6 million (Q1 2023/24: EUR 48.8 million). The market environment for biofuels in Europe continued to weaken in the first quarter, and the gross margin fell significantly. This trend was primarily driven by a lower demand for greenhouse gas (GHG) reductions in the German market. In contrast, in the first half of 2023/24 Verbio was still able to benefit from contractually fixed, more attractive, GHG premiums meaning that the basis for comparison is at a high level.

At the same time, changes in the value of financial assets due to the weak dollar and changes in the fair value of open commodity forward contracts had a negative impact on earnings totalling EUR -5.3 million. As a result, in Q1 2024/25, for the first time, the European activities were unable to offset the EBITDA losses resulting from the growth of the Group’s North America business.

Verbio invested EUR 25.9 million in property, plant and equipment in the first quarter (Q1 2023/24: EUR 44.7 million). The investments made were primarily in the South Bend plant, in the expansion of plants and the filling station network in Germany, and in the production plant for manufacturing speciality chemicals from rapeseed oil methyl ester (biodiesel).

Net debt at September 30, 2024 totalled EUR 63.1 million (June 30, 2024: EUR 32.9 million) and the equity ratio was 65.0 percent (June 30, 2024: 67.4 percent).

Biodiesel segment supports Q1 2024/25 results

In the Biodiesel segment Verbio generated revenues of EUR 197.1 million in the first quarter of the financial year 2024/25 (Q1 2023/24: EUR 322.8 million). With production volumes stable, the revenue trends were primarily driven by the sharp decline in biodiesel prices and the lower level of sales of GHG quotas in Europe. In addition, the changes to the manner in which purchase and sales

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Corporate News

contracts for the production volumes in Canada have been structured since December 2023 means that they are seen as processing contracts in economic terms, with the result that there has been a reduction – with no effect on EBITDA – in the reported amounts for revenues and in the cost of raw materials compared to the same period of the previous year.

EBITDA amounted to EUR 15.4 million in the first quarter of 2024/25, following EUR 44.9 million in the first quarter of 2023/24. In addition to the lower absolute product margin despite attractive rapeseed oil procurement compared to the market generally, the low GHG quota prices in Europe also had a negative impact on earnings in comparison with Q1 2023/24.

Revenues in the Bioethanol/Biomethane segment in all regions remained stable as a result of increases in production and sales volumes, despite lower sales prices (Q1 2024/25: EUR 157.5 million; Q1 2023/24: EUR 162.0 million). In comparison to the previous quarter (Q4 2023/24) there was a fall in the production volumes of biomethane since the raw material used in the plant currently being ramped up in Nevada, Iowa (USA) has been switched from corn to stillage – a residue from ethanol production.

The segment EBITDA amounted to EUR -21.5 million in the first quarter, compared with EUR 3.0 million in the first quarter of 2023/24. In Europe the slight fall in grain procurement prices, accompanied by significantly lower GHG quota prices and premiums and declining ethanol prices, was not able to contribute to support these results. In addition, negative results from commodity forward contracts and changes in the fair values of financial assets due to the weak dollar had a negative impact on results. The negative year-on-year change in EBITDA resulting from the above was EUR 8.3 million. In the USA the Group was able to reduce the growth-driven EBITDA losses compared to the same quarter of the previous year, thanks to improvements in capacity utilisation.

Forecast confirmed: Significant increase in earnings in HY 2 2024/25 expected

As already communicated in the ad hoc announcement on September 10, 2024, and confirmed with the publication of the annual report on September 26, 2024, the Executive Board expects to generate EBITDA in the range of EUR 120 million to EUR 160 million in financial year 2024/2025. Net debt is expected to increase to a maximum of EUR 190 million at the end of the financial year as a result of planned investments in expanding production capacities in Europe and North America as well as in bio-based speciality chemicals, the Group's future growth business.

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In principle, Verbio welcomes the paper published by the German Federal Ministry for the Environment (BMUV) on September 20. It is expected to have a positive effect in the second half of the year as a result of significantly higher sales levels for GHG quotas. However, there is uncertainty as to whether an impairment of the carrying values of inventories of GHG quotas to reflect lower net realisable values (in accordance with IAS 2) will need to be recognised by the end of the year depending on the further development of GHG quota prices in 2024. A potential impairment write-down under the assumption of increasing GHG quota prices going forward would result in unrecognised reserves being created, which would result in future earnings that may be generated from 2027.

The draft paper provides for the suspension of the option of carrying forward excess GHG reductions from one commitment year to the following year for the years 2025 and 2026. This suspension of the carry-forward of GHG quotas aims to increase the demand for quota fulfilment options, and to support the price of GHG quotas in 2025 and 2026. As a result demand for the GHG quota year 2024 has come to an almost complete standstill since the publication of the draft paper.

The deadline for trade associations to comment on the BMUV draft expired on October 11, 2024. A cabinet resolution is expected by the end of November.

Claus Sauter, Chief Executive Officer of Verbio SE, commented: "The results for the first quarter are not satisfactory. The fall in EBITDA has been largely driven by the gross margin. Here we see the consequences of the difficult market conditions in Europe. However, these can change quickly; as a result of the BMUV draft paper, market participants with quota obligations lose the option to use CO₂ savings achieved in 2024 for offsetting purposes in 2025. In the 2024 quota year, the carry-over from 2023 is expected to amount to around 6 million tonnes of CO₂. The elimination of UERs as a compliance option from 2025 also requires compensation of around 2 million tonnes of CO₂ through more electromobility, as well as from liquid and gaseous biofuels. Taken together with the planned increase in the GHG quota, these effects result in the largest annual increase in GHG savings to date of around 10 million tonnes in the transport sector, which need to be achieved in the same year. Checks on the evidence of the sustainability of the options used to reduce CO₂ emissions remain essential."

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Verbio key figures

(EUR millions)	Q1 23/24	Q1 24/25	yoy	Q4 23/24	qoq
Production					
Biodiesel (tonnes)	161,291	161,833	0.3%	154,165	5.0%
Bioethanol (tonnes)	122,692	140,029	14.1%	140,029	-2.0%
Biomethane (MWh)	243,187	271,203	11.5%	300,048	-9.6%
Revenue	488.1	358.0	-26.7%	339.9	5.3%
Biodiesel	322.8	197.1	-39.0%	196.8	0.2%
Bioethanol/Biomethane	162.0	157.5	-2.8%	139.9	12.6%
EBITDA	48.8	-6.6	n.a.	39.5	n.a.
EBITDA margin	10.0%	n.a.	n.a.	11.6%	n.a.
Biodiesel	44.9	15.4	-65.7%	28.5	-45.9%
EBITDA margin	13.9%	7.8%	-6.1pp	14.5%	-6.6pp
Bioethanol/Biomethane	3.0	-21.5	n.a.	9.9	n.a.
EBITDA margin	1.9%	n.a.	n.a.	7.0%	n.a.

(EUR millions)	30.06.2024	30.09.2024	+/-
Net debt	32.9	63.1	91.8%
Equity ratio (percent)	67.4%	65.0%	-2.4pp

Detailed information on business developments in the first three months of the 2024/25 year is provided in the quarterly statement for the period ended September 30, 2024, which can be viewed from 8.30 a.m. CET on Verbio's website at www.verbio.de/financialreports.

About Verbio

At Verbio we make more from biomass. In our biorefineries we convert raw materials and residues from regional agriculture into climate-friendly fuels, green energy and renewable products for chemicals and agriculture. In addition, we create high-value components from sustainably-generated biomass for the animal feed and food industries. We employ approximately 1,400 people at our locations in Europe, Asia and North America. Our motto "Pioneering green solutions" sums up what drives our international team; with innovative technologies and green solutions, we are shaping the social and industrial transformation toward climate neutrality and ecological production. We contribute to preserving natural resources and to leaving the Earth in a habitable state for the generations that will follow us. In doing so we combine global growth with economic success, social responsibility and security of supply. Verbio shares (ISIN DE000A0JL9W6/WKN A0JL9W) have been listed in the prime standard segment of the Frankfurt Stock Exchange since October 2006. Our headquarters are in Zörbig, Germany.

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Important notice

This publication contains forward-looking statements based on assumptions and estimates by the management of Verbio SE. Although the Company's management is of the opinion that these assumptions and estimates are realistic, actual future developments and actual future results may differ significantly from these assumptions and estimates due to a variety of factors. For example, these factors can include changes to the overall economic climate, changes to the legal and regulatory framework in Germany and the EU, and changes in the industry. Verbio can give no guarantees and accepts no liability as to whether future developments and the results actually achieved in future will match the assumptions and estimates made in this publication.

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