

Corporate News

Q3 2023/24: Volatile market environment affects earnings

- Q3 2023/24 EBITDA lower than in the comparable prior-year period and previous quarter
- Verbio expects significant improvements in earnings in Q4 2023/24
- Positive developments in growth projects
- German Federal Government reacts to fraudulent UERs from China

Leipzig, May 14, 2024 – Despite increased production and sales volumes reaching new record levels, Group revenue in the first nine months fell by 13 percent to EUR 1,318.1 million on a year-on-year basis (9 M 2022/23: EUR 1,521.3 million), primarily due to the lower level of sales prices for core products. Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the nine-month period amounted to EUR 82.1 million, 62 percent lower than in the comparative period in the previous year (9 M 2022/23: EUR 213.5 million). In addition to market factors, this trend was driven in particular by the start-up costs of the growth projects in the USA, which are borne by the Group's European businesses.

Net financial debt at March 31, 2024 totalled EUR 55.0 million (June 30, 2023: net financial assets of EUR 57.4 million) and the equity ratio was 68.4 percent (June 30, 2023: 70.3 percent).

Q3 2023/24: Market environment remains volatile

In the third quarter of the financial year 2023/24 Verbio generated sales revenues of EUR 409.2 million (Q3 2022/23: EUR 443.6 million) and an EBITDA of EUR 7.3 million (Q3 2022/23: EUR 43.2 million). As expected, it was not yet possible to reverse the downward trend seen in the second quarter of 2023/24 (EBITDA Q2 2023/24: EUR 26.1 million) as average product margins fell further and the low GHG premiums on new contracts affected earnings.

Lower revenue trends in the Biodiesel segment in the third quarter of the current financial year 2023/24 (EUR 217.8 million) compared to the third quarter of 2022/23 (EUR 308.2 million) were primarily driven by the sharp fall in biodiesel and GHG quota sales prices in Europe, while sales volumes remained stable. In addition, the changes to the manner in which purchase and sales 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 change in the presentation of sales revenues and thus a significant reduction in revenues compared to the same period of the previous year. The decline in earnings despite attractive purchase prices for vegetable oil is primarily due to the hedging of good biodiesel margins for the fourth quarter

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of 2023/24, as well as higher personnel expenses. Excluding the effect of unrealised commodity forward transactions, the EBITDA for the third quarter would have been EUR 21.1 million.

It was possible to increase revenues to EUR 188.1 million (Q3 2022/23: EUR 133.8 million) in the Bioethanol segment, despite declining prices for bioethanol and GHG quotas in Europe. This was primarily driven by increased sales volumes, among other things as a result of the acquisition of the South Bend ethanol plant (USA) in May 2023. Although procurement prices for grain also fell significantly, the impact on earnings was outweighed by lower sales prices. In addition, significantly lower income from GHG quotas compared to the same period in the previous year and start-up costs for Verbio's growth projects in the USA had a negative impact on earnings. These include investments of EUR 8 million, largely in connection with the South Bend plant. Accordingly, it has been possible to increase the monthly production volumes by approximately 30 percent. There was a positive effect on earnings from unrealised forward commodity transactions. As a result, Verbio generated an EBITDA of EUR -5.2 million in the third quarter (Q3 2022/2023: EUR 17.5 million).

Verbio invested EUR 30.3 million in property, plant and equipment in the third quarter (Q3 2022/23: EUR 35.8 million). The investments made were primarily in the US plants, in the expansion of the production plants and the filling station network in Germany, and, to a lesser extent, in the new production process for manufacturing speciality chemicals from rapeseed oil methyl ester (biodiesel). The ground-breaking ceremony for the speciality chemicals production plant at the Bitterfeld site is taking place today on May 14, 2024.

Positive turnaround: significant improvements in earnings expected in Q4 2023/24

For the current financial year 2023/24, Verbio expects an EBITDA in the range of EUR 120 million to EUR 150 million, and net debt in the range of EUR 145 million to EUR 175 million. The forecast reflects the continued pressure on ethanol and GHG quota prices. Despite the significant fall in imports from China, the oil companies are sitting on a GHG quota reserve of approximately 6 million tonnes of CO₂, which has been generated largely using incorrectly declared biodiesel imports from China. With the publication of the results for the first nine months of the financial year the Management Board has indicated that EBITDA is likely to be at the lower end of the range indicated. Compared to Q3 2023/24, this means a significant increase in EBITDA in Q4 2023/24 as a result of improved product margins and higher capacity utilisation at the South Bend plant in the USA.

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Growth projects in the USA making good progress

After taking measures to increase the efficiency of ethanol production in South Bend, Indiana, in recent months Verbio succeeded in significantly increasing the output of the ethanol plant from February 2024 by approximately 30%. Building on this and the start of commercial production in the near term at the biorefinery in Nevada, Iowa, Verbio is ready to begin the expansion to enable combined bioethanol-biomethane production in the South Bend plant. The official ground-breaking ceremony is planned for May 23, 2024.

The plant in Nevada is the first industrial-scale biomethane and bioethanol co-production plant in North America, and this will provide it with significant competitive advantages. The biomethane plant was successfully commissioned in March, and is currently operating at approximately 30% capacity. The next step will be to commence production of ethanol, which is expected to start in the coming weeks. It is expected that the biorefinery will achieve full capacity utilisation within six to twelve months. The biomethane plant is entitled to an Investment Tax Credit (ITC) amounting to 30% of the investment project costs. Verbio North America is currently completing negotiations to sell USD 40 million of ITC credits. This process should be completed within the current financial year.

Claus Sauter, Chief Executive Officer of Verbio SE, said: "The market for CO₂ savings continues to be characterised by uncertainty, which is reflected in the volatility of prices for biofuels and GHG quotas. However, the ongoing anti-dumping investigations at the European level as well as the media interest, in particular the attention given to cases of fraud in upstream emission reductions (UERs), give us grounds to be optimistic that control mechanisms, which are currently not in place, will be installed and that we will see a return to fair market conditions in the future." UERs are currently still an option for fulfilling statutory climate protection requirements in Germany. However, research including, among others, an investigation by the political show, "frontal" on ZDF, shows that many UER certificates should never have been issued. This includes at least ten projects with a value exceeding EUR 350 million. With these projects alone CO₂ savings of approximately 1.5 million tonnes should have been generated, representing around 8% of the savings targets for 2024. In response, the German government quickly presented an amendment to the 36th Ordinance for the Implementation of the Federal Immission Control Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV), which means that credits for UER certificates against the GHG quota will end in 2024, two years earlier than originally planned. The elimination of UERs as a fulfilment option means that around 2.4 million tonnes of CO₂ savings will no longer be available, and these will need to be replaced by more electromobility and the use of liquid and gaseous biofuels. Together with the planned increase in the GHG quota of 1.25% in 2025, this results

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in an overall 2.45% increase in the need for GHG savings. This is by far the largest annual increase in required GHG savings since the introduction of the GHG quota, and corresponds to at least 5 million tonnes of CO₂ in the transport sector. "Products created from biomass from sustainable sources are of decisive importance for climate protection. For this reason, we are focussing on implementing strategic milestones in the USA as well as establishing the production of bio-based speciality chemicals," added Claus Sauter.

Verbio key figures

(EUR millions)	9 M 22/23	9 M 23/24	yoy	Q3 22/23	Q3 23/24	yoy
Production						
Biodiesel (tonnes)	456,242	483,118	6%	153,149	161,274	5%
Bioethanol (tonnes)	208,249	378,544	82%	65,566	129,687	98%
Biomethane (MWh)	793,604	800,136	1%	271,476	281,004	4%
Revenue	1,521.3	1,318.1	-13%	443.6	409.2	-8%
Segment Biodiesel	1,101.0	790.7	-28%	308.2	217.8	-29%
Segment Bioethanol	409.9	516.6	26%	133.8	188.1	41%
EBITDA	213.5	82.1	-62%	43.2	7.3	-83%
EBITDA margin	14.0%	6.2%	-8pp	9.7%	1.8%	-8pp
Segment Biodiesel	163.0	85.6	-47%	24.5	11.4	-53%
EBITDA margin	14.8%	10.8%	-4pp	7.9%	5.2%	-3pp
Segment Bioethanol	48.1	-7.4	n.a.	17.5	-5.2	n.a.
EBITDA margin	11.7%	n.a.	n.a.	13.1%	n.a.	n.a.

(EUR millions)	30.06.2023	31.03.2024	+/-
Net debt	-57.4	55.0	n.a.
Equity ratio	70.3%	68.4%	-2pp

Detailed information on business developments in the first nine months of the 2023/24 financial year is provided in the quarterly statement for the period ended March 31, 2024, which can be viewed from 8.30 a.m. CEST on Verbio's website at <https://www.verbio.de/en/investor-relations/news-publications/financial-reports>.

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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 more than 1,000 people at our locations in Germany, Poland, Hungary, India, the USA and Canada. 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.

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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