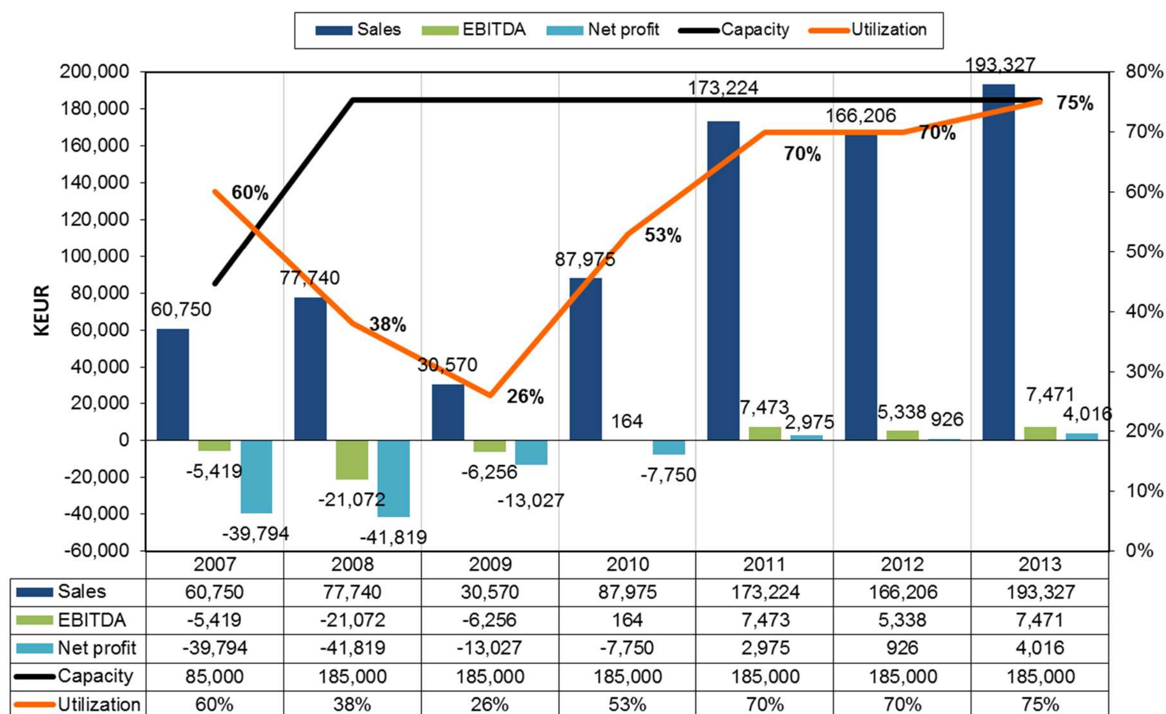
# Annual Report 2013

Annual Report 2013
Petrotec Group and Petrotec AG
Borken, Germany
January 1 to December 31, 2013

# *Key figures Petrotec Group 2010 – 2013*

| | Unit | 2013 | 2012 | 2011 | 2010* |
|---|---|---|---|---|---|
| Sales | KEUR | 193,327 | 166,206 | 173,224 | 87,975 |
| EBITDA | KEUR | 7,471 | 5,338 | 7,473 | 164 |
| EBIT | KEUR | 4,874 | 2,881 | 5,262 | -5,832 |
| EBIT-Margin | % | 2.5% | 1.7% | 3.0% | -6.6% |
| EBT | KEUR | 3,115 | 926 | 2,975 | -7,750 |
| Net profit / loss | KEUR | 4,016 | 926 | 2,975 | -7,750 |
| EPS undiluted | EUR | 0.1636 | 0.0380 | 0.1900 | -0.6700 |
| EPS diluted | EUR | 0.1631 | 0.0380 | 0.1900 | -0.6700 |

*** The figures presented in this table for 2010 are adjusted for the effect of the EUR 16.7 million one time income from IKB transaction.**




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

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# *Letter to the shareholders*

**Doing the right thing pays off**

Dear Shareholders,

The year 2013 has been a challenging year, but it has also been a good one. Although we have encountered challenges from various fronts, both internal and external, we have been able to develop our capabilities internally, and thanks to the excellent people we have working in our team. Times of challenge are trigger processes through which competitive advantages are created. Our business today is no longer a simple business to execute. It requires high level of expertise to design an efficient, fine-tuned production process, and to develop the capabilities to deal with the increasingly rigorous product specification requirements needed to satisfy our loyal customer base. No less important is the maintenance of excellent business relationships, not only as a means of access to our long-time suppliers, but also as a way of helping our business partners to develop their capabilities in order to comply with the stringent sustainability requirements of the German market. The latter has been especially stimulating, considering the very limited time frame granted by the new 36 BImSchV from publishing to implementation in the beginning of the year 2013. In that context, Petrotec supports the idea of setting more demanding tractability systems to assure the quality of advanced feedstock and biofuel-which generate the best GHG savings-.Although it was not an easy exercise, we have been able to efficiently adjust our system, sources and working procedures to those high tractability standards. That being said, those standards represent new entry barriers to our waste-based biodiesel market. We are proud to remain one of the leaders in this market, where our new capabilities have helped us to capture values that have eventually translated into the highest top and bottom lines the company has ever known. This is another step in the right direction, where the market and its stakeholders recognize the advantages of the values offered by Petrotec- first and foremost to the environment, but also to the objectives of our customers.

In this past year, the EU has debated the effectiveness of the production of virgin-oil based biodiesel in light of the iLUC considerations (indirect land use change impact of biofuel). While the scientific justification for the iLUC concept is still being debated, there is no doubt that waste-based biodiesel contributes the best GHG savings. Double-counting was re-affirmed as an efficient mechanism to promote the usage of these more advanced waste-based biodiesel, where both UCO and animal fat were approved by the EU parliament as accredited feedstock for this purpose. Nevertheless, this scheme is being attacked by the virgin-oil based producers, concerned by their diminishing market share. Long before the double counting scheme became reality, Petrotec was already doing the right thing by putting its focus on the production of the most efficient biodiesel commercially available. This shows our continued and real concern for the sustainability of our fuel and the fuel vs. food question. The considerations might sound cliché nowadays, but are, in fact, the

foundations for the existence of the biofuel industry. We maintain that virgin-oil should first go to people and animals (who in turn feed people), before going to car engines. Any attempt to ignore this basic idea is very likely to fail in the long-term. The efficient production of waste-based biodiesel is a more complex exercise than one would imagine. As opposed to the production of virgin-oil based biofuel, which has constant quality, the quality of the waste-based feedstock is much more variable. High technical capabilities are therefore key.

This year Petrotec continued to wisely invest in its assets in order to further enhance our capabilities and to strengthen our long-term competitive position. As part of this effort, in the fourth quarter we executed the first and most important phase of a major upgrade in one of our plants. The second and last phase of this upgrade is expected to be finalized later this year between Q2 and Q3, 2014. Our commitment to waste into biodiesel is aligned with our philosophy to produce biodiesel that generates highest possible GHG savings. This is the most sustainable biodiesel production method. No food vs. fuels concerns. No indirect land usage impacts. The abovementioned upgrade took place during the fourth quarter of 2013. Regardless, this fourth quarter suffered from the seasonally weak demand for our biodiesel. This demand fluctuation was caused in large part by the nature of our specifications, and lead to weaker margins. To optimize our profitability on an annual basis, the company has set targets to make all maintenance activities and upgrades in the weaker first and fourth quarters of the year. In the case of this last fourth quarter, we not only suffered from weaker margins, but also from the shut-down period, which was much longer than usual to allow for said upgrade. Consequently, this quarter had a negative contribution to the relatively very good results of the company this year. Overall, the sales have significantly increased to an all time record of EUR 193 million (+16%), thanks to the combined effect of better utilization of our production assets -which reached 75% (+7%) of the nameplate capacity, increase in our trading activity- and the growing capacity of our activity in Spain. All of these factors resulted in a positive net profit of EUR 4 million (+334%). This good financial performance has also allowed the company to strengthen its balance sheet, by further increasing its equity ratio from 39% last year to 48% this year (+23%). While doing so, the company has also redeemed EUR 4 million to ICG, representing 24% of the outstanding amount of this loan at the beginning of the year. Petrotec is continuously strengthening its relationship with other financing sources and building the required trust and confidence to finance larger shares of its financing needs through those parties. These positive trends have also resulted in the positive development of the share-value of the company. Shares were traded in the range of EUR 1.55 to EUR 1.60 at the end of 2013, as compared to EUR 0.80 to EUR 0.85 at the end of the pervious year (~+90%). We still have many challenges and opportunities ahead of us, but we are determined to continue doing the right thing. As we truly believe and as the results of this year demonstrate: doing the right thing pays off.

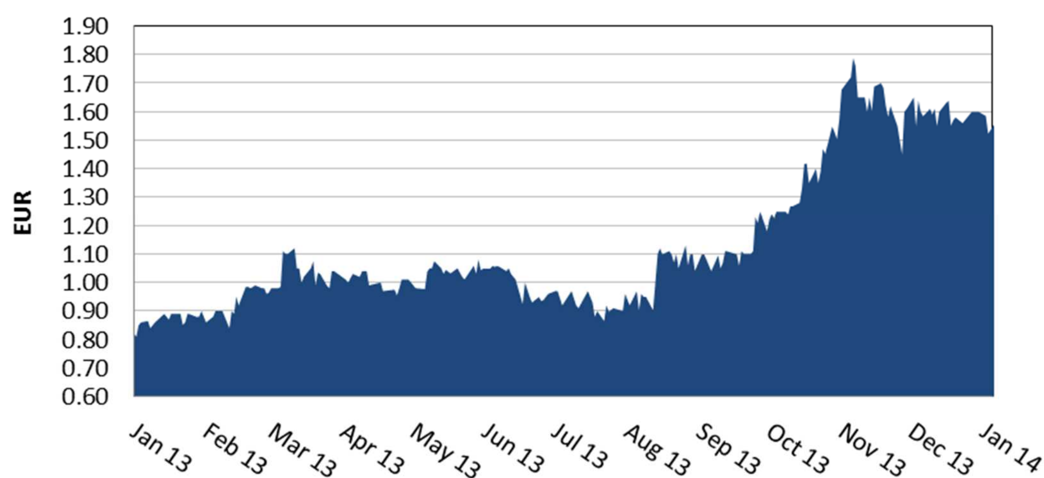
Borken, March 17, 2014

Jean Scemama, CEO

# *The Petrotec share & shareholder structure*

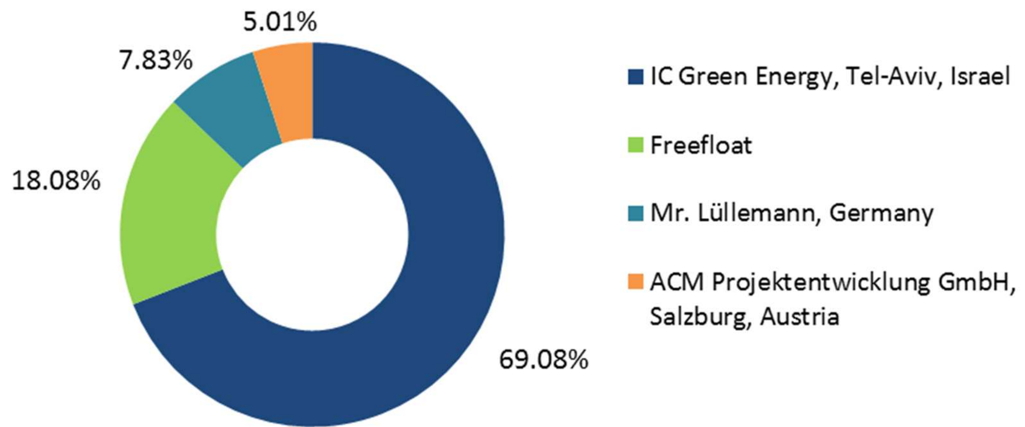
The management carried on its efforts for enhancing the free trade of the company's shares. ICF Kursmakler AG continued serving as the Designated Sponsor for the trade of the company shares via the XETRA platform. Dr. Karsten von Blumenthal from First Berlin equity research continued to follow the company development and provided the market with an objective professional financial analysis. In addition, the company enrolled Mr. Hartmut Moers, from Matelan, to provide a second view on the same. The management plans to carry on this effort with other reasonable measures, with the aim of maximizing the company value for the benefit of its shareholders. Despite not yet satisfactory, these efforts start showing positive trends, where the average daily EUR volume traded in the last quarter of the year went up from EUR 4,863 last year to EUR 51,660 this year (+1,062%).

**Shareprice Development**




**Quotation based on Frankfurter XETRA performance close**

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



# *Report of the Supervisory Board*

Dear shareholders,

During the business year 2013, the Supervisory Board of Petrotec AG regularly and in detail dealt with the company’s situation and development. The monitoring and advisory duties incumbent on the board as per the law were carried out with great care. During the meetings of the Supervisory Board and its committees various topics and business transactions which are subject to approval were discussed and decided.

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

**Supervisory Board Meetings**

During the 2013 business year, the Supervisory Board met at seven ordinary and two extraordinary meetings. The audit committee met once. One member of the Supervisory Board was only absent from one meeting.

As a part of the regular meetings, the Supervisory Board consented to the publication of the interim report for June 30, 2013 and the quarterly reports for March 31, 2013 and September 30, 2013 following a review.

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

The current asset, financial and earnings situation, including the risk situation and risk management, again formed the main focus areas of the intensive exchange between the Management Board and the Supervisory Board in the 2013 business year. Since the regulatory environment in which the Petrotec Group is active is subject to constant change, it also represents another important field of discussion for the Supervisory Board and the Management Board. In particular the requirements imposed by the various national authorities in connection with the double counting system always present considerable challenges for companies, and require extensive lobbying activities. In this context, the Chairman of the Supervisory Board repeatedly and personally took on a supporting role as part of several meetings with politicians and officials.

With a clearly positive net profit for the 2013 business year, Petrotec has been able to show for the third year in a row that the company has successfully completed the turnaround process and is in a position to respond with flexibility to changing market conditions and defend its position in the market. The positive development of the business activity could thus be continued.

In addition, the Supervisory Board also placed considerable emphasis on corporate planning during the reporting year. Insofar as deviations occurred from the original planning and targets during the year, the Management Board supplied sufficient explanations verbally and in written form, so that the Supervisory Board was able to discuss the reasons for the deviations as well as constructive measures. In addition, the investment recommendations submitted as part of the corporate planning process, as well as alternative financing options, were also analyzed and discussed.

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

In the time between the meetings and the committees, in particular the Chairman of the Supervisory Board interacted with the Management Board on a regular basis. The Supervisory Board has been briefed on significant developments and decisions and provided advisory support to the Management Board. Prior to Supervisory Board meetings, the representatives of the shareholders always held separate meetings to discuss important topics on the agenda.

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

**Corporate Governance and Declaration of Conformity**

During the reporting year, the Management Board and Supervisory Board of Petrotec AG also focused on the adherence to the requirements of the German Corporate Governance Code. Petrotec complies almost fully with all recommendations, with only a few deviations. As result, a joint declaration of the Management Board and the Supervisory Board in accordance with sec. 161 of the Stock Corporation Act has been stated. The updated joint declaration from December 2013 was permanently made available to the public on the webpage of Petrotec AG (www.petrotec.de) and is also available for download. The declaration according to sec. 161 of the Stock Corporation Act contains further information.

**Efficient Committee Work**

As in the previous year, during the reporting year the audit committee focused on the individual and consolidated annual financial statements, the corresponding audit reports, as

well as on the discussion of the audit engagement of December 31, 2013 and risk management.

**Auditing of the Annual Financial Statements and Consolidated Financial Statements**

At the Annual General Meeting on May 29, 2013, Rölfs RP AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was nominated and elected as auditor for the individual annual financial statements and the consolidated financial statements for the 2013 business year. During the business year 2013, Rölfs RP AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been rebranded to Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf.
The annual financial statements for Petrotec AG prepared by the Management Board according to the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared according to the principles of the International Financial Reporting Standards (IFRS) and the management report for the company and the group for the January 1, 2013 to December 31, 2013 business year, was audited by Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditor confirmed the annual financial statements of the company, the consolidated financial statements and the management report for the company and the group by submitting an unqualified audit opinion for each. The auditor also audited the report on relations with affiliated companies ("Dependent Company Report") that was prepared by the Management Board in accordance with sec. 312 of the Stock Corporation Act.

The annual financial statements of Petrotec AG and the consolidated financial statements, the joint management report of the company and the group, as well as the audit reports were submitted to all members of the Supervisory Board. They also formed the subject of the meeting of the audit committee and Supervisory Board on March 12, 2014, which was also attended by representatives of the auditor, who were available in the case of questions.

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

**No objections to the Dependent Company Report**

The auditor confirmed the dependent company report for the 2013 business year presented by the Management Board in accordance with sect 312 of the Stock Corporation Act and submitted the following audit opinion:

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

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

In its own audit of the dependent company report, the Supervisory Board did not raise any objections and approved the results of the auditor’s audit of the dependent company report.

According to the final results of the Supervisory Board's audits, there are no objections to the Management Board's statements at the end of the dependent company report.

**Changes in the Supervisory Board and Management Board**

During 2013 business year there were no changes to the Management Board. Mr. Jean Scemama is the sole member of the Management Board of Petrotec AG since he was appointed on September 1, 2011.

The Supervisory Board would also like to thank and acknowledge the efforts and great personal commitment demonstrated in fiscal 2013 by all the employees in Germany and abroad, and also the Management Board.

Borken, March 17, 2014

Mr. Rainer Laufs
Chairman of the Supervisory Board

# *Report of the Management Board*

The markets Petrotec served through this year remained relatively stable compared to the year 2012. The demand in the German market, which started toward mid-2012, showed demand throughout the all year 2013 and in particular with strong seasonal demand in the Q2-Q3 summer period. Yet, through the winter period, better margins could be captured when addressing the demand in other EU markets, especially in the UK and the Netherland. The major challenge for the year 2013 was related to the implementation of the 36 BImSchV. Addressing the German market only, this new tractability requirement has created a unique system worldwide to trace double counting feedstock and especially UCO. The ISCC DE audits are required since in order to be a certified UCO collector, aggregator, and biodiesel producer. In parallel, the EU also adopted a tractability system for UCO, which was a little different from the ISCC DE system. Due to slight differences, the company was challenged with producing two types of biodiesel, both out of UCO, both sustainable, and yet one labeled "ISCC DE" that could address the German market only and the other labeled "ISCC EU" that could address the rest of the European market. This has created another level of complexity and required managing the feedstock supply according to the product demand for each of those systems. Petrotec successfully managed to overcome this new challenge as well by adjusting its systems and implementing new working processes to address these new requirements.

The same challenge had an even higher effect on the supply side. Petrotec had to convince its suppliers to adopt these new traceability requirements, in order to have sufficient supply of feedstock for its production. This request was mainly challenging with regard to the ISCC DE requirements, since addressing a very specific and limited market. Nevertheless, thanks to long years of excellent relationship with its supplier, Petrotec manage to certify the greatest part of its supply chain, where most of them agreed to conform to the audit requirements. Again, two types of UCO are available in the market ISCC EU feedstock and ISCC DE feedstock. This situation has created price differentiation for these two types of feedstock, although both being the same UCO commodity. Due to this situation, sourcing the feedstock became a central challenge for producers, which requires a much more professional approach and long term planning. The bottom line is that despite all these new challenges, Petrotec managed to significantly increase the sourcing of now certified sustainable feedstock, to fulfill the demand of its customers.

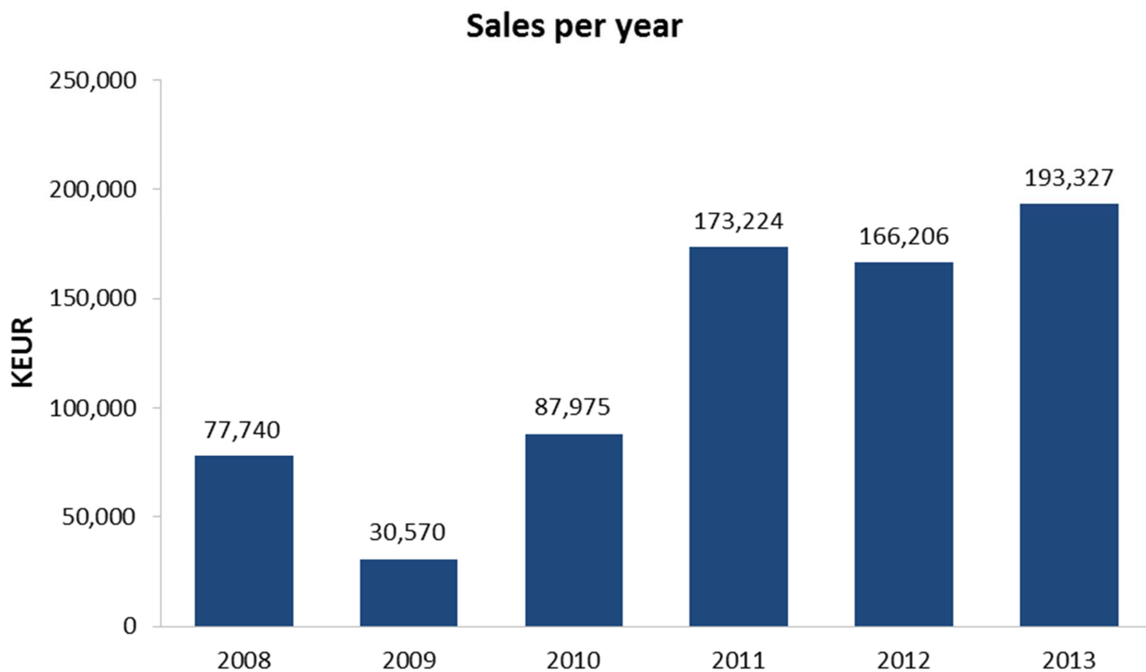
Another effect from the new 36 BImSchV was seen in the own collection and melting units of the company. The additional financial burden of the certification and audit was too heavy for some of our third party independent collectors. Thus, the company regretfully had to stop the relationship with some of those smaller suppliers who did not comply with the ISCC DE requirements. On the other hand, Petrotec took the opportunity to increase in some parts its collection network and in others to consolidate those small suppliers no longer capable to comply with all the new legal requirements. The management expects to see a faster consolidation trend in this part of the business, which also become increasingly complex and offer interesting economies of scope.

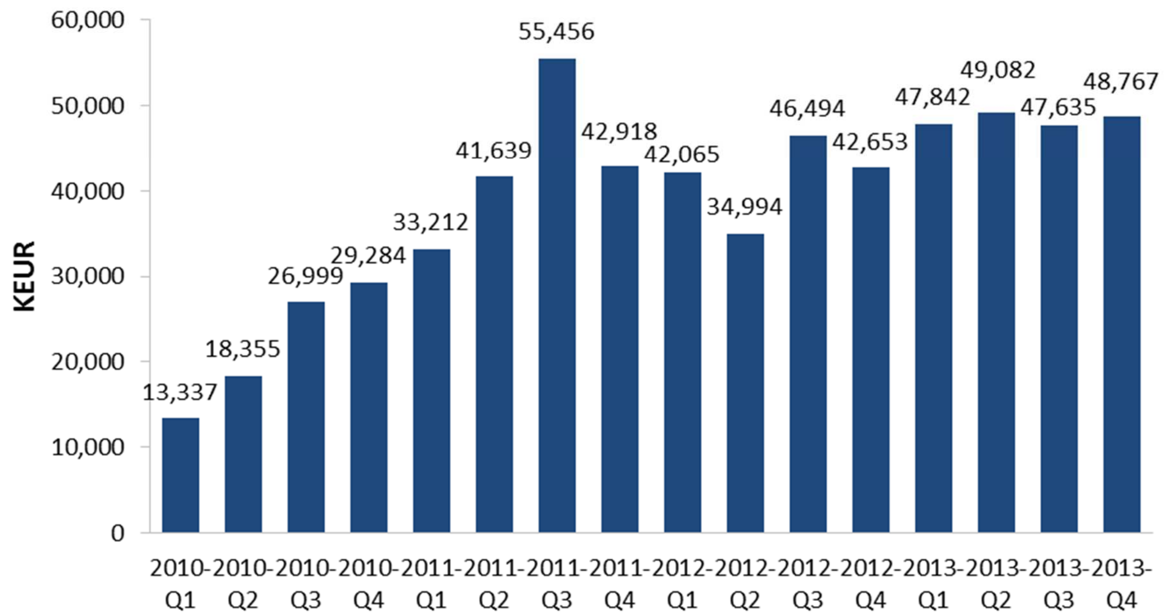
This has been a relatively good year of production for Petrotec. Thanks to smart investment carried by its technical and production team, Petrotec was able to continue the

debottlenecking effort of its production, which resulted in a growth in the production volume. The utilization of the production assets came up by 7% from 70% of the nameplate capacity in the previous year to 75% in 2013. The production team also managed to improve the ability and increase the capacity to process lower quality feedstock. This is aligned with the long term strategy of the company to create flexible assets capable to process different grades of feedstock, the lowest the better.

In Spain, the company continued the growth of its activity. The volume purchased and produced in Spain increased throughout the year. The company started producing with an additional local plant with the aim of diversifying and growing its local production capabilities. Many signs show that Spain will become an even more interesting market in 2014, given the introduction of the quota for biodiesel and most probably the double counting scheme to this market. The management is continuously monitoring opportunities to enhance the company presence in Spain.

In order to address all the above challenges, and support its growth, the company had to increase the number of its employees. As a commodity producer, we are moving large volumes of product and dealing with high volumes of money. Yet, the margin, as with many other commodities, remains thin. Thus, every mistake might be very costly. The management team of the company was granted this year with a stock option program, to align their interest with this of our shareholders. We are making our outmost efforts to cherry-pick the people in our team, to pay competitive prices, and to adequately train them as we believe it to be one of the best investments we make.




Sales per quarter
KEUR
60,000
50,000
40,000
30,000
20,000
10,000
0
13,337
18,355
26,999
29,284
33,212
41,639
55,456
42,918
42,065
34,994
46,494
42,653
47,842
49,082
47,635
48,767
2010-Q1
2010-Q2
2010-Q3
2010-Q4
2011-Q1
2011-Q2
2011-Q3
2011-Q4
2012-Q1
2012-Q2
2012-Q3
2012-Q4
2013-Q1
2013-Q2
2013-Q3
2013-Q4

# *Petrotec Group and Petrotec AG management report*

*for the fiscal year from January 1 to December 31, 2013*

## *Basic Information of the group*

### ***Business Model of group***

**Legal structure of the Group**

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

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

**Organizational structure**

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

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

Petrotec Biodiesel GmbH is the sales entity of Petrotec AG and its function is to sell and distribute the produced biodiesel all over the world.

**Business segments**

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

The Group generates its revenues from the sale of biodiesel and the by-products resulting from said production. Its biodiesel products are sold as used cooking oil methyl ester ("UCOME") to mineral oil dealers, petroleum companies and wholesalers. The petroleum companies blend biodiesel into fossil fuel diesel with the objective of meeting the legally required biodiesel blend quotas in the respective target countries of the individual EU

member states. By-products such as glycerin and distillation residues are sold to several industries across the world as products for technical use only.

**Goals and Strategies**

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

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

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

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

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

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

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

4. External Growth – Petrotec also considers investments outside the scope of biodiesel production, which are supposed to further expand Petrotec's existing business model in the area of waste-to-energy. Petrotec is acting to expend its activity beyond the borders of Germany. In 2013 Petrotec further grew its activities in Spain.

**Petrotec´s control system**

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

**Research and Development**

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

## ***Report on economic situation***

**Macroeconomic developments and industry related basic parameters**

**Global economy slowly recovering**

At the beginning of 2013, the economic indicators and reference indices in the US and China supported the overall bearish sentiment in the market and hence the downwards trend of the commodity markets. Later in the second quarter of the year, commodity prices dropped as the lower growth expectations from the industrialized nations were far below expectations. However, the continued negative news out of Egypt and Syria as well as the production cut in Libya supported crude prices steadily above the USD 100 per metric ton level. The bullish news for oil products such as geopolitical unrest and resulting supply disruptions outweighed the bearish economic market indicators published for the markets like the US and China.

The third quarter was marked by a general economic recovery. Positive economic data, particularly from Europe and China led to an overall strong demand for commodities. These positive market data together with the seizure of power by the military in Egypt, the strong decline in crude oil production in Libya and the threat of escalation of the crisis in Syria supported the rise in prices for oil products and made the price of Brent increase to USD 117 per barrel. The general economic recovery continued in the fourth quarter. Despite the feuding over its budget, the US economy had sped up. It has been creating jobs and its housing market and exchanges have moved up significantly. With the recovery of the US economy, the Federal Reserve trimmed its monthly bond purchases in December 2013 from USD 85 billion down to USD 75 billion. Overall, the bigger economic markets slowly recovered and regained strength while the fast growing emerging markets were losing pace. Growth in the fast emerging markets slowed considerably. The Chinese economy grew 7.5% which is the slowest for 23 years. Growth in India slowed also to a little below 5%; Africa

grew by more than 5%. Central banks in the U.S., Japan and Europe showered money on their economies and therefore kept interest rates low. The overall global economy seemed to be on a surer footing as the year ended. The International Monetary Fund estimates that the world output grew 2.9% in 2013 and will grow 3.6% in 2014.

**Europe slowly overcoming recession**

During 2013, the euro zone worked its way out of the recession which started at the end of 2011 and had its peak at the turn of the year 2012/2013. In the second quarter, the total economic performance increased 0.3% compared to the first quarter. With the growth of 0.1% in the third quarter, the recession is formally over. Despite the overall development, the performance differs significantly in the countries. While Germany´s real gross domestic product grew 0.5%, Italian´s real gross domestic product declined by 1.8%. The southern European countries decreased their trade deficit by improving their price-competitiveness and sharp decline of the domestic demand. Price decreases at groceries and energy led to a low average inflation rate in the euro zone at 1.4%, which is significantly below the ECB benchmark of about 2% per year. During the course of 2013, the newly installed instruments to fight the crisis in the Eurozone began to bear fruits. Main instruments to be mentioned are improved and advanced monitoring of public budgets and economic imbalances and the European Stability Mechanism. Furthermore, major progress towards the banking union has been made (ECB as supervisor of important institutes starting from end of 2014, etc.).

Over the course of 2013, the Euro/Dollar Exchange Rate moved within the range of 1.28 EUR/USD and 1.38 EUR/USD, though intra-daily it has been quite volatile. With closing near 1.38 EUR/USD at the end of the year, it ranged at about the same level it started with at the beginning of 2013. Main drivers were the European debt crisis and the policy of both Fed and ECB. Towards the end of the year, the Euro strengthened as the Fed were hesitant about reducing the quantitative easing and  ECB made comparably less expansive monetary policy.

**German economy with moderate growth**

Germany as the fifth largest economy in the world in PPP terms and Europe's largest had a solid year, reducing unemployment and boosting living standard. Growth of the German GDP in 2013 was at moderate 0.4%. The crisis in the euro zone had a negative effect on the export-dependent industry – especially in the beginning of 2013. Since spring 2013, the GDP moderately grew again. Global economy impulses, especially from the industrial countries, are expected. This is going to push exports and stimulate investments, which decreased in last year.

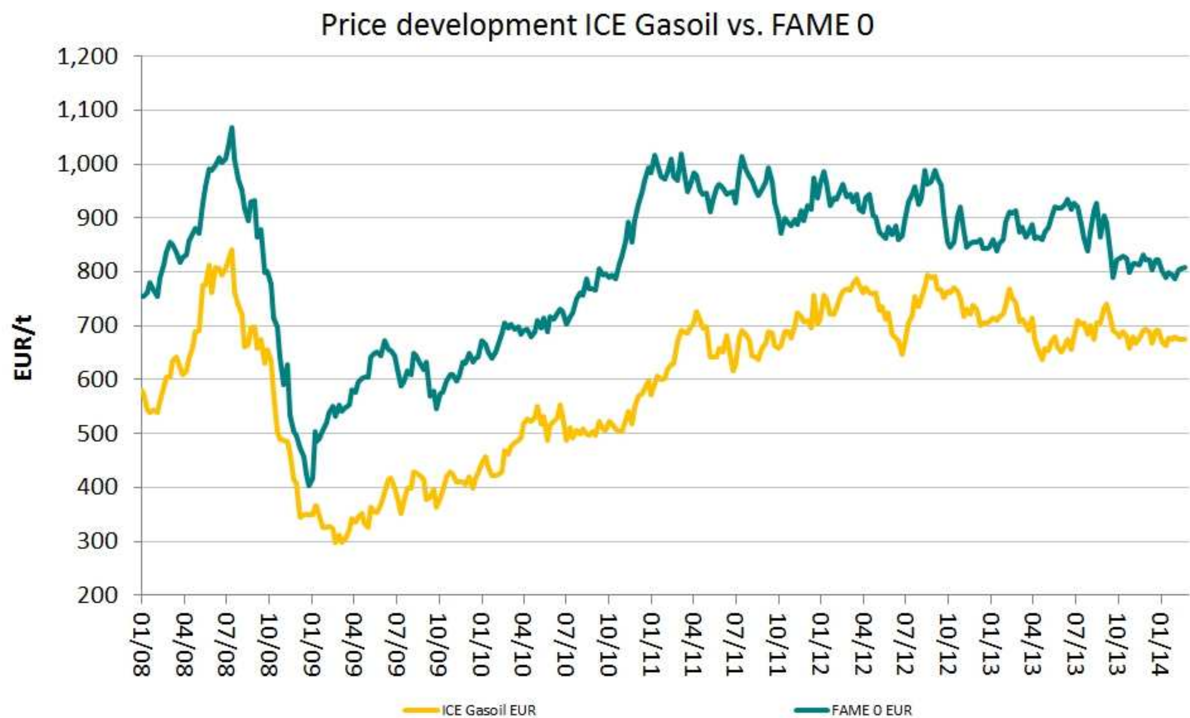
The outlook for 2014 is optimistic and a forecast of the growth of the German GDP in 2014 is at around 1.7%.

***Oil price and exchange rate volatilities***

Brent crude oil prices averaged USD 108.64 per barrel compared to the 2012 average of USD 111.65. West Texas Intermediate oil in 2013 averaged USD 97.91 per barrel compared to the average of USD 94.12 per barrel in 2012; the Brent premium over WTI averaged USD 10.73 per barrel. WTI increased in relation to Brent. This increase in the WTI price was the result of new U.S. transport infrastructure and U.S. refineries running at near-record levels.

At the beginning of the second quarter 2013, commodity prices dropped further due to lower growth expectations from the industrialized nations and GDP reports of the US, China and Europe, which were far below expectations. However, the geopolitical situation with Libyan security developments, war between Sudan and South Sudan and continued negative news out of Syria kept crude prices steadily above the USD 100 per metric ton level and supported the bullish trend of oil products, outweighing the bearish economic outlook. The ICE Gasoil price dropped sharply from its highest level at USD 935 per metric ton on 2nd of April to a level of USD 815.50 per metric ton mid of April before bouncing back to a level of USD 885.50 per metric ton in the second half of May. Bearish news from the euro zone and improved economic figures from the US for the short term helped strengthening the USD vs. the EUR. The weaker Euro significantly helped increasing Petrotec´s sales margins as foreign exchange hedges for sales of biodiesel took place at more favorable US Dollar levels.

In the third quarter, positive economic data, particularly from Europe and China were reflected in an overall strong demand for commodities. Oil prices stayed consistently above a level of USD 105 per barrel. The ICE Gasoil price developed positively. It began the quarter at USD 883 per metric ton and ended it at USD 913 per metric ton, having risen to a peak of USD 978.75 during the Syria crisis. The possible end of QE-Tapering by the U.S. Federal Reserve let the EUR/USD exchange rate fall to its low of 1.28 early in the third quarter. The dispute over the US debt ceiling and the lower improvements in the unemployment rate let USD again devaluate in the second half of the year. At the end of the forth quarter the EUR/USD exchange rate was quoted at 1.38.




***The biodiesel market***

In the first quarter of 2013, the European crisis and the overall worldwide economic slowdown led to market players being bearish on commodities and pushing price levels down continuously. Dropping ICE Gasoil prices and a stable though slightly bullish bean oil price helped biodiesel premiums to improve. The paper FAME 0 premium moved within a range between USD 150 per metric ton early January and USD 190 per metric ton in March. Given the downward development of commodity prices in the market mainly short term demand was covered.

As the year progressed FAME 0 premiums picked up to maximum levels of around USD 350 per metric ton over ICE Gasoil for prompt physical product. The expected seasonal pick-up in demand for biodiesel and specifically Petrotec's UCOME at "summer friendly" CFPP 0 was lower than expected which indicated a movement towards lower prices going into end of June and beyond.

The Soybean oil/Gasoil spread, an important indicator for the development of FAME price levels, reached a level of approximately zero at the beginning of August and even listed end of September in a negative range (for the first time). The fundamental reason for this development was the high yield from harvested crops; not only the harvest quantity increased significantly but also the quality of the crops was considerably higher than in 2012. Weather conditions in 2013 were almost perfect for the bean oil production. The early forecast for 2014 does not expect a change so that bean oil prices will probably remain low unless producers will switch to more profitable seeds. FAME 0 premiums over Gasoil followed the downward trend in the beginning but by then, separated from this development. In July FAME 0 premiums decreased in parallel with the Soybean oil /Gasoil spread by 40%. Even after partially separating from falling prices of soybean oil, the FAME 0 premiums in September remained on an overall low level.

***Challenging certification processes for double counted UCOME in Germany***

On January 1, 2013, a new law for waste-based, double counted, biodiesel was implemented in Germany (36 BImSchV). The required registration of all feedstock suppliers in the entire value chain had to take place within a very short period of effectively only 20 working days. This limited the available volumes of double counting UCOME for the German market and made selling and buying decisions difficult. Towards end of the first quarter the number of certified suppliers went up and hence Petrotec was able to then increase the offered volumes of UCOME being compliant with the double counting requirements in Germany. After successfully overcoming the transition period to fulfill the requirements of the 36 BImSchV, most of Petrotec´s volumes in the second and third quarter were delivered to the German blending market. Petrotec could furthermore successfully continue the process of supplier certifications throughout the entire year and could therefore further increase the supply of DE-certified volumes. Petrotec was able to serve the demand in Germany by both trucks and barges and hence provided valuable operational solutions to its customers.

Heading into the fourth quarter, volume supply from Petrotec’s plants shifted more from the German to other European markets, such as the UK. German customers were preparing for the switch to winter specification and thus looked increasingly for FAME -10 volumes being compliant with the German quality requirements or biodiesel blended in the winter season. Petrotec was able to successfully meet this demand by blending its UCOME with decent amounts of RME which has much lower cold filter plugging point and therefore low-temperature resistance. By providing biodiesel with such good cold resistance while maximizing the amount of double counted UCOME in its blend, Petrotec positioned itself successfully as a provider for FAME -10 in the Northwest European market.

***Regulation***

<u>Germany</u>

2013 was a year marked by the challenging implementation of the new German Biofuels Law (“36 BImSchV”) due to the following main reasons:

- last minute announcement a few days before the Law became effective.
- too short transition period effectively giving the industry less than 20 working days to implement.
- doubts on the constitutionality of the short-termism of the law forced the authorities to give an additional month for implementation, but the announcement was made retro-actively (!)
- the imposed “incompatibility” of EU & German certified material impeded to a great extent the conversion of best-in-class feedstock like uco into fuel with the highest CO2 reduction.
- disproportionate requirements toward the smaller, and often weaker, upstream players of the value chain.

The aforementioned disruptions as well as attacks from certain vegetable-oil-biodiesel interests lead waste-to-energy fuel producers to create a new Berlin based association in Q1 comprising mainly medium-sized players including traders; The new “Mittelstandsverband Abfall-basierte Kraftstoffe” (MVaK) has by the end of the year grown to represent 100% of the German waste-biofuels production and was joined by the Austrian waste industry in Q4.

Petrotec presides over the MVaK and aims to better communicate to regulators on the advantages of waste-to-energy in order to steer well thought through decisions.

One of the tasks of the MVaK along with the other associations, was to liaise with the biofuels policy making ministries, in order to prepare the so called “de-carbonization” to be introduced in Germany at the end of 2014 (fuels will then be valued according to their CO2 reduction credentials). The industry demands early clear rules in order to avoid the disruption seen by the last minute introduction of the 36 BImSchV; also, the fact that Germany will lead this effort, means that possible repercussions in the market have to be managed.

<u>EU</u>

In Brussels, the “iLUC battle” has been effectively postponed for after the EU elections next spring, when a new EU Parliament and a new EU Commission will be established (Note: The European Commission had proposed to cap the use of “first generation” biofuels suspected of causing indirect land use change (iLUC) and generating more greenhouse gas emissions than they abate. But the proposal has provoked fierce resistance from the mainstream of the biofuels industry. The waste-based biofuels are not affected by iLUC. The parliamentary vote on 10$^{th}$ September confirmed double counting as the appropriate mechanism for supporting waste-based biofuels. Also, the Parliament failed to give the responsible rapporteur of the ENVI Committee the mandate to negotiate with the EU Council (=28 member states). Similarly, the Lithuanian Presidency of the EU Council, confirmed double counting as the guiding principle for waste-based biofuels, but failed to reach agreement on a way forward by the 28 member states. The “advanced” status of uco as a feedstock is clear based on CO2 reduction, but is not surprisingly being attacked by interests threaten by the growing market share waste-based biodiesel is gaining out of the “biofuels market pie".

Based on the aforementioned developments, the industry has created a Brussels-based UCO collectors‘ association, with full-time lobbyists advocating the advantages of the waste-to-biodiesel business model. Its name is EWABA, European Waste to Advanced Biofuels Association. A great part of Q3 & Q4 was used to inform Energy and Environment Attaches of the 28 Member States of the necessity of double counting as the waste production is not only more expensive than the one for crop-based first generation biofuels, but mainly more efficient in terms of CO2 emission savings.

In essence, the position of the association is as follows:

Double counting is an effective mechanism to encourage consumption of more sustainable fuels. Double counting has worked extremely effectively to get wastes and residues recycled into transport fuel. Since the introduction of double counting, there has been a steady expansion of waste-based feedstock collection and recycling, hence increasing the effectiveness of CO2 reduction and reducing the environmental footprint of EU biofuels policy. Due to the limited feedstock availability, the double counting currently represents only a small share of the total biodiesel supply and even less when considering the overall biofuel supply. Last, this incentive scheme also contributes to somewhat ease the pressure on the food commodities prices.

UCO recycling is expensive. The process cost for manufacturing EN14214 product from this material is twice that of virgin oil biodiesel plants for example. In terms of investment, the

capital cost of waste and residue biodiesel plants that typically have pre-treatment and post-treatments of all products is over twice that of a similarly sized vegetable oil biodiesel plant. As far as innovation is concerned – we are continuously investing in developing new technologies with the capacity to improve our processes and to further improve emission savings. There is still much development ahead from developing new catalysts and biological processes to further improving existing processes by, for example, reducing energy utilization.

General

The fight against Argentinian & Indonesian Differential Export Taxes (DETs) spearheaded by the European industry association EBB (European Biodiesel Board) has yielded the imposition of countervailing duties, according to which Argentina and Malaysia would from 1st January 2014 no longer qualify for duty free access in the EU; the EU industry has benefited from higher margins when registration of imports began in Q1.

Overall, 2013 proved another year where success was dependent on skillfully riding the waves of differing regulatory developments in the numerous EU geographies.

**Fight against fraud**

On a European level, the Register for Biofuels Origination (RBO) is now in its implementation phase: an EU-wide database with the aim of giving a numeric code to each ton of double counting biofuel marketed in the EU, similar to the U.S. RIN system (Renewable Identification Number), and hence eliminate possibilities for fraud in this area. Petrotec is a driving force behind this initiative. In 2013, improvement of transparency and auditing standards have increased in several parts of Europe, to a certain extent based on Petrotec's input – direct or via coalitions of like-minded stakeholders and via the German and European Biofuels Associations. Still, as long as the European Database is not fully operational, some loopholes remain.

**Heterogeneous feedstock market**

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

The quality of the raw material on the market has a broad spectrum and is in no ways standardized. The properties of used cooking oil differ for example in respect to the primary vegetable oil used for frying, content of water, share of organic impurities, level of free fatty

acids and the iodine magnitude. Therefore, a certain level of technological, chemical and process know-how is needed for an entity to process the feedstock. This is true for the cleaning and treatment as well as for the production of biodiesel. The variety of UCO properties requires a special technology, compared to normal biodiesel technology processing virgin oil, which is capable of handling such a feedstock: to produce a biodiesel which is compliant with the demanding EN 14214 standard.

## ***Petrotec´s course of business***

### **Petrotec has expanded its own collection**

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

On the collection side Petrotec has passed a difficult year with various burdens and hurdles set by the 36 BImSchV, to comply with this regulation. Under these circumstances the company has put high efforts and resources to effectively maintain the volumes from its own collection business on a stable level. In the third party collectors section the company lost a significant volume share as major parts of the 3rd party collectors were not able to comply or were not willing to comply with the German system as they are still seeing alternative opportunities on the European market. A minor loss of volumes could also be explained by the rationalization of 3rd party suppliers to secure product quality and reasonable prices which has been started already in 2012. The quality control measures showed also a positive effect on yield and efficiency.
During the business year 2013 the company encouraged and assisted their suppliers of liquid/treated used cooking oil to comply with the ISCC DE and ISCC EU standards to secure its feedstock supply. Despite all this regulation burdens Petrotec managed to increase the procurement of treated product volumes and enabled in that way the record Biodiesel production of its own plants. In addition to that the company enhanced also its purchase activity on the Spanish market by more than 50%.

### **Further development of technology reduces costs of production**

Due to the variable quality of the raw material Petrotec is using to produce its biodiesel a sophisticated technology and a deep knowledge of the production process is a prerequisite for running a successful business. Over the last years Petrotec has initiated a continuous process to further improve its technology and optimize the production process. Petrotec’s technology has become even more efficient. Thanks to few "smart investment" lead by the technical team, the company managed to improve this year again the cost structure of the its production processes. Those have also further released some of the bottlenecks in the

production process and supported the growth in the total production volume, and this despite the longer maintenance period the company had in Q4. In that last quarter, the company performed an important upgrade in one of its plants to improve its ability to meet the increasing quality request of its different target markets.

**A sustainable production process is key**

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

**Petrotec continued to expand its employee basis**

In 2013 Petrotec Group employed an average of 109 full and part-time employees (prior year: 97), included are four trainees. As of December 31, 2013 115 people were employed (prior year: 104). Altogether, the sales of the company grew by over 25% in volume (16% in EUR) and required further support on the different administrative positions, including sales, supply chain, among others. Same increase also required increasing the purchasing activity, which likewise required additional support. This additional support was required not only to the larger volumes but also due to the increasing administrative complexity to manage our type of business. The production activity which also grew by over 7% required an additional manpower, mainly to support the increasingly demanding quality specifications, which in turn demand a much closer follow up on production quality parameters. Finally, our activity in Spain also grew by over 60% and diversified into several tolling plants, where the company had to retain additional manpower to support this growth.

**Employees* of the Petrotec Group**

| | Dec. 31, 13 | Dec. 31, 12 | Change % |
|---|---|---|---|
| Production | 74 | 66 | 12.1% |
| Sales & administration | 41 | 38 | 7.9% |
| Thereof trainees | 4 | 4 | 0.0% |
| Total | 115 | 104 | 10.6% |

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

## Continuing success

Since the Company went public in 2006, the business year 2013 is the third fiscal year in a row in which Petrotec has reached a positive net result from ongoing operations. The operating result for 2013 further demonstrates the continuation of the significant improvement in the company´s performance that finally also reached its bottom line. In the reporting year, Petrotec produced 138 (prior year: 129) thousand tons of its EcoPremium biodiesel product, generating EUR 193.3 million and reported an EBIT of EUR 4.9 million, which is equivalent to a margin of 2.5%. The fiscal year 2013 ended with a profit of EUR 4.0 million.

| KEY FIGURES | Unit | 2013 | 2012 | Deviance 2013 vs 2012 |
|---|---|---|---|---|
| **Profitability** | | | | |
| Sales | KEUR | 193,327 | 166,206 | 27,121 |
| EBITDA | KEUR | 7,471 | 5,338 | 2,133 |
| EBIT | KEUR | 4,874 | 2,881 | 1,993 |
| EBIT-margin | % | 2.5% | 1.7% | |
| EBT | KEUR | 3,115 | 926 | 2,189 |
| Net profit / loss | KEUR | 4,016 | 926 | 3,090 |
| Profit per share undiluted | EUR | 0.1636 | 0.0380 | 0.1256 |
| Profit per share diluted | EUR | 0.1631 | 0.0380 | 0.1251 |
| | | | | |
| **Asset position** | | **Dec. 31, 13** | **Dec. 31, 12** | |
| Working capital | KEUR | 16,573 | 20,361 | -3,788 |
| Non-current assets | KEUR | 21,630 | 21,932 | -302 |
| Total assets | KEUR | 58,223 | 59,336 | -1,113 |
| Debt(1) | KEUR | 19,075 | 25,354 | -6,279 |
| Equity | KEUR | 27,714 | 23,315 | 4,399 |
| Equity-ratio | % | 47.6% | 39.3% | |
| | | | | |
| **Cash flow** | | **2013** | **2012** | |
| Adjusted net profits from non accounts | KEUR | 7,767 | 5,384 | 2,383 |
| Change in working capital | KEUR | 3,792 | -11,727 | 15,519 |
| Operating cash flow | KEUR | 11,571 | -6,314 | 17,885 |
| Cash at period end | KEUR | 9,935 | 7,940 | 1,995 |

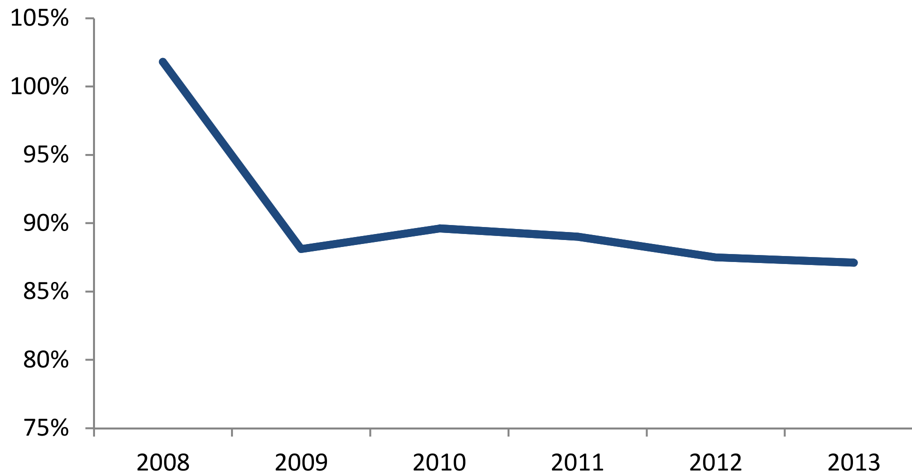
(1) Loans from shareholders and banks

# *Profit situation of Petrotec Group and Petrotec AG*

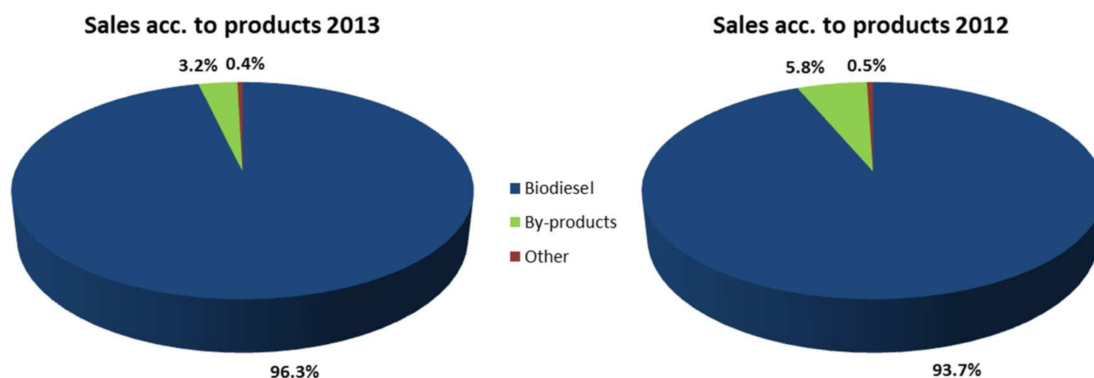
**Profit Situation – Petrotec Group**

**Operations are profitable**

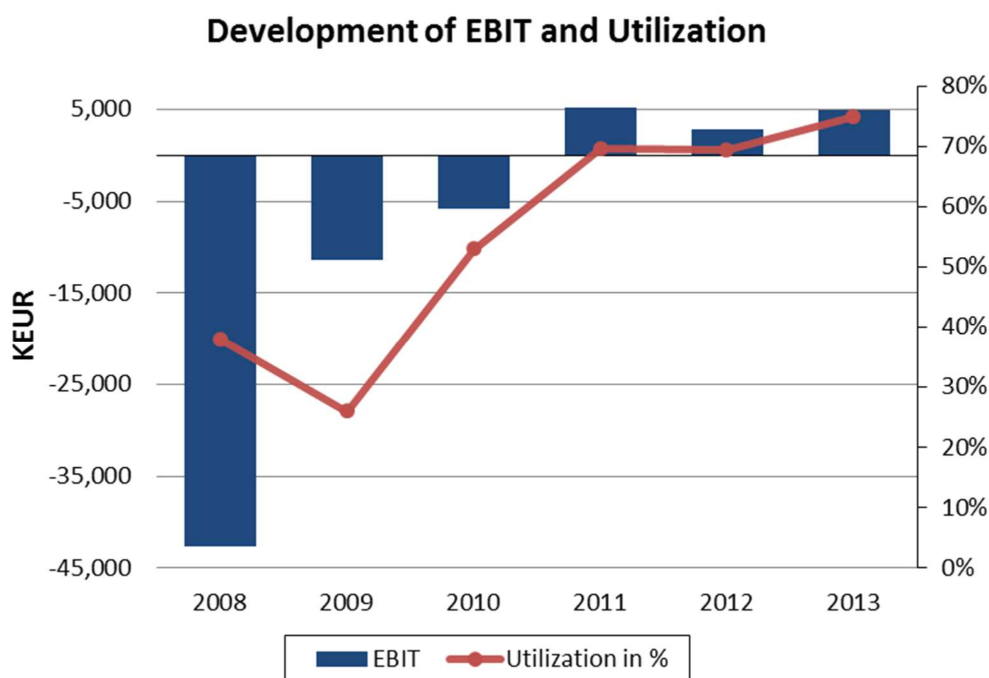
In 2013 sales amounted to EUR 193.3 million representing an increase of EUR 27.1 million or 16.3%, compared to EUR 166.2 million of sales for the same period 2012. The total output as sum of revenues and the changes in inventories of finished and unfinished goods, increased by 11.3% from EUR 173.1 million in the previous year to EUR 192.8 million. Through the reduction of variable costs either because of better pricing or operative improvements the cost of goods sold ratio ((cost of materials minus changes in inventories of finished an unfinished product) / total sales) declined from 87.5% to 87.1%. The growth in the production output by 7,5% supported sales with the required supply to respond the market demand.



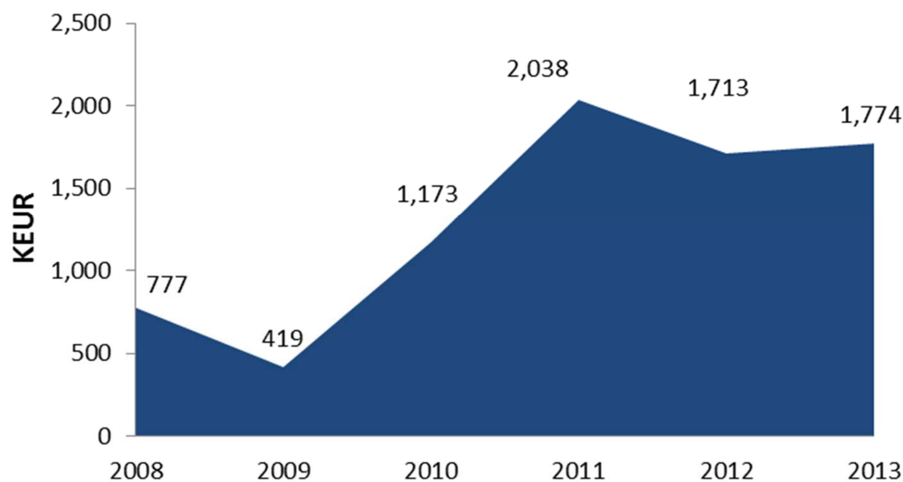

During the business year 2013 the total sales volume of finished product increased by 25.4%. A significant increase resulted also from the trading of finished product. The purchased Biodiesel volume rose by 82.2% from 12,437 tons in 2012 to 22,663 tons in 2013. By-product sales declined in value and volume in 2013 compared to 2012 as high polymer stocks were accumulated till end of the year. The by-product volumes remained nearly unchanged taking this stock development into account. This is showing the positive yield improvements in the production process considering that in the meantime the total production volume had increased by 7.5%.




Petrotec generated before interest, taxes, depreciation and amortization (EBITDA) an operative result of EUR 7.5 million (prior year: EUR 5.3 million). After deduction of planned depreciation in an amount of EUR 2.6 million (prior year: EUR 2.5 million), Petrotec produced a positive result before interest and tax in fiscal year 2013 of EUR 4.9 million (EBIT), compared to EUR 2.9 million in 2012.




Personnel expenses amounted to EUR 7.0 million in the year under review; an increase of 20.7% compared to the parallel period in 2012. A significant part of this increase is due to the recognition of personal expenses linked to the share performance of the company, which saw a good upturn in the last quarter of the year. As of December 31, 2013, the Petrotec Group had 115 (prior year: 104) employees. The number of employees increased by 11 compared to the number of employees as of December 31, 2012 – this plus of 10.6% is to support the expansion of the activity in several departments including purchasing, supply chain, sales, production and finally our Spanish activity. Revenues per employee slightly increased to KEUR 1,774 compared to KEUR 1,713 last year. In that respect, the management had also to consider the increasing complexity to execute the company's business model, with the background of the new legal and certification requirements.



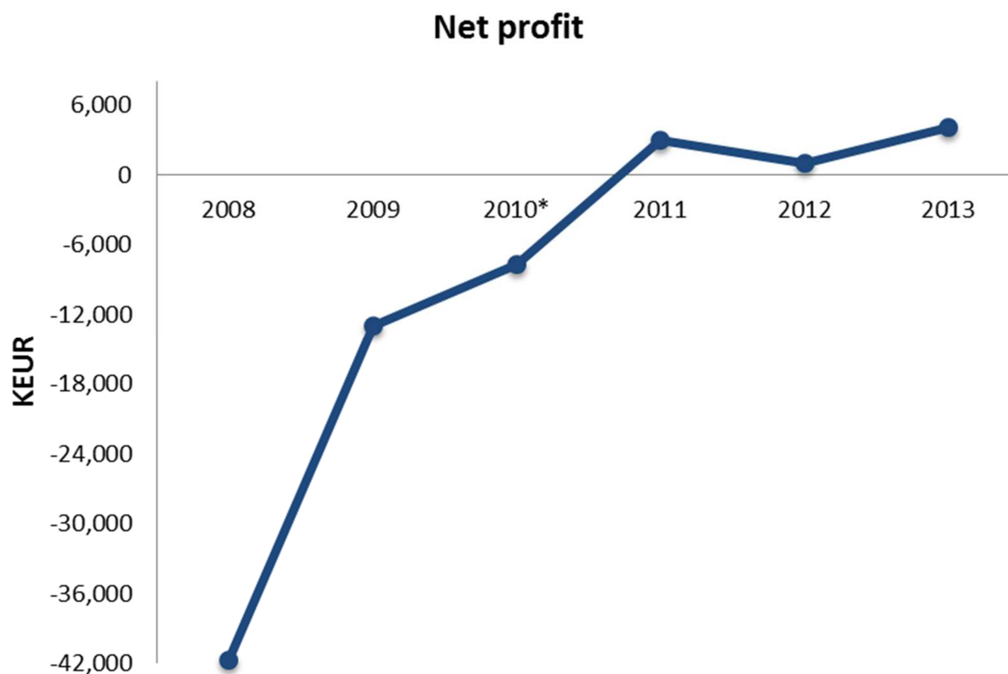

Other operating expenses slightly decreased by EUR 0.2 million or 1.6% to EUR 11.5 million (prior year: EUR 11.7 million). Among others the other operating expenses contain logistical costs, rents, maintenance, insurance premiums, vehicle costs, legal and consulting costs and other production costs. Based on the operational activity the other operating expenses increased by 15.8% according to the strong production and trading performance in 2013, but due to less extraordinary effects such as the loss from financial instruments and high foreign currency losses, both in 2012, the other operating expenses declined as described above.

The other operating income decreased by 49.0% to EUR 1.1 million in 2013. This is primary caused by lower foreign currency gains respectively their presentation. In 2012 foreign currency gains and losses were recognized in the other operating expenses and other operating income. In 2013 parts of the foreign currency effects could have been presented as net figures, which means expenses and gains were partially set off, which lead to a lower position of the other operating expenses and income.

The financial result is primarily characterized by the interest expenses amounting to EUR 1.8 million for the period under review, compared with EUR 2.0 million during the parallel period in 2012. The majority of interests are related to the IC Green Energy Ltd. loans, but also to the loans for financing the truck fleet and the finance lease of the tank storage in Emden. In 2013, Petrotec repaid IC Green Energy Ltd. loans amounting to EUR 5.2 million, of which EUR 4.0 million reflects regular principal payments which contributed to the overall reduction in the financial expenses and EUR 1.2 million accrued but not paid interest from December 2011 till June 2012.

The EBT (Earnings before tax) amounts to a profit of EUR 3.1 million, compared to EUR 0.9 million in 2012. Petrotec did not pay current taxes on a group level as there is an active tax shield in place due to tax depreciations on goodwill according to German tax law. Due to the expectation of being able to use those tax assets within a foreseeable future, Petrotec has realized deferred tax assets amounting to EUR 0.9 million during the fiscal year. Thus, Petrotec Group achieved a net profit of EUR 4.0 million. Based on the weighted average number of shares of 24,543,741 (prior year, weighted average: 24,543,741) the net

profit resulted in undiluted earnings per share of EUR 0.1636 (prior year: EUR 0.038). Taking all potential shares with dilution effect into account the net profit resulted in diluted earnings per share of EUR 0.1631.




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

**Profit Situation – Petrotec AG**

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

The profits generated during the period in 2013 by Petrotec AG, pursuant to the German commercial law GAAP (Handelsgesetzbuch, HGB) totaled EUR 3.1 million, while a profit of EUR 1.0 million was reported in 2012. As in the prior year, the result of Petrotec AG is composed of the transfer of losses and gains from subsidiaries Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH.

**Capital Structure - Assets and financial position of Petrotec Group and Petrotec AG**

**Capital Structure – Petrotec Group**

In fiscal year 2013, the balance sheet total of Petrotec Group as of December 31, 2013 declined by EUR 1.1 million, which is equivalent to a reduction of 1.9%, to a total of EUR 58.2 million compared to EUR 59.3 million as of December 31, 2012.

On the assets side, non-current assets declined to EUR 21.6 in 2013 as the depreciation of the period exceeded the additions. Non-current assets were mainly influenced by additions

amounting to EUR 1.5 million while scheduled depreciation cumulates to EUR 2.6 million. Taking the net disposals of EUR 0.1 million into account non-current assets remained almost unchanged. Current assets declined by EUR 0.8 million, which represents 2.2%, to EUR 36.6 million. The decline is primarily caused by the decline in inventories which were extraordinary high on December 31, 2012. On the contrary trade receivables increased due to the growing business and cash went up by EUR 2.0 million as a result of the strong performance in 2013.

On the liabilities side, equity increased due to the current year profit of KEUR 4,016 and the increase in the capital reserve as a consequence of the stock option program by KEUR 382. As of December 31, 2013 the equity capital ratio increased from 39.3%, to 47.6% at the prior year.

Of the non-current liabilities, liabilities against shareholders (IC Green Energy Ltd.) decreased by EUR 7.3 million. Due to its maturity the loans provided by IC Green Energy Ltd. under the BaFin exemption regulation with an amount of EUR 7.3 million switched positions from non-current to current.

Current liabilities increased by EUR 1.8 million to EUR 23.9 million. While the current liabilities against shareholder increased by EUR 2.1, short term bank liabilities decreased by EUR 1.1 million. Trade payables also increased by EUR 1.0 million as a consequence of the expanding business activity. Overall, the ratio of current liabilities against total assets increased from 37.2% in the prior year to 41.0% in fiscal year 2013. In sum, the ratio of liabilities against total assets decreased from 60.7% in 2012 to 52.4% in the fiscal year under review.

The working capital ratio relating current assets to current liabilities, including all current assets and liabilities as shown in the balance sheet shows a value of 153.2% in 2013, down from 169.3% in 2012, endorsing that parts of the current assets are soundly financed.

### Investment in working capital

At December 31, 2013 the position of trade payables and other payables is showing an increase of EUR 1.0 million which can be offset against the increase in trade receivables and other receivables of EUR 1.7 million. The significant effect on the working capital is caused by the reduction of the high stock level from end of December 2012. Towards the end of the year 2012 the company had the opportunity to buy some large volumes at reasonable prices, which raised the value of raw materials by EUR 6.0 million at December 31, 2012. As this effect was not repeated in 2013 the inventory declined and following the working capital has been reduced.

| Working Capital | Unit | Dec. 31, 13 | Dec. 31, 12 | Deviance |
|---|---|---|---|---|
| Inventories | EUR mio. | 15.1 | 19.6 | -4.5 |
| Trade receivables and other receivables | EUR mio. | 11.6 | 9.9 | 1.7 |
| Trade payables and other payables | EUR mio. | 10.1 | 9.1 | 1.0 |
| TTL | EUR mio. | 16.6 | 20.4 | -3.8 |

### Capital Structure – Petrotec AG

The assets of Petrotec AG continued to be largely composed of stakes in affiliated companies. In 2013, total assets of Petrotec AG according to the Code of Commercial Law (HGB) have increased by EUR 12.6 million or 18.9% to EUR 79.0 million while non-current assets remained unchanged, current assets rose at the mentioned amount. Trade receivables and other assets rose from EUR 37.2 million in the prior fiscal year to EUR 49.9 million in 2013 as receivables against affiliated companies went up. Equity rose according to the current year profit of EUR 3.1 million and the effects of the stock option program of KEUR 382. The equity capital ratio declined from 36.3% in 2012 to 35.0% in the reporting year. Accruals increased from EUR 0.7 million in 2012 to EUR 1.0 million at end of December, 2013 majorly effected by employee boni and a stock appreciation rights program. Other liabilities remained almost unchanged while liabilities against affiliated companies went up from EUR 24.0 million in 2012 to EUR 37.6 million in 2013.

### Financial Situation - Cash flow of Petrotec Group and Petrotec AG

### Financial Situation – Petrotec Group

In fiscal year 2013, Petrotec achieved a positive operating cash flow of EUR 11.6 million, against a negative operating cash flow EUR 6.3 million in 2012. The company closed out the fiscal year with a positive result before taxes of EUR 3.1 million. After the addition of non-cash transactions totaling to EUR 4.8 million, which were primarily amortizations and interest expenses as well as share based payment expenses, the operating cash flow prior to the adjustment of the net circulating assets totaled EUR 7.8 million. The operating cash flow is highly affected by the change in working capital, especially by the reversal of prior year's capital lockup within the inventories.

In 2013, the Petrotec Group also made investments in its production facilities. Overall, the company invested EUR 1.5 million into fixed assets (prior year: EUR 1.2 million). These comprise primarily technical equipment aiming at further optimizing the productivity of the business and its production equipment yields. Altogether this activity is yet another indication that the operational optimization process of the company is making progress and that the Group is expanding its competitive positioning. Overall, Petrotec reported in 2013 a cash flow from investment activities of EUR -1.4 million (prior year: EUR -1.1 million).

Cash flow from financing activities changed materially to EUR -8.2 million, compared to EUR 4.2 million in the previous year. The effects were primarily caused by a net redemption of loans. Petrotec redeemed EUR 4.0 million loans from IC Green Energy Ltd. and EUR 1.1 million loans majorly from the short term working capital financing. Further Petrotec paid interests of EUR 3.0 million, out of which EUR 1.2 million interests are referring to accrued interests from December 2011 till end of June 2012 for loans provided from IC Green Energy Ltd.

Consequently, as of the balance sheet closing date, the cash and cash equivalents of Petrotec increased by EUR 2.0 million to EUR 9.9 million (prior year: EUR 7.9 million). Overall, the positive cash flow reflects the positive development during the fiscal year.

## Financial Situation – Petrotec AG

The balance of liquid assets decreased to EUR 0.1 million as of December 31, 2013. In total a positive result of EUR 3.1 has been presented by the group's holding company. The cash flow contains majorly the interest payment to IC Green Energy Ltd. Petrotec AG is financing the day to day activity of both subsidiaries.

## Forecasted business development vs. actual course of business

| | | Annual Report | Quarterly Report | Ad-Hoc | Annual Report |
|---|---|---|---|---|---|
| | Unit | 2012 | Q3/2013 | 05.02.2014 | 2013 |
| Sales | EUR Mio. | 150 - 190 | 150 - 190 | 150 - 190 | 193.327 |
| EBIT | EUR Mio. | 3,0 - 3,8 | 4,5 - 7,6 | 3,6 - 5,3 | 4,9 |
| EBIT-Marge | % | 2,0% | 3,0% - 4,0% | 2,4% - 2,8% | 2,5% |

The sales target has been slightly surpassed in the business year due to the increase in biodiesel production, the higher biodiesel trading volume and relatively stable sales prices compared to the previous year. The EBIT and the EBIT margin were well above the target up to the third quarter. A stable production output and high margins led to an adjustment of the forecast. In the fourth quarter a correction of the increased forecast for 2013 needed to be done as the company faced declining margins, production volume decreases due to an unexpectedly long implementation phase of a production plant component as well as the fall in demand for by-products. At the end of the fiscal year, the sales were slightly higher than the original forecast, EBIT and EBIT margin of EUR 1.1 million and 0.5% higher than announced in the Annual Report 2012.

## Summary statement regarding the business situation

The financial situation of the Petrotec Group further stabilized in 2013. The earnings, financial and asset status remained strong towards the fiscal year 2013. Sales, production and purchase were kept on a high level as well as finance possibilities developed positively.

## *Significant events after the balance sheet date / Subsequent report*

In 2009 IC Green Energy Ltd., Tel-Aviv, Israel, granted under the BaFin exemption regulation KEUR 10,450 loans at an interest rate of 8% to Petrotec AG to support the restructuring of the company. After the capital increase in exchange for non-cash contributions (dept-to-equity swap) in December 2011 these loans remained at an amount of KEUR 7,256. The principal will become due on March 19, 2014. The loans could be extended by an agreement dated March 17, 2014. In this context the interest rate has been adjusted from 8% to 10%. The company may, at any time, voluntarily prepay the amounts outstanding under this agreement in whole or in part without being subject to any prepayment fee or other penalty. After March 31, 2015 ICG has the right to demand for an immediate repayment of the loan. ICG could also claim for immediate repayment in case the majority stake (50%) in Petrotec AG changes over to an independent third party (change of control), not related to Israel Corporation Ltd. The agreement is based on the following repayment schedule:

| Maturity after rescheduling | Unit | 2014 | 2015 | 2016 | 2017 | TTL |
|---|---|---|---|---|---|---|
| Dec. 31 | KEUR | 1,000 | 0 | 0 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 2,000 | 0 | 0 | 2,000 |
| Jun. 30 | KEUR | 0 | 0 | 1,000 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 0 | 0 | 2,000 | 2,000 |
| Dec. 31 | KEUR | 0 | 0 | 0 | 1,256 | 1,256 |
| TTL | KEUR | 1,000 | 2,000 | 1,000 | 3,256 | 7,256 |

ICG has provided besides the loans under the same BaFin exemption regulation a bank guarantee of KEUR 1,000 at an interest rate of 5%. The bank guarantee expires in the first quarter 2014 and is not going to be prolonged.

The Company acquired in the first three months of the current fiscal year parts of a biodiesel plant in Spain. The plant was dismantled and transferred to the production site Emden. The components are going to be utilized as part of planned investment projects. The order commitment as of December 31, 2013 amounted to KEUR 438.

# *Risk and opportunities report*

**Risk management**

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

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

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

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

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

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

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

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

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

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

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

**Risk management by using financial instruments**

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

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

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

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

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

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

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

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

The hedging of the sale and purchase of biodiesel as well as the raw materials in foreign currency is usually done on single contract level. To this end, both the foreign currency positions as well as the commodity positions are hedged. At balance sheet date December 31, 2013 the hedged position of fuel derivatives amounted to nominal volumes of KUSD 10,051 and nominal volumes of foreign currency for raw materials or biodiesel to KUSD 21,800.

**Operating and other risks**

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

**Operating risk**

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

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

**Regulation risks**

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

Over the past few years, the intervention of politics through regulation has become more specific. The RED legislation passed by the EU Commission has triggered this effect. In order to create incentives for the use of particularly environmentally friendly biodiesel such as waste-based biodiesel, some EU member states have introduced preference schemes. Such incentive systems – dominated by the "double counting" scheme promote in particular the use of biodiesel with low CO2 emissions. Legislators might also change such incentives at the spur of a moment, because they are also always the subject matter of conflicting groups who

represent different interests. In the UK, for example, a new scheme was introduced at the end of 2011, replacing the GBP 200 per cubic meter scheme with the more widely used double counting scheme. As anticipated, since that change came into place, the percentages of basic commodities for biodiesel production in Great Britain saw a considerable shift, resulting in Petrotec addressing different markets and selling a much smaller portion of its products into the UK market. This risk, which arises from legislation or the political will power, can be limited by Petrotec only within very minimal boundaries. Petrotec is a member of the respective lobbyist associations in Germany and Europe which represent the interests of the biodiesel industry on the political platform and vis-à-vis other interest groups on the national level and also try to push them through on the level of the EU Commission.

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

One such recent development is the change in requirements for double-counting eligibility in Germany. At the end of 2012 (December 28, 2012), the BLE (the German Federal Authority for Agricultural and Nutrition) introduced the 36 BImSchV, which included new certification requirements to qualify feedstock for double counting in Germany. According to this new scheme, collection systems need to be certified from the restaurant level through the production plants and eventually through traders selling converted UCOME. All further parts of the collection chain (aggregators, UCO traders, production plants, and traders of the finished biodiesel) should also require certification and operate in a way that makes it possible to audit and trace back the origins of the feedstock. Moreover, these requirements will apply not only in Germany but also worldwide for every restaurant, collector, aggregator, trader supplying UCO for biodiesel production into the German market as of January 1st, 2013. The timeline for implementation of this new requirement (having each of the participants in the chain audited and certified) was limited to February 28, 2013, for having all feedstock ordered and collected during January and February certified retroactively. Considering the hundreds of thousands of restaurants, the thousands of small collectors and the tens of aggregators involved in supplying the feedstock to the company, these new requirements represent a new significant challenge for the company. This new requirement creates an additional operational burden and reduces the flexibility of the company when selling the product to different target markets. The company took several measures to control and limit this risk, including the set up of a sustainability sub-department, in charge of assuring all volumes acquired by the company to be sold and delivered according to their respective certificates. Likewise, the company has communicated these new requirements to its supplier, and managed to certify a large part of its supply chain accordingly. The company's ability to fully cover the different risks associated to these new requirements should be considered in the context of the complexity of this task, per the description above. It is therefore still possible that these new requirements will have a certain impact on the business model of the company.

From a wider European perspective, the current development can be described as follows: in the short term, an increasing number of countries (such as Germany, Italy and Denmark) have followed the double-counting scheme in one way or another in the part years. Other countries, including Spain, are expected to introduce the double-counting scheme in the course of 2014. At this time, Petrotec presumes that the introduction of double counting will result in an increase of demand for waste based biodiesel. As a result, the demand for waste based biodiesel is expected to increase presuming that the double counting system will be accepted by market participants and does not allow for any exceptions or loop holes. In the longer term, the EU has recently reviewed the long term objectives for GHG emissions moving towards the year 2030. Despite the ambitious target of reducing 40% of GHG emissions (including increasing the share of renewable energies to at least 27% by 2030), no specific targets have been set for the transportation sector. On the contrary, the binding targets of the RED are expected to be removed as of January 1st 2021. This represents the following risks for the biodiesel industry:

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

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

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

**Procurement risks**

Substantial competitive risks for the Petrotec Group arise from the complex procurement of our commodities. In order to reduce this risk, Petrotec focuses on the continued expansion of its own collection activities. This is achieved through the continuous deepening of customer relationships and through the expansion of our procurement activities regionally beyond the borders of Germany. The new requirements for feedstock eligibility (for double - counting according to the 36 BImSchV) should also be read in connection to the section on procurement risk. For complete information on this topic, please refer to the, "regulation risk" section above.

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

**Price risks**

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

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

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

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

**Currency risk**

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

**Default risk**

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

Petrotec Group is owed certain high-volume receivables by certain clients. We assume that given these customers' credit ratings, this does not pose significant increases in the default risk. The maximum default risk is limited to the book value of EUR 11.6 million presented under Note 14.

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

**Liquidity risk**

The Petrotec Group classifies as "liquidity risks" any risk related to the potential that Petrotec may not be able to meet its financial obligations. Risk segments are, among others, the servicing of loans or the payments due to suppliers.

In the Petrotec Group, access to liquid funds is gained alongside operating business, primarily through current and non-current loans from its majority shareholder IC Green Energy Ltd. totaling to EUR 12.5 million and other leading financial institutions in an amount of EUR 7.8 million. The liquid funds generated are used for investments and to finance working capital.

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

By the agreement dated March 17, 2014 the current loans of IC Green Energy Ltd. in an amount EUR 7.3 million due on March 19, 2014 could be extended till March 31, 2015. A claim for an immediate loan repayment could be possible in case that ICG is losing the majority in shareholding. That liquidity risk could be compensated by cash management.

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

**Market risks**

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

**Interest risk**

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

**Tax Risk**

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

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

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

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

The management still assumes that the above mentioned waiver agreement - contrary to the opinion of the tax authorities - meets the requirements for a so-called restructuring profit (Sanierungsgewinn). Additionally the management shares the doubts raised by the federal fiscal court (BFH) concerning the decision of the ministry of finance (BMF) and assumes that it is more likely that a tax liability will not finally concluded. A tax expert review is supporting the management in its decision. For this reason a tax provision has neither been recognized in fiscal year 2012 nor in fiscal year 2013.

**Disproportionately high concentration of risk**

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

**Acquisition risks**

Petrotec plans to expand its business model in the future for continuing growth. This can happen by means of strategic alliances, consolidations or the acquisition of companies or parts of companies. Smaller types of acquisitions may be financed through the expected

cash flow or via existing credit lines. More comprehensive acquisitions may involve tapping the capital market or financing through a long term loan. Management will consider the appropriate type of financing depending on the type and size of acquisition and the market conditions for external financing. Acquiring a company also bears the risk that the acquired company will not earn back the paid interest through their operative business in a reasonable period of time. Management will thoroughly screen any acquisition targets even taking into account external expertise to keep this risk as low as possible.

**Opportunities and risks with short term effects**

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

Our average facility capacity utilization has already reached a high level and increased during the reporting year to 75% (prior year: 70%). In some cases, we still have the opportunity to take advantage of opportunities inherent in increased demand within our still available production capacities, with only relatively small investment consideration.

Therefore, assuming all uncertainties and especially those related to regulations will not actualize as the worst case scenario, we are expecting to generate stable margins in 2014. In addition, the biodiesel price is contingent upon the oil price. With some delay, the used cooking oil price is tied to the UCOME price. Given the solid demand and the relatively soft supply, we have so far been able to pass on most of the commodities price increases to our customers. However, if a significant decline in demand for our biodiesel or supply of our feedstock should occur or significant other supply sources may become available in the double counting market, this could lead to significant margin reductions.

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

# *Forecast*

**Slow recovery of global economy expected**

Expectations of an improving economy and bullish supply data have strengthened oil prices to above USD 105 per barrel for Brent crude oil during the past months. Crude's recent run has been spurred by the Federal Reserve's measured Taper announcement following the improvement of the economic data in the US. The central bank -- asserting that the U.S. economy was strong enough -- stated that it will reduce bond repurchases by USD 10 billion, bringing its monetary stimulus to USD 75 billion a month from Jan 2014.
This has fueled hopes for robust fuel and energy demand in the world's biggest oil consumer. The bullish momentum was further propelled by positive revision to third quarter GDP numbers and continued decline in U.S. supplies.
Partly offsetting this favorable view has been a spike in domestic production -- now at their highest levels since 1988 -- and suggestions of increase in Libyan oil exports following months of political turmoil.

The immediate outlook for oil, however, remains positive given the commodity's constrained supply picture. In particular, while the Western economies exhibit sluggish growth prospects, global oil consumption is expected to get a boost from sustained strength in China, the Middle East, Central and South America that continue to expand at a healthy rate.

According to the Energy Information Administration (EIA), which provides official energy statistics from the U.S. Government, world crude consumption grew by an estimated 1.1 million barrels per day in 2013 to a record-high level of 90.3 million barrels per day.

The agency, in its most recent Short-Term Energy Outlook, said that it expects global oil demand growth by another 1.2 million barrels per day in 2014. Importantly, EIA's latest report assumes that world supply is also likely to go up by 1.2 million barrels per day in 2014. Crude prices in the first half of 2014 are likely to exhibit a sideways-to-bearish trend, trading in a range of USD 100 per barrel to USD 110 per barrel. Brent-WTI spread should narrow to around USD 5 to USD 6/bbl based on transportation costs, however this may be delayed if the growth in US oil output still outpaces the growth in pipeline and crude by rail take-away capacity.

**The EUR/USD strongly driven by US economic data and ECB politics**

In Europe economic data are also expected to improve. The ECB has set the bar high for taking more measures to spur economic growth. It expects sluggish growth of 1.1% in 2014 and 1.5% in 2015, and thinks inflation will stay well below its 2% target for two more years. Unless growth and inflation undershoot that already weak baseline scenario, additional action is unlikely.
ECB executive board member Benoit Coeuré put it bluntly on December 9, 2013: “I don’t see a need for use of spectacular measures.”
The ECB’s key lending rate may be the simplest option. It’s just 0.25%, a record low, but the ECB could trim it closer to zero. The effects on the economy would be minimal, though. It could also beef up its pledge to keep rates low for “an extended period” by adding a commitment related to some calendar date.

ECB officials say they have other powerful tools at their disposal should deflationary risks intensify. Their choice of tool likely depends on the problem they are trying to fix.
The economy is expected to grow at a solid pace in 2014 and for the next few years, though there is a tendency that shows that revenues are expected to grow at roughly the same pace as GDP whereas spending is expected to grow more rapidly than GDP.
Even though the overall view is more bullish for the USD, it will all depend on the US and EU politics which currency will stabilize more.

**EU biodiesel market**

For 2014 the outlook looks relatively stable in terms of the regulatory environment. There are not bigger regulatory changes planned for the Biodiesel market in Europe. Double counting for UCOME in countries like the UK, Germany, The Netherlands, France and Italy will stay, while it is very likely that the cap on waste based biodiesel counted double in Italy is likely to disappear.
Nevertheless heading closer towards 2015 with ongoing discussions on the valuations of biofuels with regard to the de-carbonization, the market seems a bit insecure on how to plan the blending towards end of 2014 and with which biofuels to fulfill or even over fulfill the quota.

Price levels are expected to stay relatively stable, with FAME levels in a range between USD 180 per metric ton and USD 270 per metric ton for the first half of the year. With the USD strongly depending on the economics numbers and hence the US tapering program, UCOME prices are likely to be volatile based on currencies. The overall bank's market outlook for the EUR/USD is a much stronger dollar, targeted to be between 1.27 and 1.32 within this year. Nevertheless the first quarter didn't confirm this view, yet, trading the EUR/USD at levels around 1.36 to 1.37 levels.

Demand for Biodiesel is expected to stay stable, comparable to 2013 volumes, while the demand and supply for waste based biodiesel will strongly depend on FAME 0 price levels and the possibility to secure enough feedstock for the UCOME and TME production. Both products are expected to be more limited this year, given also stricter sustainability certification schemes, e.g. in countries like Germany.

Seeing much more trading activity on the feedstock, so UCO, and the biodiesel, so UCOME side, there is a risk of lower spreads between these products which will require a more efficient production process in order to capture healthy margins.
Nevertheless, there is significant demand for waste base biodiesel, more demand than available supply in 2014. So it will be a matter of price if blenders in Europe will focus on these products or rather on single counted FAME 0.
With Petrotec being certified for all possible schemes in the European biodiesel market, the company will be a reliable supplier of UCOME and other blends for all European countries blending UCOME.

**Feedstock market increasingly competitive**

The 36 BImSchV introduced in early 2013 to the German market, requiring ISCC DE certification, alongside the ISCC EU certification system introduced in a parallel period, for the rest of the EU markets, have created a new reality in the UCO market. While the basic UCO molecule, its collection methods, and in many cases even the identity of the collection units are all identical, the prices for ISCC EU and ISCC DE feedstock may vary from each other according to the different seasons. Since some of the requirements of the ISCC DE certification system are much stricter than the parallel ISCC EU -including audits as much as four times as frequently per year, they also end up being much more expensive. This is a fixed cost of many thousands of EUR for each audit that all independent collection unit including the smallest ones a required to pay. For the latter, this represents too large a portion of those small collectors' profits, and creates clear economies of scope for larger collectors. This has resulted in a situation that many of the small local collectors simply decided not to certify their systems. While not extremely affecting collectors in distant region, that has made many of the small collectors in the German market not capable compete and many of them are losing or selling the businesses they have been cultivating for long years. The management expects to see a continuous consolidation trend in the collection business, which is becoming increasingly competitive and offers economies of scope for the larger players.

Also, while UCO in general is available in large enough volumes to serve all markets, the availability of lawfully certified UCO for the German market is scarce. The high demand for UCOME for the German market together with said lower availability of certified UCO is expected to put a certain pressure on the spread between those two, hence on the margins. The management is taking the necessary efforts to present this anomaly to the relevant German authorities with the aim of increasing the UCO availability to the German market. On the other hand, the high demand for UCOME in all markets suggests that this product has taken a strong position in the market place. The values it offers to the blenders / customer are now clear. Taking that into consideration, the management asses that the current market constellation presents interesting consolidation opportunities in the waste-based / double counting biodiesel market. At this point of time, the management cannot quantify the extent to which these market powers both in the UCO and the UCOME markets will affect the bottom line of the company.

**Further interesting investment opportunities at hand**

From the technical point of view, after capturing the progress done in 2013, with relatively low investment consideration, the management has identified additional interesting investment opportunities, in the existing assets of the company, with the potential to further improve its cost competitiveness. In addition, other potential investments in assets outside the company are constantly being analyzed to secure the company's market position. Those may include investment to secure the continuous expansion of the company, considering the fact that the company is quickly exhausting its organic growth opportunities. After almost doubling its activity in the Spanish market through, it is time for the company to seriously consider new asset acquisitions, as well as to take part in the expected consolidation process in its market segment. Both investment types could offer extremely interesting returns for the company. The company budget for 2014 includes limited investments with the potential

to improve its cost structure. The management sees many more potential investment opportunities, beyond those planned in the budget, in case that sufficient funds will be available.

**Continuously improving financial**

The company has substantially improved its financing position through the past year. It has been successful in creating a strong relationship with a leading European bank that has extended trading lines to support the financing of its working capital. The relationship with this bank came to the necessary mutual level of trust to further extend this activity and allow the company to use some of the cash it has generated to more attractive purposes. Part of this generated cash has been used to redeem ICG loans. In 2013, the company redeemed EUR 4 million of the outstanding loans to ICG on top of paying close to EUR 3 million for current and accrued interest, totaling close to EUR 7 million paid to ICG as principal and interest. The company also used close to EUR 1.5 million to invest in assets improvements, as part of its production de-bottlenecking effort. The originally agreed repayment of the loans from the main shareholder of EUR 7.3 million for March 2014 was extended by the agreement dated March 17, 2014. Thus, cash maintained, which could be used for other potential investments. At the present time, it is assumed that the company will continue to fund its financial requirements from the existing sources as no significant sources of external funding are available for the extended budgeted investment plan.

**Guideline**

Overall, the company has improved many aspects that stand at the basis of its competitive position. The company still aims to keep and further enhance its leading market position in Europe, but also keeps an eye open on opportunities beyond the European boundaries. Nevertheless, looking forward many new opportunities that might eventually turn as challenges, are expected for the company in the near and long future. On the regulatory fronts, some important factors with potential long term and short term effects on the biodiesel industry are being currently debated on the EU level. Those, factors have the potential to be game changers, and represent a significant threat to the biodiesel considered to have a smaller impact on the GHG emission savings. Alongside with the long lasting iLUC debate, a first step in this direction is expected in the year 2015 in the German market, when the biodiesel accountability towards the mandate will depend mainly on its contribution to GHG emissions savings. Being one of the most sustainable biodiesel commercially available, the highly sustainable products marketed by Petrotec, are likely to enjoy the introduction of these new measures. In the long term, the EU is coming back to the sources of the initial motivation for which it has created incentive programs to support renewable energies of any sort, and again, namely GHG emissions savings. Again – this is the strength of the company's products. It is therefore the assessment of the management that the company shall enjoy also this long term intention that has recently been announced by the EU. Nevertheless, the company sees the importance to set a distinctive obligation to blend biofuels, as of 2020 and beyond, to somewhat balance the very strong position of the mineral oil players. Despite the flexible nature of the business model of the company, being the waste oil priced in correlation to the eventual price of the produced biodiesel, the management sees a certain risk of not having an blending obligation beyond the year 2020, and shall act through all the associations it is taking part of, to limit this risk by setting a mandatory obligation to blend

biofuels beyond 2020. In addition, as the market of the virgin oil based biodiesel is continuously under pressure of losing shares, it could be expected that interested parties might try to damage the reputation of the sustainable waste based biodiesel, with the objective to limit its demand in the market. This course of action has been taken in the past by the Italian and French markets, that caped the usage of the double counting biodiesel to a certain low percentage of those countries biodiesel consumption (although rumors say those limitations are expected to be removed as of 2014 in Italy). The possibility that parallel limitation might be placed also in other markets, including Germany, are not to be ignored, and have the potential to significantly jeopardize the company's existing business model, on the short term. Yet, the longer term trend show favorable conditions that should allow the company to further extend its business model and line of products.

To a certain extent, the ability of the company to forecast its profitability for both the short and long term depend on its ability to exercise the investment opportunities its management has identified, which in turn depend on financing resources availability. The management provides its guideline for the year 2014 under the assumption that the limited investment plan, from the budget, will be executed. As there are a number of risk factors such as regulation, development of feedstock and biodiesel prices, tax, currency and the Eurozone debt and financial crisis and assuming no extreme worst case scenario actualization, Petrotec gives a range for sales between EUR 150 million and EUR 220 million in 2013. The EBIT is expected to be in the range of 2% - 4%. At balance sheet date the order backlog already comprised the volume of 2 month production.

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

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

# *Additional disclosure duties for listed stock corporations*

## ***Compensation report***

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

### Management Board compensation

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

The compensation of Petrotec Management Board members consists of three components, a fixed component irrespective of success, a variable bonus based on the Company's success and a medium term compensation linked to the share performance. The fixed component is paid monthly in the form of a salary. The variable bonus component is paid on an annual basis, linked to the company success and results. The third component consists of two bonus programs that are linked to the development of the stock price and that are equivalent to a stock package of 300,000 units each for Medium Term Compensation Agreement I and II and 400,000 units for Medium Term Compensation Agreement III.

### Medium-term compensation

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

Moreover the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement I is KEUR 176, which has been taken into account in this Annual Report.

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

December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Moreover, the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement II is KEUR 172, which has been taken into account in this Annual Report.

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

Moreover, the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement III is KEUR 8, which has been taken into account in this Annual Report.

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

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

The Management Board member did not receive any pension commitments in 2012 and 2013; moreover, the Company did not extend any loans to him. The contract with the Management Board member does not contain any clauses other than the above mentioned change-of-control clause.

The compensation paid in fiscal years 2012 and 2013 consisted of the following:

| Compensation | Unit | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Fixed compensation | KEUR | 280 | 250 |
| Variable compensation | KEUR | 200 | 66 |
| Other compensation benefits | KEUR | 180 | 160 |
| TTL | KEUR | 660 | 476 |

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

As of December 31, 2013, the Company's subscribed capital totaled EUR 24,543,741.00. This is equivalent to a total of 24,543,741 bearer shares with equal rights and no nominal value; each holding a share of the subscribed capital of Petrotec AG in an amount of EUR 1. Each share conveys one vote. The Company holds no treasury shares directly or indirectly.

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

### Direct or indirect shareholder representing more than 10% of voting rights

Petrotec AG's shares are admitted to official trading on the Frankfurt Stock Exchange. The shareholder structure as of December 31, 2013 is the result, among other things, of the notification obligation for shareholders arising from § 21 WpHG, who are required to disclose changes of important voting rights shares upon attainment, exceeding or falling short of the so-called notification limits of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting right to an emitter. At the end of 2013, Israel-based IC Green Energy Ltd., Tel-Aviv, Israel held between 50% and 75% of direct voting rights in Petrotec AG. Other major shareholders among the distributed shares of Petrotec AG, based on the reports filed according to § 21 (1) WpHG were T. Lüllemann, Germany with between 5.00% and less than 10.00% and ACM Projektentwicklung GmbH, Salzburg, Austria with between 5.00% and less than 10.00%.

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

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

“The Supervisory Board shall be authorized to make resolutions on changes to the Business Charter that affect only its versions.” Sections 179, 133 German Stock Corporation (AktG) also apply in the case of changes to statues.

**Composition of the issued capital**

At the Annual General Meeting held on May 30, 2012 the Management Board and the Supervisory Board were authorized to execute additional capital measures. The capital measures are described in detail within the invitation to the Annual General Meeting 2012 as well as in the § 4 Share Capital of the actual business statutes on our webpage:

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

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

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

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

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

Conditional capital I

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

Conditional capital II

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

shares shall participate in profit from the beginning of the fiscal year in which they are issued.

Acquisition and use of own shares

The company is authorized to acquire own shares till May 29, 2014 up to 10 percent of the existing share capital at the time of decision making. The authorization may be exercised in whole or partially, on one or more occasions, to follow one or several purposes by the Company or by third parties on behalf of the Company. The acquired shares should not exceed together with any other shares that are owned by the Company or pursuant to §§ 71 ff AktG are attributable, at any time more than 10 percent of the share capital. The authorization may not be used for the purpose of trading own shares. The acquisition is subject to the choice of the Management Board and could be either exercised through the stock exchange or as a public tender offer or through a public offering to make such an offer. For more details we refer to the invitation to the Annual General Meeting 2012 on our website www.petrotec.de.

**Related Party Disclosures**

In a notification issued pursuant to § 21 WpHG as of May 9, 2011, IC Green Energy Ltd., Tel-Aviv, Israel notified the company that it is in possession of more than 57.5% of the shares and voting rights. It is to be assumed that the number of shares owned by IC Green Energy Ltd. has reached a level ranging between 50% and 75% in the interim, given that it fully participated in the second capital increase of December 2011. There is neither a control agreement nor a profit and loss transfer agreement between Petrotec AG and IC Green Energy Ltd.; there is also no integration. Based on the relatively low turnout on average at the General Shareholders' Meetings in Germany, the assumption can also be made that IC Green Energy Ltd. thus exerts a material influence on the voting.

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

## ***Additional reports***

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

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

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

**Explanatory report by the Management Board**

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

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

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

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

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

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

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

Standard software (Amic) is utilized in the area of the financial systems in use. An appropriate set of guidelines (e.g., accounting guidelines, travel expense guidelines, etc.) has been instituted and is continuously updated. The departments and areas involved in the financial accounting and reporting process are suitably equipped in terms of both quantity and quality. Bookkeeping data that have been received or forwarded are continuously

reviewed for completeness and correctness, e.g., through random samples. The dual-control principle is consistently applied throughout all processes relevant to financial accounting and reporting.

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

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

## ***Statement on Corporate Governance***

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

**"Statement on Corporate Governance"**

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

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

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

Since its IPO Petrotec has satisfied the high demands and now reiterates its orientation towards these standards and shareholder interests with the Declaration of Compliance. The declaration is documented in the notes below. The declaration can also be found at the Petrotec website www.petrotec.de.

## Relevant information on Corporate Governance Practices

### Corporate Governance through value-oriented management

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

### Managing risk effectively

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

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

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

### The Management Board manages transactions responsibly and self-reliantly

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

Since September 1, 2011 Mr. Jean Scemama, has been the CEO of the Company and the sole member of the Management Board. Mr. Scemama is responsible for the corporate group strategy, the capital market presentation, sales, the finance department and human

resources. As the sole member of the Management Board he is also the sole managing director of the individual group companies.

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

**The Supervisory Board and commissions monitor and advice the Management Board**

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

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

In the now completed fiscal year 2013, the Supervisory Board convened for regular and extraordinary meetings. Its agenda items included, among other things, the discussion of the annual report 2012 of Petrotec AG, the restructuring of the Company, the operative and strategic direction of the Company and its forecasts for the next years, changes in the regulatory environment relevant for Petrotec's business model. The Supervisory Board also had the Management Board report on the latest business status of the Group. Among other things, it also addressed risk management system-related issues and in particular those related to the internal control and risk management system with regard to the accounting process. For further details please refer to the chapter "risk report" in the status report. The annual report auditor participated in the balance sheet-related meeting and reported on the audit of the annual financial statements for 2012.

The members of the Supervisory Board are required to disclose conflicts of interest to the Supervisory Board. Accordingly, there were no conflicts of interest as far as the members of the Supervisory Board are concerned in fiscal year 2013. Consulting and other service

agreements between members and the Supervisory Board did not exist in the now completed fiscal year.

**Composition of the Supervisory Board**

Since June 14, 2011 the Supervisory Board comprises three members. In fiscal year 2013, the Supervisory Board of Petrotec AG was composed of the following individuals:

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

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

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

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

Mr. Rainer Laufs
Mr. Rainer Laufs is an independent advisor for a range of companies and is the chairman of the supervisory board of WCM AG, Frankfurt; Mr. Laufs is also a member of the supervisory board of Lanxess AG, Leverkusen and as well as at Lanxess Deutschland GmbH, Leverkusen and since February 15, 2013 also a member of the supervisory board of Asklepios Kliniken GmbH, Hamburg and Asklepios Kliniken Verwaltungs GmbH, Königstein im Taunus. Furthermore Mr. Laufs is a member of the administrative advisory board at Bilfinger Industrie Service GmbH, München and and Bilfinger Industrial Technologies GmbH, München.

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

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

**Shareholders and the shareholders' meeting**

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

Borken, March 17, 2014

Jean Scemama
CEO

**Disclaimer**

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

# *Consolidated financial statements (IFRS)*

**Consolidated balance sheet**

**Consolidated statement of comprehensive income**

**Consolidated cash flow statement**

**Consolidated statement of changes in equity**

# *Consolidated balance sheet*

*at December 31, 2013*

| (EUR) | Note | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible assets | (10) | 19,662,548 | 20,358,577 |
| Intangible assets | (11) | 1,001,924 | 1,468,462 |
| Other financial assets (long-term) | (12) | 65,012 | 104,623 |
| Deferred tax assets | (8) | 900,750 | 0 |
| **Total non-current assets** | | **21,630,234** | **21,931,662** |
| **Current assets** | | | |
| Inventories | (13) | 15,087,427 | 19,579,160 |
| Trade receivables and other receivables | (14) | 11,570,880 | 9,884,320 |
| Cash and equivalents, current assets | (15) | 9,934,860 | 7,940,385 |
| **Total current assets** | | **36,593,167** | **37,403,866** |
| **Total assets** | | **58,223,401** | **59,335,528** |
| **Equity** | | | |
| Subscribed capital | (17) | 24,543,741 | 24,543,741 |
| Capital reserve | (17) | 86,283,723 | 85,901,380 |
| Revenue reserves | (17) | -83,113,852 | -87,129,654 |
| **Total equity capital** | | **27,713,612** | **23,315,467** |
| **Non-current liabilities** | | | |
| Interest-bearing bank loans | (19) | 154,021 | 89,024 |
| Liabilities from finance lease (long term) | (19) | 1,074,592 | 1,174,205 |
| Interest-bearing loans against shareholders | (19) | 5,250,000 | 12,505,993 |
| Provision for part-time work in years before retirement | | 151,061 | 156,652 |
| **Total non-current liabilities** | | **6,629,674** | **13,925,874** |
| **Current liabilities** | | | |
| Interest-bearing bank loans | (19) | 6,414,974 | 7,569,520 |
| Trade payables and other liabilities | (20) | 10,084,977 | 9,102,334 |
| Interest-bearing loans against shareholders | (19) | 7,255,993 | 5,189,485 |
| Liabilities from finance lease (short term) | (19) | 124,171 | 126,741 |
| Accruals | (22) | 0 | 106,107 |
| **Total current liabilities** | | **23,880,115** | **22,094,187** |
| **Total equity and liabilities** | | **58,223,401** | **59,335,528** |

# *Consolidated statement of comprehensive income*

*for the period of January 1 to December 31, 2013*

| (EUR) | Note | 2013 | 2012 |
|---|---|---|---|
| Sales revenues including energy tax | (6) | 193,380,000 | 166,205,958 |
| Energy tax | | -53,437 | 0 |
| **Sales revenues** | | **193,326,563** | **166,205,958** |
| Other operating income | (7.1) | 1,103,924 | 2,167,190 |
| Changes in inventories of finished and unfinished goods | | -531,994 | 6,966,423 |
| Cost of materials | (7.2) | -167,948,971 | -152,386,294 |
| Personnel expenses | (7.3) | -7,042,000 | -5,835,967 |
| Depreciation | (7.4) | -2,596,300 | -2,457,068 |
| Other operating expenses | (7.5) | -11,477,648 | -11,664,597 |
| Result from hedging activity | (7.6) | 40,686 | -114,524 |
| **Earnings before interest and taxes (EBIT)** | | **4,874,260** | **2,881,121** |
| Finance income | (7.7) | 11,599 | 28,306 |
| Finance costs | (7.8) | -1,770,807 | -1,983,497 |
| **Earnings before taxes (EBT)** | | **3,115,052** | **925,929** |
| Income taxes | (8) | 900,750 | 0 |
| **Profit for the year** | | **4,015,802** | **925,929** |
| Other comprehensive income for the year, net of tax | | 0 | 0 |
| **Total comprehensive income for the year** | | **4,015,802** | **925,929** |
| | | | |
| Earnings per share (EPS) | (9) | | |
| - undiluted earnings per share | | 0.1636 | 0.0380 |
| - diluted earnings per share | | 0.1631 | 0.0380 |

# *Consolidated cash flow statement*

*for the period January 1 to December 31, 2013*

| (EUR) | Note | 2013 | 2012 |
|---|---|---|---|
| **Profit before tax** | | **3,115,052** | **925,929** |
| | | | |
| **Non-cash adjustments for the reconciliation** | | | |
| **of earnings before taxes to net cash flow** | | | |
| Depreciation/amortisation | | 2,596,300 | 2,457,068 |
| Share based payment expenses | | 382,343 | 0 |
| Market value of hedge | | -4,297 | -13,088 |
| Income from sale of plant | | 24,868 | -47,431 |
| Financial income | | -11,599 | -28,306 |
| Financial expenses | | 1,770,807 | 1,983,497 |
| Changes in accruals | | -106,107 | 106,107 |
| | | **7,767,367** | **5,383,777** |
| **Changes in working capital** | | | |
| Changes in inventories | | 4,491,733 | -12,987,115 |
| Changes in trade receivables and other receivables and other assets | | -1,789,862 | 1,693,410 |
| Changes in trade payables and other liabilities | | 1,089,693 | -432,858 |
| | | **3,791,564** | **-11,726,564** |
| | | | |
| **Received interests** | | **11,599** | **28,306** |
| | | | |
| **Net cash from operating activities** | | **11,570,530** | **-6,314,480** |
| | | | |
| Payments from the sale of tangible assets | | 34,821 | 186,768 |
| Payments for the purchase of tangible assets | | -1,484,658 | -1,230,485 |
| Payments for the purchase of intangible assets | | -8,764 | -43,592 |
| Payments for the payback of other financial assets | | 55,680 | 80,458 |
| Payments for the purchase of other financial assets | | -16,069 | -70,000 |
| **Net cash from investing activities** | | **-1,418,990** | **-1,076,852** |
| | | | |
| Loan redemption | | -28,275,638 | -2,259,701 |
| Loan increase | | 23,186,089 | 7,515,618 |
| Redemption Finance Lease | | -101,773 | -66,941 |
| Interest payments | | -2,965,743 | -958,266 |
| **Net cash from financing activities** | | **-8,157,065** | **4,230,710** |
| **Change in cash and cash equivalents** | | **1,994,475** | **-3,160,622** |
| **Cash and cash equivalents at the beginning of the period** | | **7,940,385** | **11,101,007** |
| | | | |
| **Cash and cash equivalents at the end of the period** | (16) | **9,934,860** | **7,940,385** |

# *Consolidated statement of changes in equity*

*for the period January 1 to December 31, 2013*

## Consolidated Statement of Changes in Equity for Fiscal Year 2013

| (EUR) | Subscribed capital | Additional paid-in capital | Retained earnings | Total |
|---|---|---|---|---|
| **Balance as of Jan. 1, 2013** | **24,543,741** | **85,901,380** | **-87,129,654** | **23,315,467** |
| Income of the period | 0 | 0 | 4,015,802 | 4,015,802 |
| Other comprehensive income for the year, net of tax | 0 | 0 | 0 | 0 |
| **Total comprehensive income** | **0** | **0** | **4,015,802** | **4,015,802** |
| Stock options issued | 0 | 382,343 | 0 | 382,343 |
| **Total result directly attributed to equity capital** | **0** | **382,343** | **0** | **382,343** |
| **Balance as of Dec. 31, 2013** | **24,543,741** | **86,283,723** | **-83,113,852** | **27,713,612** |

| (EUR) | Subscribed capital | Additional paid-in capital | Retained earnings | Total equity |
|---|---|---|---|---|
| **Balance as of Jan. 1, 2012** | **24,543,741** | **85,901,380** | **-88,055,583** | **22,389,538** |
| Income of the period | 0 | 0 | 925,929 | 925,929 |
| Other comprehensive income for the year, net of tax | 0 | 0 | 0 | 0 |
| **Total comprehensive income** | **0** | **0** | **925,929** | **925,929** |
| Stock options issued | 0 | 0 | 0 | 0 |
| **Total result directly attributed to equity capital** | **0** | **0** | **0** | **0** |
| **Balance as of Dec. 31, 2012** | **24,543,741** | **85,901,380** | **-87,129,654** | **23,315,467** |

# *Notes to the consolidated financial statements*

*for the fiscal year from 1 January to 31 December 2013*

**1. Information regarding the Company**

The consolidated financial statements for the fiscal year from January 1, 2013 to December 31, 2013 were compiled by the Management Board on March 17, 2014 and were approved for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to review the consolidated financial statements and to declare its approval.

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

Petrotec AG is purely a holding company. The business operations are conducted by the two fully-owned subsidiaries at the Borken-Burlo, Südlohn-Oeding, and Emden sites.

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

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

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

## 2. Key Occurrences during the Reporting Period

In the business year 2013 two major events have influenced the actions of the company.

Once the requirements of the 36 BImSchV were announced in 2012, the company had to implement those and to comply with in the year 2013. The internal systems, operational procedures, supplier and customer requirements and communications were adapted to those high standards of the 36 BImSchV to ensure the traceability from the feedstock till the final product and as well the capability of double counting. The fulfillment of the conditions has already been proven several times in external audits during the past and the ongoing business year.

Furthermore, the cooperation with a leading European bank in financing of working capital has been strengthened in the business year 2013, allowing the company now more flexibility, particularly in the area of raw material purchasing, as well as warehousing and sales. On the other hand locked capital could have been released to realize investment projects. The range of the trade line was significantly raised. Petrotec is now operating within the borders of a "global line", which means that not each individual transaction has to pass the entire bank internal approval process. The trade line is valid for one year and is subject to the fulfillment of covenants. During fiscal year 2013 the company complied with the covenants.

## 3. Accounting methods

### 3.1 Basis for preparing the annual financial statements

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

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

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

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

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

Companies with a major impact on the Group
The IC Green Energy Ltd, Tel-Aviv, Israel own 69.08% of the ordinary shares of Petrotec AG (prior year: 69.08%). The IC Green Energy Ltd. is a 100% owned subsidiary of the top entity Israel Corporation Ltd., Tel-Aviv, Israel.

**Declaration of compliance with IFRS**

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

**Principles of consolidation**

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

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

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

## 3.2 Changes in accounting and valuation methods

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

## 3.3 Summary of key accounting and valuation methods

### A. Current and non-current classifications

In the balance sheet, the Group divides its assets and liabilities into current and non-current assets or liabilities.
An asset is to be classified as current if

- The asset realization is anticipated during the normal business cycle or if the asset is being held or consumed within said time period

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

All other assets are classified as non-current.

A liability is to be classified as current if

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

All other liabilities are classified as non-current.

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

**B. Fair Value Measurement**

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

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

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

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

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

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

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

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

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

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

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

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

**C. Tangible assets**

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

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

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

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

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

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

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

| Biodiesel plant Emden | **Dec. 31, 13** |
|---|---|
| Feestock warehousing | 33 |
| Re-esterification | 10 |
| Phase separation | 30 - 33 |
| Product recovery | 10 |
| Building - light structure | 14 |
| Biodiesel purification | 10 |
| Drying | 10 |
| Esterification | 10 |
| Product storage | 20 - 33 |
| Cooling | 10 |
| Processing | 15 |
| Refining | 10 |
| Building | 25 |
| Switching plant | 15 |
| Apparatus | 14 |
| Laboratory | 14 |
| Others | 8 - 10 |

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

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

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

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

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

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

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

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

***Corporate mergers and goodwill***

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

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

The goodwill was completely impaired in 2007.

***R&D costs***

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

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

## D. Financial instruments – first-time recognition and subsequent valuation

### a) Financial assets

**First-time recognition and subsequent valuation**

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

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

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

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

**Subsequent valuation**

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

**Financial instruments measured at fair value through profit or loss**

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

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

The Group values the assets it holds for trading purposes based on the assessment of whether the intention to sell same in the near future continues to exist. If the Group cannot trade these financial assets due to inactive markets and its management's intentions to sell same in the foreseeable future are given up, the Group may decide to repost these financial assets under extraordinary circumstances. The reposting

under loans and receivables, as assets available for sale or to be held until the final due date depends on the type of asset. This valuation does not have an impact on the financial assets that have been categorized through profit and loss at the applicable fair value in execution of the fair value option.

**Loans and receivables**

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

**Financial investments held to maturity**

Non-derivative financial assets with fixed or computable payment amounts and fixed due dates are classified as financial investments to be held until their final due dates if the Group intends and is able to hold them until their due dates. After they have first been recorded, financial investments to be held until their final due dates are valued at carried forward acquisition costs under application of the effective interest method and minus any value reductions. Amortized costs are computed taking into account any premium or discount at the time of acquisition as well as fees or costs that make up an integral component of the effective interest rate. The earnings from the amortization using the effective interest method are included in the statement of comprehensive income as part of the financial earnings. Impairment losses are recognized as financial expenses in the statement of comprehensive income. During the fiscal years that ended on December 31, 2012 and 2013, the Group did not possess any financial investments to be held until their final due dates.

**Available-for-sale financial assets**

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

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

reclassified under financial expenses on the income statement and de-recognized from the reserve for available-for-sale financial assets.

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

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

**De-recognition**

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

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

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

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

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

**b) Impairment of financial assets**

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

**Financial assets balanced at acquisition costs carried forward**

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

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

The book value of the asset is reduced by using a value adjustment account. The value impairment loss is recorded in a result-impacting manner. The impaired book value continues to generate interest earnings; this is done using the interest rate that has been used for the discounting of the future cash flow when determining the cost of value impairment. The interest income is recorded as part of the financial income in the statement of comprehensive income. Receivables are de-recognized with the affiliated value

adjustments if they are categorized as irrecoverable and if all collateral has been used and liquidated. If the amount of an estimated value impairment does increase or decrease in a subsequent reporting period due to an incident that happened after the value impairment was recorded, the previous value impairment is increased or reduced through profit or loss as a result of an adjustment made in the value adjustment account.

**Available-for-sale financial assets**

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

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

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

**c) Financial liabilities**

**First-time recognition and subsequent valuation**

In conjunction with their initial recording, financial liabilities are either classified as financial liabilities that do impact the result at the applicable fair value or as loans, liabilities or derivatives designated as collateral and effective as such. The Group determines the classification of its financial liabilities when they are first recognized. All financial liabilities are valued at their applicable fair value when first recorded; in the case of loans the

allocated transaction costs are added. The financial liabilities of the Group comprise liabilities for goods and services and other liabilities, revolving credit lines and loans as well as derivative financial instruments.

**Subsequent valuation**

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

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

Financial liabilities valued at their applicable fair value through profit or loss comprise the financial liabilities held for trading purposes as well as other financial liabilities, which upon first recognition were classified as result-impacting at the applicable fair value. Financial liabilities are classified as held for trading purposes if they are being acquired for the purpose of sale in the near future.
Gains or losses on liabilities held for trading are recognized in the income statement. In its initial recognition, the Group did not classify any financial liabilities as result-impacting at the applicable fair value.

**Loans**

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

**De-recognition**

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

**d) Offsetting of financial instruments**

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

**e) Fair value of financial instruments**

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

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

**f) Derivative financial instruments and accounting for hedging relationships**

***First-time recognition and subsequent valuation***

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

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

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

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

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

**Fair value hedges**

The change of the applicable fair value of the derivative securitization document is reported separately in the Group result under the result of collateral agreements. The change of the applicable fair value of the base transaction, which can be allocated to the collateralized risk, is reported in the Group result under the result of collateral agreements as part of the book value as well. In the case of hedge

transactions designed to hedge the fair value in relation to underlying transactions carried at amortized acquisition cost, the adjustment of the carrying amount on the income statement is reversed using the effective interest method over the remaining time to maturity of the underlying transactions. Amortization can begin by means of the effective interest method as soon as an adjustment is made, at the latest from the time at which the underlying transaction is no longer adjusted in order to hedge the risk attributable to a change in fair value. If the hedge item is de-recognized, the unamortized fair value is recognized immediately in the comprehensive income statement.

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

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

**Cash-flow hedges**

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

The Group had not used any cash flow hedges as of the reporting date.

**g) Impairment of non-financial assets**

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

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

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

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

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

### E. Inventories

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

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

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

### F. Trade receivables and other assets

Trade receivables that as a rule have a term of 5 - 14 days are reported at the original invoice amount minus a value adjustment for unrecoverable receivables. A value adjustment is

charged if there is objective factual evidence suggesting that receipt of payment is improbable. This is usually the case if a collection agency has been involved. The value adjustments are entered in a separate account for value adjustment items.

### G. Cash and equivalents, current assets

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

### H. Accruals

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

### I. Pensions

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

### J. Foreign-exchange conversion

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

### K. Leasing relationships

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

**Group as the lessee**

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

**L. Revenue recognition**

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

**Sale of goods and products**

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

**Interest income**

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

**M. Taxes**

**Actual tax refund claims and tax liabilities**

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

### Tax deferrals

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

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

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

### Value-added tax

Sales revenues, expenses and assets are reported minus VAT. The following exception applies:

- Receivables and liabilities are reported including the innate VAT.

The VAT sum refunded by the internal revenue service or credited to the latter is entered in the balance sheet under receivables or liabilities.

### Energy tax

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

### N. Share-based compensation

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

*Transactions offering compensation through equity capital instruments*

The costs of transactions offering compensation through equity capital instruments are valued at the applicable fair value using an appropriate valuation model at the time this benefit is granted. Along with a respective increase of the other equity capital reserves, these costs are recognized under costs of benefits paid to employees across the time period

during which the performance and/or other service requirements are being met (Section 21). The accumulated equity capital granting costs reported on each account closing date until the first entitlement eligibility option date reflect the already expired portion of the earnings time frame as well as the number of equity capital instruments that can actually be exercised once the earning period is complete based on the Group's best estimate. The earnings or costs reported in the reporting period's result are equivalent to the development of the accumulated costs recognized at the beginning and end of the reporting period and are recognized under item costs of benefits paid to employees (Section 21).

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

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

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

*Transactions offering cash compensation*

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

### 3.4 New and modified obligatory accounting standards

**New and modified standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year. The following amended standards had to be applied for the first time in the fiscal year beginning on 1 January 2013:

**Annual Improvements to IFRSs**

In May 2012, the IASB published its fourth set of “Annual Improvements to IFRSs.” The amendments address details of the recognition, measurement and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards.

**IAS 19 Employee Benefits (revised)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Moreover, pursuant to IAS 19 revised, supplementary amounts to be paid within the scope of age-based part-time employment agreements have to be recognized as retroactively payable seniority costs. The amendments made to this standard do not have any implications for the Group. The age-based part-time employment relationships reported in the balance sheets comprise only employees who have been relieved from their duties and are on leave.

**Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. This change first takes effect for fiscal years beginning on or after 1 January 2013; this does not have any effect on the depiction of the Group’s asset, financial and earnings situation.

**IFRS 13 Fair Value Measurement**

This standard defines uniform guidelines for the determination of the applicable fair value. The standard does not stipulate in which cases assets and liabilities have to or can be valued at the applicable fair value, but provide guidelines as to how the applicable fair value is to be properly determined under IFRS. IFRS 13 defines applicable fair value as the outbound price. The Group did review its accounting methods for the determination of the applicable fair value as a result of IFRS 13. IFRS 13 defines other mandates for the provision of information.

The application of IFRS 13 did not have any significant impact on the valuation of the Group’s applicable fair value. The mandated information can be found in the information provided

regarding the individual assets and liabilities for which applicable fair values were determined. The Fair Value Hierarchy is depicted in Section 27.

## 4. New and modified accounting standards to be applied voluntarily

Alongside the above-mentioned mandatory IFRS applicable to the business in 2013, the IASB also issued further IFRS and IFRIC requirements that have in part already been endorsed by the EU, but for which application will not be mandatory until a later point in time. A voluntary early application of these standards is both permissible and expressly recommended. Petrotec AG will not avail itself of this option. It will be applied as of the respective mandatory dates if the amendments implemented do have an impact on the Petrotec AG Group.

### Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off.” The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

### IAS 36 Value Impairment of Assets – Information on the Attainable Amount for Non-Financial Assets

This amendment eliminates any unintended consequences of IFRS 13 as far as the provision of mandatory information pursuant to IAS 36 is concerned. Moreover, the amendment requires the reporting of the attainable amount of assets or payment funds generating units for which value impairments or value recoveries have been recognized throughout the year. These amendments have to be applied retroactively for fiscal years starting on or after 1 January 2014.

### IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 supersedes the provisions of the former IAS 27 Consolidated and Individual Financial Statements for Consolidated Group Financial Statement Interpretation and comprises subject matters that were previously governed by SIC–12 Consolidation – Special Purpose Entities. IFRS 10 establishes a uniform control concept, which applies to all enterprises, including special purpose entities. The amendments that became effective as a result of IFRS 10, when compared to the prior legal scenario, require management to exercise significant discretion when assessing the question which companies are being controlled within the Group and whether these have to be integrated into the group’s financial statements by way of full consolidation. IFRS 10 does not have any impact on the categorization of the interests held by the Group at this time. The EU has pushed the initial application date of this law to 1 January 2014, so that its application to fiscal year 2013 would be voluntary.

### IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The amendment of the standard did not have an impact on the Group.

### IFRS 12 Disclosure of Interests in Other Entities

This standard provides uniform regulations for the mandatory information to be provided in group accounting and consolidates the information for subsidiaries, which was previously governed by IAS 27, as well as the information on jointly managed and associated entities (previously IAS 31 resp. IAS 28) and for structured companies. Moreover, the standard defines a series of new disclosures required, which do, however, not affect the annual report of the Group. The EU has pushed the initial application date of this law to 1 January 2014, so that its application to fiscal year 2013 would be voluntary.

### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 represents the first phase of the IASB Project, which aims to supersede IAS 39 and covers the classification as well as the valuation of financial assets and financial liabilities pursuant to IAS 39. This standard was initially intended for application to fiscal years beginning on or after 1 January 2013. However, based on the amendment of the Mandatory Effective Date of IFRS 9 and Transition Disclosures, which was published in December 2011, the date for its mandatory initial use has been deferred for an indefinite period. For the time being, the EU Endorsement Procedure has been deferred indefinitely. In future project phases, the IASB will address the balance sheeting reporting of collateralization relationships and the impairment of financial assets. The application of the new requirements arising from the first phase of IFRS 9 will have an impact on the classification and valuation of the Group's financial assets, but not on the classification and valuation of financial liabilities. Once the final standard including all phases has been published, the Group will quantify the impact along with those introduced in the other phases.

## 5. Key discretionary decisions, estimates, and assumptions

To prepare the consolidated annual financial statements as required by the IFRS, it is necessary to make certain judgments and estimates as well as assumptions during the preparation of the balance sheet, valuation and reporting on assets, liabilities, the disclosure of any contingent liabilities as of the balance sheet date, as well as recognition of income and expenditure. Any estimates or assumptions involving a significant risk that the book values of the assets or liabilities will require adjustment in subsequent fiscal years will be discussed below. The estimates and underlying assumptions are examined on an ongoing basis. The actual sums or trends may depart from these estimates and assumptions. Estimates require, among other things, that discretionary decisions be taken as regards to the setting up of accruals, the estimation of useful life for fixed assets or the assessment of the value of fixed assets, trade receivables and inventories as well as the making of

determinations whether deferred tax assets can be realized. Estimates and assumptions are necessary for the evaluation of stock-based compensation as well as for the determination of suitable valuation methodologies and the data such as volatility which is being analyzed as part of this valuation. Adjustments of the accounting-relevant estimates are recognized in the period in which the adjustment is made, insofar as the adjustment concerns only that period.

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

The capitalized intangible assets reported for technology are subject to future-based estimates. At present, these have a net book value of KEUR 951. The parameters mainly based on estimates are: the estimated useful life of technology, biodiesel plants and risk adjustments pertaining to future cash flow and the discounting rate applied.

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

**Impairment of non-financial assets**

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

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

As of December 31, 2013 no need for an impairment of non-financial assets has been noticed.

**Share-based compensation**

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

**Pending or threatened litigation**

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

**Taxes**

Uncertainties relating to the interpretation of complex tax regulations regarding the determination of the historic tax result do exist. Given the complexity of the contractual agreements to be assessed, it is possible that differences between the actual results and the assumptions made so far would require adjustments of already recorded tax income and expenses in the future.

Specifically the question of recognition of a non-taxable restructuring gain in 2010 in the context of a waiver from a significant creditor has been audited during a tax field audit. The non-recognition based on the rules of minimum taxation would lead to a tax burden of KEUR 890.

Management presumes that this payment will not have to be made given that in its opinion all requirements for a tax exemption have been met. Moreover, a ruling made by the supreme legal instance on the constitutional conformity of the non-acceptance of a tax exemption in the event of a future permanent elimination of losses carried forward for tax purposes (as is the case here) is still pending. Hence, management does not consider it necessary to create a deferral. For more details, please refer to the explanations provided under Section 23 Potential Liabilities.

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

anticipated occurrence dates and the amounts of future taxable income and to future tax strategies.

The Group has carried forward losses for tax purposes (corporate tax: KEUR 2,219, prior year: KEUR 2,302; commercial tax: KEUR 951, prior year: KEUR 1.454). Losses carried forward do not expire and it will be possible to utilize them in conjunction with the fiscal union that does exist with the subsidiaries for tax purposes in the future. Given the fact that large additional expenses for taxes do exist, it is less likely that losses carried forward for tax purposes will be used in the future. Hence, latent taxes on losses carried forward have not been applied.

## 6. Segment reporting and consolidation scope

### 6.1 Segment reporting

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

This fiscal year, the biodiesel revenues, which totaled KEUR 186,257 (prior year: KEUR 155.697), with the exception of KEUR 12 (prior year: KEUR 0) generated by B100, was entirely generated in the B7 market. By-products such as glycerin, fatty acids and potassium sulfate accounted for sales of KEUR 6,256 (prior year: KEUR 9,672). Miscellaneous sales during the business year 2013 totaled KEUR 813 (prior year: KEUR 837). Overall revenues of KEUR 193,327 (prior year: KEUR 166,206) can be divided as follows: KEUR 53,585 (prior year: KEUR 43,348) generated in the Federal Republic of Germany; KEUR 139,333 (prior year: KEUR 122,835) generated in other EU nations and KEUR 408 (prior year: KEUR 23) in non-EU countries.

### 6.2 Basis of consolidation

The consolidated annual financial statements as of December 31, 2013, contain the annual financial statements of Petrotec AG and the following subsidiaries:

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

Vital Fettrecycling GmbH and Petrotec Biodiesel GmbH intend to make use of the exemption granted under § 264 Para. 3 of the German Commercial Code.

## 7. Other income and expenses

### 7.1 Other operating income

| Other operating income | Unit | 2013 | 2012 |
|---|---|---|---|
| Income from exchange-rate differences | KEUR | 434 | 1,275 |
| Income from the dissolution of deferrals | KEUR | 317 | 165 |
| Income from vehicle use | KEUR | 55 | 53 |
| Other income | KEUR | 298 | 674 |
| TTL | KEUR | 1,104 | 2,167 |

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

### 7.2 Cost of materials

| Cost of materials | Unit | 2013 | 2012 |
|---|---|---|---|
| Expenses for raw materials, supplies | KEUR | 159,346 | 144,822 |
| Expenses for purchased services | KEUR | 8,603 | 7,564 |
| TTL | KEUR | 167,949 | 152,386 |

### 7.3 Human resource costs

| Personnel expenses | Unit | 2013 | 2012 |
|---|---|---|---|
| Wages and salaries | KEUR | 5,768 | 4,977 |
| Expenses from share based payments | KEUR | 382 | 0 |
| Social security contributions | KEUR | 892 | 859 |
| TTL | KEUR | 7,042 | 5,836 |

The costs for social security contributions include expenditures incurred for the transfer of employer contributions to the statutory retirement benefits insurance plan in an amount of KEUR 347 (previous year: KEUR 332).

### 7.4 Depreciation/amortization

| Depreciation | Unit | 2013 | 2012 |
|---|---|---|---|
| Tangible assets | KEUR | 2,121 | 1,994 |
| Intangible assets | KEUR | 475 | 463 |
| TTL | KEUR | 2,596 | 2,457 |

## 7.5 Other operating expenses

| Other operating income | Unit | 2013 | 2012 |
|---|---|---|---|
| Operating costs | KEUR | 5,309 | 4,236 |
| Marketing costs | KEUR | 3,286 | 2,801 |
| Administrative costs | KEUR | 1,241 | 1,358 |
| Legal and consultancy costs | KEUR | 789 | 723 |
| Expenses from exchange-rate differences | KEUR | 584 | 1,959 |
| Other expenses | KEUR | 148 | 40 |
| Supervisory board remuneration | KEUR | 120 | 137 |
| Other taxes | KEUR | 1 | 1 |
| Expenses from financial instruments without hedging relationship | KEUR | 0 | 410 |
| TTL | KEUR | 11,478 | 11,665 |

## 7.6 Result from hedging

| Result from hedging | Unit | 2013 | 2012 |
|---|---|---|---|
| TTL | KEUR | 41 | -115 |

The result generated by collateral transactions in an amount of KEUR 41 is composed primarily of the positive and negative fair value changes of derivatives in collateralization arrangements. As of the account closing date, these items had generated total earnings of KEUR 23 (prior year: total costs KEUR 31). Moreover, this account contains earnings and costs generated by collateralization transactions resulting in a net cost of KEUR 581 (previous year: KEUR 1,327) as well as earnings and costs from underlying transactions, which represent earnings totaling KEUR 600 (prior year: KEUR 1,243).

## 7.7 Financial income

| Financial income | Unit | 2013 | 2012 |
|---|---|---|---|
| Interest income from bank deposits | KEUR | 1 | 25 |
| Other interest income | KEUR | 11 | 3 |
| TTL | KEUR | 12 | 28 |

## 7.8 Financing expenses

| Financial expenses | Unit | 2013 | 2012 |
|---|---|---|---|
| Interest for loans and current account credit | KEUR | 1,720 | 1,938 |
| Interest expenses linked to finance lease | KEUR | 51 | 45 |
| TTL | KEUR | 1,771 | 1,983 |

## 8. Taxes on income

The income taxes due for fiscal years 2013 and 2012 are comprised the following:

| Income taxes | Unit | 2013 | 2012 |
|---|---|---|---|
| Effective income taxes current year | KEUR | 0 | 0 |
| Effective income taxes previous years | KEUR | 0 | 0 |
| Deferred taxes | KEUR | 901 | 0 |
| Income taxes recognized in the consolidated statement of comprehensive income | KEUR | 901 | 0 |

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

| | Dec. 31, 2013 | | Dec. 31, 2012 | |
|---|---|---|---|---|
| **KEUR** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Intangible assets | 6,839 | 285 | 7,785 | 408 |
| Tangible assets | 123 | 0 | 165 | 0 |
| Receivables and other assets | 0 | 45 | 0 | 80 |
| Provisions for losses and contingencies | 0 | 0 | 8 | 0 |
| Other liabilities/ trade liabilities | 0 | 93 | 95 | 0 |
| *Adjustments on temporary differences* | *-5,638* | *0* | *-7,565* | *0* |
| **Subtotal** | **1,324** | **423** | **488** | **488** |
| Netting | -423 | -423 | -488 | -488 |
| **Consolidated statement of financial position** | **901** | **0** | **0** | **0** |

The reporting of deferred taxes based on balance sheet items was amended since last year, when they were presented in a net format, to a gross format, with the aim of improving the reporting of deferred taxes.

Deferred tax claims and debts are netted against each other if the Group has an actionable claim to charging the actual tax refund claims against actual tax debts and these refer to income taxes borne by the same taxed entity and charged by the same internal revenue service office. In fiscal year 2013, the value adjustments made to deferred tax assets, which were created on the basis of the net item after having been added up and which were in particular a result obtained in relation to the goodwill accepted for tax purposes, have been partially retracted for the upcoming years. The goodwill was completely value adjusted (impaired) in the 2007 IFRS report, while the goodwill continues to be depreciated for tax purposes over a total of useful life of 15 years. The goodwill for tax purposes as of December 31, 2013 totals KEUR 22,780 (prior year: KEUR 25,927). It is being anticipated that the deferred tax assets can be partially used in the near future, so that the value adjustment in an amount of KEUR 901 has been retracted.

In the cash capital increase on April 29, 2011, the share of the main shareholder IC Green Energy Ltd. in Petrotec AG increased to 57.5%. Hereby more than 50% of the subscribed capital has been transferred to the same shareholder within five years, so the tax losses carried forward (as of Dec. 31, 2011) for the corporation tax (EUR 42.6 million) and trade tax (EUR 40.6 million) were forfeited according to § 8c of the Capital Gains Tax [KStG]. At the end of fiscal year 2013 the Group had carried forward losses for corporate tax in an amount of KEUR 2,219 (prior year: KEUR 2,302) and trade tax related loss carried forward totaling KEUR 951 (previous year: KEUR 1,454), which were generated after the elimination of the old losses carried forward.

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

| Income taxes | Unit | 2013 | 2012 |
|---|---|---|---|
| Earnings/loss before income tax on continuing operations = earnings before income tax | KEUR | 3,115 | 926 |
| Income tax expenses at a tax rate of 30.025% (prior year: 30.06%) | KEUR | 935 | 278 |
| Amortisation of taxable goodwill | KEUR | -873 | -880 |
| Non-deductible expenses | KEUR | 23 | 96 |
| Change in Valuation of temporary differences and loss carryforwards | KEUR | 816 | 506 |
| Income taxes recognized in the consolidated statement of comprehensive income | KEUR | 901 | 0 |

## 9. Earnings per share (EPS)

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

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

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

| **Earnings per share** | | **Dec. 31, 13** | **Dec. 31, 12** |
|---|---|---|---|
| Profit attributable to ordinary equity | | | |
| holders of the parent: | KEUR | 4.015.802 | 925.929 |
| TTL | KEUR | 4.015.802 | 925.929 |

| | **QTY** | **Dec. 31, 13** | **Dec. 31, 12** |
|---|---|---|---|
| weighted average number of ordinary | | | |
| shares for basic EPS: | | 24.543.741 | 24.543.741 |
| Effect of dilution share options: | | 70.946 | 0 |
| | | | |
| TTL | | 24.614.687 | 24.543.741 |

| | | | |
|---|---|---|---|
| undiluted earnings per share: | EUR | 0,1636 | 0,038 |
| diluted earnings per share: | EUR | 0,1631 | 0,038 |

## 10. Tangible assets

| Tangible assets | Unit | Land, similar rights and buildings incl. Buildings on thirdparty land | Technical equipment, operating and business resources and deposits made | TTL |
|---|---|---|---|---|
| Purchase & production costs | | | | |
| Jan. 1, 12 | KEUR | 1,802 | 40,775 | 42,577 |
| Additions | KEUR | 0 | 2,546 | 2,546 |
| Disposals | KEUR | 0 | -256 | -256 |
| Dec. 31, 12 | KEUR | 1,802 | 43,065 | 44,867 |
| Additions | KEUR | 0 | 1,485 | 1,485 |
| Disposals | KEUR | 0 | -182 | -182 |
| Dec. 31, 13 | KEUR | 1,802 | 44,368 | 46,170 |
| Depreciation / amortization and impairment | | | | |
| Jan. 1, 12 | KEUR | 518 | 22,113 | 22,631 |
| Depreciation | KEUR | 82 | 1,911 | 1,993 |
| Disposals | KEUR | 0 | -116 | -116 |
| Dec. 31, 12 | KEUR | 600 | 23,908 | 24,508 |
| Depreciation | KEUR | 82 | 2,039 | 2,121 |
| Disposals | KEUR | 0 | -122 | -122 |
| Dec. 31, 13 | KEUR | 682 | 25,825 | 26,507 |
| Book values | | | | |
| Jan. 1, 12 | KEUR | 1,284 | 18,662 | 19,946 |
| Dec. 31, 12 | KEUR | 1,202 | 19,157 | 20,359 |
| Dec. 31, 13 | KEUR | 1,120 | 18,543 | 19,663 |

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

The item "Technical equipment, operating and business resources and deposits made", as of the balance sheet date December 31, 2013, mainly consisted of the biodiesel plants in Emden (KEUR 15,381) and in Südlohn-Oeding (KEUR 1,452), the grease-melting plant in Borken-Burlo (KEUR 295), the motor vehicle fleet (TEUR 321) and other operating and business equipment (KEUR 236).

### Finance leases and hire purchase contracts

The book value of the technical equipment, operating and business resources reported in the balance sheet in conjunction with finance leases and hire purchase contracts as of 31 December 2013 totaled KEUR 1,245. The book value is the result of finance leasing arrangements for tank warehouse Emden, the gas furnace system in Borken and the trenches in Emden. The leased assets are used as security for the obligations under finance leases.

| **Finance lease** | **Unit** | **Tank storage Emden** | **Container Emden** | **Gas burner system Borken** |
|---|---|---|---|---|
| Purchase & production costs | | | | |
| 1. Jan. 12 | KEUR | 0 | 0 | 0 |
| Additions | KEUR | 1,266 | 63 | 51 |
| Disposals | KEUR | 0 | 0 | 0 |
| 31. Dez. 12 | KEUR | 1,266 | 63 | 51 |
| Additions | KEUR | 0 | 0 | 0 |
| Disposals | KEUR | 0 | 0 | 0 |
| 31. Dez. 13 | KEUR | 1,266 | 63 | 51 |
| Depreciation / amortization and impairment | | | | |
| Jan. 1, 12 | KEUR | 0 | 0 | 0 |
| Depreciation | KEUR | 53 | 1 | 6 |
| Disposals | KEUR | 0 | 0 | 0 |
| 31. Dez. 12 | KEUR | 53 | 1 | 6 |
| Depreciation | KEUR | 63 | 7 | 5 |
| Disposals | KEUR | 0 | 0 | 0 |
| 31. Dez. 13 | KEUR | 116 | 8 | 11 |
| Book values | | | | |
| 1. Jan. 12 | KEUR | 0 | 0 | 0 |
| 31. Dez. 12 | KEUR | 1,213 | 62 | 45 |
| 31. Dez. 13 | KEUR | 1,150 | 55 | 40 |

## 11. Intangible assets

| Intangible assets | Unit | Other intangible assets | Goodwill | TTL |
|---|---|---|---|---|
| Purchase & production costs | | | | |
| Jan. 1, 12 | KEUR | 35,276 | 16,280 | 51,556 |
| Additions | KEUR | 44 | 0 | 44 |
| Disposals | KEUR | 0 | 0 | 0 |
| Dec. 31, 12 | KEUR | 35,320 | 16,280 | 51,600 |
| Additions | KEUR | 9 | 0 | 9 |
| Disposals | KEUR | 0 | 0 | 0 |
| Dec. 31, 13 | KEUR | 35,329 | 16,280 | 51,609 |
| Depreciation / amortization and impairment | | | | |
| Jan. 1, 12 | KEUR | 33,388 | 16,280 | 49,668 |
| Depreciation | KEUR | 464 | 0 | 464 |
| Disposals | KEUR | 0 | 0 | 0 |
| Dec. 31, 12 | KEUR | 33,852 | 16,280 | 50,132 |
| Depreciation | KEUR | 475 | 0 | 475 |
| Disposals | KEUR | 0 | 0 | 0 |
| Dec. 31, 13 | KEUR | 34,327 | 16,280 | 50,607 |
| Book values | | | | |
| Jan. 1, 12 | KEUR | 1,888 | 0 | 1,888 |
| Dec. 31, 12 | KEUR | 1,468 | 0 | 1,468 |
| Dec. 31, 13 | KEUR | 1,002 | 0 | 1,002 |

The other intangible assets as of December 31, 2013 do include in particular the carried-forward values in conjunction with the corporate merger-related acquisition of technology of May 17, 2006 totaling KEUR 951 (prior year: KEUR 1,359). The remaining useful life of the technology exceeded 2 years as of the balance sheet date.

## 12. Other financial assets (non-current)

| Other financial assets (non-current) | Unit | |
|---|---|---|
| Purchase & production costs | | |
| Jan. 1, 12 | KEUR | 115 |
| Additions | KEUR | 70 |
| Disposals | KEUR | -80 |
| Dec. 31, 12 | KEUR | 105 |
| Additions | KEUR | 20 |
| Disposals | KEUR | -60 |
| Dec. 31, 13 | KEUR | 65 |
| Depreciation / amortization and impairment | | |
| Jan. 1, 12 | KEUR | 0 |
| Depreciation | KEUR | 0 |
| Disposals | KEUR | 0 |
| Dec. 31, 12 | KEUR | 0 |
| Depreciation | KEUR | 0 |
| Disposals | KEUR | 0 |
| Dec. 31, 13 | KEUR | 0 |
| Book values | | |
| Jan. 1, 12 | KEUR | 115 |
| Dec. 31, 12 | KEUR | 105 |
| Dec. 31, 13 | KEUR | 65 |

The other financial assets totaling KEUR 65 refer to non-current receivables from suppliers (items provided on loan).

## 13. Inventories

| Inventories | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Raw materials and supplies (valued at purchase cost) | KEUR | 6,459 | 10,419 |
| Unfinished goods (valued at production cost) | KEUR | 755 | 933 |
| Finished goods (valued at production costs or at net sales value) | KEUR | 7,873 | 8,227 |
| Total inventories (valued at the lower value of purchase / production cost net sales value) | KEUR | 15,087 | 19,579 |

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

## 14. Trade receivables and other receivables (current)

| Trade receivables and other receivalbes (current) | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Trade receivables | KEUR | 8,049 | 5,602 |
| VAT claims | KEUR | 2,643 | 3,192 |
| Payments on account | KEUR | 352 | 109 |
| Fair Value Hedge Accounting | KEUR | 123 | 327 |
| Prepaid expenses | KEUR | 52 | 96 |
| Reimbursement capital gain tax | KEUR | 2 | 9 |
| Other financial assets | KEUR | 350 | 549 |
| TTL | KEUR | 11,571 | 9,884 |

Trade receivables bear no interest and, as a rule, mature in 5 till 14 days. As of December 31, 2013 impairment was applied to trade receivables in a net amount of KEUR 178 (prior year: KEUR 199).

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

| Impairments on receivables | Unit | 2013 | 2012 |
|---|---|---|---|
| Jan. 1 | KEUR | 199 | 199 |
| Additions impacting costs | KEUR | 67 | 0 |
| Reversal | KEUR | -27 | 0 |
| Drawdown | KEUR | -61 | 0 |
| Dec. 31 | KEUR | 178 | 199 |

The impairments of KEUR 178 contain KEUR 34 (prior year: KEUR 0), which should be allocated to the other receivables.

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

| Overdue receivables | | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|---|
| Neither overdue nor value impaired | | KEUR | 6,446 | 5,283 |
| Overdue, but not value impaired | < 30 days | KEUR | 1,260 | 34 |
| Overdue, but not value impaired | 30 till 90 days | KEUR | 49 | 209 |
| Overdue, but not value impaired | > 90 days | KEUR | 439 | 275 |
| TTL | | KEUR | 8,194 | 5,801 |

**Derivatives**

The receivables from derivative financial assets in the amount of KEUR 84 as of December 31, 2013 (prior year: KEUR 245) are represented under section 27 “Disclosures on financial instruments.”

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

## 15. Cash and equivalents, current assets

| Cash and equivalents, current assets | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Bank balances and cash balances | KEUR | 9,935 | 7,940 |

## 16. Cash flow statement

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

| Cash and equivalents, current assets | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Cash equivalents | KEUR | 0 | 135 |
| Cash | KEUR | 9,935 | 7,805 |
| TTL | KEUR | 9,935 | 7,940 |

## 17. Subscribed capital and reserves

| Subscribed capital and reserves | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Subcribed capital | KEUR | 24,544 | 24,544 |
| Capital reserve | KEUR | 86,284 | 85,901 |
| Revenue reserve | KEUR | -83,114 | -87,130 |
| Equity | KEUR | 27,714 | 23,315 |

The share capital as at December 31, 2013 was made up of 24,543,741 bearer unit shares with an arithmetic share in the Petrotec AG capital stock of EUR 1 each.

During the now complete fiscal year, the capital reserve has been increased by the expenses incurred with the granted stock options, i.e. an amount of KEUR 382.

The retained earnings consist of the accumulated annual earnings.

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

During the general shareholder meeting of 30 May 2012, the Management Board and the Supervisory Board were authorized to implement additional capital measures. The capital measures are described in detail within the invitation to the Annual General Meeting 2012 as well as in the § 4 Share Capital of the actual business statutes on our webpage: www.petrotec.de.

Authorized capital

The Management Board does have the authority, subject to the consent of the Supervisory Board, the increase the capital stock once or multiple times in installations by 29 May 2017 up to a total amount of EUR 12,271,870.00 (in words: twelve million two hundred and seventy one thousand eight hundred and seventy Euros) in exchange for cash and/or in kind deposits through the issuance of new individual bearer shares (Authorized Capital 2012). The shareholders shall be granted subscription rights. The shares may be issued to one or several credit institutions, which will have the obligation to offer them to shareholders of the Company for subscription. The Management Board, with the approval of the Supervisory Board, may exclude shareholders' subscription rights:

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

authorization goes into effect based on an authorization effective at the time this authorization goes into effect or an authorization replacing the authorization in analogous application of §186 Section 3 sentence 4 AktG while excluding subscription rights.

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

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

Conditional capital I

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

Conditional capital II

The share capital of the Company was conditionally increased by up to EUR 2,454,374.00 by issuing up to 2,454,374 new non-par value bearer shares (Conditional Capital II 2012). The Conditional Capital II 2012 serves to guarantee the subscription rights from share options that are exercised by the company until and including 29 May, 2017 based on the authorization resolution from 30 May, 2012. The conditional capital increase shall be implemented only to the extent that holders of such stock options do exercise their option rights and the Company fails to grant stocks of its own or cash compensation to fulfill the stock options. The new shares shall participate in profit from the beginning of the fiscal year in which they are issued.

Acquisition and use of own shares
The Company is authorized to acquire own stocks totaling up to 10 % of the capital stock existing at the time the resolution was made by 29 May 2014. The authorization may be exercised in whole or partially, on one or more occasions, to follow one or several purposes by the Company or by third parties on behalf of the Company. The acquired shares should not exceed together with any other shares that are owned by the Company or pursuant to §§ 71 ff AktG are attributable, at any time more than 10 percent of the share capital. The authorization may not be used for the purpose of trading own shares. The acquisition is subject to the choice of the Management Board and could be either exercised through the stock exchange or as a public tender offer or through a public offering to make such an offer.

For more details we refer to the invitation to the Annual General Meeting 2012 on our website www.petrotec.de.

## 18. Public grants

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

## 19. Interest-bearing bank loans and interest-bearing shareholders loans

The interest-bearing loans as of the balance-sheet closing date are composed of the following:

| Loans | effective interest | Term | Unit | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|---|
| Non-current shareholder loans | | | | | |
| Loans IC Green Energy Ltd. | 8.00% | Mar. 19, 14 | KEUR | 0 | 4,410 |
| Loans IC Green Energy Ltd. | 8.00% | Mar. 19, 14 | KEUR | 0 | 1,000 |
| Loans IC Green Energy Ltd. | 8.00% | Mar. 19, 14 | KEUR | 0 | 1,500 |
| Loans IC Green Energy Ltd. | 8.00% | Mar. 19, 14 | KEUR | 0 | 346 |
| Loans IC Green Energy Ltd. | 12.00% | 2015-2016 | KEUR | 5,250 | 9250 |
| | | | KEUR | 5,250 | 16,506 |
| Current share of non-current debt | | | KEUR | 0 | -4000 |
| Interest-bearing shareholder loans | | | KEUR | 5,250 | 12,506 |
| | | | | | |
| Non-current bank loans | | | | | |
| 2 Loans Mercedes Benz Bank | 4.99% | Jan. 30, 14 | KEUR | 0 | 15 |
| 2 Loans Mercedes Benz Bank | 4.80% | Nov. 30, 15 | KEUR | 61 | 95 |
| Liabilities from finance lease | 4.45% | 2014-2024 | KEUR | 1,075 | 1174 |
| Loans VR-Bank Westmünsterland e.G. | 3.75% | Jul. 30, 15 | KEUR | 11 | 18 |
| Loans VR-Bank Westmünsterland e.G. | 5.65% | Sep. 30, 14 | KEUR | 16 | 36 |
| Loans VR-Bank Westmünsterland e.G. | 2.21% | Mar. 30, 17 | KEUR | 173 | 0 |
| | | | KEUR | 1,336 | 1,338 |
| Current share of non-current debt | | | KEUR | -107 | -75 |
| Interest-bearing bank loans | | | KEUR | 1,229 | 1,263 |
| Non-current loans | | | KEUR | 6,479 | 13,769 |

A loan totaling KEUR 173 was obtained from VR-Bank Westmünsterland e.G. for the funding of the fleet.

Refinancing arrangements were made for loans from the main shareholder in fiscal year 2012. The loans in effect until then were settled by an agreement made on July 1, 2012 and were replaced with a long term loan in an amount of KEUR 9,250, of which KEUR 4,000 were paid off in fiscal year 2013. The payment plan for the remaining balance of KEUR 5,250 reflects the following:

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

Shareholder loans in an amount of KEUR 7,256 would have become due on March 19, 2014. The loans could be extended by an agreement dated March 17, 2014. In this context the interest rate has been adjusted from 8% to 10%. The company may, at any time, voluntarily prepay the amounts outstanding under this agreement in whole or in part without being subject to any prepayment fee or other penalty. After March 31, 2015 ICG has the right to demand for an immediate repayment of the loan. ICG could also claim for immediate repayment in case the majority stake (50%) in Petrotec AG changes over to an independent third party (change of control), not related to Israel Corporation Ltd. The agreement is based on the following repayment schedule:

| Maturity after rescheduling | Unit | 2014 | 2015 | 2016 | 2017 | TTL |
|---|---|---|---|---|---|---|
| Dec. 31 | KEUR | 1,000 | 0 | 0 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 2,000 | 0 | 0 | 2,000 |
| Jun. 30 | KEUR | 0 | 0 | 1,000 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 0 | 0 | 2,000 | 2,000 |
| Dec. 31 | KEUR | 0 | 0 | 0 | 1,256 | 1,256 |
| TTL | KEUR | 1,000 | 2,000 | 1,000 | 3,256 | 7,256 |

| Loans | effective interest rate | Term | Unit | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|---|
| Current loans | | | | | |
| Bank loans | 2.81% | Jan. 3, 14 | KEUR | 1,476 | 0 |
| Bank loans | 2.81% | Jan. 6, 14 | KEUR | 1,525 | 0 |
| Bank loans | 1.31% | Jan. 6, 14 | KEUR | 3,200 | 0 |
| Bank loans | | 2014 | KEUR | 107 | 0 |
| Bank loans | 2.66% | Jan. 4, 13 | KEUR | 0 | 2,675 |
| Bank loans | 2.68% | Jan. 4, 13 | KEUR | 0 | 2,780 |
| Bank loans | 2.66% | Jan. 4, 13 | KEUR | 0 | 1,240 |
| Bank loans | 2.66% | Jan. 2, 13 | KEUR | 0 | 800 |
| Liabilities from finance lease | 4.45% | 2014 | KEUR | 124 | 127 |
| | | | KEUR | 6,432 | 7,622 |
| Current share of non-current bank loans | | | KEUR | 107 | 75 |
| Interest-bearing bank loans | | | KEUR | 6,539 | 7,697 |
| | | | | | |
| Current shareholder loans | | | | | |
| Loans IC Green Energy Ltd | 8.00% | Mar. 19, 14 | KEUR | 4,410 | 0 |
| Loans IC Green Energy Ltd | 8.00% | Mar. 19, 14 | KEUR | 1,000 | 0 |
| Loans IC Green Energy Ltd | 8.00% | Mar. 19, 14 | KEUR | 1,500 | 0 |
| Loans IC Green Energy Ltd | 8.00% | Mar. 19, 14 | KEUR | 346 | 0 |
| Current interest expenses | | | KEUR | 0 | 1,190 |
| | | | KEUR | 7,256 | 1,190 |
| Current share of non-current shareholder loans | | 2014 | KEUR | 0 | 4,000 |
| Interest-bearing shareholder loans | | | KEUR | 7,256 | 5,190 |
| Current loans | | | KEUR | 13,795 | 12,887 |

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

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

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

As of December 31, 2013, the Group's financial liabilities were subject to the following terms. The statements are based on contractually agreed, not discounted payments.

| **Loans** | **Unit** | **< 1 year** | **1 -2 years** | **2 - 3 years** | **3 - 4 years** | **4 - 5 years** | **> 5 years** | **TTL** |
|---|---|---|---|---|---|---|---|---|
| Dec. 31, 13 | | | | | | | | |
| Current loans IC Green Energy Ltd. | | | | | | | | |
| Interest | KEUR | 145 | 0 | 0 | 0 | 0 | 0 | 145 |
| Payoff principal | KEUR | 7,256 | 0 | 0 | 0 | 0 | 0 | 7,256 |
| Non-current loans IC Green Energy Ltd. | | | | | | | | |
| Interest | KEUR | 639 | 639 | 396 | 0 | 0 | 0 | 1,674 |
| Payoff principal | KEUR | 0 | 2,000 | 3,250 | 0 | 0 | 0 | 5,250 |
| Non-current bank loans | | | | | | | | |
| Interest | KEUR | 6 | 3 | 1 | 0 | 0 | 0 | 10 |
| Payoff principal | KEUR | 107 | 88 | 53 | 13 | 0 | 0 | 261 |
| Current bank loans | | | | | | | | |
| Interest | KEUR | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Payoff principal | KEUR | 6,201 | 0 | 0 | 0 | 0 | 0 | 6,201 |

The short term bank loans in totaling KEUR 6,201 are collateralized by the financed operating capital.

As of December 31, 2012, the Group's financial liabilities were subject to the following terms. The statements are based on contractually agreed, not discounted payments.

| Loans | Unit | < 1 year | 1 -2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | > 5 years | TTL |
|---|---|---|---|---|---|---|---|---|
| Dec. 31, 12 | | | | | | | | |
| Non-current loans IC Green Energy Ltd. | | | | | | | | |
| Interest | KEUR | 589 | 145 | 0 | 0 | 0 | 0 | 734 |
| Payoff principal | KEUR | 0 | 7,256 | 0 | 0 | 0 | 0 | 7,256 |
| Non-current loans IC Green Energy Ltd. | | | | | | | | |
| Interest | KEUR | 1,003 | 639 | 639 | 396 | 0 | 0 | 2,677 |
| Payoff principal | KEUR | 4,000 | 0 | 2,000 | 3,250 | 0 | 0 | 9,250 |
| Non-current bank loans | | | | | | | | |
| Interest | KEUR | 6 | 3 | 1 | 0 | 0 | 0 | 10 |
| Payoff principal | KEUR | 75 | 55 | 34 | 0 | 0 | 0 | 164 |
| Current bank loans | | | | | | | | |
| Interest | KEUR | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Payoff principal | KEUR | 7,495 | 0 | 0 | 0 | 0 | 0 | 7,495 |

## 20. Trade payables and other liabilities (current)

| Trade payables and other liabilities (current) | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| Trade receivables | KEUR | 8,264 | 7,565 |
| Other liabilities | KEUR | 1,821 | 1,537 |
| TTL | KEUR | 10,085 | 9,102 |

The other liabilities comprise primarily negative fair values from underlying transactions in collateralized arrangements totaling KEUR 64 (see Section 27 "Information on financial instruments"), as well as liabilities from payroll taxes and social security contributions in an amount of KEUR 200.

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

Trade payables and other liabilities regularly have short terms; the values carried are approximates of the respective attributable market values. Foreign-currency liabilities totaling KUSD 1,583 are included in the item for trade payables.

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

## 21. Share-based compensation

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

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

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

The recorded total expenses for the share-based compensation in fiscal year 2013 totaled to KEUR 382. This has been recognized in the income statement as well as in the equity capital. The following table shows the number of stock options and weighted average exercising prices (GDAP) as well as the development of the stock options throughout the fiscal year (excludes Share Appreciation Rights (SAR):

| Stockoptions | Unit | Dec. 31, 13 | GDAP |
|---|---|---|---|
| Outstanding at January 1: | QTY | 0 | |
| Granted during year: | QTY | 1,120,000 | 1.1077 |
| Outstanding at December 31: | QTY | 1,120,000 | 1.1077 |
| Exercisable at December 31: | QTY | 0 | |

As of December 31, 2013, the average contractual term of the granted options totals six years.

The weighted average applicable fair value of the options granted throughout the fiscal year was EUR 0.68. The tables below contain the input parameters for the model based on which the plan was evaluated for fiscal year 2013:

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

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

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

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

As of December 31, 2013 the book value of the liabilities for stock appreciation rights totals KEUR 355 (prior year: KEUR 0). As of December 2013, 31 or December 31, 2012 no SARs could be exercised.

The expenses reported during the fiscal year for SARs totals KEUR 355 (prior year: KEUR 0).

## 22. Accruals

| Accruals | Unit | 2013 | 2012 |
|---|---|---|---|
| 1. Jan | KEUR | 106 | 0 |
| Additions | KEUR | 0 | 106 |
| Dissolutions | KEUR | -44 | 0 |
| Drawdown | KEUR | -62 | 0 |
| 31. Dec | KEUR | 0 | 106 |

## 23. Performance risks and other commitments

### Commitments from a leasehold contract

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

| Commitments from a leasehold contract | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| < 1 year | KEUR | 35 | 34 |
| 1 year till 5 years | KEUR | 149 | 146 |
| > 5 years | KEUR | 305 | 343 |
| TTL | KEUR | 489 | 523 |

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

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

### Finance lease commitments

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

| Finance leasae commitments | Unit | Dec. 31, 13 | Dec. 31, 13 | Dec. 31, 12 | Dec. 31, 12 |
|---|---|---|---|---|---|
| | | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| < 1 year | KEUR | 129 | 81 | 178 | 127 |
| 1 year till 5 years | KEUR | 594 | 403 | 634 | 425 |
| > 5 years | KEUR | 745 | 661 | 864 | 749 |
| TTL | KEUR | 1,468 | 1,145 | 1,676 | 1,301 |
| Less amounts representing finance | KEUR | -323 | 0 | -375 | 0 |
| Present value of minimum lease payments | KEUR | 1,145 | 1,145 | 1,301 | 1,301 |

**Obligations from operating lease agreements – the Group as the lessee**

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

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

As of December 31, 2013, the following future minimum leasing payment commitments existed relating to operating leasing agreements that cannot be terminated:

| Minimum leasing payments commitments | Unit | Dec. 31, 13 | Dec. 31, 12 |
|---|---|---|---|
| < 1 year | KEUR | 202 | 172 |
| 1 year till 5 years | KEUR | 117 | 227 |
| > 5 years | KEUR | 0 | 0 |
| TTL | KEUR | 319 | 399 |

**Order commitments**

As of December 31, 2013, the Company had entered into obligations to acquire tangible assets with a total value of KEUR 438.
An agreement for the refinery processing of used cooking oil by a third party enterprise with an indefinite term also exists. This will lead to payments of at least KEUR 837 per year.
Furthermore the Group committed to contracts for feedstock purchase totaling to KEUR 7,031.

**Contingent liabilities**

**Income taxes for previous periods**

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

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

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

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

The management still assumes that the above mentioned waiver agreement - contrary to the opinion of the tax authorities - meets the requirements for a so-called restructuring profit (Sanierungsgewinn). Additionally the management shares the doubts raised by the federal fiscal court (BFH) concerning the decision of the ministry of finance (BMF) and assumes that it is more likely that a tax liability will not finally concluded. A tax expert review is supporting the management in its decision. For this reason a tax provision has neither been recognized in fiscal year 2012 nor in fiscal year 2013.

**Potential repayment obligations for reimbursements received under the Renewable Energy Act (Erneuerbare Energien Gesetz = EEG)**

The EU Commission is planning to initiate a formal auditing process pertaining to the EEG and the exception policies that apply to companies that are intensive electrical power users. In the event of a negative decision by the EU Commission, German companies face the risk of having to make substantial retroactive payments. Given this unclear legal situation and the pending outcome of the proceeding as well as the announcement made by the German federal government to take legal action in the event of an unfavorable outcome, the Company considers the possibility of having to make such a payment unlikely. During the related time period, the Company realized savings under the EEG allocation of KEUR 343. If an unfavorable ruling should be made, it would have to refund this amount.

## 24. Related party disclosures

IC Green Energy Ltd., in Tel Aviv, Israel is the parent company of Petrotec AG. The ultimate controlling parent corporation is Israel Corporation Ltd., Tel Aviv, Israel.

During the fiscal year, except for drawing on shareholder loans, there were neither business relations between the Petrotec Group and IC Green Energy Ltd. nor with the ultimate controlling parent corporation of Israel Corporation Ltd.

### Companies with significant influence on the Group

IC Green Energy Ltd., Tel Aviv (Israel)
On December 4, 2008 IC Green Energy Ltd.Tel Aviv (Israel) acquired 4,497,431 shares from the main shareholder in Petrotec AG, namely Petrotec S.a.r.l., Luxembourg. Moreover, ICG has subscribed to 1,049,999 shares due to the capital increase resolution of May 28, 2009. In 2011, IC Green Energy Ltd. acquired 11,508,015 more shares in the capital increases (3,860,323 in April 2011 and 7,547,692 in December 2011). Consequently, IC Green Energy Ltd. held about 69.08% of the capital stock of Petrotec AG at the end of December 2011 (December 31, 2008: 48.03%). No notifications were submitted during fiscal years 2012 and 2013 that ICG had positively or negatively breached the threshold of 50% or 75% of the capital stock.

The following table shows the total for transactions between related parties in the respective fiscal year (for details on the outstanding balances as at December 31, 2013 see Note 19):

| Related party disclosures | Unit | Sales / services to related parties | Purchases / services rendered by related parties | Receivables from related parties | Liabilities owed to related parties |
|---|---|---|---|---|---|
| IC Green Energy Ltd., Tel Aviv (Israel) 2013 | KEUR | 0 | 0 | 0 | 12,506 |
| IC Green Energy Ltd., Tel Aviv (Israel) 2012 | KEUR | 0 | 30 | 0 | 17,696 |

## Related party disclosures

Compensation of Management and Supervisory Boards

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

## Stakes in the Group held by related persons

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

| Stakes in the Group held by related persons | Unit | Quantity | Mathematical percentage in the capital stock |
|---|---|---|---|
| Rainer Laufs | | | |
| Dec. 31, 2013 | QTY | 12,388 | 0.05% |
| Dec. 31, 2012 | QTY | 12,388 | 0.05% |

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

## 25. Company boards and their compensation

### Compensation report

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

### Management Board compensation

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

The compensation of Petrotec Management Board members consists of three components, a fixed component irrespective of success, a variable bonus based on the Company's success and a medium term compensation linked to the share performance. The fixed component is paid monthly in the form of a salary. The variable bonus component is paid on an annual basis, linked to the company success and results. The third component consists of two bonus programs that are linked to the development of the stock price and that are equivalent to a stock package of 300,000 units each for Medium Term Compensation Agreement I and II and 400,000 units for Medium Term Compensation Agreement III.

### Medium-term compensation

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

Moreover the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement I amounts to KEUR 176, which has been taken into account in this Annual Report.

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

through December 31, 2015 multiplied by 100,000 and December 1, 2015 through December 31, 2016 multiplied by 100,000.

Moreover, the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement II is KEUR 172, which has been taken into account in this Annual Report.

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

Moreover, the Management Board member with sole representation rights may receive an additional variable compensation (acceleration) if the Group is merged with another company or sold.

As of December 31, 2013, the fair value of the SARs from the Medium Term Compensation Agreement III is KEUR 8, which has been taken into account in this Annual Report.

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

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

The Management Board member did not receive any pension commitments in 2012 and 2013; moreover, the Company did not extend any loans to him. The contract with the Management Board member does not contain any clauses other than the above mentioned change-of-control clause.

The compensation paid in fiscal years 2012 and 2013 consisted of the following:

| Compensation | Unit | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Fixed compensation | KEUR | 280 | 250 |
| Variable compensation | KEUR | 200 | 66 |
| Other compensation benefits | KEUR | 180 | 160 |
| TTL | KEUR | 660 | 476 |

**Supervisory Board compensation**

Compensation of the Supervisory Board is provided for in § 12 of the Articles of Association and amounts to EUR 20,000 per year for each Supervisory Board member. The compensation of the chairman of the Supervisory Board amounts to EUR 60,000 per year and that of the deputy chairman to EUR 40,000 per year. Any value-added tax due on the compensation is paid by the Company in addition at the respective statutory rate, if and to the extent that a Supervisory Board member should invoice it or the sum is stated in a credit note in lieu of invoice. Supervisory Board members are also reimbursed for travel expenses.

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

**CEO**

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

In fiscal year 2013, the total remuneration paid was KEUR 660. The remuneration paid to the Management and Supervisory Boards are presented in detail in the remuneration report section of the Management Report.

**Supervisory Board**

**Rainer Laufs** (Chairman of the Supervisory Board since November 4, 2008)

Mr. Rainer Laufs is an independent consultant for a number of businesses. Among other things, Mr. Laufs is the chairman of the supervisory board of WCM AG, Frankfurt. Additionally, Mr. Laufs is a member of the supervisory board of LANXESS AG, Leverkusen and LANXESS Deutschland GmbH, Leverkusen. Since February 15, 2013 has also been a member of the supervisory board of the Asklepios Kliniken GmbH, Hamburg and of the Asklepios Kliniken Verwaltungs GmbH, Königstein im Taunus. Since November 29, 2012, Mr. Laufs has also been a member of the administrative board of Bilfinger Industrie Service GmbH, Munich and Bilfinger Industrial Technologies GmbH, Munich.

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

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

The Supervisory Board members receive a fixed annual remuneration after the end of the fiscal year. The chairman of the Supervisory Board receives triple this amount, while his deputy is paid double the amount. Supervisory Board members who were not members of the Supervisory Board for the duration of the entire fiscal year receive a pro-rated compensation amount based on the duration of their Supervisory Board membership.

The Supervisory Board members also receive reimbursement of their reasonable expenditures upon presentation of receipts as well as a refund of the VAT they had to pay on their remuneration and expenses, to the extent that Supervisory Board members are permitted to separately invoice VAT and make use of this privilege.

## 26. Objectives and methods of financial risk management

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

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

| | Unit | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Equity capital | KEUR | 27,714 | 23,315 |
| Equity ratio | % | 47.6 | 39.3 |
| Current financial liabilities | KEUR | 13,795 | 12,886 |
| Non-current financial liabilities | KEUR | 6,479 | 13,769 |
| Cash and equivalents, current assets | KEUR | 9,935 | 7,940 |

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

The Group continues to pursue its policy of not trading in financial instruments.
The material risks to the Group arising from the financial instruments are interest-based cash-flow risks, liquidity risks and default risks. Management compiles and assesses risk management guidelines for each of these risks, as described below.

**Default risk**

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

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

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

**Liquidity risk**

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

In the Petrotec Group, access to liquid funds is gained alongside operating business, primarily through current and non-current loans from its majority shareholder IC Green Energy Ltd. The liquid funds generated are used for investments and to finance working capital. Moreover, suppliers furnish credit lines for the financing of feedstock in conjunction

with the procurement of used cooking oil. The Group also utilizes short term bank loans to finance its working capital.

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

As of December 31, 2013 78.3% (previous year: 61.3%) of the Group's borrowed capital is due for payment in less than a year. The borrowed capital quota has declined to 52.4% (previous year: 60.7%).

By the agreement dated March 17, 2014 the current loans of IC Green Energy Ltd. in an amount EUR 7.3 million due on March 19, 2014 could be extended till March 31, 2015. A claim for an immediate loan repayment could be possible in case that ICG is losing the majority in shareholding. That liquidity risk could be compensated by cash management.

**Market risks**

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

The sensitivity analyses in the following sections refer to the situation on December 31, 2013 and 2012. The sensitivity analyses were performed on the basis of the hedging relationships as of December 31, 2013, on the assumption that the degree of net indebtedness, the ratio of fixed and variable interest on debts and derivatives, and the share of financial instruments in foreign currencies will remain constant.

**Interest risk**

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

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

**Currency risk**

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

The Petrotec Group is exposed to currency risk only in USD.

**Sensitivity to exchange rate variations**

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

A reduction (increase) of the market price by 10% as of the account closing date December 31, 2013 would have a positive (negative) effect on the Group result of KEUR 640 (prior year: KEUR 1,314).

**Commodity price risk**

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

**Sensitivity to commodity prices**

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

A reduction (increase) of the market price by 10% as of the account closing date December 31, 2013 would have a positive (negative) effect on the Group result of KUSD 1,005 (prior year: KUSD 897).

### Trade receivables

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

### Disproportionately high concentration of risk

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

## 27. Financial instruments

### General information

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

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

As of December 31, 2013 and in the prior year, the Group hedged pending transactions by means of currency futures transactions. They were classified as hedge instruments in foreign currency fair value hedges for future sales. As of December 31, 2013, the hedged pending transactions with a fixed liability led to stating financial assets in the amount of KEUR 45 (prior year: KEUR 231) and financial liabilities in the amount of KEUR 64 (prior year:

KEUR 80). The changes in the fair value of the currency futures transactions and pending transactions with fixed liabilities were recognized in the income statement

The valuation categories of “fair value option”, “financial instruments held to maturity” and “financial instruments held for sale” are not relevant to the existing financial assets and financial liabilities.

**Categories of financial assets and financial liabilities**

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

| Measured | | at amortized cost | | at fair value | | | |
|---|---|---|---|---|---|---|---|
| Valuation category | | Loans and receivables | | Derivatives in hedging relationship | | TTL | |
| | Unit | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| Dec. 31, 2013 | | | | | | | |
| Trade receivables | KEUR | 8,049 | 8,049 | 0 | 0 | 8,049 | 8,049 |
| Other financial assets | KEUR | 389 | 389 | 0 | 0 | 389 | 389 |
| Derivatives | KEUR | 0 | 0 | 84 | 84 | 84 | 84 |
| Cash | KEUR | 9,935 | 9,935 | 0 | 0 | 9,935 | 9,935 |
| Assets | KEUR | 18,373 | 18,373 | 84 | 84 | 18,457 | 18,457 |
| Dec. 31, 2012 | | | | | | | |
| Trade receivables | KEUR | 5,602 | 5,602 | 0 | 0 | 5,602 | 5,602 |
| Other financial assets | KEUR | 3,832 | 3,832 | 0 | 0 | 3,832 | 3,832 |
| Derivatives | KEUR | 0 | 0 | 245 | 245 | 245 | 245 |
| Cash | KEUR | 7,940 | 7,940 | 0 | 0 | 7,940 | 7,940 |
| Assets | KEUR | 17,374 | 17,374 | 245 | 245 | 17,619 | 17,619 |

| Measured | | at amortized cost | | at fair value | | | |
|---|---|---|---|---|---|---|---|
| Valuation category | | Loans and receivables | | Derivatives in hedging relationship | | TTL | |
| | Unit | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| Dec. 31, 2013 | | | | | | | |
| Non-current and current financial liabilities | | | | | | | |
| Liabilities to banks and other loans | KEUR | 20,274 | 20,274 | 0 | 0 | 20,274 | 20,274 |
| Other non-current liabilities | KEUR | 151 | 151 | 0 | 0 | 151 | 151 |
| Trade payables | KEUR | 8,264 | 8,264 | 0 | 0 | 8,264 | 8,264 |
| Other current financial liabilities | KEUR | 1,757 | 1,757 | 0 | 0 | 1,757 | 1,757 |
| Derivatives | KEUR | 0 | 0 | 64 | 64 | 64 | 64 |
| Liabilities | KEUR | 30,446 | 30,446 | 64 | 64 | 30,510 | 30,510 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dec. 31, 2012 | | | | | | | |
| Non-current and current financial liabilities | | | | | | | |
| Liabilities to banks and other loans | KEUR | 26,656 | 26,656 | 0 | 0 | 26,656 | 26,656 |
| Other non-current liabilities | KEUR | 157 | 157 | 0 | 0 | 157 | 157 |
| Trade payables | KEUR | 7,565 | 7,565 | 0 | 0 | 7,565 | 7,565 |
| Other current financial liabilities | KEUR | 1,561 | 1,561 | 0 | 0 | 1,561 | 1,561 |
| Derivatives | KEUR | 0 | 0 | 82 | 82 | 82 | 82 |
| Liabilities | KEUR | 35,939 | 35,939 | 82 | 82 | 36,021 | 36,021 |

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

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

- The fair value of the cash and cash equivalents, short-term deposits, trade receivables, trade payables and other short-term liabilities corresponds to their carrying amount, primarily because of their short-term maturity.
- Non-current interest-bearing and variable interest-bearing receivables / loans are valued by the Group on the basis of parameters such as interest rates, credit ratings of the individual customers and the risk parameters of the funded project. Based on these valuations, value adjustments are made to take into account anticipated defaults on these receivables. As of December 31, 2013, the book values of these receivables after deduction of the value adjustments do not deviate much from their computed applicable fair values.
- The Group trades in derivative financial instruments with various parties, especially financial institutions with a high credit rating (investment grade). Using a valuation method according to input parameters observable on the market, derivatives mainly consist of swaps and currency futures contracts. The most common valuation methods include the forward price and swap models, using cash-value calculations. The models involve various parameters, such as the credit ratings of the trading partners and the spot exchange and forward prices of the underlying commodities.

As of December 31, 2013 the derivatives positioning has been reported at market values (market-to-market).

### Reconciliation with the balance sheet items

The categories of financial instruments under IFRS 7 basically correspond to the items of the consolidated balance sheet. The categories that differ from them are reconciled in the following figure with the balance sheet items as of December 31, 2013.

**Reconciliation with the balance sheet items**

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

**Reconciliation with the balance sheet items**

| IFRS 7 categories | | Dec. 31, 2012 | Balance sheet position | | Dec. 31, 2012 |
|---|---|---|---|---|---|
| Other assets | KEUR | 104 | Long-term financial assets | KEUR | 104 |
| Trade receivables | KEUR | 5,602 | | | |
| Other assets | KEUR | 631 | | | |
| Derivatives | KEUR | 245 | | | |
| Assets other than finacial instruments | KEUR | 3,406 | | | |
| | KEUR | 9,884 | Trade receivables and other receivables | KEUR | 9,884 |
| Liabilities to banks | KEUR | 7,659 | Long-term interest-bearing bank loans | KEUR | 89 |
| | | | Short-term interest-bearing bank loans | KEUR | 7,570 |
| Other loans (shareholder loans) | KEUR | 17,696 | Long-term interest-bearing liabilities to shareholders | KEUR | 12,506 |
| | | | Short-term interest-bearing liabilities to shareholders | KEUR | 5,190 |
| | KEUR | 25,355 | | KEUR | 25,355 |
| Trade payables | KEUR | 7,565 | | | |
| Derivatives | KEUR | 82 | | | |
| Other financial liabilities | KEUR | 1,272 | | | |
| Liabilities other than financial instruments | KEUR | 183 | | | |
| | KEUR | 9,102 | Trade payables and other liabilities | KEUR | 9,102 |

**Hierarchy of fair values**

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

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

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

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

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

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

As of December 31, 2012, the Group's balance sheet contained the following financial instruments measured at fair value:

| **Hierarchy of fair values** | **Unit** | **Dec. 31, 12** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|
| Financial assets valued at the applicable fair value | | | | | |
| Financial instruments measured at fair value through profit or loss | | | | | |
| Currency future contracts in a hedging relationship | KEUR | 231 | 0 | 231 | 0 |
| Currency future contracts without hedging relationship | KEUR | 0 | 0 | 0 | 0 |
| Swaps and futures in a hedging relationship | KEUR | 14 | 0 | 14 | 0 |
| Change in fair value of underlying transactions in a hedging relationship | KEUR | 82 | 0 | 82 | 0 |
| Liabilities valued at the applicable fair value | | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | | |
| Currency future contracts in a hedging relationship | KEUR | 80 | 0 | 80 | 0 |
| Currency future contracts without hedging relationship | KEUR | 0 | 0 | 0 | 0 |
| Swaps and futures in a hedging relationship | KEUR | 2 | 0 | 2 | 0 |
| Change in fair value of underlying transactions in a hedging relationship | KEUR | 150 | 0 | 150 | 0 |

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

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

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

- Long term receivables/loans subject to fixed interest rates and variable interest rates are reported by the Group at values based on parameters such as interest rates, certain country specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on these valuations, value adjustments are made to take into account anticipated defaults on these receivables. As of December 31, 2013, the book values of these receivables after deduction of the value adjustments do not deviate significantly much from their computed applicable

fair values.

- The applicable fair value of instruments that are not publicly traded, bank loans and other financial liabilities, obligations arising from finance lease arrangements as well as other long term financial liabilities is estimated through the discounting of the future cash flow using the comparable terms, default risks and residual terms and available interest rates for borrowed capital.
- The Group trades in derivative financial instruments with various parties, especially financial institutions with a high credit rating (investment grade). Using a valuation method of input parameters for derivatives that can be monitored on the market, the derivatives utilized are primarily dated currency contracts and dated commodities contracts. The evaluation models factor in a variety of factors, e.g. the creditworthiness of business partners, currency, cash and dated transaction as well as forwarding rates for the commodities they are based on. All derivatives are completely collateralized with cash funds, which rules out both, the risk of non-fulfillment by business partners and the non-fulfillment risk of the Group. As of December 31, the market-to-market derivative position is understood to be adjusted downward to take into account the counterparty default risk of the derivative. The changes in the counterparty default risk had no material effects on the assessment of the effectiveness of the hedging relationship in the case of derivatives assigned to a hedging relationship and other financial instruments recognized at fair value.
- The applicable fair values of interest earning loans of the Group are determined using the discounted cash flow method. The interest rate used for this purpose is one that reflects the borrowed capital interest rate of the issuer until the end of the reporting period. As of December 31, 2013 the Group’s own non-fulfillment risk was classified as low.

### Derivatives

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

| Derivatives | Nominal-volumes | Derivative assets = positive market values | Derivative liabilities = negative market values |
|---|---|---|---|
| | KUSD | KEUR | KEUR |
| Dec. 31, 2013 | | | |
| Derivatives in a hedging relationship | | | |
| Fair value hedge | | | |
| Biodiesel hedge | 10,051 | 39 | 0 |
| Currency hedge | 21,800 | 45 | 64 |
| TTL | | 84 | 64 |
| Dec. 31, 2012 | | | |
| Derivatives in a hedging relationship | | | |
| Fair value hedge | | | |
| Biodiesel hedge | 8,971 | 14 | 2 |
| Currency hedge | 17,350 | 231 | 80 |
| TTL | | 245 | 82 |

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

### Description of the existing derivatives as of the reporting date

### Biodiesel swap transactions (in a hedging relationship)

To hedge the proceeds from sales contracts linked to petroleum prices, hedges in the form of fixed biodiesel sales are against variable petroleum prices. The positive market values of these swaps and futures amount on the balance sheet date to KEUR 39 (prior year: KEUR 14), the negative KEUR 0 (prior year: KEUR 2). After taking inefficiencies into account in the amount of KEUR 0 (prior year: KEUR 0) no adjustments affecting the income statement were necessary. The prospective efficiency measurement was in the acceptable range. The retrospective efficiency was calculated using the Dollar-Offset Method.

### Currency transactions (in a hedging relationship)

To hedge the foreign currency receivables and foreign currency liabilities resulting from the sale of biodiesel or purchase of feedstock, hedges were used in the form of fixed currency sales or purchases. The positive market values of those currency futures transactions amounted on the balance sheet date to KEUR 45 (prior year: KEUR 231), the negative to KEUR 64 (prior year: KEUR 80). The inefficiencies in the amount of KEUR 41 (prior year:

KEUR 151) were recognized on the income statement. The prospective efficiency measurement was in the acceptable range. The retrospective efficiency was calculated using the Dollar-Offset Method.

### Hedging activities

The efficiency of the fair value from futures transactions is determined prospectively using Critical Terms Match and retrospectively through the Dollar-Offset Method. So long as the hedge remains in a bandwidth of 80% to 125%, the Hedge Accounting is continued. In fair value hedges, the change in fair values of underlying transactions was counted towards the hedged risk in the total amount of KEUR -23 (prior year: KEUR -68) as part of the carrying amount of the secured underlying transaction.

## 28. Occurrences after the balance sheet closing date

In 2009 IC Green Energy Ltd., Tel-Aviv, Israel, granted under the BaFin exemption regulation KEUR 10,450 loans at an interest rate of 8% to Petrotec AG to support the restructuring of the company. After the capital increase in exchange for non-cash contributions (dept-to-equity swap) in December 2011 these loans remained at an amount of KEUR 7,256. The principal will become due on March 19, 2014. The loans could be extended by an agreement dated March 17, 2014. In this context the interest rate has been adjusted from 8% to 10%. The company may, at any time, voluntarily prepay the amounts outstanding under this agreement in whole or in part without being subject to any prepayment fee or other penalty. After March 31, 2015 ICG has the right to demand for an immediate repayment of the loan. ICG could also claim for immediate repayment in case the majority stake (50%) in Petrotec AG changes over to an independent third party (change of control), not related to Israel Corporation Ltd. The agreement is based on the following repayment schedule:

| Maturity after rescheduling | Unit | 2014 | 2015 | 2016 | 2017 | TTL |
|---|---|---|---|---|---|---|
| Dec. 31 | KEUR | 1,000 | 0 | 0 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 2,000 | 0 | 0 | 2,000 |
| Jun. 30 | KEUR | 0 | 0 | 1,000 | 0 | 1,000 |
| Jun. 30 | KEUR | 0 | 0 | 0 | 2,000 | 2,000 |
| Dec. 31 | KEUR | 0 | 0 | 0 | 1,256 | 1,256 |
| TTL | KEUR | 1,000 | 2,000 | 1,000 | 3,256 | 7,256 |

ICG has provided besides the loans under the same BaFin exemption regulation a bank guarantee of KEUR 1,000 at an interest rate of 5%. The bank guarantee expires in the first quarter 2014 and is not going to be prolonged.

The Company acquired in the first three months of the current fiscal year parts of a biodiesel plant in Spain. The plant was dismantled and transferred to the production site Emden. The components are going to be utilized as part of planned investment projects. The order commitments as of December 31, 2013 amounted to KEUR 438.

## 29. Average payroll

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

| Average number of employees | Unit | 2013 | 2012 |
|---|---|---|---|
| Salaried employees | QTY | 39 | 35 |
| Hourly employees | QTY | 70 | 62 |
| TTL | QTY | 109 | 97 |

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

The Management Board of Petrotec AG, Borken, has released the consolidated group financials on March 17, 2014 for passing on to the Supervisory Board. The Supervisory Board approved the consolidated financial statements and released them for publication.

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

For the fiscal year, the Group's financial auditor received an amount of KEUR 71 for the performance of the audit of the annual financial statements, KEUR 0 for tax advice, KEUR 4 for other confirmation services and KEUR 38 for other services.

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

During the reporting year, the Management Board and Supervisory Board of Petrotec AG also focused on the adherence to the requirements of the German Corporate Governance Code. Petrotec complies almost fully with all recommendations, with only a few deviations. As result, a joint declaration of the Management Board and the Supervisory Board in accordance with sec. 161 of the Stock Corporation Act has been stated. The updated joint declaration from December 2013 was permanently made available to the public on the webpage of Petrotec AG (www.petrotec.de) and is also available for download. The declaration according to sec. 161 of the Stock Corporation Act contains further information.

Borken, March 17, 2014

Jean Scemama
CEO

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

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

Borken, March 17, 2014

Jean Scemama
CEO

# *Auditor's Report*

We have audited the consolidated financial statements prepared by the Petrotec AG, Borken, – comprising the consolidated balance sheet, the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements – together with the management report for the Company and the Group for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the management report for the Company and the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a subs. 1 HGB are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for the Company and the Group based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, March 17, 2014

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

| Christian Roos | Alexandra Sievers |
|---|---|
| - Wirtschaftsprüfer - | - Wirtschaftsprüferin - |