

## **Management report – as of 30 June 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 30 June 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, Guarantoor**

**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**

The COVID-19 epidemic did not cause reduction in turnover in 2020, 2021 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.

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

In the first half of the year 2021, prices started to grow 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.

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Corn prices increased mainly in Q2 2021. In Q1 2021, the Company realized purchases from Hungary with deliveries in Q2 and Q3 2021, however suspended the purchases at the end of Q2 2021, as the old crop was not available on the market and the corn prices were very high. The main reasons for the price increase were the rise of wheat prices and weaker predictions on the Hungarian new crop harvest. The expectations were from 15% to 25% lower corn harvest in Hungary.

In the season 2020/2021, there was a shortage of rapeseed, which led to an 40% price increase. Also due to the cold spring rapeseed crop was in poor condition, harvest was delayed and world prices of rapeseed and canola were also very high, which led to a significant increase of the prices of the new crop. As the Hungarian rapeseed prices were even higher than in neighbour countries, the Company was more successful in purchases from Poland and Romania, 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 20% higher price level and rapeseed meal at 5% higher price level than the year before. Higher feed prices are 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 so significantly as feedstock, so the price difference in feeds currently stays with the livestock farmers.

For Q1-Q2 2021, the net sales revenue of the Company reached the level of EUR 18.386.624 (non-audited), what is line with the plans and also with previous year. The profit before tax reached EUR 1.271.831 (non-audited). Based on the current estimation for the whole year, the Company is expected to reach both planned level of net sales revenues and profit before tax.

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.

Fehértó, 28 September 2021

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

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