

Business report – 2022 half year

Envien Magyarország Kft. (“Company”)

I. Presentation of activities

The Company carrying out trading activities of Envien Group, was established in 2013 with the purpose to get closer to the major corn and rapeseed producer in the region, mainly in the territory of Hungary. The Company has a seat in Fehértó, Dózsa György tér 7, in a leased office. The number of employees as of 30 June 2022 were 7 FTE, which corresponds with the complexity of business activities. The core business represents trading with Distillers Dried Grains with Solubles (DDGS) and rapeseed meal, which are by-products of biofuel production. The purpose of the management report is to present the Company's assets, financial and income status, the course of business to provide information about the current financial/market position of the Company.

II. The Owner of the Company, the Guarantor

Envien International Limited, seated at the Hub, Suite W203, Triq Sant Andrija, San Gwann, is the sole owner of the Company and holds shares in other operating companies mainly in the CEE region. Envien Group is one of the largest biofuel producers (producing both bioethanol and biodiesel) in Europe, having its core activities and markets in Slovakia, Czechia, Hungary, Croatia and Switzerland. In 2021, the business environment was favourable, the steep rise of feedstock prices was compensated by increase of final product prices. Envien Group also profited from its wide range of product portfolio. The business environment in 2022 facing lot of challenges, but the group continue its expansion with the acquisition of Lotos Biopaliwa (closing expected in October 2022).

III. Covid-19, Russian-Ukraine conflict

The COVID-19 epidemic did not cause reduction in turnover in 2020, the 2021 revenue was significantly higher, which is a specific feature of the industry sector. Envien Group's management will continue to monitor the potential impact of a viral pandemic. The company has no direct connection with Russia, Ukraine.

IV. Business performance/environment of the Company in 2022 first half

In the beginning of 2022 relatively high commodity prices remained from previous year. Then by the end of February conflict between Russia and Ukraine totally overturned the commodity

markets. Closing the ports of Ukraine as a fourth biggest grain exporter (mainly by sea) led to commodity prices increase about 40% in few days. Markets since then are very uncertain, both sellers and buyers are waiting for the last moment. On the other hand, high energy costs and fuel prices had negative impact on our business.

In case of corn trading for 2021/22 season, we did most of the purchases before the Russian-Ukraine war, so our average purchase prices remained still relatively cheap. When in March, the Hungarian government introduced export ban on grains it had an impact on our corn purchases as well, but in few weeks, government accepted our application and the Group could continue with our imports from Hungary. As export ban is still valid in Hungary and because of dry weather corn production seems to be very low, we see higher potential in imports from Poland and Ukraine for the new season.

Rapeseed prices were driven not just by the war but also by extremely low yields in Canada for the season 2021/22. However, we were able to purchase rapeseed directly from producers and we traded rapeseed with profit to third parties outside of Envien Group.

Evidently, high crop prices increased the price of both DDGS and rapeseed meal. We sold DDGS and rapeseed meal at price levels like never before. The market for DDGS and RSM is still stable, even if for some smaller consumers current economic situation is hard, the bigger players are always present on the market. Nevertheless, spot sales are more common under current circumstances, many companies are purchasing just for next few weeks, not months or quarters, as used to be. The market sentiment nowadays can significantly influence the prices movements. On the other hand, purchase prices of DDGS and RSM were also very high due to higher raw material and energy prices. Due to high energy costs, we modified our technology and sold some amount of wet DDGS in Q1 and Q2 too, where the drying process is omitted. As economically it is more efficient, we are planning to sell wet DDGS further in Q3 and Q4 too.

The company's turnover will be higher in the first half year as compared to similar period of previous years, but it is not proportional with the profit.

For the next half year and also later periods we expect that high commodity prices will remain. Due to dry weather conditions yields will be low in the region and also high energy prices will have a significant impact on the business.

Net sales revenue of the Company reached the level of EUR 28.076.803, what is line with the plans. The profit before tax EUR 1.106.908. The company issued bond in the nominal value of HUF 5.5 billion and in parallel performed a cross currency interest rate swap deal with OTP Bank Nyrt in order to match its operating cash-flow with future amortisation schedule of the bond. First interest payment was performed in May 2022.

V. Others

The average statistical employee number of the company was 7 persons during the year 2022. The number of employees corresponded with the business activities of the company. The managing officers of the company: Aleksza György and Ing. Stefan Tóth.

The company meets its environmental protection obligations and carries out no R&D activities.

Fehértó, 15 September 2022

Aleksza György **Ing. Stefan Tóth**
Managing Director
