

## **Business report – 2021**

Envien Magyarország Kft. (“Company”)

### **I. Presentation of activities**

The Company carrying out trading activities 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 31 December 2021 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, 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.

### **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. The company took the necessary protective measures. Envien Group's and the Company's management will continue to monitor the potential impact of a viral pandemic and will take all possible measures to mitigate any future effects on Envien Group and its employees. The company has no direct connection with Russia, Ukraine. We expect a higher commodity prices in 2022.

### **IV. Business performance/environment of the Company in 2021**

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In 2021 there was increase of prices on the commodity markets because of the availability of capital, uncertainty about domestic and foreign production, and high demand for commodities. Also demand from China, which covers a substantial part of global commodity demand, has increased.

Corn prices increased by 20% in 2021. By the beginning of the year the Company purchased from Hungary with deliveries in Q2 and Q3 2021. As Hungarian corn production in 2021/22 was 25% lower than the year before new crop was purchased mainly from Poland, where corn production was higher than in previous year.

In the season 2021/22 there was a global shortage of rapeseed because of extremely low yields in Canada. Due to the cold spring rapeseed harvest was delayed and prices rose during the whole year – supported by tight stocks and strong demand. As the Hungarian rapeseed prices were even higher than in neighbour countries, the Company was more successful in purchases from Poland and Czech Republic, where farmer's price expectations were a bit under the Hungarian price levels.

On the other side, high crop prices increased the price of DDGS and rapeseed meal. The Company was able to sell DDGS at 25% higher price level and rapeseed meal at 10% higher price level than the year before. On the other hand, purchasing costs of DDGS and RSM were also very high due to high raw material and energy prices. Higher feed prices are also driven by soya which is the main protein source for animals. Sharp decline in soybean production and increase of soya and soymeal prices forced farmers and feed compounders to look for cheaper alternatives such as DDGS and rapeseed meal. Meat prices have not increased significantly in 2021 as feedstock, but in 2022 already food prices started to rise.

In 2022 high commodity prices will remain – there is lack of fertilizers on the market, energy prices are high and production is very unpredictable due to the conflict between Russia and Ukraine.

Net sales revenue of the Company reached the level of EUR 47.832.785, what is line with the plans and also with previous year. The profit before tax reached EUR 960.261. 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.

## **V. Bond issuance**

The Company issued company bonds on 19 May, 2021 within the scope of a public stock exchange auction in the face value of HUF 5.5 thousand million. The coupon of the bonds is 2.5%. The ISIN code and designation of the bonds: Envien2031/1 HUF Bond; mark: ENVIEN2031; ISIN code: HU0000360193. The maturity of the bond is 10 years.

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The purpose of the risks covered: The company maintains its books in EUR, and the HUF resources obtained during the bond issue were used to provide loans in EUR. The primary objective of the transaction is to handle the exchange rate interest arising from the exchange rate/interest generated.

Hedge: Cross currency interest rate swap (CIRS). In the scope of the transaction the company swapped the HUF cash flow liability arising from the bond issue for EUR cash-flow with OTP Bank Nyrt.

The total similarity of the hedge transaction and the cash flow of the hedge transaction, and the 100 % hedge effectiveness is ensured by the economic relation between hedge and the cash-flow of the hedge transaction the continuous existence of which is verified by the company in every reporting period. The credit risk is not a determining factor neither for the hedge transaction and nor for the hedged transaction. The hedge rate is equal to the risk management practice.

Handling in accounting: The Company applies the rules of fair values for the derivative transaction and considers it a cash-flow hedge and MARKS IT as cash-flow hedge (bond issued) because the variability of cash-flow expressed in euro was handled by the Company through the hedge.

## **VI. Others**

The average statistical employee number of the company was 6 persons during the year 2021. The number of employees corresponded with the business activities of the company. The managing officers of the company: Aleksza György and Ing. Stefán Tóth

The Company did not carry out any research, experimental-development activities.

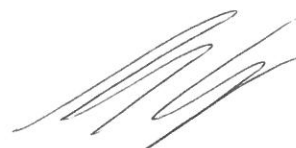
The Company did not have environmental and warranty obligations.

The Company does not possess equipment exclusively for environment protection.

## **VII. The company's position in the market environment**

Based on the available business plans, the management of the company will continue to look for business opportunities in the future, which will ensure its successful operation in the coming years as well. The developed business model allows for further expansion if the needs of the group / market allow it.

Fehértó, 27 April 2022



**Aleksza György**



**Ing. Stefan Tóth**

Managing Director