BDI

BioDiesel International

Group Annual Report 2008

www.bdi-BioDiesel.com

Our future. Clean energy.

Highlights of 2008

Further improvement in the EBIT margin

9 plants handed over successfully in 7 countries

Expansion of the plant portfolio via acquisition policy

Increase in biomass to liquid skills

Selected key figures as per 31. 12. 2008

	2008	2007	Change
Orders on hand (on 31. 12.)	**€ 25.3 million**	€ 72.3 million	– 65.0%
Sales	**€ 61.7 million**	€ 77.1 million	–20.0%
National	€ 1.2 million	€ 4.6 million	–74.7%
International	€ 60.5 million	€ 72.5 million	–16.5%
EBIT	**€ 5.0 million**	**€ 4.7 million**	**+7.5%**
EBIT margin	8.2%	6.1%	–
EBT	**€ 6.3 million**	**€ 7.1 million**	**–10.9%**
EBT margin	10.2%	9.2%	–
Period earnings	€ 4.6 million	€ 5.5 million	–16.2%
Balance sheet total	€ 107.6 million	€ 102.7 million	+4.8%
Equity	€ 68.1 million	€ 63.3 million	+7.6%
Equity ratio	63.3%	61.6%	–
Cash flow from operating activity	€ 12.5 million	€ 2.7 million	+358.2%
No. of employees (on 31. 12.)	151	126	+19.8%
Lead time for major orders	18 – 22 month	18 – 22 month	
No. of major orders processed	14	15	

Contents

This is a translation of the German Report. Only the German Report is authoritative.

The company at a glance

BDI – BioDiesel International is market and technology leader in the construction of customised, turnkey BioDiesel plants by the multi-feedstock process the company has developed itself. The range of services provided by BDI includes public authority, basic and detailed engineering, installation and start-up as well as after-sales support for plants that are designed for the industrial processing of renewable raw materials. BDI carries out research on the development of processes for the exploitation of new raw materials at its own large laboratories and has been co-operating with external institutes and universities for many years now.

Strong position

BDI – BioDiesel International AG holds a prominent global position as a reliable specialist for the construction of high-quality plants that focusses on renewable energies and in-depth service. Thanks to its many years of experience with biofuels, one of the strongest alternative energies at the moment, BDI is in a position to implement even the most demanding of projects.

Core skill

BDI's core skill is the development and implementation of processes for the obtainment of BioDiesel that produce high yields and provide tremendous flexibility in the raw materials they use. The BDI multi-feedstock process enables customers to produce BioDiesel that is better than required by the strictest standards, is environmentally sound and minimises resource input with yields of up to 100% from different raw materials, like vegetable oil, used cooking oil and animal fats. The high yield, the quality of the product manufactured and the dependability of BDI's plants guarantee excellent value for money. The company's good reputation on the market is attributable to these strengths.

Multi-feedstock plant in Bilbao, Spain, 2008

Strategy

BDI focusses on the development of comprehensive solutions for the industrial use of renewable resources for energy generation. The company has developed from being a pioneer in the construction of BioDiesel plants to being a leading global supplier. BDI is a high-quality manufacturer that concentrates on maximum output and optimum service. The aim is to set standards for sustainable energy generation with innovative technologies and equipment.

Dear Sir or Madam,
dear Shareholders,
dear Employees,

2008 was an extremely busy year for BDI – BioDiesel International AG: we succeeded in handing 9 plants over to our customers successfully in 7 different countries around the world. As a result of this, we reached our target of generating sales of over EUR 60.0 million in the past fiscal year and improved our operating result substantially to EUR 5.0 million. This meant that our EBIT margin increased from 6.1% to 8.2%.

We consider the fact that 5 of the plants were built for customers who already operate BDI plants to be confirmation of the quality of our work.

We are particularly delighted about the extension to the BioDiesel plant in Mureck in Styria. This is where our „energy future“ began. The plant was built by our experts as long ago as 1991 and was adapted for the processing of used cooking oil – the first time anywhere in the world – in 1994, with modifications for the processing of animal fats as well in 2002. Since then, the plant has been helping Mureck to develop an autonomous position in the energy field, producing environmentally sound BioDiesel for – among others – the bus fleet operated by the Grazer Verkehrsbetriebe transport company.

We were, however, less happy about the fact that biofuels were accused of being responsible for high food prices at the beginning of 2008. The misguided media debate about the alleged competition between biofuels and food died down in the course of the year. The populistic criticism was in the final analysis stifled by the lack of objective arguments and unrealistic assumptions; a clear indication of this is the EU Renewable Energy Directive that was updated in December 2008, in which biofuels continue to play a leading role in climate protection, so that sensible co-existence between biofuels and food can be expected.

This debate nevertheless made it clear how sensitive the biofuel environment is. In this context, we can draw attention to the focus we have placed on the use of waste and residual materials ever since our company was founded.

These raw materials do not have to be manufactured specially, so they have no carbon footprint of their own.

Such difficult raw materials as used cooking oil and animal fats, which are difficult but also cheaper than fresh vegetable oils, can be processed extremely efficiently with the BDI multi-feedstock process. BDI plants produce BioDiesel with them that already meets the requirements about CO_2 reduction and sustainability that the EU is only expecting to be satisfied by the next generation of biofuels which is still being developed.

The idea of smart processing of residual materials is not only a political programme in the EU today; it is proving to be increasingly popular at the international level too. Most of the existing BDI customers have opted for the multi-feedstock technology for processing vegetable raw materials and waste / residual materials so far. We think that there is tremendous international potential for further new projects in this area.

Our latest milestone project in Hong Kong is setting new standards by making industrial use for the first time of fats from the grease traps installed in restaurants and kitchens. The 100 000 tonne plant, which is in the process of being installed, will solve a waste disposal problem for this huge city and at the same time produce an alternative fuel with high added value.

The biofuel manufacturers themselves are also being affected by the current financial and economic crisis. The international stock market slump has hit the financial community very hard and has thus slowed down the funding of new plant construction projects as well. The situation in Germany continues to be made even more difficult by the controversial taxation of BioDiesel. In view of the targets set by the EU for the use of renewable energies for transport purposes, the programme about renewable energy sources that has been announced in the United States and the global campaigns about biofuel addition, further growth can nevertheless be expected in the BioDiesel industry in the medium to long term.

In 2008, we took further action to generate new growth by entering new markets and by expanding our product portfolio via our acquisition policy too, however.

Exploitation of the synergy benefits in this extended corporate network will be one of our major goals in the current year. We have made steady progress in the optimisation of our BioDiesel production processes as well as with our special focus on BioDiesel production from algae and the biomass to liquid project and have managed to obtain funding from the Austrian research promotion authorities (FFG) for these purposes too.

Renewable energies will become increasingly important in the coming years. There are plans for billions to be invested in the USA and EU alone in order to make advances in climate protection and to achieve independence from finite fossil energy sources.

With its highly qualified staff, BDI is in an excellent position to tackle these new challenges.

We will be continuing to implement our strategy of reaching milestones in sustainable energy generation with our in-house research and technology resources in 2009 too – for the benefit of our shareholders, customers and employees.

Wilhelm Hammer	Helmut Gössler	Mag. Dagmar Heiden-Gasteiner
CEO	CTO	CFO

The BDI share

The intensification of the financial crisis on the global capital markets has depressed the international stock markets considerably. BDI felt the impact of this strongly in the past 2008 fiscal year too. The BDI share price started the 2008 stock market year at EUR 19.90 and reached its high for the year of EUR 21.00 a few days later. Following a brief drop to EUR 11.01 at the end of January, the price of the BDI share settled at a relatively constant level of between EUR 14.00 and 18.00 in the first half of the year. In the course of the second half of the year, the BDI share was unable to buck the trend in the unfavourable capital market environment, however: the share price fell substantially from August onwards and reach the low for the year of EUR 5.51 in mid-December, before closing 2008 at EUR 6.18.

Although BDI – BioDiesel International AG belongs to the plant construction industry, the BDI share price was affected by the downtrend German BioDiesel shares experienced in the previous year (2007). The share price development in 2008 did not reflect the actual development of the company‘s business either. What the market failed to take into consideration above all were the company‘s independence from local, short-term market factors and its tremendous international market potential.

The BDI share made a considerably more encouraging start to 2009. The share price increased by 60% within a few weeks and reached EUR 9.20 in mid-February 2009.

Basic data about the BDI share

ISIN:	AT 0000A02177
Number of shares:	3,800,000
Free float:	18.61%
Earnings per share:	€ 1.22
Price-to-earnings ratio:	7.50
Book value / share:	€ 17.93
Share price (mid 02 / 2009):	€ 9.20
Market capitalisation:	€ 35.00 million
52-week high / low (2008):	€ 21.00 / 5.51

Responsible and transparent company management is very important to BDI – BioDiesel International AG. High priority is therefore given to the rules specified in the **Austrian Corporate Governance Code.** The aim of this voluntary self-regulation code is to facilitate responsible management and control, with the focus on the sustained, long-term creation of value. In the final analysis, shareholders benefit from this to a particularly large extent: a high degree of transparency is achieved via clear structures, effective control mechanisms and a good information policy.

The Austrian Corporate Governance Code includes not only the standard international principles of good company management but also the most important rules of Austrian company law. The current version is made available by the Austrian corporate governance task force at www.corporate-governance.at. The Code includes 83 rules, which are divided up into three categories:

Legal requirement (L): rules that are based on legal regulations that have to be observed.

Comply or explain (C): rules that are based on standard international regulations; failure to observe them must be explained and justified for it to be considered that the company is acting in compliance with the Code.

Recommendation (R): rules that have the character of a recommendation; failure to observe them neither has to be disclosed nor justified.

BDI – BioDiesel International AG has issued a statement in accordance with the Austrian Corporate Governance Code of January 2009. This statement confirms that all the „L rules“ (legal requirements) and all the „C rules“ (comply or explain) are observed, with the following exceptions:

Rule 21: As an issuer whose shares have not been admitted for domestic trading on a regulated market, BDI is not covered by the compliance decree for issuers.

Rules 41 and 43: The assignments of the nomination and compensation committee are carried out by the Supervisory Board as a whole – particularly in view of the fact that the Supervisory Board consists of no more than six members – as a result of which an appropriate body exists.

Rules 53 and 54: The members of the Supervisory Board cannot be considered independent. However, they either have crucial know-how that makes them key people responsible for the current and future success of the company‘s business or they are longstanding legal advisors and / or tax consultants of the company who also have important know-how, so that their integration in the Supervisory Board is in the interests of the company. In addition to this, they must be considered economically independent because of the rest of their professional activities and their resources.

The company management implemented the objectives of the Code – responsible management and control, transparency and sustained, long-term creation of value – in the 2008 fiscal year. It is confirmed herewith that all the rules of the Corporate Governance Code approved by the company boards and published on the website were observed in full in the 2008 fiscal year, with the exception of the rules mentioned above. Further information about corporate governance, such as the corporate governance report, directors‘ dealings and the company‘s articles of association, can be found in the „Investor relations“ section of the company website: www.bdi-BioDiesel.com.

Report by the Supervisory Board

The Supervisory Board of BDI – BioDiesel International AG carried out the assignments for which it is responsible according to the legal regulations and the articles of association in the 2008 fiscal year. It held five Supervisory Board meetings in this fiscal year, at which it kept itself informed about the situation, strategy, business development and risk management of the company.

The audit committee held one meeting to review the 2008 financial statements and consolidated financial statements and to prepare the adoption of the 2008 financial statements.

The bookkeeping records, the annual financial statements and the management report as well as the consolidated financial statements and the consolidated management report for the 2008 fiscal year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit did not lead to any objections being raised. The auditors confirmed without any qualifications that the annual financial statements prepared in accordance with the Austrian Corporate Code (UGB) and the consolidated financial statements prepared in accordance with the IFRS comply with the relevant accounting standards and present as faithful a picture as possible of the asset, financial and earnings development of the company.

The Supervisory Board confirmed the outcome of the audit by the auditors in the course of its own independent review. It approved the annual financial statements prepared by the Management Board, which have therefore been adopted in accordance with § 125 Paragraph 2 of the Companies Act (AktG). The management report, the consolidated financial statements and the consolidated management report were noted with approval by the Supervisory Board.

The Supervisory Board agrees with the proposal made by the Management Board about appropriation of the profit for the year. The Supervisory Board proposes to the Annual Shareholders' Meeting in accordance with § 270 Paragraph 1 of the UGB that PwC INTER-TREUHAND GmbH is appointed to be auditor of the annual financial statements and consolidated financial statements for the 2009 fiscal year.

The Supervisory Board would like to express its thanks and respect to the Management Board and the company's employees for their successful work in the past fiscal year.

Grambach, March 2009

For the Supervisory Board:

Dr. Gunter Griss, Chairman

Summary of business development

BDI – BioDiesel International's most important key figures developed as follows in the 2008 fiscal year compared with the same period the previous year:

As planned, **sales** decreased over the previous year, by 20.0% to EUR 61.7 million (2007: EUR 77.10 million).
EBIT (operating result) amounted to EUR 5.0 million, which was an improvement of 7.5% over the previous year (2007: EUR 4.7 million). The EBIT margin increased from 6.1% to 8.2%.
Earnings before tax (EBT) were 10.9% lower than in the previous year (2007: EUR 7.1 million) at EUR 6.3 million. **Period earnings** were lower than in the previous year at EUR 4.6 million.
Earnings per share amounted to EUR 1.22 after EUR 1.46 in the same period the previous year.
Equity increased by 7.6% in the period under review, from EUR 63.3 million to EUR 68.1 million. The equity ratio increased accordingly, from 61.6% to 63.3%.
BDI and the companies affiliated with it had 151 **employees** on 31. 12. 2008. This was an increase of 19.8% over the same date the previous year.
Total orders on hand on 31. 12. 2008 amounted to EUR 25.3 million, after EUR 72.3 million in the previous year.
The **cash flow from operating activity** amounted to EUR 12.5 million, which was therefore 358.2% higher than in the previous year.

Market environment

The beginning of a worldwide recession was the dominant feature of the overall economic situation in 2008. The large increases in raw material prices, the property crisis and the general financial crisis and crisis of confidence this led to were reflected more and more extensively in the real economy too.

The economic environment in which the BioDiesel industry operates was subject to rapid and massive changes in 2008: following a phase of high and, in some cases, rising raw material prices that continued from 2007, this trend reversed in mid-2008 when the global financial crisis started, affecting not only the price of crude oil but also the raw materials for BioDiesel production. Although BioDiesel producers benefitted from this in their raw material buying activities, the sales market became more difficult because of decreasing crude oil prices. As the situation in the banking sector became more and more dramatic, obstacles started to be encountered in the financing of new production facilities too.

Increasing the use of biofuels in the transport sector is one of the measures taken in **Europe** to reach the goals of the Kyoto Protocol. On 17. December 2008, the contents of the EU Renewable Energy Directive were approved by the EU Parliament. All in all, the EU confirms the line it has taken up to now and specifies that renewable sources are to account for 10% of the energy required in the member states in the transport sector in 2020. This figure includes not only first- and second-generation biofuels but also hydrogen and electricity obtained from renewable sources.

Account is to be taken of the concerns about misguided use of agricultural resources in connection with the obtainment of BioDiesel by including sustainability standards. To be recognised, biofuels also have to demonstrate CO_2 savings of at least 35%. This percentage increases to CO_2 savings of 50% from 2017 onwards.

This means that BioDiesel and bioethanol are the only environmentally sound alternatives to diesel and petrol that are available for the time being. The EU is, however, expecting fuels from what is called the second generation (biomass to liquid) and other technologies to be added in the course of the coming years.

In view of the small proportion of total consumption currently accounted for by biofuels (about 2%), growth of the BioDiesel production capacity in Europe can be assumed. This assumption is supported by the elimination of cheap imports of BioDiesel/diesel blends (B99) from the USA, which undercut European manufacturers' prices in recent years thanks to multiple subsidies. This practice known as „splash & dash“ was stopped in 2008 by legal regulations introduced in the USA and the EU.

In contrast to the EU, **North and South America** have focussed mainly on bioethanol production in the biofuel field. In Brazil – the „South American bioethanol country" – BioDiesel addition is now being expanded too with the increase from B2 to B4.

Small plants with conventional technology are primarily in operation in the USA for BioDiesel production at the present time. Due to the programme announced by the new government, which involves the investment of billions in the promotion of renewable energies, an expansion of the capacities can be expected. The production of BioDiesel from waste and residual materials („waste to fuel") is being supported by the state with doubled funding per gallon. The introduction of B2 addition is being prepared in Canada.

In **Eastern Europe** and the former **CIS states,** large agricultural reserves are available in such countries as Ukraine and Kazakhstan. In view of the low prices of fossil diesel and the fact that the unstable political situation deters long-term investments, exporting raw materials to the EU, which is within easy reach, is a more attractive option for domestic markets in these countries.

The situation is similar in **Asia** in general and **South-East Asia** in particular, where the price of fossil diesel is subsidised by the government to keep it low. This means that domestic use of biofuel is not very attractive; manufacturers are focussing on exports to the EU and USA.

Individual governments, for example in South Korea, Malaysia and Thailand, are already introducing biofuel addition rules, are working hard on developing energy independence and are encouraging the establishment of energy-autonomous regions.

Sales and earnings development

Sales target reached

In the past 2008 fiscal year, BDI generated the planned sales (according to IFRS) of EUR 61.7 million compared with EUR 77.1 million in the previous year. The difference from the previous year is due, on the one hand, to delays in the conclusion of new orders and, on the other hand, to the progress made in current projects: in 2008, fewer projects than in the previous year were in the construction phase, when sales are high.

A total of 18 projects were processed in 2008; 4 of them were engineering commissions and 14 more projects were at the installation/start-up stage. 9 BioDiesel plants in 7 different countries were handed over to the customer successfully in the course of the year.

Further improvement in the EBIT margin

EBIT (operating result) totalled EUR 5.0 million, an improvement of 7.5% over the previous year (2007: EUR 4.7 million). This meant that the EBIT margin was increased as expected, from 6.1% to 8.2%.

Due to the company's growth strategy, personnel expenses were 44.0% higher than in the previous year at EUR 10.8 million.

BDI's safely invested cash assets led to a financial result of EUR 2.7 million (previous year: EUR 2.7 million). The earnings from associated companies of EUR – 1.4 million included the company's shares in the earnings of M & R Holding AG and VTU Holding GmbH.

Earnings before tax (EBT) were 10.9% lower than in the previous year (2007: EUR 7.1 million) at EUR 6.3 million. The period earnings were lower than in the previous year at EUR 4.6 million. Earnings per share amounted to EUR 1.22, following EUR 1.46 in the same period the previous year.

The profit for the year amounted to EUR 4.6 million (same period the previous year: EUR 5.5 million); the equity ratio increased again to 63.3% from 61.6% in the previous year.

Synergy creates flexibility

Total orders on hand amounted to EUR 25.3 million at the end of 2008 (same time in the previous year: EUR 72.3 million). The acquisition of UIC involves annual sales potential of about EUR 8.0 million as well as growth opportunities via the addition of plant know-how in new industries. The same applies to synergy benefits from the investments in M & R and VTU (e.g. biogas plants).

BDI is currently holding negotiations about contracts for 3 projects with a total volume of about EUR 80 million. Detailed quotations have already been submitted for 6 more projects. A separate division was also established in 2008 for the after-sales operations, with capacity utilisation guaranteed for 2009.

Financial and asset development

Financial management principles and objectives

BDI‘s growth plans are backed by a central financial management system. Our financial and liquidity planning is based on responsibility to our investors and on a conservative investment policy. No use was made of derivative financial instruments in the past fiscal year.

A strong financial position is a particularly crucial factor in making sure companies maintain their freedom to operate strategically at times when the financial and capital markets are only functioning to a limited extent. We have therefore defined the following strategic financial management principles:

Maintenance of the large cash portfolio for further acquisitions and investments
Stable cash flow from operating activity
Control of liquidity risks via integrated risk management
Maintenance of financial stability and flexibility

Large cash portfolio safeguards growth

The cash portfolio obtained via the IPO is managed carefully – and this has proved to be a particularly clear advantage for BDI in the current financial market crisis. Our conservative investment policy and the carefully chosen investments have safeguarded our sound equity position and enable us to make further acquisitions and investments in research and development. The cash portfolio amounted to EUR 61.0 million in spite of the acquisitions and investments in near money market securities.

Cash flow amounted to EUR 12.5 million on 31.12.2008 (same date the previous year: EUR 2.7 million). The changes in the cash flow from operating activity are attributable to the change in working capital and thus to the current status of the projects with customers.

The outflows from investing activity of EUR 28.6 million are essentially the result of the acquisition of UIC GmbH, the interest acquired in VTU Holding GmbH and the purchase of securities.

Investments and acquisitions

The aim of the acquisition of UIC and the strategic interest acquired in VTU is to expand BDI's know-how to include different areas: with the takeover of UIC and the acquisition of an interest in VTU in 2008, BDI is broadening its portfolio to move from being a specialised plant manufacturer for the BioDiesel industry to being a comprehensive supplier of industrial solutions for the pharmaceutical, food and energy industries. The total investment volume amounted to EUR 14.5 million.

Positioning the company as a comprehensive supplier creates confidence on the market – and flexibility: BDI can act as a single, integrated source of most services. Synergy benefits are anticipated not only in the area of plant know-how, however, but also in the context of R&D projects. All the potential synergy benefits are currently being investigated intensively.

Sound asset development

Current assets accounted for a large proportion of BDI's balance sheet structure in 2008 and this was due essentially to an extensive cash portfolio.

The intangible assets included the fair value of the development of the BtL technology and development costs of EUR 6.6 million.

The investments in associated companies amounted to EUR 10.3 million on 31.12.2008. This is attributable to the interests held in M & R Holding AG and VTU Holding GmbH.

The investments in tangible assets affecting the cash position amounted to EUR 0.2 million.

The balance sheet total was 4.8% higher than at the same time in the previous year at EUR 107.6 million.

2008 earnings led to an increase of 7.6% in equity to the very high level of EUR 68.1 million. The equity ratio was therefore 63.3% (previous year: 61.6%).

The trade accounts payable amounted to EUR 8.3 million (31.12.2007: EUR 7.0 million).

The prepayments received item decreased from EUR 14.1 million at the end of 2007 to EUR 8.9 million on 31.12.2008. These figures were determined on the basis of the prepayments actually received and the percentage of project completion in accordance with IAS 11.

The current provisions increased by 6.6% to EUR 7.9 million and essentially included project-based provisions for agreed commission and licence fees, allocations of products and services that had not been invoiced yet, bonuses and warranties. The provisions for warranties (in the mid- and longterm) increased by 84.6%.

Optimisation of process operations has a positive impact on earnings

The internal process operations at BDI have been optimised with external support, involving further adaptation to BDI's organisational development. The focus here is on project processing and the creation of transparency. This optimisation exercise already led to an increase in the operating result (EBIT) in 2008 and will enable BDI to respond promptly to new challenges too. At the same time, implementation of a modern new ERP (enterprise resource planning) program was completed, which has been in operation since the beginning of 2008.

Employees

The activities in the personnel management field in 2008 focussed primarily on the increasing internationalisation and growth of the company. The number of employees increased again with the takeover of UIC: the company had 151 employees on 31. 12. 2008, 25 more than on 31. 12. 2007. About 35% of them were women and the proportion of staff accounted for by university graduates is very high too (48%).

Involving staff from different companies in projects enables the expertise available in specialised plant manufacturing to be pooled and strengthened. BDI therefore encourages ongoing training at all levels. The emphasis in 2008 was on improving knowledge of foreign languages as well as on communication and management training to stabilise the new organisational structures. A personnel development programme was also started in 2008: the aims are to hold meetings with staff so that they focus in their activities on achievement of the objectives of the company and to optimise training requirements. In addition to this, BDI is systematically implementing company health promotion measures, in order to support all employees as effectively as possible and to provide an optimum working environment.

Research & development

Research and development activities are of elementary importance to BDI, so that it can continue to set standards in sustainable energy generation with the help of in-house research and technology operations. Apart from using its own laboratory facilities, the company takes advantage of longstanding co-operation arrangements with universities and research institutes in this context. Between 5 and 7% of sales are invested in research and development every year. In 2008, research and development spending amounted to about EUR 4.24 million and thus 6.7% of sales.

BDI works constantly not only on new developments but also on the optimisation of its processes, in order to increase its raw material flexibility and to simplify the processes it uses. The aim is to satisfy now the quality requirements and standards that will apply in future – with the help of higher BioDiesel quality – and to develop a competitive edge as a result.

With financial support from the Austrian research promotion authorities (FFG), BDI started developing the Rep-Cat process in 2002 and filed a patent application for it in 2005. It improves the BDI multi-feedstock technology substantially by using a reusable catalyst: the result is further optimisation of the quality of the BioDiesel, while production costs are lower and the by-product (glycerine) is of particularly pure quality.

The industrial implementation phase was completed successfully in 2008: the planned production capacity was reached in one-year trial operation and confirmation was obtained that the product qualities are unusually high.

BDI is at the cutting edge of international research with its emphasis on **biomass to liquid** and **BioDiesel from algae.** Plenty of inquiries, awards presented for research projects in the environmental engineering field and research funding confirm this. In the longer term, it will be possible as a result to supply other fuel manufacturing processes in addition to the BioDiesel production process.

In acquiring a majority interest of 70% in the research and technology company Lignosol in 2007, BDI obtained access to advanced research and is working on bringing the biomass to liquid (BtL) process to market for economic implementation on an industrial scale. The process BDI is using in BtL development is based on the oiling of raw materials; this means that the company is opting for a more energy-efficient process, with which medium-sized plants can be operated economically.

The development work in co-operation with Vienna Technical University connected with the research to obtain **BioDiesel from algae** has been continued. The objective is to choose the right type of algae, which represent an optimum raw material basis in view of their oil content and growth rates.

Risk management

In its global operations, BDI – BioDiesel International AG is exposed to numerous risks that are unavoidable when companies carry out business activities.

Order intake and sales continue to depend on a few individual decisions, which means that there can be sizable fluctuations – that are, however, standard in the industry. Any forecasts about the future – including any in this report – involve uncertainty.

BDI has made it clear that one of its objectives is to identify and deal with the risks of which it becomes aware via practical process management, internal and external reviews and external audits and by involving appropriately qualified experts. The company's employees are acknowledged experts in their fields. It is not possible to eliminate risks completely all the same.

Risk management at BDI can be outlined as follows:

Obtainment of orders

Financial and technical risks are reviewed by a specially appointed group of people, with appropriate action being taken as a result if required.

Processing of orders

Services are provided in teams, which are headed by a project manager. In addition to constant and very open communication between staff members, reports about the progress made with projects are presented to the Management Board in monthly project reviews. Risks are analysed and reports about them are presented to the Management Board at monthly intervals too.

Default risk

The best possible protection against payment defaults is provided by obtaining appropriate guarantees and/or insurance cover or by taking alternative measures.

Currency translation risk

The company has a policy of carrying out all foreign business transactions in euros.

Major company risks

Major risks are communicated in the standardised meetings with the Management Board. Necessary action is taken and recorded.

Information about market, liquidity, credit and currency translation risks as well as the risks associated with financial instruments is provided in the special risk report included in the notes.

All in all, no risks are apparent in connection with the future development of the company that could endanger its survival. Our risk management system confirms that neither individual risks nor the total overall risks have a sustained adverse effect on asset, financial and earnings development.

Prospects

The impact of the global financial crisis on the real economy is becoming more and more apparent. In view of the ongoing crisis on the capital market and the profound loss of confidence, poorer global economic growth can be assumed for the foreseeable future. The economy could, however, be stimulated in the coming fiscal year by economic and financial measures taken by the political community and by decreasing raw material prices.

On 17. December 2008, the EU Parliament decided on the contents of the EU Renewable Energy Directive and confirmed its existing line in doing so. It is specified that renewable sources are to account for 10% of the energy required in the transport sector in the member states in 2020, which creates growth potential for BioDiesel. Investment programmes for renewable energies play a key role in the measures taken to stimulate the global economy and will lead to the creation of jobs with a secure future. The focus on environmental and climate protection is being supplemented to an increasing extent in this context by efforts to increase independence from energy imports and finite fossil energy sources.

The CO_2 reduction and sustainability requirements made by the EU are creating potential for BDI projects about further plants: the BDI multi-feedstock technology already reaches the CO_2 reduction targets that do not need to be achieved until the next generation of biofuels is available. Even the strictest of requirements are satisfied thanks to the technological possibility of making waste and residual materials usable for BioDiesel production. This means that BDI multi-feedstock plants are an investment with a promising long-term future for any operator.

The programme launched in the USA to invest billions in the promotion of renewable energies and the increasingly significant issue of „waste to fuel“ (funding for the production of BioDiesel from waste and residual materials) mean that there is high potential on the US market for BioDiesel plants that process waste and residual materials like used cooking oil and animal fats. The introduction of BioDiesel addition and the promotion of rapeseed as a raw material are indications of growth in what has up to now been a rather underdeveloped market in Canada too.

Due to the extensive availability of raw materials in the vegetable oil and, above all, animal fat fields, South America must be considered a growth market. The flexibility that BDI‘s technology has to offer in the processing of different and difficult raw materials is creating opportunities for the company in Asia with respect to animal fats, by-products of palm oil production and further raw materials that have been used rarely if at all up to now.

In the current fiscal year, BDI will be focussing not only on new projects but also and above all on expanding the after-sales operations and on retrofitting and upgrading plants. Follow-up orders are to be obtained from existing customers with the help of intensive key account management. Further intensification of sales activities in major geographical markets like Asia, North and South America and Eastern Europe will be playing an important role here too. The main emphases in research and development are on BtL and BioDiesel production from algae, which are considered to have tremendous future potential.

In view of the current market situation, it is not possible for us at the present time to make a specific forecast about how BDI will develop in the next two years. We will issue both qualitative and quantitative statements as soon as viable assumptions can be made for our markets again.

Events after the end of the fiscal year

The Supervisory Board of BDI – BioDiesel International AG appointed Mag. Dagmar Heiden-Gasteiner to be a new member of the Management Board with effect from the beginning of 2009. Ms Heiden-Gasteiner has been responsible for the financial affairs of the BDI Group as Chief Financial Officer since 2007. In her capacity as a new member of the Management Board, she will be responsible for finance and administration.

Dr Edgar Ahn, Chief Innovation Manager of the whole BDI Group, and Markus Dielacher, MSc, Head of Project Development, have been granted power of attorney.

Grambach, March 2008

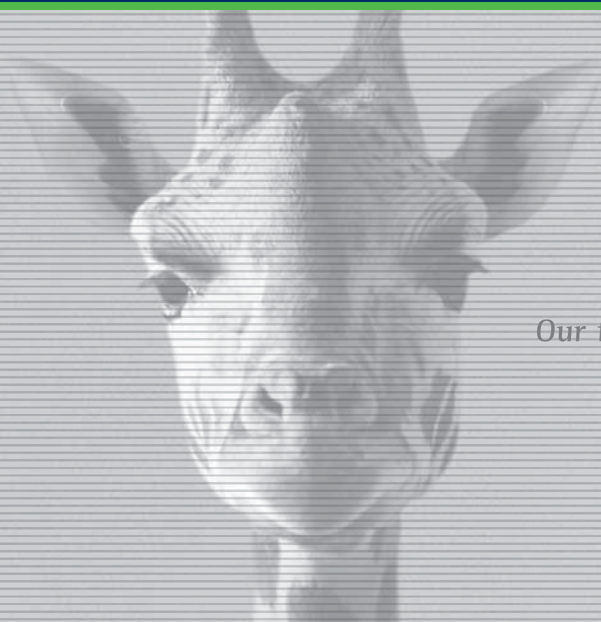
Wilhelm Hammer	Helmut Gössler	Mag. Dagmar Heiden-Gasteiner
CEO	CTO	CFO

Consolidated accounts

Consolidated balance sheet as at 31. December 2008

Assets (EUR ’000)	Notes	31. 12. 2008	31. 12. 2007
Non-current assets			
Intangible assets	(11)		
Concessions, software and other assets		1 850	235
Goodwill		3 484	0
Payments on account		0	216
Capitalised development costs		6 597	3 846
		11 931	**4 297**
Tangible assets	(12)		
Land and buildings		1 782	0
Plant and machinery		192	169
Factory and office equipment		320	145
Payments on account and construction in progress		0	21
		2 294	**335**
Financial assets			
Investments in associated companies	(13)	10 312	4 803
Securities held as non-current assets	(14)	11 154	129
		21 466	**4 932**
		35 691	**9 564**
Current assets			
Inventories	(15)	626	3
Receivables and other assets	(16)		
Receivables from production orders		3 861	13 351
Other receivables and assets		6 488	4 980
		10 349	18 331
Liquid funds	(17)	60 983	74 802
		71 958	**93 136**
Total assets		**107 649**	**102 700**

Equity and liabilities (EUR '000)	Notes	31. 12. 2008	31. 12. 2007
Equity	(18)		
Share capital		3 800	3 800
Reserves			
Capital reserves		43 839	43 839
Revenue reserves		15 825	10 120
		59 664	**53 959**
Profit for the year		4 641	5 540
		68 105	**63 299**
Minority interest			
Minority interest excluding limited partners		16	17
		68 121	**63 316**
Long-term liabilities			
Provisions			
Provisions for severance	(20)	347	194
Provisions for pensions	(21)	1 635	1 505
Deferred tax liabilities	(19)	6 736	4 421
Other long-term provisions	(22)	2 773	2 201
		11 491	**8 321**
Liabilities	(23)		
Minority interest of limited partners		507	593
Other liabilities		733	740
		12 731	**9 654**
Short-term dept			
Provisions			
Other short-term provisions	(22)	7 875	7 388
Provision for taxes		596	75
		8 471	**7 463**
Liabilities	(23)		
Liabilities to banks		3	0
Prepayments received		8 866	14 149
Accounts payable		8 314	6 962
Amounts owed to affiliates		0	61
Accounts payable associated companies		256	448
Other liabilities		887	647
		18 326	**22 267**
		26 797	**29 730**
Total equity and liabilities		**107 649**	**102 700**



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Consolidated profit and loss account

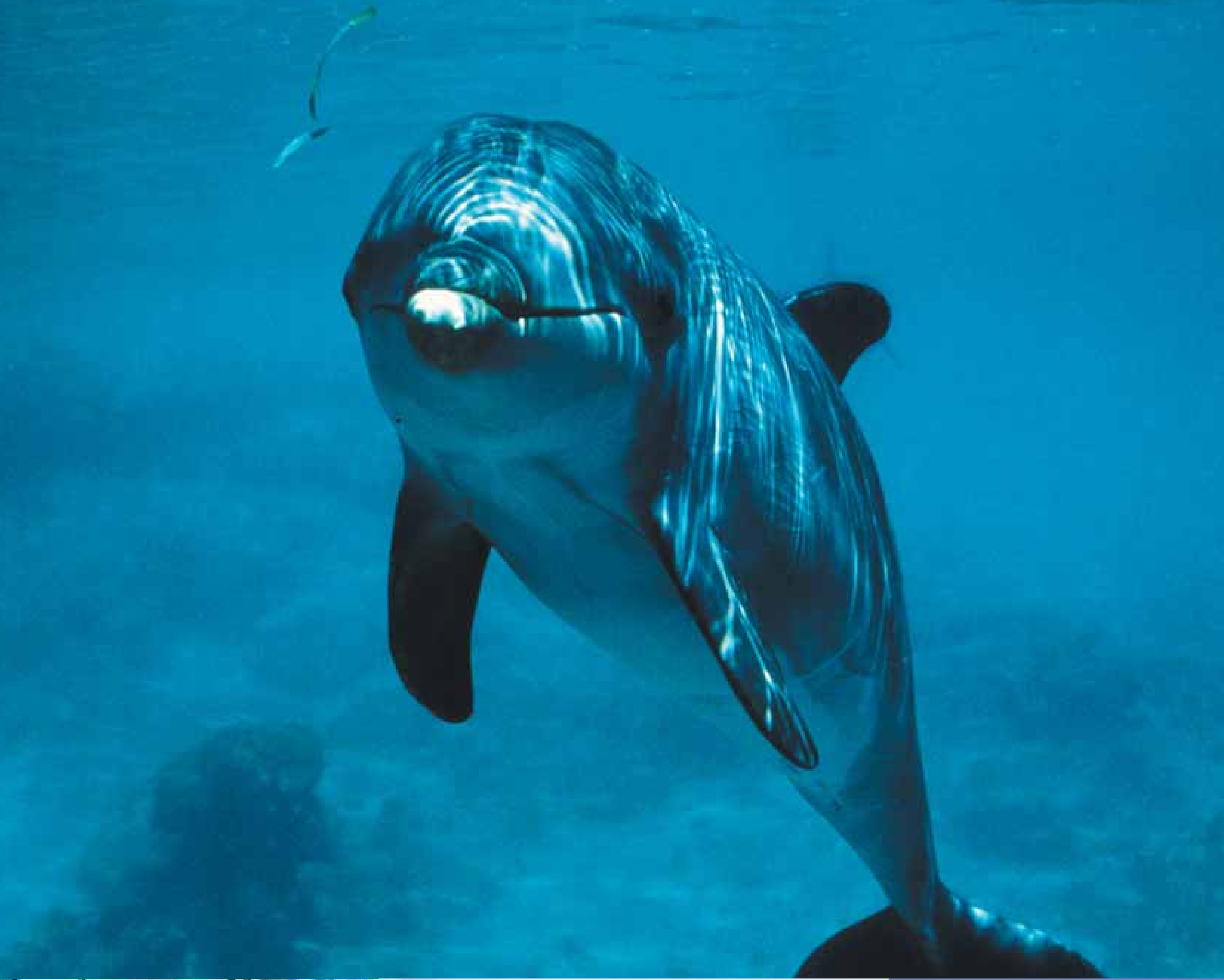
(EUR '000)	Notes	01. 01. 2008 – 31. 12. 2008	01. 01. 2007 – 31. 12. 2007
Sales	(1)	61 678	77 094
Change in inventories and work in progress		0	–23
Other company-produced additions to fixed assets		2 751	189
Other operating income	(3)	2 955	732
Spending on material and other services procured	(2)	–34 655	–54 999
Personnel expenses	(4)	–10 801	–7 496
Depreciation	(5)	–2 551	–294
Other operating expenses	(6)	–14 344	–10 522
Operating result (EBIT)		**5 033**	**4 681**
Earnings from associated companies	(8)	–1 383	–269
Financial result	(9)	2 667	2 674
Earnings before taxes		**6 317**	**7 086**
Taxes on income	(10)	–1 762	–1 572
Earnings before minority interest		**4 555**	**5 514**
Minority interest in profit for the year		86	27
thereof limited partners' interest		85	28
Profit for the year		**4 641**	**5 541**
Earnings per share (undiluted) in EUR		1.22	1.46
Earnings per share (diluted) in EUR		1.22	1.46
Number of weighted average shares outstanding (undiluted)		3 800 000	3 800 000
Number of weighted average shares outstanding (diluted)		3 800 000	3 800 000

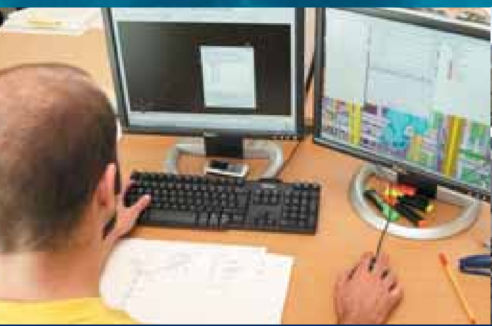
Consolidated cash flow statement

(EUR '000)	01. 01. 2008 – 31. 12. 2008	01. 01. 2007 – 31. 12. 2007
Earnings before tax	6 317	7 086
Adjustments for: Depreciation of non-current assets	2 551	294
Interest income	–2 873	–2 773
Profit on disposal of non-current assets	21	0
Other revenues and expenses affecting cash flows	1 663	552
Cash flow from earnings	**7 679**	**5 159**
Change in inventories	–76	22
Change in receivables and other assets	9 940	5 219
Change in other liabilities and provisions	–5 012	–7 665
Cash flow from operating activity	**12 531**	**2 735**
Tax payments	–565	–330
Interest payments	2 873	2 773
Net cash flow from operating activity	**14 839**	**5 178**
Investments in intangible assets and tangible assets	–3 043	–769
Proceeds from investments accounted for under the equity method	0	224
Investments in financial assets	–25 530	–2 330
Cashflow from investing activity	**–28 573**	**–2 875**
Change in financial liabilities	–85	11
Cash flow from financing activity	**–85**	**11**
Change in cash and cash equivalents	**–13 819**	**2 314**
Cash and cash equivalents at the beginning of the period	74 802	72 488
Cash and cash equivalents at the end of the period	**60 983**	**74 802**

Consolidated equity statement

(EUR ’000)	Share capital	Capital reserves	Revenue reserves	Profit for the year	Subtotal	Minorities	Total
01. 01. 2007	**3 800**	**43 839**	**–1 701**	**11 627**	**57 565**	**0**	**57 565**
Retransfer of revenue reserves	0	0	11 627	–11 627	0	0	0
Increase in share capital	0	0	0	0	0	16	16
Profit for the year	0	0	0	5 541	5 541	1	5 542
Changes not affecting operating result	0	0	193	0	193	0	193
31. 12. 2007	**3 800**	**43 839**	**10 120**	**5 540**	**63 299**	**17**	**63 316**
01. 01. 2008	**3 800**	**43 839**	**10 120**	**5 540**	**63 299**	**17**	**63 316**
Transfer to revenue reserves	0	0	5 540	–5 540	0	0	0
Changes in consolidated equity	0	0	0	0	0	0	0
Profit for the year	0	0	0	4 641	4 641	–1	4 640
Changes not affecting operating result	0	0	165	0	165	0	165
31. 12. 2008	**3 800**	**43 839**	**15 825**	**4 641**	**68 105**	**16**	**68 121**





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1. General explanations

BDI – BioDiesel International AG (the „company“) is a company limited by shares that is incorporated under Austrian law and has its registered office in Grambach, Austria. The company creates comprehensive solutions for the industrial use of renewable resources, with technologies for the production of high-quality BioDiesel from different raw materials representing the core skill.

BDI – BioDiesel International AG is a world market and technology leader in the production of customised, turnkey, multi-feedstock BioDiesel plants that can process different raw materials independently of each other to produce BioDiesel of EN 14214 quality.

2. Preparation principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS“) issued by the International Accounting Standards Board (IASB) as adopted by the EU, including the interpretations issued by the International Financial Reporting Interpretations Committee that also have to be applied.

In line with the materiality principle, individual items in the consolidated balance sheet, the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity are combined to improve clarity; they are discussed in the notes.

The reporting currency is the euro, which is the functional currency of BDI - BioDiesel International AG too. Unless information to the contrary is provided, the figures quoted in the consolidated financial statements and in the explanatory notes have been rounded to the nearest thousand.

New IFRS

The following standards and interpretations that had already been published and/or revised when the consolidated financial statements were prepared must be applied to fiscal years that begin on or after 1. January 2009. A decision was taken not to apply them beforehand on a voluntary basis.

IFRS 1	First time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration and Evaluation of Mineral Assets
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Government Grants and Disclosure of Government Grants
IAS 23	Borrowing Costs
IAS 27	Consolidated and separate Financial Statements
IAS 28	Investments in associates
IAS 29	Financial Reporting in Hyperinflationary Economics
IAS 31	Interests in Joint ventures
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

The amendments to the standards take effect for fiscal years that begin on or after 1. January 2009 and will be applied from the 2009 fiscal year onwards. They are not expected to have any major impact on the consolidated financial statements of BDI.

The interpretations published most recently by IFRIC were as follows:

IFRIC 15	Agreements for the Constructions of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets of Customer

They are not expected to have any major impact on the consolidated financial statements of BDI.

Consistent criteria

Accounting and valuation within the Group are based on consistent criteria. As a fundamental rule, the principle of historical acquisition cost has been applied, with the exception of the accounting and valuation principles outlined in Note 4 „Accounting and valuation principles“. The consolidated financial statements have been prepared on the assumption that the company will be continuing to operate.

3. Consolidated companies and consolidation principles

Consolidated companies

The companies consolidated are determined in accordance with IFRS 3. Subsidiaries and equity interests are included for the first time at the time when they or the interests in them are acquired.

Companies on which the company exerts major influence directly or indirectly („associated companies“) are accounted for by the equity method.

VTU Holding GmbH, which has been consolidated by the equity method since 1. January 2008, and UIC GmbH, which has been consolidated in full since 1. April 2008, have been added to the companies consolidated by BDI – BioDiesel International AG.

The companies consolidated are therefore as follows:

Name	Group interest	Method of inclusion
UIC GmbH, Alzenau	100%	Full consolidation
Lignosol Technologie GmbH & Co KG, Grambach	70%	Full consolidation
Lignosol Technologie GmbH, Grambach	70%	Full consolidation
M & R Holding AG, Grambach	26%	At Equity
M & R Automation GmbH, Grambach	26%	At Equity
M & R Automation Canada, Toronto	26%	At Equity
Synchronized Automation Systems Corporation, Canada	19.5%	At Equity
Automation X GmbH, Grambach	26%	At Equity
automation X Deutschland GmbH, Vaihingen	20.8%	At Equity
automation X (Schweiz) GmbH, Solothurn	20.8%	At Equity
epos C process optimization GmbH, Grambach	9.1%	At Equity
Alicona Imaging GmbH	12.74%	At Equity
VTU Holding GmbH, Grambach	25.0025%	At Equity
VTU Engineering GmbH, Grambach	25.0025%	At Equity
VTU Technology GmbH, Grambach	25.0025%	At Equity
Deutsche VTU-Engineering GmbH, Frankfurt	25.0025%	At Equity
VTU Energy GmbH, Grambach	15.0015%	At Equity
Enbasys GmbH, Grambach	17.5%	At Equity

BDI – BioDiesel International AG acquired 25.0025% of VTU Holding GmbH, which has its registered office in Grambach, for a provisional purchase price of EUR 6.891 million with effect from 1. January 2008. The interest was recognised for the first time on this date, on which consolidated financial statements prepared by the subsidiary in accordance with IFRS were available.

The share purchase contract includes a purchase price adjustment provision for acquisition of the shares in VTU Holding GmbH on the basis of the consolidated financial statements of the VTU Holding GmbH Group as per 31. December 2010 according to UGB, so that the final purchase price is in the range between EUR 3.603 million and EUR 12.854 million. Since it is not possible to make a reliable valuation and estimate of the possible purchase price adjustment at the present time due to the prevailing uncertain economic conditions, the adjustment was not included in the financial statements as per 31. December 2008.

VTU operates in the area of the process engineering planning of high-tech process plants in the pharmaceutical, biotechnology, chemical, paper & pulp engineering, crude oil and natural gas fields. The services cover all aspects of project management, including plant start-up.

The contribution made by VTU to the total earnings generated by the BDI Group up to 31. December 2008 was EUR – 891 000. The negative result was due to depreciation of the hidden reserves of purchase price allocation, which exceeded the positive pro rata earnings of the investment.

BDI – BioDiesel International AG acquired 100% of UIC GmbH, which has its registered office in Alzenau / Germany, for a purchase price of EUR 9.063 million with effect from 1. April 2008. It was recognised as a fully consolidated company for the first time on this date, on which corporate financial statements in accordance with IFRS were available.

UIC GmbH plans and supplies turnkey distillation plants for use in industrial production as well as for laboratories and pilot facilities.

The short-path distillation plants supplied by UIC enable substances to be separated gently at low operating temperatures and with only short heating. They are therefore particularly suitable for the separation of thermolabile substances (vitamins, omega-3 fatty acids, active pharmaceutical substances etc.).

The takeover balance sheet of UIC GmbH according to IFRS on the acquisition date of 1. April 2008 was as follows:

Intangible assets	3 653	Equity	5 579
Non-current assets	1 986	External capital, incl. deferred taxes	3 940
Current assets	3 880		
	9 519		**9 519**

The intangible assets essentially include the contributions from the existing orders that were estimated and not yet realised on the acquisition date, as well as the estimated future contributions from the existing customer base. The corporate merger with UIC GmbH led to goodwill of EUR 3.484 million mainly resulting from potential synergies.

The positive earnings generated by the corporate operations of UIC GmbH were depressed considerably by depreciation of the total orders on hand and customer base amounting to EUR 2.108 million that was necessary in accordance with IFRS 3. The contribution made to the total earnings of the BDI Group up to 31. December

2008 by the company therefore amounted to EUR – 1.267 million. UIC GmbH contributed EUR 6.774 million to the total sales of the BDI Group for the first nine months of 2008. If an acquisition date of 1. January 2008 was assumed, UIC GmbH's contributions for the 2008 fiscal year would be EUR 8.676 million (sales) and EUR – 1.221 million (earnings).

Consolidation principles

The financial statements of the individual companies included were prepared to have the same qualifying date (31. December 2008) as the consolidated financial statements.

Capital consolidation is carried out by eliminating the acquisition costs (= book value) and the revalued pro rata equity of the investment in question at the time of acquisition.

Positive differences resulting from initial consolidation are capitalised as goodwill in accordance with IFRS 3, while negative differences resulting from initial consolidation that are due to a favourable purchase price are immediately posted to earnings. Companies in which the BDI Group holds an interest of more than 50% are consolidated in full if a controlling influence is exercised.

Receivables and payables between companies that are consolidated in full are offset against each other in debt consolidation. Interim profits from internal deliveries of fixed assets and inventories within the Group are not eliminated since they are of minor importance.

All expenses and income from internal deliveries and services within the Group are offset against each other in the context of expense and income elimination.

4. Accounting and valuation principles

Historical acquisition costs are the basis for valuation of intangible assets, tangible assets, inventories, receivables and payables.

The fair value on the balance sheet date is the standard for valuation of securities available for sale.

Irrespective of whether assets are still being used in operations or are being held for sale, a review is made of tangible or intangible asset impairment in accordance with IAS 36 „Impairment of Assets“ whenever events or changes in circumstances indicate a reduction in value.

Impairment of assets

The value of tangible or intangible assets is reduced whenever the book value is higher than the net proceeds of sale or value in use. The net proceeds of sale are the recoverable proceeds of sale after deduction of the costs that can be allocated directly to the sale. The use in value is the present value of the estimated net payment flows from use of the asset and its disposal value at the end of the useful life. Impairments are shown in the „Depreciation and amortisation“ item of the profit and loss account.

Intangible assets

Intangible assets are included at acquisition or production cost minus depreciation and amortisation charged up to the balance sheet date. Depreciation and amortisation are determined on the basis of the estimated useful lives by the straight-line method. The average useful life of these assets is four years.

The depreciation and amortisation charge for the fiscal year is included in the depreciation and amortisation of intangible and tangible assets item of the profit and loss account.

If an impairment is determined that is not merely temporary, the relevant intangible assets are reduced to the fair value. If and when the impairment no longer applies, a write-up is made to the fair value, but at most to the value that is arrived at on application of the depreciation and amortisation plan to the original acquisition or production costs.

Development costs are capitalised in accordance with the provisions of IAS 38, when a newly developed product or process can be clearly defined, is technically feasible and either use by the company itself or marketing is planned. Research spending is expensed in the period in which it is incurred.

Tangible assets

The tangible assets items are included at acquisition or production cost minus depreciation and amortisation charged up to the balance sheet date. Depreciation and amortisation are determined on the basis of the estimated useful lives by the straight-line method. The estimated useful lives of these assets are:

	Service life
Plant and machinery, EDP equipment	3 – 10 years
Buildings	80 years
Factory and office equipment	4 – 10 years

The depreciation and amortisation charge for the fiscal year is included in the depreciation and amortisation of intangible and tangible assets item in the profit and loss account.

If an impairment is determined that is not merely temporary, the relevant tangible assets items are reduced to the fair value. If and when the impairment no longer applies, a write-up is made to the fair value, but at most to the value that is arrived at on application of the depreciation and amortisation plan to the original acquisition or production costs. Major remodelling is capitalised, while regular maintenance, repairs and minor remodelling are included in expenses at the time when they are carried out.

Financial assets

All of the financial assets are securities either available for sale or held-to-maturity securities . Valuation of securities available for sale was made at market value. The market value of securities is the stock exchange price on the balance sheet date. Realised results are included in income from financial assets, while unrealised profits and losses are included directly in equity and are not recognised in net profit. Valuation of held-to-maturity securities is made based on historical acquisition costs.

Financial assets accounted for by the equity method

The associated companies on which the company exerts major influence are accounted for by the equity method. In the equity method, the shares in associated companies are included initially at acquisition cost. After this, the book value of the shares increases or decreases according to the shareholders‘ share of the associated company‘s period earnings. The share of the shareholder in the performance of the associated company is included in its period earnings. Distributions received from the associated company reduce the book value of the shares.

On the balance sheet date, the company held 26% of the shares in M & R Holding AG (Austria) and 25.0025% of the shares in VTU Holding GmbH (Austria).

Inventories

Inventories are valued at the lower of acquisition or production cost and net realisable value.

Production orders and revenue realisation

Provided that the requirements of IAS 11 are satisfied, production orders are accounted for by the percentage-of-completion method.

In accordance with this method, the production costs incurred plus a profit mark-up corresponding to the degree of completion are included as sales in the receivables from production orders item. The percentage of completion is determined as a ratio of the expenses incurred to the anticipated total expenses. When it is expected that losses will be made with orders, these losses are covered by provisions that are determined by taking the apparent risks into account. The prepayments received are deducted from the receivables from production orders. If the balance for a production order is negative as a result of this, this balance is included under liabilities as a prepayment received.

Projects in which the order consists mainly of engineering with/without delivery of parts of the process equipment are valued by what is known as the milestone principle. This means that the progress made in the project and thus the sales revenue and part of the profit are determined when a specified milestone has been reached.

Receivables and other current assets

Receivables are accounted for at acquisition cost. Individual allowances are made for those items that are considered to be completely or partly uncollectible.

Liquid funds

Liquid funds consist of cash on hand and at banks and are stated at current values.

Tax deferrals

Deferred tax assets and liabilities are determined for the respective assets and liabilities on the basis of the difference between the values in the consolidated financial statements and the values used in tax calculation, with the tax rates legally specified for the qualifying date of the financial statements for the year in which the differences are expected to be released being applied.

The income tax expenditure (income tax credit) consists of the taxes actually paid and the deferred taxes. In the case of transactions included directly in equity, the income tax associated with them is included in equity rather than in the profit and loss account too.

Commitments from pension entitlements and similar commitments

The commitments about severance payments arise from promises of severance payments after the end of a specific period of service that are included in individual contracts. The size of the severance payments is determined by the final salary.

The commitments from pension entitlements are specified in benefit-oriented pension schemes. The pension benefits are determined by the final salary and the number of years of service.

The commitments from promises of severance payments and the benefit-oriented pension schemes are valued in accordance with IAS 19.

Actuarial profits and losses are included completely in the period in which they are incurred, in accordance with IAS 19.93 A. As stipulated in the paragraphs 19.93B-93D, they are included separately from the period earnings.

The company is in addition obliged by law to pay 1.53% of pay into a staff provision fund for employees whose employment contracts are subject to Austrian law.

Commitments in connection with employees‘ anniversaries

On the basis of provisions in collective agreements, BDI – BioDiesel International AG is obliged to make anniversary payments to employees once they have been working for the company for a specific period of time. These payments are determined by the employee‘s pay at the time when the relevant anniversary is reached. No assets have been removed from the company and no contributions have been made to a pension fund to cover these commitments. The anniversary payment provisions are valued in accordance with IAS 19 (interest rate 6.0%, previous year: 5.25%; salary increase 2.5%, previous year: 2.5%).

Translation of foreign currencies

Receivables and payables in foreign currencies are valued at the exchange rate that applies on the qualifying date.

Public grants

Income from public grants paid as subsidies for expenses are included in the profit and loss account in the period in which the corresponding expenses are incurred. The income from subsidies is shown in the other operating income rather than being balanced with the expenses in the profit and loss account.

Trade accounts payable and other current liabilities

The fair value of the service received is determined at the time when the trade accounts payable are created. After this, these accounts payable are valued at current acquisition costs. Other accounts payable that do not result from the provision of products and services are included with their nominal amount.

Accrued expenses

Provisions are made when the company has a legal or de facto commitment to a third party on the basis of a past event, when it is probable that this commitment will lead to an outflow of resources and when it is possible to make a reliable estimate of the size of the commitment. The provisions are included with the value that represents the best possible estimate of the expense that will be necessary to satisfy the commitment.

Use of estimates

The preparation of financial statements in accordance with the IFRS requires the management to make certain estimates and assumptions that affect not only the figures included for assets, liabilities and equity but also the assessment of contingent assets and liabilities on the qualifying date for the financial statements as well as the income and expense items. The actual amounts may differ from these estimates.

5. Explanatory notes about the consolidated profit and loss account

(1) Sales and segment reporting

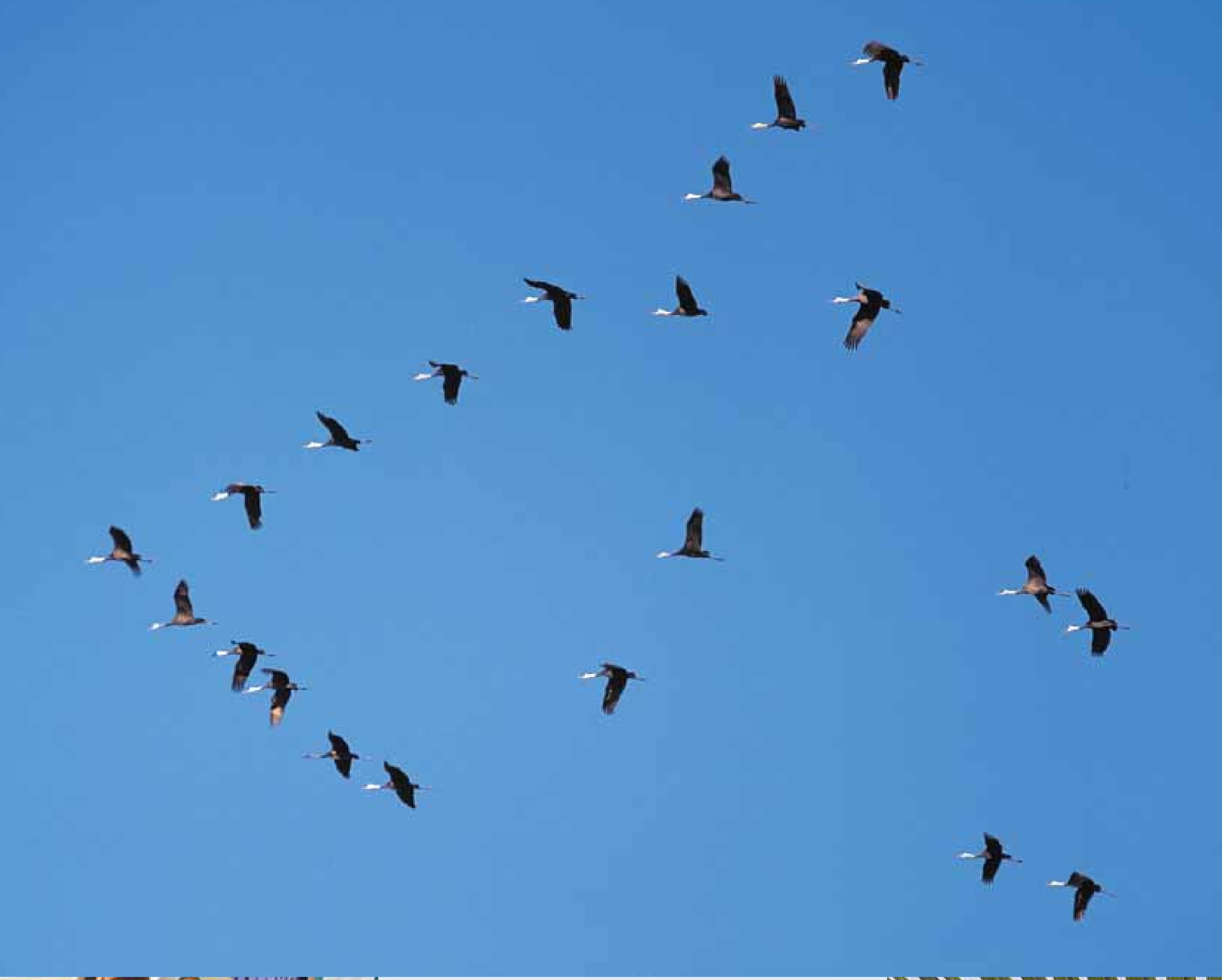
The reduction of 20.0% in sales in 2008 to EUR 61.7 million is attributable to delays in the placing of orders for projects by customers.

Segment reporting is by areas of operation (primary segmentation) and regions (secondary segmentation):

Primary segment in 2008	Secondary segment in 2008
Biodiesel plant construction	Austria
Fine vacuum distillation	EU (excluding Austria)
	Rest of the world

Segmentation by areas of operation corresponds to the internal reports compiled by BDI and UIC. Business transactions between these segments is carried out on an arm's length basis.

Segmentation by regions is based on the location of the customer. EBIT are also allocated in accordance with this criterion, with the fixed costs and depreciation/amortisation being allocated in line with the earnings generated in the projects with customers.



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Segmentation by areas of operation – primary segment

1 – 12/2008 (EUR '000)	BioDiesel plant construction	Fine vacuum distillation 4 – 9/2008	Group adjustments	Group
Sales	55 052	6 774	–148	61 678
EBIT	6 768	–1 735	0	5 033
Financial result	2 654	13	0	2 667
Shares in the earnings of associated companies	–1 383	0	0	–1 383
Depreciation / amortisation	385	2 166	0	2 551
Segment assets	108 474	7 873	–8 698	107 649
Segment liabilities	37 131	3 534	–1 137	39 528
Investments in tangible and intangible assets	6 511	16	0	6 527
Investments in associated companies	10 312	0	0	10 312
Employees	122	29	0	151

1 – 12/2007 (EUR '000)	BioDiesel plant construction	Fine vacuum distillation	Group adjustments	Group
Sales	77 094	0	0	77 094
EBIT	4 681	0	0	4 681
Financial result	2 674	0	0	2 674
Shares in the earnings of associated companies	–269	0	0	–269
Depreciation / amortisation	294	0	0	294
Segment assets	102 700	0	0	102 700
Segment liabilities	38 791	0	0	38 791
Investments in tangible and intangible assets	769	0	0	769
Investments in associated companies	4 803	0	0	4 803
Employees	126	0	0	126

Segmentation by regions – secondary segment

1 – 12/2008 (EUR '000)	Austria	EU (excluding Austria)	Rest of the world	Group adjustments	Group
Sales	1 176	35 991	24 659	–148	61 678
EBIT	220	3 327	1 486	0	5 033
Depreciation / amortisation	33	964	1 554	0	2 551
Shares in the earnings of associated companies	–1 383	0	0	0	–1 383
Book value of the segment assets	106 193	8 895	1 259	–8 698	107 649
Segment liabilities	29 073	6 680	4 912	–1 137	39 528
Investments in tangible and intangible assets	6 511	16	0	0	6 527
Investments in associated companies	10 312	0	0	0	10 312

1 – 12/2007 (EUR '000)	Austria	EU (excluding Austria)	Rest of the world	Group
Sales	4 630	70 954	1 510	77 094
EBIT	12	4 792	–123	4 681
Depreciation / amortisation	1	301	–8	294
Shares in the earnings of associated companies	–269	0	0	–269
Book value of the segment assets	91 440	11 260	0	102 700
Segment liabilities	22 981	10 353	5 457	38 791
Investments in tangible and intangible assets	769	0	0	769
Investments in associated companies	4 803	0	0	4 803

(2) Cost of purchased materials

The cost of purchased materials can be broken down as follows:

	2008 EUR '000	2007 EUR '000
Cost of purchased materials	29 572	40 848
Cost of purchased services	5 083	14 151
	34 655	**54 999**

(3) Other operating income

The other operating income can be broken down as follows:

	2008 EUR '000	2007 EUR '000
Charges	251	171
Insurance payments received	65	12
Income from research funding	783	91
Income from the release of provisions	832	140
Income from the release of value adjustments	830	0
Miscellaneous other income	194	318
	2 955	**732**

(4) Personnel expenses

The personnel expenses can be broken down as follows:

	2008 EUR '000	2007 EUR '000
Wages and salaries	8 525	5 631
Severance payment expenses	234	220
Pension expenses	227	245
Mandatory social security expenses	1 659	1 241
Voluntary welfare expenses	156	159
	10 801	**7 496**

BDI – BioDiesel International AG had the following average number of employees in the fiscal years:

	2008	2007
Employees	154	114

(5) Depreciation and amortisation of intangible and tangible assets

The intangible and tangible assets depreciation and amortisation charge of EUR 2.551 million (2007: EUR 294 000) consisted exclusively of scheduled depreciation and amortisation.

(6) Other operating expenses

The other operating expenses include the expenses that relate to the business operations and do not have to be shown in a different item in accordance with the cost summary method.

	2008 EUR '000	2007 EUR '000
Licences and commission	3 201	3 914
Travel expenses	1 430	1 186
Legal and consulting expenses	1 381	1 635
Insurance expenses	265	406
Rental and leasing expenses	1 240	655
Value adjustments	2 289	1 618
Project-specific damages	1 754	0
Miscellaneous expenses	2 784	1 108
	14 344	**10 522**

(7) Research and development

The research and development expenses amounted to EUR 4.242 million in the fiscal year (2007: EUR 4.520 million). They are included in the cost of purchased materials and services, the personnel expenses and the other operating expenses.

(8) Earnings from associated companies

The income from associated companies of EUR – 1.383 million (2007: EUR – 269 000) related to the at equity valuation of M & R Holding AG and VTU Holding GmbH.

	M & R 2008	M & R 2007	VTU 2008	VTU 2007
Income from associated companies	**–492**	**–269**	**–891**	**0**
Share of earnings	–151	454	81	0
Release of hidden reserves	–341	–723	–972	0

(9) Financial result

	2008 EUR '000	2007 EUR '000
Interest income and similar income from financial assets	143	4
Other interest and similar income	2 744	2 771
Other interest and similar expenses	–220	–101
	2 667	**2 674**

(10) Income tax

Not only the current income tax expenses but also the income/expenses from the deferred taxes are included as income tax.

	2008 EUR '000	2007 EUR '000
Current income tax expenses: Relating to the current fiscal year	981	0
Relating to previous years	0	–3
	346	**–3**
Deferred taxes	781	1 575
	1 762	**1 572**

Reconciliation of the calculated tax expenses in accordance with the legally stipulated corporation tax rate and the actual tax expenses is as follows:

	2008 EUR '000	2007 EUR '000
Earnings before tax	6 317	7 086
Income tax expenses at the 25% tax rate	1 579	1 771
Research allowance	–248	–276
Permanent differences	–76	0
Expenses that are not deductible	435	80
Deferred taxes from previous years not posted	106	0
Differences in tax rates	–34	0
Taxes from previous years	0	–3
Actual tax expenses/income	**1 762**	**1 572**
Actual tax expenses/income in %	**27.9**	**22.1**

6. Explanatory notes about the consolidated balance sheet

(11) Intangible assets

	Capitalised costs of developments under constr. EUR '000	Goodwill EUR '000	Concessions software and customer base EUR '000	Payments on account EUR '000	Total EUR '000
Acquisition costs					
01. 01. 2008	3 846	0	686	216	4 748
Additions	2 751	3 484	70	0	6 305
Disposals	0	0	0	0	0
Transfers	0	0	216	–216	0
Changes in the companies consolidated	0	0	3.654	0	3.654
31. 12. 2008	**6 597**	**3 484**	**4.626**	**0**	**14.707**
Accumulated depreciation / amortisation					
01. 01. 2008	0	0	451	0	451
Additions	0	0	2 325	0	2 325
Disposals	0	0	0	0	0
31. 12. 2008	**0**	**0**	**2 776**	**0**	**2 776**
Book value on 31. 12. 2007	**3 846**	**0**	**235**	**216**	**4 297**
Book value on 31. 12. 2008	**6 597**	**3 484**	**1 850**	**0**	**11 931**

(12) Tangible assets

	Land and buildings EUR '000	Plant and machinery EUR '000	Factory and office equipment EUR '000	Payments on account and construction in progress EUR '000	Total EUR '000
Acquisition costs					
01. 01. 2008	0	435	267	170	872
Additions	0	47	174	0	221
Disposals	0	–39	–18	–170	–227
Changes in the companies consolidated	1 800	97	89	0	1 986
31. 12. 2008	**1 800**	**540**	**512**	**0**	**2 852**
Accumulated depreciation / amortisation					
01. 01. 2008	0	266	122	149	537
Additions	18	121	87	0	226
Disposals	0	–39	–17	–149	–205
31. 12. 2008	**18**	**348**	**192**	**0**	**558**
Book value on 31. 12. 2007	**0**	**169**	**145**	**21**	**335**
Book value on 31. 12. 2008	**1 782**	**192**	**320**	**0**	**2 294**

Operating lease contracts

There are commitments from leasing and rental contracts for tangible assets that are not shown in the balance sheet. Expenses of EUR 1.240 million (2007: EUR 673 000) from leasing and rental contracts were included in the operating expenses for 2008. The future rental and leasing payments for vehicles and office premises can be broken down by years as follows:

	2008 EUR '000	2007 EUR '000
In the following year	881	633
In the following 2 – 5 years	3 391	2 486
Total	**4 272**	**3 119**

(13) Investments in associated companies

The following investments were valued by the equity method in the consolidated financial statements:

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
VTU Holding GmbH (Austria)	6 001	0
M & R Holding AG (Austria)	4 311	4 803

M & R Holding AG always prepares its consolidated financial statements as per 31. March. Consolidated interim financial statements in accordance with IFRS as per 31. December 2008 were prepared for the M & R Holding AG Group for the purposes of at equity valuation at BDI.

The consolidated financial statements of VTU Holding AG as per 31. December 2008 form the basis for the at equity valuation of VTU Holding AG.

The economic data about the investments are as follows:

	VTU EUR '000	M & R EUR '000
Assets	11 093	33 804
Equity [1]	4 571	4 860
Liabilities	6 522	28 944
Sales	21 461	32 918 [2]
Period earnings	507	–965 [2]

1) incl. minorities
2) 1. 4. 2008 – 31. 12. 2008

(14) Securities held as non-current assets

	Acquisition costs on 31. 12. 2008 EUR '000	Writedowns/ -ups posted to profit/loss 2008 EUR '000	Book value 31. 12. 2008 EUR '000	Book value 31. 12. 2007 EUR '000
Securities	11 142	0	11 154	129

The securities consist of shares in various investment funds, a near money market floater, a money market fund plus bank bonds and are valued at stock market prices:

2008	Market value EUR '000	Average actual yield in %	Income in the fiscal year EUR '000
Floater	4 495	4.94%	140
Bank bonds	2 012	4.19%	0
Money market fund	4 543	4.32%	0
Investment funds	104	2.95%	3

2007	Market value EUR '000	Average actual yield in %	Income in the fiscal year EUR '000
Investment funds	129	2.67%	4

The securities were valued individually to determine the price gains and losses.

(15) Inventories

This item essentially includes raw, auxiliary and operating materials worth EUR 626 000 (2007: EUR 3 000).

(16) Receivables and other assets

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
Receivables from production orders	3 861	13 351
Receivables from Group companies	0	0
Other receivables and assets	6 488	4 980

The receivables from production orders include:

	31. 12. 2008 EUR '000	31 .12. 2007 EUR '000
Receivables from projects handed over	5 674	5 040
Receivables from current projects	1 031	9 929
minus: allowances for bad debts	–2 844	–1 618

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
Production orders		
Costs incurred in the period under review	37 739	61 584
Profits generated in the period under review	17 109	15 157
Prepayments received	–49 920	–83 419

The other receivables include:

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
Payments on account made to suppliers	2 845	2 049
Receivables from income taxes	716	529
Credit balances with domestic and foreign tax authorities	2 153	1 476
Miscellaneous other receivables	774	926

(17) Liquid funds

Liquid funds consist of cash on hand as well as immediately available credit balances and time deposits at banks.

The average interest rate paid for the credit balances at banks on 31. December 2008 amounted to about 4.0%.

(18) Equity

The share capital of BDI – BioDiesel International AG that is shown is the same as in the previous year at EUR 3 800 000. The share capital is fully paid and is divided up into 3 800 000 bearer shares.

Capital risk management

The Group controls its capital with the aim of maximising the income from its business operations and corporate investments. Care is taken in this context to make sure that all the Group companies can work on the basis of continuing operation. The capital structure of the Group consists of debt, liquid funds and equity, to which the shareholders are entitled. The latter consists of the shares issued, the capital reserves and the revenue reserves (as indicated in the consolidated statement of changes in equity).

Shares

The shares grant the standard rights to which shareholders are entitled in accordance with the Austrian Companies Act. They include the right to payment of the dividend agreed by the shareholders' meeting on the basis of the individual financial statements of the company according to Austrian law (UGB) as well as to the exercising of the right to vote at the shareholders' meeting. The retained earnings according to UGB amounted to EUR 2.85 million on 31. December 2008.

Earnings per share amounted to EUR 1.22 (2007: EUR 1.46).

Authorised capital

The Management Board is authorised to increase the share capital in accordance with § 169 Paragraph 3 of the Companies Act (AktG) by up to EUR 1 500 000 with the approval of the Supervisory Board up to 5 years after entry of the transformation in the commercial register by issuing up to 1 500 000 new bearer shares with no par value in return for the injection of cash or other assets, including the partial or complete suspension of the shareholders' subscription right, and to specify the issue price and the issue conditions. One tranche of EUR 800 000 was used in September 2006 in the context of the IPO.

Capital reserves

The capital reserves involve the premium from the capital increase in the context of the IPO at Frankfurt Stock Exchange minus the costs of the IPO, which have to be included in the capital reserves rather than in the profit and loss account after deduction of the deferred taxes in accordance with the IFRS rules.

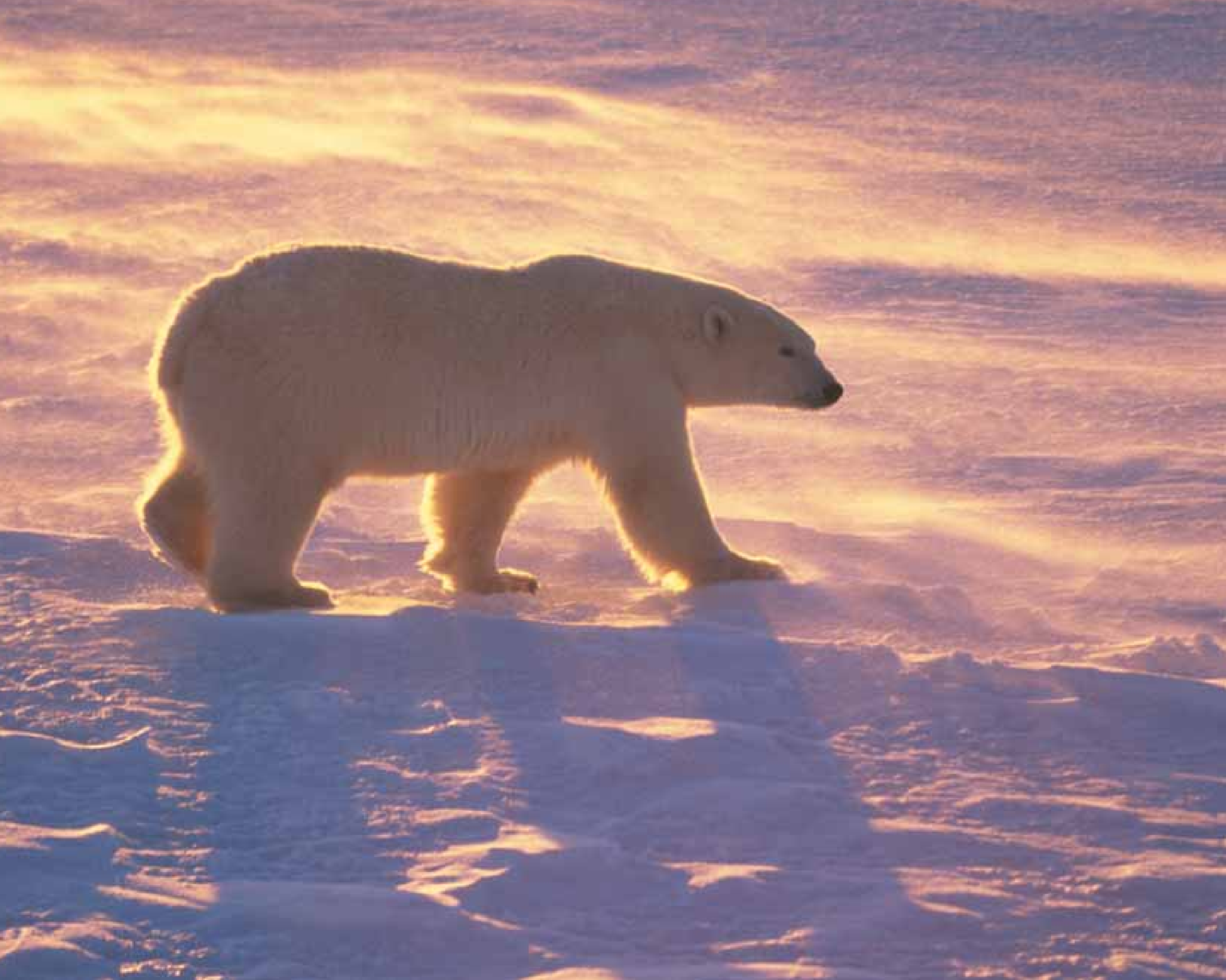
Revenue reserves

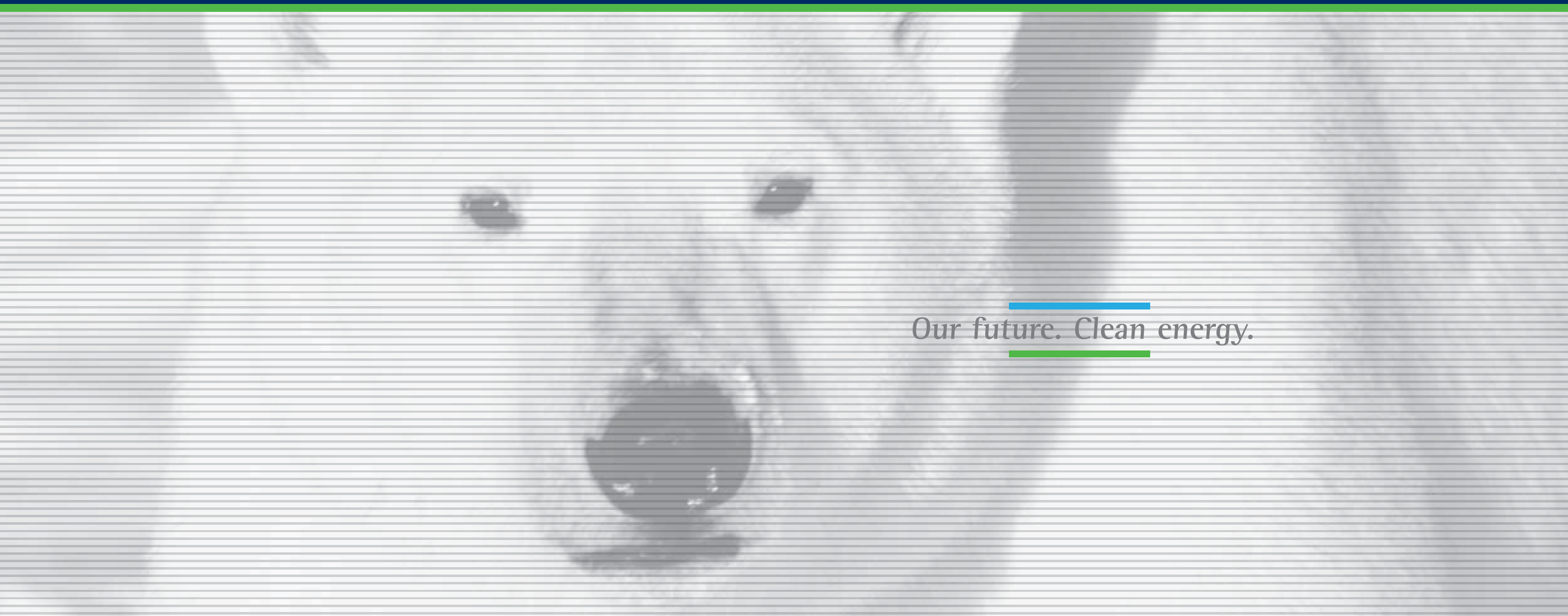
The breakdown of the revenue reserves on 31. December 2008 was as follows:

	EUR '000
Adjustment item for securities	9
Adjustment item for actuarial profits and losses for personnel provisions	280
Impact of the adaptation of the financial statements to the IFRS rules and accumulated retained earnings from the previous years	15 536
Total	**15 825**

Expenses and income not recognised in net profit/loss

EUR 16 000 (2007: EUR –2 000) from the valuation of the securities (available for sale) outside the profit and loss account, EUR 169 000 (2007: EUR 261 000) from the actuarial losses relating to the pension and similar commitments and the corresponding deferred taxes of EUR –46 000 (2007: EUR –65 000) were included directly in equity in the fiscal year instead of in the profit and loss account.





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(19) Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities have to be formed for all differences between the applicable tax rates and the balance sheet items, with the exception of differences relating to goodwill, which is not relevant from the tax point of view. The tax advantage of losses carried forward that have not yet been used also has to be taken into account, to the extent that use of them is probable.

Deferred tax assets and liabilities are shown as a balance per taxpayer.

Deferred tax assets of EUR 469 000 arising from temporary differences in connection with investments in associated companies were not included.

The deferred taxes relate to the following balance sheet items:

	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
As per 31. 12. 2007		
Intangible assets	0	–962
Tangible assets	0	0
Financial assets	0	– 2
Inventories	17 679	0
Receivables and other assets	0	–2 482
Provisions for severance payments	49	0
Pension provisions	146	0
Miscellaneous provisions	693	0
Prepayments received	0	–20 083
Tax losses carried forward	541	0
Total	**19 108**	**–23 529**
Settlement	–19 108	19 108
	0	**–4 421**

	Deferred tax assets EUR ‘000	Deferred tax liabilities EUR ‘000
As per 31. 12. 2008		
Intangible assets	0	–2 061
Tangible assets	0	–361
Finanial assets	237	–6
Inventories	457	0
Receivables and other assets	0	–960
Provisions for severance payments	87	0
Pension provisions	96	0
Miscellaneous provisions	538	–254
Liabilities	163	–4 672
Tax losses carried forward	0	0
Total	**1 578**	**–8 314**
Settlement	–1 578	1 578
	0	**–6 736**
Change in 2008		
Included directly in equity	–46	
Change in the companies consolidated	–1 488	
Included via the profit and loss account	–781	
	–2 315	

(20) Provisions for severance payments

Commitments to provide severance payments after the end of individual employment contracts have been made at BDI – BioDiesel International AG. The commitments are not covered by specific assets or employers‘ liability insurance.

The most important of the assumptions made are:

Actuarial parameters in %	2008	2007
Interest rate p.a.	6.0	5.25
Salary increases p.a.	2.5	2.5

The calculation was made on the basis of the mortality tables according to „AVÖ-2008-P ANG“. The assumed pension age was 63 / 65 years.

The following amounts were included in the profit and loss account with reference to these commitments:

	2008 EUR '000	2007 EUR '000
Current employment expenses	150	152
Interest expenses	10	3
	160	**155**

The current employment expenses are included in the personnel expenses as expenses for severance payments.

The present value of the commitments to provide severance payments developed as follows:

	2008 EUR '000	2007 EUR '000
Present value of the commitment (DBO) on 1.1.	**194**	**53**
Current employment expenses	150	152
Interest expenses	10	3
Actuarial profits / losses	–7	–14
Present value of the commitment (DBO) on 31.12.	**347**	**194**

The severance payment commitment relates to the two members of the Management Board, Mr. Hammer and Mr. Goessler. The rights to severance payments held by the company's employees have been transferred to a staff provision fund.

(21) Provisions for pensions

BDI – Biodiesel International AG has a benefit-oriented pension scheme, which provides pension benefits on the basis of the number of years of service and the salary / wages paid to the employees who are members of the scheme. The commitments are not covered by company assets or employers' liability insurance.

A pension age of 63 / 65 years is assumed in the BDI – Biodiesel International AG pension scheme. The calculation was made on the basis of the mortality tables according to „AVÖ-2008-P ANG".

The most important of the assumptions made are:

Actuarial parameters in %	2008	2007
Interest rate p.a.	6.0	5.25
Salary increases p.a.	2.5	2.5
Pension increases p.a.	1.5	1.5

The following amounts were included in the profit and loss account with reference to these commitments:

	2008 EUR '000	2007 EUR '000
Current employment expenses	213	245
Interest expenses	79	62
	292	**307**

The current employment expenses are included in the personnel expenses as pension expenses, while the interest expenses are shown in the financial result.

The present value of the commitments made in the benefit-oriented pension schemes developed as follows:

	2008 EUR '000	2007 EUR '000
Present value of the commitment (DBO) on 1.1.	**1 505**	**1 445**
Current employment expenses	213	245
Interest expenses	79	62
Actuarial profits / losses	–162	– 247
Present value of the commitment (DBO) on 31.12.	**1 635**	**1 505**

(22) Provisions and deferrals

The company's provisions and deferrals can be broken down as follows:

2008 (EUR '000)	01. 01.	Change in companies consolid.	Required/ released	Added	31. 12.	of which current	of which non-current
Legal and consulting expenses	108		108	81	81	81	
Holiday entitlements	306	45	306	261	306	306	
Anniversary payments	48			14	62		62
Commission and licences	2 487		874		1 613	1 017	596
Warranties	2 167		768	2 601	4 000	2 013	1 987
Uncharged expenses for handed-over projects	3 590		3 441	1 761	1 910	1 782	128
Bonuses	569	1 271	569	1 001	2 272	2 272	
Miscellaneous	314	201	165	54	404	404	
Total	**9 589**	**1 517**	**6 231**	**5 773**	**10 648**	**7 875**	**2 773**

The provision for commission and licences is based on allocation of these items in accordance with the duration of the projects.

The provision for warranties include provisions for costs incurred for services provided after the plants have been taken over and is calculated on the basis of estimates of the anticipated outflow of funds.

No further details are provided here in view of the minor impact on asset, financial and earnings development.

(23) Liabilities

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
Prepayments received	8 866	14 149
Liabilities to banks	3	0
Liabilities to affiliated or associated companies	256	61
Trade accounts payables	8 314	6 962
Miscellaneous liabilities	2 127	1 980

EUR 8.866 million of the prepayments received were prepayments received from customers, which could not be deducted in assets from the corresponding receivables from production orders in accordance with IAS 11.

The miscellaneous liabilities include:

	31. 12. 2008 EUR '000	31. 12. 2007 EUR '000
Participation right liability	663	585
Minority interest / limited partners	507	593
Research funding loan	170	155
Liabilities to district health insurance funds	150	154
Tax liabilities	250	289
Others	387	204

The participation right liability of EUR 663 000 has a fixed interest rate of 12.92%; the market value of the liability is the same as the book value and the liability is due in 2012 at the earliest. The research funding loan of EUR 170 000 has a fixed interest rate averaging 2.2%; the market value of the liability is approximately the same as the book value and the liability is due in 2.5 years.

7. Explanatory notes about the consolidated cash flow statement

The consolidated cash flow statement is based on the indirect method. The cash and cash equivalents include not only the cash on hand and credit balances at banks but also time deposits of EUR 46.800 million.

Interest payments of EUR 2.873 million are shown in the net cash flow from operating activity.

Cash flows from the acquisition of consolidated companies are included in the cash flow from investing activity.

8. Miscellaneous information

Contingent liabilities

The company did not have any contingent liabilities on 31. December 2008.

Domestic banks had assumed guarantees for prepayments, contract performance and warranty commitments for the company on the balance sheet date. Bank credit balances of EUR 2.732 million were pledged as security for such guarantees.

Unsettled legal disputes

On 31. December 2008, there were no legal disputes that would have had a major impact on the annual financial statements.

Business transactions with related parties

The parties related to the company include the shareholders, the associated company and the members of the boards of BDI – BioDiesel International AG. Dr Martin Mittelbach resigned from the Supervisory Board of the company at the Annual Shareholders' Meeting that was held in May 2008. Dr Hubert Zankel was elected to the Supervisory Board as his successor.

The scope of the mutual supplies and services was as follows:

Supplies and services charged to BDI:

EUR '000	Designation	1 – 12/2008	1 – 12/2007
PDC Verfahrenstechnische Entwicklungs-gesellschaft m.b.H.	Rent, research and development expenses	648	525
VTU Holding GmbH and subsidiaries	Planning service	2 633	3 832
M & R Holding AG and subsidiaries	Supplies and services	2 005	2 155
Griss & Partner, Steirische Wirtschafts-treuhand GmbH, Steirische Prüfungs- und Beratungs GmbH	Legal and tax consultancy	205	229
Supervisory Board members	Supervisory Board compensation	50	51
Management Board members	Fixed compensation	291	289
Mr Hammer, Mr Gössler, Dr Koncar	Licence and patent fees	1 215	1 290

Supplies and services charged by BDI:

EUR '000	Designation	1 – 9/2008	1 – 9/2007
PDC Verfahrenstechnische Entwicklungs-gesellschaft m.b.H.	Administration	251	171

All the supplies and services were provided at standard market rates.

From the 2007 fiscal year onwards, the Management Board members Mr Hammer and Mr Gössler are each receiving a bonus amounting to 3% of EBIT. This performance bonus (including the payments made to them as inventors) may not exceed an amount of EUR 270 000 each per year and the value is guaranteed. If a member of the Management Board leaves the company in the course of a fiscal year, he is entitled to the annual bonus on a pro rata basis. Mr Hammer and Mr Gössler are beneficiaries of the company's pension and severance payment commitments.

25.0025% of VTU Holding GmbH, in which Dr Koncar holds an interest of 18.34%, were acquired as per 1. 1. 2008. Information about the purchase price can be found in the notes about the companies consolidated.

Events after the balance sheet date

No major events that require reporting have occurred since the qualifying date of 31. December 2008 for the consolidated financial statements.

Risk management and financial instruments

The company is exposed to various financial risks, including the market risk, the default risk, the liquidity risk, the currency translation risk and the interest change risk. There are clear strategies for managing financial risks, which are specified and monitored by the company management on an ongoing basis. The objective of the risk management system is to minimise financial risks.

Market risk
The company is exposed to standard price risks, for which it is not covered, in the market on which it operates.

Liquidity risk
What is meant by liquidity risk is the risk involved in being able to obtain funds at all times to pay liabilities that have been entered into. The company counters this risk by carrying out liquidity planning. The funding of outstanding orders is also guaranteed by means of contractual arrangements with the customers.

Credit and default risk
The credit risk is the risk of asset losses that can occur due to the failure of individual business partners to meet contractual commitments. Bank securities (guarantees) are obtained to cover a large proportion of the solvency risk inherent in the basic business transaction, so that it is limited to the book value of the receivables shown.

Currency translation risk
The currency translation risk is the risk involved in changes in the exchange rates. So far, this risk has been of minor importance to the company.

Interest change risk
The interest change risk is the risk arising from changes in the value of financial instruments, other balance sheet items and/or interest-related payment flows attributable to market interest rates.

On the balance sheet date, the company had fixed-interest assets of EUR 46.800 million and variable-interest assets of EUR 14.176 million. BDI also had fixed-interest financial debt of EUR 833 000. BDI values the fixed-interest financial instruments at the fair value and not through profit and loss. A change in the interest rates does not therefore have any impact on BDI‘s earnings.

Derivative financial instruments
Instruments designed to hedge the above risks are restricted to the measures outlined. Derivative financial instruments were not used.

9. Company boards

Supervisory Board

Dr Gunter Griss (Chairman of the Supervisory Board)

Mag. Friedrich Rothwangl (Deputy Chairman of the Supervisory Board)

Dr Michael Koncar

Dr Martin Mittelbach, until 21. May 2008

Dr Hubert Zankel, from 21. May 2008 onwards

Management Board

Mr Wilhelm Hammer (CEO)

Mr Helmut Gössler (CTO)

Mag. Dagmar Heiden-Gasteiner (CFO), from 1. January 2009

Shares owned by board members

31. December 2008	Number of shares
Mr Hammer	153 220
Mr Gössler	105 150
Dr Griss	
Mag. Rothwangl	
Dr Koncar	
Dr Zankel	200
BDI Beteiligungs GmbH (Shareholders: Mr Hammer and Mr Gössler with a total interest of 86%)	2 787 284

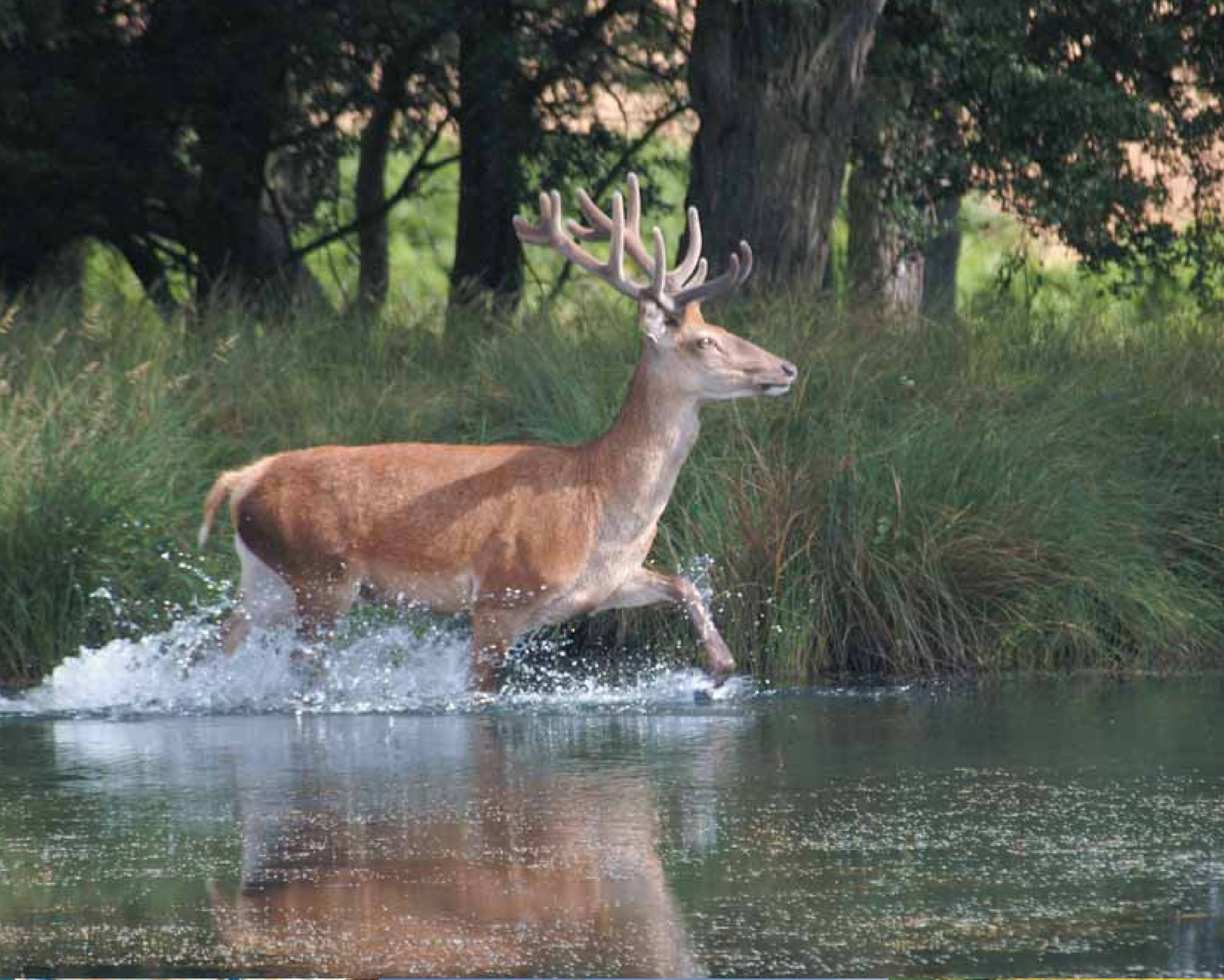
Grambach, 13. March 2009

The Management Board:

Wilhelm Hammer
CEO

Helmut Gössler
CTO

Mag. Dagmar Heiden-Gasteiner
CFO



Our future. Clean energy.

Assurance by the legal representatives in accordance with § 37y No. 1 of the Securities Trading Act in connection with §§ 297 Paragraph 2 Sentence 3 and 315 Paragraph 1 Sentence 6 of the German Commercial Code

We confirm to the best of our knowledge that the consolidated financial statements comply with the accounting principles which have to be applied and communicate a true and fair picture of the Group asset, financial and earnings development, that the consolidated management report presents the development of the business, including the business results and the situation of the Group, in such a way that a true and fair picture is communicated and that the main opportunities and risks of the probable development of the Group are outlined.

Assurance in accordance with § 82 Paragraph 4 Section 3 of the Austrian Stock Exchange Act

We confirm that

a) the consolidated financial statements comply with the relevant accounting standards and to the best of our knowledge communicate as faithful a picture as possible of the asset, financial and earnings development of the BDI Group and

b) the management report communicates as faithful a picture as possible of the asset, financial and earnings development as well as the main risks and uncertainties.

Grambach, 13. March 2009

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BDI – BioDiesel International AG, Grambach, for the financial year from 1 January to 31 December 2008. Those financial statements comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal Requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

Vienna, 13. March 2009

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

Mag. Yann-Georg Hansa	Mag. Johannes Haider
Wirtschaftsprüfer	Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements are identical with the audited version attached to this report. §281 Abs 2 öUGB applies.

Financial calendar

31. 03. 2009	Press conference about the 2008 financial statements, Vienna
15. 05. 2009	Interim report about the 1st quarter of 2009
18. 05. 2009	2009 Annual Shareholders' Meeting, Graz
14. 08. 2009	Interim report about the 2nd quarter of 2009
06. 11. 2009	Interim report about the 3rd quarter of 2009
09. – 11. 11. 2009	German Equity Forum, autumn 2009, Frankfurt

Contact

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This annual report was published in German and English on 31. March 2009 and can be downloaded from our website.

Please do not hesitate to contact us if you have any questions.

Mag. Dagmar Heiden-Gasteiner, MBA
CFO

Forward-looking statements

This document contains forward-looking statements that are based on the current assumptions and assessments of the corporate management of BDI – BioDiesel International AG. Forward-looking statements are indicated by the use of such words as expect, intend, plan, anticipate, assume, believe, estimate etc. These statements may not be taken as guarantees that these expectations will prove to be correct. Future developments and the results actually achieved by both BDI – BioDiesel International AG and its Group companies depend on a number of risks and uncertainties and may therefore deviate substantially from the forward-looking statements. Some of these factors are outside the control of BDI – BioDiesel and cannot be predicted precisely, e.g. the future economic environment as well as the action taken by competitors and other market players. There are no plans to update the forward-looking statements and BDI – BioDiesel has not committed itself to do so.

Imprint

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