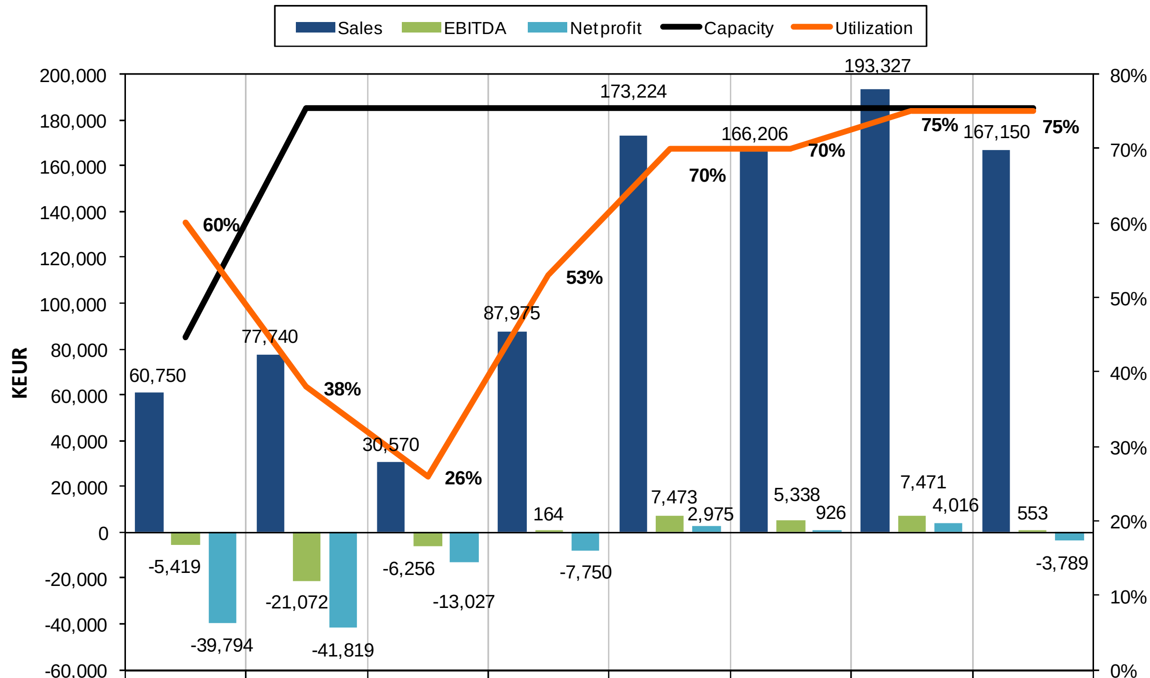
PETROTEC® BIODIESEL

Annual Report 2014

Annual Report 2014
Petrotec Group and Petrotec AG
Borken, Germany
January 1 to December 31, 2014

Key figures Petrotec Group 2011 – 2014

	Unit	2014	2013	2012	2011
Sales	KEUR	167,150	193,327	166,206	173,224
EBITDA	KEUR	553	7,471	5,338	7,473
EBIT	KEUR	-2,179	4,874	2,881	5,262
EBIT-Margin	%	-1.3%	2.5%	1.7%	3.0%
EBT	KEUR	-3,789	3,115	926	2,975
Net profit / loss	KEUR	-3,789	4,016	926	2,975
EPS undiluted	EUR	-0.1544	0.1636	0.0380	0.1900
EPS diluted	EUR	-0.1537	0.1631	0.0380	0.1900



	2007	2008	2009	2010	2011	2012	2013	2014
Sales	60,750	77,740	30,570	87,975	173,224	166,206	193,327	167,150
EBITDA	-5,419	-21,072	-6,256	164	7,473	5,338	7,471	553
Net profit	-39,794	-41,819	-13,027	-7,750	2,975	926	4,016	-3,789
Capacity	85,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000
Utilization	60%	38%	26%	53%	70%	70%	75%	75%

Content

Letter to the shareholders

Dear Shareholders,

2014 has been an extremely challenging year for the company. It is a year that has been characterized by many changes. The company faced fierce market conditions, especially throughout the second half of the year, in which the prices of the most important commodities related to the company saw a sharp decline. The drop in the prices of both mineral and vegetable oils triggered a considerable drop in the prices of our products. This has cause a significant drop in the monetary value of our sales, although our sales volumes only saw a minor decline. We saw our margins also significantly damaged by the same trends. Being part of a "liquid market", the commodity prices that influence the selling price of our products can change relatively quickly, causing our product prices to respond just as quickly to the drop in the those commodity prices. On the other hand, prices of the waste feedstock used by the company are part of a much less liquid market, causing a delay in response to commodity price fluctuations. This lack of liquidity also makes efficiently hedging the value of the feedstock that the company needs to purchase in advance to supply its production lines almost impossible. Therefore, the company executes a back-to-back purchasing-to-sales strategy to the extent possible. In times when the markets experience severe price drops and as buyers delay their purchasing decisions, the back-to-back strategy becomes less efficient due to the longer times that elapse between purchasing and sales decisions. Consequently, the company saw a sharp decline in the effective spread between feedstock and product prices and eventually in profitability margins. To minimize the risk related to these market conditions, the company strived to decrease its inventory position. This combination of the dropping prices and the inventory volume reduction resulted in a significant decrease in the company's working capital deployment. This in turn released some funds from these positions into cash, which despite the low profitability allowed the company to increase its cash balance at the year's end after investing over EUR 2.5 million in successful equipment upgrades.

Another substantial change that took place towards the end of 2014 was the implementation of the de-carbonization regulation in Germany. After the announcement of this regulation, the company experienced a change in the behavior of its German customers. These customers were waiting for a final clarification on the implications of the new regulation on their blending obligations, and were therefore more careful not to over-blend product in 2014 than they otherwise might have been. This situation built on the already delayed purchasing decisions of our customers and further reduced the appetite for the company's product.

On the regulation front, the iLUC discussions at the EU parliament continued to be postponed in part due to strong opposition that have been expressed against the ENVI committee iLUC claims. A slow regulatory process has added to the already low visibility that the industry and its participant have experienced when making important forward-looking decisions, such as resource allocation and investments, are considered. Despite the recent claims in Germany by virgin oil producer of increased GHG savings, we maintain our position that the production of waste-based biodiesel is the most efficient and justified method to produce sustainable replacements for the less environmentally friendly fossil fuels to date. It is our position that virgin oils should be consumed by humans and animals first, and only then consumed by cars, whereas waste-based oils are not fit for human and animal consumption, and are therefore put to better use feeding car engines.

The company's production levels have remained relatively stable. Despite our delayed purchasing decisions, which sometimes led to a shortage in feedstock supply to our plants, the production levels of the company increased slightly in 2014. This year the company was also able to complete an upgrade in one of its plants that allowed the use of a more diverse feedstock while still achieving the EN-14214 specifications. In fact, this upgrade helped to keep our products relevant with regards to the stricter product specifications now required by the UK during this winter season.

The sales numbers for this year show a significant decrease compared to the previous year with overall sales of EUR 167 million (-13.5%).This decrease was mainly due to the combined effects of lower sales volumes and sharply dropping prices. The utilization of our production assets stabilized at 75% of the nameplate capacity. However, the declining spreads and profitability margins resulted in a negative net profit of EUR -3.8 million. The decrease in working capital deployment further increased the equity ratio from 48% last year to 51% this year.

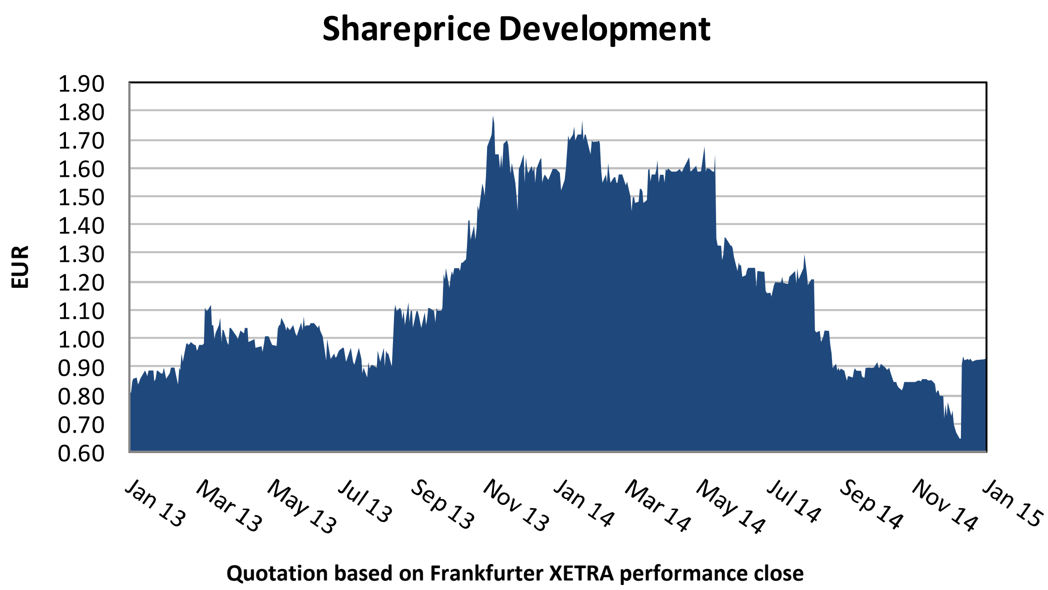
Toward the end of the year, REG announced its intention to acquire the controlling stake in Petrotec together with the shareholders' loans from IC Green Energy. Being a reputable biodiesel producer in the US, and after executing numerous acquisitions in its local markets, REG has repeatedly showed an interest in expanding its business activities beyond the borders of the US. Petrotec represents the first acquisition of this kind that REG has executed. On behalf of management and employees I would like to take this opportunity to thank IC Green Energy, and its –representative members on our supervisory board, Dr. Yom Tov Samia and Mr. Isaac Isman, for the long years of support in which they provided the required minds and means to allow Petrotec's recovery. On this occasion, I would also like to warmly welcome our new supervisory board members, Mr. Daniel J. Oh and Mr. Brad Albin, who will join our Chairman, Mr. Rainer Laufs, to undertake the leadership positions once filled by Dr. Samia and Mr. Isman. I would like to extend my wish that all of us may enjoy many years of collaboration and success.

Borken, March 13, 2015

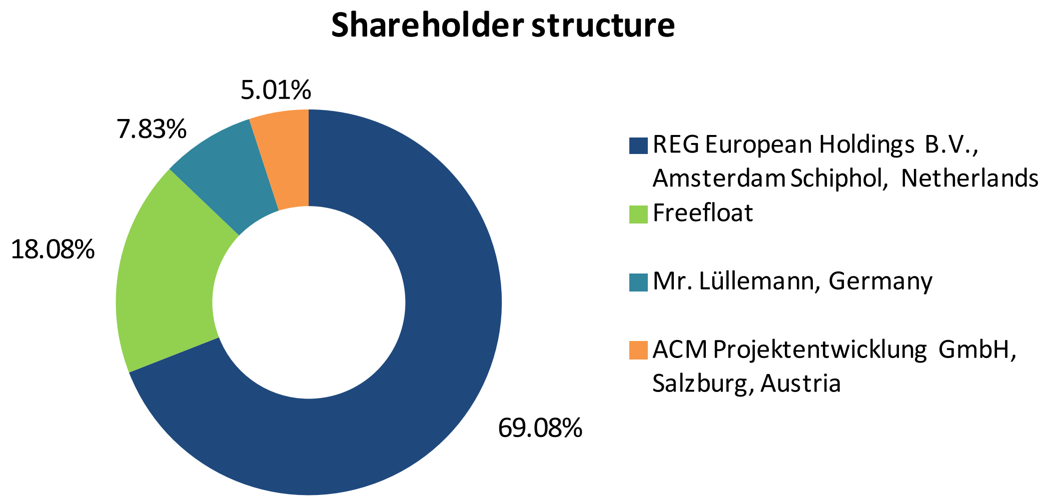
Jean Scemama, CEO

The Petrotec share & shareholder structure

The management carried on its efforts for enhancing the free trade of the company's shares in 2014. ICF Kursmakler AG still serves as the Designated Sponsor for the trade of the company shares via the XETRA platform. Dr. Karsten von Blumenthal from First Berlin equity research and Mr. Hartmut Moers from Matelan continued to follow the company development and provided the market with objective professional financial analysis. In 2014 traded share volume through the XETRA system decreased by 11.0% to 2,603,760 shares (prior year: 2,925,270). The share price ranged between its high at EUR/share 1.770 (prior year: 1.788) on January 21, 2014 and its low at EUR/share 0.65 (prior year: 0.81) at December 8, 2014. On December 9, 2014 REG European Holdings B.V., Schiphol, Netherlands, an indirectly wholly-owned subsidiary of Renewable Energy Group, Inc., Ames, Iowa, USA, has informed Petrotec about its decision to launch a voluntary public takeover offer for all outstanding Petrotec shares and has announced this decision publicly in advance. Further REG disclosed that it has concluded a share purchase agreement with the current majority shareholder IC Green Energy Ltd., Tel-Aviv, Israel, for the acquisition of their 69.08% participation in the Petrotec share capital. REG announced that share transfer has been executed on December 23, 2014. After the announcement of the public takeover offer the share price climbed from its low to EUR/share 0.932 at year end.



After two capital increases in 2011 Petrotec's share capital and the share quantity rose to 24,543,741. The announcements of voting rights according to § 26 WpHG as of December 31, 2014 result in the following shareholder structure:



Report of the Supervisory Board

Dear shareholders,

During the business year 2014, the Supervisory Board of Petrotec AG regularly and in detail dealt with the company's situation and development. The monitoring and advisory duties incumbent on the board as per the law were carried out with great care. During the meetings of the Supervisory Board and its committees various topics and business transactions which are subject to approval were discussed and decided.

The Management Board consistently supplied the Supervisory Board with comprehensive, up-to-date information on a regular basis. The Management Board informed the Supervisory Board verbally and in written reports on the business trend, risk situation and risk management, all relevant aspects of corporate planning and other business matters requiring consent. Outside the meetings, the Management Board regularly informed the Supervisory Board members in writing of important events. In addition, the Management Board was constantly in contact with the chairman of the Supervisory Board and told him comprehensively about all material business events and pending decisions. All necessary resolutions according to law and the articles of association were adopted by the Supervisory Board based on the Management Board's reports and proposals for resolutions.

Supervisory Board Meetings

During the business year 2014, the Supervisory Board met at five ordinary meetings and one extraordinary meeting. The audit committee met once. None of the Supervisory Board members missed one of the meetings.

As a part of the regular meetings, the Supervisory Board consented to the publication of the interim report for June 30, 2014 and the quarterly reports for March 31, 2014 and September 30, 2014 following a review.

Discussions focused on the general business trend and the Petrotec strategy.

The current asset, financial and earnings situation, including the risk situation and risk management, again formed the main focus areas of the intensive exchange between the Management Board and the Supervisory Board in the business year 2014. Since the regulatory environment in which the Petrotec Group is active is subject to constant change, it also represents another important field of discussion for the Supervisory Board and the Management Board. In particular the requirements imposed by national authorities in connection with different incentive schemes, such as the double counting system or the planned introduction of GHG saving potentials for 2015 on the German market, present considerable challenges for companies, and require extensive lobbying activities. Furthermore the change in the market conditions came to the fore, which resulted in a significant deterioration of quarterly figures and the annual result. Furthermore the Supervisory Board and the Management Board supported the search for a new major shareholder.

In addition, the Supervisory Board also placed considerable emphasis on corporate planning during the reporting year. Insofar as deviations occurred from the original planning and targets during the year, the Management Board supplied sufficient explanations verbally and in written form, so that the Supervisory Board was able to discuss the reasons for the deviations as well as constructive measures. In addition, the investment recommendations submitted as part of the corporate planning process were evaluated and discussed. Supervisory Board and the Management Board agree to the existing necessity to execute investments to strengthen the profitability of the company. The implementation of investments from existing funds is limited. Therefore the input of new liquid funds is mandatory. Likewise, the equity needs to be strengthened.

Based on the reports submitted by the Management Board, the Supervisory Board discussed all business transactions that were of significance for the company in the committees and in the board meetings. Upon thorough review and consultations, the Supervisory Board voted on the reports and resolution proposals submitted by the Management Board to the extent that this was required by law and according to the Articles of Association. In some isolated cases resolutions were made by way of written procedure outside of the meetings.

The Management Board has been in close contact to the Supervisory Board on a regular basis between the meetings. The Supervisory Board has been briefed on significant developments and decisions and provided advisory support to the Management Board.

Conflicts of interest of Management Board and Supervisory Board members that would have been subject to immediate disclosure to the Supervisory Board and that would have had to have been brought to the attention of the General Shareholders' Meeting once again did not arise in the past business year.

Efficient Committee Work

As in the previous year, during the reporting year the audit committee focused on the individual and consolidated annual financial statements, the corresponding audit reports, as well as on the discussion of the audit engagement of December 31, 2014 and risk management.

Corporate Governance and Declaration of Conformity

During the reporting year, the Management Board and Supervisory Board of Petrotec AG also focused on the adherence to the requirements of the German Corporate Governance Code. Petrotec complies almost fully with all recommendations, with only a few deviations. As result, a joint declaration of the Management Board and the Supervisory Board in accordance with sec. 161 of the Stock Corporation Act has been stated. The updated joint declaration from December 2014 was permanently made available to the public on the webpage of Petrotec AG (www.petrotec.de) and is also available for download. The declaration according to sec. 161 of the Stock Corporation Act contains further information.

Auditing of the Annual Financial Statements and Consolidated Financial Statements

At the Annual General Meeting on May 28, 2014, Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was nominated and elected as auditor for the individual annual financial statements and the consolidated financial statements for the 2014 business year.

The annual financial statements for Petrotec AG prepared by the Management Board according to the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared according to the principles of the International Financial Reporting Standards (IFRS) and the management report for the company and the group for the January 1, 2014 to December 31, 2014 business year, was audited by Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditor confirmed the annual financial statements of the company, the consolidated financial statements and the management report for the company and the group by submitting an unqualified audit opinion for each. The auditor also audited the report on relations with affiliated companies ("Dependent Company Report") that was prepared by the Management Board in accordance with sec. 312 of the Stock Corporation Act.

The annual financial statements of Petrotec AG and the consolidated financial statements, the joint management report of the company and the group, as well as the audit reports were submitted to all members of the Supervisory Board. They also formed the subject of the meeting of the audit committee and Supervisory Board on March 5, 2015. Within this session the Supervisory Board extensively used the opportunity to question the processes and formulations and to discuss them together with the financial auditor.

The audit of the individual annual financial statements and consolidated financial statements, the joint management report did not result in any objections. The Supervisory Board agrees with the results of the audit by the auditor, and approves the annual financial statements and consolidated financial statements submitted by the Management Board. The annual financial statements were thus approved.

No objections to the Dependent Company Report

The auditor confirmed the dependent company report for the business year 2014 presented by the Management Board in accordance with sect 312 of the Stock Corporation Act and submitted the following audit opinion:

“According to our duly executed audit and assessment, we hereby confirm that:

- the report’s factual disclosures are correct,
- the company’s payments were not unreasonably high for the legal transactions stated in the report.

In its own audit of the dependent company report, the Supervisory Board did not raise any objections and approved the results of the auditor’s audit of the dependent company report. According to the final results of the Supervisory Board’s audits, there are no objections to the Management Board’s statements at the end of the dependent company report.

Changes in the Supervisory Board and Management Board

Since September 1, 2011 Mr. Jean Scemama is the sole member of the Management Board.

The current main shareholder IC Green Energy Ltd. has sold its Petrotec shares in December 2014 to REG European Holdings B.V., Amsterdam-Schiphol, Netherlands, a wholly-owned subsidiary of Renewable Energy Group, Inc., Ames, Iowa, USA. Hence the composition of the Supervisory Board changed. The Supervisory Board members Dr. Yom-Tov Samia und Mr. Isaac Isman, which were associated with IC Green Energy Ltd., declared their immediate resignation. The resignation was accepted with effect from December 29, 2014. On December 30, 2014 the company appealed the court to appoint the following persons to the supervisory board till the next annual general assembly.

Daniel J. Oh
President and CEO of Renewable Energy Group, Inc., Ames, Iowa, USA

Brad Albin
Vice President Manufacturing of Renewable Energy Group, Inc., Ames, Iowa, USA

The legal appointment has been granted on January 6, 2015.

On behalf of the Supervisory Board, I would like to thank all employees as well as the Management Board of the Petrotec Group for their efforts and outstanding commitment during the business year 2014.

Borken, March 13, 2015

Mr. Rainer Laufs
Chairman of the Supervisory Board

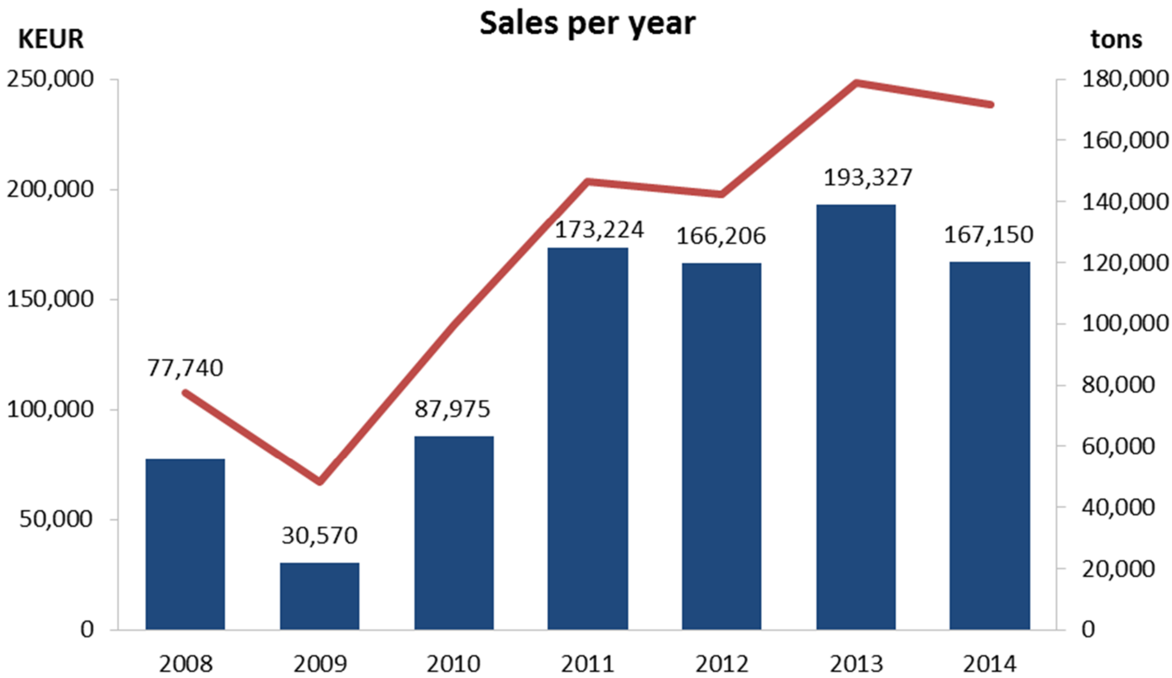
Report of the Management Board

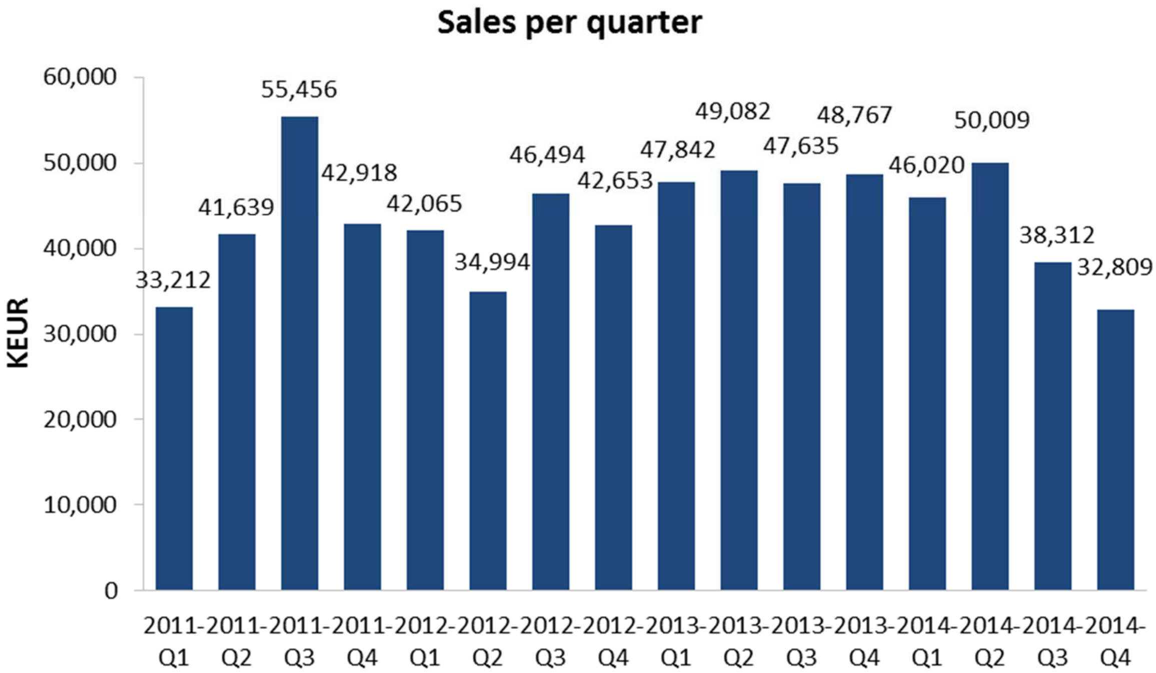
Petrotec faced very challenging market conditions in 2014. While the first half of 2014 was weaker in terms of market prices compared to past years, the second half of the year was characterized by a sharp drop in the prices of commodities. The demand for our products was somewhat stable, and yet, the spread between our major feedstock and the products we are selling has diminished considerably. In the winter of 2013 and through the first quarter of 2014, the company managed to increase its trading activity by offering suitable blends to its customer to comply with the winter specification requirements. This activity slowed down during the second half of the year. In Spain, the company slowed down its activity in the second half of the year in response to falling market prices. As the production lead time in Spain is long, the company saw a need do diminish its feedstock and product exposure there. In addition, the market became extremely short as of the second half of the year, often with very prompt demand for the product. Under these circumstances, the company strived to shorten its feedstock and product positions and keep inventory level low, not only in Spain, but in its other production plants as well. Taking into account the increase in the trading activity and the decrease in the activity in Spain, the company slightly decreased its unit volume sales of biodiesel in the year 2014. From a sales value and margins standpoint, the drop in the commodity prices further drove down not only the total revenue value but also the profit margins of the company. In the past few years, the third quarter of the year has been the best selling and margin generating quarter. This has unfortunately not repeated itself in this past year. The main reason for this is that the drop in the commodities prices was not followed by a parallel drop in the company's feedstock prices. This discrepancy has considerably reduced the spread we saw between the product and feedstock, with a parallel effect on our margins. The distinct sustainability requirements of the 36 BImSchV for the German market, did not help to ease the above mentioned market situation. In the first half of the year, the German market still paid a certain premium for ISCC DE product. This premium disappeared in the second half of the year, as the market anticipated the expected changes in the German de-carbonization regulation introduced for 2015: to keep the single-certification scheme ISCC EU. The 36. BImSchV expired at the end of 2014. Overall the major share of Petrotec's biodiesel sales was directed toward the German market, with additional sales mainly to the UK and the Netherlands.

After an increase in 2013, the production volume of the company remained stable in 2014. The company continued enjoying the benefits of the plant upgrades done in 2012-2013. In 2014, a major upgrade in one of the plants was also successfully executed. With this upgrade the company is now able to use a wider variety of feedstock, and still able to achieve the EN-14214 specifications in its end product. Likewise, in some of the export markets, the technical specifications of the product became even stricter in the year 2014, and thanks to this upgrade, the company was able to continue serving those markets according to the new specification requirements.

From the supply side, the lower spread between product and feedstock together with dropping trend in prices made purchasing decisions more complex. Often, due to this trend in pricing, the purchasing decisions were postponed to the "last minute" to be able to capture the parallel decrease in the feedstock prices. This occasionally made supply to the plants relatively short, where unexpected delays in supply caused reduced production volumes some of the time. Likewise, collection activity also suffered from the same trend, causing the company to have to adjust the prices it pays to the restaurants for collection of used cooking oil. Due to the high competitive environment in the UCO collection market, the price reduction reaction typically came with delay to the decreasing prices in the biodiesel market, as collectors sought to protect their collection networks from competition. Nevertheless, the self-collection activity of the company slightly increased in 2014, as some smaller collectors could no longer compete under the described market conditions.

The number of employees in the company was adjusted to market conditions. The slowdown in the activity and the more challenging margin conditions drove the decision to rationalize the headcount to the current market conditions, while still not compromising on the service quality we provide to our customers.




Sales per quarter
KEUR
60,000
50,000
40,000
30,000
20,000
10,000
0
33,212
41,639
55,456
42,918
42,065
34,994
46,494
42,653
47,842
49,082
47,635
48,767
46,020
50,009
38,312
32,809
2011-Q1
2011-Q2
2011-Q3
2011-Q4
2012-Q1
2012-Q2
2012-Q3
2012-Q4
2013-Q1
2013-Q2
2013-Q3
2013-Q4
2014-Q1
2014-Q2
2014-Q3
2014-Q4

Petrotec Group and Petrotec AG management report

for the fiscal year from January 1 to December 31, 2014

Basic Information of the Group

Business Model of Group

Legal structure of the Group

The Petrotec Group consists of the Petrotec AG, Borken, (also referred to as "Petrotec"), which is the Group's holding company, and two subsidiaries, Vital Fettrecycling GmbH, Borken, (also referred to as "Vital") and Petrotec Biodiesel GmbH, Borken (also referred to as "Biodiesel"). Petrotec holds 100% of the shares in both subsidiaries.

The registered corporate domicile of all Group companies is the city of Borken in the German federal state of North Rhine-Westphalia. Petrotec maintains a head office in Ratingen, Germany, for a part of the centralized services provided for the operating companies.

Organizational structure

Petrotec AG is in charge of the management of the entire Group including corporate strategy, corporate development and risk management. Additionally, Petrotec AG provides centralized services such as accounting, human resources and IT for the Group’s subsidiaries.

Vital Fettrecycling GmbH is engaged in the business of collecting and purchasing of untreated used cooking oil, the purchasing of treated used cooking oil and biodiesel production for the Group. Untreated used cooking oil and food waste is picked up all over Germany. The company also acquires untreated materials from other independent collectors. These raw materials are reconditioned at the Company’s own oil-melting facility in Burlo and processed into biodiesel at the production facilities in Oeding and Emden along with already treated used cooking oil purchased from larger collectors and traders.

Petrotec Biodiesel GmbH is the sales entity of the Petrotec Group and its function is to globally distribute the traded and produced biodiesel and by-products.

Business segments

The Petrotec Group is a vertically integrated producer of biodiesel based on the concept of transferring “waste to energy”. Biodiesel is a fuel derived from the esterification of oils. The produced biodiesel at Petrotec complies with the EN 14214 European standard for biofuel and the standards of the ISCC (International Sustainability & Carbon Certification).

The Group generates its revenues from the sale of biodiesel and the by-products resulting from said production. Its biodiesel products are sold as used cooking oil methyl ester (“UCOME”) to mineral oil dealers, petroleum companies and wholesalers. The petroleum companies blend biodiesel into fossil fuel diesel with the objective of meeting the legally required biodiesel blend quotas in the respective target countries of the individual EU member states. By-products such as glycerin and distillation residues are sold to several industries across the world as products for technical use only.

Goals and Strategies

Petrotec operates in a competitive environment and under challenging market conditions. Aside from strong competition from other biodiesel producers, the company business model is a highly dependent on the strict national and international regulatory frameworks. Other factors of significance include the volatile conditions and the prices for the procurement of raw materials and the sales of biodiesel, both influenced by the volatility in the currency and commodities markets.

Petrotec's major goal is to become the waste to energy market leader. In order to attain this goal, the Group is currently pursuing the following strategies:

- Optimize the production facilities' efficiency as a result of increased capacity utilization and targeted investment activities
- Securing additional financial means to further invest in improving existing assets and acquire new ones to support its expansion
- Enhance its transaction volume through the increase of the purchasing and sales ("trading") of products
- Broaden both its supplier and customer base on an international basis

The following measures are to be implemented in order to apply these strategies:

1. Improvement of the Company's risk management – Petrotec will continue to pursue a back-to-back strategy. This means that biodiesel sales will take place with maximum proximity to the raw materials purchase at a pertinent secured price, to guarantee a positive contribution to product profitability. Foreign currency risks are being reduced through respective securitization transactions.

2. Petrotec aims at the continued expansion and diversification of its supplier base, in order to reduce price and dependency risks and to have at its disposal the necessary volumes of raw materials for the continued growth of its production volume.

3. Capital expenditures – Petrotec is evaluating several investment opportunities, mainly in area of the technology of its biodiesel plants, targeted to further improve the efficiency, productivity of its facilities and the result of the Group.

4. External Growth – Petrotec also considers investments outside the scope of biodiesel production, which are supposed to further expand Petrotec's existing business model in the area of waste-to-energy. Petrotec is acting to expend its activity beyond the borders of Germany.

Petrotec´s control system

Petrotec's control system is based on an integrated management information system (ERP) that enables the Group-wide linking of external and internal accounting systems. On the basis of a systematic risk assessment, all substantial risks for the Company are identified and recorded and their likelihood of occurrence and financial effects are analyzed. Where necessary, Petrotec's Management Board takes measures to prevent or reduce the likelihood of occurrence and the financial effects of the identified risks. Petrotec is using the following key figures as measure for its performance:

Sales, EBIT, EBIT-margin

Research and Development

Petrotec places great value on optimization of the delivery process and the improvement of production technology. Optimization activities are carried out throughout the entire production process, i.e., in recording and conditioning used cooking oil, as well as in refinery and biodiesel production. Optimizing the processes and technology helps to strengthen and expand competitive advantage. In addition, Petrotec strives to reduce costs and implement improvement measures to preserve the environment and conserve resources.

Report on economic situation

Macroeconomic developments and industry related basic parameters

Global economy and demand for oil

2014 started with a global economy, which was used to high oil prices. For three years, the price for one barrel Brent did not fall below USD 90. Most of the time, the Brent prices stayed well above USD 100. In the first quarter of 2014, experts and headlines estimated an upward potential for oil prices. “Süddeutsche Zeitung” made a survey in January with 21 financial institutes and none of them (Commerzbank, UBS and many others) did forecast an oil price below USD 95 for the future.

In the early part of the year, a harsh winter conspired with other factors and momentum for growth faded in the US economy. Through the rest of the year, the US economy recovered continuously and unemployment fell faster than expected. Inflation in the US increased steadily.

In Europe, a comparably mild winter in most parts and sufficient supply from most OPEC countries let Brent prices range in between USD 106 and USD 111. China´s slower than expected growth and the easing of its apparent demand for refined product supported a slow downwards momentum. Gasoil started the year at USD 923.5 and fell to USD 894 at the end of Q1.

In Q2, geopolitical influences were the main drivers of crude and Gasoil prices. In Libya, rebels and government alternately agreed and disagreed on how to bring oil output to the market. This had a bullish effect on oil prices; Chinese economic growth slowdown and a slow European economy compensated that effect at the beginning of the second quarter. In April, tensions between Ukraine and Russia led the Gasoil price rise to its first peak at USD

927. Saudi Arabia stated, that it would compensate the missing oil supply and OPECs output above target let the Gasoil price fall to USD 883 on June 4, 2014. Another peak of Gasoil on June 13, 2014 was caused by feared supply disruption in Iraq, where violence escalated. The threat of actions from Islamic State (IS) in Iraq and Syria rose and warnings that these growing conflicts would result in higher prices were reported broadly.

In Q3, supply disruption fears were easing: production in Libya was increasing and negotiations with Iran and a potential lifting of sanctions seemed more likely. Gasoil prices thus were more affected by fundamental situations: a continued slowdown in Chinese growth and dull economies in Europe combined with the US shale oil boom led to continuously falling oil prices in the third quarter.

The fourth quarter of 2014 was one of the most extraordinary for a long time: crude price dropped around 39%. First it dropped from around USD 94.16 to USD 80.00. The main reasons for this were the boom of shale oil in the US with oil production increasing much faster than anticipated, a weaker than expected global oil demand development and uncertainty, whether OPEC would agree to cut production at its meeting mid November. As this was not the case and OPEC decided to fight to keep market share, Brent price dropped further to USD 57.33 on December 31, 2014. The development of Gasoil reflected the fall of crude oil and ended the year 2014 at USD 512.25 on December 31, 2014.

Exchange rate volatility

The EUR/USD started the year at 1.3754. With the recovery of the US economy, decreasing unemployment rates and the tapering of quantitative easing, many analysts estimated the EUR/USD to range around 1.25 within 2014.

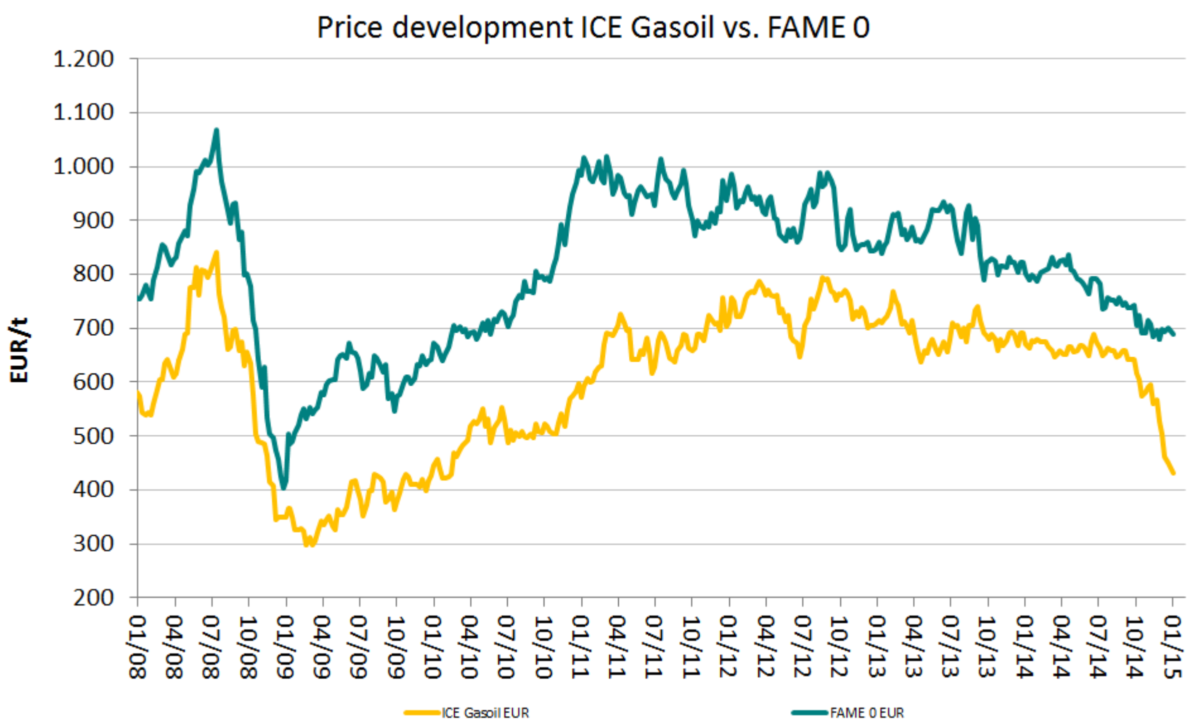
In the first quarter there seemed to be an overly cautious market and any hint that the US economy would not recover had an overstated effect on the exchange rate. On March 18, 2014, the EUR/USD even closed at 1.3934.

Still, markets had a fundamentally bearish view on EUR/USD as the US economy further recovered. Additionally, Europe´s economy remained sluggish with inflation in the Euro zone around 0.4 – 0.7% while the target is just below 2.00%. The ECB loosened its monetary policy and announced that it would cut interest rates in its main facilities. Additionally, it implemented the TLTRO (Targeted Long-Term Refinancing Operation), providing EUR 400 billion to banks at interest rate of 0.25% for four years under the condition that they increase net lending to the private sector. The TLTRO was targeted to make spending more attractive for consumers and saving less attractive, thus increase consumption and get inflation rate closer to the mandate of just under 2.00%. The EUR/USD moved from 1.3662 on June 5, 2014 to 1.3532 on June 11, 2014 after this announcement.

In Europe as well as in the US, interest rates were around zero. The US economy showed firmer signs of recovery and officials of the Federal Reserve Bank estimated rated hikes to 1.375% by the end of 2015 and 3.75% by the end of 2017. On the other side, Europe´s economy remained slow and ECB President Mario Draghi announced further rate cuts on September 4, 2014. The market responded to this with a fall of the EUR/USD from 1.3688 to 1.2583 in the third quarter of 2014.

On the last ECB press conference in December, Mario Draghi (president of the ECB) stated, that the buying of all possible bonds has been discussed. This was the result of growth stagnation in the Euro zone and a high deflation risk. The deflation risk was even higher with falling oil prices. The EUR/USD ended the year at its lowest level on December 31, 2014 at 1.2099.

Germany with increased Diesel consumption
In the first three quarters of 2014, Diesel sales volumes in Germany grew 4% compared to the same period of 2013. The Ratio of Diesel on fuels was at 66% compared to Gasoline with 34%. The full sales volume for Diesel and Gasoline for January until September was at its highest level since 2002. Main reason for this development was the comparably good economic situation with a record high employment rate. Approximately half of the Diesel volumes were consumed by commercially used vehicles (most of them trucks and busses).



The biodiesel market
Biodiesel is mainly priced as premium over ICE Gasoil. FAME paper premiums started the year at around USD 175 over ICE Gasoil and ended at around USD 315. This reflected the significant price fall of ICE Gasoil: with lower Gasoil prices, FAME premiums usually increase, holding flat prices relatively stable.

In the first quarter, blending mandates for biodiesel were mainly covered with rapeseed methyl ester (RME), due to its low cold filter plugging point (CFPP) of around -12°C. Thus demand for used cooking oil methyl ester (UCOME) was naturally lower, as it´s CFPP is around 0°C.

As Petrotec was able to optimize its production to meet UK´s stricter quality requirements for biodiesel (FAME = fatty acid methyl ester), Petrotec increased exports to the UK market at the beginning of the year.

In Germany, Biodiesel with a CFPP of -10°C is required in the winter season. Petrotec was able to meet this requirement, as it blended own volumes with traded through volumes, thus being able to supply the Germany market.

In the middle of the year, prices for rape seed oil (RSO), the feedstock for RME decreased significantly due to record harvest with high output and high yield. In the past, RME premiums were significantly higher than FAME0 premiums, but in Q2 the spread between RME premiums and FAME0 premiums ranged between USD 0.00 and USD 10.00 putting pressure on FAME0 premiums.

Until the second half of the year, UCOME was primarily traded as double the FAME0 premium over ICE Gasoil for EU certified volumes. These volumes were suitable for being double counted for the blending mandate mainly in the UK and Netherlands. Petrotec´s UCOME with DE certification fully met the requirements of 36. BImschV and were suitable for being double counted in Germany. As the DE certificate required further audits and special certifications for UCO (used cooking oil = feedstock for UCOME), an additional premium of USD 20 and USD 40 could be achieved.

In the second half of 2014, UCOME traded for below double the FAME0 premium. Customers were expecting a smaller premium as they were anticipating a lower value, due to a coming new regulation in Germany in 2015.

In the past, decreasing Gasoil prices not necessarily had in influence on the FAME premiums, as these are more correlating, by nature, to the virgin vegetable oil prices, and typically led to increasing FAME premiums. Towards the end of 2014 together with a huge decrease of Gasoil a good harvest season led to a drop in virgin vegetable oils prices, which in turn led to decreasing FAME 0 flat prices. Consequently, FAME premiums did not fully manage to compensate the fall in Gasoil prices and UCOME premiums remained low, putting pressure on UCOME margins.

The weaker EUR/USD helped to secure margins and Petrotec managed to run its plants on full capacity and kept sales volumes stable.

Until the third quarter, Petrotec tolled collected feedstock in Spain and sold these volumes mainly in the Mediterranean area. In the fourth quarter, Petrotec concentrated on collecting the feedstock and used it for its German plants or sold it to clients in the Mediterranean area.

Petrotec constantly improved its product quality and increased its sales to the UK in the winter period, meeting the strict quality requirements (especially much lower monoglycerides than the European norm EN14214 had to be met). Throughout the year, Petrotec was a reliable UCOME producer, meeting both off spec quality as well as quality which was much better than EN14214 and reliable sustainability documentation.

Petrotec managed to attract new customers and widened its customer base. Thanks to good network management and customer orientation, Petrotec gained new customers in the domestic German market as well as in ARA (Amsterdam, Rotterdam and Antwerp).

Germany switches to a new regulation on January 1, 2015. The blending mandate for biodiesel then needs to be fulfilled with green house gas (GHG) savings. From that date on, there will be no double counting mechanism in Germany. As there has been a lot of uncertainty on how the GHG-potential for FAME and UCOME will be calculated and certified and on how-over blended volumes in 2014 will be transferred to 2015, German customers mainly covered their short-term demand. They remained cautious, not to blend more biodiesel than required by their mandate, keeping UCOME demand lower than expected. The uncertainty about the value and the pricing of biodiesel in Germany is very likely to remain until Q1 2015. This will also have an impact on sales to UK and the Netherlands as customers there watch the situation closely and will take advantage of a lower UCOME demand which in turn drives UCOME premium down.

Demand for Petrotec's by-products, such as distillation residue and glycerin was healthy.
In the first half of the year both, glycerin and distillation residue achieved highest price levels. In the second half of the year demand dropped so that these products were traded at slightly lower prices. The relatively warm last quarter of the year lead to a lower demand of the distillation residue for heating purposes.

Regulation

<u>EU</u>

The mid-year EU Parliament elections resulted in a much more volatile institution in which large majorities to pass EU legislation should be more difficult to attain. Among several other considerations, the two most active rapporteurs of the ILUC file (see below), MEPs (Members of European Parliament) Corinne Lepage and Alejo Vidal-Quadras, have not been re-elected.

Petrotec and the European Waste to Advanced Biofuels Association (EWABA), in which Petrotec has a membership, increased awareness of the waste-to-biodiesel business model with the **new EU Commission** in autumn: Energy and Climate Action Commissioner Candidate Miguel Arias Cañete was submitted questions through the briefing of more than 150 MEPs and their advisors at the Environment and Industry and Energy (ENVI and ITRE) Committees in the European Parliament, more than 50 Brussels-based journalists from national and EU-wide media and a good number of NGOs. In early November letters to the three new Commissioners with portfolios relevant for the UCOME industry were distributed (Energy and Climate Change Commissioner Miguel Arias Canete, Energy Union Commissioner Maros Sefcovic and Transport Commissioner Violeta Bulc), followed by meetings with members of their cabinets to present the issues affecting our industry and propose policy alternatives that would result in a more stable and secure regulatory framework.

Council (= 28 EU Member States) officially adopts first reading position for the iLUC (indirect Land Use Change) proposal

On December 9, 2014 Energy Ministers from the 28 EU Member States gathering at the Energy Council adopted without debate the Council's first reading position on the ILUC file upon the basis of the Greek Compromise reached in June 2014. Strong differences among groups of Member States remain with respect to both the Council position and the position expressed by the European Parliament. A core of pro-conventional biofuels formed by Poland, Czech Republic and Hungary has clashed with other pro-advanced Member States such as Denmark or Finland more aligned with the Commission.

With the formal endorsement from Member States at the Council the legislative file has been sent to the European Parliament for the second reading to start. The timeline will roughly go as follows:

- Draft position from Rapporteur to be presented to the ENVI Committee → **Late January 2015**
- Vote in Committee → **Late February 2015**
- Agreement with Council → **Late April 2015**

Second Reading in the European Parliament: Given that the ILUC proposal has faced many difficulties, the priority during second reading at the Parliament is to reach an agreement with the Council, for this reason the largest political group, the EPP, and the Chair of the ENVI Committee have decided to indeed stick to the limits set out by the first reading position of the European Parliament and Council. Attempts to obtain a more flexible approach by EWABA and other interest group were contested with the argument that if further discussions out of the framework of first reading agreement were to be allowed, a final plenary vote would need to be held ahead of the trialogue negotiations which would make very difficult, if not impossible, to obtain an agreement with the Council.

The 4 key issues provoking confrontation between the Council and the Parliament are summarized in the table below:

Key Issue	Council Position	Parliament Position
Cap for Conventional Biofuels	7%	6%
Sub-target for Advanced Biofuels	Max. 0'5% Non-Binding	At least 0.5% Binding
iLUC Factors for Reporting Purposes	Out	In (“in principle” “ideally”)
Multiple Counting	To end in 2020	Extend scope after 2020 with phasing-out (“if possible”)

Note that double-counting for UCO-based biodiesel is assured until 2020.

Post 2020 scenario – status

The Commission has been working on a legislative proposal addressing the EU energy targets for the 2020-2030 period that advocates for discontinuing existing market drivers for the biofuels markets (10% renewable transport in the RED and 6% GHG reduction in the FQD). EWABA has been vocal opposing the Commission's plans and took active part in the dissemination of the Wasted report in co-operation with major environmental NGOs; the report was quoted in key EU media outlets.

In October, the 28 Heads of State at the EU Council gave the Commission a clear mandate to further examine instruments in order to reduce dependency on fossil fuels after 2020 in a technology neutral way, which is particularly good news for UCOME, TME and other advanced biofuels, since any definition of advanced biofuels, and any discrimination or preference amongst biofuels will need to be done on the origin of the raw materials and/or in their GHG content, but not on technology.

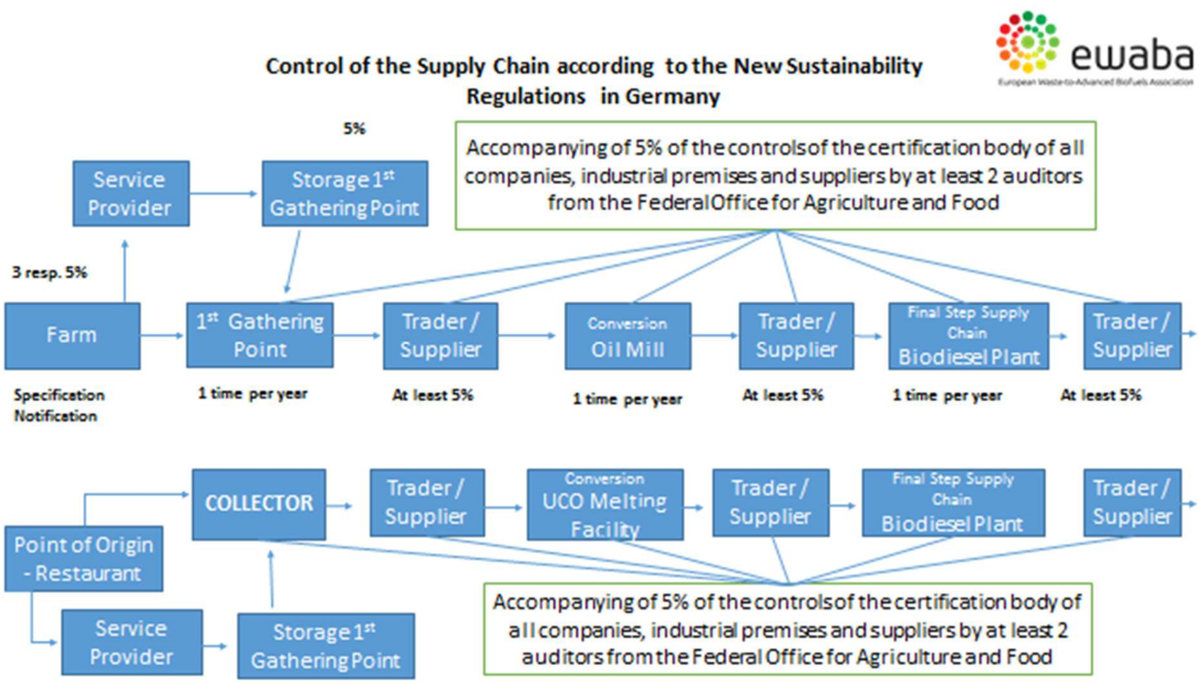
The **proposal to modify the Waste Framework Directive**, included in the Circular Economy Package as presented by the Commission in July, was abandoned in December amid allegations that an agreement between Member States and the Parliament would not be possible to attain. The proposal included new definitions (affecting key concepts such as energy recovery, material recovery, end-of-waste, etc.) and intended to promote a new conceptual approach, i.e. that “**waste is a resource**”. Therefore, this proposal constituted a clear window of opportunity for the UCOME industry which aims to get the contribution of UCOME recognized and mention UCO Collection in the Waste Framework Directive.

This withdrawal has consequences: on the one hand it is positive that a potential reference to the application of end-of-waste criteria that might have had a negative impact of uses of

wastes and residues as fuel will not be adopted. On the other hand a reference to UCO collection via an amendment in the text of the final legislation will now not materialize.
It is our assessment now that the withdrawal has to be considered as overly positive: the benefits from the inclusion of a mention of UCO collection might have been shadowed by a potential inclusion of strong end-of-waste criteria.

<u>Germany</u>
Germany's Lower House of Parliament passed a government bill in mid-October introducing a cap on greenhouse gas emissions (GHG) for road fuels. The so-called decarbonisation is effective from January 1, 2015 mandating a CO2 reduction for fuels companies of 3.5% from 2015, 4% from 2017 and 6% from 2020. The Upper House of Parliament (= the Federal States "Länder") passed the bill a few weeks later. Implementation guidelines came very late in the year creating huge uncertainty amongst market players. Also, controls on GHG reduction values are not defined, which is a risk as it may encourage fraud.

Junior environment minister Ms. Rita Schwarzeluehr-Sutter stated in the parliament that biofuels with a more favorable carbon footprint, such as biofuels from waste, will enjoy "clear prospects" from 2015 (thanks to the new law). Fact is that the advantage of double counting for waste-based biodiesel was effectively reduced to around 1.5-1.6 due to increased CO2 reductions by conventional biofuels. Following graph depicts the new control levels for certification of sustainable biofuels eligible for the German blending mandate:



Aforementioned legislative process was actively influenced by MVaK, Berlin, the association of small & medium-sized producers/traders of waste-based fuels.

Heterogeneous feedstock market

The market for used cooking oil can be characterized as a heterogeneous market. Its value chain consists of three major sections. One is the collection of the raw material at its point of emergence e.g. restaurants and other business using oil for cooking purposes. The second section is the treatment and cleaning of the raw material. Finally, it is conditioned and distributed for its further use. The market of the first section is predominantly driven by a lot of smallish independent collectors and just a few bigger players. There are only a few large and well equipped treatment facilities. Contingent on national regulations treated used cooking oil can be generally used to produce biodiesel, for energy recovery in thermal power stations, for some chemical purposes or as a substitute for fresh vegetable oils for animal food for livestock farming. The latter is banned within the European Union since years. With recycling used cooking oil into biodiesel it becomes a fully-fledged and discrete product of its own right which delivers the highest energetic exploitation and the highest value.

The quality of the raw material on the market has a broad spectrum and is in no ways standardized. The properties of used cooking oil differ for example in respect to the primary vegetable oil used for frying, content of water, share of organic impurities, level of free fatty acids and the iodine magnitude. Therefore, a certain level of technological, chemical and process know-how is needed for an entity to process the feedstock. This is true for the cleaning and treatment as well as for the production of biodiesel. The variety of UCO properties requires a special technology, compared to normal biodiesel technology processing virgin oil, which is capable of handling such a feedstock: to produce a biodiesel which is compliant with the demanding EN 14214 standard.

Petrotec´s course of business

Petrotec has expanded its own collection

Vital Fettrecycling GmbH as a daughter company of Petrotec AG is sourcing the used cooking oil as untreated feedstock via its own collection, third party collectors or through buying already treated and purified used cooking oil. The untreated used cooking oil is typically directly collected from restaurants either by our own collection or by buying from the above mentioned independent third party collectors. These stream of untreated feedstock needs to be cleaned and treated in a pre-treatment plant before it is ready to be send into the biodiesel production. The feedstock from the second stream is bought as treated used cooking oil, which has been cleaned and is usually liquid. As Petrotec is running its own collection, is buying from third parties and is having its own melting, Petrotec covers the whole value-chain from collection over treatment to refinery and biodiesel production.

The burdens and hurdles set by the 36. BImSchV and the compliance with that regulation still affected the collection business in 2014. Allocating high efforts and resources to that section of the business enabled the company to increase the volume from own collection by 5.6%. On the other side the loss in the volume stream from the 3rd party collectors continued during this business year. This trend could be explained by the fact that the small independent collectors still having alternative opportunities on the European market, which retain them to introduce complex and costly procedures to comply with the German system.

Furthermore a stricter quality control and price sensitivity lead to volume rejections from the company's side.

Without having the inventory release effect in 2013 from year end 2012 stocks, Petrotec had to increase in total the procurement of treated product volumes in 2014 to supply the production with sufficient feedstock to maintain production in its plants on a record level. On the Spanish market the procurement activity had been reduced as the company stopped Biodiesel tolling activity by end of June 2014 in Spain due to declining margins and increasing price risks in a backwardated market as feedstock needs to be accumulated before batch production could be started. Petrotec remained purchasing market position in Spain through trading the feedstock.

Further development of technology increased flexibility

Due to the variable quality of the raw material Petrotec is using to produce its biodiesel a sophisticated technology and a deep knowledge of the production process is a prerequisite for running a successful business. Over the last years Petrotec has initiated a continuous process to further improve its technology and optimize the production process. In end of the third quarter of 2014 Petrotec finalized an important upgrade in Emden for which the first phase has been initiated in Q4/2013. This upgrade grants to the company a higher flexibility in respect of the feedstock quality and as well a better parameter flexibility of the final product which allows the company to serve different customer needs.

A sustainable production process is key

Producing one of the most carbon emission friendly fuels naturally implies to take care of a sustainable production process as well. Petrotec has done its homework and achieved a great deal of improvements. By doing so, Petrotec acquired a number of certifications auditing its sustainable production process and the product itself. The company also possesses certification in compliance with an accredited quality management system for environmental protection and ecology. In the past year, following the new ISCC certification requirements, Petrotec has gone through several audits and successfully passed them all and received all required certifications. In addition, Petrotec has implemented energy efficiency measures in all its facilities with the assistance of external consultant and auditors to apply advanced method on its energy usage.

Petrotec reduced its employee basis

In 2014 Petrotec Group employed on average of 111 full and part-time employees (prior year: 109), including four trainees. As of December 31, 2014 105 people were employed (prior year: 115). In 2014 several additions and leavings of employees through various departments occurred. The main impacts could be recognized in the sourcing & melting activity. As reaction to the continuing loss of 3rd party collector's volumes through 2014 the shifts in the melting plant were reorganized. The valuation of collection areas and improvements in the truck routing led to changes in the headcount. These positions are expected to be partly re-stuffed in 2015. Associated with the stop of the tolling activity in Spain the administrative headcount had been adjusted to the reduced business.

Employees* of the Petrotec Group

	Dec. 31, 14	Dec. 31, 13	Change %
Production	64	74	-13,5%
Sales & administration	41	41	0,0%
Thereof trainees	3	4	-25,0%
Total	105	115	-8,7%

* As of the balance sheet date (not acc. to the annual average)

Difficult market situation lead to declining results

Following the successful year 2013 with a net profit of KEUR 4,016 the net profit turned into a net loss for the fiscal year 2014 of KEUR 3,789. The operating loss for 2014 amounts to KEUR 2,179 after a profit of KEUR 4,874 in 2013. Despite the difficult market situation the EBITDA remained slightly positive at KEUR 553. Irrespective of the companies net loss the production volume demonstrated continuation and significant improvement in the company´s performance through the last years as it remained on a steady level compared to prior year. In the reporting year, Petrotec produced 138.8 (prior year: 138.5) thousand tons of its EcoPremium biodiesel product. However, the declining prices lead to a sharp decrease in sales value, generating EUR 167.2 million sales compared with EUR 193.3 million in the previous year.

KEY FIGURES	**Unit**	**2014**	**2013**	**Deviance 2014 vs 2013**
Profitability				
Sales	KEUR	167,150	193,327	-26,177
EBITDA	KEUR	553	7,471	-6,918
EBIT	KEUR	-2,179	4,874	-7,053
EBIT-margin	%	-1.3%	2.5%	
EBT	KEUR	-3,789	3,115	-6,904
Net profit / loss	KEUR	-3,789	4,016	-7,805
Profit per share undiluted	EUR	-0.1544	0.1636	-0.3180
Profit per share diluted	EUR	-0.1537	0.1631	-0.3168
Asset position		**Dec. 31, 14**	**Dec. 31, 13**	
Working capital	KEUR	6,218	16,573	-10,355
Non-current assets	KEUR	21,369	21,630	-261
Total assets	KEUR	47,148	58,223	-11,075
Debt(1)	KEUR	13,306	19,075	-5,769
Equity	KEUR	24,157	27,714	-3,557
Equity-ratio	%	51.2%	47.6%	
Cash flow		**2014**	**2013**	
Adjusted net profits from non accounts	KEUR	810	7,767	-6,957
Change in working capital	KEUR	10,327	3,792	6,535
Operating cash flow	KEUR	11,140	11,571	-431
Cash at period end	KEUR	11,113	9,935	1,178

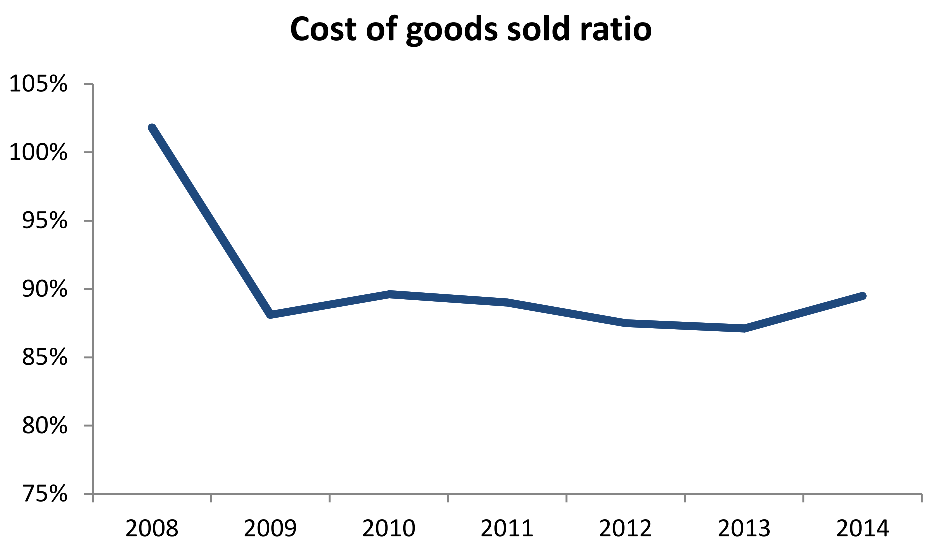
(1) Loans from shareholders and banks

Profit situation of Petrotec Group and Petrotec AG

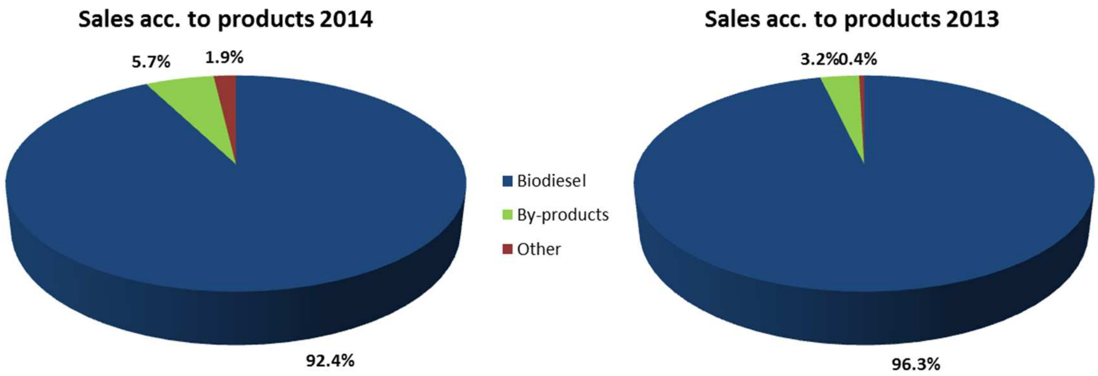
Profit Situation – Petrotec Group

Operations are profitable

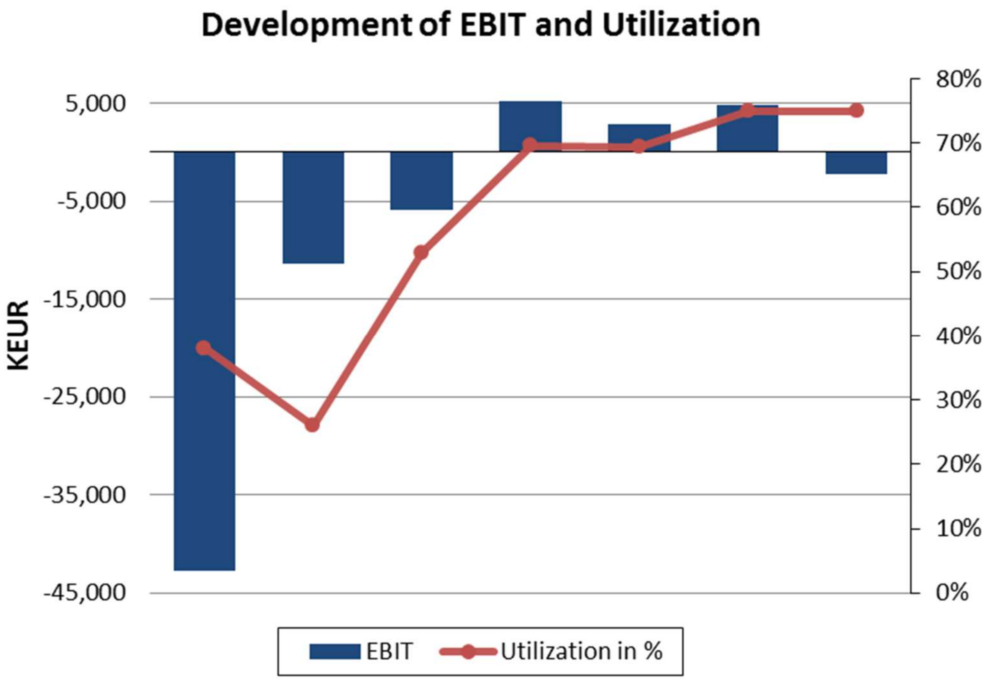
In 2014 sales amounted to EUR 167.2 million representing a significant decrease of EUR 26.1 million or 13.6%, compared to EUR 193.3 million of sales for the same period 2013. The total output as sum of revenues and the changes in inventories of finished and unfinished goods, decreased by 15.1% from EUR 192.8 million in the previous year to EUR 163.7 million. Primarily due to the continuous price decline trend experienced in 2014 which had a negative impact on product-feedstock spread, the cost of goods sold ratio ((cost of materials minus changes in inventories of finished an unfinished product) / total sales) increased from 87.1% to 89.4%. The stable production output supported the sales of the company that were primarily negatively impacted by the strong declining price development.



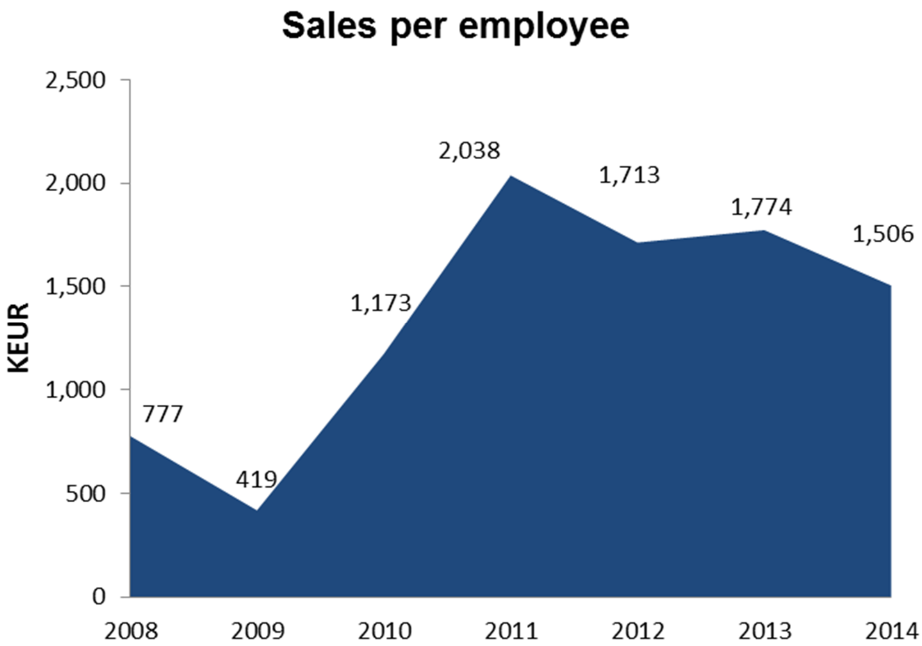
During the business year 2014 the total sales volume of finished product declined by 4.0%. The purchased Biodiesel volume rose by 8.5% from 22,663 tons in 2013 to 24,591 tons in 2014. By-product sales increased in value and volume in 2014 compared to 2013 as high by-product stocks accumulated at year end 2013 were sold during the first half year 2014.



Petrotec generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 0.6 million (prior year: EUR 7.5 million). The negative development is primarily driven by the negative price development. Stable production volumes at constant utilization of 75% at lower achievable market prices and the backwardation scenario led to declining margins.



Personnel expenses amounted to EUR 6.5 million in the year under review; a decrease of 7.9% compared to the parallel period in 2013. The primary reasons for the decrease next to the reduced employment rate are the negative development of the share price and the negative income development in 2014. Both effects led to reduced variable personnel expenses. As of December 31, 2014, the Petrotec Group had 105 (prior year: 115) employees. The number of employees has been reduced by 10 compared to the number of employees as of December 31, 2013 – this reduction of 8.7% is primarily caused by the reduced headcount in the sourcing and melting department and the Spanish activity due to the challenging market situation in this sections. Revenues per employee decreased to KEUR 1,506 compared to KEUR 1,774 last year, mainly driven by the discussed decline in biodiesel prices.

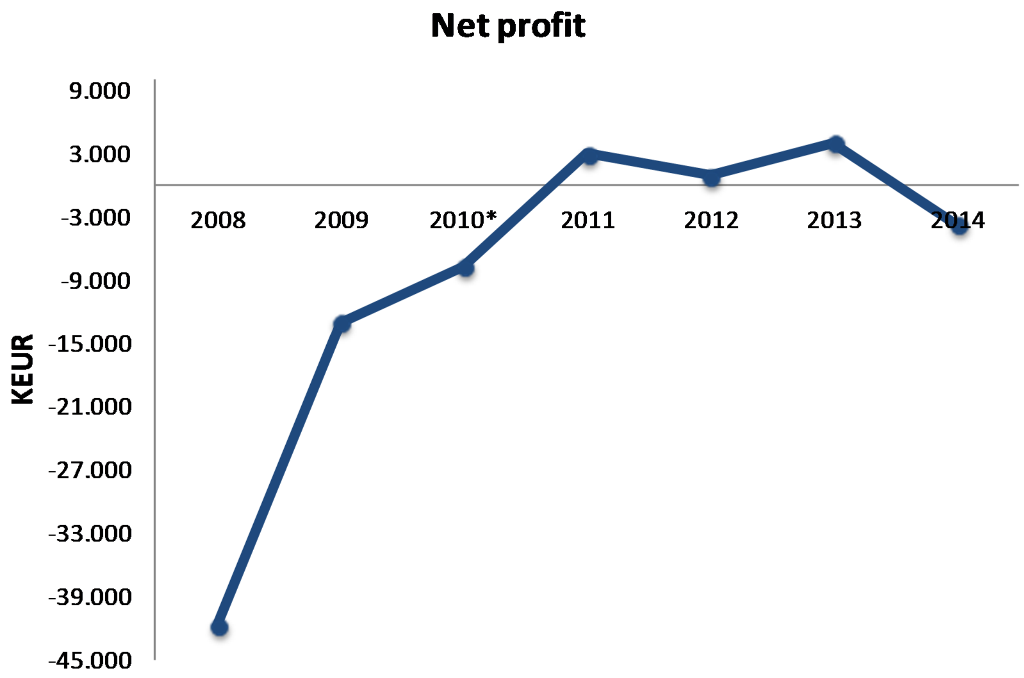


Other operating expenses increased by EUR 0.7 million or 6.1% to EUR 12.2 million (prior year: EUR 11.5 million). Among others the other operating expenses contain logistical costs, rents, maintenance, insurance premiums, vehicle costs, legal and consulting costs and other production costs. The operational costs within the other operating expenses increased by KEUR 208. Mainly the logistic costs (+KEUR 250), storage costs (+KEUR 207) and maintenance (+KEUR 108) increased through the year 2014. The logistical costs increased as a result of changes in logistical terms in the sales contracts, by which the company served its customers in delivering the goods into customers' terminal, and because of by-product relocations to an external storage, to address weaker seasonal pricing of the latter. Higher storage of Biodiesel at the beginning of the year and in general higher by-product stocks had a negative impact on the external storage costs. Contrary to that insurances and dues were reduced(-KEUR 118) as well as some other minor positions (-KEUR 239) decreased. In addition to that the other operating expenses also rose in total due to extraordinary effects (KEUR 469) such as realized losses from financial derivatives and negative market valuation of financial derivatives at balance sheet date.

The other operating income increased by EUR 0.8 million (72.7%) to EUR 1.9 million in 2014. This increased is mainly caused by the mark-to-market valuation of financial derivatives, which lead to a gain of KEUR 241 in 2014, the reimbursement of energy taxes from 2012 and 2013 (KEUR 329) and cost charges for PCAOB audit costs to the former shareholder ICG (KEUR 246).

The financial result is primarily characterized by the interest expenses amounting to EUR 1.6 million for the period under review, compared with EUR 1.8 million during the parallel period in 2013. The majority of interests were related to the shareholder loans of, but also to the loans granted for working capital financing, truck fleet and finance lease financing.

The EBT (Earnings before tax) amounts to a loss of EUR 3.8 million, compared to a profit of EUR 3.1 million in 2013. In 2013 Petrotec has realized deferred tax assets amounting to EUR 0.9 million due to the expectation of being able to use those tax assets within a foreseeable future. Despite the loss incurred in 2014 Petrotec is not expecting to further realize tax losses in a foreseeable future and hence did not realize further deferred tax asset to what was realized in 2013. Based on the weighted average number of shares of 24,543,741 (prior year, weighted average: 24,543,741) the net profit resulted in undiluted earnings per share of EUR -0.1544 (prior year: EUR 0.1636). Taking all potential shares with dilution effect into account the net profit resulted in diluted earnings per share of EUR -0.1537 (prior year: EUR 0.1631).



*** The annual profit of 2010 has been adjusted for the book profit resulting from the IKG transaction**

Profit Situation – Petrotec AG

As a holding company, Petrotec AG is not involved in any business operations of its own. Profit and loss transfer agreements are in place with the two operating subsidiaries Petrotec Biodiesel GmbH and Vital Fettrecycling GmbH. Thus, Petrotec's net income or loss for the year depends largely on its subsidiaries' net income or loss for the year.

The loss generated during the year 2014 by Petrotec AG, pursuant to the German commercial law GAAP (Handelsgesetzbuch, HGB) totaled EUR 3.9 million, while a profit of EUR 3.1 million has been reported in 2013. As in the prior year, the result of Petrotec AG is composed of the transfer of losses and gains from subsidiaries Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH.

Capital and Asset structure of Petrotec Group and Petrotec AG

Capital and Asset Structure – Petrotec Group

In fiscal year 2014, the balance sheet total of Petrotec Group as of December 31, 2014 declined by EUR 11.1 million, which is equivalent to a reduction of 19.1%, to a total of EUR 47.1 million compared to EUR 58.2 million as of December 31, 2013.

On the assets side, non-current assets declined to EUR 21.4 million in 2014 as the depreciation of the period exceeded the additions. Non-current assets were mainly influenced by additions amounting to EUR 2.5 million while scheduled depreciation cumulates to EUR 2.7 million. Taking the net disposals of EUR 0.02 million into account non-current assets slightly declined. Current assets declined by EUR 10.8 million, which represents 29.5%, to EUR 25.8 million. The decline is primarily caused by the decline in inventories and trade accounts receivables. On the contrary cash went up by EUR 1.1 million.

On the liabilities side, equity decreased due to the current year loss of KEUR 3,789 and the increase in the capital reserve as a consequence of the stock option program by KEUR 233. As of December 31, 2014 the equity capital ratio increased from 47.6% to 51.2% at year end as a result of the reduced total asset basis.

Non current liabilities decreased by EUR 2.0 million based on the reclassification of the REG shareholder loans (former ICG shareholder) from non-current to current.

Current liabilities lowered by EUR 5.5 million to EUR 18.4 million. While the current liabilities against shareholder increased by EUR 2.3 million, short-term bank loans decreased significantly by EUR 6.2 million. Trade payables and other liabilities also decreased by EUR 1.6 million. The decrease in current liabilities is strongly linked to the decrease in inventories, as due to the decrease in prices the necessity to finance working capital has been reduced. Overall, the ratio of current liabilities against total assets improved from 41.0% in the prior year to 38.9% in fiscal year 2014. The ratio of total liabilities against total assets decreased from 52.4% in 2013 to 48.8% in the period under review.

Reduction of working capital

At December 31, 2014 all elements of the working capital show significant decreases. The lower price levels of products and raw materials, reduced lot value in purchasing and sales and consequently reduced inventory, in addition, to minimize potential inventory impairment risks, inventory level was kept low and altogether led to a significant decline in the net working capital.

The working capital relating current assets to current liabilities, including all current assets and liabilities as presented in the balance sheet, declined from 153.2% in 2013 to a value of 140.4% in 2014, which implies that parts of the current assets are soundly financed.

Working Capital	Unit	Dec. 31, 14	Dec. 31, 13	Deviance
Inventories	EUR mio.	7.6	15.1	-7.5
Trade receivables and other receivables	EUR mio.	7.0	11.6	-4.6
Trade payables and other payables	EUR mio.	8.4	10.1	-1.7
TTL	EUR mio.	6.2	16.6	-10.4

Capital and Asset structure – Petrotec AG

The assets of Petrotec AG continued to be largely composed of stakes in affiliated companies. In 2014 total assets of Petrotec AG according to the Code of Commercial Law (HGB) declined by EUR 21.8 million or 27.6% to EUR 57.22 million while non-current assets remained unchanged. The current assets declined by the mentioned amount. Trade receivables and other assets decreased from EUR 1.6 million in the prior fiscal year to EUR 1.2 million in 2014. Receivables against affiliated companies decreased by EUR 23.6 million to EUR 24.7 million. At December 31, 2014 cash amounted to EUR 2.1 million versus KEUR 50 in 2013.

The equity decreased according to the current year's loss of EUR 3.9 million. The equity capital ratio rose from 35.0% in 2013 to 42.0% in the year under review. Accruals decreased from EUR 1.0 million in 2013 to EUR 0.8 million at end of December 2014 majorly effected by the reduced variable employee compensation due to the negative development of the business and the adjustment of the stock appreciation rights program to the current share prices. Trade payables, other liabilities and liabilities against shareholders did not materially change. Liabilities against affiliated companies have been reduced by EUR 18.3 million to EUR 19.3 million at year end.

Financial Situation - Cash flow of Petrotec Group and Petrotec AG

Financial Situation – Petrotec Group

In fiscal year 2014, Petrotec achieved a positive operating cash flow of EUR 11.1 million, versus an operating cash flow EUR 11.6 million in 2013. The company closed out the fiscal year with a negative result before taxes of EUR 3.8 million. After the addition of non-cash transactions, which primarily were amortizations and share based payment expenses, and interest expenses totaling together to EUR 4.6 million, the operating cash flow prior to the adjustment of the net circulating assets totaled EUR 0.8 million. The operating cash flow was positively affected by the change in working capital, especially by the reversal of prior year's capital lockup within the inventories. Hence despite the negative periodic result, the operating cash flow could be held at a stable level.

In 2014, the Petrotec Group also made investments in its production facilities. Overall, the company invested EUR 2.5 million into fixed assets (prior year: EUR 1.5 million). These comprise primarily technical equipment aiming at further optimization of productivity and yields as well as investments for the truck fleet. Overall, Petrotec reported in 2014 a cash flow from investment activities of EUR -2.5 million (prior year: EUR -1.4 million).

Cash flow from financing activities slightly declined to EUR -7.5 million, compared to EUR -8.2 million in the previous year. The effects were primarily caused reduced interest payments.

Consequently, as of the balance sheet closing date, the cash and cash equivalents of Petrotec increased by EUR 1.2 million to EUR 11.1 million (prior year: EUR 9.9 million).

Financial Situation – Petrotec AG

The balance of liquid assets rose to EUR 2.1 million as of December 31, 2014. In total a negative result of EUR -3.9 million has been presented by the group's holding company. The cash flow contains majorly the interest payments during 2014 to the former major shareholder IC Green Energy Ltd. The Petrotec AG is financing the day to day activity of both subsidiaries.

Forecasted business development vs. actual course of business

		Annual Report	Quarterly Report	Ad-Hoc	Quarterly Report	Quarterly Report	Ad-Hoc	Annual Report
	Unit	2013	Q1/2014	06.08.2014	Q2/2014	Q3/2014	06.02.2015	2014
Sales	EUR Mio.	150-220	150-220	150-220	150-220	150-220	167	167
EBIT	EUR Mio.	3,0 - 8,8	3,0 - 8,8	> 0	> 0	> 0	-2.2	-2.2
EBIT-Marge	%	2,0%-4,0%	2.0%-4.0%	> 0%	> 0%	> 0%	-1.3%	-1.3%
Comments			overall likelihood to meet the reduced guidance	sales to be in the range of the provided original guideline, high probability that positive EBIT can no longer be achieved	sales to be in the range of the provided original guideline, high probability that positive EBIT can no longer be achieved	sales to be within the lower range of the provided original guideline, high probability that positive EBIT can no longer be achieved		

The lower end of the target range has been achieved as production volume remained on a high level and sales volume only slightly decreased. The main impact which caused the sales deviation is the strong price decline through the full year on the Biodiesel side. The EBIT and the EBIT margin decreased significantly as the price effects on Biodiesel side could only be passed through to the feedstock side with a time lag and not in the same proportion. Additional variable costs e.g. disposal, storage and relocation also burdened the EBIT.

Summary statement regarding the business situation

The financial situation of the Petrotec Group remains stable in 2014. The earnings, financial and asset status suffered from the deterioration of the market environment especially through the second half of the fiscal year 2014. Sales, production and purchase were kept on a high level, but with significantly reduced margins.

Significant events after the balance sheet date / Subsequent report

On December 9, 2014, Renewable Energy Group, Inc., Ames, Iowa, USA through its fully owned subsidiary REG European Holding BV, Amsterdam-Schiphol, Netherlands (“REG”), announced its intention to acquire all shares held by the major shareholder, IC Green Energy Ltd. (“ICG”). On January 19, 2015, REG published a voluntary takeover offer to the remaining shareholders offering them the option to sell their shares to REG at a price of EUR 1 per share. Based on the fairness opinion prepared by Equinet Bank AG, Frankfurt am Main, the Management Board and the Supervisory Board of Petrotec AG published a statement, on January 26, 2015, referring to the reasoned opinion they prepared. According to this document they consider the abovementioned price offer of REG to be adequate, recommending the acceptance of the takeover offer. By the end of the additional acceptance period on March 5, 2015 the offer has been accepted for a total of 3,764,789 shares. Hence REG notified Petrotec that via shares its voting rights on the company have exceeded the threshold of 75% of voting rights on March 12, 2015 and amounted on that day to 84.42% (this corresponds to 20,720,234 voting rights).

The contract dated March 17, 2014 regarding the rescheduling of some of the shareholder loans from ICG includes the right to demand for immediate repayment of the loans after March 31, 2015. REG as the legal successor of ICG amended this contract on March 11, 2015 in that manner that the option for the premature callback of the long-term share amounting to KEUR 4,256 could only be executed after March 31, 2016. The agreement is based on the following repayment schedule:

Maturity after rescheduling	Unit	2015	2016	2017	TTL
Mar. 31	KEUR	1,000	0	0	1,000
Jun. 30	KEUR	2,000	0	0	2,000
Jun. 30	KEUR	0	1,000	0	1,000
Jun. 30	KEUR	0	0	2,000	2,000
Dec. 31	KEUR	0	0	1,256	1,256
TTL	KEUR	3,000	1,000	3,256	7,256

Risk and opportunities report

Risk management

The focus of the Group-wide risk management system is on the early and systematic identification and analysis of potential risks, the safeguarding of reports and the controlling of risks throughout the entire Petrotec Group. Petrotec's opportunity and risk management system seeks to identify measure and manage risks effectively. Petrotec manages this risk through a framework of risk principles, organizational structures and risk measurement, and monitoring processes that are closely aligned. The overall aim is to sustainably increase the company's value. Based on uniform standards throughout the Group, opportunities and risks are systematically factored into planning and decision-making processes. In this way, potential dangers can be minimized early on, and opportunities can be purposefully and successfully exploited. The risk management system is a component of all planning, controlling and reporting systems. Company management directs and manages it, while the operating areas monitor and measure the risks and opportunities pursuant to the guidelines that have been provided.

The performance of periodic risk analyses, which includes the structured recording of opportunities, is a crucial element of the opportunity and risk management system. Regular reviews are conducted in conjunction with the risk analyses. Hence, quality analyses of the commodities and biodiesel are performed on a daily basis. Likewise, each month the order backlog and cost categories are subjected to a close risk and opportunities analysis.

Given that the Petrotec Group does business around the world, general economic, business unit-specific and financial risks all have an impact on the business development and earnings situation of the company.

At this time there is no evidence of any concrete risks that could put the continued existence of the Petrotec Group in jeopardy. That being said, it is difficult to assess potential changes, such as those imposed by lawmakers or applied by authorities of the various countries in which Petrotec conduct its business and the (mainly European) countries belonging to Petrotec´s target markets and any resulting impact therefrom on the business environment.

Essential features of the internal control system and the risk management system in regard to the financial accounting and reporting process

The essential features of the internal control system and the risk management system in place at Petrotec AG as regards to the (group) financial accounting and reporting process can be described as follows:

Petrotec AG has a clear management and corporate structure. In this regard, key functions across various departments are centrally managed through Petrotec AG. The finance and accounting functions and the control functions, which are materially involved in the financial accounting and reporting process, are clearly separated. Areas of responsibility are clearly assigned. The integrity and responsibility with regard to financial matters and financial reporting are ensured in that an obligation to that end is defined in the Company's own risk manual.

The financial system in use is protected against unauthorized access by means of appropriate features in the area of electronic data processing.

Standard software (AMIC A.Eins) is utilized by the financial systems in use. An appropriate set of guidelines (e.g., accounting guidelines, travel expense guidelines, etc.) has been instituted and is continuously updated. The departments and areas involved in the financial accounting and reporting process are suitably equipped in terms of both quantity and quality. Bookkeeping data that have been received or forwarded are continuously reviewed for completeness and correctness, e.g., through random samples. The dual-control principle is consistently applied throughout all processes relevant to financial accounting and reporting.

Explanation of the essential features of the internal control system and the risk management system with regard to the financial accounting and reporting process

The internal control system and the risk management system with regard to the financial accounting and reporting process(the essential features of which have been previously described) ensure that for balance sheet purposes, corporate business matters are always correctly recorded, processed, and assessed as well as included in the accounting and reporting system. Appropriate staffing, the use of adequate software, and clear internal corporate standards grounded in law constitute the foundation of an orderly, uniform and continuous financial accounting and reporting process. The clear delineation between the areas of responsibility, together with various control and monitoring tools as already described in more detail (dual-control principle), ensure correct and responsible financial accounting and reporting. This enables business events in each instance to be recorded, processed and documented, as well as promptly and correctly recorded for bookkeeping purposes; in accordance with legal requirements, the Articles of Association, and internal guidelines. At the same time, it is ensured that assets and debts are properly recognized, reported and assessed in the annual and consolidated financial statements and that reliable and relevant information is made available in a complete and timely manner.

Risk management by using financial instruments

Petrotec's trading activities as well as the applied pricing methods are considered to be relatively complex. Based on the fact that there are a growing number of customers who prefer variable pricing, the complexity of the trade activities and of pricing is becoming a focal point in risk management. Therefore, a profound risk assessment for the trading business as a whole as well as on a deal-by-deal basis is indispensable. This comprehensive risk assessment is already a part of budget planning and comprises the analysis of the following influential factors:

- Volume / Demand estimation (Quantitative planning / increase planning certainty)
- Price / Margin estimation (Setting a target margin for the specific trade, month, year)
- Assessment of overall economic situation (expectations based on fundamentals)
- Assessment of regulatory environment and expected changes for demand / supply structure

Petrotec produces of the bulk of its biodiesel from used cooking oil. The common trade term used for this type of biodiesel is UCOME (used cooking oil methyl ester). While the price and sales of this product was linked to the price of its feedstock in past years, its pricing today is linked to the widely applied pricing of the final product biofuels. Consequently, the price is frequently traded as a premium over ICE Gasoil or FAME 0 (standard trade term for biodiesel meeting European standard EN14214). These products are either traded OTC (over the counter, i.e. via a broker directly between two parties) or on the European Commodities Exchange. As a result, the price of biodiesel is subject to potential price fluctuations of the commodities it is based upon.

The increasing demand of customers and potential customers for floating prices, signified as prices that are linked to a price quotation (such as Argus FAME 0) or highly liquid Distillate futures (e.g. ICE Gasoil, Platts Diesel 10ppm, etc.) -and more and more shrinking back-to-back margins (due to increasing number of players in this market) made Petrotec change to a more sophisticated hedging by using derivatives, such as futures and swaps.

Protection against price risks – based on the price fluctuations of base commodities – is achieved through the sale of the respective base security. This affects sales of the following derivatives:

- ICE Gasoil Futures
- ICE Gasoil Swaps
- Argus FAME 0 Swaps
- Platts Diesel 10ppm Swaps

As most of these derivatives are traded in US-Dollar, the foreign currency hedging became a significant part in Petrotec's hedging strategy.

The principle that a business transaction that is not secured should not be made always applies. Based on the underlying deal, Petrotec is using derivatives that hedge the product at the best possible level. For hedging the currency risk Petrotec relies on forward sale and purchase of USD or EUR.

The hedging of the sale and purchase of biodiesel as well as the raw materials in foreign currency is usually done on single contract level. To this end, for biodiesel products both the foreign currency positions as well as the commodity positions are hedged. For raw materials, due to unavailability of adequate derivatives, only foreign currency positions are hedged, where the company applies a back-to-back purchase-sells policy to the extent possible. At balance sheet date December 31, 2014 the hedged position of fuel derivatives amounted to nominal volumes of KUSD 0 and nominal volumes of foreign currency for raw materials or biodiesel to KUSD 13,440. Nominal volumes of standalone fuel derivatives amounted to KUSD 4,000 and for standalone foreign currency to KUSD 4,100.

The efficiency of the fair value from swap and futures transactions is determined prospectively using Critical Terms Match and retrospectively through the Dollar-Offset Method. So long as the hedge remains in a bandwidth of 80% to 125%, the Hedge Accounting is continued. In fair value hedges, the change in fair values of underlying transactions was counted towards the hedged risk in the total amount of KEUR 4 (prior year: KEUR -23) as part of the carrying amount of the secured underlying transaction.

Operating and other risks

The industry in which Petrotec is operating is characterized by particular sensitivity to cyclical and legislative influences that might have a severe impact on the financial position and financial performance of the Petrotec Group. In its operating environment Petrotec faces the following risks:

Operating risk

As part of Petrotec's business activity there are various operational risks with the running and operation of a melting plant, a refinery and two biodiesel production plants including respective logistics. Malfunction of a plant or parts of a plant could cause a complete or partial stop in production. Mechanical or chemical mistakes, undesirable reactions or mislead system control within the production process could cause a breakdown of the plant or could lead to products being out of spec. Additionally, a bad feedstock quality can affect the production yield and quality. Petrotec is conscious of all of the mentioned risks and takes care that such incidents are hindered to the greatest extent of our abilities. The plants are checked by qualified employees on a regular basis; the plants are being maintained on a regular basis, including during planned production stops. In addition to this, Petrotec runs its own laboratories to control incoming feedstock as well as outgoing production. Statutory emergency measures are in place at every plant and employees receive instruction on a regular basis about what to do in case of an emergency.

While Petrotec is of the opinion that all plants have full approvals of operation from the authorities, the laws and regulations according to which the plants are certified are sometimes interpreted differently by different authorities. This has become apparent through occasional enquiries from local authorities with regard to certain aspects of the innovative production process, the feedstock used or any by-products. As a result of these incidents Petrotec has requested clarifications from the relevant authorities and part of the related laws [and/or] regulations are still being reviewed and discussed at different levels, including relevant authorities in Germany and at the EU Commission. Through its meetings and discussions with said relevant authorities, the company maintains its belief that the review should not have a significant negative impact on its current business model. Considering the high level of influence of those laws and regulations on the company, non-desirable outcomes of this review might result in a high impact on the company's current business model. At this point of time, the management cannot estimate the full impact that may result from said review.

Regulation risks

To a certain extent, the existence of the biodiesel market depends on the mandatory blending of biodiesel with fossil diesel. The political debate of recent years has cast a critical eye on the effectiveness and actual environmental sustainability of the use of biodiesel as a substitute for fossil diesel. One of the consequences of this debate is that the development opportunities for enterprises in this industrial sector are being dictated by the respective statutory provisions of a country. In recent years, the development has shown that the binding force and sustainability of statutory provisions regarding bio fuels was not very predictable from an entrepreneurial point of view.

Over the past few years, the intervention of politics through regulation has become more specific. The RED legislation passed by the EU Commission has triggered this effect. In order to create incentives for the use of particularly environmentally friendly biodiesel such as waste-based biodiesel, some EU member states have introduced preference schemes. Such incentive systems – dominated by the "double counting" scheme promote in particular the use of biodiesel with low CO2 emissions. Legislators might also change such incentives at the spur of a moment, because they are also always the subject matter of conflicting groups who represent different interests. In the UK, for example, a new scheme was introduced at the end of 2011, replacing the GBP 200 per cubic meter scheme with the more widely used double counting scheme. As anticipated, since that change came into place, the percentages of basic commodities for biodiesel production in Great Britain saw a considerable shift, resulting in Petrotec addressing different markets and selling a much smaller portion of its products into the UK market. This risk, which arises from legislation or the political will power, can be limited by Petrotec only within very minimal boundaries. Petrotec is a member of the respective lobbying associations in Germany and Europe which represent the interests of the biodiesel industry on the political platform and vis-à-vis other interest groups on the national level and also try to push them through on the level of the EU Commission.

Nevertheless, the RED legislation leaves a wide degree of freedom for member states when implementing the RED obligation for the preferential scheme. Consequently, different member states undertook different approaches when adopting the RED directives. Part of what is driving those different approaches is the influential power of interested parties when promoting their endeavors in front of the local authorities. Another driver for those different approaches is the fact that the double-counting preferential scheme could create the incentive for fraud. In order to limit this incentive and practice, different member states take different measures according to their respective views as to which would be most efficient in addressing the concern. Despite this, the differences in the approach of implementation among the different member states could be perceived as "nuances" which might eventually become significant hurdles for implementation- especially when considering the international nature of Petrotec’s business, which is targeting various markets with its products.

One such development is the so-called decarbonization in Germany: the EU's biggest member state switched from January 1, 2015 from a volumetric obligation of blending 7% biodiesel to a CO2 reduction objective, mandating a CO2 reduction for fuels companies of 3.5% from 2015, 4% from 2017 and 6% from 2020. The issue is that until late 2014 there was no clear implementation directive. This has created huge uncertainty among market players, who were prudent not to over-blend UCOME in 2014, which drove down the demand, mainly in Q4, 2014. Also, controls on GHG reduction values were not well defined, which is a risk as it may encourage fraud. So far the management identifies a negative impact on the demand from the German market as well as on the company margins resulting from the introduction of the de-carbonization regulation. The management is however not in position to forecast the full influence of this regulation on the different market forces throughout the different seasons of the year and their impact on the yearly company results.

Junior environment minister Ms. Rita Schwarzeluehr-Sutter stated in the parliament that biofuels with a more favorable carbon footprint, such as biofuels from waste, will enjoy "clear prospects" from 2015 (thanks to the new law); this statement misses the fact that first generation biofuels have hugely increased their CO2 reduction credentials in the past years, reducing the lead of waste biofuels from double to around 1.6 times.

From a wider European perspective, the current development can be described as follows: In the short-term, an increasing number of countries (such as the UK, France, Italy and Denmark) have applied the double-counting scheme in one way or another in the past years. Other countries, including Spain, are expected to introduce the double-counting scheme in the course of 2015. Petrotec presumes that the introduction of double counting will result in an increase of demand for waste-based biodiesel in the relevant geographies. As a result, the waste-based biodiesel is expected to be our customers' first choice presuming that there are no exceptions or loop holes. In the longer term, the EU has recently reviewed the long-term objectives for GHG emissions moving towards the year 2030. Despite the ambitious target of reducing 40% of GHG emissions (including increasing the share of renewable energies to at least 27% by 2030), no specific targets have been set for the transportation sector. On the contrary, the binding targets of the RED are expected to be removed as of January 1st 2021. This represents the following risks for the biodiesel industry:

1. After 2020, the demand for biofuels may significantly decrease.
2. Before 2020 the existing 10% of targets risk losing credibility. Many Member States might chose not to fulfill it as the EU would be left with no leverage in claiming for fulfilling this "temporary" obligation.

The tendency of the regulators is to come back to the basic fundamentals for supporting renewable energy activities in the EU-namely cutting GHG emissions. Despite the fact that this factor has always been one of the strengths of Petrotec products (contributing significant GHG savings of more than 83% compared to mineral oil) Petrotec is still part of the overall biodiesel industry, and any threat to this industry will eventually also represent a threat to Petrotec.

The "Operating risk" section above should also be read in conjunction with this "Regulation risk" section.

Procurement risks

Substantial competitive risks for the Petrotec Group arise from the complex procurement of our commodities. In order to reduce this risk, Petrotec focuses on the continued expansion of its own collection activities. This is achieved through the continuous deepening of customer relationships and through the expansion of our procurement activities regionally beyond the borders of Germany. For complete information on this topic, please refer to the, "regulation risk" section above.

Petrotec is constantly striving to increase efficiency in the areas of preparation and yield. Structured policies for the procurement of the electricity, natural gas and other additives used in its production process reduce price change risks for the Petrotec Group. Based on a new computation and consumption model, Petrotec has successfully negotiated more favorable purchasing terms with pertinent suppliers.

Price risks

Given the above described sales price setting for biodiesel as a premium of derivatives traded on the stock exchange, the biodiesel sales price is subject to the extreme price fluctuations of the commodities prices it is based upon. The value of used cooking oil based biodiesel is therefore tied to and often priced on the basis of the price level of FAME 0 and diesel. The commodities price of used cooking oil, on the other hand, is highly dependent on virgin oil commodity prices such as palm oil and soybean oil. In order to limit the price risk, Petrotec applies hedging strategies by trading commodity derivatives for all deals with variable pricing.

Due to the MTM valuation (mark-to-market) of commodity derivatives – i.e. daily valuation at the market price – it may be necessary depending on the development of the position to adjust the margin deposit (margin call), which might have an impact on the cash and cash equivalents. This funding obligation applies for both, commodity derivatives and currency derivatives.

To ensure that negative price developments do not have a significant impact on the targeted margin, the company avoids, to the extent applicable, entering into long-term sales obligations, without having first secured the appropriate raw material ("back-to-back" strategy).

The "Risk management by using financial instruments" section above should be read in conjunction with this "price risk" section.

Currency risk

Currency risk is the risk that a financial instrument's fair value or future cash flow will be exposed to price variations due to changes in the exchange rates. Owing to its international business activities, Petrotec is primarily exposed to currency risks. The company transacts a significant portion of its business in USD. Currency fluctuation can have a substantial impact on its result. Petrotec buys and sells merchandise in USD as well as EUR. To control currency risks, the Group hedges such transactions. In order to minimize the currency risk, the company is required- according to Group-wide requirements- to comply with a term-congruent securing obligation at the time the risk is created. Currency futures are being used as a tool in conjunction with the currency risk.

Default risk

The Petrotec Group does business exclusively with recognized, creditworthy third-parties, many of which are large national and international mineral oil companies. All clients who wish to do business with the Group on a credit basis are first subjected to an assessment of their creditworthiness.

Petrotec Group is owed certain high-volume receivables by certain clients. We assume that given these customers' credit ratings, this does not pose significant increases in the default risk. The maximum default risk is limited to the book value of EUR 7.1 million presented under Note 14.

The default risk from trade receivables is controlled according to the Group's guidelines and controls for customer default risk management. The customer's creditworthiness is rated using a comprehensive credit rating scheme and individual credit lines are determined according to that rating. Outstanding claims against customers are monitored and any deliveries made are generally secured through letters of credit or other forms of credit insurance.

On each reporting date, key customers are analyzed individually to determine whether value adjustments are required. The Group considers that it has a low concentration of risk in its trade receivables, since its customers are based in a variety of countries.

Liquidity risk

The Petrotec Group classifies as liquidity risks any risk of potentially not being able to meet its financial obligations. Risk segments are among others the servicing of loans or the payments due to suppliers.

In the Petrotec Group, access to liquid funds is gained alongside operating business, primarily through current and non-current loans from its majority shareholder REG European Holdings B.V. The liquid funds generated are used for investments and to finance working capital. The Group also utilizes short-term bank loans to finance its working capital.

The Group's goal is to strike a balance between constantly covering its liquidity needs and ensuring flexibility by using current and non-current loans from REG European Holdings B.V.

and current bank loans. Liquidity management is achieved through the ongoing alignment of the liquidity needs with inflow of funds from operating activities.

A trade facility agreement exists with a leading European bank to finance the working capital. This trade line is prolonged on a yearly basis and is subject to the fulfillment of certain covenants within the year. In the year 2014 the company complied with all covenants.

At year end 2014 79.9% (previous year: 78.3%) of the Group's borrowed capital is due for payment in less than a year. The debt ration declined to 48.7% (previous year: 52.4%).

Market risks

Market risk is the risk of variation in a financial instrument's fair value or future cash flows due to changes in market prices. Market risk includes the following four types of risk: currency risk, interest rate risk, commodity price risk and other price risks such as share price risk. The financial instruments exposed to market risk include, among others; sales obligations to customer, interest-bearing loans, deposits of financial assets available for sale and derivative financial instruments. The "Risk management by using financial instruments" and "price risk" sections above should be read in conjunction with this "market risk" section.

Interest risk

Interest rate risk is the risk of variation in the fair value or future cash flows of a financial instrument due to changes in the market interest rates. The risk the Group faces with regard to changes in interest rates is essentially avoided by Petrotec opting for financing arrangements based on fixed interest rates over the entire term of its liabilities. Long-term loans are essentially granted only by the majority shareholder for the purpose of financing ongoing business; the interest rate of the loans is fixed, so that the risk of interest rate fluctuations is slight to non-existent. Short-term trading lines are short by nature, which limits or avoids as such interest fluctuation risks.

Tax Risk

In the first quarter of 2010, Vital Fettrecycling GmbH, a wholly owned subsidiary and part of the tax group of Petrotec AG, closed a debt waiver transaction with IKB Deutsche Industriebank AG as part of the restructuring effort done at the time by the company. The agreement stipulated that IKB Deutsche Industriebank AG would waive a repayment for loans granted to Vital Fettrecycling GmbH in 2007 totaling EUR 18.9 million in exchange for a one-time payment of EUR 2.2 million. As a result of this transaction, IKB Deutsche Industriebank AG effectively waived EUR 16.7 million of its claims against Vital Fettrecycling GmbH and, accordingly, Vital Fettrecycling GmbH realized an extraordinary income from cancellation of debt. Consequently the 2010 result of Petrotec AG included an extraordinary one-time income of EUR 16.7 million from the charge off of the loans, which turned the annual result to a positive one for the same year.

Based on a tax field audit, the local tax authorities of the German state of North Rhine-Westphalia (NRW) have assessed income tax payments for fiscal year 2010 against Petrotec AG amounting to EUR 892.094,05 corporate and trade tax. The tax assessment is based on the authorities' opinion that the proceeds from the above described debt waiver transaction do not meet the requirements of a so-called restructuring profit (Sanierungsgewinn) pursuant to the decree of the German Ministry of Finance (BMF) of March 27, 2003 (so-called bail-out decree, Sanierungserlass). The calculation of the stated amount took the minimum taxation into account as Petrotec was able to only partially use its tax loss carry forwards, the company had at that time.

In the 2nd quarter of the 2011 Petrotec executed a capital increase transactions in which IC Green Energy participated and pursuant to which passed the 50% holding threshold. As a result, Petrotec lost all of its tax loss carry forwards.

On August 26, 2010, in another similar case, the federal fiscal court (BFH) raised serious doubts that the minimum taxation fulfills the constitutional requirements when the possibility of loss offsetting in the following assessment periods is not granted.
In its letter from October 19, 2011, the German Ministry of Finance (BMF) followed a decision of the federal fiscal court (BFH) that the taxation, for similar cases, should be suspended until a final legal judgment is given. Petrotec submitted an application to suspend the tax payment until the federal fiscal court (BFH) will decide upon the matter. The request was approved by financial authorities Borken enabling the company not to be required to pay the outstanding sum until such time as a decision in court has been made.

The management still assumes that the above mentioned waiver agreement - contrary to the opinion of the tax authorities - meets the requirements for a so-called restructuring profit (Sanierungsgewinn). Additionally the management shares the doubts raised by the federal fiscal court (BFH) concerning the decision of the ministry of finance (BMF) and assumes that it is more likely that a tax liability will not finally concluded. A tax expert review is supporting the management in its decision.

On December 10, 2014, tax authorities confirmed that the restructuring event in 2010 does not impose corporate income tax on Petrotec. The local tax authority of Borken confirmed that the ministry of finance of Northrhine-Westphalia has concluded that the restructuring transaction as described in the ad-hoc announcement dated November 9, 2012 has to be considered as restructuring profit (Sanierungsgewinn) pursuant to the bail-out decree.

Based on this decision, Petrotec AG will contact the communities of Ratingen, Borken, Südlohn and Emden and ask for revised tax assessments for 2010 trade taxes. Petrotec AG assumes that these communities will follow the corporate income tax assessment of the tax authority of Borken.

Disproportionately high concentration of risk

Concentrations of risk arise whenever a number of business partners who exercise similar business activities or activities within the same region or who have economic characteristics that would lead to an impaired ability to meet their contractual obligations- in the same manner, in the event of changes in the economic or political situation, or other conditions.
In order to avoid disproportionately high concentrations of risk, the Group guidelines contain specific rules for maintaining a diversified portfolio. Any concentrations of default risk that are identified are controlled and managed accordingly.

Acquisition risks

Petrotec plans to expand its business model in the future for continuing growth. This can happen by means of strategic alliances, consolidations or the acquisition of companies or parts of companies. Smaller types of acquisitions may be financed through the expected cash flow or via existing credit lines. More comprehensive acquisitions may involve tapping the capital market or financing through a long-term loan. Management will consider the appropriate type of financing depending on the type and size of acquisition and the market conditions for external financing. Acquiring a company also bears the risk that the acquired company will not earn back the paid interest through their operative business in a reasonable period of time. Management will thoroughly screen any acquisition targets even taking into account external expertise to keep this risk as low as possible.

Opportunities and risks with short term effects

Among the largest opportunities and risks is the development of the demand for biodiesel on its markets, which are characterized by the regulatory environment. Our assumptions with regard to the short-term growth outlook in the European countries that are planning to implement double counting have already been discussed above. We are planning the development of new markets or countries within Europe based on this fundamental scenario. Beyond the fundamental scenario, we are also evaluating risk scenarios- especially those related to the new regulatory requirements in Germany - and the risk that other producers in the market might be in a position to compete with Petrotec on the market share.

Our average facility capacity utilization has already reached a high level and was also kept during the reporting year at the level from the previous year of 75%. In some cases, we still have the opportunity to take advantage of opportunities inherent in increased demand within our still available production capacities, with only relatively small investment consideration.

In addition, the biodiesel price is contingent upon the oil price. With some delay, the used cooking oil price is tied to the UCOME price. Given the solid demand and the relatively soft supply, we have so far been able to pass on most of the commodities price increases to our customers. However, if a significant decline in demand for our biodiesel or supply of our feedstock should occur or significant other supply sources may become available in the double counting market, this could lead to significant margin reductions. Unfortunately, after the sharp decline in prices of the UCOME in the year 2014, the UCO prices have not yet adjusted to a level that provide historical spread form the years 2010-2013, which put significant pressure on the company margins.

We are striving to prevent unplanned facility shutdowns by complying with high technical standards and through the continuous optimization and maintenance of our facilities.

Forecast

EU biodiesel market

The biodiesel market in 2015 is marked by an uncertain possible shift of demand throughout the European countries that are beneficially treating waste based biofuels. While markets like the UK, the Netherlands and France are expected to remain stable in respect to their demand for used cooking oil and tallow based biodiesel, the German market is likely to change. With the valuation of the corresponding greenhouse gas saving potential of biodiesel plants in Europe, the demand in Germany for biodiesel might shift. An exact forecast of demand for UCOME is therefore hard to make. However, it looks very likely that there will be a need to blend UCOME in Germany in order to fulfill the required quota. A theoretical demand, based on discussions with market players and analysts and considering the given regulatory conditions in Germany is estimated between 400,000 to 600,000 tons for 2015. Most likely the final blended volumes will be below this amount.

Gasoil levels started relatively week below the USD 500 per mt in January. A rebound of these levels is very likely towards end of the first quarter in 2015. FAME 0 premiums recovered and spiked to USD 300 per mt levels end of December. Demand and liquidity for FAME 0 paper remains healthy. However, positive numbers of available feedstock might balance these higher FAME levels.

Given the actual situation in Europe and the need of Greece for further financial support in combination with a healthy development of the economy in the US, the euro is expected to weaken further against the US dollar. According to analysts it is likely that the EUR/USD continues its downward trend in the year 2015. An increasing gasoil price in connection with stable FAME 0 premiums and the weaker EUR should help increasing UCOME price levels that moved down to its lowest level since 2011 at EUR 770 per mt.

The biodiesel market is expected to be focused on short-term deals rather than term contracts towards the first and second quarter. RME in Germany is assumed to be blended mainly in the first quarter while demand for UCOME will pick up from the quality shift to summer quality mid of April. More countries in the EU, e.g. Spain and Poland, are starting to focus on the beneficial treatment of used cooking oil based biodiesel. The overall demand for this product is therefore expected to increase once these markets change their policies.

For 2015, there is uncertainty with regard to the impact of the regulatory environment (although any legislative changes would not affect the UCOME market before the end of the year). On February 24, 2015 the ENVI Committee in the EU Parliament adopted the totality of the compromise amendments agreed upon between lead rapporteur Nils Torvalds and representatives from the main political parties. Most notably the Parliament position proposes to set a 6% cap on conventional crop-based biofuels and introduces ILUC factors for reporting purposes in the Fuel Quality Directive – with the possibility that other pieces of legislation, such as the Renewable Energy Directive, will also include them after 2020. Concerning the implications to the UCO-to UCOME industry, the text adopted; maintains the double counting mechanism, calls on the commission to propose a post-2020 legislative proposal to promote biofuels with low ILUC and High GHG savings which should be technology neutral and excludes the application of the waste hierarchy principles to UCO.

Although positive for the UCO-to-UCOME business model, the uncertainty results from the further steps in the legislative process. The Torvalds report constitutes the Parliament position to be negotiated with the Council of the EU (gathering Member States) and the European Commission in a series of trialogue meetings which will last until mid-April. If the negotiators manage to reach a deal, a final vote at the European Parliament's plenary session will take place in Strasbourg between April 19 and April 21, 2015. The new legislation would then enter into force before the summer, giving Member States 12 months to implement it. Even though Mr. Torvalds has obtained a strong negotiating mandate, his negotiations on behalf of the European Parliament with Member States are expected to be difficult. Indeed the content of the Torvalds report goes against Member States' preferences outlined in a Council Compromise reached in 2014 under the Greek Presidency of the Council (known as the "Greek Compromise"). We expect that a number of Member States will challenge Torvalds' report before the final vote in late April. Even though the most intense attacks are likely to focus on the cap on conventional biofuels and the imposition of ILUC factors, threats to the UCO-to-UCOME industry cannot be excluded.

Feedstock market will continue to be highly competitive

The expiration of the 36. BImSchV at the end of 2014 has once again unified the certification system requirements across Europe for waste-based biodiesel feedstock. The ISCC EU scheme is now accepted by most European markets and has aligned UCO prices across these markets. Nevertheless, the UCO collection business continues to be highly competitive. Due to the sharp decrease in prices throughout 2014, many small collectors have seen losses in their activity. Some failed to respond market conditions and have had to stop their activity all together. This has also been a central diver for the shrinking spread the waste-based biodiesel sector has seen since the second half of 2014. Waste feedstock is typically collected in advance of selling to the market. In an environment where prices are dropping, buyers, independently of the markets they operate in, typically delay purchase decisions. For this reason, collectors often suffer from these dropping prices and have to sell their products without covering their costs. These have highly influenced the waste oil collection activities and the sector results in the year 2014. Looking forward, we expect the waste collectors to strive to capture value from the market as the trend shifts and prices start increasing again. Unfortunately, many of the collectors do not yet fully realize another shift that has taken place in the market, driven this time by the de-carbonization regulation introduced in Germany in January 2015. While in the past it was relatively easy to calculate the value of the waste-based biodiesel as double the Fame 0 premium, this regulation is effectively pushing down the relative advantage of waste-based biodiesel in the German market to levels significantly lower than double the FAME 0 premium. Consequently, collectors who make their pricing decisions (either for their purchasing or sales)while assuming double the FAME 0 premiums are likely to find themselves aggregating product at a price level which biodiesel producers won't be able to pay in the long run. The combination of the fierce competition in the collection market with the regulation driven fluctuation in the value of waste oil, are driving non-balanced pricing in the waste oil market, squeezing out the spread with the waste-based biodiesel prices.

Waste oil feedstock prices are also driven by alternative demand sources in other places in the world. It appears that for 2015 the demand for this feedstock usage will increase in other major countries, and especially in the United States. This may create additional pressure on feedstock prices, and further squeeze waste-based biodiesel margins.

Further interesting investment opportunities at hand

From the technical point of view, the management sees additional interesting investment opportunities and leverage based on the major upgrade performed in 2014 with the potential to further improve our assets and cost competitiveness. In addition, other potential investments in assets outside the company are constantly being analyzed to secure the company's market position. These may include investments to secure the continuous expansion of the company, considering the fact that the company is quickly exhausting its organic growth opportunities. Both of these types of investment could offer some interesting returns for the company. The company also plans to execute limited investments with the potential to improve its cost structure. The management sees more potential investment opportunities, beyond those planned in the budget, in the case that sufficient funds become available.

Stable financial situation

The company cultivates good relations with its financing partners – banks and shareholders. At the year end, as part of the transaction in which REG acquired the controlling shareholding position from IC Green Energy, the shareholder loans in the value of EUR 12.5 million once held by ICG were transferred to the ownership of REG. In the year 2014 the cash position of the company slightly increased mainly thanks to the efforts of the management to keep the deployed working capital as low as possible, to address the declining prices in the market. Some of the released funds have been invested in equipment upgrades and renewals. The management sees importance in keeping good cash liquidity to address the often fluctuating cash needs of the company. As the typical procurement and sales transaction size is in the order of magnitude of a few million Euros, each delay in payment can result in liquidity concerns. The contract dated March 17, 2014 regarding the rescheduling of some of the shareholder loans from ICG includes the right to demand for immediate repayment of the loans after March 31, 2015. REG as the legal successor of ICG amended this contract on March 11, 2015 in that manner that the option for the premature callback of the long-term share amounting to KEUR 4,256 could only be executed after March 31, 2016.

Guideline

Despite the relatively weak financial performance in the year 2014, the company has improved in the past few years many aspects that stand at the basis of its competitive position. That being said, the market conditions in which the company has operated in the past few months have been extremely challenging. Looking forward, many new opportunities and challenges are expected for the company in the near and long-term future. On the regulatory front, some important factors with potential long- and short-term effects on the biodiesel industry are still being debated on the EU level. These processes tend to be long and exhausting, obliging companies in the sector to operate under high degrees of uncertainty. It appears that the regulators on the EU level strive to emphasize the original causes of providing incentives to set up renewable energy activities – namely GHG savings. In line with this spirit, the iLUC concept, sets “penalties” on GHG savings (that would reduce the calculated savings), to account for the ‘indirect land usage change’ that the virgin vegetable oil biodiesel industry makes use of to grow oil seeds. As a waste-based biodiesel producer generating over 85% GHG savings, Petrotec is relatively safe from the ramifications of this type of discussion. However, the iLUC discussions hold the potential to cause significant damage to the biodiesel industry as a whole and therefore eventually to Petrotec as well. On a very much related note, the recent de-carbonization regulations introduced in Germany seem to have, at least so far, caused damage to the market position of Petrotec in Germany. Ignoring the iLUC factors, the virgin oil biodiesel producers are now claiming GHG savings significantly higher than those mentioned in the European RED (Renewable Energy Directive). As the fulfillment of blending obligations depend now on the calculated GHG savings each biodiesel type generates, the higher GHG savings claimed by the traditional producers diminish the relative advantage which waste-based biodiesel offers. This is unfortunately reducing the appetite for waste-based biodiesel in Germany, at least in the winter period. Although the management expects the demand to increase again in the summer season, it is also concerned by the immediate negative effect that this regulation, published “last minute” at the end of the year 2014, has effectively had on the company. Another central market-disrupting factor is the fact that this regulation is enforced in Germany only. Unfortunately, no pan-European harmonized regulation exists in relation to GHG emission reduction and the categorization of feedstock types. Harmonization would lead to a unified value of feedstock and products, encouraging local production and consumption. It would also prevent regulation-related advantages of producers located in certain member states over others. The current distinct de-carbonization regulation for the German market leads to a major disruption with German producers who become obliged to seek for alternate outlets for the products they produce as customers in the German market see a lower value for the same product when compared to other markets outside of Germany. Petrotec has not escaped this disruption, and in the year 2015 our products have higher value for non German blenders, which will most probably increase the share of our export sales. To summarize, the regulatory framework still stands at the basis of the existence of the biodiesel market. The slow process of setting clear, pan-European harmonized and stable regulation framework both until 2020 and beyond that point creates extremely uncertain conditions, making our decision making process more complex and risky.

To a certain extent, the ability of the company to forecast its profitability for both the short and long-term depends on its ability to exercise the investment opportunities it has identified, which in turn depend on the availability of financing resources. The management provides guidelines under assumptions related to numerous risk factors such as regulation, development of feedstock and commodity prices, taxes, and macroeconomic factors in the Eurozone including debt and financial crises that may have an impact on currency fluctuation as already experienced in 2014. Guidelines also assume the actualization of investment plans and their respective impact on the company’s results. Due to the above mentioned uncertainties, specifically those related to the recent changes in the regulatory environment in Germany, the management presumes to have only limited ability to fully anticipate the impact of said changes on the market position of the company and its respective financial performance in the year 2015. Assuming no extreme worst-case scenario, and under current market prices, Petrotec gives a range for sales between EUR 100 million and EUR 150 million for the year 2015. The EBIT margin is expected to be in the range of -2% to 2%.

The assumptions underlying these forecasts include basic expectations of market development in the context of the uncertainties in the regulatory environment and changes in commodity prices, as well as seasonal effects. The assumptions are based on past experience as well as business-specific market expectations and are therefore subject to uncertainties regarding the actual development. In this respect significant deviations from the predictions can not be excluded.

Finally, the management clarifies that making an accurate assessment of the new economic equilibrium point in such a dynamic market is beyond its capacity. Furthermore, the above mentioned information with regard to the expected demand for the company products represents an internal assessment of the potential outcome of the recent development in said market.

Additional disclosure duties for listed stock corporations

Compensation report

The compensation report is based on the recommendations of the German Corporate Governance Codex and also contains statements pursuant to §§ 289(2), No. 5 and 315(2), No. 4 in the version of the Act on Disclosure of Executive Compensation [Gesetz über die Offenlegung von Vorstandsvergütungen] of August 3, 2005.

Management Board compensation

The Supervisory Board is responsible for defining the structure of the compensation system and setting the compensation for the individual members of the Management Board. The compensation is guided by the Company's economic and financial situation and by the scale and structure of executive compensation at comparable companies. The Supervisory Board discusses and reviews the compensation structure on a regular basis.

The Management Board compensation consists of four components:

- A fixed component irrespective of success
- A variable bonus based on the company's success
- A share based compensation (Stock Appreciation Rights (SAR) – here described as medium term compensation agreement)
- A stock option program (SOP)

The fixed component is paid monthly in the form of a salary. The variable bonus component is paid on an annual basis linked to the company’s success and results. The third component consists of three SAR programs that are linked to the development of the stock price. The medium term compensation agreement I and II consist of each 300,000 units, the medium term compensation agreement III of 400,000 units. The fourth component consists of the stock option program (SOP 2013), which has been granted at November 27, 2014.

Due to the change of control the medium term compensation agreements have been finally valuated by the end of 2014. While the medium term compensation agreement I and II led to an accrual for the event of execution, the medium term compensation agreement III cannot be executed the exercise price is lower than the commencement price.

Medium-term compensation

For the first share-based compensation program, the potential value of the variable compensation component is based on the difference between the average stock price between June 14 and August 13, 2011, i.e. EUR 0.88925 and the average stock price during the three months prior to the exercising due date within the three exercising time frames: September 1, 2013 through December 31, 2014 multiplied by 100,000; September 1, 2014 through December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement had been assessed at KEUR 25, which has been taken into account in this annual report.

For the second share-based compensation program, the potential value of the variable compensation component is based on the difference between the stock price of September 9 and November 8, 2011, i.e. EUR 0.884814 and the average stock price during the three months prior to the exercising due date within the three exercising time frames: December 1, 2013 through December 31, 2014 multiplied by 100,000; December 1, 2014 through December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement II had been assessed at KEUR 25, which has been taken into account in this annual report.

In conjunction with the third granted compensation program, the Management Board member with sole representation rights has been awarded additional 400,000 units. The exercising price was set at a stock price of EUR 1.2912. For 200,000 stocks the exercising period is November 20, 2015 through December 31, 2016 and the exercising period for a second set of 200,000 November 20, 2016 through December 31, 2017.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement III had been assessed at KEUR 0, as the exercise price is lower than the commencement price.

SOP

In April 2013, Petrotec granted its executives 1,120,000 stock options in conjunction with the Senior Executive Plan 2013 (“Stock Options Program 2013/ AOP 2013”). The basis for the SOP 2013 was a resolution made during the general shareholder meeting of May 30, 2012, which approved the SOP as well as a related resolution made by the Management Board, according to which Petrotec was authorized to issue a total of 2,454,374 stock options. These options may be awarded in several phases and for the last time on May 29, 2017. In order to meet its stock option program obligations, Petrotec will utilize Conditional Capital II from 2012.

Following the shareholder resolution the Supervisory Board has granted 400,000 additional options to the sole representative of the Management Board on November 27, 2014.

The option exercising price of EUR 1.1077, which is based on the current unadjusted performance, was set at 110% of the 20-day average market price prior to the award date (EUR 1.007). The options can only be exercised if the weighted average Petrotec stock price 20 days prior to the exercising period is at least 35% higher than the weighted average 20-day stock price prior to the granting of this option, which was determined to be EUR 1.007. The options may be exercised in six different exercising windows post publication of the Q1 and Q3 reports beginning in fiscal year 2017 through fiscal year 2020. The options will expire if they are not exercised during this time period.

Based on an adequate option evaluation by the financial auditing company BDO an individual option value of EUR 0.50 was determined. The valuation was conducted with the assistance of the Monte-Carlo-Simulation. As of December 31, 2014, the value of the SOP granted to the Management Board representative accumulates to KEUR 7, which has been taken into account in this Annual Report.

In addition, Mr. Scemama could receive a possible annual bonus, which will be decided by the Supervisory Board.

The Management Board members receive fringe benefits in the form of non-cash compensation, mainly consisting of the use of company cars and insurance premiums. For Mr. Jean Scemama, as an expatriate, the rent and extra charges are also paid for a house as well as school and kindergarten tuition is paid for his children.

The Management Board member did not receive any pension commitments in 2013 and 2014; moreover, the company did not extend any loans to him. Clauses of change-of-control are incorporated in the above mentioned medium term compensation agreements and a bonus agreement.

The granted compensation to management is composed as follows:

Benefits granted					
Jean Scemama, CEO	**joined**	**Sep. 1, 2011**	**left**	**-**	
			(min.)	**(max.)**	
	Unit	**Dec. 31, 2014**	**Dec. 31, 2014**	**Dec. 31, 2014**	**Dec. 31, 2013**
Fixed compensation	KEUR	300	0	0	280
Fringe benefits	KEUR	219	0	0	180
Total	**KEUR**	**519**	**0**	**0**	**460**
One-year variable compensation*	KEUR	200	0	200	200
Multi-year variable compensation		0	0	0	0
Medium term compensation (SAR) **	KEUR	197	0	0	0
Stock option program 2013 (SOP) ***	KEUR	200	0	0	0
Total	**KEUR**	**1,116**	**0**	**200**	**660**
Service Cost	KEUR	0	0	0	0
Total	**KEUR**	**1,116**	**0**	**200**	**660**

* Bonus for achievements of FY2013 paid in Q2/14

** First tranches of medium term compensation agreement I and II have been executed in 2014 (KEUR 147). This compensation was linked to the companies share price development from the year 2011 till 2014. Due to the change of control the remaining tranches have fully been finalized. The portion of KEUR 50 has not been drawn by the management board member yet.

*** Out of the SOP 2013 400,000 stock options have been granted in November 2014. They are evaluated with the current fair value of the option of EUR 0.50 per option. The SOP has no cash effect on FY2014. Please refer to program details.

The compensation paid in fiscal years 2014 consist of the following:

Compensation	Unit	Dec. 31, 2014	Dec. 31, 2013
Fixed compensation	KEUR	300	280
Variable compensation*	KEUR	347	200
Other compensation benefits	KEUR	219	180
TTL	KEUR	866	660

* Variable compensation 2014 contains the bonus paid in Q2/14 for achievments of the FY2013 as well as KEUR 147 income from the medium term compensation agreements. This medium term compensation was linked to the companies share price development from the year 2011 till 2014.

Statements pursuant to sections 289 (4) and 315 (4) of the German Commercial Code [Handelsgesetzbuch]

As of December 31, 2014, the Company’s subscribed capital totaled EUR 24,543,741.00. This is equivalent to a total of 24,543,741 bearer shares with equal rights and no nominal value; each holding a share of the subscribed capital of Petrotec AG in an amount of EUR 1. Each share conveys one vote. The Company holds no treasury shares directly or indirectly.

Petrotec AG's Management Board is not aware of restrictions on voting rights or the transferability of shares. The issued shares grant no special rights of control. The Company's employees are not entitled to any control whatsoever through voting rights.

Direct or indirect shareholder representing more than 5% of voting rights

Petrotec AG's shares are admitted to official trading on the Frankfurt Stock Exchange. The shareholder structure as of December 31, 2014 is the result, among other things, of the notification obligation for shareholders arising from § 21 WpHG, who are required to disclose changes of important voting rights shares upon attainment, exceeding or falling short of the so-called notification limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting right to an emitter. At the end of 2014, Netherlands-based REG European Holdings B.V., Amsterdam-Schiphol, Netherlands held between 50% and 75% (69.08%) of direct voting rights in Petrotec AG. Other major shareholders among the distributed shares of Petrotec AG, based on the reports filed according to § 21 (1) WpHG were T. Lüllemann, Germany with between 5.00% and less than 10.00% (7.83%) and ACM Projektentwicklung GmbH, Salzburg, Austria with between 5.00% and less than 10.00% (5.01%).

Legal provisions and Statue regarding the appointment and removal of members of the Board of Management and regarding changes to Statues

Pursuant to section 6 of Petrotec AG's Articles of Association, the Supervisory Board stipulates the size and appoints the full and deputy members of the Management Board. The Supervisory Board may also appoint a chairman and a deputy chairman for the Management Board. Under section 119 of the German Stock Corporation Act, changes to the Articles of Association are decided by the General Shareholders' Meeting. Under Section 13 of the Articles of Association, the Supervisory Board is only authorized to modify the Articles of Association as far as the wording is concerned. As far as the appointment and removal of members of the Board of Management are concerned, sections 84 and 85 of the German Stock Corporation (AktG) are applied.

According to Section 13 of the Statues of Petrotec AG:
"The Supervisory Board shall be authorized to make resolutions on changes to the Business Charter that affect only its versions." Sections 179, 133 German Stock Corporation (AktG) also apply in the case of changes to statues.

Composition of the issued capital

Based on the resolutions of the Annual General Meetings in 2012 and 2014 the Management Board and the Supervisory Board were authorized to execute additional capital measures.

Authorized capital
With the consent of the Supervisory Board, the Management Board shall be authorized to increase the capital stock once by May 29, 2017 or in partial amounts at multiple periods by up to a total amount of EUR 12,271,870.00 (in words twelve million two hundred and seventy one thousand eight hundred and seventy Euros) in exchange for cash and/or non-cash contributions through the issuance of new no-par value bearer shares (Authorized Capital 2012). The shareholders shall be granted subscription rights. The shares may be issued to one or several credit institutions, which will have the obligation to offer them to shareholders of the Company for subscription. The Management Board, with the approval of the Supervisory Board, may exclude shareholders' subscription rights:

- to eliminate fractions resulting from the subscription ratio;
- to the extent this is necessary to prevent dilution, to grant holders or creditors of option or conversion rights resulting from warrant-linked or convertible bonds that were or will be issued by the Company and/or its subsidiaries the right to subscribe for new shares to the extent they are entitled to do so after the option or convertible bond rights have been exercised or conversion obligations fulfilled;
- in the case of share capital increases against non-cash contributions to grant shares to be used for the acquisition of companies, parts of companies, equity interests in companies or the purchase of other assets;
- to grant shares to holders of warrant-linked and/or convertible bonds that will be issued by the Company or associated companies in accordance with the authorization by the General Shareholders' Meeting dated May 30, 2012 (Agenda Item 8) or based on any other authorization granted by the General Shareholders' Meeting to be granted in conjunction with the exercising of their option and/or conversion rights and/or obligations;
- if within the meaning of § 203 Section 1 and 2 and § 186 Section 3 sentence 4 of the AktG the issue price of the new shares is not significantly lower than the market price of the same class of listed shares carrying the same rights when the final issue price is fixed by the Management Board. This authorization shall apply only to the extent that shares issued while excluding shareholders' subscription rights in accordance with §186 Section 3 sentence 4 of the AktG do not exceed 10 percent of the share capital, neither on the date this authorization takes effect nor at the time it is exercised. Also counting toward the 10 percent limit of the share capital are shares that were issued or used in direct or analogous application of § 186 Section 3

sentence 4 AktG during the term of this authorization while excluding shareholders' subscription rights. Furthermore, also counting toward the 10 percent limit of the share capital are the shares that will be or have to be issued for the purposes of satisfying subscription rights resulting from warrant-linked and/or convertible bonds to the extent that the warrant-linked or convertible bonds are issued after this authorization goes into effect based on an authorization effective at the time this authorization goes into effect or an authorization replacing the authorization in analogous application of §186 Section 3 sentence 4 AktG while excluding subscription rights.

- to issue up to a one-time partial amount of EUR 200,000.00 (in words: two hundred thousand) of new shares to employees of the Company and of companies affiliated with the Company.

The Management Board is also authorized, subject to the Supervisory Board's consent, to determine the additional terms of the stock rights and the terms and conditions of issuing the shares. The Supervisory Board is authorized to amend the wording of the bylaws to reflect the scope of the increase in share capital from the Authorized Capital 2012 after completion or partial completion of the increase of share capital from the Authorized Capital 2012 or after the end of the authorization period.

Conditional capital I

The share capital of the Company was conditionally increased by up to EUR 9,817,496.00 (in words: nine million eight hundred and seventeen thousand four hundred and ninety six) by issuing up to 9,817,496 new non-par value bearer shares (Conditional Capital I 2012). The conditional share capital shall only be increased to the extent holders or creditors of conversion rights or warrants attached to convertible and/or warrant-linked bonds, profit participation bonds and/or profit participation rights (or a combination of those instruments) that are issued against cash by the Company or one of the associated companies based on the authorizing resolution of the General Shareholders' Meeting dated May 30, 2012 until May 29, 2017 exercise their conversion or option rights, or the holders or creditors obliged to conversion of convertible bonds (or profit participation rights or profit participation bonds with a conversion obligation) issued by the Company or one of the associated companies based on the authorizing resolution of the General Shareholders' Meeting dated May 30, 2012 until May 29, 2017 fulfill their conversion obligation and to the extent own shares or other forms of fulfillment are not used for service. The new shares shall participate in profit from the beginning of the fiscal year in which they are created through exercise of conversion or option rights or performance of conversion obligations. The Management Board is authorized to determine other details of the increase of conditional capital.

Conditional capital II

The share capital of the Company was conditionally increased by up to EUR 2,454,374.00 by issuing up to 2,454,374.00 new non-par value bearer shares (Conditional Capital II 2012). The Conditional Capital II 2012 serves to guarantee the subscription rights from share options that are exercised by the company until and including May 29, 2017 based on the authorization resolution from May 30, 2012. The conditional share capital shall only be increased to the extent holders of such share options make use of their option rights and the

Company does not grant any shares or cash settlements to fulfill the share options. The new shares shall participate in profit from the beginning of the fiscal year in which they are issued.

Acquisition and use of own shares

The company is authorized to acquire own shares from May 30, 2014 till May 27, 2019 up to 10 percent of the existing share capital at the time of decision making. The authorization may be exercised in whole or partially, on one or more occasions, to follow one or several purposes by the Company or by third parties on behalf of the Company. The acquired shares should not exceed together with any other shares that are owned by the Company or pursuant to §§ 71 ff AktG are attributable, at any time more than 10 percent of the share capital. The authorization may not be used for the purpose of trading own shares. The acquisition is subject to the choice of the Management Board and could be either exercised through the stock exchange or as a public tender offer or through a public offering to make such an offer.

For more details we refer to the invitation to the Annual General Meetings of 2012 and 2014 or § 4 Share Capital of the actual business statutes on our website www.petrotec.de.

Related Party Disclosures

In a notification issued pursuant to § 21 WpHG as of December 29, 2014, REG European Holdings B.V., Amsterdam Schiphol, Netherlands notified the company that it is in possession of more than 67.5% of the shares and voting rights (69.08% at that day). There is neither a control agreement nor a profit and loss transfer agreement between Petrotec AG and REG European Holdings B.V.; there is also no integration. Based on the relatively low turnout on average at the General Shareholders' Meetings in Germany, the assumption can also be made that REG European Holdings B.V. thus exerts a material influence on the voting.

Petrotec AG holds wholly-owned interests in each of Petrotec Biodiesel GmbH (which has its registered office at Borken and is registered in the commercial register of the Coesfeld District Court under HRB 4891) and Vital Fettrecycling GmbH (which has its registered office at Borken and is registered in the commercial register of the Coesfeld District Court under HRB 10305) (hereinafter referred to as "Subsidiaries"). Control and profit and loss transfer agreements are in effect between Petrotec AG as the controlling company and each of the subsidiaries.

Additional reports

Pursuant to section 312 of the German Stock Corporation Act [Aktiengesetz], we have therefore compiled a report on the relationships with affiliated companies and hereby declare in conclusion:

"The Management Board of Petrotec AG hereby declares that based on the circumstances known to it at the time when legal transactions were conducted or when measures were taken or omitted that have to be included in the report on relationships with affiliated companies, Petrotec AG received adequate consideration in every legal transaction and was not adversely affected by the measures that were taken or omitted."

Accounting standards related in-house controlling system and risk management (§ 120 Section 3 Sentence 2 AktG)

Explanatory report by the Management Board

Under Sections 289(5) and 315(2), Number 5, of the Commercial Code as adopted by the Accounting Law Modernization Act, which transposes the requirements under a European Union directive into national law, publicly listed corporations have to describe the essential features of the internal control and risk management system in the (group) management report with regard to the (group) financial accounting and reporting process. The target audience for the financial statements is to be able to gain insights into the essential features of the control and risk management system as it pertains to the (group) financial accounting and reporting process.

According to the Accounting Law Modernization Act's explanatory memorandum, the internal control system comprises the principles, procedures and measures for ensuring the effectiveness and efficiency of the financial accounting and reporting system, for ensuring the reliability of the financial accounting and reporting system, and for ensuring compliance with the relevant legal requirements. This also includes the internal auditing system to the extent it applies to the financial accounting and reporting system.

The risk management system as it pertains to the financial accounting and reporting process, and as part of the internal control system, pertains to, as does the latter, the processes for controlling and monitoring the financial accounting and reporting system, especially with respect to financial statement items that record a company's risk hedging operations.

Essential features of the internal control system and the risk management system as regards to the financial accounting and reporting process

The essential features of the internal control system and the risk management system in place at Petrotec AG as regards to the (group) financial accounting and reporting process can be described as follows:

Petrotec AG has a clear management and corporate structure. In that regard, key functions across departments are centrally managed through Petrotec AG. The finance and accounting functions and the control functions, which are materially involved in the financial accounting and reporting process, are clearly separated. Areas of responsibility are clearly assigned. The integrity and responsibility with regard to financial matters and financial reporting are ensured in that an obligation to that end is defined in the Company's own risk manual.

The financial system in use is protected against unauthorized access by means of appropriate features in the electronic data processing area.

Standard software (AMIC A.Eins) is utilized in the area of the financial systems in use. An appropriate set of guidelines (e.g., accounting guidelines, travel expense guidelines, etc.) has been instituted and is continuously updated. The departments and areas involved in the financial accounting and reporting process are suitably equipped in terms of both quantity and quality. Bookkeeping data that have been received or forwarded are continuously reviewed for completeness and correctness, e.g., through random samples. The dual-control principle is consistently applied throughout all processes relevant to financial accounting and reporting.

Explanation of the essential features of the internal control system and the risk management system as regards to the financial accounting and reporting process

The internal control system and the risk management system as regards to the financial accounting and reporting process, the essential features of which have been previously described, ensure that for balance sheet purposes, corporate business matters are always correctly recorded, processed, and assessed as well as included in the accounting and reporting system. Appropriate staffing, the use of adequate software, and clear internal corporate standards grounded in the law constitute the foundation for an orderly, uniform and continuous financial accounting and reporting process. The clear delineation between the areas of responsibility, together with various control and monitoring tools as already described in more detail (dual-control principle), ensure correct and responsible financial accounting and reporting. This enables business events in each instance to be recorded, processed and documented, as well as promptly and correctly recorded for bookkeeping purposes, in accordance with legal requirements, the Articles of Association, and internal guidelines. At the same time, it is ensured that assets and debts are properly recognized, reported and assessed in the annual and consolidated financial statements and that reliable and relevant information is made available in a complete and timely manner.

Statement on Corporate Governance

Disclosures according to § 289a of the German Commercial Code (HGB)

"Statement on Corporate Governance"

The Statement on Corporate Governance acc. to § 289a of the German Commercial Code (HGB) contains the Declaration of Compliance acc. to § 161 of the German Stock Corporation Law (AktG), the relevant information on corporate governance practices of the working method of Management Board and Supervisory Board as well as the composition and working method of the Supervisory Board committees.

Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

The German Corporate Governance Code represents legal regulations for managing and monitoring publicly listed German companies and contains internationally and nationally recognized standards of good and responsible corporate governance.

Since its IPO Petrotec has satisfied the high demands and now reiterates its orientation towards these standards and shareholder interests with the Declaration of Compliance. The updated declaration from December 2014 has been published on the Petrotec website: www.petrotec.de.

Relevant information on Corporate Governance Practices

Corporate Governance through value-oriented management

An essential factor for a company's success is its management. Petrotec is aware of the great importance on responsible, value-oriented, effective corporate governance. For this purpose, Petrotec orients itself, among other things, towards the relevant legal regulations for managing and monitoring publicly listed German companies and towards internationally and nationally recognized standards of good corporate governance (German Corporate Governance Code). The Management Board and the Supervisory Board are particularly committed to be responsible and long-term value-enhanced corporate governance.

Managing risk effectively

Doing business as an entrepreneur means running risks. Effective management of these risks will determine the success of a company. Petrotec's risk management system ensures that these risks will be handled in a responsible manner. It is especially designed to promptly recognize, evaluate and manage risks. The risk management system is continually re-adjusted in line with the insights gained from previous years, new legal requirements and changes according to the German Corporate Governance Code. In the management report, the Management Board reports in detail about risks.

Description of the work patterns of Management and Supervisory Boards as well as the composition and work patterns of their commissions (management and corporate structure)

As is compatible with its legal structure, Petrotec AG has a dualistic accountability structure in the form of the Supervisory Board and the Management Board. A third corporate body is the General Shareholders' Meeting. All three entities are required to work in the interest of the shareholders and of the company. The Company is covered by a pecuniary assets liability insurance policy (so-called D&O insurance) with deductibles for the members of the Management and Supervisory Boards of Petrotec AG.

The Management Board manages transactions responsibly and self-reliantly

The Management Board is an executive entity of the Group that is working in the interest of the Company. It manages the business in compliance with applicable laws, the business statutes and the charter imposed by the Supervisory Board in a responsible and self-reliable way. Within the scope of its responsibilities, the Management Board is in charge of the compilation of the quarterly, annual and group reports as well as the recruitment of candidates for key positions in the company. The Management Board is furthermore responsible for the compliance with statutory requirements, government agency stipulations and internal company guidelines. It ensures their compliance by the group companies. The scopes of responsibility and the cooperation within the management are governed by the business statutes of the company.

Since September 1, 2011 Mr. Jean Scemama, has been the CEO of the Company and the sole member of the Management Board. Mr. Scemama is responsible for the corporate group strategy, the capital market presentation, sales, the finance department and human resources. As the sole member of the Management Board he is also the sole managing director of the individual daughter companies.

Significant resolutions made by the Management Board are subject to the consent of the Supervisory Board. The Management Board briefs the Supervisory Board at regular intervals, promptly and comprehensively on important aspects for the business development of the Petrotec Group. Crucial business transactions and the latest earnings situation as well as the risk status of the Company and its risk management are also part of his reporting obligations. Deviations of the business developments from earlier compiled forecasts and goals are explained and justified in detail. The Management Board is required to coordinate the strategic orientation of the company with the Supervisory Board and discusses the status of strategy implementations with the Supervisory Board at regular intervals.

The Supervisory Board and commissions monitor and advice the Management Board

The Supervisory Board consists of three members since the Annual General Meeting (AGM) of the Company in June 2011 changed the respective article of the by-laws on the number of Supervisory Board members down from six to three members. The Supervisory Board monitors and advises the Management Board in management matters. The business development, the planning, the strategy and its implementation are discussed by the Supervisory Board at regular intervals. It reviews the quarterly reports, approves the annual forecast and the annual report as well as the group report. The scope of responsibilities of the Supervisory Board also includes the monitoring of compliance with statutory requirements, government agency stipulations and internal company guidelines. To increase efficiency, the Supervisory Board has formed an audit committee and a capital increase committee to advice the members on that topic.

Pursuant to § 84 AktG, the appointment and recall of members of the Management Board as well as the assignment of responsibilities is part of the commission of the Supervisory Board. The Supervisory Board formed an auditing commission in fiscal year 2010 and a capital increase committee in 2011 with the sole purpose to advise the Supervisory Board members on the capital increase of the Company executed in 2011.

In the now completed fiscal year 2014, the Supervisory Board convened for regular and extraordinary meetings. Its agenda items included, among other things, the discussion of the annual report 2013 of Petrotec AG, the restructuring of the Company, the operative and strategic direction of the Company and its forecasts for the next years, changes in the regulatory environment relevant for Petrotec’s business model. The Supervisory Board also had the Management Board report on the latest business status of the Group. Among other things, it also addressed risk management system-related issues and in particular those related to the internal control and risk management system with regard to the accounting process. For further details please refer to the chapter "risk report" in the status report. The annual report auditor participated in the balance sheet-related meeting and reported on the audit of the annual financial statements and annual group financial statements for 2013.

The members of the Supervisory Board have to disclose conflicts of interest to the Supervisory Board. Accordingly, there were no conflicts of interest as far as the members of the Supervisory Board are concerned in fiscal year 2014. Consulting and other service agreements between members and the Supervisory Board did not exist in the completed fiscal year.

Composition of the Supervisory Board

Since June 14, 2011 the Supervisory Board comprises three members. In fiscal year 2014, the Supervisory Board of Petrotec AG was composed of the following individuals:

Mr. Rainer Laufs (Chairman) has been re-elected and appointed Chairman at the General Shareholders' Meeting of June 14, 2011.

Dr. Yom-Tov Samia was re-elected at the General Shareholders' Meeting on June 14, 2011 and appointed Deputy Chairman on August 15, 2011.

Mr. Isaac Isman, has been appointed by the District Court [Amtsgericht] Coesfeld, Germany, since August 15, 2011. At the General Shareholders' Meeting on May 30, 2012 Mr. Isaac Isman has been officially elected by the shareholders.

The current main shareholder IC Green Energy Ltd. has sold its Petrotec shares in December 2014 to REG European Holdings B.V., Amsterdam-Schiphol, Netherlands, a wholly-owned subsidiary of Renewable Energy Group, Inc., Ames, Iowa, USA. Hence the composition of the Supervisory Board changed. The Supervisory Board members Dr. Yom-Tov Samia und Mr. Isaac Isman, which were associated with IC Green Energy Ltd., declared their immediate resignation. The resignation was accepted with effect from December 29, 2014. On December 30, 2014 the company appealed the court to appoint the following persons to the supervisory board till the next annual general assembly.

Daniel J. Oh
President and CEO of Renewable Energy Group, Inc., Ames, Iowa, USA

Brad Albin
Vice President Manufacturing of Renewable Energy Group, Inc., Ames, Iowa, USA

The legal appointment has been granted on January 6, 2015.

The following Supervisory Board members of Petrotec AG are simultaneously members of the Supervisory Board or other controlling entities pursuant to § 125 (1) AktG of the companies listed below:

Mr. Rainer Laufs
Mr. Rainer Laufs is an independent consultant for a range of companies and holds the following functions:

- Chairman of the Supervisory Board of WCM AG, Frankfurt
- Member of the Supervisory Board of LANXESS AG, Leverkusen
- Member of administrative advisory board at LANXESS Deutschland GmbH, Leverkusen
- Member of the Supervisory Board of Asklepios Kliniken GmbH, Hamburg
- Member of the Supervisory Board of Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus
- Member of the administrative advisory board of the segment "Industry" at Bilfinger SE, Mannheim
- Member of the Supervisory Board of MediClin AG, Offenburg

Dr. Yom Tov Samia
Dr. Samia is CEO and President of IC Green Energy Ltd., Tel Aviv, Israel; Dr. Samia is also:
Chairman of HelioFocus, Ness-Ziona, Israel, Chairman & President of Primus Green Energy Inc., Hillsborough, NJ, USA.

Isaac Isman
Mr. Isman is VP Business Management & Company Secretary of IC Green Energy Ltd, Tel-Aviv, Israel, and a member of the board of Primus Green Energy Inc., Hillsborough, NJ, USA. Mr. Isman serves as VP Business Development of ICG's SPC (Special Purpose Companies) Subsidiaries engaged in Renewable Energy projects development.

Compensation of the Supervisory Board
The compensation of the Supervisory Board is set at § 12 of the business statues. The members of the Supervisory Board shall receive a fixed annual remuneration in the amount of KEUR 20 payable upon conclusion of the fiscal year. The compensation for chairman amounts to KEUR 80 and for the deputy KEUR 40. Supervisory Board members who were not members of the Supervisory Board for the duration of the entire fiscal year receive a pro-rated compensation amount based on the duration of their Supervisory Board membership.
Based on the presentation of pertinent evidence, the Company shall reimburse to the Supervisory Board members any essential expenditure, including travel and accommodation costs that are reasonable considering the financial situation of the Company. Value added tax (VAT) shall be reimbursed by the Company, provided the members of the Supervisory Board are authorized to charge VAT to the Company separately and do indeed execute this right.

As agreed with the shareholder´s resolution dating May 28, 2014, the Supervisory Board members shall receive a variable compensation on the long-term performance of the company. It shall be payable as one-time bonus after expiry of the regular term of each

Supervisory Board member. If a Supervisory Board member should choose to leave his position before the end of his term in office, a corresponding pro rata bonus payment shall be given after the end of the (regular) assessment period. The calculation of the success is related to the development of the Petrotec share compared to the development of the DAX Subsector Renewable Energy.

The Petrotec Group has obtained D&O insurance coverage for its senior management. According to § 3.8, para.3 of the Corporate Governance Codex an adequate deductible has been agreed upon for the Management Board with the renewal of the D&O insurance policy according to the new legal stipulations. Such a deductible was not taken into account for the members of the Supervisory Board.

Shareholders and the shareholders' meeting

The shareholders of Petrotec AG execute their co-decision-making and controlling rights at the General Shareholders' Meeting of the Company, which takes place at least once a year. It is held during the first eight months of the fiscal year. A potential venue for the General Shareholders' Meeting is defined in § 14 Section 1 of the Statutes. A catalog of the matters to be decided by the general shareholders meeting can be derived from the charter and § 119 AktG (including for instance the use of the balance sheet profit, the granting of relief to the members of the Management Board and the Supervisory Board, the election of Supervisory Board members, the selection of the auditor, the amendment of the charter, capital-related measures). Each share held grants one vote during voting. Each shareholder who registers in a timely manner is eligible for participation in the General Shareholders' Meeting. Shareholders who prefer not to personally attend the General Shareholders' Meeting have the option to have their voting rights executed by representatives who have been given pertinent power of attorney, for instance members of a banking institution, a shareholder association or any other third parties. In advance of the shareholders' meeting, the shareholders already receive respective information through the annual report, the invitation to the General Shareholders' Meeting as well as the reports required for the pertinent resolutions to be made and information in compliance with the stock exchange law-related requirements. This information and these reports have also been made available on the website of Petrotec AG www.petrotec.de.

Borken, March 13, 2015

Jean Scemama
CEO

Disclaimer

This Management report includes certain statements about future events and developments, together with disclosures and estimates provided by the Company. Such forward-looking statements include known and unknown risks, uncertainties and other factors, the consequences of which may significantly differ as regards their impact on the Company (especially from a negative point of view) from the observations expressly or implicitly assumed in these statements. The Management Board cannot therefore make any warranty with regard to the statements made in this Management Report. The company gives no undertaking that it will update forward-looking statements to bring them into line with future developments.

Consolidated financial statements (IFRS)

Consolidated balance sheet

Consolidated statement of comprehensive income

Consolidated cash flow statement

Consolidated statement of changes in equity

Consolidated balance sheet

at December 31, 2014

(EUR)	Note	Dec. 31, 2014	Dec. 31, 2013
Non-current assets			
Tangible assets	(10)	19,862,134	19,662,548
Intangible assets	(11)	557,593	1,001,924
Other financial assets (long-term)	(12)	48,677	65,012
Deferred tax assets	(8)	900,750	900,750
Total non-current assets		**21,369,154**	**21,630,234**
Current assets			
Inventories	(13)	7,617,201	15,087,427
Trade receivables and other receivables	(14)	7,048,674	11,570,880
Cash and equivalents, current assets	(15)	11,113,400	9,934,860
Total current assets		**25,779,275**	**36,593,167**
Total assets		**47,148,429**	**58,223,401**
Equity			
Subscribed capital	(17)	24,543,741	24,543,741
Capital reserve	(17)	86,516,584	86,283,723
Revenue reserves	(17)	-86,902,852	-83,113,852
Total equity capital		**24,157,473**	**27,713,612**
Non-current liabilities			
Interest-bearing bank loans	(19)	266,600	154,021
Liabilities from finance lease (long term)	(19)	990,592	1,074,592
Interest-bearing loans against shareholders	(19)	3,250,000	5,250,000
Provision for part-time work in years before retirement		122,446	151,061
Total non-current liabilities		**4,629,638**	**6,629,674**
Current liabilities			
Interest-bearing bank loans	(19)	187,421	6,414,974
Trade payables and other liabilities	(20)	8,447,874	10,084,977
Interest-bearing loans against shareholders	(19)	9,602,424	7,255,993
Liabilities from finance lease (short term)	(19)	86,300	124,171
Accruals	(22)	37,299	0
Total current liabilities		**18,361,318**	**23,880,115**
Total equity and liabilities		**47,148,429**	**58,223,401**

Consolidated statement of comprehensive income

for the period of January 1 to December 31, 2014

(EUR)	Note	2014	2013
Sales revenues including energy tax	(6)	167,172,807	193,380,000
Energy tax		-22,979	-53,437
Sales revenues		**167,149,828**	**193,326,563**
Other operating income	(7.1)	1,937,380	1,103,924
Changes in inventories of finished and unfinished goods		-3,593,980	-531,994
Cost of materials	(7.2)	-146,367,843	-167,948,971
Personnel expenses	(7.3)	-6,488,213	-7,042,000
Depreciation	(7.4)	-2,732,703	-2,596,300
Other operating expenses	(7.5)	-12,154,336	-11,477,648
Result from hedging activity	(7.6)	70,540	40,686
Earnings before interest and taxes (EBIT)		**-2,179,327**	**4,874,260**
Finance income	(7.7)	3,184	11,599
Finance costs	(7.8)	-1,612,857	-1,770,807
Earnings before taxes (EBT)		**-3,788,999**	**3,115,052**
Income taxes	(8)	0	900,750
Profit for the year		**-3,788,999**	**4,015,802**
Other comprehensive income for the year, net of tax		0	0
Total comprehensive income for the year		**-3,788,999**	**4,015,802**
Earnings per share (EPS)	(9)		
- undiluted earnings per share		-0.1544	0.1636
- diluted earnings per share		-0.1537	0.1631

Consolidated cash flow statement

for the period January 1 to December 31, 2014

(EUR)	Note	2014	2013
Profit before tax		**-3,788,999**	**3,115,052**
Non-cash adjustments for the reconciliation			
of earnings before taxes to net cash flow			
Depreciation/amortisation		2,732,703	2,596,300
Share based payment expenses		232,861	382,343
Market value of hedge		-320	-4,297
Income from sale of plant		-13,107	24,868
Financial income		-3,184	-11,599
Financial expenses		1,612,857	1,770,807
Changes in accruals		37,299	-106,107
		810,109	**7,767,367**
Changes in working capital			
Changes in inventories		7,470,226	4,491,733
Changes in trade receivables and other receivables and other assets		4,323,900	-1,789,862
Changes in trade payables and other liabilities		-1,467,093	1,089,693
		10,327,034	**3,791,564**
Received interests		**3,184**	**11,599**
Net cash from operating activities		**11,140,327**	**11,570,530**
Payments from the sale of tangible assets		29,261	34,821
Payments for the purchase of tangible assets		-2,494,329	-1,484,658
Payments for the purchase of intangible assets		-9,783	-8,764
Payments for the payback of other financial assets		41,335	55,680
Payments for the purchase of other financial assets		-25,000	-16,069
Net cash from investing activities		**-2,458,516**	**-1,418,990**
Loan redemption		-55,514,880	-28,275,638
Loan increase		49,399,906	23,186,089
Redemption Finance Lease		-113,558	-101,773
Interest payments		-1,274,739	-2,965,743
Net cash from financing activities		**-7,503,271**	**-8,157,065**
Change in cash and cash equivalents		**1,178,540**	**1,994,475**
Cash and cash equivalents at the beginning of the period		**9,934,860**	**7,940,385**
Cash and cash equivalents at the end of the period	(16)	**11,113,400**	**9,934,860**

Consolidated statement of changes in equity

for the period January 1 to December 31, 2014

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total
Balance as of Jan. 1, 2014	**24,543,741**	**86,283,723**	**-83,113,852**	**27,713,612**
Income of the period	0	0	-3,788,999	-3,788,999
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**-3,788,999**	**-3,788,999**
Stock options issued	0	232,861	0	232,861
Total result directly attributed to equity capital	**0**	**232,861**	**0**	**232,861**
Balance as of Dec. 31, 2014	**24,543,741**	**86,516,584**	**-86,902,852**	**24,157,473**

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity
Balance as of Jan. 1, 2013	**24,543,741**	**85,901,380**	**-87,129,654**	**23,315,467**
Income of the period	0	0	4,015,802	4,015,802
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**4,015,802**	**4,015,802**
Stock options issued	0	382,343	0	382,343
Total result directly attributed to equity capital	**0**	**382,343**	**0**	**0**
Balance as of Dec. 31, 2013	**24,543,741**	**86,283,723**	**-83,113,852**	**27,331,269**

Notes to the consolidated financial statements

for the fiscal year from 1 January to December 31, 2014

1. Information regarding the Company

The consolidated financial statements for the fiscal year from January 1 to December 31, 2014 were compiled by the Management Board on March 13, 2015 and were approved for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to review the consolidated financial statements and to declare its approval.

The parent corporation of the Petrotec Group is Petrotec AG, Borken, Federal Republic of Germany, a joint stock corporation incorporated under German law. The Company is entered in the Commercial Register of the Coesfeld District Court in Germany under registration no. HR B 10597. Its business address is Fürst-zu-Salm-Salm-Strasse 18, 46325 Borken-Burlo, Germany. Petrotec AG (also referred to as "Petrotec") maintains another head office in Ratingen, Germany, for a part of its centralized services.

Petrotec AG is purely a holding company. The business operations are conducted by the two fully-owned subsidiaries Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH with sites in Borken-Burlo, Südlohn-Oeding, Emden and in Spain.

Petrotec AG has been listed on FWB, the Frankfurt Stock Exchange, in its first segment since November 2006 where it is quoted under WKN PET 111, ISIN DE 000 PET 1111.

The primary business activity of the Company and its subsidiaries (hereinafter referred to as the "Group") is the production and distribution of biodiesel from waste such as used cooking oil (UCO). Moreover, to a minor extent, the by-products accumulating during biodiesel production, such as glycerin and distillation residues, are marketed. The biodiesel production sites are located in Südlohn-Oeding and Emden. The Group also produces Biodiesel in Spain through tolling.

For current information and the latest publications, please visit our website www.petrotec.de.

2. Key Occurrences during the Reporting Period

On December 9, 2014, the REG European Holding BV, Amsterdam-Schiphol, Netherlands a fully owned subsidiary of Renewable Energy Group, Inc., Ames, Iowa, USA notified Petrotec about its intention to publish a voluntary takeover offer for all Petrotec shares and that this information has been published in advance. Further REG notified that a purchase agreement with the current main shareholder IC Green Energy Ltd, Tel-Aviv, Israel has been closed to take over their share in an amount of 69.08% of share capital of Petrotec AG. Furthermore REG communicated that the transfer of shares has been finalized on December 23, 2014.

Due to the change in control the composition of the Supervisory Board changed. The Supervisory Board members Dr. Yom-Tov Samia und Mr. Isaac Isman, which were associated with IC Green Energy Ltd., declared their immediate resignation. The resignation was accepted with effect from December 29, 2014. On December 30, 2014 the company appealed the court to appoint the following persons to the supervisory board till the next annual general assembly.

Daniel J. Oh
President and CEO of Renewable Energy Group, Inc., Ames, Iowa, USA

Brad Albin
Vice President Manufacturing of Renewable Energy Group, Inc., Ames, Iowa, USA

The legal appointment has been granted on January 6, 2015.

3. Accounting methods

3.1 Basis for preparing the annual financial statements

The consolidated annual financial statements have essentially been prepared using the purchase cost method. The consolidated annual financial statements are presented in EUR. All figures are rounded on thousand (KEUR), unless stated otherwise.

In the event that a mandate to utilize different valuation concepts should exist, these valuation concepts have been applied. Special references to such valuation concepts will be made in the notes pertaining to the balancing and evaluation methods if this should be the case.

The income statement has been structured in accordance with the total costing method.

The financial year of the presented consolidated financial statements is equal to the calendar year.

Holding company
The immediate parent and ultimate holding company of the Group is Petrotec AG, Borken registered and stock exchange listed in Germany.

Companies with a major impact on the Group

Until the sell of the shares on December 23, 2014 IC Green Energy Ltd, Tel-Aviv, Israel owned 69.08% of the ordinary shares of Petrotec AG (prior year: 69.08%) and thus had a major impact on the Group. IC Green Energy Ltd. is a 100% owned subsidiary of the top entity Israel Corporation Ltd., Tel-Aviv, Israel.

IC Green Energy Ltd. sold its shares to REG European Holdings B.V., Amsterdam-Schiphol, Netherlands. The sell was completed through the transfer of shares on December 23, 2014. REG European Holdings B.V. is a subsidiary of the Renewable Energy Group Inc., Ames, Iowa, USA.

Declaration of compliance with IFRS

The annual financial statements of individual subsidiaries included within the scope of the consolidated annual financial statements were prepared according to the parent corporation's rules of accounting and valuation. The present consolidated financial statements were prepared as prescribed by § 315a of the German Commercial Code (HGB) entitled "Konzernabschluss nach internationalen Rechnungslegungsstandards" ["Consolidated financial statements according to international accounting standards"] in compliance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB), as they are to be applied according to Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union. All IFRS-related applications (IFRSs, IASs, IFRICs,SICs) that are mandatory in the European Union were applied as of the balance sheet date.

Principles of consolidation

All subsidiaries were included in the consolidated annual financial statements. The consolidated annual financial statements include the annual financial statements of Petrotec AG, Borken, and its subsidiaries as of December 31 of each fiscal year. The annual financial statements of the subsidiaries are prepared using uniform accounting methods as of the same balance-sheet date as the parent company's statements.

All intra-group balances, transactions, income, expenses, and profits and losses from intra-group transactions that enter into the book value of the assets have been completely eliminated.

Subsidiaries are fully included in the consolidation upon acquisition, i.e., as soon as the Group gains control of them. Inclusion in the consolidated annual financial statements ends as soon as the parent company no longer controls the relevant company.

3.2 Changes in accounting and valuation methods

The accounting and valuation methods are identical to those used in the prior-year annual financial statements.

3.3 Summary of key accounting and valuation methods

A. Current and non-current classifications

In the balance sheet, the Group divides its assets and liabilities into current and non-current assets or liabilities.

An asset is to be classified as current if,

- the asset realization is anticipated during the normal business cycle or if the asset is being held or consumed within said time period.
- the asset is being held primarily for trading purposes.
- the asset realization is anticipated within twelve months after the account closing date or
- the asset is a mode of payment or equivalent to a mode of payment unless the exchange or use of the asset with the aim of meeting an obligation is limited to a period of at least twelve months after the account closing date.

All other assets are classified as non-current.

A liability is to be classified as current if,

- the pay-off of the liability is anticipated during the normal business cycle.
- the liability is being held primarily for trading purposes.
- the pay-off of the liability is anticipated within twelve months after the account closing date or
- the Company does not have an unrestricted right to defer the pay-off of the liability for a minimum of twelve months after the account closing date.

All other liabilities are classified as non-current.

Deferred tax refund entitlements and liabilities are classified as non-current assets or liabilities.

B. Fair Value Measurement

As of each account closing date, the Group valuates financial instruments, e.g. derivatives, at the applicable fair value.

The applicable fair value is the price market participants would presume to accept or pay on a specific benchmark date for the sale of an asset or transfer of a liability in a regular business transaction. When deciding on the applicable fair value it is presumed that the business transaction in conjunction with which the sale of the asset or the transfer of the liability is executed occurs either on the

- principal market for the asset or liability or
- the most advantageous market for the asset or liability if a principal market does not exist.

The Group must have access to the principal market or the most advantageous market.

The applicable fair value of an asset or liability is based on the presumptions market participants would use when establishing the price for the asset or liability. To this end, it is being presumed that the market participants would act in their best economic interest.

When determining the applicable fair value of a non-financial asset, the capability of the market participant to obtain the best economic benefit by making the most valuable and best use of the asset or by selling same to another market participant who finds the most valuable and best use for the asset is taken into account.

The Group utilizes valuation techniques that are appropriate under the respective circumstances and for which sufficient data is available so that the applicable fair value can be established. To this end, the utilization of relevant input factors that can be monitored has to be maximized and the use of those that cannot be monitored has to be minimized.

All assets and liabilities for which the applicable fair value is to be determined or reported in the financial statements are allocated to the fair value hierarchy depicted below, based on the lowest phase input parameter, which is the relevant factor for the valuation at the applicable fair value overall:

- Phase 1 – (Unadjusted) trading prices in active markets for identical assets or liabilities
- Phase 2 – Valuation methods that allow for the direct or indirect monitoring of the lowest phase input parameter, which is the relevant factor for the valuation of the applicable fair value overall, on the market
- Phase 3 – Valuation methods that do not make it possible to monitor the lowest phase input parameter, which is the relevant factor for the valuation of the applicable fair value overall, on the market.

The Group determines whether re-classifications between the hierarchy phases have occurred with assets and liabilities that are recorded in the financial statements on a recurring basis by reviewing the classification at the end of every reporting period (based on the lowest phase input parameter, which is the relevant factor for the valuation of the applicable fair value overall).

The valuation board of the Group defines the policies and methods for recurring and non-recurring valuations of the applicable fair value. The Group does not use third party valuation experts.

With the objective of meeting the disclosure requirements for the applicable fair values, the Group has defined categories of assets and liabilities based on their types, characteristics and risks as well as the phases of the above described fair value hierarchy.

C. Tangible assets

Tangible fixed assets are posted at purchase or production cost less cumulative scheduled depreciation and cumulative value impairments. Depreciation is calculated on a straight line basis over the useful life of the assets.

The purchase and production costs include the costs of replacement of part of a tangible fixed asset as well as the costs of borrowed capital, to the extent that the reporting criteria are met. If significant parts of tangible fixed assets have to be replaced at regular intervals, the Group records such parts as separate assets with specific useful life or depreciation. All other maintenance and repair costs are immediately recognized in the income statement. The cash value of the anticipated costs for the disposal of the asset value after its use is included in the purchase or production costs of the respective asset if the reporting criteria for a deferral have been met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its book value.

More complex tangible fixed assets, consisting of clearly separable components with different useful life, are broken down into those components for the purposes of determining depreciation. In this case the depreciation is calculated on the basis of the useful life of the individual components.

An impairment test is performed on the book values of the tangible fixed assets as soon as there are indicators that the book value of an asset exceeds its realizable value.

A tangible asset is de-recognized either on disposal or when the ongoing use or sale thereof is not expected to generate an economic benefit. Gains or losses resulting from de-recognition of the asset are carried as the difference between the net proceeds from sale and the book value and recognized in the statement of comprehensive income for the period in which the items are de-recognized. The useful life and depreciation methods are examined and if necessary adjusted at the end of each business year. The useful life of the asset will be estimated based on age and condition:

Useful life in years	**Dec. 31, 14**
Buildings	6 - 20
Technical plant	
Biodiesel plant	
Treatment plant	5
Glycerin processing	5
Water condensation plant	4
Steam boiler plant	4
Distillation plant	8
Rectification	5
Tank farm	5 - 33
Control plant	3
Separators	4
Fatty acid esterification	4
Decanter plant	2 - 10
Others	1 - 15
Fat melting plant	3 - 20
Operational and business resources	1 - 13
Vehicle pool	1 - 11

Biodiesel plant Emden	**Dec. 31, 14**
Feestock warehousing	33
Re-esterification	10
Phase separation	30 - 33
Product recovery	10
Building - light structure	14
Biodiesel purification	10
Drying	10
Esterification	10
Product storage	20 - 33
Cooling	10
Processing	15
Refining	10
Building	25
Switching plant	15
Apparatus	14
Laboratory	14
Others	8 - 10

Public grants
Public grants are recognized if there is sufficient certainty that the grants will be forthcoming and that the Company meets the related conditions. Expense-related grants are recognized as scheduled income over the period that is required in order to net them against the corresponding expenses they are meant to offset. Grants for an asset are deducted in the balance sheet from the subsidized asset.

Cost of borrowed capital
The cost of borrowed capital is reported as an expense in the period in which it is incurred and/or to the extent that is to be capitalized pursuant to IAS 23. Costs of borrowed capital are interest and other costs incurred by a company in connection with borrowing capital.

Intangible assets
Individual intangible assets not acquired through a merger are initially valued at purchase cost. The purchase cost for an intangible asset acquired through a merger corresponds to its going-concern value at the time of the acquisition. After first-time entry, intangible assets in subsequent periods are reported at purchase/production cost less accumulated amortization and, if applicable, all accumulated value impairment expenses.

Intangible assets are initially assessed to establish whether they have a limited or unlimited useful life. Intangible assets with a limited useful life are depreciated over that economic life and a value impairment test is performed whenever there are reasons for assuming the value of the intangible asset might be impaired. The amortization period and method are reassessed for an intangible asset with a limited useful life at the latest at the end of each fiscal year. If the expected useful life/amortization period for the asset has changed, a different amortization period or method is chosen. Such changes are treated as a change to an estimate. Amortization on intangible assets with a limited useful life is reported in the statement of comprehensive income as an expense that corresponds with the function of the intangible asset.

The Group does not hold any intangible assets with an unlimited useful life.

Gains or losses from the de-recognition of intangible assets are carried as the difference between the net proceeds from sale and the book value of the assets, and entered in the income statement for the period in which the items are de-recognized. The amortization policies applied to the Group's intangible assets can be summarized as follows:

Intangible assets	**Amortization method**	**Original useful life**
Technical know-how	Straight-line amortization	10 years
Client base*	Straight-line amortization	6 years
Prohibition on competition*	Straight-line amortization	2 years
Software	Straight-line amortization	3 years
Supplier base	Straight-line amortization	3 years

* Fully written off during fiscal year 2007, since no future benefit was anticipated.

Corporate mergers and goodwill

Company mergers are carried using the acquisition cost method. Goodwill from mergers is valued at purchase cost when first carried, defined as the surplus of the purchase cost of a merger over the share the Group has in the going-concern values of the acquired assets, liabilities and contingent liabilities identified. After the first book entry, the goodwill is valued at purchase cost less cumulative value-impairment expenses. Goodwill is subject to a value-impairment test at least once a year or whenever there is evidence of circumstances suggesting that the book value might be impaired.

In order to ascertain whether there is value impairment, the goodwill acquired through a merger is assigned from the day of acquisition in principle to each of the Group's cash-generating units or groups of cash-generating units which are expected to benefit from the synergies resulting from the merger. Given the fact that the Group is active in exclusively one segment and essentially only manufactures and distributes one product, the Group as a whole has been defined as a cash-generating unit and the goodwill has been assessed at that level.

The goodwill was completely impaired in 2007.

R&D costs

Research and development costs are reported as costs in the same period during which they were incurred. An intangible asset developed in the course of a particular project is recognized only if the Group can demonstrate both the technically feasibility of producing the intangible asset so that it will be available for internal use or sale and the intention of producing the intangible asset and of using or selling it. Moreover, the Group must be able to prove that it can generate a future economic benefit from the asset, has the resources to bring the asset to fruition and the ability to reliably determine the expenses attributable to the intangible asset during its development.

In the period under review, no substantial R&D costs were incurred.

Financial instruments – first-time recognition and subsequent valuation

a) Financial assets

First-time recognition and subsequent valuation

Financial assets are either classified as financial assets measured at fair value with changes in profit or loss; or as loans and receivables, held-to-maturity investments or available-for-sale financial assets designated as collateral instruments. The Group defines the classification of its financial assets upon initial recognition.

On initial recognition, financial assets are valued at the applicable fair value. In those cases where financial investments are not classified as measured at fair-value through profit or loss, transaction costs that can be directly allocated to the acquisition of the assets are also taken into account.

Purchases and sales of financial assets that aim at the delivery of the assets within a specific period of time, which is defined by the provisions or conventions of the respective market (standard market purchases) are recognized on the trade date, i.e., on the day the Group enters into the obligation to buy or sell the asset.

The financial assets of the Group comprise payment instruments and short-term deposits, trade receivables, receivables due from loans granted and other receivables as well as listed or unlisted financial instruments.

Subsequent valuation

The subsequent valuation of financial assets is contingent upon their classifications as set forth below:

Financial instruments measured at fair value through profit or loss

The category of financial assets valuated at the applicable fair value with an impact on the result comprises those financial assets that are being held for trading purposes as well as those financial assets that have been categorized as result impacting assets at the applicable fair value when they were first reported. Financial assets are classified as held for trading if they are acquired for the purpose of sale or re-purchase in the near future.
Derivatives are likewise classified as held-for-trading instruments, except for derivatives that are designated as hedging instruments under IAS 39 and effectively are such instruments.

In its initial reporting, the Group did not categorize any financial assets valued at the applicable fair value through profit and loss.

The Group values the assets it holds for trading purposes based on the assessment of whether the intention to sell same in the near future continues to exist. If the Group cannot trade these financial assets due to inactive markets and its management's intentions to sell same in the foreseeable future are given up, the Group may decide to repost these financial assets under extraordinary circumstances. The reposting under loans and receivables, as assets available for sale or to be held until the final due date depends on the type of asset. This valuation does not have an impact on the financial assets that have been categorized through profit and loss at the applicable fair value in execution of the fair value option.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After their initial recognition, such financial assets are valued, within the scope of a subsequent valuation, at the amortized costs according to the effective interest method less any value impairments that have occurred. Amortized costs are computed taking into account any premium or discount at the time of acquisition as well as fees or costs that make up an integral component of the effective interest rate. The earnings from the amortization using the effective interest method are included in the statement of comprehensive income as part of the financial earnings. Impairment losses are recognized as financial expenses in the statement of comprehensive income.

Financial investments held to maturity

Non-derivative financial assets with fixed or computable payment amounts and fixed due dates are classified as financial investments to be held until their final due dates if the Group intends and is able to hold them until their due dates. After they have first been recorded, financial investments to be held until their final due dates are valued at carried forward acquisition costs under application of the effective interest method and minus any value reductions. Amortized costs are computed taking into account any premium or discount at the time of acquisition as well as fees or costs that make up an integral component of the effective interest rate. The earnings from the amortization using the effective interest method are included in the statement of comprehensive income as part of the financial earnings. Impairment losses are recognized as financial expenses in the statement of comprehensive income. During the fiscal years that ended on December 31, 2013 and 2014, the Group did not possess any financial investments to be held until their final due dates.

Available-for-sale financial assets

Available-for-sale financial assets (AFS) include debt and equity securities. The equity instruments categorized as held for sale are those that are neither held for trading nor financial assets measured at fair value through profit or loss. The debt instruments within this category are those that are to be held for an indefinite period of time or that can be sold in response to cash flow needs or changes in the market conditions.

After their initial valuation, assets held for sale are valued at applicable fair value during the subsequent periods. Unrealized gains or losses are recognized as other operating income/expense in the reserves for assets available for sale. If such an asset is de-recognized, the accumulated profit or loss is reclassified under other operating income. If the value of an asset is reduced, the accumulated loss is reclassified under financial expenses on the income statement and de-recognized from the reserve for available-for-sale financial assets.

The Group assesses its available-for-sale financial assets to determine whether the option and intent to sell them in the foreseeable future is still reasonable. If the Group cannot trade those financial assets due to inactive markets and management substantially changes its mind about selling them in the foreseeable future, the Group may decide to reclassify those financial assets under extraordinary circumstances. The reclassification as loans and receivables is permitted if the financial asset meets the definition of loans and receivables and the Group has the intention and is in a position to hold said asset for a foreseeable period of time or until maturity. The reclassification as financial investments held to maturity is permitted only if the company is capable of holding the financial asset to maturity and intends to do so.

In the case of a financial asset reclassified out of the "available for sale" category, all previous gains or losses associated with said asset that were recognized directly in equity must be amortized in the income statement using the effective interest method over the remaining life of the asset. The differences between the new amortized costs and the anticipated cash flows must be amortized over the remaining life of the asset using the effective interest method. If an impairment of the asset should be determined retroactively, the amount reported directly under equity will have to be factored into the computation of the overall result.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognized when one of the following conditions is met:

- The contractual rights rendering the Company eligible to receive cash flow from a financial asset have expired
- The Group has assigned its contractual rights entitling it to receive cash flow from the financial asset to third parties or entered into a contractual obligation to immediately disburse the cash flow to a third party in conjunction with an agreement that meets the requirements of IAS 39.19 (so-called transition agreement) and has either (a) largely assigned all opportunities and risks affiliated with the title to the financial asset or (b) primarily neither assigned nor retained any opportunities and risks that are affiliated with the financial assets, but has assigned the power to make dispositions as to the asset.

If the Group does assign its contractual rights arising from an asset or enters into a transition agreement and in conjunction with this neither assigns nor retains the majority of the opportunities and risks affiliated with the title to these assets, but retains the power to make dispositions as to this assigned asset value, the Group records an asset value congruent with the scope of the sustained exposure.

In this case, the Group also records any affiliated liabilities. The assigned asset and the affiliated liability are valued in such a manner that the rights and obligations the Group has retained are taken into account.

Involvement in the asset: Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Impairment of financial assets

On each reporting date the Group determines whether objective indications do exist that would give rise to a value impairment of a financial asset or a group of financial assets. A financial asset or group of financial assets will be considered value-impaired only if as a result of a single or multiple incidents that have occurred after the initial reporting of the asset (incident causing damages that has occurred), objective indications of a value impairment have arisen and this incident causing damages does have an impact on the anticipated future cash flow of the financial asset or the financial assets, which can be estimated reliably. Indications of an impaired value may have arisen if there are indications that the debtor or a group of debtors has significant financial problems, or in the event of inability to collect or delays of interest and loan payments or in the event that insolvency is likely or if any other restructuring measures are underway or if monitored data does indicate that there will be a measurable reduction of the anticipated future cash flow, such as changes in default items or economic conditions that are co-related to defaults.

Financial assets balanced at acquisition costs carried forward

With regard to financial assets valued at carried-forward acquisition costs the first determination to be made is whether an objective indication of value impairment does individually or summarily exist with regard to financial assets that by themselves are considered significant, or with regard to financial assets that are not significant on their own. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that a value impairment has occurred, the amount of the impairment is computed as the difference between the book value of the asset and the cash value of the anticipated future cash flow (with the exception of anticipated future credit defaults that have not materialized yet). The cash value of the anticipated future cash flow is discounted at the original effective interest rate of the financial asset. If a loan has a variable interest rate attached to it, the discount interest rate to be used for the valuation of the value impairment is equivalent to the current effective interest rate.

The book value of the asset is reduced by using a value adjustment account. The value impairment loss is recorded in a result-impacting manner. The impaired book value continues to generate interest earnings; this is done using the interest rate that has been used for the discounting of the future cash flow when determining the cost of value impairment. The interest income is recorded as part of the financial income in the statement of comprehensive income. Receivables are de-recognized with the affiliated value adjustments if they are categorized as irrecoverable and if all collateral has been used and liquidated. If the amount of an estimated value impairment does increase or decrease in a subsequent reporting period due to an incident that happened after the value impairment was recorded, the previous value impairment is increased or reduced through profit or loss as a result of an adjustment made in the value adjustment account.

Available-for-sale financial assets

For its available-for-sale financial assets, the Group determines on every report-closing date whether any objective indications give rise to the conclusion that value impairment has occurred with regard to an asset or a group of assets.

As far as equity capital instruments categorized as items held for sale are concerned, a significant or sustained decline of the applicable fair value of the instrument to a point beneath its acquisition costs would be such an objective indication. The criterion of "significant" is to be assessed on the basis of the original acquisition cost of the financial investment and the criterion of "prolonged" is to be assessed on the basis of the period in which the fair value fell below the original acquisition costs. If there are indications of impairment, the accumulated loss, which is measured as the difference between the assets's carrying amount acquisition cost and the present value less any impairment expense on that instrument previously recognized in the income statement – must be de-recognized from other profit/loss and recognized on the income statement. Value adjustments for equity capital instruments are not rendered retroactive through profit or loss; a subsequent increase of the applicable fair value is recorded directly under other results.

As far as the determination of value impairments of debt instruments categorized as available for sale is concerned, the same criteria are applied as the ones described above under financial assets available for sale valued at carried-forward acquisition costs. However, the amount recorded for the value impairments is the accumulated loss calculated as the difference between the carried-forward acquisition costs and the current applicable fair value minus any previous value impairment costs that have been posted to this instrument through profit or loss.
Future interest earned on the impaired book value of the asset will still be recorded. It is calculated using the interest rate that was used for the discounting of the future cash flow when determining the value impairment costs. The interest income is recorded as part of the financial income. If the applicable fair value of a debt instrument rises in a subsequent reporting period and the increase can be objectively allocated to an incident that occurred after the result-impacting posting of the value impairment, the recovered value amount is recorded through profit or loss.

c) Financial liabilities

First-time recognition and subsequent valuation

In conjunction with their initial recording, financial liabilities are either classified as financial liabilities that do impact the result at the applicable fair value or as loans, liabilities or derivatives designated as collateral and effective as such. The Group determines the classification of its financial liabilities when they are first recognized. All financial liabilities are valued at their applicable fair value when first recorded; in the case of loans the allocated transaction costs are added. The financial liabilities of the Group comprise liabilities for goods and services and other liabilities, revolving credit lines and loans as well as derivative financial instruments.

Subsequent valuation

The subsequent valuation of financial liabilities is contingent upon their classifications as follows:

Financial liabilities valued at the applicable fair value through profit or loss

Financial liabilities valued at their applicable fair value through profit or loss comprise the financial liabilities held for trading purposes as well as other financial liabilities, which upon first recognition were classified as result-impacting at the applicable fair

value. Financial liabilities are classified as held for trading purposes if they are being acquired for the purpose of sale in the near future.
Gains or losses on liabilities held for trading are recognized in the income statement. In its initial recognition, the Group did not classify any financial liabilities as result-impacting at the applicable fair value.

Loans

After initial recognition, interest-bearing loans are valued at carried-forward acquisition costs under application of the effective interest method. Gains and losses are recognized in the income statement once the liabilities are de-recognized. Carried-forward acquisition costs are computed taking into account an agio or disagio at the time of acquisition as well as fees or costs that make up an integral component of the effective interest rate. The amortization under application of the effective interest method is included in the income statement as part of the finance costs.

De-recognition

Financial liabilities are written off if the obligation underlying the liability is met rescinded or ceases to apply.

d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

e) Fair value of financial instruments

The fair value of financial instruments traded on active markets is determined by the market price listed on the reporting date or the publicly listed price (the buyer's bid price in the case of long positions or the asking price in the case of short positions) without deducting the transaction costs.
The fair value of financial instruments not traded on active markets is determined by using appropriate valuation methods, which include:

- Using the latest transactions between well-informed, willing and independent business partners,
- Comparison with the current fair value of another substantially identical financial instrument,
- Using discounted cash flow methods and other valuation models.

Derivative financial instruments and accounting for hedging relationships

First-time recognition and subsequent valuation

The Group uses derivative financial instruments such as currency futures contracts, swaps and futures to hedge against foreign exchange and commodity price risks. Those derivative financial instruments are carried at their fair value as of the date of signature of the contract and re-measured at fair value in the following periods. Derivative financial instruments are reported as liabilities if the going-concern value is negative. Derivative financial instruments are reported as accounts receivable if their applicable fair value is positive.

Profits or losses from the change in the fair value of derivatives are recognized immediately on the income statement, except for the effective part of a cash flow hedge which is recorded under other profit/loss.

For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation contains the definition of the hedge instrument, of the underlying transaction or of the hedged transaction, as well as the type of hedged risk, and a description of how the Company determines the effectiveness of the change in fair value of the hedge instrument in compensating for risks arising out of changes in the fair value or cash flows of the hedged underlying transaction attributable to the hedged risk. Such hedging relationships are believed to be highly effective in compensating for risks of a change in the fair value or cash flows. They are evaluated on an ongoing basis to determine whether they were actually highly effective throughout the reporting period for which the hedging relationship was defined.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change of the applicable fair value of the derivative securitization document is reported separately in the Group result under the result of collateral agreements. The change of the applicable fair value of the base transaction, which can be allocated to the collateralized risk, is reported in the Group result under the result of collateral agreements as part of the book value as well. In the case of hedge transactions designed to hedge the fair value in relation to underlying transactions carried at amortized acquisition cost, the adjustment of the carrying amount on the income statement is reversed using the effective interest method over the remaining time to maturity of the underlying transactions. Amortization can begin by means of the effective interest method as soon as an adjustment is made, at the latest from the time at which the underlying transaction is no longer adjusted in order to hedge the risk attributable to a change in fair value. If the hedge item is de-recognized, the unamortized fair value is recognized immediately in the comprehensive income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement.

The Group is using derivative financial instruments to hedge currency risks and commodity price risks from off-balance sheet obligations arising from purchase and sales transactions.

Cash-flow hedges

The effective part of the profit or loss arising out of a hedge instrument is recognized under other profit/loss in the cash flow hedging reserve, while the ineffective part is recognized immediately under other operating expense. If the realization of the expected transaction or fixed liability is no longer expected to occur, the previously accrued profit or loss recognized in equity will be restated in the comprehensive income statement. If the hedge instrument expires or is sold, terminated or exercised without any replacement or roll-over of the hedge instrument into another hedge instrument, or if the criteria for classification as a hedging relationship are no longer satisfied, the recognized accumulated profits / losses remain in the other profits as long as the expected transaction or fixed liability impacts the profit or loss.

The Group had started to introduce a cash flow hedging strategy in 2014; however, it did not qualify for hedge accounting. The relevant derivative positions are shown as derivatives in a non hedging relationship.

g) Impairment of non-financial assets

On each balance sheet closing date, the Group determines whether any indications for a value impairment of non-financial assets have arisen. If such indicators exist or an annual value impairment test for an asset is required, the Group then estimates the recoverable amount. The recoverable amount for an asset is the higher of the two sums of the attributable going-concern value of the asset or a cash-generating unit less selling costs and useful value. As the Group is active in only one segment and primarily only produces and markets only one product, the Group as a whole was considered as a cash generating unit. The recoverable amount shall be defined for each individual asset unless one asset generates no cash flows that are largely independent of the other assets or asset classes. Should the book value of an asset exceed its recoverable amount, then the value of the asset will be considered impaired and is written down to the recoverable amount.

For the calculation of the useful value, the anticipated future cash flow is discounted to its cash value on the basis of the discount rate before taxes, which reflects the current market expectations pertaining to the interest effects and the specific risks of the asset. In its value impairment assessment, the Group uses forecast computations, which are separately compiled for each cash-generating unit of the Group to which individual assets are allocated.

Impairment costs of the business divisions to be continued, including the value impairment of inventories, are recognized in the cost categories that are congruent with the functions of the value impaired assets in the Company as items that affect the result. This does not apply to previously newly valuated assets if value gains from the new valuation have been recognized under other results. In this case, the value impairment is also recognized in other results up to the amount equivalent to a previous new valuation.

For assets, with the exception of goodwill, the Group ascertains on every balance sheet closing date whether there are indications that a value impairment expense entered in earlier reporting periods no longer exists or has been reduced. Should such an indicator exist, then the recoverable amount is estimated. A value impairment expense carried shall be removed if, since last charging it, there have been changes in the estimates that were used to define the recoverable amount. If this is the case, the book value of the asset shall be raised to equal the recoverable amount. This increased book value may not exceed the book value that would arise after factoring in amortization if in prior years no value impairment expense were to have been carried.

Such an upward revaluation shall immediately be entered in the net result for the period. If an upward revaluation has been charged, the amortization expense shall be adjusted in future reporting periods by the adjusted book value of the asset less its possible residual book value, distributed systematically across its remaining useful life.

Inventories

Inventories are value reported at the lower value arising from the acquisition or manufacturing costs and the net sales value, i.e. the sales revenue to be generated in normal business transactions minus the estimated manufacturing costs and costs of sale.

Raw materials:
The valuation of raw materials, consumables and operating supplies are measured at the lower of acquisition or production cost, calculated using the average cost method, and net realizable value.

Finished and unfinished goods:
Cost of materials and individual production costs as well as appropriate parts of materials and production overheads, and administration costs based on the normal capacity of the production plant and excluding the costs of borrowed capital

Trade receivables and other assets

Trade receivables that as a rule have a term of 5 - 14 days are reported at the original invoice amount minus a value adjustment for unrecoverable receivables. A value adjustment is charged if there is objective factual evidence suggesting that receipt of payment is improbable. This is usually the case if a collection agency has been involved. The value adjustments are entered in a separate account for value adjustment items.

Cash and equivalents, current assets

The item "cash and current deposits" on the balance sheet includes cash balances, bank balances and current deposits with original terms of less than three months. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of the above defined cash deposits and short term deposits.

Accruals

As a matter of principle, an accrual is implemented whenever the Group has a current (statutory or factual) obligation based on an event in the past and if the outflow of resources with an economic benefit is likely in order to meet the obligation and if a reliable estimate of the obligation amount can be made. To the extent that the Group expects at least part reimbursement of an accrual carried as a liability (e.g. for an insurance policy), the reimbursement is only reported as a separate asset if the reimbursement is as good as certain. The expense of setting up the accrual is entered in the statement of comprehensive income minus the reimbursement. If interest has a material effect, accruals are discounted at an interest rate before tax that may reflect the specific risks associated with the debt. In the case of discounting, the rise in the accrual owing to the passage of time is reported as an interest expense item.

Pensions

The Company has not issued any pension plans of its own whatsoever, but is obliged by statutory regulations to make contributions to the mandatory government retirement insurance plans. This obligation is classified as a “contribution to the pension plan” and the employer portion is therefore reported as an expense for the period. The position is entered under section "Human resource costs".

Foreign-exchange conversion

The consolidated Group financial statements are compiled in EUR, the parent company’s and the subsidiaries’ functional currency. Business transactions in foreign currency are converted by the consolidated companies into the functional currency based upon the spot exchange rate of that day. Monetary assets and liabilities in a foreign currency are converted into the functional currency at the end of each financial year based upon the exchange rate on each balance sheet date. All exchange rate differences are recognized in the income statement.

Leasing relationships

Whether an agreement constitutes a leasing relationship is decided on the basis of the commercial substance of the agreement at the point in time when said agreement is concluded. It requires assessing whether fulfillment of the contractual agreement depends on the use of a specific asset or specific assets and whether the agreement confers a right to use the asset, even if this right is not explicitly stated in an agreement.

Group as the lessee

Financing leases in which all the material opportunities and risks associated with ownership of the leased object are assigned to the Group result in the leased object being capitalized as at the time of execution of the leasing agreement. The leased object is reported at the applicable fair value or at the cash value of the minimum leasing payments if this amount is lower. Leasing payments are divided into financing expenses and pay-off of the principal in such a manner that a consistent interest rate is applied to the balance of the lease obligation for the remaining term of the lease. Financing costs are recognized in the Group result computation as items that affect the result. Leasing objects are depreciated across the useful life of the object. However, if the title transfer to the Group at the end of the lease term is not adequately certain at the time; the leasing object is completely depreciated across the shorter of the two time frames arising from the anticipated useful life and term of the lease. Leasing payments for operating leases are entered on a straight-line basis across the term of the leasing relationship as an expense in the statement of comprehensive income.

Revenue recognition

Revenues are entered if it is probable that the economic benefit will accrue to the Group and the scale of the revenues can be reliably defined, regardless of the time of the payment. Revenues are measured at the fair value of the received or claimed consideration taking into account contractually defined terms of payment, taxes or other charges remain unconsidered. Moreover, the materialization of the revenues depends on the fulfillment of the following criteria:

Sale of goods and products

Revenues are entered if the material risks and opportunities associated with ownership of the goods/merchandise sold have been assigned to the buyer. This usually occurs upon delivery of products and merchandise.

Interest income

Revenues are entered if interest has accrued (applying the effective interest rate method, i.e., the interest rate at which the estimated future cash inflow is discounted over the expected term of the financial instrument to the net book value of the financial asset).

Taxes

Actual tax refund claims and tax liabilities

Actual tax refund claims and tax liabilities for the current reporting period and for earlier periods are recognized in the amount expected to be refunded by the internal revenue service or by the amount the Group expects to pay. The figure is calculated on the basis of the tax rates and laws applicable for the relevant periods.

Tax deferrals

Tax deferrals are established using the balance sheet-related liabilities method for all temporary differences existing at the balance sheet date between the value of an asset/liability and its tax value at balance sheet date. Moreover, deferred tax claims to tax loss carry forwards are entered to the extent that it is probable that the future taxable results will be available and against which tax loss carry forwards can be set off. The book value of deferred tax claims is re-assessed on each balance-sheet closing date. The book value is subsequently reduced by the amount to which it is no longer probable that a sufficient taxable result is available for the deferred tax claim to be made. Deferred tax assets not applied will be reviewed on each report closing date and reported in the amount in which it has become likely that a future taxable result allows the materialization of the deferred tax asset.

Deferred tax claims and debts are calculated in line with the tax rates expected to be valid in the period in which an asset is realized or a debt met. Those tax rates (and tax regulations) are applied as were valid at the balance sheet date or will soon be valid.

Deferred taxes pertaining to items that are recorded directly under the equity capital are reported in the equity capital and in the Group result. Deferred tax claims and debts are netted against each other if the Group has an actionable claim to charging the actual tax refund claims against actual tax debts and these refer to income taxes borne by the same taxed entity and charged by the same internal revenue service office.

Value-added tax

Sales revenues, expenses and assets are reported minus VAT. The following exception applies: Receivables and liabilities are reported including the innate VAT. The VAT sum refunded by the internal revenue service or credited to the latter is entered in the balance sheet under receivables or liabilities.

Energy tax

Energy tax is calculated on the basis of the revenues from sales of biodiesel and paid accordingly.

Share-based compensation

As remuneration for the work performed, employees of the Group (including the executives) receive share-based compensation in the form of equity capital instruments (so-called transactions offering compensation through equity capital instruments).

Transactions offering compensation through equity capital instruments

The costs of transactions offering compensation through equity capital instruments are valued at the applicable fair value using an appropriate valuation model at the time this benefit is granted. Along with a respective increase of the other equity capital reserves, these costs are recognized under costs of benefits paid to employees across the time period during which the performance and/or other service requirements are being met (Section 21). The accumulated equity capital granting costs reported on each account closing date until the first entitlement eligibility option date reflect the already expired portion of the earnings time frame as well as the number of equity capital instruments that can actually be exercised once the earning period is complete based on the Group's best estimate. The earnings or costs reported in the reporting period's result are equivalent to the development of the accumulated costs recognized at the beginning and end of the reporting period and are recognized under item costs of benefits paid to employees (Section 21).

This does not include transactions offering compensation through equity capital instruments that can only be exercised if certain market or non-exercising conditions have been met. Regardless of whether the market or non-exercising conditions have been met, these will be considered exercisable provided all other performance and service conditions are met.

If the conditions of a compensation agreement offering compensation through equity capital instruments should be amended, costs will be recognized in an amount equivalent to at least the amount that would have been incurred if the terms of the agreement had not been changed, provided the original terms of the compensation agreement are being met. The Company also recognizes the effects of changes that increase the overall applicable fair value of the share-based compensation or that are affiliated with another benefit for the employee, valuated at the time of the modification.

The diluting effect of pending stock options is factored into the computation of the results per share (diluted) as an additional dilution factor (Section 9).

Transactions offering cash compensation
Initially, the costs incurred as a result of transactions offering cash compensation are recognized at the applicable fair value at the time they are granted (Section 25). The applicable fair value is distributed with result impacting effect across the time frame up to the day the option can first be exercised by recording a corresponding liability. The liability is re-evaluated as of each account closing date and fulfillment date. Changes of the applicable fair value are reported under human resource costs (Section 7.3).

3.4 New and modified obligatory accounting standards

New and modified standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The following amended standards had to be applied for the first time in the fiscal year beginning on January 1, 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

4. New and modified accounting standards to be applied voluntarily

Alongside the above-mentioned mandatory IFRS applicable to the business in 2014, the IASB also issued further IFRS and IFRIC requirements that have in part already been endorsed by the EU, but for which application will not be mandatory until a later point in time. A voluntary early application of these standards is both permissible and expressly recommended. Petrotec AG will not avail itself of this option. It will be applied as of the respective mandatory dates if the amendments implemented do have an impact on the Petrotec Group.

IFRS 9 Financial Instruments: Classification and Measurement

The standard IFRS 9 Financial Instruments was published in 2009 as part of the project to supersede IAS 39 "Financial Instruments: Classification and Measurement". The new Standard is amending the basis of classification and measurement of financial assets fundamentally. The expansion of IFRS 9 in 2010 regulates the classification and measurement of financial liabilities. On July 24, 2014 the IASB published the final version of IFRS 9. Taking a EU- endorsement for granted IFRS 9 will be mandatory effective for fiscal years beginning on or after January 1, 2018. Prior transition of the new standard is optional. The decision to adopted the new standard through EU authorities has not been determined yet.

5. Key discretionary decisions, estimates, and assumptions

To prepare the consolidated annual financial statements as required by the IFRS, it is necessary to make certain judgments and estimates as well as assumptions during the preparation of the balance sheet, valuation and reporting on assets, liabilities, the disclosure of any contingent liabilities as of the balance sheet date, as well as recognition of income and expenditure. Any estimates or assumptions involving a significant risk that the book values of the assets or liabilities will require adjustment in subsequent fiscal years will be discussed below. The estimates and underlying assumptions are examined on an ongoing basis. The actual sums or trends may depart from these estimates and assumptions. Estimates require, among other things, that discretionary decisions be taken as regards to the setting up of accruals, the estimation of useful life for fixed assets or the assessment of the value of fixed assets, trade receivables and inventories as well as the making of determinations whether deferred tax assets can be realized. Estimates and assumptions are necessary for the evaluation of stock-based compensation as well as for the determination of suitable valuation methodologies and the data such as volatility which is being analyzed as part of this valuation. Adjustments of the accounting-relevant estimates are recognized in the period in which the adjustment is made, insofar as the adjustment concerns only that period.

Further discretionary decisions, estimates and assumptions relating to the future exist in the area of possible impairment tests for goodwill and other non-current assets. For the discounted cash flow method used to assign the use values, future cash flows and an appropriate interest rate need to be defined. The cash flows used for the DCF valuation are based on current business plans and planning. The planning includes assumptions on future sales and cost trends.

The capitalized intangible assets reported for technology are subject to future-based estimates. At present, these have a net book value of KEUR 543. The parameters mainly based on estimates are: the estimated useful life of technology, biodiesel plants and risk adjustments pertaining to future cash flow and the discounting rate applied.

Regarding the calculation of deferred taxes, we refer the reader to section 8 of this text. Explanations of the financial instruments are provided in section 25.

Impairment of non-financial assets

On each balance sheet closing date, the Group determines whether any indications for a value impairment of non-financial assets have arisen. To determine the utility value, Management has to estimate the cash flows that may be expected in the future from the unit generating the asset or funds and choose an appropriate discounting rate in order to derive the cash value of those cash flows.

Impairment exists whenever the book value of an asset or of a cash-generating unit exceeds its recoverable amount. The recoverable amount for an asset is the greater of the two sums of the attributable going-concern value of the asset or a cash-generating unit less selling costs and useful value. The calculation of the applicable fair value minus cost of sales is based on available data from binding sales transactions between independent business partners on similar assets or observed market prices minus costs of sale of the asset that can be directly allocated. The calculation of the useful value is based on a discounted cash flow method. The cash flow amounts are derived from the finance plan, whereby restructuring measures the Group has not committed to implement in order to increase the earning power of the tested cash-generating unit are not included. The recoverable amount depends largely on the framework of the discount rate used in the discounted cash flow method and on the anticipated future influx of funds and the growth rate used for the purpose of extrapolation.

As of December 31, 2014 no need for an impairment of non-financial assets has been noticed.

Share-based compensation

The costs incurred as a result of granting equity capital instruments to employees are reported by the Group at the applicable fair value of said equity capital instruments at the time they are granted. To estimate the applicable fair value of share-based compensation, the most appropriate valuation method will have to be defined; it is contingent upon the terms of granting these benefits. To be able to make the estimate, it is also essential to determine suitable input parameters included in this valuation method, including in particular the anticipated term of the option, the volatility and the dividend returns as well as any related assumptions. The assumptions and applied procedures for the estimation of the applicable fair value of share-based compensation are depicted in Section 21.

Pending or threatened litigation

Petrotec AG and its subsidiaries are involved in a series of legal disputes, which are primarily related to lease disputes and litigation involving customers and suppliers. Appropriate provisions have been recognized for the risks resulting from those proceedings. It is not currently possible to make any reliable predictions of the outcome of those disputes other than the predictions taken into account when recognizing the provisions. However, we do not expect the outcome of the proceedings to have any material adverse effects on the Petrotec Group's net worth, financial or earnings position.

Taxes

Latent tax entitlements have been recognized for the use of tax depreciation of the good will reported for tax purposes to the extent that it is likely that taxable income will be available for this purpose. The determination of the amount of latent tax entitlements, which can be activated, requires the management to exercise significant discretion with regard to the anticipated occurrence dates and the amounts of future taxable income and to future tax strategies.

Due to the change in control on December 23, 2014 the existing loss carried forwards have primarily been deteriorated. The remaining tax loss carry forwards that arose in the interim period between change of control and year end, were not assessed as usable. Given the fact that large additional expenses for taxes do exist, it is less likely that losses carried forward for tax purposes will be used in the future. Hence, latent taxes on losses carried forward have not been applied.

6. Segment reporting and consolidation scope

6.1 Segment reporting

The Group essentially only sells one product, which is manufactured at the Company's facilities in Germany. The product (biodiesel) is used or distributed to blend with fossil diesel (B7). There are no discernible Group sub-activities. Conditions for reporting by business segment or by geographical segment are not fulfilled.

6.2 Revenues

This fiscal year, the biodiesel revenues, which totaled KEUR 154,465 (previous year: KEUR 186,257) were entirely generated in the B7 market while in the previous year KEUR 12 were also generated by the B100 market. By-products such as glycerin accounted for sales of KEUR 9,588 (previous year: KEUR 6,256). Miscellaneous sales consist mainly of traded UCO position on the Spanish market, totaled KEUR 3,097 for the period under review (prior year: KEUR 813). Overall revenues of KEUR 167,150 (prior year: KEUR 193,327) can be divided as follows: KEUR 26,553 (prior year: KEUR 53,585) generated in the Federal Republic of Germany; KEUR 140,595 (prior year: KEUR 139,333) generated in other EU nations and KEUR 2 (prior year: KEUR 408) in non-EU countries.

6.3 Basis of consolidation

The consolidated annual financial statements as of December 31, 2014, contain the annual financial statements of Petrotec AG and the following subsidiaries:

Consolidated companies	Business activity	Domicile	Share of equity capital	Unit
Vital Fettrecycling GmbH	Purchasing and Production	Borken, Germany	100	%
Petrotec Biodiesel GmbH	Sales	Borken, Germany	100	%

Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH intend to make use of the exemption granted under § 264 Para. 3 of the German Commercial Code. The consolidation has not changed compared to previous year.

7. Other income and expenses

7.1 Other operating income

Other operating income	Unit	2014	2013
Income from exchange-rate differences	KEUR	493	434
Income from the dissolution of deferrals	KEUR	315	317
Income from vehicle use	KEUR	61	55
Other income	KEUR	1,068	298
TTL	KEUR	1,937	1,104

Income from exchange-rate differences mainly concerns revaluation of the USD accounts as of the reporting date, while “Other income” is primarily made up of energy tax refunds and insurance indemnity.

7.2 Cost of materials

Cost of materials	Unit	2014	2013
Expenses for raw materials, supplies	KEUR	139,792	159,346
Expenses for purchased services	KEUR	6,576	8,603
TTL	KEUR	146,368	167,949

7.3 Human resource costs

Personnel expenses	Unit	2014	2013
Wages and salaries	KEUR	5,302	5,768
Expenses from share based payments	KEUR	233	0
Social security contributions	KEUR	953	892
TTL	KEUR	6,488	6,660

The costs for social security contributions include expenditures incurred for the transfer of employer contributions to the statutory retirement benefits insurance plan in an amount of KEUR 375 (previous year: KEUR 347).

7.4 Depreciation/amortization

Depreciation	Unit	2014	2013
Tangible assets	KEUR	2,279	2,121
Intangible assets	KEUR	454	475
TTL	KEUR	2,733	2,596

7.5 Other operating expenses

Other operating expenses	Unit	2014	2013
Operating costs	KEUR	4,778	5,309
Marketing costs	KEUR	4,207	3,286
Administrative costs	KEUR	1,061	1,241
Legal and consultancy costs	KEUR	755	789
Expenses from exchange-rate differences	KEUR	442	584
Other expenses	KEUR	84	148
Supervisory board remuneration	KEUR	140	120
Other taxes	KEUR	1	1
Expenses from financial instruments without hedging relationship	KEUR	687	0
TTL	KEUR	12,155	11,478

7.6 Result from hedging

Result from hedging	Unit	2014	2013
TTL	KEUR	71	41

The result generated by collateral transactions in an amount of KEUR 71 (prior year: KEUR 41) is composed primarily of the positive and negative fair value changes of derivatives in collateralization arrangements. As of the account closing date, these items had generated total earnings of KEUR 4 (prior year: total earnings KEUR 23). Moreover, this account contains earnings and costs generated by collateralization transactions resulting in net earnings of KEUR 795 (previous year: net costs of KEUR 581) as well as earnings and costs from underlying transactions, which represent costs totaling KEUR 728 (prior year: earnings KEUR 600).

7.7 Financial income

Financial income	Unit	2014	2013
Interest income from bank deposits	KEUR	0	1
Other interest income	KEUR	3	11
TTL	KEUR	3	12

7.8 Financing expenses

Financial expenses	Unit	2014	2013
Interest for loans and current account credit	KEUR	1,564	1,720
Interest expenses linked to finance lease	KEUR	49	51
TTL	KEUR	1,613	1,771

8. Taxes on income

The income taxes due for fiscal years 2014 and 2013 are comprised the following:

Income taxes	Unit	2013	2013
Effective income taxes current year	KEUR	0	0
Effective income taxes previous years	KEUR	0	0
Deferred taxes	KEUR	0	901
Income taxes recognized in the consolidated statement of comprehensive income	KEUR	0	901

Income tax deferrals were composed as follows at the balance sheet date:

	Dec. 31, 2014		Dec. 31, 2013	
KEUR	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	5,895	163	6,839	285
Tangible assets	94	0	123	0
Receivables and other assets	0	52	0	45
Provisions for losses and contingencies	11	0	0	0
Other liabilities/ trade liabilities	79	0	0	93
Adjustments on temporary differences	*-4,963*	*0*	*-5,638*	*0*
Subtotal	**1,116**	**215**	**1,324**	**423**
Netting	-215	-215	-423	-423
Consolidated statement of financial position	**901**	**0**	**901**	**0**

Deferred tax claims and debts are netted against each other if the Group has an actionable claim to charging the actual tax refund claims against actual tax debts and these refer to income taxes borne by the same taxed entity and charged by the same internal revenue service office. The goodwill was completely value adjusted (impaired) in the 2007 IFRS report, while the goodwill continues to be depreciated for tax purposes over a total of useful life of 15 years. The goodwill for tax purposes as of December 31, 2014 totals KEUR 19,633 (prior year: KEUR 22,780). Due to the change in control in December 2014 most of the loss carry forwards have been lost. The valuation of the deferred tax asset results from the tax deductible usage of the Goodwill and was not related to the tax loss carry forwards. Hence, the loss of the tax loss carry forwards did not have a negative impact on the company's tax position. It is being anticipated that the deferred tax assets can be partially used in the near future, so that the amount of KEUR 901 is assessed as usable in the new future unchanged to the prior year assessment.

Due to the change in control from IC Green Energy Ltd. to REG European Holding B.V., Amsterdam-Schiphol on December 23, 2014 all cumulated tax losses to that date forfeited according to § 8c of the Capital Gains Tax [KStG]. At the end of fiscal year 2014 the Group had carried forward losses for corporate tax in an amount of KEUR 134 (prior year: KEUR 2,219) and trade tax related loss carried forward totaling KEUR 126 (previous year: KEUR 951), which were generated after the transfer of the ownership on December 23, 2014. The potential deferred tax asset on those losses was impaired as the potential of usage in a foreseeable future was reflected by the build DTA on temporary differences as described above.

The reconciliation statements between the income tax expense as recorded in the books and as expected is set forth below:

Income taxes	Unit	2014	2013
Earnings/loss before income tax on continuing operations = earnings before income tax	KEUR	-3,789	3,115
Income tax expenses at a tax rate of 30.02% (prior year: 30.025%)	KEUR	-1,137	935
Amortisation of taxable goodwill	KEUR	-860	-873
Non-deductible expenses	KEUR	23	23
Change in Valuation of temporary differences and loss carryforwards	KEUR	1,974	816
Income taxes recognized in the consolidated statement of comprehensive income	KEUR	0	901

The calculated tax rate (30.02%) corresponds to the nominal tax rate of Petrotec group. The different local tax rates of the communities were weighted to determine the total tax rate.

The effect of change in valuation of temporary differences and loss carry forwards is primarily affected by the forfeiture of the tax losses due to the change in control.

9. Earnings per share (EPS)

When calculating the undiluted EPS, the earnings attributable to the bearers of ordinary shares in the parent company are divided by the weighted average number of ordinary shares in circulation during the business year.

When computing the diluted earnings per share, the earnings allocated to bearers of ordinary shares in the parent company are divided by the weighted average number of ordinary shares that were in circulation throughout the year plus the weighted average number of ordinary shares, which would result from the conversion of all potential ordinary shares with dilution effects into ordinary shares.

The following table contains the amounts used for the calculation of the undiluted and the diluted earnings per share.

Earnings per share		**Dec. 31, 14**	**Dec. 31, 13**
Profit attributable to ordinary equity			
holders of the parent:	EUR	-3,788,999	4,015,802
TTL	EUR	-3,788,999	4,015,802

	QTY	**Dec. 31, 14**	**Dec. 31, 12**
weighted average number of ordinary			
shares for basic EPS:		24,543,741	24,543,741
Effect of dilution share options:		111,288	70,946
TTL		24,655,029	24,614,687

undiluted earnings per share:	EUR	-0.1544	0.164
diluted earnings per share:	EUR	-0.1537	0.163

10. Tangible assets

Tangible assets	Unit	Land, similar rights and buildings incl. Buildings on thirdparty land	Technical equipment, operating and business resources and deposits made	TTL
Purchase & production costs				
Jan. 1, 13	KEUR	1,803	43,064	44,867
Additions	KEUR	0	1,485	1,485
Disposals	KEUR	0	-182	-182
Dec. 31, 13	KEUR	1,803	44,367	46,169
Additions	KEUR	0	2,494	2,494
Disposals	KEUR	0	-124	-124
Dec. 31, 14	KEUR	1,803	46,737	48,540
Depreciation / amortization and impairment				
Jan. 1, 13	KEUR	601	23,908	24,508
Depreciation	KEUR	82	2,039	2,121
Disposals	KEUR	0	-122	-122
Dec. 31, 13	KEUR	683	25,824	26,507
Depreciation	KEUR	82	2,196	2,279
Disposals	KEUR	0	-108	-108
Dec. 31, 14	KEUR	765	27,912	28,678
Book values				
Jan. 1, 13	KEUR	1,202	19,156	20,359
Dec. 31, 13	KEUR	1,120	18,543	19,663
Dec. 31, 14	KEUR	1,037	18,825	19,862

Land and buildings serve as primary collateral for the Group's bank loan liabilities (Note 19).

As of the balance sheet date December 31, 2014 the position of "Technical equipment, operating and business resources and deposits made” mainly contain the biodiesel plants in Emden (KEUR 15,639) and in Südlohn-Oeding (KEUR 1,340), the grease-melting plant in Borken-Burlo (KEUR 241), the motor vehicle fleet (KEUR 758) and other operating and business equipment (KEUR 206).

Finance leases and hire purchase contracts

The book value of the technical equipment, operating and business resources reported in the balance sheet in conjunction with finance leases and hire purchase contracts as of 31. December 2014 totaled KEUR 1,169. The book value is the result of finance leasing arrangements for tank warehouse Emden, the gas furnace system in Borken and the trenches in Emden. The leased assets are used as security for the obligations under finance leases.

Finance lease	Unit	Tank storage Emden	Container Emden	Gas burner system Borken
Purchase & production costs				
31. Dez. 12	KEUR	1,266	63	51
Additions	KEUR	0	0	0
Disposals	KEUR	0	0	0
31. Dez. 13	KEUR	1,266	63	51
Additions	KEUR	0	0	0
Disposals	KEUR	0	0	0
31. Dez. 14	KEUR	1,266	63	51
Depreciation / amortization and impairment				
Jan. 1, 13	KEUR	53	1	6
Depreciation	KEUR	63	7	5
Disposals	KEUR	0	0	0
31. Dez. 13	KEUR	116	8	11
Depreciation	KEUR	63	7	5
Disposals	KEUR	0	0	0
31. Dez. 14	KEUR	179	16	17
Book values				
1. Jan. 13	KEUR	1,213	63	45
31. Dez. 13	KEUR	1,150	55	40
31. Dez. 14	KEUR	1,087	48	34

11. Intangible assets

Intangible assets	Unit	Other intangible assets	Goodwill	TTL
Purchase & production costs				
Jan. 1, 13	KEUR	35,320	16,280	51,600
Additions	KEUR	9	0	9
Disposals	KEUR	0	0	0
Dec. 31, 13	KEUR	35,329	16,280	51,609
Additions	KEUR	10	0	10
Disposals	KEUR	0	0	0
Dec. 31, 14	KEUR	35,339	16,280	51,619
Depreciation / amortization and impairment				
Jan. 1, 13	KEUR	33,852	16,280	50,132
Depreciation	KEUR	475	0	475
Disposals	KEUR	0	0	0
Dec. 31, 13	KEUR	34,327	16,280	50,607
Depreciation	KEUR	454	0	454
Disposals	KEUR	0	0	0
Dec. 31, 14	KEUR	34,781	16,280	51,061
Book values				
Jan. 1, 13	KEUR	1,468	0	1,468
Dec. 31, 13	KEUR	1,002	0	1,002
Dec. 31, 14	KEUR	558	0	558

The other intangible assets as of December 31, 2014 includes in particular the carried-forward values in conjunction with the corporate merger-related acquisition of technology in May 17, 2006 totaling KEUR 543 (prior year: KEUR 951). The remaining useful life of the technology exceeded 1 year as of the balance sheet date.

12. Other financial assets (non-current)

Other financial assets (non-current)	Unit	
Purchase & production costs		
Jan. 1, 13	KEUR	105
Additions	KEUR	20
Disposals	KEUR	-59
Dec. 31, 13	KEUR	65
Additions	KEUR	25
Disposals	KEUR	-41
Dec. 31, 14	KEUR	49
Depreciation / amortization and impairment		
Jan. 1, 13	KEUR	0
Depreciation	KEUR	0
Disposals	KEUR	0
Dec. 31, 13	KEUR	0
Depreciation	KEUR	0
Disposals	KEUR	0
Dec. 31, 14	KEUR	0
Book values		
Jan. 1, 13	KEUR	105
Dec. 31, 13	KEUR	65
Dec. 31, 14	KEUR	49

The other financial assets totaling KEUR 49 refer to non-current receivables from suppliers (items provided on loan).

13. Inventories

Inventories	Unit	Dec. 31, 14	Dec. 31, 13
Raw materials and supplies (valued at purchase cost)	KEUR	2,583	6,459
Unfinished goods (valued at production cost)	KEUR	554	755
Finished goods (valued at production costs or at net sales value)	KEUR	4,480	7,873
Total inventories (valued at the lower value of purchase / production cost net sales value)	KEUR	7,617	15,087

Value impairments on inventories were not necessary like in the previous year. All inventory assets have been pledged as collateral.

14. Trade receivables and other receivables (current)

Trade receivables and other receivalbes (current)	Unit	Dec. 31, 14	Dec. 31, 13
Trade receivables	KEUR	4,118	8,049
VAT claims	KEUR	2,049	2,643
Payments on account	KEUR	232	352
Fair Value Hedge Accounting	KEUR	124	123
Prepaid expenses	KEUR	41	52
Reimbursement capital gain tax	KEUR	3	2
Other financial assets	KEUR	483	350
TTL	KEUR	7,049	11,571

Trade receivables bear no interest and, as a rule, mature in 5 till 14 days. As of December 31, 2014 impairment was applied to trade receivables in a net amount of KEUR 132 (prior year: KEUR 178).

The value impairment on trade receivables and other receivables has been as follows:

Impairments on receivables	Unit	2014	2013
Jan. 1	KEUR	178	199
Additions impacting costs	KEUR	18	67
Reversal	KEUR	-30	-27
Drawdown	KEUR	-34	-61
Dec. 31	KEUR	132	178

The impairments of KEUR 132 contain KEUR 18 (prior year: KEUR 34), which should be allocated to the other receivables.

The analysis of overdue trade receivables for which no value impairment was carried as of December 31 was as follows:

Overdue receivables		Unit	Dec. 31, 14	Dec. 31, 13
Neither overdue nor value impaired		KEUR	3,781	6,446
Overdue, but not value impaired	< 30 days	KEUR	147	1,260
Overdue, but not value impaired	30 till 90 days	KEUR	101	49
Overdue, but not value impaired	> 90 days	KEUR	203	439
TTL		KEUR	4,233	8,194

Derivatives

The receivables from derivative financial assets in the amount of KEUR 259 as of December 31, 2014 (prior year: KEUR 84) are represented under section 27 “Disclosures on financial instruments.”

For information on the risk of non-payment of trade receivables, see section 26. These disclosures should enable readers of the financial statements to understand how the Management assesses and rates the creditworthiness of trade receivables that are neither overdue nor impaired.

15. Cash and equivalents, current assets

Cash and equivalents, current assets	Unit	Dec. 31, 14	Dec. 31, 13
Bank balances and cash balances	KEUR	11,113	9,935

16. Cash flow statement

For the purposes of the consolidated cash flow statement, cash and cash equivalents were composed as follows:

Cash and equivalents, current assets	Unit	Dec. 31, 14	Dec. 31, 13
Cash equivalents	KEUR	409	0
Cash	KEUR	10,704	9,935
TTL	KEUR	11,113	9,935

17. Subscribed capital and reserves

Subscribed capital and reserves	Unit	Dec. 31, 14	Dec. 31, 13
Subcribed capital	KEUR	24,544	24,544
Capital reserve	KEUR	86,517	86,284
Revenue reserve	KEUR	-86,903	-83,114
Equity	KEUR	24,157	27,714

The share capital as at December 31, 2014 was made up of 24,543,741 bearer unit shares with an arithmetic share in the Petrotec AG capital stock of EUR 1 each.

During the now complete fiscal year, the capital reserve has been increased by the expenses incurred with the granted stock options, i.e. an amount of KEUR 233.

The retained earnings consist of the accumulated annual earnings.

Each share provides one vote for the general shareholders' meeting and entitles the holder to participate in the general shareholders' meeting. The shareholders, i.e., the owners of regular bearer shares of Petrotec AG, must be granted a subscription right. Subject to the consent of the Supervisory Board, the Management Board has furthermore been authorized to exclude the subscription rights of the shareholders if the issuance amount is not significantly lower than the price on the stock exchange. However, this authorization is in effect only subject to the condition that the stocks issued under the exclusion of the subscription right pursuant to § 186 Section 3 Sentence 4 German Stock Act do not exceed a total of 10% of the capital stock in existence at the time the authorization becomes effective. Moreover, this authorization is effective only subject to the provision that the shareholder entitlement to issuance of sharing and renewal certificates can also be excluded.

Based on the resolutions of the Annual General Meetings in 2012 and 2014 the Management Board and the Supervisory Board were authorized to execute additional capital measures.

Authorized capital

With the consent of the Supervisory Board, the Management Board shall be authorized to increase the capital stock once by May 29, 2017 or in partial amounts at multiple periods by up to a total amount of EUR 12,271,870.00 (in words twelve million two hundred and seventy one thousand eight hundred and seventy Euros) in exchange for cash and/or non-cash contributions through the issuance of new no-par value bearer shares (Authorized Capital 2012). The shareholders shall be granted subscription rights. The shares may be issued to one or several credit institutions, which will have the obligation to offer them to shareholders of the Company for subscription. The Management Board, with the approval of the Supervisory Board, may exclude shareholders' subscription rights:

- to eliminate fractions resulting from the subscription ratio;
- to the extent this is necessary to prevent dilution, to grant holders or creditors of option or conversion rights resulting from warrant-linked or convertible bonds that were or will be issued by the Company and/or its subsidiaries the right to subscribe for new shares to the extent they are entitled to do so after the option or convertible bond rights have been exercised or conversion obligations fulfilled;
- in the case of share capital increases against non-cash contributions to grant shares to be used for the acquisition of companies, parts of companies, equity interests in companies or the purchase of other assets;
- to grant shares to holders of warrant-linked and/or convertible bonds that will be issued by the Company or associated companies in accordance with the authorization by the General Shareholders' Meeting dated May 30, 2012 (Agenda Item 8) or based on any other authorization granted by the General Shareholders' Meeting to be granted in conjunction with the exercising of their option and/or conversion rights and/or obligations;
- if within the meaning of § 203 Section 1 and 2 and § 186 Section 3 sentence 4 of the AktG the issue price of the new shares is not significantly lower than the market price of the same class of listed shares carrying the same rights when the final issue price is fixed by the Management Board. This authorization shall apply only to the extent that shares issued while excluding shareholders' subscription rights in accordance with §186 Section 3 sentence 4 of the AktG do not exceed 10 percent of the share capital, neither on the date this authorization takes effect nor at the time it is exercised. Also counting toward the 10 percent limit of the share capital are shares that were issued or used in direct or analogous application of § 186 Section 3 sentence 4 AktG during the term of this authorization while excluding shareholders' subscription rights. Furthermore, also counting toward the 10 percent limit of the share capital are the shares that will be or have to be issued for the purposes of satisfying subscription rights resulting from warrant-linked and/or convertible bonds to the extent that the warrant-linked or convertible bonds are issued after this authorization goes into effect based on an authorization effective at the time this authorization goes into effect or an authorization replacing the authorization in analogous application of §186 Section 3 sentence 4 AktG while excluding subscription rights.
- to issue up to a one-time partial amount of EUR 200,000.00 (in words: two hundred thousand) of new shares to employees of the Company and of companies affiliated with the Company.

The Management Board is also authorized, subject to the Supervisory Board's consent, to determine the additional terms of the stock rights and the terms and conditions of issuing the shares. The Supervisory Board is authorized to amend the wording of the bylaws to reflect the scope of the increase in share capital from the Authorized Capital 2012 after completion or partial completion of the increase of share capital from the Authorized Capital 2012 or after the end of the authorization period.

Conditional capital I

The share capital of the Company was conditionally increased by up to EUR 9,817,496.00 (in words: nine million eight hundred and seventeen thousand four hundred and ninety six) by issuing up to 9,817,496 new non-par value bearer shares (Conditional Capital I 2012). The conditional share capital shall only be increased to the extent holders or creditors of conversion rights or warrants attached to convertible and/or warrant-linked bonds, profit participation bonds and/or profit participation rights (or a combination of those instruments) that are issued against cash by the Company or one of the associated companies based on the authorizing resolution of the General Shareholders' Meeting dated May 30, 2012 until May 29, 2017 exercise their conversion or option rights, or the holders or creditors obliged to conversion of convertible bonds (or profit participation rights or profit participation bonds with a conversion obligation) issued by the Company or one of the associated companies based on the authorizing resolution of the General Shareholders' Meeting dated May 30, 2012 until May 29, 2017 fulfill their conversion obligation and to the extent own shares or other forms of fulfillment are not used for service. The new shares shall participate in profit from the beginning of the fiscal year in which they are created through exercise of conversion or option rights or performance of conversion obligations. The Management Board is authorized to determine other details of the increase of conditional capital.

Conditional capital II

The share capital of the Company was conditionally increased by up to EUR 2,454,374.00 by issuing up to 2,454,374.00 new non-par value bearer shares (Conditional Capital II 2012). The Conditional Capital II 2012 serves to guarantee the subscription rights from share options that are exercised by the company until and including May 29, 2017 based on the authorization resolution from May 30, 2012. The conditional share capital shall only be increased to the extent holders of such share options make use of their option rights and the Company does not grant any shares or cash settlements to fulfill the share options. The new shares shall participate in profit from the beginning of the fiscal year in which they are issued.

Acquisition and use of own shares

The company is authorized to acquire own shares from May 30, 2014 till May 27, 2019 up to 10 percent of the existing share capital at the time of decision making. The authorization may be exercised in whole or partially, on one or more occasions, to follow one or several purposes by the Company or by third parties on behalf of the Company. The acquired shares should not exceed together with any other shares that are owned by the Company or pursuant to §§ 71 ff AktG are attributable, at any time more than 10 percent of the share capital. The authorization may not be used for the purpose of trading own shares. The acquisition is subject to the choice of the Management Board and could be either exercised through the stock exchange or as a public tender offer or through a public offering to make such an offer.

For more details we refer to the invitation to the Annual General Meetings of 2012 and 2014 or § 4 Share Capital of the actual business statutes on our website www.petrotec.de.

18. Public grants

Government grants have been received for the purchase of certain items of property, plant and equipment. The requirements for those are satisfied; there are no other points of doubt. Thanks to the final confirmation received in 2013 and 2014 from the grants office regarding compliance with the terms, there is no repayment risk. No applications for new grants were filed or granted in fiscal year 2013.

Public grants	Unit	2014	2013
Jan. 1	KEUR	0	563
Received during the fiscal year	KEUR	0	0
Collected and applied in a result-impacting	KEUR	0	-563
Dec. 31	KEUR	0	0
Thereof current	KEUR	0	0
Thereof non-current	KEUR	0	563
TTL	KEUR	0	563

19. Interest-bearing bank loans, interest-bearing loans against shareholders and liabilities from finance lease

The interest-bearing bank loans, interest-bearing loans against shareholders and liabilities from finance lease as of the balance-sheet closing date are composed of the following:

Loans	effective interest	Term	Unit	Dec. 31, 2014	Dec. 31, 2013
Non-current shareholder loans					
Loans IC Green Energy Ltd.	12.00%	2015-2016	KEUR	0	5,250
Loans REG European Holdings B.V.	12.00%	2015-2016	KEUR	5,250	0
			KEUR	5,250	5,250
Current share of non-current debt			KEUR	-2,000	0
Interest-bearing shareholder loans			KEUR	3,250	5,250
Non-current bank loans					
2 Loans Mercedes Benz Bank	4.80%	Nov. 30, 15	KEUR	30	61
Loans VR-Bank Westmünsterland e.G.	5.65%	Sep. 30, 14	KEUR	0	16
Loans VR-Bank Westmünsterland e.G.	3.75%	Jul. 30, 15	KEUR	4	11
Loans VR-Bank Westmünsterland e.G.	2.21%	Mar. 30, 17	KEUR	120	173
Loans VR-Bank Westmünsterland e.G.	2.95%	Mar. 30, 17	KEUR	300	0
			KEUR	454	261
Current share of non-current debt			KEUR	-187	-107
Interest-bearing bank loans			KEUR	267	154
Liabilities from finance lease	4.45%	2015-2024	KEUR	991	1,075
Non-current loans			KEUR	4,508	6,479

The new major shareholder REG European Holdings B.V., Amsterdam-Schiphol took over the shareholder loans as part of the purchase agreement at unchanged conditions under legal succession. The payment plan for the remaining balance of KEUR 5,250 reflects the following:

Maturity after restructuring	Unit	2015	2016	TTL
Dec. 31	KEUR	2,000	0	2,000
Dec. 31	KEUR	0	3,250	3,250
TTL	KEUR	2,000	3,250	5,250

The current loans classify as follows:

Loans	**effective interest rate**	**Term**	**Unit**	**Dec. 31, 2014**	**Dec. 31, 2013**
Current loans					
Bank loans	2.81%	Jan. 3, 14	KEUR	0	1,476
Bank loans	2.81%	Jan. 6, 14	KEUR	0	1,525
Bank loans	1.31%	Jan. 6, 14	KEUR	0	3,200
Bank loans		2014	KEUR	0	107
			KEUR	0	6,308
Current share of non-current bank loans			KEUR	187	107
Interest-bearing bank loans			KEUR	187	6,415
Current shareholder loans					
Loans IC Green Energy Ltd	8.00%	Mar. 19, 14	KEUR	0	4,410
Loans IC Green Energy Ltd	8.00%	Mar. 19, 14	KEUR	0	1,000
Loans IC Green Energy Ltd	8.00%	Mar. 19, 14	KEUR	0	1,500
Loans IC Green Energy Ltd	8.00%	Mar. 19, 14	KEUR	0	346
Loans REG European Holdings B.V.	10.00%	2015-2017	KEUR	7,256	0
Current interest expenses			KEUR	346	0
			KEUR	7,602	7,256
Current share of non-current shareholder loans		2014	KEUR	2,000	0
Interest-bearing shareholder loans			KEUR	9,602	7,256
Liabilities from finance lease	4.45%	2015	KEUR	86	124
Current loans			KEUR	9,875	13,795

The shareholder loans have been transferred to REG European Holdings B.V., Amsterdam-Schiphol at unchanged conditions as part of the universal succession through the acquisition of the majority share. After March 31, 2015 REG has the right to demand for an immediate repayment of the loan. The agreement is based on the following repayment schedule:

Maturity after rescheduling	**Unit**	**2015**	**2016**	**2017**	**TTL**
Mar. 31	KEUR	1,000	0	0	1,000
Jun. 30	KEUR	2,000	0	0	2,000
Jun. 30	KEUR	0	1,000	0	1,000
Jun. 30	KEUR	0	0	2,000	2,000
Dec. 31	KEUR	0	0	1,256	1,256
TTL	KEUR	3,000	1,000	3,256	7,256

As collateral for the loans, the Group's land parcels were attached with mortgages in an amount of KEUR 14,000 for the account of VR-Bank and in the amount of KEUR 9.500 for the account of IC Green Energy Ltd. The mortgage attachment in favor of VR-Bank is being administrated by the former in trust for the IC Green Energy Ltd.

Consequently the amount of pledged securities totals KEUR 23,500.

Moreover, Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH have pledged their moveable assets, in particular their inventories, to IC Green Energy Ltd. as collateral. IC Green Energy Ltd. granted to the international bank for short-term financing loans subordination as receivables and inventories already serve as collaterals for ICG.

Under legal succession those arrangements turned from ICG to REG European Holdings B.V., Amsterdam-Schiphol, Netherlands.

As of December 31, 2014, the Group's financial liabilities were subject to the following terms. The statements are based on contractually agreed, not discounted payments.

Loans	**Unit**	**< 1 year**	**1 -2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**TTL**
Dec. 31, 14								
Current loans REG European Holdings B.V.								
Interest	KEUR	532	382	228	0	0	0	1,142
Payoff principal	KEUR	3,000	1,000	3,256	0	0	0	7,256
Non-current loans REG European Holdings B.V.								
Interest	KEUR	639	396	0	0	0	0	1,035
Payoff principal	KEUR	2,000	3,250	0	0	0	0	5,250
Non-current bank loans								
Interest	KEUR	11	6	1	0	0	0	18
Payoff principal	KEUR	187	154	113	0	0	0	454

Loans	**Unit**	**< 1 year**	**1 -2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**TTL**
Dec. 31, 13								
Non-current loans IC Green Energy Ltd.								
Interest	KEUR	145	0	0	0	0	0	145
Payoff principal	KEUR	7,256	0	0	0	0	0	7,256
Non-current loans IC Green Energy Ltd.								
Interest	KEUR	639	639	396	0	0	0	1,674
Payoff principal	KEUR	0	2,000	3,250	0	0	0	5,250
Non-current bank loans								
Interest	KEUR	6	3	1	0	0	0	10
Payoff principal	KEUR	107	88	53	13	0	0	261
Current bank loans								
Interest	KEUR	2	0	0	0	0	0	2
Payoff principal	KEUR	6,308	0	0	0	0	0	6,308

20. Trade payables and other liabilities (current)

Trade payables and other liabilities (current)	Unit	Dec. 31, 14	Dec. 31, 13
Trade payables	KEUR	6,715	8,264
Other liabilities	KEUR	1,733	1,821
TTL	KEUR	8,448	10,085

The other liabilities comprise primarily negative fair values from underlying transactions in collateralized arrangements totaling KEUR 460 (see Section 27 "Information on financial instruments"), as well as liabilities from payroll taxes and social security contributions in an amount of KEUR 183.

Trade payables bear no interest and in normal cases have a term of 30 days (prior year: 30 days). Other liabilities do not bear interest and have an average term of 10 days.

Trade payables and other liabilities regularly have short terms; the values carried are approximates of the respective attributable market values. Foreign-currency liabilities totaling KUSD 335 are included in the item for trade payables.

For explanations regarding the objectives and methods of the finance risk management of the Group, please see Section 26.

21. Share-based compensation

In April 2013, Petrotec granted its executives 1,120,000 stock options in conjunction with the Senior Executive Plan 2013 ("Stock Options Program 2013/ AOP 2013"). The basis for the SOP 2013 was a resolution made during the general shareholder meeting of May 30, 2012, which approved the SOP as well as a related resolution made by the Management Board, according to which Petrotec was authorized to issue a total of 2,454,374 stock options. These options may be awarded in several phases and for the last time on May 29, 2017. In order to meet its stock option program obligations, Petrotec will utilize Conditional Capital II from 2012.

On November 27, 2014 Petrotec granted its board member 400,000 stock options in conjunction with the Senior Executive Plan 2013 ("Stock Options Program 2013 / SOP 2013").

The option exercising price of EUR 1.1077, which is based on the current unadjusted performance, was set at 110% of the 20-day average market price prior to the award date (EUR 1.007). The options can only be exercised if the weighted average Petrotec stock price 20 days prior to the exercising period is at least 35% higher than the weighted average 20-day stock price prior to the granting of this option, which was determined to be EUR 1.007. The options may be exercised in six different exercising windows post publication of the Q1 and Q3 reports beginning in fiscal year 2017 through fiscal year 2020. The options will expire if they are not exercised during this time period.

Based on an adequate option evaluation by the financial auditing company BDO an individual option value of EUR 0.50 (prior year: EUR 0.68) was determined. The valuation was conducted with the assistance of the Monte-Carlo-Simulation.

The recorded total expenses for the share-based compensation in fiscal year 2014 totaled to KEUR 233 (prior year: KEUR 382). This has been recognized in the income statement as well as in the equity capital. The following table shows the number of stock options and weighted average exercising prices (GDAP) as well as the development of the stock options throughout the fiscal year (excludes Stock Appreciation Rights (SAR)):

Stockoptions	**Unit**	**Dec. 31, 14**	**GDAP**
Outstanding at January 1:	QTY	1,120,000	
Granted during year:	QTY	400,000	1.1077
Outstanding at December 31:	QTY	1,520,000	1.1077
Exercisable at December 31:	QTY	0	

The weighted average applicable fair value of the options granted throughout the fiscal year was EUR 0.50 (prior year: EUR 0.68). The table below contains the input parameters for the model based on which the plan was evaluated for fiscal year 2013 and 2014:

	Dec. 31, 14	**Dec. 31, 13**
Dividend yield (%)	0	0
Expected volatility (%)	100.5	94
Risk free interest rate (%)	0.124	0.682
Expected life of options (years)	5.4	7
Wighted average share price (EUR)	0.73	0.98
Model used	Monte Carlo	Monte Carlo

Based on a dividend return of 0%, the valuation model presumes that future dividend disbursements will be reflected in the stock development.

The anticipated term of the stock options is based on current expectations and is not necessarily congruent with the exercising patterns the eligible parties will actually display. The anticipated volatility is based on the assumption that the historical volatility across a time frame similar to that of the term of the options can be used to arrive at conclusions with regard to future trends, whereby the actual volatility may differ from the assumptions made.

In reference to the granting of stock appreciation rights (SAR), please refer to the information provided in Section 25.

As of December 31, 2014 the book value of the liabilities for stock appreciation rights totals KEUR 50 (prior year: KEUR 355).

The expenses reported during the fiscal year for SARs totals KEUR 50 (prior year: KEUR 355). Additionally the company reported a release of KEUR 158 for the prior year provision as income and the execution of the first tranche from SAR I and SAR II amounting to KEUR 147.

22. Accruals

Accruals	Unit	2014	2013
1. Jan	KEUR	0	106
Additions	KEUR	37	0
Dissolutions	KEUR	0	-44
Drawdown	KEUR	0	-62
31. Dec	KEUR	37	0

23. Performance risks and other commitments

Commitments from a leasehold contract

The Group has the following payment commitments under the terms of the leasehold contract executed on December 21, 2006:

Commitments from a leasehold contract	Unit	Dec. 31, 14	Dec. 31, 13
< 1 year	KEUR	36	35
1 year till 5 years	KEUR	151	149
> 5 years	KEUR	267	305
TTL	KEUR	454	489

The leasehold commenced with its registration in the Register of Deeds and will terminate on December 31, 2026.

The leasehold is extended beyond the agreed term by 10 years in each instance if the party authorized to hold the lease demands this. The prolongation option may be exercised twice (by December 31, 2036 and by December 31, 2046). The intention to utilize the extension option must be stated in writing and sent to the owner one year prior to end of the leasehold.

Finance lease commitments

The Group entered into finance leases and hire purchase contracts for various technical, plant, equipment and operating and office equipment. These contracts contain extension options, but no purchase or price adjustment terms. The extension options may be exercised only by the respective contractors. The future minimum lease payments under finance leases and hire purchase contracts are transferred to their present value as follows:

Finance leasae commitments	Unit	Dec. 31, 14 Minimum lease payments	Dec. 31, 14 Present value of minimum lease payments	Dec. 31, 13 Minimum lease payments	Dec. 31, 13 Present value of minimum lease payments
< 1 year	KEUR	132	86	129	81
1 year till 5 years	KEUR	594	421	594	403
> 5 years	KEUR	626	570	745	661
TTL	KEUR	1,352	1,077	1,468	1,145
Less amounts representing finance	KEUR	-275	0	-323	0
Present value of minimum lease payments	KEUR	1,077	1,077	1,145	1,145

Obligations from operating lease agreements – the Group as the lessee

The Group also has leasing contracts for various vehicles. The average term of the leasing contracts is 2-3 years. The leasing contracts cannot be extended. There are no restrictions placed upon the lessee by entering into these leases.

In 2008, a new rental agreement with a term of five years was concluded for the office in Ratingen. During the business year 2012 the term has been prolonged till May 2016. Moreover, the Company has rental agreements for warehouse facilities in various German federal states, which are being used as interim storage facilities for grease collection.

As of December 31, 2014, the following future minimum leasing payment commitments existed relating to operating leasing agreements that cannot be terminated:

Minimum leasing payments commitments	Unit	Dec. 31, 14	Dec. 31, 13
< 1 year	KEUR	465	202
1 year till 5 years	KEUR	36	117
> 5 years	KEUR	0	0
TTL	KEUR	501	319

Order commitments

An agreement for the refinery processing of used cooking oil by a third party enterprise with an indefinite term also exists. This will lead to payments of at least KEUR 837 per year.

Furthermore the Group committed to contracts for feedstock and biodiesel purchases totaling to KEUR 10,973.

Contingent liabilities

Income taxes for previous periods

In the first quarter of 2010, Vital Fettrecycling GmbH, a wholly owned subsidiary and part of the tax group of Petrotec AG, closed a debt waiver transaction with IKB Deutsche Industriebank AG as part of the restructuring effort done at the time by the company. The agreement stipulated that IKB Deutsche Industriebank AG would waive a repayment for loans granted to Vital Fettrecycling GmbH in 2007 totaling EUR 18.9 million in exchange for a one-time payment of EUR 2.2 million. As a result of this transaction, IKB Deutsche Industriebank AG effectively waived EUR 16.7 million of its claims against Vital Fettrecycling GmbH and, accordingly, Vital Fettrecycling GmbH realized an extraordinary income from cancellation of debt. Consequently the 2010 result of Petrotec AG included an extraordinary one-time income of EUR 16.7 million from the charge off of the loans, which turned the annual result to a positive one for the same year.

Based on a tax field audit, the local tax authorities of the German state of North Rhine-Westphalia (NRW) have assessed income tax payments for fiscal year 2010 against Petrotec AG amounting to EUR 892.094,05 corporate and trade tax. The tax assessment is based on the authorities' opinion that the proceeds from the above described debt waiver transaction do not meet the requirements of a so-called restructuring profit (Sanierungsgewinn) pursuant to the decree of the German Ministry of Finance (BMF) of March 27, 2003 (so-called bail-out decree, Sanierungserlass). The calculation of the stated amount took the minimum taxation into account as Petrotec was able to only partially use its tax loss carry forwards, the company had at that time.

In the 2nd quarter of the 2011 Petrotec executed a capital increase transactions in which IC Green Energy participated and pursuant to which passed the 50% holding threshold. As a result, Petrotec lost all of its tax loss carry forwards.

On August 26, 2010, in another similar case, the federal fiscal court (BFH) raised serious doubts that the minimum taxation fulfills the constitutional requirements when the possibility of loss offsetting in the following assessment periods is not granted.

In its letter from October 19, 2011, the German Ministry of Finance (BMF) followed a decision of the federal fiscal court (BFH) that the taxation, for similar cases, should be suspended until a final legal judgment is given. Petrotec submitted an application to suspend the tax payment until the federal fiscal court (BFH) will decide upon the matter. The request was approved by financial authorities Borken enabling the company not to be required to pay the outstanding sum until such time as a decision in court has been made.

The management still assumes that the above mentioned waiver agreement - contrary to the opinion of the tax authorities - meets the requirements for a so-called restructuring profit (Sanierungsgewinn). Additionally the management shares the doubts raised by the federal fiscal court (BFH) concerning the decision of the ministry of finance (BMF) and assumes that it is more likely that a tax liability will not finally concluded. A tax expert review is supporting the management in its decision.

On December 10, 2014, tax authorities confirmed that restructuring event in 2010 does not impose corporate income tax on Petrotec. The local tax authority of Borken confirmed that the ministry of finance of Northrhine-Westphalia has concluded that the restructuring transaction as described in the ad-hoc announcement dated November 9, 2012 has to be considered as restructuring profit (Sanierungsgewinn) pursuant to the bail-out decree. The company received the revised tax assessments for corporate tax 2010 dated February 19, 2015.

Based on this decision, Petrotec AG will contact the communities of Ratingen, Borken, Südlohn and Emden and ask for revised tax assessments for 2010 trade taxes. Petrotec AG assumes that these communities will follow the corporate income tax assessment of the tax authority of Borken.

24. Related party disclosures

Due to the transfer of majority shares on December 23, 2014 IC Green Energy Ltd., in Tel Aviv, Israel is no longer the parent company of Petrotec AG. IC Green does no longer control Petrotec and does not fulfill the criteria of being a related party anymore. The ultimate controlling parent corporation was Israel Corporation Ltd., Tel Aviv, Israel.

IC Green Energy Ltd has been replaced by Netherlands-based REG European Holdings B.V., Amsterdam-Schiphol, Netherlands which announced the purchase of 69.08% of direct voting rights in Petrotec AG from ICG on December 23, 2014.

During the fiscal year, except for drawing on shareholder loans, there were neither business relations between the Petrotec Group and REG European Holdings B.V. nor with the ultimate controlling parent corporation of REG Group Incorporation.

Companies with significant influence on the Group

REG European Holdings B.V. Amsterdam- Schiphol, Netherlands
The following table shows the total for transactions between related parties in the respective fiscal year (for details on the outstanding balances as at December 31, 2014 see Note 19):

Related party disclosures	Unit	Sales / services to related parties	Purchases / services rendered by related parties	Receivables from related parties	Liabilities owed to related parties
REG Eurpean Holdings B.V., Amsterdam- Schiphol (Netherlands) 2014	KEUR	0	0	0	12,852
IC Green Energy Ltd., Tel Aviv (Israel) 2013	KEUR	0	0	0	12,506

Related party disclosures

Compensation of Management and Supervisory Boards

In reference to this, please refer to Notes 25 “Bodies of the Company and their compensation.”

Stakes in the Group held by related persons

The members of the Supervisory and Management Boards held the following indirect stakes in Petrotec AG as of the balance sheet closing date:

Stakes in the Group held by related persons	Unit	Quantity	Mathematical percentage in the capital stock
Rainer Laufs			
Dec. 31, 2013	QTY	12,388	0.05%
Dec. 31, 2014	QTY	12,388	0.05%

The Management Board holds neither direct nor indirect stakes in Petrotec AG.

25. Company boards and their compensation

Compensation report

The compensation report is based on the recommendations of the German Corporate Governance Codex and also contains statements pursuant to §§ 289(2), No. 5 and 315(2), No. 4 in the version of the Act on Disclosure of Executive Compensation [Gesetz über die Offenlegung von Vorstandsvergütungen] of August 3, 2005.

Management Board compensation

The Supervisory Board is responsible for defining the structure of the compensation system and setting the compensation for the individual members of the Management Board. The compensation is guided by the Company's economic and financial situation and by the scale and structure of executive compensation at comparable companies. The Supervisory Board discusses and reviews the compensation structure on a regular basis.

The Management Board compensation consists of four components:

- A fixed component irrespective of success
- A variable bonus based on the company's success
- A share based compensation (Stock Appreciation Rights (SAR) – here described as medium term compensation agreement)
- A stock option program (SOP)

The fixed component is paid monthly in the form of a salary. The variable bonus component is paid on an annual basis linked to the company’s success and results. The third component consists of three SAR programs that are linked to the development of the stock price. The medium term compensation agreement I and II consist of each 300,000 units, the medium term compensation agreement III of 400,000 units. The fourth component consists of the stock option program (SOP 2013), which has been granted at November 27, 2014.

Due to the change of control the medium term compensation agreements have been finally valuated by the end of 2014. While the medium term compensation agreement I and II led to an accrual for the event of execution, the medium term compensation agreement III cannot be executed the exercise price is lower than the commencement price.

Medium-term compensation

For the first share-based compensation program, the potential value of the variable compensation component is based on the difference between the average stock price between June 14 and August 13, 2011, i.e. EUR 0.88925 and the average stock price during the three months prior to the exercising due date within the three exercising time frames: September 1, 2013 through December 31, 2014 multiplied by 100,000; September 1, 2014 through December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement had been assessed at KEUR 25, which has been taken into account in this annual report.

For the second share-based compensation program, the potential value of the variable compensation component is based on the difference between the stock price of September 9 and November 8, 2011, i.e. EUR 0.884814 and the average stock price during the three months prior to the exercising due date within the three exercising time frames: December 1, 2013 through December 31, 2014 multiplied by 100,000; December 1, 2014 through December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement II had been assessed at KEUR 25, which has been taken into account in this annual report.

In conjunction with the third granted compensation program, the Management Board member with sole representation rights has been awarded additional 400,000 units. The exercising price was set at a stock price of EUR 1.2912. For 200,000 stocks the exercising period is November 20, 2015 through December 31, 2016 and the exercising period for a second set of 200,000 November 20, 2016 through December 31, 2017.

Due to the change of control clause, the SAR can only be executed at a fixed level of the date of transaction. As of December 31, 2014, the value of the SARs from the medium term compensation agreement III had been assessed at KEUR 0, as the exercise price is lower than the commencement price.

SOP

In April 2013, Petrotec granted its executives 1,120,000 stock options in conjunction with the Senior Executive Plan 2013 (“Stock Options Program 2013/ AOP 2013”). The basis for the SOP 2013 was a resolution made during the general shareholder meeting of May 30, 2012, which approved the SOP as well as a related resolution made by the Management Board, according to which Petrotec was authorized to issue a total of 2,454,374 stock options. These options may be awarded in several phases and for the last time on May 29, 2017. In order to meet its stock option program obligations, Petrotec will utilize Conditional Capital II from 2012.

Following the shareholder resolution the Supervisory Board has granted 400,000 additional options to the sole representative of the Management Board on November 27, 2014.

The option exercising price of EUR 1.1077, which is based on the current unadjusted performance, was set at 110% of the 20-day average market price prior to the award date (EUR 1.007). The options can only be exercised if the weighted average Petrotec stock price 20 days prior to the exercising period is at least 35% higher than the weighted average 20-day stock price prior to the granting of this option, which was determined to be EUR 1.007. The options may be exercised in six different exercising windows post publication of the Q1 and Q3 reports beginning in fiscal year 2017 through fiscal year 2020. The options will expire if they are not exercised during this time period.

Based on an adequate option evaluation by the financial auditing company BDO an individual option value of EUR 0.50 was determined. The valuation was conducted with the assistance of the Monte-Carlo-Simulation. As of December 31, 2014, the value of the SOP granted to the Management Board representative accumulates to KEUR 7, which has been taken into account in this Annual Report.

In addition, Mr. Scemama could receive a possible annual bonus, which will be decided by the Supervisory Board.

The Management Board members receive fringe benefits in the form of non-cash compensation, mainly consisting of the use of company cars and insurance premiums. For Mr. Jean Scemama, as an expatriate, the rent and extra charges are also paid for a house as well as school and kindergarten tuition is paid for his children.

The Management Board member did not receive any pension commitments in 2013 and 2014; moreover, the company did not extend any loans to him. Clauses of change-of-control are incorporated in the above mentioned medium term compensation agreements and a bonus agreement.

The granted compensation to management is composed as follows:

Benefits granted					
Jean Scemama, CEO	**joined**	**Sep. 1, 2011**	**left**	**-**	
			(min.)	**(max.)**	
	Unit	**Dec. 31, 2014**	**Dec. 31, 2014**	**Dec. 31, 2014**	**Dec. 31, 2013**
Fixed compensation	KEUR	300	0	0	280
Fringe benefits	KEUR	219	0	0	180
Total	**KEUR**	**519**	**0**	**0**	**460**
One-year variable compensation*	KEUR	200	0	200	200
Multi-year variable compensation		0	0	0	0
Medium term compensation (SAR) **	KEUR	197	0	0	0
Stock option program 2013 (SOP) ***	KEUR	200	0	0	0
Total	**KEUR**	**1,116**	**0**	**200**	**660**
Service Cost	KEUR	0	0	0	0
Total	**KEUR**	**1,116**	**0**	**200**	**660**

* Bonus for achievements of FY2013 paid in Q2/14

** First tranches of medium term compensation agreement I and II have been executed in 2014 (KEUR 147). This compensation was linked to the companies share price development from the year 2011 till 2014. Due to the change of control the remaining tranches have fully been finalized. The portion of KEUR 50 has not been drawn by the management board member yet.

*** Out of the SOP 2013 400,000 stock options have been granted in November 2014. They are evaluated with the current fair value of the option of EUR 0.50 per option. The SOP has no cash effect on FY2014. Please refer to program details.

The compensation paid in fiscal years 2014 consist of the following:

Compensation	Unit	Dec. 31, 2014	Dec. 31, 2013
Fixed compensation	KEUR	300	280
Variable compensation*	KEUR	347	200
Other compensation benefits	KEUR	219	180
TTL	KEUR	866	660

* Variable compensation 2014 contains the bonus paid in Q2/14 for achievments of the FY2013 as well as KEUR 147 income from the medium term compensation agreements. This medium term compensation was linked to the companies share price development from the year 2011 till 2014.

Supervisory Board compensation

The compensation of the Supervisory Board is set at § 12 of the business statues. The members of the Supervisory Board shall receive a fixed annual remuneration in the amount of KEUR 20 payable upon conclusion of the fiscal year. The compensation for chairman amounts to KEUR 80 and for the deputy KEUR 40. Supervisory Board members who were not members of the Supervisory Board for the duration of the entire fiscal year receive a pro-rated compensation amount based on the duration of their Supervisory Board membership. Based on the presentation of pertinent evidence, the Company shall reimburse to the Supervisory Board members any essential expenditure, including travel and accommodation costs that are reasonable considering the financial situation of the Company. Value added tax (VAT) shall be reimbursed by the Company, provided the members of the Supervisory Board are authorized to charge VAT to the Company separately and do indeed execute this right.

As agreed with the shareholder´s resolution dating May 28, 2014, the Supervisory Board members shall receive a variable compensation on the long-term performance of the company. It shall be payable as one-time bonus after expiry of the regular term of each Supervisory Board member. If a Supervisory Board member should choose to leave his position before the end of his term in office, a corresponding pro rata bonus payment shall be given after the end of the (regular) assessment period. The calculation of the success is related to the development of the Petrotec share compared to the development of the DAX Subsector Renewable Energy.

The Petrotec Group has obtained D&O insurance coverage for its senior management. According to § 3.8, para.3 of the Corporate Governance Codex an adequate deductible has been agreed upon for the Management Board with the renewal of the D&O insurance policy according to the new legal stipulations. Such a deductible was not taken into account for the members of the Supervisory Board.

Management Board

Jean Scemama, business manager, Tel-Aviv / Israel was appointed Petrotec AG's sole chief executive officer on August 15, 2011 effective as of September 1, 2011. Mr. Scemama had been with IC Green Energy Ltd. in the area of business development since 2008. In addition, he was CEO of IC Green Projects Ltd., where he was in charge of solar and wind energy projects. He also sits at the helm of both, Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH.

In fiscal year 2014, the total remuneration paid amounted to KEUR 866. The remuneration paid to the Management and Supervisory Boards are presented in detail in the remuneration report section of the Management Report.

Supervisory Board

Rainer Laufs (Chairman of the Supervisory Board since November 4, 2008)
Mr. Rainer Laufs is an independent consultant for a range of companies and holds the following functions:

- Chairman of the Supervisory Board of WCM AG, Frankfurt
- Member of the Supervisory Board of LANXESS AG, Leverkusen
- Member of administrative advisory board at LANXESS Deutschland GmbH, Leverkusen
- Member of the Supervisory Board of Asklepios Kliniken GmbH, Hamburg
- Member of the Supervisory Board of Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus
- Member of the administrative advisory board of the segment "Industry" at Bilfinger SE, Mannheim
- Member of the Supervisory Board of MediClin AG, Offenburg

Dr. Yom-Tov Samia (Deputy Chairman of the Supervisory Board since August 15, 2011)
Dr. Samia is CEO and President of IC Green Energy Ltd., Tel Aviv, Israel; Dr. Samia is also:
Chairman of HelioFocus, Ness-Ziona, Israel, Chairman & President of Primus Green Energy Inc., Hillsborough, NJ, USA.

Isaac Isman
Mr. Isman is VP Business Management & Company Secretary of IC Green Energy Ltd, Tel-Aviv, Israel, and a member of the board of Primus Green Energy Inc., Hillsborough, NJ, USA. Mr. Isman serves as VP Business Development of ICG's SPC (Special Purpose Companies) Subsidiaries engaged in Renewable Energy projects development.

The current main shareholder IC Green Energy Ltd. has sold its Petrotec shares in December 2014 to REG European Holdings B.V., Amsterdam-Schiphol, Netherlands, a wholly-owned subsidiary of Renewable Energy Group, Inc., Ames, Iowa, USA. Hence the composition of the Supervisory Board changed. The Supervisory Board members Dr. Yom-Tov Samia und Mr. Isaac Isman, which were associated with IC Green Energy Ltd., declared their immediate resignation. The resignation was accepted with effect from December 29, 2014. On December 30, 2014 the company appealed the court to appoint the following persons to the supervisory board till the next annual general assembly.

Daniel J. Oh
President and CEO of Renewable Energy Group, Inc., Ames, Iowa, USA

Brad Albin
Vice President Manufacturing of Renewable Energy Group, Inc., Ames, Iowa, USA

The legal appointment has been granted on January 6, 2015.

26. Objectives and methods of financial risk management

The basic financial liabilities relied on by the Group, except for derivative financial instruments; consist of interest-bearing shareholder loans, trade payables and other liabilities. The main purpose of this financial instrument is the funding and maintenance of the Group's business activities. The Group has claims arising out of lending, trade receivables and other receivables, as well as instruments of payment resulting directly from its business activities. Further the Group also holds assets available for sale and enters into the financial derivative transactions.

The Group is exposed to market, credit and liquidity risks. Controlling such risks is the responsibility of the Group's Management. Management provides the Group with an appropriate general plan for financial risk control. Management ensures that the Group's activities involving financial risks are carried out in accordance with the corresponding guidelines and procedures and that financial risk is identified, assessed and controlled according to those guidelines, taking into account the risks that the Group is willing to incur. All financial derivative transactions entered into for the purpose of risk management are controlled by an expert who has the necessary expertise and experience and is subject to appropriate supervision. The Group's internal guidelines do not permit trading in derivatives for speculative purposes. Petrotec Group capital management aims to preserve its financial stability.

	Unit	Dec. 31, 2014	Dec. 31, 2013
Equity capital	KEUR	24,157	27,714
Equity ratio	%	51.2	47.6
Current financial liabilities	KEUR	9,876	13,795
Non-current financial liabilities	KEUR	4,507	6,479
Cash and equivalents, current assets	KEUR	11,113	9,935

The key component of balanced capital management is not only inherent in equity resources but also in the securing of loans extended to Vital Fettrecycling GmbH and Petrotec AG.

The Group continues to pursue its policy of not trading in financial instruments.

The material risks to the Group arising from the financial instruments are interest-based cash-flow risks, liquidity risks and default risks. Management compiles and assesses risk management guidelines for each of these risks, as described below.

Default risk

Default risk is the risk that a trading partner will fail to meet his or her obligations with respect to a financial instrument or customer outline agreement and that leads to a financial loss. In its operational business activities, the Group is exposed to default risks (especially from trade receivables) as well as risks related to financing activities, including deposits at banks and other financial institutions, foreign-currency transactions and other financial instruments.

The Group does business exclusively with recognized, creditworthy third parties. All clients who wish to do business with the Group on a credit basis are first subjected to an assessment of their creditworthiness. The Group is owed certain high-volume receivables by certain clients. We assume that given these customers' credit ratings, this does not pose significant increases in the default risk. The maximum default risk is limited to the book value presented under Note 14.

The maximum default risk the Groups is exposed to with regard to other financial assets, which includes cash and cash equivalents, resulting from the default of the counterparty is the book value of the corresponding instruments. Since the Group only does business with recognized, creditworthy third parties, no collateral is required.

Liquidity risk

The Petrotec Group classifies as liquidity risks any risk of potentially not being able to meet its financial obligations. Risk segments are among others the servicing of loans or the payments due to suppliers.

In the Petrotec Group, access to liquid funds is gained alongside operating business, primarily through current and non-current loans from its majority shareholder REG European

Holdings B.V. The liquid funds generated are used for investments and to finance working capital. The Group also utilizes short term bank loans to finance its working capital.

The Group's goal is to strike a balance between constantly covering its liquidity needs and ensuring flexibility by using current and non-current loans from REG European Holdings B.V. and current bank loans. Liquidity management is achieved through the ongoing alignment of the liquidity needs with inflow of funds from operating activities.

At year end 2014 79.9% (previous year: 78.3%) of the Group's borrowed capital is due for payment in less than a year. The borrowed capital quota has declined to 48.7% (prior year: 52.4%).

The contract dated March 17, 2014 regarding the rescheduling of some of the shareholder loans from ICG includes the right to demand for immediate repayment of the loans after March 31, 2015. REG as the legal successor of ICG amended this contract on March 11, 2015 in that manner that the option for the premature callback of the long-term share amounting to KEUR 4,256 could only be executed after March 31, 2016. This liquidity risk could be compensated by cash management.

A trade facility agreement exists with a leading European bank to finance the working capital. This trade line is prolonged on a yearly basis and is subject to the fulfillment of certain covenants within the year. The fulfillment of the requirements is reviewed on a quarterly basis. In the year 2014 the company complied with all covenants.

Market risks

Market risk is the risk of variation in a financial instrument's fair value or future cash flows due to changes in market prices. Market risk includes the following four types of risk: currency risk, interest rate risk, commodity price risk and other price risks such as share price risk. The financial instruments exposed to market risk include, among others, interest-bearing loans, deposits of financial assets available for sale and derivative financial instruments.

The sensitivity analyses in the following sections refer to the situation on December 31, 2014 and 2013. The sensitivity analyses were performed on the basis of the hedging relationships as of December 31, 2014, on the assumption that the degree of net indebtedness, the ratio of fixed and variable interest on debts and derivatives, and the share of financial instruments in foreign currencies will remain constant.

Interest risk

Interest rate risk is the risk of variation in the fair value or future cash flows of a financial instrument due to changes in the market interest rates. The risk the Group faces with regard to changes in interest rates is essentially avoided by the Group opting for financing arrangements based on fixed interest rates over the entire term of its liabilities. Loans are essentially granted only by the majority shareholder for the purpose of financing ongoing business; the interest rate of the loans is fixed, so the risk of interest rate fluctuations is slight or non-existent.

As far as short term loans for the funding of the working capital are concerned, the interest risk is also being averted through the agreement on fixed interest rates. We did not analyze interest rate sensitivity because interest rate changes have negligible effects on the Company's equity capital and income statement.

Currency risk

Currency risk is the risk that a financial instrument's fair value or future cash flow will be exposed to price variations due to changes in the exchange rates. Owing to its business activities, the Group is primarily exposed to currency risks. To control currency risk, the Group hedges such transactions as are expected to occur. According to the Group's internal guidelines, the effectiveness of a hedging relationship should be optimized by negotiating terms of the derivative hedging relationship that correspond to the terms of the hedged underlying transactions.

The Group is exposed to currency risk only in USD.

Sensitivity to exchange rate variations

Following the sensitivity of the valuation of derivatives shall be analyzed. This analysis was performed on the assumption that all other parameters (underlying transactions) would remain constant. The analysis only covers derivatives whose market price fluctuations impact the equity capital of the profit/loss for the year. Such derivatives were used as hedge instruments in fair value hedges. Thus, the following sensitivities do not reflect the actual economic risk of the Petrotec Group and merely serve the purpose of complying with the rules of disclosure under IFRS 7.

A reduction (increase) of the market price by 10% as of the account closing date December 31, 2014 would have a positive (negative) effect on the Group result of KEUR 370 (prior year: KEUR 640).

Commodity price risk

The volatility of certain commodity prices has an effect on the Group. This relates in particular to the correlation of biodiesel and the price of fossil diesel. Due to the essentially increased volatility of the commodity price, Management has developed and introduced a risk management strategy for the commodity price risk and its mitigation.

Sensitivity to commodity prices

Following the sensitivity of the valuation of derivatives shall be analyzed. This analysis was performed on the assumption that all other parameters (underlying transactions) would remain constant. The analysis only covers derivatives whose market price fluctuations impact the equity capital of the profit/loss for the year. Such derivatives were used as hedge instruments in fair value hedges. Thus, the following sensitivities do not reflect the actual economic risk of the Petrotec Group and merely serve the purpose of complying with the rules of disclosure under IFRS 7.

A reduction (increase) of the market price by 10% as of the account closing date December 31, 2014 would have a positive (negative) effect on the Group result of KUSD 0 (prior year: KUSD 1,005).

Trade receivables

The default risk from trade receivables is controlled according to the Group's guidelines and controls for customer default risk management. The customer's creditworthiness is rated using a comprehensive credit rating scheme. The individual credit lines are determined according to that rating. Outstanding claims against customers are monitored and any deliveries made are generally either secured through a letter of credit or other forms of credit insurance. On each reporting date, key customers are analyzed individually to determine whether value adjustments are required. The Group considers that it has a low concentration of risk in its trade receivables, since its customers are based in a variety of countries.

Disproportionately high concentration of risk

Concentrations of risk arise whenever a number of business partners who exercise similar business activities or activities within the same region or who have economic characteristics that would lead to an impaired ability to meet their contractual obligations in the same manner in the event of changes in the economic or political situation or other conditions. In order to avoid disproportionately high concentrations of risk, the Group guidelines contain specific rules for maintaining a diversified portfolio. Any concentrations of default risk that are identified are controlled and managed accordingly.

27. Financial instruments

General information

A financial instrument is a contract that simultaneously creates a financial asset for one company and a financial liability for another company, or that governs an equity instrument. The Petrotec Group's financial instruments fall into two categories: original and derivative financial instruments.

The original financial instruments on the assets side mainly consist of the long-term portion of loans (long-term financial assets), trade receivables, other assets and instruments of payment. On the liabilities side, the original financial instruments mainly consist of the stated financial liabilities, trade payables and other short-term liabilities. The derivative financial instruments include instruments to hedge price risk from sales and feedstock purchase transactions. After acquisition, derivative financial instruments are measured at fair value on initial recognition. Subsequent valuations are based on the fair value at the time. Financial instruments in the form of swaps and futures transactions are used to hedge the selling price of biodiesel, which is linked to the price of petroleum. They also help hedge liabilities in foreign currencies. If they fulfill the requirements for fair value hedges then they are classified as derivatives in a hedging relationship.

As of December 31, 2014 and in the prior year, the Group hedged pending transactions by means of currency and futures transactions. They were 145classified as hedge instruments in foreign currency fair value hedges for future sales. As of December 31, 2014, the hedged pending transactions with a fixed receivable led to stating financial assets in the amount of KEUR 155 (prior year: KEUR 45) and financial liabilities in the amount of KEUR 441 (prior year: KEUR 64). The changes in the fair value of the currency futures transactions and pending transactions with fixed liabilities were recognized in the income statement

Categories of financial assets and financial liabilities

The following representation shows the fair values and carrying amounts according to the categories of financial instruments under IFRS 7. The carrying amount corresponds to the fair value.

Measured		at amortized cost		at fair value		at fair value			
Valuation category		Loans and receivables		Derivatives in hedging relationship		Derivatives not in hedging relationship		TTL	
	Unit	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Dec. 31, 2014									
Trade receivables	KEUR	4,118	4,118	0	0	0	0	4,118	4,118
Other financial assets	KEUR	2,776	2,776	0	0	0	0	2,776	2,776
Derivatives	KEUR	0	0	20	20	134	134	155	155
Cash	KEUR	11,113	11,113	0	0	0	0	11,113	11,113
Assets	KEUR	18,007	18,007	20	20	134	134	18,162	18,162
Dec. 31, 2013									
Trade receivables	KEUR	8,049	8,049	0	0	0	0	8,049	8,049
Other financial assets	KEUR	389	389	0	0	0	0	389	389
Derivatives	KEUR	0	0	84	84	0	0	84	84
Cash	KEUR	9,935	9,935	0	0	0	0	9,935	9,935
Assets	KEUR	18,373	18,373	84	84	0	0	18,457	18,457

Measured		at amortized cost		at fair value		at fair value			
Valuation category		Loans and receivables		Derivatives in hedging relationship		Derivatives not in hedging relationship		TTL	
	Unit	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Dec. 31, 2014									
Non-current and current financial liabilities									
Liabilities to banks and other loans	KEUR	14,383	14,383	0	0	0	0	14,383	14,383
Other non-current liabilities	KEUR	122	122	0	0	0	0	122	122
Trade payables	KEUR	6,715	6,715	0	0	0	0	6,715	6,715
Other current financial liabilities	KEUR	1,329	1,329	0	0	0	0	1,329	1,329
Derivatives	KEUR	0	0	178	178	263	263	441	441
Liabilities	KEUR	22,550	22,550	178	178	263	263	22,991	22,991
Dec. 31, 2013									
Non-current and current financial liabilities									
Liabilities to banks and other loans	KEUR	20,274	20,274	0	0	0	0	20,274	20,274
Other non-current liabilities	KEUR	151	151	0	0	0	0	151	151
Trade payables	KEUR	8,264	8,264	0	0	0	0	8,264	8,264
Other current financial liabilities	KEUR	1,757	1,757	0	0	0	0	1,757	1,757
Derivatives	KEUR	0	0	64	64	0	0	64	64
Liabilities	KEUR	30,446	30,446	64	64	0	0	30,510	30,510

The financial instruments mentioned in the table above are explained in detail below.

The fair value of financial assets and financial liabilities must be reported in the amount at which the pertinent instrument could be exchanged between parties willing to enter into a contract to that effect in a transaction right now (with the exception of a mandatory sale or liquidation). The methods and assumptions used for the determination of the applicable fair values are the following:

- The fair value of the cash and cash equivalents, short-term deposits, trade receivables, trade payables and other short-term liabilities corresponds to their carrying amount, primarily because of their short-term maturity.
- Non-current interest-bearing and variable interest-bearing receivables / loans are valued by the Group on the basis of parameters such as interest rates, credit ratings of the individual customers and the risk parameters of the funded project. Based on these valuations, value adjustments are made to take into account anticipated defaults on these receivables. As of December 31, 2014, the book values of these receivables after deduction of the value adjustments do not deviate much from their computed applicable fair values.
- The Group trades in derivative financial instruments with various parties, especially financial institutions with a high credit rating (investment grade). Using a valuation method according to input parameters observable on the market, derivatives mainly consist of swaps and currency futures contracts. The most common valuation methods include the forward price and swap models, using cash-value calculations. The models involve various parameters, such as the credit ratings of the trading partners and the spot exchange and forward prices of the underlying commodities.

As of December 31, 2014 the derivatives positioning has been reported at market values (mark-to-market).

Reconciliation with the balance sheet items

The categories of financial instruments under IFRS 7 basically correspond to the items of the consolidated balance sheet. The categories that differ from them are reconciled in the following figure with the balance sheet items as of December 31, 2014.

Reconciliation with the balance sheet items

IFRS 7 categories		Dec. 31, 2014	Balance sheet position		Dec. 31, 2014
Other assets	KEUR	49	Long-term financial assets	KEUR	49
Trade receivables	KEUR	4,118			
Other assets	KEUR	452			
Derivatives	KEUR	155			
Assets other than finacial instruments	KEUR	2,324			
	KEUR	7,049	Trade receivables and other receivables	KEUR	7,049
Liabilities to banks	KEUR	454	Long-term interest-bearing bank loans	KEUR	267
			Short-term interest-bearing bank loans	KEUR	187
Other loans (shareholder loans)	KEUR	12,852	Long-term interest-bearing liabilities to shareholders	KEUR	3,250
			Short-term interest-bearing liabilities to shareholders	KEUR	9,602
	KEUR	13,306		KEUR	13,306
Trade payables	KEUR	6,715			
Derivatives	KEUR	441			
Other financial liabilities	KEUR	1,291			
Liabilities other than financial instruments	KEUR	0			
	KEUR	8,448	Trade payables and other liabilities	KEUR	8,448

Reconciliation with the balance sheet items

IFRS 7 categories		Dec. 31, 2013	Balance sheet position		Dec. 31, 2013
Other assets	KEUR	65	Long-term financial assets	KEUR	65
Trade receivables	KEUR	8,049			
Other assets	KEUR	389			
Derivatives	KEUR	84			
Assets other than finacial instruments	KEUR	3,049			
	KEUR	11,571	Trade receivables and other receivables	KEUR	11,571
Liabilities to banks	KEUR	6,569	Long-term interest-bearing bank loans	KEUR	154
			Short-term interest-bearing bank loans	KEUR	6,415
Other loans (shareholder loans)	KEUR	12,506	Long-term interest-bearing liabilities to shareholders	KEUR	5,250
			Short-term interest-bearing liabilities to shareholders	KEUR	7,256
	KEUR	19,075		KEUR	19,075
Trade payables	KEUR	8,264			
Derivatives	KEUR	64			
Other financial liabilities	KEUR	1,757			
Liabilities other than financial instruments	KEUR	0			
	KEUR	10,085	Trade payables and other liabilities	KEUR	10,085

Hierarchy of fair values

The Group uses the following hierarchy to determine fair values of financial instruments and corresponding valuation methods for the purposes of the disclosures:

Level 1: Listed (non-adjusted) prices on active markets for similar assets or liabilities,

Level 2: Methods in which all input parameters having a material impact on the fair value recognized are observable either directly or indirectly,

Level 3: Methods using input parameters having a material impact on the fair value recognized and not based on observable market data.

As of December 31, 2014, the Group's balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	**Unit**	**Dec. 31, 14**	**Level 1**	**Level 2**	**Level 3**
Financial assets valued at the applicable fair value					
Financial instruments measured at fair value through profit or loss					
Currency future contracts in a hedging relationship	KEUR	20	0	20	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	0	0	0	0
Swaps and futures without hedging relationship	KEUR	134	0	134	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	104	0	104	0
Liabilities valued at the applicable fair value					
Financial liabilities measured at fair value through profit or loss					
Currency future contracts in a hedging relationship	KEUR	179	0	179	0
Currency future contracts without hedging relationship	KEUR	46	0	46	0
Swaps and futures in a hedging relationship	KEUR	0	0	0	0
Swaps and futures without hedging relationship	KEUR	217	0	217	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	18	0	18	0

As of December 31, 2013, the Group's balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	Unit	Dec. 31, 13	Level 1	Level 2	Level 3
Financial assets valued at the applicable fair value					
Financial instruments measured at fair value through profit or loss					
Currency future contracts in a hedging relationship	KEUR	45	0	45	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	39	0	39	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	39	0	39	0
Liabilities valued at the applicable fair value					
Financial liabilities measured at fair value through profit or loss					
Currency future contracts in a hedging relationship	KEUR	64	0	64	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	0	0	0	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	62	0	62	0

The management has determined that the book values of payment resources and short term deposits, accounts receivable for goods and services, accounts payable for goods and services and other liabilities are virtually on par with their applicable fair values, primarily because of the short terms of these financial instruments.

The fair value of financial assets and financial liabilities must be reported in the amount at which the pertinent instrument could be exchanged between parties willing to enter into a contract to that effect in a transaction right now (with the exception of a mandatory sale or liquidation).

The methods and assumptions used for the determination of the applicable fair values are the following:

- Long term receivables/loans subject to fixed interest rates and variable interest rates are reported by the Group at values based on parameters such as interest rates, certain country specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on these valuations, value adjustments are made to take into account anticipated defaults on these receivables. As of December 31, 2014, the book values of these receivables after deduction of the value adjustments do not deviate significantly much from their computed applicable fair values.

- The applicable fair value of instruments that are not publicly traded, bank loans and other financial liabilities, obligations arising from finance lease arrangements as well as other long term financial liabilities is estimated through the discounting of the future cash flow using the comparable terms, default risks and residual terms and available interest rates for borrowed capital.
- The Group trades in derivative financial instruments with various parties, especially financial institutions with a high credit rating (investment grade). Using a valuation method of input parameters for derivatives that can be monitored on the market, the derivatives utilized are primarily dated currency contracts and dated commodities contracts. The evaluation models factor in a variety of factors, e.g. the creditworthiness of business partners, currency, cash and dated transaction as well as forwarding rates for the commodities they are based on. All derivatives are completely collateralized with cash funds, which rules out both, the risk of non-fulfillment by business partners and the non-fulfillment risk of the Group. As of December 31, the mark-to-market derivative position is understood to be adjusted downward to take into account the counterparty default risk of the derivative. The changes in the counterparty default risk had no material effects on the assessment of the effectiveness of the hedging relationship in the case of derivatives assigned to a hedging relationship and other financial instruments recognized at fair value.
- The applicable fair values of interest earning loans of the Group are determined using the discounted cash flow method. The interest rate used for this purpose is one that reflects the borrowed capital interest rate of the issuer until the end of the reporting period. As of December 31, 2014 the Group's own non-fulfillment risk was classified as low.

Derivatives

The following table shows the stated derivative assets and liabilities with their fair values and the underlying nominal volumes.

Derivatives	Nominal-volumes	Derivative assets = positive market values	Derivative liabilities = negative market values
	KUSD	KEUR	KEUR
Dec. 31, 2014			
Standalone Derivatives			
Biodiesel hedge	12,040	134	217
Currency hedge	4,100	0	46
Derivatives in a hedging relationship			
Fair value hedge			
Biodiesel hedge	0	0	0
Currency hedge	13,440	20	179
TTL		154	442
Dec. 31, 2013			
Derivatives in a hedging relationship			
Fair value hedge			
Biodiesel hedge	10,051	39	0
Currency hedge	21,800	45	64
TTL		84	64

The fair values of the derivatives were determined according to the mark-to-market method.

Description of the existing derivatives as of the reporting date

Biodiesel swap transactions (in a hedging relationship)

To hedge the proceeds from sales contracts linked to petroleum prices, hedges in the form of fixed biodiesel sales are against variable petroleum prices. The positive market values of these swaps and futures amount on the balance sheet date to KEUR 0 (prior year: KEUR 39), the negative KEUR 0 (prior year: KEUR 0). After taking inefficiencies into account in the amount of KEUR 0 (prior year: KEUR 0) no adjustments affecting the income statement were necessary. The prospective efficiency measurement was in the acceptable range. The retrospective efficiency was calculated using the Dollar-Offset Method.

Currency transactions (in a hedging relationship)

To hedge the foreign currency receivables and foreign currency liabilities resulting from the sale of biodiesel or purchase of feedstock, hedges were used in the form of fixed currency sales or purchases. The positive market values of those currency futures transactions amounted on the balance sheet date to KEUR 20 (prior year: KEUR 45), the negative to KEUR 179 (prior year: KEUR 64). The inefficiencies in the amount of KEUR 71 (prior year: KEUR 41) were recognized on the income statement. The prospective efficiency measurement was in the acceptable range. The retrospective efficiency was calculated using the Dollar-Offset Method.

Stand-alone derivatives biodiesel

In order to hedge raw materials and merchandise stocks (biodiesel) against price fluctuations, further additional hedging transactions (futures and options) were closed which do not meet the requirements for hedge accounting. The positive market value of such derivatives amounted at the balance sheet date to KEUR 134 and the negative market value to KEUR 217. As of the prior year balance sheet date there were no such derivatives.

Stand-alone derivatives currency

In order to hedge future USD- sales against exchange rate fluctuations, further additional hedging transactions (futures and options) were closed which do not meet the requirements for hedge accounting. The negative market value of such derivatives amounted at the balance sheet date to KEUR 46. As of the prior year balance sheet date there were no such derivatives.

Hedging activities

The efficiency of the fair value from futures transactions is determined prospectively using Critical Terms Match and retrospectively through the Dollar-Offset Method. So long as the hedge remains in a bandwidth of 80% to 125%, the Hedge Accounting is continued. In fair value hedges, the change in fair values of underlying transactions was counted towards the hedged risk in the total amount of KEUR 4 (prior year: KEUR -23) as part of the carrying amount of the secured underlying transaction.

28. Occurrences after the balance sheet closing date

On December 9, 2014, Renewable Energy Group, Inc., Ames, Iowa, USA through its fully owned subsidiary REG European Holding BV, Amsterdam-Schiphol, Netherlands (“REG”), announced its intention to acquire all shares held by the major shareholder, IC Green Energy Ltd. (“ICG”). On January 19, 2015, REG published a voluntary takeover offer to the remaining shareholders offering them the option to sell their shares to REG at a price of EUR 1 per share. Based on the fairness opinion prepared by Equinet Bank AG, Frankfurt am Main, the Management Board and the Supervisory Board of Petrotec AG published a statement, on January 26, 2015, referring to the reasoned opinion they prepared. According to this document they consider the abovementioned price offer of REG to be adequate, recommending the acceptance of the takeover offer. By the end of the additional acceptance period on March 5, 2015 the offer has been accepted for a total of 3,764,789 shares. Hence REG notified Petrotec that via shares its voting rights on the company have exceeded the threshold of 75% of voting rights on March 12, 2015 and amounted on that day to 84.42% (this corresponds to 20,720,234 voting rights).

The contract dated March 17, 2014 regarding the rescheduling of some of the shareholder loans from ICG includes the right to demand for immediate repayment of the loans after March 31, 2015. REG as the legal successor of ICG amended this contract on March 11, 2015 in that manner that the option for the premature callback of the long-term share amounting to KEUR 4,256 could only be executed after March 31, 2016. The agreement is based on the following repayment schedule:

Maturity after rescheduling	Unit	2015	2016	2017	TTL
Mar. 31	KEUR	1,000	0	0	1,000
Jun. 30	KEUR	2,000	0	0	2,000
Jun. 30	KEUR	0	1,000	0	1,000
Jun. 30	KEUR	0	0	2,000	2,000
Dec. 31	KEUR	0	0	1,256	1,256
TTL	KEUR	3,000	1,000	3,256	7,256

29. Average payroll

The Petrotec Group employed the following average number of employees, not counting trainees (disclosure pursuant to § 314 (1) (4) of the German Commercial Code):

Average number of employees	Unit	2014	2013
Salaried employees	QTY	42	39
Hourly employees	QTY	69	70
TTL	QTY	111	109

30. Time of approval of the annual financial statements for publication

The Management Board of Petrotec AG, Borken, has released the consolidated group financials on March 13, 2015 for passing on to the Supervisory Board. The Supervisory Board approved the consolidated financial statements and released them for publication.

31. Statements pursuant to § 314 (1) No. 9 of the German Commercial Code

For the fiscal year 2014, the Group's financial auditor received an amount of KEUR 72 for the performance of the audit of the annual financial statements, KEUR 0 for tax advice, KEUR 4 for other confirmation services and KEUR 32 for other services.

32. Declaration of compliance pursuant to Section 161 AktG (Corp.Gov.)

During the reporting year, the Management Board and Supervisory Board of Petrotec AG also focused on the adherence to the requirements of the German Corporate Governance Code. Petrotec complies almost fully with all recommendations, with only a few deviations. As result, a joint declaration of the Management Board and the Supervisory Board in accordance with sec. 161 of the Stock Corporation Act has been stated. The updated joint declaration from December 2014 was permanently made available to the public on the webpage of Petrotec AG (www.petrotec.de) and is also available for download. The declaration according to sec. 161 of the Stock Corporation Act contains further information.

Borken, March 13, 2015

Jean Scemama
CEO

33. Declaration of compliance / assurance pursuant to §§ 264 para.2, 289 para. 1 HGB

I herewith affirm that to the best of my knowledge and in line with the applicable accounting principles the Petrotec AG annual financial statements and consolidated annual financial statements give an account of the Company's and Group's assets, finances and earnings that is in line with the actual facts and that the course of business and the Company's and Group's position is described in the report in line with the material facts, and that the material opportunities and risks of the probable future development of the Company and Group are duly described.

Borken, March 13, 2015

Jean Scemama
CEO

Auditor's Report

We have audited the consolidated financial statements prepared by the Petrotec AG, Borken, – comprising the consolidated balance sheet, the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements – together with the management report for the Company and the Group for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the management report for the Company and the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a subs. 1 HGB are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in a consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report for the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a subs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report for the Company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 13, 2015

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

Christian Roos
- Wirtschaftsprüfer -

Alexandra Sievers
- Wirtschaftsprüferin -