BDI

Annual Report 2011

Mission and Vision

We supply concepts and plants for the environmentally sound generation of energy from residual and waste materials. Our aim is to continue pioneering innovative solutions for the protection of our environment and to act as a good corporate citizen by doing so. We enable our customers to be environmentally responsible in their operations too.

Our sustainable business model is based on principles that we implement at our company day in, day out. We respect the needs of our employees and provide conditions in which it is possible to work creatively and constructively. In everything we do, we make sure that the capital of the BDI shareholders is deployed efficiently and that long-term value is added.

Our vision: BDI is the global market and technology leader for solutions and concepts that obtain valuable resources from residual and waste materials and thus create added value for people and the environment. This applies not only to the production of BioDiesel and BioGas but also to the extension of the business model to include environmental protection and the minimisation of resource input as additional objectives.

Our values: customer orientation, innovation, sustainability and responsibility to our stakeholders and to society.

VISION

Our customers	**Your requirements are our challenge. We inspire by demonstrating technology leadership.**
Our technology	**Waste to Value: we set the standards for the upgrading of residual and waste materials to maximise economic viability, innovative skills and cutting-edge technology.**
Our employees	**We are a high-performance team!**
Our organisation	**We don't just talk – we act! Systematic improvements are what make us successful.**

Highlights 2011

BDI celebrates the 15th anniversary of its foundation

New commission obtained to build a BioGas plant in France

International demand for BioGas Technology from BDI too: pre-engineering commission from North America

Good prospects for new BioDiesel plants: engineering commissions from Europe and North America

Further keen interest in the RetroFit programme

Commission obtained to build a Multi-Feedstock BioGas plant in Germany

Commission obtained to extend a Multi-Feedstock BioDiesel plant in Scotland

Selected key figures as per 31.12.2011

	2011	2010	Change
Orders on hand (on 31.12.)	**€ 15.1 million**	**€ 23.6 million**	**– 35.9%**
Sales	**€ 34.7 million**	**€ 39.9 million**	**– 13.1%**
National	€ 1.8 million	€ 0.2 million	–
International	€ 32.9 million	€ 39.7 million	– 17.1%
EBIT	**€ 3.6 million**	**€ 3.2 million**	**+ 13.4%**
EBIT margin	10.5%	8.0%	–
EBT	**€ 4.5 million**	**€ 4.7 million**	**– 3.6%**
EBT margin	13.0%	11.8%	–
Period earnings (after non-controlling interest)	**€ 4.2 million**	**€ 3.7 million**	**+ 11.9%**
Balance sheet total (on 31.12.)	€ 86.2 million	€ 93.6 million	– 7.9%
Equity (on 31. 12.)	€ 55.0 million	€ 52.3 million	+ 5.0%
Equity ratio (on 31.12.)	63.8%	55.9%	–
Cash flow from operating activity	€ 4.9 million	€ 3.9 million	+ 27.7%
No. of employees (on 31.12.)	144	137	+ 5.1%
Lead time for major orders	12 – 22 months	18 – 22 months	
No. of major orders processed	7	4	

Contents

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


„For a clean planet“

Letter from the Management Board

Dear Sir or Madam,
dear Shareholders,
dear Employees,

the terrible accident at the Japanese nuclear power plant in Fukushima has forced us to rethink our energy supply systems all over the world. Renewable energies have become a far more important issue as a result. Europe, for example, has committed itself to reaching the following targets by 2020: a reduction of 16% in CO_2 emissions and an increase from 29% to 34% in the proportion of energy generation accounted for by renewable energy sources. New environmental electricity legislation has been introduced in Austria, with the specification that the country is to be independent of nuclear power imports as early as 2015. The volume of sustainable raw materials used to generate renewable energy is limited, however.

Advanced technologies that use no food but residual and waste materials to generate renewable energy are becoming increasingly significant in this context. BDI plants in particular are not only extremely flexible in the processing of very different raw materials, but they are also very economic. For many years, BDI has been the global technology leader – a position that we continued to strengthen in the last fiscal year.

In spite of a BioDiesel market environment that is difficult and going through a process of change at the moment, we succeeded in generating an encouraging operating profit in 2011. Although sales were 13% lower than in the previous year, earnings before interest and taxes (EBIT) amounted to EUR 3.6 million, an improvement of 13% over the previous year. This means that the EBIT margin was more than 10%. In view of this performance, the Management Board and the Supervisory Board will be proposing to the Annual Shareholders' Meeting that a dividend of EUR 0.25 per share is distributed.

Prompt introduction of mandatory B7 blending throughout Europe, involving the addition of up to 7% BioDiesel to diesel fuel, will stimulate the BioDiesel market again. In view of the implementation of increasingly strict quality BioDiesel standards, also our RetroFit programme has tremendous potential in this area and registers stronger and stronger demand. In the past fiscal year, we obtained a RetroFit engineering commission for a BioDiesel plant in the northern USA, for example.

One of the special advantages of our RetroFit programme is the fact that we can also optimise existing external plants in such a way that they comply with increasingly stricter requirements and standards – no matter which technology supplier with BDI know-how originally supplied the plant. Our self-developed RepCat Technology set milestones as well. This means that not only high-quality Vegetable Oils but also lower-quality and for the human consumption not approved raw materials with up to 100% free fatty acids can be used to produce high-quality BioDiesel.

Our strategic decision to start operating in another segment of the waste and residual material recycling field was also very important in response to the changes in the conditions on the BioDiesel market. It has proved to be right to enter the BioGas field for industrial users and the operations are developing well. International customers have opted for the innovative BDI BioGas Technology. One major industrial plant we have built in Turkey will already be coming into operation in the first quarter of 2012 and will be a particularly convincing reference plant for other international customers that are interested in this field. It produces not just environmentally friendly BioGas that is used to generate electricity, but also heat and high-quality biological fertiliser. In the spring, we obtained a commission worth several million euros to build a BioGas plant in Marl in the Ruhr area from ReFood GmbH & Co. KG, a German company that belongs to the SARIA Group. The plant will be producing a total of 6.3 million Nm^3 of BioGas every year from about 87 000 tonnes of very varied waste. Some 6 000 households can be supplied with environmentally friendly electricity as a result. We received another commission worth EUR 4.5 million from France in October and already started to build this BioGas plant in northern France in December.

Global demand for energy is increasing steadily. Not only optimum and intelligent use of existing resources but also the discovery of raw material sources that have not been investigated thoroughly up to now are therefore becoming more and more important. BDI's objective here is to find innovative solutions. Right from the start, our mission as a company has been to develop and successfully implement practically oriented technologies of our own for the minimisation of resource input and for the generation of energy via intensive research. In addition to this, we are working in our research & development activities intensively on increasing the raw material flexibility of our existing BioDiesel and BioGas Technology and are helping to maintain our technological edge by doing so.

We consider the BioCrack project, that we are carrying out in co-operation with a European mineral oil company, to be a milestone with tremendous future potential. Following a very successful large-scale laboratory phase at BDI that has lasted a number of years, the start-up of a pilot plant at a mineral oil refinery is now scheduled for the spring of 2012. The unique feature of the patented BioCrack Technology is that fuel of the highest quality with a high biogenic content can already be manufactured at the refinery from solid biomass and a by-product of inferior quality. An international market is opening up to BDI as a result: all refineries that produce diesel fuel are potential customers. With BDI's BioCrack Technology, the "green refinery" is coming another stage closer to reality.

Sustainability is the daily practiced basis of our business model: we enable our customers to operate sustainably with the help of our environmentally, resource-saving sound technologies. In view of this outstanding importance sustainability has for BDI, we are presenting our activities and the sustainability of our technologies as well as our own principles and implementation of them in an extensive chapter of this year's Annual Report. Sustainability is important to us not only for environmental and economic reasons, but also because of its social significance.

Renewable energy sources and the environmentally sound disposal of waste are becoming increasingly important and offer us huge growth potential. Intelligent waste recycling is a niche that is particularly profitable. In view of the medium-term growth potential, BDI is planning strategic expansion of its business operations. BDI's portfolio is to be expanded, so that the company is a comprehensive supplier of complex, industrial green tech solutions rather than a manufacturer of special plants for the BioDiesel and BioGas industry. Our vision is to set the international standard for maximising economic viability, innovative skills and cutting-edge technology – not only in the recycling and upgrading of residual and waste materials but also in the creation of new, sustainable resources. We will therefore be working on the gradual development of further areas of operation and are currently investigating the acquisition of supplementary environmental technologies too in this context.

We are determined to make further continuous and significant contribution with all existing energy to preserve the environment with our products and technologies. As a result of the additional skills we develop in the upgrading of residual and waste materials, we will be standing not only for Waste to Energy but also for Waste to Value in future – a comprehensive concept for the environmentally sound production of BioDiesel and BioGas with a minimum of resource input and for the sensible recycling of waste and other valuable resources.

We would like to thank our business partners and shareholders for their close co-operation and our employees for the impressive commitment and excellent performance.

Kind regards

The Management Board:

Dr. Edgar Ahn

Dagmar Heiden-Gasteiner, MBA

Markus Dielacher, MSc.

Report by the Supervisory Board

The Supervisory Board of BDI – BioEnergy International AG carried out the assignments for which it is responsible according to the legal regulations and the articles of association in the 2011 fiscal year. It held five Supervisory Board meetings in this fiscal year. In the context of the official reporting system and in extensive reports presented at all the meetings, the Management Board kept the Supervisory Board informed about the business and financial development of the Group and its equity interests, strategy, the personnel situation, acquisitions and investment projects as well as risk management.

The audit committee held two meetings in the last fiscal year to review the 2010 financial statements and consolidated financial statements, and to prepare the adoption on the one hand and to audit internal processes and control systems, especially project controllings on the other hand. The auditors were invited to attend both meetings of the audit committee.

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 2011 fiscal year were audited by PwC INTER-TREUHAND 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.

Following a detailed preliminary assessment by the audit committee, the Supervisory Board confirmed the outcome of the audit by the annual 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 § 96 Paragraph 4 of the Companies Act (AktG). The management report, the consolidated financial statements, the consolidated management report and the corporate governance 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, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, is appointed to be auditor of the annual financial statements and consolidated financial statements for the 2012 fiscal year.

The Supervisory Board would like to express its thanks to the company management and all employees for their outstanding commitment and excellent performance in the past fiscal year in what continues to be a challenging market environment.

Grambach, March 2012

For the Supervisory Board:

Dr. Gunter Griss
Chairman

Products and services

BDI – BioEnergy International AG develops technologies for the generation of energy from by- and waste products while minimising resource input at the same time. The company's core skill is therefore Waste to Energy. BDI is a leading manufacturer of special plants that supplies customised, turnkey BioDiesel and BioGas plants based on the Multi-Feedstock Technology developed by the company itself.

The BDI added value chain includes all the different stages of special plant manufacturing: from research & development to engineering, construction and After Sales Support. We have a research centre of our own in which we carry out extensive testing. After Sales Support is provided so that customers can operate the plants fully effectively.

BioDiesel plants

Multi-Feedstock

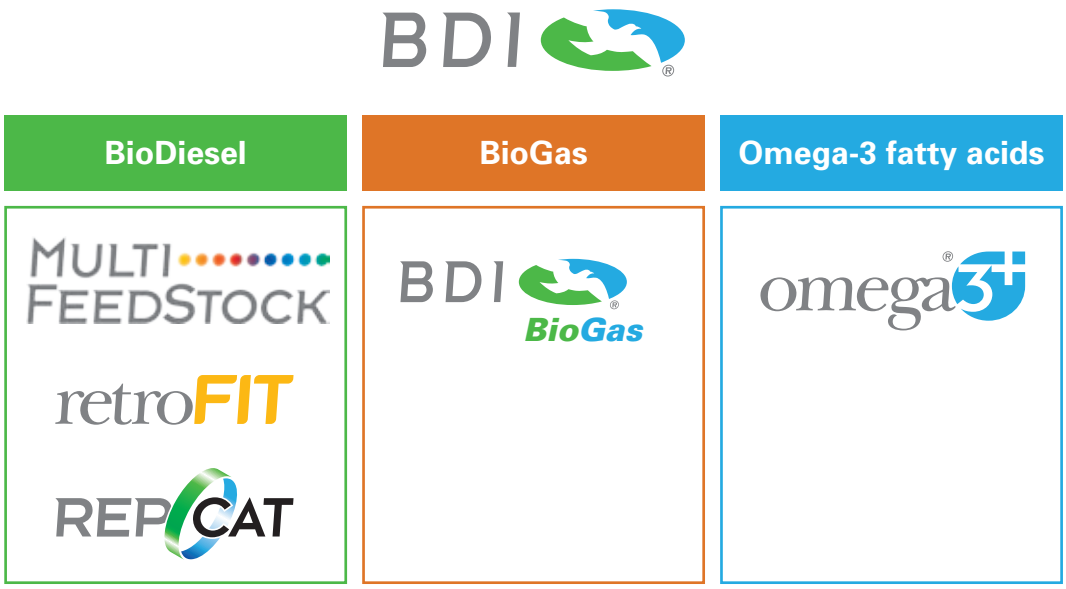
BDI builds customised BioDiesel plants that operate by the Multi-Feedstock process developed by the company itself. Different kinds of raw materials, such as Vegetable Oils, Animal Fats and Used Cooking Oil, are processed into valuable BioDiesel with this technology. BioDiesel of the highest quality, that is better than required by the strictest quality standards in the world (such as EN14214 and ASTM D6751), is produced in this environmentally sound process that minimises resource input.

RepCat

The RepCat Technology developed by BDI can process raw material containing up to 100% free fatty acids. High-quality BioDiesel is produced from it – both economically and efficiently. Thanks to the comprehensive recycling of the catalyst, high-quality Glycerine is obtained as a by-product, that can be used for many different applications in other industrial areas.

RetroFit

The RetroFit programme provided by BDI involves the modernisation and optimisation of existing BioDiesel plants. Implementation of the RetroFit programme developed by BDI on large existing plants increases raw material flexibility and guarantees BioDiesel quality. Not only high-quality Vegetable Oils but also lower-quality raw materials like Used Cooking Oil and Animal Fat can be processed afterwards. BioDiesel distillation makes sure that the quality of the BioDiesel produced remains consistently high even when the raw materials processed are of inferior quality.



BioGas plants

BDI supplies state-of-the-art solutions in the anaerobic fermentation field too. BDI's Multi-Feedstock BioGas Technology is designed mainly for industrial users, so many different raw materials and by-products of the food processing industry, organic waste or by-products of the biofuel industry can be used as raw materials. Thanks to an extremely reliable and stable biotechnological process and compact dimensions, BioGas can be produced economically on an industrial scale with this system.

BDI supplies an integrated Waste to Energy system by combining BioDiesel and BioGas plants. The system is environmentally sustainable and inexpensive – and it produces no waste. By-products or waste from different industries or directly from biofuel production are converted into bioenergy.

Technology for the obtainment of omega-3 fatty acids

BDI has entered an attractive area of operation together with its subsidiary UIC: the obtainment of valuable omega-3 fatty acids from Fish Oil. The raw material for the production of omega-3 fatty acids and high-quality biofuel is refined Fish Oil, that is already enriched with a higher concentration of EPA (eicosapentaenoic acid) and DHA (docosahexaenoic acid) and thus contains special substances that are particularly healthy. The unique omega 3+ Technology makes the most of the Fish Oil and therefore guarantees substantially higher yields.


„Social responsibility“

We are in charge

Special feature: Corporate social responsibility

BDI stands for environmentally responsible energy with a sound future

Sustainability is a concept that is a key feature of the business model BDI implements as market and technology leader for the construction of Multi-Feedstock BioDiesel and BioGas plants: ever since it was established, the company has focussed on renewable energies and the development of production processes for biofuels, the use of which reduces the consumption of fossil fuels and thus environmental impact. In this context, BDI has concentrated in particular on the processing of residual and waste materials, such as Used Cooking Oils, Animal Fats or Organic Waste.

Our products are based on the philosophy that the challenges we face in the energy supply field cannot be tackled successfully with solar, wind and hydrogen technologies or other alternative energy sources alone; what is needed instead is the combined use of the different environmentally sound energy sources.

As a result of its intensive research & development operations, BDI has succeeded in assuming a pioneering role with in-house technologies and in regularly finding new raw materials that are suitable for the generation of energy. Thanks to the Multi-Feedstock Technology, BDI plants do not process food into BioDiesel or BioGas; sensible use is instead made of residual and waste materials. With its Waste to Energy philosophy, the company is helping to improve environmental performance considerably.

Our competitive edge: Multi-Feedstock Technology

It is an undeniable fact that BioDiesel is an environmentally sound fuel. Conventional production of BioDiesel is still considerably more expensive than the production of conventional diesel or Heating Oil, however. Since raw material (feedstock) costs account for almost 86% of the total costs of BioDiesel production, inexpensive procurement and thus the choice of raw materials are very important factors. Waste products like Used Cooking Oil and Animal Fats are raw materials for BioDiesel production that can be bought inexpensively, because they would otherwise need to be disposed of as waste.

BioGas is also produced with the BDI Technology via the bioenergetic processing of difficult industrial waste. This industrial waste is available as a raw material throughout the year with no seasonal fluctuations. Thanks to the innovative technology, the dimensions of the plants can be kept small, which makes the generation of energy particularly economic.

A blend of methane and carbon dioxide – known as BioGas – is produced in BDI BioGas plants during the anaerobic fermentation process. BioGas can be used in many different applications: as fuel for vehicles or to generate electricity or heat. The digestate is another valuable product that is produced in BioGas plants alongside BioGas. The digestate can be used as agricultural fertiliser.

Further processing involving the separation of solids from the liquids (mainly water) is also possible. The liquid fraction can be processed into valuable clean drinking water. The production of BioGas from waste also helps to reduce greenhouse gas emissions and to generate CO_2 certificates.

The combination of BioDiesel and BioGas Technologies facilitates the exploitation of synergy benefits. The renewable energy yield is increased – while comprehensive use is made of waste flows at the same time.

Processing of lower-quality raw materials

BDI specialises primarily in lower-quality raw materials that are difficult to process. Such raw materials often accumulate in various industries as by-products or waste flows and are used to create further value via BioDiesel production. These raw materials include:

Used Cooking Oils (from restaurants and food production)
Grease trap waste (from restaurants and food production)
Animal Fats (from rendering plants)
PFAD (Palm Fatty Acid Distillate) and PSO (Palm Sludge Oil) (by-products of Palm Oil production)

It goes without saying that virgin Vegetable Oils can also be processed with BDI Technology. The raw materials with which our technology can be used can, for example, also be grown on wasteland or contaminated agricultural land where food production is not permitted. This is the case in Belarus, for instance, since the after-effects of the Chernobyl catastrophe are still being felt there. This would be a potential source of income for farmers who cannot use their fields otherwise.

Energy from organic waste

Up to now, organic waste has been disposed of at sea in many countries, because there are in some cases regulations that prohibit the disposal of biogenic waste on landfill sites. In some countries, it is not in the meantime allowed to spread the digestate from BioGas plants on fields either. This means that BDI's Technology is not just the solution to a disposal problem; it also reduces environmental pollution.

Every human being is a source of organic waste – 250 kg of Biomass per person and year on average. At least a third of this can be treated in such a way that the production of BioGas is possible with it. The properties of the waste that is collected are not always the same; they depend on many different general conditions, such as the time of year. The preparation of BioGas substrates is therefore a crucial process and the technology it is based on is of major importance.

Examples of the types of waste used in BioGas production:

Organic waste
- e.g. kitchen waste, municipal biowaste, packaged food products after their expiry date

Agricultural residue
- e.g. liquid or chicken manure

By- and waste products from food production
- e.g. slaughterhouse waste, brewer's grain, whey from the dairy industry

By-products of the biofuel industry
- e.g. mucilage, distillation residue, Glycerine phase

Responsible management of risky materials

The use of Animal Fats in BioDiesel production is closely associated with the BSE problem, that led to a ban on the use of bone meal in animal feeding throughout the EU as long ago as 1994. In addition to technical restrictions, there are also general legal conditions governing the use of Animal Fats in the categories that are risky materials according to legal findings. The use of animal by-products that are covered by EC Regulation No. 1774/2002 involves additional official procedures and the need for operating controls. In this context, BDI has mature, patented production technology, which enables risky materials (Category 1 and Category 2 fats) to be used in BioDiesel production. Our technology was examined and classified as safe by EFSA (European Food Safety Authority) in 2004. This was supplemented in 2005 by the Commission Regulation, which gave official approval to our production process for Category 1 raw materials.

Not only Animal Fats but also Used Cooking Oils are available in large quantities. About 3.7 kilograms per capita of Used Cooking Oil are produced in Austrian households per year. This therefore adds up to theoretical potential of about 38 850 tonnes, only 4% of which are actually used at the present time. This Used Cooking Oil was disposed of in the past via the sewage system and became a problem for sewage plants and waste water processing facilities. Far more Used Cooking Oil is produced industrially – and it can already be reused. The potential in Austria is estimated to amount to 70 000 to 80 000 tonnes of Oil per year. Experts suggest that about 50 000 tonnes of Used Cooking Oil are currently collected in Austria and processed in the BioDiesel industry.

Minimisation of waste in production

In the course of their use (e.g. frying) and/or due to chemical decomposition processes when they are stored improperly or for long periods of time, the quality of Vegetable Oils and Fats deteriorates. This leads to a higher content of free fatty acids – a product that forms when fats and Oils decompose. These substances cannot be converted directly into BioDiesel in conventional BioDiesel production processes and lead to considerable production problems, e.g. due to saponification, or to waste flows. Free fatty acids are therefore generally removed before the BioDiesel production operations, which leads to a reduction in final product yield, that – in turn – has an adverse impact on the overall economic viability of BioDiesel production. Used Cooking Oil, Used Animal Fats and grease trap oils contain a particularly large proportion of free fatty acids.

Our technology is not subject to any restrictions as far as use of the free fatty acid content is concerned – all of the free fatty acids in the raw material are converted into BioDiesel. This means that a yield of up to 100% is possible, with the result that practically no waste is produced in BioDiesel manufacturing. Another difference from conventional industrial processes: due to the choice of a special catalyst, catalyst residue is left over at the end of the BioDiesel process as solid fertiliser that can be sold – this residue is left over as a waste flow in rival processes. Comprehensive recycling of the catalyst used is possible with the BDI Technology too. The Glycerine that forms as a by-product in this process is of particularly high quality and is salt-free, so that it helps to create additional value. This fact makes the Glycerine that forms an easily marketable product that is in great demand for many different applications in other areas of industry. The targeted upgrading of this by-product flow makes sure in turn that a waste flow is avoided that could not be recycled.

Sustainable production processes

Material input

The Multi-Feedstock Technology makes it possible for customers to use a wide range of different raw materials, so that the economic performance of plants is improved. The production process was developed not only to produce BioDiesel, but also to avoid waste and to manufacture viable by-products that are either recycled in the production process or can also be sold.

Energy consumption and CO_2 emissions

When the plants are being designed, steps are taken to make sure that they are planned to be energy-efficient and to recover as much as energy as possible for reuse in the process. No fossil fuels are used to generate process heat in the production process, as by-products of the BioDiesel

manufacturing process are used for this purpose. The only emission to which this process leads is a small amount of nitrogen, that is lower than the legal limit. There are practically no odour emissions thanks to use of the best technology.

Water/waste water and other waste

Waste water and other waste material flows are avoided in Single-Feedstock plants by providing optimised closed-loop systems within the production process. No waste apart from waste water is produced in Multi-Feedstock plants either and the waste water is easy to process in a sewage plant. The only waste material left over after the production process is the packaging used for the potassium hydroxide that is needed. The big bags involved are, however, returned to the supplier, where they are reused. The combination of BioDiesel and BioGas plants for waste recycling guarantees optimum substrate management.

Reduction of greenhouse gas emissions

In its "Directive 2009/28/EC on the promotion of the use of energy from renewable sources", the EU calculated the reduction in greenhouse gas emissions that can be expected by comparison with fossil energy sources for various raw materials that are used in BioDiesel and BioGas production. In this context, BioDiesel produced from waste Vegetable Oils (e.g. Used Cooking Oils) and from animal waste (e.g. Animal Fat from rendering plants) performs considerably better than other raw materials, with potential CO_2 savings of 88% compared with conventional diesel.

Biofuel production pathway	Typical greenhouse gas emission saving
BioGas from municipal organic waste as compressed natural gas	80%
BioGas from wet manure as compressed natural gas	84%
BioGas from dry manure as compressed natural gas	86%
Waste vegetable or animal oil BioDiesel	88%

Excerpt from Annex V, Directive 2009/28/EC

Interviews with customers: BDI Technology in practice

Company name: SEEG Mureck
Contact person/job title: Karl Totter, Senior Manager, Josef Reiter-Haas, Chairman, Karol Gorny, Director
Plant type: Multi-Feedstock BioDiesel plant
Plant location: Mureck, Austria
Year of construction/hand-over: 1991
Plant capacity: Initially 1000 tonnes/year (1991), currently 16 500 tonnes/year after several extensions, extension to 25 000 tonnes/year planned for 2012/2013
Feedstock type and amount: Used Cooking Oil, Rapeseed Oil

We are at the birthplace of BioDiesel production here. How did it all happen?

Totter: The idea was developed together with farmers from the region at the end of 1985 because of the agricultural surpluses. 30% of agricultural land used to be needed as a source of food for working animals. This was no longer necessary once the oil era began. We wondered whether the surpluses could not be used to produce fuel for "modern working animals" – diesel engines. This spontaneous idea prompted us to phone Graz University, when the esterification of vegetable fats into diesel fuel was being investigated. They told us there that the idea would work. So we joined forces with Graz University, the state of Styria and a group of farmers and started to implement the project.

Was the BioDiesel only used within this group of farmers at first?

Totter: It was very difficult at first, no-one wanted to make his tractor available for tests with the unfamiliar fuel. So the Steyr company put tractors at our disposal during this pilot phase and we used BioDiesel as fuel for them. This worked so well that we moved on to the realisation phase. We spent a great deal of time informing and convincing our colleagues. The outcome was the establishment of Südsteirische Energie und Eiweißerzeugungs-Genossenschaft (SEEG) on 12. October 1989.

So you produced BioDiesel from local rapeseed for a number of years, while the idea of using other raw materials too came some year later. How did that happen?

Totter: That was another science-driven idea from the laboratory at Graz University. The thinking there was that BioDiesel could be produced from Used Cooking Oil too. We couldn't believe it at first. But then, in March 1992, we contacted the District Administrator who was responsible for waste management at the time. He supported our idea of collecting Used Cooking Oil in Styria, making BioDiesel from it and then supplying the BioDiesel back to the local communities, so that they could use it as fuel for their municipal vehicles. We produced the first litre of BioDiesel from Used Cooking Oil as early as December 1993.

The system of Used Cooking Oil collection, BioDiesel production from it and, finally, use of it in the local communities is implemented in the Styrian showcase project "Ökodrive". How did this project come about?

Totter: We made regular attempts to find partners, so that we could collect even more Used Cooking Oil. Particularly Used Cooking Oil that is disposed via toilets and the sewage system, because this led to repeated problems at sewage works. We started the Ökodrive project in 1994 together with the city of Graz and the Graz public transport company. We began by testing how compatible BioDiesel was – a brand-new bus was driven with fossil fuel, while another brand-new bus was driven with BioDiesel produced in Mureck from Used Cooking Oil. After two years, the engines of both buses were taken apart and it was found that the engine driven with the Used Cooking Oil actually looked cleaner and better than the other engine. We were encouraged by the co-operation with the city of Graz and the Graz public transport company and so Used Cooking Oil was collected in Graz too. This is how the Ökoservice and Ökodrive projects began. This longstanding partnership has generated tremendous economic and environmental benefits and many people joined in this project.

What is your philosophy, your basic concept behind everything that has developed here in Mureck?

Totter: There have been no changes to the basic concept. It has always been – and still is – our conviction that energy needs to be generated where the raw materials are, without long transport distances. Over the years, we have formulated an appropriate sentence that summarises our approach: many decentralised plants are the best precaution that can be taken in preparation for crises in energy and food production. To our way of thinking, every region, every country and every continent should work and manage with the resources that are available. This is the right approach from the environmental, economic and sociopolitical points of view. Jobs are as a result created where people who need jobs live too.

How well-equipped do you think you are for the future here at this location – particularly once the planned extension has been completed?

Gorny: We are planning in such a way that we will certainly be able to operate fully effectively for the next 10 to 15 years with the current technology after the extension has been made. At the present time, it is not possible for us to predict what will happen then, what BioDiesel will be like as a product, what drive systems will have established themselves by then. We are sure that many of the future technologies for biofuels are simply not far enough advanced yet to enable them to replace BioDiesel of the kind we produce. From the sustainability point of view, we are definitely in an excellent position with our production operations, which are 90% based on Used Cooking Oil. We can rightly claim here to have the most sustainable plant in Europe if not the world.

What significance does your plant in Mureck have for the regional context?

Reiter-Haas: In the meantime, we have more than 1 000 owners of all the energy plants who are participating in the success of the companies. Several hundred members and suppliers are involved with us in the regional business environment. A very large number of people enjoy the advantages of the comprehensive use that is made of renewable energies in our area, so that we are highly appreciated among the population and in the business community as a result too.

Gorny: The jobs in the region are, not least of all, very important too. They enable people to work close to their homes. I think that the Mureck area would be considerably poorer – not only from the jobs point of view but also in general – if SEEG and the bioenergy plants did not exist.

By way of conclusion: can you try and quantify the environmental importance of the location?

Totter: With all the operations at the bioenergy plants, the BioDiesel production facilities and the district heating locations and with the generation of electricity in the BioGas and photovoltaic plant, we are at the present time compensating for about 19 000 tonnes of Fossil Mineral Oil and have eliminated 57 000 tonnes of CO_2. In future, after the extension has been made, these figures will be increasing again substantially. We are planning to eliminate about 100 000 tonnes of CO_2 at this location in 2013.

Abstract of an interview made by Norbert Gaulhofer.
You can find the complete interview on our website at bdi-bioenergy.com/sustainability

Company name: Green Biofuels Ireland Ltd. (GBI)
Contact person/job title: Joe O'Byrne, chief operations officer
Plant type: Multi-Feedstock BioDiesel plant
Plant location: Marshmeadows, New Ross, Co. Wexford, Ireland
Year of construction/hand over: 2008
Plant capacity: 30 000 t/y
Feedstock type and amount: Used Cooking Oil, Category III Tallow

Which feedstocks are you using and where do you source it from?

All of our feedstock is waste material or residues. The feedstocks we are using at the moment are Used Cooking Oil and category III tallow. We are buying the feedstock from collectors – some of our smaller shareholders are collectors of the feedstock. Most of it will go through a pre-cleaning plant and then come to our plant. Maybe about 25% of our Used Cooking Oil comes from Ireland and the remainder is imported.

Why did you choose the Multi-Feedstock approach?

When we draw up the original business plan, we had tallow and Used Cooking Oil from one side and rapeseed oil from the farmers. But as time went on and by the time we had the plant up and running, rapeseed was just too expensive. So we finally concentrated on the tallow and the Used Cooking Oil.

What were the decisive factors for choosing BDI's Multi-Feedstock Technology?

Making a long story short, BDI were the only ones we could see were able to do that. We looked at 4 or 5 technology suppliers. BDI was the only company that just went up to the BioDiesel line and took a sample and we brought it home with us. So they were the only ones that gave us the confidence that they were able to do the job we wanted done in terms of producing BioDiesel from Used Cooking Oil and tallow.

Why do you think you are still the only BioDiesel producer in Ireland?

I suppose potential other producers would have been Single-Feedstock producers using rapeseed oil. But until 2007/2008 there was BioDiesel legislation in place in Ireland to promote BioDiesel. It wasn't until then that there was an incentive to produce BioDiesel. That more or less coincided with our plans. The other thing is, Ireland is a rather small market. We were confident enough to get the raw material for our 30 000 ton plant, but for a larger producer it would be difficult.

You mentioned sustainability as a key aspect in choosing your feedstock and also in choosing the right technology. How much of a factor is sustainability for you?

Our outset was to produce BioDiesel from waste. That's basically the philosophy behind our company – producing a fuel from a waste. That's a good story, it looks good and people bought into us. And at the end of the day, the waste was cheaper. It has gotten more expensive as time has gone on, but back in 2006/2007 when we looked at the feedstock, it simply made a lot more sense.

Are there any sustainable projects you are or have been involved in?

At the moment we are working with Tesco, one of the biggest grocery retail distributers in UK and Ireland. They have built the first zero carbon footprint retail outlet in Ireland. We are supplying them BioDiesel, they have a combined heat and power plant for their outlets. That's a big part of their green strategy.

Abstract of an interview made by Norbert Gaulhofer.
You can find the complete interview on our website at www.bdi-bioenergy.com/sustainability

Increasing sustainability via research & development

Ongoing development and optimisation of our environmentally sound technologies that minimise resource input have high priority at BDI. A team with a total staff of 16 focusses its skills and know-how on implementing this assignment at our research laboratories. We also co-operate with universities and other scientific institutions.

R&D co-operation with university partners in 2011

Karl Franzens University in Graz
Chemical Institute: Professor Dr. Martin Mittelbach

Graz Technical University
Institute for Chemical Process Engineering and Environmental Technology
Professor Dr. Matthäus Siebenhofer
Professor Dr. Ulrich Bauer
Professor Dr. Viktor Hacker

Vienna University
Life Sciences Faculty
Professor Dr. Wolfram Weckwerth (Department of Molecular Systems Biology)
Professor Dr. Michael Schagerl (Department of Limnology)

Lunz Water Cluster
Dr. Martin Kainz

One example of our current research projects is BioCrack, an innovative new process for the production of biogenic biofuel: instead of adding BioDiesel to the fuel, as has been the case in the past, the fuel will be given up to 20 per cent organic content in future – with this already being done during the refinery process.

In this case, BDI uses a by-product of the mineral oil industry and solid Biomass to manufacture high-quality fuel. Renewable raw materials like wood or straw are mainly used here. The technology developed by BDI will enable the mineral oil industry all over the world to improve sustainability, minimise resource input and operate in a more environmentally responsible way by using biogenic fuel components in the established production processes. Within the next three years, this innovative new process will be optimised in co-operation with an international mineral oil company to the stage at which it is ready to be marketed.

BioDiesel from algae

The EU demonstration project All-Gas, which is to run for five years, started officially in May 2011. BDI's role in an international syndicate is to produce BioDiesel from Algae Oil. The algae are being cultivated beforehand. We are then extracting the Oil to process it into BioDiesel. The residual materials left over after this process are, in addition, being used by other members of the syndicate to produce BioGas. This procedure is in line with our integrated Waste to Energy concept too, in which all the material flows that occur are used and recycled to the most effective possible extent. We have already been investigating the entire added value chain for such plants for a number of years now: from algae cultivation to Oil extraction, BioDiesel production and reuse of the residual materials using the company's own BioGas Technology.

Further information about research & development at BDI can be found in the "research & development" chapter of the management report.

Environmental sensitivity in BDI's operations

The sustainability concept plays an important role at BDI not only where the products are concerned but also in the company's general day-to-day activities. This is reflected in many different areas.

Between 2003 and 2008, for example, our corporate headquarters in Grambach was built in three stages with the focus on minimisation of environmental impact and resource input as well as on regional procurement. Particularly close attention was paid to the following points in the construction process:

- Optimum utilisation of space
- Lightweight partition wall structures to guarantee maximum flexibility
- Use of regional construction materials, with the aim of facilitating environmentally sound recycling
- Use of wood as a renewable raw material wherever possible and appropriate
- Responsible water management via rainwater drainage shafts
- Observance of the latest standards with respect to the energy required for room heating and cooling
- Heating based on environmentally sound energy generation via district heating, with distribution of heat in a low-temperature system for optimum exploitation of heating energy
- Individually controllable protection against the sun on the office windows to reduce energy consumption when cooling the rooms
- Natural lighting in offices and corridors by installing large windows and glass panels in office doors
- All rooms (including toilets) handicap-accessible, wheelchair-accessible door openings
- Fully equipped kitchens, amenity rooms, a relaxation room and a fitness room for staff

Our office material
is stocked in appropriate amounts by our central purchasing department. We make sure that as few business documents as possible are printed out, so that environmental sensitivity is guaranteed in this area too. Our printouts are not produced immediately by the printer; they have to be confirmed on the printer by entering a pincode. Accidental printing is avoided as a result. Empty toner cartridges are collected and made available to a charitable organisation that helps to fund children's cancer aid with the proceeds of cartridge recycling. We keep files in digital form wherever possible.

Our hardware
is only bought in most cases if it has EPEAT certification. The environmental certification system of the Green Electronics Council specifies certain criteria for the entire product life cycle. They include reduction of toxic materials in production of the equipment, transport packaging, energy consumption in operation and recyclability.

Our company vehicles
are fuelled at our own BioDiesel pump. Our staff can refuel their private vehicles there too.

Our business trips
are taken by public transport (e.g. by bus or train) wherever possible. Beforehand, however, the necessity of every business trip is checked, in order to avoid unnecessary costs and environmental impact. We use video and telephone conference systems in many cases.

Our transport distances
are shortened by giving priority to local suppliers.

Our Annual Report
has been printed by climate-neutral and environmentally sound processes since 2009. We chose the printing company on the basis of environmental standards. The paper used is PEFC-certified. This international certification system confirms that environmentally, economically and socially responsible forest management has been applied in production of the paper. Environmentally sound inks and auxiliary printing materials manufactured on a purely vegetable basis are used for printing purposes. We have compensated for emissions during printing by buying environmentally efficient emission-reduction certificates relating to acknowledged climate protection projects.

Environmental data: utilisation of renewable energy sources

Environmental criteria and transparency play an important role in our energy and water consumption too. We disclose the consumption of electricity, water and district heating as well as waste and waste water volumes, for example.

BDI buys green electricity from local energy supply companies. The electricity breakdown:
89.19% hydroelectric power
4.73% wind energy
4.68% Biomass
1.24% BioGas
0.10% landfill site and sewage plant gas
0.06% solar energy

Our energy consumption level increased slightly in 2011 due to the expansion of our business operations in the BioGas field and an increase in our research & development activities.

Electricity	2011	2010
Consumption (in KWh)	355 333	340 763
Consumption (in €)	44 856	42 474

Water	2011	2010
Consumption (in m^3)	2 679	3 126
Consumption (in €)	3 366	3 929

District heating	2011	2010
Consumption (in KWh)	375	368
Consumption (in €)	26 976	25 985

Minimisation of waste volumes

Waste disposal has great environmental impact. Even more returnable containers and packaging are therefore being used in our laboratory and testing hall in future – wherever this is possible and economically sensible. We are also working on a solvent recovery system, so that the solvents recovered can be used for further experimental purposes.

Our staff are informed about environmental issues and are instructed to separate waste correctly at all times. We are working on the assumption that we will be reducing the amount of waste produced by BDI to a not inconsiderable extent by taking the measures outlined here.

Waste volumes

Non-hazardous waste

Waste category as specified in ÖNORM S 2100	Volume per year (kg)	Internal waste handling
Paper and board	6 000	Waste press at the company to reduce volume
Plastics packaging	200	Waste press at the company to reduce volume
Glass	200	
Metal	50	
General municipal waste	3 000	
Biologically degradable kitchen and canteen waste	50	
Grease and oil from oil traps	5 000	

Hazardous waste

Waste category as specified in ÖNORM S 2100	Volume per year (kg)	Internal waste handling
Organic halogen solvents, washing fluids and mother liquors	110	Storage in a fire-resistant chemical cupboard
Other organic solvents, washing fluids and mother liquors	172	Storage in a fire-resistant chemical cupboard

Responsibility for our employees and society

Our staff are our most important asset. The position we hold as technology leader means that their skills and know-how are crucial. Staff qualifications are playing an increasingly important role in view of the company's internationalisation strategy.

We hold regular internal interviews – that are evaluated by an external company – to increase staff satisfaction. Development potential and possible training measures are discussed at individual employee appraisal meetings.

Employee statistics	2009	2010	2011
Number of employees	132	137	144
Percentage of female employees	35%	37%	41%
Percentage of university graduates	40%	38%	43%
Percentage of staff who have AHS qualifications	36%	36%	36%

Knowledge management

Knowledge is any company's intellectual capital. The organisation and structuring of the knowledge available are one of the factors that determine market success.

We have introduced a knowledge management system to increase this intellectual capital and make it available at the company. Knowledge and information are provided and stored at BDI via an intranet platform, so that prompt retrieval is possible. There is an employee in every department who is responsible for managing specific departmental knowledge and to optimise reporting.

Knowledge that relates to more than just individual projects is recorded in a process manual that can also be accessed via the intranet. This means that all the necessary documents, templates and standards are allocated to the relevant processes and are linked in the process manual flowcharts. Standards, directives and specifications that all employees need and have to be available for retrieval at all times are administered and made available centrally in the quality management department via the intranet.

Basic and advanced training programmes

The "Inspire BDI" development programme was introduced in mid-2011 to make sure that the existing know-how is maintained and to develop the skills of young employees. This programme offers individual training opportunities. Our project managers generally receive IPMA training, while some other staff are trained to become quality managers with certification of their compliance with ISO standards.

The technical career path is designed for staff from the engineering fields and offers them professional development in the context of a career as an expert. The contents of the training provided focus on technical and methodic skills.

The high-potential programme is designed for particularly committed and amibitious employees, who are keen to assume a management role. It is also meant for staff with above-average achievements and high flexibility with respect to company requirements. The emphasis in this programme is on increasing management skills and providing additional, in-depth technical expertise for new interdisciplinary functions.

The development opportunities for our staff at the company are defined in regular staff interviews and appropriate training measures are specified. These measures enable personal development to be continued in another area of expertise that goes beyond the current field.

Training budget	2009	2010	2011
EUR '000	174	120	141

Work-life balance

Our employees' work-life balance is very important to us. We aim to provide scope for individual freedom here. Our flexitime rules help to promote flexible working times. Since we maintain a very family-oriented corporate culture, we support our employees in difficult private situations too. The option of taking time off for training purposes was exercised to a particularly large extent in 2008 and 2009, the years when the crisis hit hardest.

We have varioius part-time schemes to help mothers and fathers to return to work after parental leave. We are developing a guide about this for our staff and management, so that qualified resources can be planned better and deployed more effectively.

Diversity and equal opportunity

Personnel diversity is very important to us at BDI. The differences associated with this help us to make progress at our company and with our technologies day in, day out. All employees therefore have the same opportunities and rights – irrespective of sex, age, origin or opinions. One outcome of this was the State Prize for Equal Opportunities in Research and Development that we were awarded by the Austrian Minister of Transport, Innovation and Technology in the autumn of 2009.

We are very proud of the fact that women account for 41% of our staff at the moment. Together with our corporate partner VTU, we participate in the annual Girls' Day, with the aim of finding potential female recruits. This day helps not only to broaden girls' horizons with respect to the plans they make for their lives and careers but also to increase the percentage of female employees in technical professions. When this day is held, we give schoolgirls who are interested insights into different professions.

In October 2010, we placed second in the "Austrian Leading Company Award" as one of the most successful medium-sized companies in Styria.

Occupational health and safety

Our employees' health is very important to us. We provide out staff a pleasant and healthy working environment as the basis for this. At our environmentally sound corporate headquarters with rooms that have plenty of light, air-conditioning and windows, we also provide fully equipped kitchens with dining tables on every floor. Our staff find attractive gardens with trees, flowerbeds and fountains around our buildings.

Health promotion

The focus in our occupational preventive health care activities in 2012 is on stress reduction programmes. We are promoting sports activities (e.g. a fitness room is available for use free of charge, sports excursions together are being organised etc.) and are keen to increase our activities on an ongoing basis. The health promotion activities that are already being implemented include the following:

Back fitness programme
Regular biofeedback result analysis and an individual relaxation programme
Monthly opportunity to consult an occupational physician and vaccination campaigns (vaccination record check)
Provision of organic lunchtime meals and organic apples
Vision test and eye training
Organisation of an annual health day

Safety and health protection

Occupational safety has top priority. We have been able to implement an extensive safety and health protection system successfully at our company, as confirmation in 2011 of the SCC certification obtained in 2007 has shown.

We appointed a safety and health protection officer in 2009. A comprehensive organisational structure and an internal information platform have been introduced to improve the quality of the protection provided. Our employees participate regularly in training courses and workshops about safety-related issues.

The accident statistics compiled in accordance with the SCC rules show that BDI provides comprehensive protection for its employees at the workplace. As in the previous years, there were no accidents at work and thus no days lost because of this in 2011.

Participation in company success via a bonus system

We want our employees to participate in the success we achieve together, so we have created a pension fund system for all our staff. Our bonus system is based on our corporate goals and the personal objectives of the staff.

Commitment to social responsibility

A commitment to social responsibility is right in line with the values that influence the entire company. We have specified areas in which BDI wants to be actively involved. They include children, young people and the promotion of training.

It is our conviction that "our future will be determined by our children". Protection, development and encouragement of them are therefore the focal points of our commitment to social action. Throughout the year, BDI gives schoolchildren and students the opportunity to familiarise themselves with everyday working life at our company, to supplement what they have learned via placements and to implement scientific theory in practice. In the research & development field, BDI participates in the "generation innovation" programme, in order to make young people aware of the potential there will be in future for appropriate experts. In the context of the annual "Girls' Day", we encourage girls to choose a technical profession.

Instead of spending money on Christmas presents for business partners, the company gives donations to organisations that protect socially disadvantaged and sick children.


„For the world of
our children“

The BDI share

Volatile stock markets

Following an optimistic start to the 2011 stock exchange year, market uncertainty attributable to the European debt crisis began to become apparent in the middle of the year. The DAX slumped in July and already lost everything it had gained in the course of the year in August. The leading index recorded a loss of about 15% over the year as a whole. The TecDAX started to drop in July as well, losing a total of almost 20% in 2011.

Although the Austrian economy weakened slightly in some areas, it remained stable overall. The ATX was one of the worst-performing indices in the Eurozone with a loss of almost 35% even so. The European debt crisis led to ongoing turmoil on the international stock markets, which continued to be felt in early 2012 as well.

BDI share influenced by the market trend

The development of the BDI share price reflected this turmoil. From a final price of EUR 20.60 on 30. December 2010, the share dropped to EUR 13.05 by the end of 2011. This represents a loss of almost 37% over the year. The share reached its high of EUR 23.30 in early March. The positive development at the beginning of the year was due primarily to the consistently good development of BDI as well as to its dividend policy. The capital repayment of EUR 2.65 per ordinary share was made in March 2011, which had a negative impact on the share price.

The Annual Shareholders' Meeting was held in Graz on 17. May 2011. About 35 shareholders, who accounted for more than 80% of the share capital, attended the meeting and voted unanimously in favour of the proposals made by the Management Board and Supervisory Board.

In line with the stock market as a whole and the relevant TecDAX index, the BDI share trended downwards from the third quarter of 2011 onwards and reached a low of EUR 12.45 at the beginning of October. The share price increased again towards the end of the year and closed at EUR 13.05 on 30. December 2011.

Positive trend in the 2012 stock market year

There has been a stable and slightly positive sideward movement in the BDI share price in the initial months of 2012. The share price was EUR 13.30 on 17. February 2012.

Further financial information can be found at www.bdi-bioenergy.com.

Basic data about the BDI share (on 31. December 2011)

ISIN	AT 0000A02177
Number of shares	3 800 000
Free float	19.14%
Earnings per share	€ 1.09
Price-to-earnings ratio	11.95
Book value / share	14.47
Share price	€ 13.05
Market capitalisation	€ 49.59 million
52-week high / low	€ 23.30 / 12.45

Share chart / comparison between the BDI share and the TecDAX

Corporate governance report

For years now, BDI – BioEnergy International AG has been implementing a strategy that focusses on sustainable, long-term increases in the value of the company and it pays particularly close attention to responsible and transparent company management in this context. 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 emphasis on the creation of value. 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 which 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 – BioEnergy International AG has issued a statement in accordance with the Austrian Corporate Governance Code of January 2010. 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.

Rule 27: With respect to the specific aspects that non-financial criteria and the return of variable compensation elements are not stipulated in the contracts with the members of the BDI Management Board.

Rule 31: The company considers that individual publication in accordance with "C rule" 31 would not have any additional benefits for the shareholders.

Rules 53 and 54: Half of the members of the Supervisory Board cannot be considered independent. However, they are longstanding advisers / consultants of the company who have important know-how and are key people responsible for the current and future success of the company's business, 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.

Rule 83: The viability of the risk management system is assessed in the context of the internal reporting procedure and the Management Board is notified directly. Specific reporting requirements make sure in addition that the audit committee and the Supervisory Board obtain an adequate insight into the viability of the risk management system.

The company management implemented the objectives of the Code – responsible management and control, transparency and sustained, long-term creation of value – in the 2011 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 2011 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-bioenergy.com.

Officers of a public limited company

The Management Board has personal responsibility for running the company in a way that is necessary for the well-being of the company, taking the interests of the shareholders and employees as well as public interest into consideration. Members of the Management Board are appointed by the Supervisory Board.

The Supervisory Board is required to monitor the company management and to hold a meeting at least quarterly. The members of the Supervisory Board are elected by the Annual Shareholders' Meeting.

The Annual Shareholders' Meeting is the forum at which the shareholders exercise their participation rights, with respect primarily to the matters about which they are required to take decisions by law and the articles of association.

Summary of the 2011 fiscal year

BDI – BioEnergy International AG's most important key figures developed as follows in the 2011 fiscal year compared with the same period the previous year:

Due to the difficult situation on the BioDiesel market, **sales** decreased from EUR 39.9 million in the previous year to EUR 34.7 million.

Efficiency improvements and optimised fixed costs were particular reasons why **EBIT** (operating result) increased by 13.4% over the previous year (EUR 3.2 million) to EUR 3.6 million.

Earnings before taxes (EBT) were lower than in the previous year (EUR 4.7 million) at EUR 4.5 million.

Period earnings (after non-controlling interest) were at EUR 4.2 million and 11.9% higher than in the previous year (EUR 3.7 million). The earnings per share therefore amounted to EUR 1.09. Earnings per share in the previous year were EUR 0.98.

Equity was at a higher level than in the previous year at the end of the year – even after the payment of a special dividend – at EUR 55.0 million, compared with EUR 52.3 million at the same time the previous year. The equity ratio increased from 55.9% to 63.8%.

BDI and the companies affiliated with it had 144 **employees** on 31.12.2011. This was an increase of 5.1% over the same date the previous year.

Total orders on hand on 31.12.2011 amounted to EUR 15.1 million, after EUR 23.6 million in the previous year. In view of the potential in the existing project pipeline, it should be possible to utilise the capacities – in spite of the poorer initial position than in the previous year.

The **cash flow from operating activity** amounted to EUR 4.9 million, after EUR 3.9 million in the previous year, which corresponds to a substantial increase of 27.7%.

General economic conditions

Economic environment

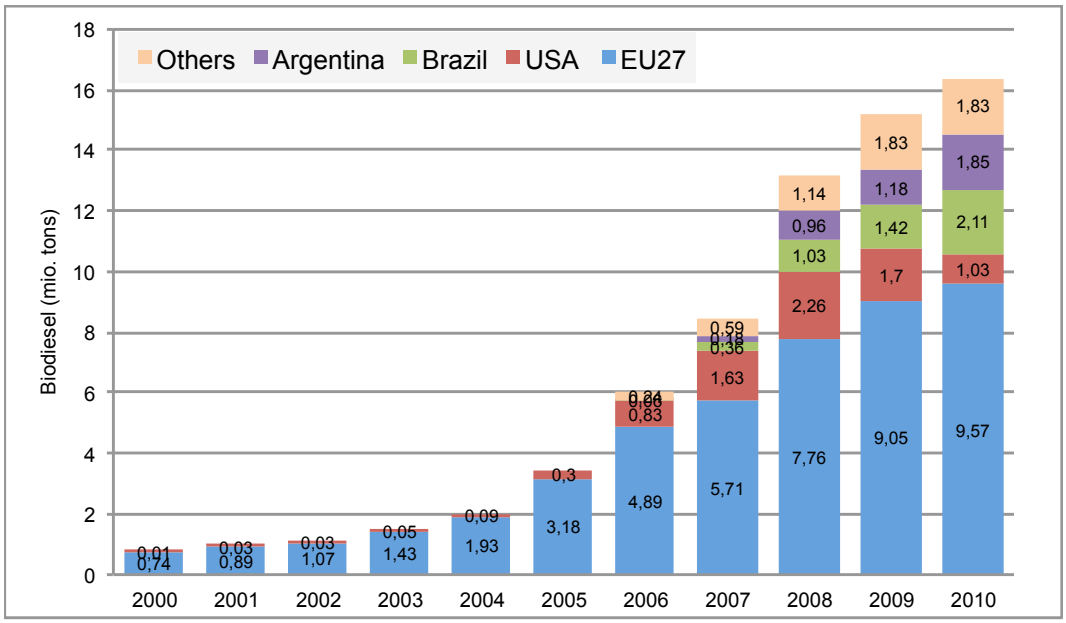
The global economy is in a tense new phase. Global activity has weakened and has been hit by a barrage of shocks. East Japan was struck by the devastating earthquake and tsunami, unrest swelled in some oil-producing countries and the euro area encountered major financial turbulence. In the meantime, there are growing signs of spillovers to the real economy.

The structural problems facing the crisis-hit advanced economies have proven even more intractable than expected and the process of devising and implementing reforms is proving to be even more complicated than anticipated. The outlook for these economies is thus for continuing but weak and bumpy growth. Real GDP in the advanced economies is projected to expand at an anaemic pace of about 2% in 2012. Prospects for emerging market economies have become more uncertain again, although the IMF expects GDP growth of 5.4% for developing countries and emerging markets. Among others, the moderate outlook is based on the situation in Europe as well as weaker domestic demand. "World Economic Outlook" (WEO) projections indicate that global growth will moderate to about 4% through 2012, from over 5% in 2010.

Industry environment

Globally, BioDiesel production increased from less than one million tonnes in 2000 to more than 16 million tonnes in 2010. Global BioDiesel production is dominated by the European Union, with its BioDiesel hotspots in Germany, France, Spain, Italy and Poland.[1] The European Union is expected to remain the central point of BioDiesel production and consumption until 2020. Many countries followed this example and introduced national blending targets and therefore initiated domestic consumption and production. Trade flows are expected to increase in future too.[2]

[1] UFOP; Internationale Biodiesel-Märkte, Produktions- und Handelsentwicklung; 2011; p. 4
[2] UFOP; Internationale Biodiesel-Märkte, Produktions- und Handelsentwicklung; 2011; p. 22



Development of global biodiesel production[3]

Europe: funding for BioGas plants

Thanks to the systematic climate policy implemented by the EU, Europe remains one of the most attractive markets for BioDiesel and BioGas plants: the EU's targets in Europe by 2020 are to reduce CO_2 emissions by at least 16% and to increase the proportion of energy generation accounted for by renewable sources from 29 to 34%.

A decision by the European Commission about amended legislation on animal by-products is scheduled for March 2012. Denmark and the United Kingdom will introduce double counting provisions from 1. January 2012, following France, Germany and the Netherlands.[4] Fuels that are obtained from such waste materials as Used Cooking Oil or Animal Fats will as a result count more when CO_2 savings are calculated. The broadening of the double counting system is seen as a chance for BDI customers, despite the hazard that some feedstock (particularly Animal Fat category III) is not counted as waste any more. Eventually, EU BioDiesel producers, including suppliers of TME/UCO, are also interested in export opportunities to the US market.[5]

[3] UFOP; Internationale Biodiesel-Märkte, Produktions- und Handelsentwicklung; 2011; p. 4
[4] F.O. Licht's World Biodiesel Price Report; 15.12.2011; p. 4-5
[5] F.O. Licht's World Biodiesel Price Report; 15.12.2011; p. 4-5

BioGas funding is being provided in major European countries: policies to promote the BioGas sector were introduced in **Germany** in the context of the EEG amendment in mid-2011. **France** has simplified the approval procedures for BioGas plants considerably and has introduced attractive payment systems for electricity and heat. The BioGas sector has great potential in **Great Britain** too. The legal framework includes a target – 15% of total energy consumption is to be covered by renewable energy sources by 2020 – and there is a grandfathering concept involving BioGas funding for the next 20 years. Another target specifies that biofuels from renewable sources must reach 5% of transport fuel consumption by 2013.

New renewable energy legislation has come into force in **Turkey.** Thanks to better payment systems and positive overall conditions, this country is now another attractive market for BDI.

Eastern Europe and the former CIS states: stability is creating a positive climate for investment

Eastern Europe and the former CIS states are among the markets with the greatest future potential for BioDiesel and BioGas technologies at present. The availability of raw materials and the increase in state funding for energy from renewable resources are making these countries attractive markets. Since many existing BioDiesel plants are either uneconomic or do not satisfy the more exacting quality requirements any longer, demand for RetroFit services is growing here too.

North and South America: markets with growth potential

In contrast to the EU, the countries in North and South America have focussed mainly on bioethanol so far. Biofuel addition is mandatory almost everywhere in the meantime, however. The rising costs of energy, new waste disposal regulations and the huge raw material reserves are leading to increasing interest in bioenergy plants in many South American countries as well.

Brazil is the biggest BioDiesel producer in the world and is playing a pioneering role due to its in-depth experience in the production and use of biofuels. The consistent environmental policy followed by the country led recently to new legislation, which specifies that BioDiesel producers can obtain a tax credit for PIS (Programa de Integração Social) and Cofins (Contribuição para Financiamento da Seguridade Social) amounting to 50% of the original rate (9.25%) when buying raw materials. This tax credit is deducted from the taxes due when BioDiesel is sold. The subsidy totals about BRL 377 million per year. The government aims to improve the competitiveness of BioDiesel at the pump by doing this. BDI has been co-operating on the Brazilian market with its joint venture partner Tecnal since 2010.

Argentina is one of the world's biggest Vegetable Oil producers; it therefore has a strong national interest in boosting BioDiesel production. Argentina's BioDiesel consumption totalled 599 447 tonnes between January and October 2011. The figures in the same period the previous year was 400 575 tonnes. The current blending rate amounts to 7% (B7), which is supposed to be increased to 10% (B10).[6] Thanks to the strict quality specifications, BDI's mature Multi-Feedstock Technology has a clear competitive edge over other suppliers – particularly where the conversion and optimisation of existing BioDiesel plants are concerned.

The **USA** remains an interesting market for BioDiesel and BioGas projects: after Brazil, the USA is the second-largest producer of BioDiesel in the world. Due to a promising BioDiesel market and a very well-positioned industry in this sector at the end of 2011, BDI anticipates further RetroFit commissions. The Environmental Protection Agency (EPA) has issued a Notice of Data Availability (NODA) on the calculation of greenhouse gas (GHG) reductions from the production of Palm Oil Methyl Ester (PME) and other renewable diesel substitutes produced from Palm Oil. The EPA said that PME and other renewable diesel substitutes produced from Palm Oil have GHG emission reductions of 17% and 11% respectively. These biofuels therefore fail to meet the minimum 20% GHG emission reduction threshold required by the US "Energy Independence and Security Act" for renewable fuel production facilities.[7] This means that the market is very attractive for our Multi-Feedstock Technology, since the BioDiesel produced with it complies with the strict specifications.

Asia: China expected to stimulate bioenergy projects

Fossil diesel continues to be subsidised by the government in many Asian countries, where funding for biofuels is being discussed at the same time. So far, manufacturers have concentrated on exports to the EU and USA, for which only BioDiesel of the highest quality is suitable. Many existing plants in Asian countries do not satisfy these quality specifications, however, and ought therefore to be converted and optimised. The tremendous market potential for BDI's RetroFit services is reflected by various inquiries received in the past few months.

China is the most dynamic market in the world as far as the promotion of renewable energies is concerned – partly because of the steady increase in raw material requirements. The government's current five-year plan specifies that 11.4% of the total primary energy consumed must be obtained from renewable energy sources by 2015. A budget of USD 600 billion is being provided for new technologies in this field. China is dependent to some extent on foreign environmental technologies to help it to reach these ambitious targets.

[6] UFOP; Internationale Biodiesel-Märkte, Produktions- und Handelsentwicklung; 2011; p. 14
[7] F.O. Licht's World Biodiesel Price Report; 15.12.2011; p. 5


„Technology of the future“

Australia: promising market for Waste to BioGas solutions

After a period of many years in which the Australian government followed a cautious environmental policy, it has now begun to provide large funding to promote the generation of renewable energy. 20% of total energy requirements are to be obtained from renewable sources as early as 2020. In addition to the certificates that have already been introduced for "green electricity" (RECs), a "carbon tax" is to come into force in mid-2012. It will not only make fossil energy more expensive; it will also generate extra funds for the promotion of "green" energy projects. The annual increase in the landfill tax is helping to increase demand for technologies to generate energy from waste too. In view of the fact that Australia ranks among the world's biggest waste producers per capita and still disposes of almost all its waste on landfill sites, there is huge potential for sustainable technologies such as BioGas plants. The development of the market conditions for BioDiesel is just as positive, because the Australian government recently extended full exemption from fuel tax to include bio-fuels. Apart from this, it is expected that more states will be introducing mandatory blending.

Market potential for biofuels in Africa

More and more inquiries about BioDiesel and BioGas plants are being received from Africa. A number of governments have expressed their clear approval of the use of biofuels because of the energy supply problems encountered in large proportions of Africa. Many African countries have large quantities of organic household waste as well as waste from breweries, vineyards and the fruit, vegetable and fruit juice industry. This makes them a very attractive potential market for BioGas plants too, although the projects envisaged are still at a very early stage.

Operating results

Order development

Project pipeline should guarantee capacity utilisation

BDI has succeeded in broadening its base and in expanding its product portfolio substantially thanks to a successful acquisition policy. With the increase in the Enbasys GmbH shareholding to 100%, BDI has a concept of its own for marketing and constructing BioGas plants with a technology that is designed for industrial application.

Waste disposal is becoming an increasingly pressing issue and the need for solutions to this problem that generate value is growing. They are developed as individual concepts for BioGas plants and thus represent a niche programme. The landfill site charges saved as a result and guaranteed payments for the electricity generated or for use of the heat produced are making waste disposal a business that is very attractive at the economic level too. This is reflected in the current inquiries and

the commissions obtained in 2011. BDI has, for example, obtained commissions for the construction of Multi-Feedstock BioGas plants in Germany and northern France and for the generation of renewable energy from food waste and food products after their expiry date from the grocery retail trade.

In the BioDiesel field, the processing of cheap raw and residual materials that often have a high free fatty acid content is a particularly interesting niche. BDI holds a strong and unique position here with the Multi-Feedstock Technology developed at the company. The RetroFit programme and the After Sales Support provided have additional earnings potential and are becoming increasingly popular. This trend is confirmed by the RetroFit commissions obtained in North America as well as by various pre-engineering commissions received in Europe and North America.

At the moment, there are both BioGas and BioDiesel projects in the pipeline, implementation of which is to begin in the near future. Utilisation of the existing capacities in 2012 should be guaranteed as a result.

In addition to new commissions in the fine vacuum distillation segment, BDI obtained engineering commissions in the BioDiesel segment from France and North America in the 4th quarter. This means that the orders on hand amounted to EUR 15.1 million on 31.12. (previous year: EUR 23.6 million).

Sales development

Difficult market conditions in the BioDiesel segment

Sales in 2011 amounted to EUR 34.7 million compared with EUR 39.9 million in the previous year. The decrease reflects the difficult market conditions in the BioDiesel segment, which are leading in particular to delays in order intake. The BioDiesel market is going through a process of change. In the past fiscal year, BDI was able to tackle this challenge via RetroFit and After Sales Support. The company is carrying out a strategic repositioning exercise and is responding to this shift in the market by increasing R&D activities, by implementing product extensions and by making acquisitions.

Overall capacity utilisation at BDI was good in 2011. The After Sales business continued to develop stably, helping to reduce BDI's dependence on large-volume project business.

A total of 3 major projects were processed in 2011; two of them were at the installation/start-up stage. One project to optimise a BioDiesel plant was completed successfully in the course of the year.

The foreign sales by the Group amounted to 94.8% of total sales in the period under review (previous year: 99.4%), which underlines the major importance of export business to BDI. With 47.4% of sales, the countries in the European Union again represented the biggest sales market, followed by Eastern Europe with 24.8%.

Earnings development

Systematic cost policy optimises the EBIT margin

The operating profit (EBIT) increased by 13.4%, from EUR 3.2 million in the previous year to EUR 3.6 million. The EBIT margin was improved from 8.0% in the previous year to 10.5% thanks to further cost savings and optimisation measures. BDI also has a permanent programme of further strategic and organisational measures to optimise the processes and to take full advantage of synergy benefits within the corporate group.

Earnings before taxes (EBT) amounted to EUR 4.5 million (previous year: EUR 4.7 million). Period earnings (after deduction of non-controlling interests and taxes) amounted to EUR 4.2 million (previous year: EUR 3.7 million). This led to earnings per share of EUR 1.09 (previous year: EUR 0.98).

Financial and asset development

Financial management principles and objectives

BDI's financial and liquidity planning is based on responsibility to all stakeholders and on a conservative investment policy. Derivative financial instruments were not used 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. BDI has 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

Scope for investments

BDI continued to have very strong cash reserves, in spite of the capital repayment of EUR 10.1 million in March 2011. The balance sheet items Securities and Liquid funds totalled EUR 44.86 million on 31.12.2011 (31.12.2010: EUR 57.4 million). In order to make sure that the value of the existing investments is maintained, some of them were transferred to an external asset management company.

BDI's conservative cash investment policy led to a financial result of EUR 897 000 (previous year: EUR 1.493 million). The reduction over the previous year is attributable to the lower income of associated companies, smaller cash and security portfolio as well as to lower interest income. The financial result in 2010 also included extraordinary interest income of EUR 109 000 from foreign tax authorities.

BDI's equity position continues to be very strong (EUR 55.0 million). The aims of the company's conservative investment policy and strong cash reserves are to safeguard the sound equity position and to provide scope for further investments in technology, M&A activities and research & development.

The cash flow from operating activity improved substantially, amounting to EUR 4.9 million on 31.12.2011 (previous year: EUR 3.9 million). The change in the cash flow is attributable to the change in working capital and the progress made to date in the completion of projects for customers on the qualifying date.

Acquisitions strengthen BDI's market position

The objectives of BDI's acquisition policy are to strengthen the company's international position and to broaden the range of core skills in the green tech field. BDI's vision is, for example, to set standards in the upgrading of residual and waste materials to maximise economic viability, innovative skills and cutting-edge technology. Systematic further steps are therefore to be taken gradually to expand BDI's portfolio with the aim of continuing to transform the company from being a specialised plant manufacturer for the BioDiesel and BioGas industry to being a comprehensive supplier of industrial green tech solutions.

BDI has made a further increase in the interest it holds in the subsidiary Enbasys and now owns 100% of the shares. BioGas plants with Multi-Feedstock Technology have developed into a major area of operation, with which the company is responding to the changes on the BioDiesel market and is utilising its existing plant construction capacities. Together with UIC GmbH, the company acquired in 2008, BDI has developed the first concept for a complete plant to obtain valuable omega-3 fatty acids from Fish Oil.

The acquisitions made so far enable BDI to operate on the market as a comprehensive supplier – a large proportion of the services can be provided from integrated internal resources. Exploitation of

the synergy benefits available at BDI, the companies affiliated with it and its equity investments is having a positive impact on the development of the company's business.

Sound financial and asset development

On 31.12.2012, the non-current assets in BDI's balance sheet included capitalised know-how of EUR 6.3 million, goodwill of EUR 6.8 million from the acquisition of UIC GmbH and Enbasys GmbH and a large proportion of securities held as non-current assets (EUR 26.9 million).

The investments in associated companies amounted to EUR 11.3 million on 31.12.2011 (31.12.2010: EUR 9.7 million). This item is attributable to the interests held in M&R Holding AG, Grambach, VTU Holding GmbH, Grambach, and BDI & Tecnal Tecnologia em Biodiesel Ltda., Brazil.

BDI's balance sheet total decreased by 7.9% over the previous year to EUR 86.2 million. The equity ratio increased to 63.8% due to the higher revenue reserves and the lower balance sheet total (previous year: 55.9%).

The share capital is divided up into 3.8 million bearer shares with no par value. Each share has the equivalent value of EUR 1.00 of the share capital.

The former Management Board members Mr. Hammer and Mr. Gössler hold direct or indirect interests amounting to at least 10% of the share capital. The details: they have a total interest of 86% in BDI Beteiligungs-GmbH, which owns 2 767 284 BDI shares. Mr. Hammer and Mr. Gössler also own 153 220 and 105 150 BDI shares directly.

In the current assets, the receivables from production orders increased from EUR 6.4 million in 2010 to EUR 8.9 million on the balance sheet date. Other receivables amounted to EUR 3.3 million and included payments on account to suppliers of EUR 1.3 million. The Liquid funds of EUR 18.0 million on 31.12.2011 consisted of sight and time deposits, in order to guarantee coverage of short-term financial requirements and implementation of the risk-free investment policy.

The accounts payable trade amounted to EUR 5.6 million (31.12.2010: EUR 3.5 million).

The decrease in the other short-term liabilities to EUR 2.1 million (31.12.2010: EUR 11.6 million) was due to the distribution of a special dividend in March 2011 as a result of the decision to reduce capital that was taken in the previous year.

The prepayments received item increased from EUR 3.3 million at the end of 2010 to EUR 6.2 million on 31.12.2011. These figures were determined on the basis of the prepayments actually received and the percentage of project completion in accordance with IAS 11.

The provisions and deferrals decreased by 24.8% over 31.12.2010 to EUR 9.5 million and essentially included project-based provisions, deferrals of products and services that had not been invoiced yet, bonuses and warranties. The provisions for warranties decreased from EUR 7.7 million on the same date the previous year to EUR 4.2 million.

Professional management pays off

Thanks to BDI's professional project management, some of the risk provisions formed were not needed and were released at the end of 2011. BDI's smooth communication, service-oriented customer relations and reliable After Sales service paid off.

The successful obtainment of ISO certification is official confirmation of the high quality of BDI's project management.

Non-financial performance indicators

Sustainability

Sustainability is a concept that is a key feature of the business model BDI implements as market and technology leader for the construction of Multi-Feedstock plants: with its Waste to Energy philosophy, the company is helping to improve environmental performance considerably.

The concept of sustainability is implemented in as many areas as possible: all of BDI's company cars run on BioDiesel, for example. Employees of the corporate group are also allowed to use the company's own BioDiesel facilities to refuel their private cars. Environmentally sound, climate-neutral processes are chosen to print BDI publications like the company's Annual Report too.

The sustainability concept had high priority in construction of the BDI corporate headquarters in Grambach near Graz as well. Every effort was made to build sustainably, with the emphasis on minimisation of environmental impact and use of regional supply sources. BDI's office buildings are in general in line with the latest state of the art as far as the energy required for room heating and cooling is concerned: the energy consumption level of the buildings meets the standards of low-energy housing.

The BDI management has compiled principles on which its corporate and staff leadership is based. Everything that BDI's employees think and do focusses on sustainability and environmental responsibility.

Employees

BDI and its fully consolidated companies had 144 employees at the end of 2011, 7 more than at the end of the previous year. The skills and know-how of the BDI staff are the company's biggest asset. Staff qualifications are playing an increasingly important role, particularly in view of the company's internationalisation strategy. For several years now, systematic investments have been made in regular training of BDI's employees. In this context, programmes have been initiated that aim to provide individual training and create an optimum working environment. Women continue to account for a large proportion of total staff (about 41%).

BDI's personnel development programme is designed to help the company to achieve its strategic objectives. The company-wide training concepts, which guarantee that staff have the necessary expertise, are based on this. BDI participates in qualification campaigns implemented by companies that have similar goals, with the aim of providing staff with greater training opportunities.

The "Inspire BDI" programme was initiated at the beginning of 2011 to make sure that the company benefits to the full from the know-how of staff in key positions at the company and to develop the skills of talented young employees.

The overall level of staff qualifications is high. 43% of the employees are university graduates, while about 36% have AHS or BHS qualifications. BDI opts for experienced specialists from the plant manufacturing and environmental engineering fields, in order to add fresh ideas and special know-how to the existing teams in the most effective possible way, while it also recruits newcomers from other areas.

Staff satisfaction is maximised by guaranteeing a pleasant working environment, by providing targeted health promotion opportunities and by making sure staff participate in company success via a bonus system.

Research & development

Research & development (R&D) is the key to success for companies that are technological leaders at the international level. BDI has succeeded in becoming the top company for the development and production of Multi-Feedstock BioDiesel plants by making constant investments in R&D. The company will not be resting on its laurels here; BDI intends to continue playing a pioneering role in future as well, with the help of investments in research & development.

The focus here is on the goals "more energy from new renewable sources" and "higher energy efficiency". R&D at BDI involves intensive work in its own research laboratories. The company has also been co-operating successfully with universities and research institutions for many years now. About 10% of sales are invested in the research & development of new technologies every year. In 2011, the research & development expenses amounted to about EUR 5.0 million and were due to a pilot project higher than the annual average of the previous years.

Alongside the expansion of its product portfolio, BDI is working on making steady improvements to its processes with a view to increasing raw material flexibility and economic performance. The main objective is to comply with the quality requirements and standards that will have to be observed in future by producing higher-quality BioDiesel now – before this is mandatory – in order to maintain the edge held over competitors.

BDI is a member of the biofuels study group at the Austrian standardisation institute and is involved in the preparation of the BioDiesel standard on behalf of the European Committee for Standardisation (CEN). This enables the company to identify new quality requirements at an early stage and to implement necessary improvements to or adaptations of the BDI process technology in good time. It is made sure as a result that BDI's customers are always equipped to satisfy market requirements and that the competitive edge acquired with BDI Technology is maintained.

Optimisation of RetroFit

In 2011, BDI began to optimise a continuous esterification process for the RetroFit programme. This alternative process is designed for the processing of up to 70% free fatty acids as a back-up feature of the RetroFit concept. Apart from the expansion of the raw material portfolio for Multi-Feedstock plants, the esterification process has economic benefits too – the lower temperatures lead to substantial savings.

Due to the increasing significance of the RetroFit operations, the company has also been working on optimisation of its ECO distillation concept. Because the increasingly strict quality requirements made on BioDiesel is making distillation more and more important for Single-Feedstock plants as well. In view of the price pressure in the Virgin Oil sector, it is important for BioDiesel based on Vegetable Oil in particular for the company to be able to supply cost-effective distillation plants.

Further improvements are being made on the cost effectiveness and energy efficiency of these distillation systems in internal tests based on the BDI ECO distillation concept. In addition to the central energy recovery issue, the equipment used in these distillation concepts is also being subjected to further investigation with respect to separation efficiency, so that optimum value for money is achieved for the customer.

Biomass to Liquid (BtL)

The conversion of solid lignocellulose – such as wood or straw Biomass – into liquid energy sources **(Biomass-to-Liquid – BtL)** is a way to guarantee sustainable regional energy supply for mobility purposes while reducing greenhouse gas emissions at the same time. BDI has laid important foundations for development of an innovative and simple BtL Technology in recent years by carrying out basic research into the liquid phase pyrolysis conversion technology. On the basis of the results, the emphasis is now on development of the subsequent operations required to carry out further processing of the products manufactured. In the third quarter of 2011, BDI applied to the Climate and Energy Fund for a grant for another project that focusses on this.

BDI already completed most of the mechanical installation work on the ongoing **BioCrack** pilot project, that is being carried out in co-operation with a European mineral oil company and is receiving funding from the Austrian Research Society (FFG), at the end of 2011. The pilot plant integrated in a mineral oil refinery is scheduled to start operation in the spring of 2012. The outstanding feature of the BioCrack Technology, for which a patent application has been filed, is the combined conversion of solid Biomass and heavy Mineral Oils into diesel-like fuels.

Obtainment and processing of Algae Biomass

Another major emphasis in the research activities is the development of processes for the production and use of Algae Biomass. For this purpose, the manufacturing chain from raw material to fuel is being developed with microalgae in two projects funded by the Austrian Research Society (FFG) and carried out in co-operation with Graz Technical University and Vienna University. What are involved here are not only product development as well as biotechnological and preparation processes but also the adaptation of analytical processes.

Advantage is being taken of this expertise in services provided to well-known European companies with the aim of assessing the feasibility of using Algae Biomass in industrial processes. The optimised process for the BDI photobioreactor system was brought into operation successfully on a small scale at the end of 2010. This major step is making it possible for the biotechnological process to be optimised on a small scale and for preparations to be made for scaling up to a pilot plant and for the production of Algae Biomass in response to inquiries from customers.

An algae biorefinery concept is also being implemented in the EU demonstration project (acronym: "ALLGAS"), in which BDI is responsible for the Algae BioDiesel part of the project. The prestigious ALLGAS project was chosen from among 14 European applications and will be producing about 900 tonnes of Algae Biomass per year on an area of 10 hectares up to 2016. The Algae Oil obtained from it will then be processed into BioDiesel by BDI on a small scale and in an industrial plant. This project is another major step in the expansion of the range of raw materials available for BDI Multi-Feedstock and Repcat plants.

Another project is the production of high-price products using the algae biotechnology. BDI is developing a processing for manufacturing animal feed /pet food additives (premix) from algae here. Animal feed / pet food is a fast-growing market. Omega-3 fatty acids, which are obtained from Fish Oil, Vegetable Oils and microalgae, play an important role not only in animal health but also in meat quality. Demand for omega-3 fatty acids has been increasing in recent years and the price of Fish Oil has been rising steadily as a result. Optimisation of the production process for algae strains in photobioreactors makes it possible to manufacture high-quality omega-3 fatty acids in an environmentally sound way using CO_2, nutrients and sunlight.

Due to their highly-respected research work, BDI staff are also involved as expert committee members or vice-chairmen of a working group established by the European Biofuels Technology Platform.

Risk management

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

The corporate group operates in an industry that depends on political regulations, in which order intake and sales depend on a few individual decisions, which means that there can be sizable fluctuations. Changes to laws and other regulations in connection with the construction of plants may lead to cost increases and thus to lower profits. Any forecasts about the future – including any in this report – involve uncertainty.

BDI's current sales strategy is concentrated on more than 15 different countries all over the world, so that the company is exposed to the general risk of fluctuations in the global economy that may have a negative impact on business development.

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 corporate group has a policy of trying to carry out all foreign business transactions in EUR. If this is not possible, exchange rates are hedged (e.g. foreign currency forward contracts).

Major company risks

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

Safety, health, environmental and fire protection

Safety, health, environmental and fire protection are issues that are given high priority and are part of the company's integrated management system. The Management Board has undertaken to observe the relevant principles, requires all employees to observe them too and monitors observance of them.

Other non-financial risks

In the engineering services field, BDI's strategy is based on in-house services and appropriate outsourcing of engineering services. As a result of this, demand peaks can be managed better and optimum utilisation of the existing in-house capacities can be achieved.

In the personnel field, performance-oriented pay and personnel development programmes are the preconditions for highly qualified staff. Comprehensive deputisation arrangements make sure that know-how remains at the company when staff leave.

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. The risk management system confirms that neither individual risks nor the total overall risks have a sustained adverse effect on asset, financial and earnings development.

Events after the end of the fiscal year

No events of major significance that require disclosure have occurred since the consolidated financial statements about the year that ended on 31.12.2011 were compiled.

Prospects

In view of the increase in environmental awareness all over the world and the political activities based on this, it can be expected that the generation of energy from waste and residual materials will become increasingly important. Both BioDiesel and BioGas are significant elements of a viable future energy mix. In spite of the difficult market environment in the BioDiesel sector at present, prompt introduction of B7 blending throughout Europe, as a result of which up to 7% BioDiesel is added to diesel fuel, may create further growth opportunities for the BioDiesel market.

BDI is focussing on the following measures in order to be able to exploit the potential offered by the BioDiesel and BioGas market successfully:

Firstly, further steps are to be taken to continue optimisation of the BioDiesel Technology for the processing of difficult, but economically interesting waste materials with a high FFA content. BDI is excellently equipped to do this: the processing of different waste and residual materials has already proved successful in our Multi-Feedstock BioDiesel plants. The RetroFit and After Sales programmes are, in particular, well-established on the market. The fact that many plants lack raw material flexibility and that stricter requirements on the quality of BioDiesel are expected is increasing the need for existing plants with third-party technology to be upgraded too. Gobally, there is tremendous market potential for BDI's RetroFit programme as a result. In its marketing activities, the company can point to successful reference projects and an existing customer base.

Secondly, BDI is currently working in the BioGas plants for the industrial user on a standardised product with unrivalled technological features that enable difficult industrial biogenic waste to be processed efficiently and without any problems. In addition to this, the After Sales Support that we are already marketing very successfully in the BioDiesel sector is to be expanded in this segment.

In order to generate further medium-term growth, BDI is planning strategic expansion of the business operations by broadening the core skills in the green tech field. It is, for example, BDI's vision to set the standards for the upgrading of residual and waste materials to maximise economic viability, innovative skills and cutting-edge technology. Systematic further steps are therefore to be taken gradually to expand BDI's portfolio with the aim of continuing to transform the company from being a specialised plant manufacturer for the BioDiesel and BioGas industry to being a comprehensive supplier of industrial green tech solutions. We will therefore be working on the gradual development of further areas of operation – on the basis of the rapid progress we are making in the pilot projects carried out by our research & development staff such as BioCrack, but also via the acquisition of supplementary environmental technologies. With this strategic optimisation programme, the company will in future be standing not only for Waste to Energy but also for Waste to Value – a comprehensive concept for the environmentally sound production of BioDiesel and BioGas with minimum resource input as well as for the sensible use of residual and waste materials while creating sustainable new resources at the same time.

Following a transition phase, the management expects that implementation of these strategies will enable the current sales level to be increased in the medium term, while it continues to aim for an annual EBIT margin of more than 10%.

Grambach, 15. March 2012

The Management Board:

Dr. Edgar Ahn

Dagmar Heiden-Gasteiner, MBA

Markus Dielacher, MSc.


„Preserving resources
and environment“

Consolidated financial statements

Consolidated balance sheet as per 31. December 2011

Assets EUR '000	Note	31.12.2011	31.12.2010
Non-current assets			
Intangible assets	(11)		
Concessions, software and other intangible assets		539	826
Goodwill		6 829	7 829
Capitalised development costs		6 263	5 114
		13 631	**13 769**
Tangible assets	(12)	2 110	2 196
Investments in associated companies	(13)	11 349	9 692
Securities	(14)	26 903	32 117
		53 993	**57 774**
Current assets			
Inventories	(15)	1 718	665
Receivables from production orders	(16)	8 872	6 363
Receivables from associated companies	(16)	304	39
Receivables from taxes on income	(16)	54	175
Other receivables and assets	(16)	3 281	3 320
Liquid funds	(17)	17 956	25 252
		32 185	**35 814**
Total assets		**86 178**	**93 588**

Equity and liabilities EUR '000	Note	31.12.2011	31.12.2010
Equity	(18)		
Share capital		3 800	3 800
Reserves			
Capital reserves		33 769	33 769
Revenue reserves		13 258	10 514
		47 027	**44 283**
Profit for the year		4 151	3 710
		54 978	**51 793**
Non-controlling interest			
Non-controlling interest excluding limited partners		0	547
		54 978	**52 340**
Long-term liabilities			
Provisions for severance	(20)	211	626
Provisions for pensions	(21)	1 901	1 977
Deferred tax liabilities	(19)	4 039	3 980
Other long-term provisions	(22)	1 367	3 227
Other long-term deferrals	(23)	0	129
Other long-term liabilities	(24)	793	1 760
		8 311	**11 699**
Short-term debt			
Other short-term provisions	(22)	3 701	4 548
Other short-term deferrals	(23)	4 439	4 731
Tax liabilities	(24)	729	1 578
Liabilities to banks	(24)	0	21
Prepayments received	(24)	6 204	3 257
Accounts payable trade	(24)	5 560	3 531
Accounts payable associated companies	(24)	113	258
Other liabilities	(24)	2 143	11 625
		22 889	**29 549**
Total equity and liabilities		**86 178**	**93 588**

Consolidated income statement

EUR '000	Note	01.01. – 31.12.2011	01.01. – 31.12.2010
Sales	(1)	34 684	39 908
Other company-produced additions to fixed assets		2 307	561
Other operating income	(3)	4 824	3 320
Spending on material and other services procured	(2)	– 17 176	– 21 259
Personnel expenses	(4)	– 9 506	– 8 961
Depreciation	(5)	– 2 752	– 2 148
Other operating expenses	(6)	– 8 756	– 8 223
Operating result (EBIT)		**3 625**	**3 198**
Earnings from associated companies	(8)	313	705
Income from securities and miscellaneous interest	(9)	842	1 100
Financing costs	(9)	– 258	– 312
Earnings before taxes		**4 522**	**4 691**
Taxes on income	(10)	– 383	– 1 309
Net income before limited partners		**4 139**	**3 382**
Earnings transferred to limited partners		– 231	0
Period earnings		**3 908**	**3 382**
Of which attributable to:			
Non-controlling shareholders		– 243	– 328
BDI AG shareholders		4 151	3 710
Earnings per share (undiluted) in EUR		1.09	0.98
Earnings per share (diluted) in EUR		1.09	0.98
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 statement of comprehensive income

EUR '000	Note	01.01. – 31.12.2011	01.01. – 31.12.2010
Period earnings		3 908	3 382
Actuarial profits/losses, gross	(18)	852	– 57
Market valuation of the securities (AfS), gross	(18)	146	– 30
Exchange rate differences		0	5
Deferred taxes	(18)	– 250	22
Total other comprehensive income	(18)	748	– 60
Consolidated comprehensive income		**4 656**	**3 322**
Of which attributable to:			
Non-controlling shareholders		– 243	– 328
BDI AG shareholders		4 899	3 650

Consolidated cash flow statement

EUR '000	01.01. – 31.12.2011	01.01. – 31.12.2010
Earnings before taxes	4 522	4 691
Adjustments for:		
Depreciation of non-current assets	2 752	2 148
Interest income	– 804	– 1 069
Earnings from the disposal of non-current assets	79	17
Other revenues and expenses affecting cash flows	– 559	– 705
Cash flow from earnings	**5 990**	**5 082**
Change in inventories	– 1 053	– 246
Change in receivables and other assets	– 2 652	– 2 761
Change in liabilities and provisions	2 639	1 782
Cash flow from operating activity	**4 924**	**3 857**
Tax payments	– 1 393	– 3 233
Interest paid	– 18	– 17
Interest received	822	1 086
Net cash flow from operating activity	**4 335**	**1 693**
Proceeds of the sale of tangible assets	36	0
Investments in intangible assets and tangible assets	– 2 684	– 781
Investments in financial assets (securities)	– 11 291	– 3 648
Proceeds of the sale of financial assets (securities)	16 691	6 000
Proceeds received from companies accounted for by the equity method	125	0
Investments in financial assets (equity interests)	– 3 471	– 6 114
Cash flow from investing activity	**– 594**	**– 4 543**
Change in financial liabilities	– 967	1 009
Distributions to shareholders	– 10 070	– 9 880
Cash flow from financing activity	**– 11 037**	**– 8 871**
Change in cash and cash equivalents	**– 7 296**	**– 11 721**
Cash and cash equivalents at the beginning of the period	25 252	36 968
Impact of exchange rate changes on cash and cash equivalents	0	5
Cash and cash equivalents at the end of the period	**17 956**	**25 252**

Consolidated statement of changes in equity

EUR '000	Share capital	Capital reserves	Revenue reserves	Profit for the year	Total	Non-controlling interest	Total equity
01.01.2010	**3 800**	**43 839**	**17 915**	**2 539**	**68 093**	**16**	**68 109**
Transfer to revenue reserves	0	0	2 539	– 2 539	0	0	0
Profit distribution	0	0	– 9 880	0	– 9 880	0	– 9 880
Changes in the consolidated companies	0	0	0	0	0	859	859
Increase in share capital from company funds	10 070	– 10 070	0	0	0	0	0
Ordinary reduction in share capital	– 10 070	0	0	0	– 10 070	0	– 10 070
Comprehensive income	0	0	– 60	3 710	3 650	– 328	3 322
31.12.2010	**3 800**	**33 769**	**10 514**	**3 710**	**51 793**	**547**	**52 340**
01.01.2011	**3 800**	**33 769**	**10 514**	**3 710**	**51 793**	**547**	**52 340**
Transfer to revenue reserves	0	0	3 710	– 3 710	0	0	0
Changes in the consolidated companies	0	0	– 1 714	0	– 1 714	– 304	– 2 018
Comprehensive income	0	0	748	4 151	4 899	– 243	4 656
31.12.2011	**3 800**	**33 769**	**13 258**	**4 151**	**54 978**	**0**	**54 978**


„The power of our future“

Notes

1. General explanations

BDI – BioEnergy International AG (hereinafter referred to in addition as the „company" or "BDI") is a company limited by shares that is incorporated under Austrian law, has its registered office in Grambach, Austria, and has been listed at Frankfurt Stock Exchange since September 2006. 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 – BioEnergy 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.

These consolidated financial statements were prepared and released for publication by the Management Board on the date indicated below. The individual financial statements of the parent company, which are also included in the consolidated financial statements following reconciliation to the applicable accounting standards, are being submitted to the Supervisory Board for review and adoption on 22.03.2012. The Supervisory Board and – if submitted to the Annual Shareholders' Meeting – the shareholders may change these individual financial statements in a way that affects presentation of the consolidated financial statements too.

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 as well as with the corporate law regulations that also have to be observed as specified by § 245a of the Austrian Corporate Code (UGB), including the interpretations issued by the International Financial Reporting Interpretations Committee that have to be applied as well.

The reporting currency is the euro, which is the functional currency of BDI – BioEnergy 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. Rounding differences of +/– one unit (EUR '000, %) may occur in the tables due to specifications in computer routines.

New IFRS

The changes to the accounting standards over 31.12.2010 do not have any major impact on the consolidated financial statements.

New standards and interpretations adopted by the European Union

A number of changes to standards and interpretations have been published and adopted by the European Union. The impact of these rules on the consolidated financial statements of the company is minor, so they are not presented in detail here.

The impact of the changes to standards and of new standards and interpretations that have already been published but have not been adopted by the European Union yet on the consolidated financial statements of the company is minor, so they are not presented in detail here.

The Management Board is working on the assumption that the above-mentioned standards and interpretations will not be applied prematurely and that application of these standards will not have any major impact on the equity and earnings disclosed in the consolidated financial statements for the first year in which they are applied.

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 IAS 27. 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.

Goodwill arising from acquisitions is not subject to scheduled depreciation; instead of this, it is subjected to an impairment test in accordance with IAS 36 on the basis of the recoverable amount of the cash-generating unit to which the goodwill is allocated. This impairment test must be carried out at least once a year or if internal or external indicators suggest that impairment has occurred.

GKSH Beteiligungs-Management GmbH was added to the companies consolidated by BDI – BioEnergy International AG on 31. July 2011, when it was consolidated in full. Lignosol Technologie GmbH and Lignosol Technologie GmbH & Co. KG were already deconsolidated on 31. March 2011.

The companies consolidated by BDI – BioEnergy International AG are as follows:

Name	Group interest	Method of inclusion
UIC GmbH, Alzenau	100%	Full consolidation
BDI do Brasil Participações Ltda., São Paulo	100%	Full consolidation
Enbasys GmbH, Grambach	100%*	Full consolidation
GKSH Beteiligungs-Management GmbH, Grambach	100%	Full consolidation
BDI & TECNAL Tecnologia em Biodiesel Ltda., São Paulo	45%	At Equity
M&R Holding AG, Grambach	26%	At Equity
M&R Industrial Solutions GmbH, Grambach	26%	[1]
M&R Automation GmbH, Grambach	26%	[1]
M&R Automation GmbH, Erfurt	26%	[1]
M&R Automation Canada Inc., Toronto	26%	[1]
AutomationX GmbH, Grambach	13.0%	[1]
aX grid solutions gmbH, Grambach	13.0%	[1]
AutomationX Deutschland GmbH, Dreieich	13.0%	[1]
automationX (Schweiz) GmbH, Solothurn	10.4%	[1]
automationX Industrial Solutions Inc., Vancouver	2.47%	[1]
eposC process optimization GmbH, Grambach	10.4%	[1]
Alicona Imaging GmbH, Grambach	12.74%	[1]
Alicona Corporation, Bartlett	12.74%	[1]
Alicona UK Ltd., Sevenoaks	12.74%	[1]
Alicona Korea Pacific Co. Ltd., Seoul	12.74%	[1]
Alicona SARL, Les Ulis	12.74%	[1]
VTU Holding GmbH, Grambach	25.0025%	At Equity
VTU Engineering GmbH, Grambach	25.0025%	[2]
VTU Technology Technologieentwicklungs-gesellschaft m.b.H., Grambach	25.0025%	[2]
Deutsche VTU-Engineering GmbH, Frankfurt	25.0025%	[2]
VTU Energy GmbH, Grambach	15.0015%	[2]
Proionic GmbH, Grambach	16.6267%	[2]
Excellence Gesellschaft für Wertschöpfung mbH, Ingelheim	7.50075%	[2]
VTU Engineering Italia Srl, Bolzano	25.0025%	[2]

[1] Included via the consolidated financial statements of M&R Holding AG
[2] Included via the consolidated financial statements of VTU Holding GmbH
* 70% direct interest in Enbasys GmbH, 30% indirect interest via GKSH Beteiligungs-Management GmbH

Full consolidation of Lignosol Technologie GmbH & Co. KG, Grambach, and Lignosol Technologie GmbH, Grambach, in the financial statements of BDI – BioEnergy International AG was discontinued in the current fiscal year. Deconsolidation of the two companies as per 31. March 2011 had a positive impact of EUR 661 000 on earnings, an amount which is included in the other operating income.

With effect from 31. July 2011, BDI – BioEnergy International AG acquired 100% of GKSH Beteiligungs-Management GmbH. The only significant asset owned by GKSH Beteiligungs-Management GmbH is a 30% interest in Enbasys GmbH, as a result of which the economic aspect of the transaction does not justify application of IFRS 3, Business Combinations. The purchase price consists of an amount of EUR 1.2 million that is to be paid in instalments and the fair value of a counterpayment that depends on sales (EUR 316 000). The final conditional counterpayment commitment ranges between EUR 0 and EUR 840 000. The fair value of the counterpayment that depends on sales corresponded to the book value of EUR 316 000 on the qualifying date.

The acquisition of a 30% interest in Enbasys GmbH resulted in reductions not affecting the operating result of EUR 1.349 million in the revenue reserves and of EUR 177 000 in the non-controlling interest.

With effect from 30. September 2011, the parties to the contract agreed on immediate payment of EUR 1.46 million and a maximum counterpayment of EUR 3.0 million that is due in 2014 depending on earnings with respect to the purchase price adjustment arranged for the shares in VTU Holding GmbH acquired in 2008. The final purchase price (non-discounted) for the approximately 25% interest in VTU Holding GmbH therefore ranges between EUR 8.331 million and EUR 11.331 million.

The adjustment to the purchase price for the VTU interest led to an increase not affecting the operating result of EUR 1.46 million in the stake held in VTU Holding GmbH.

With effect from 1. October 2011, BDI – BioEnergy International AG acquired the remaining 19% in Enbasys GmbH, the specialist for BioGas Technology, from VTU Holding GmbH, that is consolidated at equity in the corporate accounts. The purchase price consists of EUR 8 000 in cash and the fair value of a counterpayment that depends on sales (EUR 477 000). The final value of the conditional counterpayment ranges between EUR 0 and EUR 575 000. The fair value of the counterpayment that depends on sales corresponded to the book value of EUR 477 000 on the qualifying date.

Valuation of the adjustment to the purchase price of the shares in Enbasys GmbH had a positive impact on earnings of EUR 972 000, which is included in the other operating income.

Consolidation principles

The financial statements of the individual companies included were prepared to have the same qualifying date (31. December 2011) as the consolidated financial statements.

Capital consolidation is carried out by eliminating the acquisition costs (= book value) and the pro rata equity of the investment in question revalued 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. The proportion of equity and earnings that is accounted for by external shareholders is shown separately in the consolidated balance sheet and the consolidated income statement.

Receivables and payables between companies that are consolidated in full are offset against each other in debt consolidation. Interim profits from internal deliveries of non-current 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 non-current 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

There is no scheduled depreciation charge for assets with an indefinite useful life, such as goodwill; they are subjected to an annual impairment test.

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 value in use is calculated from 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" item of the income statement.

Intangible assets

Intangible assets are included at acquisition or production cost minus depreciation charged up to the balance sheet date. Depreciation is determined on the basis of the estimated useful lives by the straight-line method. The average useful life of these assets is 4–7 years.

Development projects that have not been completed

Acquired and in-house development projects that have not been completed are capitalised. The intangible asset is depreciated over its useful life when development of the asset has been completed and it can actually be used. R&D projects that have not been completed are subjected to an annual impairment test and are stated at acquisition cost minus accumulated impairment charges.

Research & development costs

Research costs are included as expenses as soon as they are incurred. Costs that are incurred in the context of development projects are capitalised as intangible assets if the following criteria are met:

a) Completion of the intangible asset is technically feasible, so that it will be available for use or sale;
b) The intention of the management to complete the intangible asset as well as to use or sell it;
c) The intangible asset can be used or sold;
d) The demonstration of how the intangible asset will generate a probable future economic benefit;
e) The availability of adequate technical, financial and other resources so that the development can be completed and the intangible asset can be used or sold;
f) The ability to value the intangible asset – particularly the expenses incurred during development that can be allocated.

Other development costs that do not meet the above criteria are included as expenses as soon as they are incurred. Development costs previously included as expenses are not capitalised as assets in subsequent fiscal years. Capitalised development costs that have a limited useful life are depreciated by the straight-line method over the time of their expected use from the beginning of commercial production of the products in question.

The depreciation charge for the fiscal year is included in the depreciation of intangible and tangible assets item of the income statement.

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 plan to the original acquisition or production costs.

Impairment test for development projects that have not been completed yet

Present values are determined annually by applying the risk-adjusted DCF method in order to check whether there has been any impairment of the development projects that have not been completed yet.

The estimated pre-tax cash flow based on the company's long-term business model, the management's assessment of the likelihood that the relevant projects will prove to be successful (risk adjustment) and a discount rate of 10% per year are the factors used to calculate the "Value in Use".

The long-term business model covers a period of 5 years and therefore includes all the project-related cash flows of the relevant projects – not only in the development phase but also from the time of market entry to market exit (project life cycle).

The discount rate of 10% per year is based on a risk-free interest rate of 3.5%, a market risk premium of 5.0% and a beta of 1.3%.

Assumption change sensitivity

The calculations of value in use are extremely sensitive to the likelihood of project success and the discount rate. A discount rate of 10% per year is applied for these calculations. An increase in the discount rate of one percentage point would lead to a valuation loss of EUR 1.154 million, with the fair value still positive.

Tangible assets

The tangible assets items are included at acquisition or production cost minus depreciation charged up to the balance sheet date. Depreciation is 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 charge for the fiscal year is included in the depreciation of intangible and tangible assets item in the income statement.

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 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.

Securities

In view of the increase in volatility and the risks on the capital markets associated with this, the security investments were transferred to two professional asset management firms in September 2011. At the same time, all securities allocated up to then to the held-to-maturity investments were reclassified as available-for-sale financial assets. The acquisition costs of these securities amounted to EUR 9.029 million on 30.09.2011, whereas the fair value after revaluation totalled EUR 8.764 million. The change in the classification of the securities did not have any major impact on asset, earnings and liquidity development in these financial statements.

Valuation of the securities available for sale was based on the market value. The market value of securities is determined from the stock exchange price on the balance sheet date. Realised profits and losses are included in income from securities, while unrealised profits and losses are included directly in equity and are not recognised in net profit. Valuation of the securities held to maturity is based on current acquisition cost.

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), 25.0025% of the shares in VTU Holding GmbH (Austria) and 45% of the shares in BDI & Tecnal Tecnologia em Biodiesel Ltda. (Brazil).

Inventories

Inventories are valued at the lower of acquisition or production cost and realisable net 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 in the receivables from production orders item and as sales. The percentage of completion is determined as a ratio of the expenses incurred to the anticipated total expenses (cost-to-cost method). 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.

In the case of projects in which the order consists mainly of engineering with/without delivery of parts of the process equipment, the degree of completion is determined according to the value added by the service provided (milestone principle). This principle means that the progress made in the project and thus the sales and part of the profit are determined when a specified milestone has been reached.

Receivables and other current assets

Receivables are included with the amount that is probably recoverable. The collectibility of the items that still have to be paid at the end of the year is checked and an impairment charge is, if necessary, made in the case of bad debts. Uncollectible receivables are written off when it is determined that they are 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. Deferred tax assets and liabilities are balanced provided that the conditions stipulated by IAS 12.74 are met. Deferred tax assets are only included to the extent that it is probable that a taxable profit will be made against which the temporary difference can be offset.

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 income statement 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 defined-benefit 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 defined-benefit 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 19.93A. As stipulated in the paragraphs 19.93B-93D, they are included separately from the period earnings in other comprehensive income.

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 – BioEnergy 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 5.0%, previous year: 5.0%; salary increase 2.5%, previous year: 2.5%).

Leasing contracts

Leasing contracts in which the lessor retains a major proportion of the risks and opportunities associated with ownership of the asset leased are classified as operating leasing contracts. The payments made in connection with an operating leasing contract are included in the income statement on a straight-line basis over the term of the leasing contract.

On the balance sheet date, the Group did not have any major leasing contracts relating to tangible assets in which BDI holds the main risks and enjoys the benefits of ownership of the asset leased that would have to be classified as finance leasing contracts.

Dividend payments

The claims to dividend payments held by the shareholders are included as a liability in the period in which the relevant resolution is passed.

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 income statement in the period in which the corresponding expenses are incurred. The income from the subsidies is shown in the other operating income rather than being balanced with the expenses in the income statement.

Accounts payable trade and other current liabilities

The fair value of the service received is determined at the time when the accounts payable trade 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.

Financial instruments according to IAS 39 and IFRS 7

Financial assets and liabilities disclosed in the balance sheet include Liquid funds, securities held as non-current assets, receivables and accounts payable trade, other receivables and other liabilities. Financial assets are included and eliminated on the date of trading. This is the day on which a financial asset is bought or sold, when the conditions of the contract stipulate provision of the financial asset within the period of time that is standard for the market in question.

Financial assets can be classified in the categories "financial assets held to maturity", "financial assets available for sale", "loans and receivables" and "financial liabilities measured at amortised cost".

Financial assets are checked to determine whether there is any indication of impairment on every balance sheet date. Financial assets have been impaired when there is objective evidence that the anticipated future cash flows with the financial asset have changed negatively due to one or more events.

Provisions

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.

All the estimates and assessments are subject to ongoing re-evaluation and are based on past experience and other factors, included expectations about future events that appear reasonable under the circumstances at the time.

Estimated goodwill impairment

In accordance with the accounting and valuation principle outlined in the explanatory note "Impairment of assets", the Group tests on an annual basis whether there has been any goodwill impairment. The recoverable amount of the CGU (cash-generating unit) is based on a calculation of its value in use – the present value that results from continued use of the asset.

It was determined that goodwill impairment of EUR 1.0 million had occurred with respect to Enbasys GmbH in the course of 2011, which led to depreciation of the book value of the cash-generating unit "BioGas segment". If the EBIT budgeted for determination of the value in use for the BioGas segment had been 10% lower, the Group would have had to include additional goodwill impairment of EUR 338 000.

If the discount rate before tax estimated by the management and used as the basis for valuation of BioGas segment had been 1% higher – 11.0% instead of 10.0% – the Group would have had to include additional goodwill impairment of EUR 154 000.

Financial risk management

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

In order to detect these risks at an early stage, BDI has implemented a control management system, the main assignment of which is to identify risks early on while they are still developing and to take countermeasures promptly.

The main risks for the development of the company's operations in 2011 relate primarily to the company's dependence on the general development of the global economy and the finance markets as well as to the obtainment of major projects.

The monitoring and management of project and financial risks are important elements of the company-wide controlling and accounting system. The aim of ongoing controlling and regular reporting is to identify major risks very early on.

Risk management

Financial risk factors

The company is exposed to various financial risks as a result of its business operations: market risk – which includes foreign currency translation risk, fair value interest rate risk, cash flow interest rate risk and price change risk – credit risk and liquidity risk. The company's general risk management system focusses on the unpredictability of the developments on the financial markets and aims to minimise potentially negative impact on the financial situation of the company.

The financial risks are managed by the finance department of the parent company under the supervision of the Management Board. The central finance department identifies, evaluates and controls financial risks. The Management Board submits reports about the status of the company's risk management systems, including financial risk management, to the audit committee of the Supervisory Board at regular intervals.

Market risk

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

Foreign currency translation risk

The company operates internationally and is therefore exposed to a foreign currency translation risk that is attributable to the changes in the exchange rates of various foreign currencies. So far, this risk has been of minor importance to the company, however.

Price change risk

The company is exposed to a price change risk with respect to securities, which depends on such factors as interest rate changes, credit margins, market liquidity and general economic conditions. The price change risk to which the company is exposed with respect to raw materials is minor. On the balance sheet date, a change in the market values of securities of one per cent would lead to an increase or decrease in other comprehensive income of EUR 269 000 (2010: EUR 321 000).

Cash flow and fair value interest rate risk

The company's cash flow is affected by changes in the market interest rate, because there are investments in interest-bearing, non-derivative assets and liabilities with variable interest rates. The interest rate 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 changes in market interest rates.

On the balance sheet date, the company had fixed-interest Liquid funds of EUR 5.434 million and variable-interest Liquid funds of EUR 12.522 million. The company also had fixed-interest financial debt consisting of EUR 317000 from the GKSH Beteiligungs-Management GmbH purchase price adjustment and EUR 477000 from the adjustment of the purchase price with respect to VTU Holding GmbH relating to the sale of the remaining 19% of the shares in Enbasys GmbH.

The company values the fixed-interest and variable-interest securities at fair value and not through profit and loss.

The company's interest rate risk is attributable mainly to investments in debt instruments – via direct or indirect investments in investment funds. Variable-interest securities involve the risk to the company of a change in payment flows. Fixed-interest securities represent a risk to the company of negative changes to the fair value.

It is the company's investment policy to keep a majority of the investments in variable-interest securities and – where investments are made in fixed-interest securities – to choose ones with a short remaining term to maturity.

Variable-interest financial debt exposes the company to a cash flow risk, which is compensated for again by variable-interest funds and financial assets. In the 2010 and 2011 fiscal years, the variable-interest investments of the company and the variable-interest financial liabilities were denominated in EUR.

The company analyses effects of interest rate changes on the income statement dynamically, on the basis of a previously defined change in the interest rate. The calculation only takes into account investments in financial assets available for sale and bank credit balances where interest plays a major role. A change of 0.25 per cent in the interest rates would have a positive / negative impact on earnings before taxes on the balance sheet date of EUR 54 000 (2010: EUR 65 000).

The possible influence of changes in the market interest rate on earnings and operating cash flow is limited by the specifications made in the company's investment policy. On 31. December 2011, the "financial instruments available for sale" held by the company consisted of floating rate notes, corporate bonds, bank debentures and investment funds, which invest in short-term money market receivables, bonds and shares.

Credit risk

The company has bank accounts and securities at financial institutions with good credit ratings and uses credit ratings from such specialised rating agencies as Standard & Poor's, Moody's and Fitch to monitor the creditworthiness of these contractual partners. The company's investment policy limits the maximum credit risk amount for each financial institution. The company is also exposed to a debtor credit risk that is attributable to the small customer base. There are guidelines which make sure that contracts are only concluded with well-known, well-capitalised partners and/or for completely funded projects. If customers have completed independent rating exercises, the results of them are used. In the cases where such independent rating exercises have not been completed, the risk management staff determine the customer's credit rating by considering his financial position, past experience and further factors. Individual risk limits are set on the basis of internal and external ratings and in line with the specifications of the Management Board. The credit quality of the financial assets of the company is outlined in explanatory note 24.

Liquidity risk

The company's liquidity risk is limited to the amount of the financial liabilities. Major liquidity bottlenecks can, however, occur when the operating cash flow is subject to fluctuations during the accounting period. The inflow of revenue is attributable primarily to a limited number of transactions relating to projects carried out with customers, whereas the product development operations regularly lead to large expenses.

Cautious liquidity management makes sure that adequate Liquid funds and tradable securities are available to enable the ongoing operating expenses to be funded and market positions to be developed. Extraordinary conditions on the financial markets could, however, at times restrict the company in its ability to liquidate certain financial assets in practice.

The table below gives an analysis of the financial liabilities by maturity structure, based on the remaining term from the balance sheet date to the contractual end of the remaining term. The amounts in the table are the contractually agreed non-discounted payment flows.

31. December 2011 EUR '000	Less than one year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Other liabilities	8 643	265	168	793
Accounts payable trade	5 424	244	5	0
	14 103	**509**	**173**	**793**

31. December 2010 EUR '000	Less than one year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Financial debt	21	0	0	0
Other liabilities	16 111	852	349	908
Accounts payable trade	3 615	174	0	0
	19 747	**1 026**	**349**	**908**

The fair values and book values of the financial debt are outlined in explanatory note 25.

In order to control the liquidity risk, the company maintains sufficient cash reserves and invests mainly in securities that can be converted into money quickly. The company also diversifies its investments into securities from various categories of issuers as well as into government bonds, floaters and investment funds.

Derivative financial instruments and hedging operations

On the balance sheet date, the company had no significant derivative financial instruments.

Management of the capital risk

The company's general objectives in the capital management field are to continue the company's operations successfully and to make sure the investors enjoy financial benefits. In this context, the capital management activities focus on making sure that the company has the optimum capital structure and that the capital costs are reduced. The company is primarily financed internally at the present time. The company can issue new shares or sell assets to maintain the optimum capital structure. Capital management covers all the different equity components.

5. Explanatory notes about the consolidated income statement and the consolidated statement of comprehensive income

(1) Sales and segment reporting

The reduction of 13.1% in sales to EUR 34.7 million in 2011 is due to the delays in order intake attributable to the more difficult market conditions in the BioDiesel segment.

Presentation of the segments is by areas of operation (segmentation) and regions (information about geographical areas):

Segments in 2011	Information about geographical areas in 2011
BioDiesel plant construction	Austria
Fine vacuum distillation	EU (excluding Austria)
BioGas plant manufacturing	Rest of the world

Segmentation by areas of operation corresponds to the internal reporting systems at BDI, UIC GmbH and Enbasys GmbH. Business transactions between these segments are 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 being allocated in line with the earnings generated in the projects with customers.

Segmentation by areas of operation

01 – 12/2011 EUR '000	BioDiesel plant construction	Fine vacuum distillation	BioGas plant manufacturing	Group
Sales	22 989	6 474	5 221	34 684
EBIT	4 518	700	– 1 593	3 625
Financial result	580	11	– 7	584
Share in the earnings of associated companies	313	0	0	313
Depreciation	1 141	420	1 191	2 752
of which from goodwill write-down	0	0	1 000	1 000
Segment assets	67 638	9 713	8 827	86 178
Segment liabilities	23 510	2 178	5 512	31 200
Investments in tangible and intangible assets	2 627	56	1	2 684
Investments in associated companies	11 349	0	0	11 349
Employees	109	31	4	144

01 – 12/2010 EUR '000	BioDiesel plant construction	Fine vacuum distillation	BioGas plant manufacturing	Group
Sales	32 612	5 612	1 684	39 908
EBIT	3 687	294	–783	3 198
Financial result	793	–1	– 4	788
Share in the earnings of associated companies	705	0	0	705
Depreciation	1 582	429	137	2 148
Segment assets	85 646	6 543	1 399	93 588
Segment liabilities	38 941	1 405	902	41 248
Investments in tangible and intangible assets	719	47	15	781
Investments in associated companies	9 692	0	0	9 692
Employees	100	31	6	137

Information about geographical areas

1 – 12/2011 EUR '000	Austria	EU (excl. Austria)	Rest of the world	Group
Sales	1 803	16 452	16 429	34 684
EBIT	944	787	1 895	3 625
Depreciation	257	395	2 100	2 752
Share in the earnings of associated companies	313	0	0	313
Book value of the assets	70 715	14 006	1 457	86 178
Liabilities	19 763	8 958	2 479	31 200
Investments in tangible and intangible asets	2 628	56	0	2 684

1 – 12/2010 EUR '000	Austria	EU (excl. Austria)	Rest of the world	Group
Sales	238	31 188	8 482	39 908
EBIT	13	3 354	–169	3 198
Depreciation	8	1 968	172	2 148
Share in the earnings of associated companies	705	0	0	705
Book value of the assets	81 750	11 356	482	93 588
Liabilities	35 837	2 484	2 927	41 248
Investments in tangible and intangible asstes	734	47	0	781

(2) Spending on material

The spending on material can be broken down as follows:

EUR '000	2011	2010
Spending on material	15 112	19 138
Spending on services procured	2 064	2 121
	17 176	**21 259**

(3) Other operating income

The other operating income can be broken down as follows:

EUR '000	2011	2010
Charges	179	178
Insurance payments received	223	256
Income from research funding	1 436	1 129
Income from the release of allowances	1 118	412
Income from the release of provisions	20	50
Miscellaneous other income	1 848	1 295
	4 824	**3 320**

(4) Personnel expenses

The personnel expenses can be broken down as follows:

EUR '000	2011	2010
Wages and salaries	7 148	6 838
Severance payment expenses	121	209
Pension expenses	205	194
Mandatory social security expenses	1 780	1 553
Voluntary welfare expenses	252	167
	9 506	**8 961**

BDI had the following average number of employees in the fiscal years:

EUR '000	2011	2010
Wage-earning employees	7	8
Salaried employees	136	132

Personnel expenses broken down according to wage-earning and salaried employees:

EUR '000	2011	2010
Wage-earning employees	51	61
Salaried employees	9 455	8 900

(5) Depreciation of intangible and tangible assets

The intangible and tangible assets depreciation charge of EUR 2.752 million (2010: EUR 2.148 million) consisted of scheduled depreciation of EUR 1.647 million (2010: EUR 1.148 million) and unscheduled depreciation of EUR 1.105 million (2010: EUR 1.0 million).

The unscheduled depreciation related essentially to depreciation of the goodwill of Enbasys GmbH.

(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 total cost method.

EUR '000	2011	2010
Licences and commission	2 015	1 319
Travel expenses	949	813
Legal and consulting expenses	1 078	1 121
Insurance expenses	247	190
Rental and leasing expenses	925	993
Allowances	2 013	2 066
Miscellaneous expenses	1 529	1 721
	8 756	**8 223**

(7) Research & development

The research & development expenses amounted to EUR 5.671 million in the fiscal year (2010: EUR 3.983 million). They are included in the spending on material and services procured, the personnel expenses and the other operating expenses.

(8) Earnings from associated companies

The earnings from associated companies of EUR 313 000 (2010: EUR 705 000) related primarily to the at equity valuation of M&R Holding AG, Grambach, VTU Holding GmbH, Grambach and BDI & Tecnal Tecnologia em Biodiesel Ltda., Brazil (see also note 13). The earnings from VTU Holding GmbH as an associated company include a payout of EUR 125 000 that was received.

EUR '000	M&R 2011	M&R 2010	VTU 2011	VTU 2010
Earnings from associated companies	**166**	**426**	**160**	**285**
Share of earnings	166	494	312	610
Release of hidden reserves	0	– 68	– 152	– 325

(9) Financial result

EUR '000	2011	2010
Interest income and similar income from securities	584	750
Other interest and similar income	258	350
Interest expenses / pension provisions	– 120	– 118
Other interest and similar expenses	– 138	– 194
	584	**788**

EUR '000	2011	2010
Net profits or net losses with respect to:		
Financial assets available for sale	584	348
Financial investments held to maturity	0	186
Loans and receivables	224	536
Financial liabilities valued at current acquisition cost	– 224	– 282
	584	**788**

We refer to note 14 with respect to information about income from securities.

(10) Taxes on income

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

EUR '000	2011	2010
Current income tax expenses:		
Relating to the current fiscal year	733	1 643
Relating to previous years	36	284
	769	**1 927**
Deferred taxes	– 386	– 618
	383	**1 309**

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

EUR '000	2011	2010
Earnings before taxes	4 522	4 691
Income tax expenses at the 25% tax rate	1 131	1 173
Tax-deductible item (research allowance)	–1 088	– 431
Expenses that are not deductible	270	263
Deferred taxes from previous years not posted	20	14
Differences in tax rates	14	6
Taxes from previous years	36	284
Actual tax expenses/income	**383**	**1 309**
Actual tax expenses/income in %	**8.5**	**27.9**

The tax-deductible item includes EUR 165 000 from deconsolidation and EUR 401 000 from non-taxable income in connection with Lignosol Technologie GmbH & Co. KG, Grambach, and Lignosol Technologie GmbH, Grambach, EUR 211 000 from the purchase price adjustment and EUR 311 000 for additional tax-deductible expenses.

6. Explanatory notes about the consolidated balance sheet

(11) Intangible assets

EUR '000	Capitalised development costs	Goodwill	Concessions, software and other intangible assets	Payments on account	Total
Acquisition costs					
01.01.2011	8 657	8 829	4 716	0	22 202
Additions	2 307	0	113	0	2 420
Disposals	–126	0	0	0	–126
31.12.2011	**10 838**	**8 829**	**4 829**	**0**	**24 496**

EUR '000	Capitalised development costs	Goodwill	Concessions, software and other intangible assets	Payments on account	Total
Accumulated depreciation					
01.01.2011	3 543	1 000	3 890	0	8 433
Additions	1 032	1 000	400	0	2 432
Disposals	0	0	0	0	0
31.12.2011	**4 575**	**2 000**	**4 290**	**0**	**10 865**
Book value on 31.12.2010	**5 114**	**7 829**	**826**	**0**	**13 769**
Book value on 31.12.2011	**6 263**	**6 829**	**539**	**0**	**13 631**

Goodwill of EUR 3.484 million is attributable to the acquisition of UIC GmbH, Alzenau, Germany, and is allocated to the fine vacuum distillation segment as the cash-generating unit. Goodwill at UIC GmbH in 2010 was written down by EUR 1.0 million to EUR 2.484 million. Goodwill of EUR 5.345 million esulted from the acquisition of Enbasys GmbH, Grambach, Austria, which is allocated to the BioGas segment. Goodwill at Enbasys GmbH was written down by EUR 1.0 million to EUR 4.345 million in the year under review.

(12) Tangible assets

EUR '000	Land and buildings	Plant and machinery	Factory and office equipment	Payments on account and construction in progress	Total
Acquisition costs					
01.01.2011	1 803	611	678	0	3 092
Additions	0	138	126	0	264
Disposals	0	–102	– 55	0	–157
31.12.2011	**1 803**	**647**	**747**	**0**	**3 197**
Accumulated depreciation					
01.01.2011	65	476	355	0	896
Additions	24	170	126	0	320
Disposals	0	–102	– 27	0	–129
31.12.2011	**89**	**544**	**454**	**0**	**1 087**
Book value on 31.12.2010	**1738**	**135**	**323**	**0**	**2 196**
Book value on 31.12.2011	**1714**	**103**	**293**	**0**	**2 110**

Operating leasing contracts

There are commitments from leasing and rental contracts for tangible assets that are not shown in the balance sheet. Expenses of EUR 925 000 (2010: EUR 993 000) from leasing and rental contracts were included in the operating expenses for 2011. The future rental and leasing payments for vehicles and office premises can be broken down by years as follows:

EUR '000	2011	2010
In the following year	863	868
In the following 2–5 years	3 401	3 539
Total	**4 264**	**4 407**

(13) Investments in associated companies

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

EUR '000	31.12.2011	31.12.2010
VTU Holding GmbH (Austria)	7 271	5 776
M&R Holding AG (Austria)	4 078	3 912

The equity valuation of BDI & Tecnal Tecnologia em Biodiesel Ltda., Brazil, is not described in detail because it is of minor importance.

The balance sheet date on which M&R Holding AG prepares its consolidated financial statements is 31. March. Consolidated interim financial statements in accordance with IFRS as per 31. December 2011 were prepared for the M&R Holding AG Group for the purposes of at equity valuation.

The consolidated financial statements of VTU Holding AG, Grambach, as per 31. December 2011 form the basis for the at equity valuation of the company.

The economic data about the investments are as follows:

EUR '000	VTU	M&R
Assets	19 089	29 661
Equity[1]	10 583	7 701
Liabilities	8 506	21 959
Sales	26 484	37 961[2]
Period earnings	1 447	2[2]

[1] Including non-controlling interest
[2] 1.4.2011 – 31.12.2011

(14) Securities

EUR '000	Acquisition costs on 31. 12. 2011	Write-downs/-ups posted to profit / loss	Book value 31. 12. 2011	Book value 31. 12. 2010
Securities	26 672	0	26 903	32 117

The securities consist of shares in various investment funds, a near money market floater, a money market fund and bank debentures and are valued at stock market prices. The actual average yield is calculated using a basic formula without taking price differences of securities in the portfolio into account and without taking the average term of the securities into consideration.

2011 EUR '000	Market value/ book value	Average actual yield in %	Income in the fiscal year
Shares (AfS)	292	0.28	1
Share funds (AfS)	360	0.00	0
Floater (AfS)	472	1.01	50
Bank debentures (AfS)	10 309	2.47	256
Money market funds (AfS)	1 189	0.39	39
Investment funds (AfS)	1 309	0.51	7
Certificates (AfS)	0	– 0.11	–1
Corporate bonds (AfS)	503	0,31	2
Pension funds (AfS)	12 469	2.24	230

2010 EUR '000	Market value/ book value	Average actual yield in %	Income in the fiscal year
Floater (HtM)	4 495	1.25	56
Bank debentures (HtM)	855	2.19	129
Bank debentures (LaR)	7 581	2.89	216
Money market funds (AfS)	9 066	0.90	81
Investment funds (AfS)	976	2.01	22
Certificates (LaR)	1 002	3.38	0
Pension funds (AfS)	8 142	3.07	246

HtM	Held-to-Maturity Investments	Fixed-interest securities that are held to maturity
AfS	Available-for-Sale Financial Assets	Securities that can be sold at any time
LaR	Loans and Receivables	Receivables

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

(15) Inventories

This item includes unfinished products, raw materials, auxiliary materials and factory supplies worth EUR 1.718 million (2010: EUR 665 000).

(16) Receivables and other assets

EUR '000	31.12.2011	31.12.2010
Receivables from production orders and other associated companies	9 176	6 402
Other receivables and assets	3 335	3 495
Total	**12 511**	**9 897**

There were no overdue accounts receivable trade for which an impairment charge had been made on the balance sheet date. Allowances of EUR 2.308 million (2010: EUR 3.406 million) had been made for accounts receivable trade on this date.

The receivables from production orders include:

EUR '000	31.12.2011	31.12.2010
Receivables from projects handed over	5 425	9 415
Receivables from current projects	6 059	393
minus: allowances for bad debts	– 2 308	– 3 406
Total	**9 176**	**6 402**

Receivables from current projects are balanced with the prepayments of EUR 25.785 million received from project customers.

EUR '000	31.12.2011	31.12.2010
Production orders		
Sales generated in the period under review	34 684	39 908
Costs incurred in the period under review	23 632	26 601
Prepayments received	– 25 785	– 29 223

The other receivables include:

EUR '000	31.12.2011	31.12.2010
Payments on account made to suppliers	1 278	1 834
Receivables from income taxes	54	175
Credit balances with domestic and foreign tax authorities	435	468
Miscellaneous other receivables	1 568	1 018
Total	**3 335**	**3 495**

(17) Liquid funds

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

The average interest rate paid for the credit balances at banks on 31. December 2011 amounted to about 1.4% (2010: about 1.4%).

(18) Equity

The share capital amounts to EUR 3.800 million and is divided up into 3.8 million bearer shares with no par value.

The capital repayment to the shareholders of EUR 2.65 per BDI share that was approved at the 4th Annual Shareholders' Meeting held on 18. May 2010 was made in March 2011.

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 equity 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 prepared 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 1.6 million on 31. December 2011 (2010: EUR 0.2).

Earnings per share amounted to EUR 1.09 (2010: EUR 0.98).

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 1.5 million with the approval of the Supervisory Board up to 5 years after entry of the change in the company's legal form in the commercial register by issuing up to 1.5 million 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 and the Management Board did not make any other use of this authorisation before the end of the 5-year period.

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 income statement after deduction of the deferred taxes in accordance with the IFRS rules.

Revenue reserves

The breakdown of the revenue reserves is as follows:

EUR '000	31.12.2011	31.12.2010
Adjustment item for securities	173	64
Gross	231	85
minus deferred taxes	– 58	– 21
Adjustment item for actuarial profits and losses for pension and other commitments	1 140	501
Gross	1 519	667
minus deferred taxes	– 379	– 166
Impact of the adaptation of the financial statements to the IFRS rules and accumulated retained earnings from the previous years	11 945	9 949
Total	**13 258**	**10 514**

Expenses and income not affecting operating result

EUR 146 000 (2010: EUR –30 000) from the valuation of the securities ("Available-for-Sale") not affecting operating result, EUR – 852 000 (2010: EUR 57 000) from the actuarial profits relating to the pension and similar commitments and the corresponding deferred taxes of EUR –250 000 (2010: EUR 22 000) were included.

(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 378 000 (2010: EUR 517 000) arising from temporary differences in connection with investments in associated companies were not included.

The deferred taxes relate to the following balance sheet items:

EUR '000	Deferred taxes / assets	Deferred taxes / liabilities
as per 31.12.2010		
Intangible assets	0	– 1 492
Tangible assets	0	– 365
Financial assets	259	– 21
Provisions for severance payments	157	0
Pension provisions	109	0
Non-current items	**525**	**– 1 878**
Inventories	605	0
Accounts receivable trade	0	– 99
Receivables and other assets	0	– 509
Miscellaneous provisions and deferrals	585	– 232
Liabilities	188	– 3 534
Loss carryforward	369	0
Current items	**1 747**	**– 4 374**
Total	**2 272**	**– 6 252**
Settlement	– 2 272	2 272
	0	**– 3 980**

EUR '000	Deferred taxes / assets	Deferred taxes / liabilities
as per 31.12.2011		
Intangible assets	0	– 1 684
Tangible assets	0	– 367
Financial assets	263	– 58
Provisions for severance payments	53	0
Pension provisions	95	– 202
Non-current items	**411**	**– 2 311**
Inventories	1 436	0
Accounts receivable trade	0	– 1 525
Receivables and other assets	0	– 333
Receivables from associated companies	746	410
Miscellaneous provisions and deferrals	496	– 41
Liabilities	0	– 3 695
Loss carryforward	840	– 473
Current items	**3 518**	**– 5 657**
Total	**3 929**	**– 7 967**
Settlement	– 3 929	3 929
	0	**– 4 039**
Change in 2011		
Included directly in equity	– 250	
Change in the companies consolidated	– 195	
Included via income tax	386	
	– 59	

(20) Provisions for severance payments

Commitments to provide severance payments after the end of individual employment contracts have been made at BDI – BioEnergy 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 %	2011	2010
Interest rate p.a.	5.0	5.0
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 67 years.

The following amounts were included in the income statement with reference to these commitments:

EUR '000	2011	2010
Current employment expenses	37	137
Interest expenses	31	24
	68	**161**

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

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

EUR '000	2011	2010
Present value of the commitment (DBO) on 01.01.	**626**	**440**
Current employment expenses	38	137
Interest expenses	31	24
Actuarial profits / losses	– 484	25
Present value of the commitment (DBO) on 31.12.	**211**	**626**

The severance payment commitment relates to the two former members of the Management Board (Wilhelm Hammer and Helmut Gössler). The rights to severance payments held by the company's employees have been transferred to a staff provision fund.

(21) Provisions for pensions

BDI – BioEnergy International AG has a defined-benefit 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 specific assets or employers' liability insurance.

A pension age of 67 years is assumed in the BDI – BioEnergy 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 %	2011	2010
Interest rate p.a.	5.0	5.0
Salary increases p.a.	2.5	2.5
Pension increases p.a.	1.5	1.5

The following amounts were included in the income statement with reference to these commitments:

EUR '000	2011	2010
Current employment expenses	203	190
Interest expenses	89	91
	302	**281**

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 defined-benefit pension schemes developed as follows:

EUR '000	2011	2010
Present value of the commitment (DBO) on 01.01.	**1 977**	**1 665**
Current employment expenses	203	190
Interest expenses	89	91
Actuarial profits / losses	– 368	31
Present value of the commitment (DBO) on 31.12.	**1 901**	**1 977**

(22) Provisions

The company's provisions for the 2011 fiscal year can be broken down as follows:

EUR '000	01.01.	Required/ released	Added	31.12.	of which current	non-current
Anniversary payments	112	0	15	127	0	127
Warranties	7 663	3 568	116	4 211	2 971	1 240
Impending losses	0	0	730	730	730	0
Total provisions	**7 775**	**3 568**	**861**	**5 068**	**3 701**	**1 367**

The provision for warranties includes 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) Deferrals

The company's deferrals for the 2011 fiscal year can be broken down as follows:

EUR '000	01.01.	Change in companies consolid.	Required/ released	Added	31.12.	of which current	of which non-current
Legal and consulting expenses	247	– 4	243	250	250	250	0
Holiday entitlements	301	0	127	137	311	311	0
Commission and licences	531	0	531	741	741	741	0
Uncharged expenses / projects handed over	2 471	0	1 779	1 337	2 029	2 029	0
Bonuses	1 165	0	1 165	961	961	961	0
Miscellaneous	145	– 6	139	147	147	147	0
Total deferrals	**4 860**	**–10**	**3 984**	**3 573**	**4 439**	**4 439**	**0**

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

(24) Liabilities

EUR '000	31.12.2011	31.12.2010
Prepayments received on orders	6 204	3 257
Liabilities to banks	0	21
Accounts payable associated companies	113	258
Accounts payable trade	5 560	3 531
Tax liabilities	729	1 578
Miscellaneous liabilities	2 936	13 385
Total	**15 542**	**22 030**

EUR 6.204 million of the prepayments received on orders (2010: EUR 3.257 million) were prepayments received from customers, which could not be deducted in assets from the corresponding receivables from production orders in accordance with IAS 11.

Tax liabilities of EUR 729 000 (2010: EUR 1.578 million) are attributable primarily to BDI AG's current income tax expenses.

The miscellaneous liabilities include:

EUR '000	31.12.2011	31.12.2010
Participation right liability	0	852
Purchase price adjustment	793	908
Research funding loans	433	349
Liabilities to district health insurance funds	156	132
Tax liabilities	140	123
Liabilities to shareholders	0	10 070
Other liabilities	1 414	951
Total	**2 936**	**13 385**

The purchase price adjustment of EUR 793 000 shows the fair value of a counterpayment that depends on sales relating to the acquisition of shares in Enbasys GmbH.

The research funding loans of EUR 433 000 have a fixed interest rate averaging 2.43%; the market value of the liability is approximately the same as the book value and the liability is due in 3 to 4 years.

(25) Information about financial instruments

EUR '000	IAS 39 valuation category	Book value 31.12.2011	Current acquisition costs	Acquisition costs	Fair value not affect. operating result	Fair value 31.12.2011
Assets						
Securities held as non-current assets	AfS	26 903	0	26 672	231	26 903
Receivables from production orders	LaR	9 176	9 176	0	0	0
Other receivables and assets	LaR	3 335	3 335	0	0	0
Liquid funds	LaR	17 956	17 956	0	0	0
Equity and liabilities						
Prepayments received	FLAC	6 204	6 204	0	0	0
Accounts payable trade	FLAC	5 673	5 673	0	0	0
Other liabilities	FLAC	2 936	2 936	0	0	0

EUR '000	IAS 39 valuation category	Book value 31. 12. 2010	Current acquisi-tion costs	Acquisi-tion costs	Fair value not affect. operating result	Fair value 31. 12. 2010
Assets						
Securities held as non-current assets						
of which Available-for-Sale	AfS	18 185	0	18 100	85	18 185
of which Held-to-Maturity	HtM	6 352	6 352	0	0	6 352
of which Loans and Receivables	LaR	7 580	7 580	0	0	7 580
Receivables from production orders	LaR	6 402	6 402	0	0	6 402
Other receivables and assets	LaR	3 495	3 495	0	0	3 495
Liquid funds	LaR	25 252	25 252	0	0	25 252
Equity and liabilities						
Liabilities to banks	FLAC	21	21	0	0	21
Prepayments received	FLAC	3 257	3 257	0	0	3 257
Accounts payable trade	FLAC	3 789	3 789	0	0	3 789
Other liabilities	FLAC	13 385	13 385	0	0	13 385

HtM	Held-to-Maturity Investments	Fixed-interest securities that are held to maturity
AfS	Available-for-Sale Financial Assets	Securities that can be sold at any time
FLAC	Financial Liabilities Measured at Amortised Cost	Financial liabilities measured at amortised cost
LaR	Loans and Receivables	Receivables

Fair value measurements

The following table shows an analysis of the financial instruments that are allocated to fair value levels 1 to 3 following initial valuation, depending in each case on the extent to which the fair value can be measured.

Level 1: fair value that can be determined on the basis of current prices (without adjustment) in active markets for identical asset or liability categories.

Level 2: fair value that cannot be determined on the basis of current prices (without adjustment) in active markets for identical asset or liability categories but can be determined on the basis of other external parameters and that can be observed directly (e.g. as prices) or indirectly (e.g. based on prices) for the identical asset or the identical liability.

Level 3: fair value that can be determined on the basis of valuation procedures. They include factors for the identical asset or the identical liability that are not based on observable market data (factors that cannot be observed).

31. December 2011 EUR '000	Level 1	Level 2	Total
Financial assets available for sale			
Bank bonds, company bonds	1 503	9 781	11 284
Investment funds	12 191	3 136	15 327
Others	292	0	292
Financial assets available for sale	**13 986**	**12 917**	**26 903**

None of the securities included in the previous year were reclassified, so there were no shifts between levels 1 and 2.

Credit quality of financial assets

The credit quality of financial assets that are neither overdue nor impaired can be evaluated by reference to external ratings (if they are available) and by historical information about default quotas of business partners:

EUR '000	31.12.2011	31.12.2010
Cash and short-term investments		
A	12 111	23 963
Business partners for whom no external ratings[1] are available or the rating is below A	5 845	1 289
Cash and short-term investments	**17 956**	**25 252**
Financial assets available for sale		
A	5 081	4 495
Business partners for whom no external ratings[2] are available	21 822	27 622
Financial assets available for sale	**26 903**	**32 117**

The rating information relates to the long-term credit ratings published by Standard & Poor's.

[1] EUR 396 000 of them (2010: EUR 950 000) relate to Steiermärkische Bank und Sparkassen AG, which has joint liability arrangements with Erste Bank. Standard & Poor's has given Erste Bank an "A" rating. EUR 4.338 million relate to Österreichische Volksbanken-Aktiengesellschaft and EUR 574 000 to Raiffeisenlandesbank Oberösterreich Aktiengesellschaft.

[2] Investments on the qualifying date were made via UniCredit Bank Austria AG, Deutsche Bank, Bankhaus Krentschker & Co. Aktiengesellschaft and Steiermärkische Bank und Sparkassen AG. Both UniCredit Bank Austria AG and Deutsche Bank had a Standard & Poor's rating of "A" on the qualifying date, while Steiermärkische Bank und Sparkassen AG and Bankhaus Krentschker & Co. did not have a rating.

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 5.43 million.

Interest payments of EUR 804 000 (previous year: EUR 1.069 million) are shown in the net cash flow from operating activity.

Reclassifications of Liquid funds to securities 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 2011.

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 1.41 million and securities of EUR 1.5 million were pledged as security for such guarantees.

Unsettled legal disputes

On 31. December 2011, there were no legal disputes that would have had a major impact on the annual financial statements.

Business transactions with related parties

The related parties include the shareholders, the associated companies and the members of the boards of BDI – BioEnergy International AG.

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

Supplies and services charged to BDI:

EUR '000	Designation	1 – 12/2011	1 – 12/2010
PDC Verfahrenstechnische Entwicklungsgesellschaft m.b.H.	Rent, research and development expenses	798	703
VTU Holding GmbH and subsidiaries	Planning services, licenses	783	912
M&R Holding AG and subsidiaries	Supplies and services	369	720
Griss & Partner, Steirische Wirtschaftstreuhand GmbH & Co KG (2010)	Legal and tax consultancy	77	109
Supervisory Board members	Supervisory Board compensation	53	43
Management Board members	Fixed compensation	355	404
Mr. Hammer, Mr. Gössler, Mr. Koncar	Licence and patent fees, consulting services	787	905

The compensation paid to the members of the Management Board can be broken down as follows:

EUR '000	2011	2010
Salaries and other current benefits	937	987
Benefits after termination of the employment contract	– 491	498
Share-based compensation	0	0
Management compensation	**446**	**1 485**

Supplies and services charged by BDI:

EUR '000	Designation	1 – 12/2011	1 – 12/2010
PDC Verfahrenstechnische Entwicklungsgesellschaft m.b.H.	Administration, deliveries	149	429
VTU Holding GmbH und Tochtergesellschaften	Benefits	55	68

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

The performance bonus paid to Mr. Wilhelm Hammer and Mr. Helmut Gössler (who were members of the Management Board until 30.06.2011) may not exceed an amount of EUR 270 000 each per year (including the payments made to them as inventors) and is due to them on a pro rata basis for 2011.

Mr. Wilhelm Hammer and Mr. Helmut Gössler (member of the Management Board until 30.06.2011) are beneficiaries of the company's pension and severance payment commitments.

There were no major outstanding receivables from or liabilities to related parties on 31.12.2011.

25.0025% of VTU Holding GmbH, Grambach, in which Mr. Koncar holds an interest of 18.34%, were acquired as per 01.01.2008.

Auditors' expenses

The auditors' expenses amounted to EUR 76 000 and can be broken down into the following assignments:

EUR	2011	2010
Auditing of the consolidated financial statements and financial statements	61 000	58 500
Other assurance services	15 000	8 000
	76 000	**66 500**

Events after the balance sheet date

No events of major significance that require disclosure have occurred since the consolidated financial statements about the year that ended on 31. December 2011 were compiled.

9. Parent company boards

Supervisory Board

Dr. Gunter Griss (Chairman of the Supervisory Board)
Mr. Werner Schuster (Deputy Chairman of the Supervisory Board)
Dr. Michael Koncar
Dr. Hubert Zankel

Management Board

Mr. Wilhelm Hammer (CEO) – until 30.06.2011
Mr. Helmut Gössler (CTO) – until 30.06.2011
Mrs. Dagmar Heiden-Gasteiner, MBA (CFO)
Mr. Markus Dielacher, MSc. (CTO) – since 01.07.2011
Dr. Edgar Ahn (CSO) – since 01.07.2011

Shares owned by parent company board members

31. December 2011	Number of shares
Mr. Hammer	153 220
Mr. Gössler	105 150
Mrs. Heiden-Gasteiner	5 000
Mr. Dielacher	5 000
Mr. Ahn	5 000
Mr. Griss	0
Mr. Schuster	0
Mr. Koncar	0
Mr. Zankel	200
BDI Beteiligungs-GmbH (shareholders: Mr. Hammer and Mr. Gössler with a total interest of 86%)	2 767 284

Grambach, 15. March 2012

The Management Board:

Dr. Edgar Ahn

Dagmar Heiden-Gasteiner, MBA

Markus Dielacher, MSc.

Assurance by the legal representatives

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 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

a) the consolidated financial statements comply with the relevant accounting standards and communicate as faithful a picture as possible of the asset, financial and earnings development of the Group, that

b) the consolidated management report presents the development of the business, the business results and the situation of the Group in such a way that as faithful a picture as possible is communicated of the asset, financial and earnings development of the Group and that

c) the consolidated management report presents the main risks and uncertainties to which the Group is exposed.

The Management Board of BDI AG

Grambach, 15. March 2012


„Responsibility
for mankind“

Audit report

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BDI – BioEnergy International AG, Grambach, for the fiscal year from January 1 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2011, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Account-ing System

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

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

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, as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we 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 judgment, 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 Group'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 Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the fiscal year from January 1 to December 31, 2011 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section § 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section § 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 15. March 2012

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Signed: Mr. Werner Krumm
Austrian Certified Public Accountant

Financial calendar

29.03.2012	**Publication of the Annual Report**
10.05.2012	**Interim report about the 1st quarter of 2012**
15.05.2012	**2012 Annual Shareholders' Meeting, Graz**
09.08.2012	**Interim report about the 2nd quarter of 2012**
27.–29.08.2012	**10th SCC Small Cap Conference**
13.11.2012	**Interim report about the 3rd quarter of 2012**

Contact and Imprint

Owner and media proprietor

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This Annual Report was published in German and English on 29. March 2012 and can be downloaded from our website.

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

Forward-looking statements

This document contains forward-looking statements that are based on the current assumptions and assessments of the corporate management of BDI – BioEnergy 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 – BioEnergy International AG and the companies affiliated with it 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 – BioEnergy International AG 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 – BioEnergy International AG has not committed itself to do so.

Our future – clean energy

With its mission Waste to Energy BDI – BioEnergy International AG focuses on renewable energy and energy efficiency. Hence it is firmly anchored in the company strategy to accomplish an important contribution to environmental protection.

It goes without saying that this Annual Report was produced and printed in accordance with the highest requirements in terms of environmental and climate protection.

Climate neutral printing

For the calculation of the CO_2 emissions resulting from the printing of this Annual Report, all relevant parameters have been considered. The emissions created were compensated by purchasing ecologically valuable emission reduction certificates from recognized climate protection projects.

Ecologically sustainable: PEFC-paper / environmentally friendly printing

The printing company producing this Annual Report has been chosen according to ecological standards.

The paper used is certified according to PEFC. This internationally valid qualification confirms that the paper comes from ecologically, economically and socially responsible forestry. This comprises the forest management, including transport of timber to the forest track and the subsequent treatment of the final product.

For this printing process environmentally friendly printing ink and other printing means were used that have been produced on a purely biological basis.

PEFC

Print O_2 geprüft
Klimaneutrale Produktion

BDI

www.bdi-bioenergy.com