**Interim Report Petrotec AG**
**Quarterly Report March 31, 2012**

# Content

# I Introduction

The consolidated interim financial report of Petrotec AG meets the requirements of an interim financial report pursuant to the applicable provisions of the German Securities Trading Act (WpHG) and in accordance with Sec. 37x of the WpHG, comprises the condensed consolidated interim financial statements and consolidated interim management report, as well as a declaration of assurance from the legal representative.

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The consolidated interim financial report should be read in connection with the annual report for 2011 and the additional information on the company contained therein.

*Quarterly IFRS interim report*

The present IFRS interim report outlines the business development of the first three months of 2012 and reports on the first three months (January 1 – March 31, 2012) of Petrotec AG's fiscal year 2012 (January 1 – December 31, 2012).

# II GROUP INTERIM MANAGEMENT REPORT

## *II.1 GENERAL CONDITIONS*

### II.1.1 Market

The first quarter of 2012 started active on the biodiesel side and – even if not usual for a beginning of a year – with a relative midterm view of the market of market players. Supply and demand agreements closed in the first three weeks of January last until end of Q1 and beyond. Gasoil was traded at levels around $965-975 per metric ton (mt) while bean oil was traded with a spread to that of $170-190 per mt. Physical fame 0 was traded at a premium of around $330 per mt over ICE Gasoil while the paper fame 0 prices were around $5-$10 per metric tonne above the physical premium. The weaker euro beginning of the year (the Euro/Dollar was traded in a range between 1.2622 and 1.3000) lead to a higher flat price of the UCOME and supported positive hedging effects of the biodiesel due to higher converted price levels.

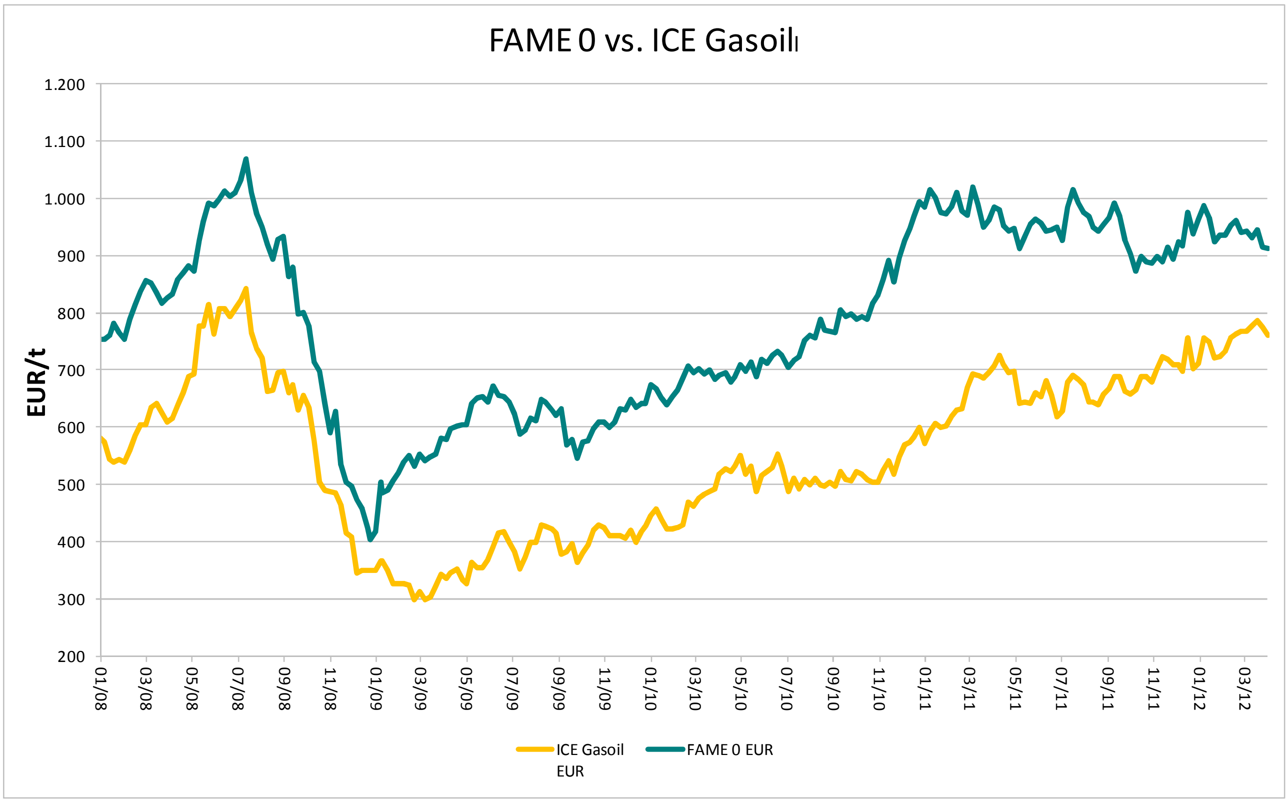
With the Double Counting regulation for Germany announced in December 2011, demand for UCOME increased even though it hasn’t reached its full potential yet, as some players in the German market were still insecure in terms of the application of double counting in Germany. Within one month Petrotec’s sales of UCOME shifted by 40% from the UK and the Dutch market to the German market. Until end of the first quarter this amount even increased and major volumes were supplied into the fast growing German market. Even though there was a double incentive in the UK to blend UCOME in the first quarter (the 200 GBP per cubic meter and the double counting that were overlapping for three months) and blenders tried to maximize the blended amount of UCOME, the premiums that were paid for UCOME in Germany were still higher.

A positive development and awareness of buyers was seen in Germany. Blenders seem very cautious and selective with regard to the product they are taking into their system. Having learned from the experience with the treatment of highly subsidized product in the French, the Dutch and the UK market, buyers understood that the sustainability and reliability of the product to be accepted under the double counting scheme in Germany is crucial and worth more than just a good price. By buyers valuing the product’s sustainability and traceability and a proper documentation of that, Petrotec managed to acquire many new customers in the German market that are confident with Petrotec’s product and its sustainability.

Regular audits and the feedback that Petrotec’s sustainability scheme and traceability is much more accurate than what is actually required in the market proved again that Petrotec is setting an example in the market that so far other players can hardly provide or compete with.

Despite a good start into 2012, fame 0 premiums during February and March got quite under pressure and also higher Diesel prices traded in a range between 980-1040 USD/mt tend to pull down the premiums for UCOME under the double counting scheme. Higher Diesel prices slowed down the consumption of Diesel in Northwest Europe which lowered the demand for fame 0 and hence the UCOME prices and made traders step back from committing to mid and long term agreements. From February on the market was characterized by short term purchase decisions given the slow demand for Diesel. The uncertainty about a possible increasing demand of fossil Diesel pulled down fame 0 premiums, also in the mid term. This situation stayed until end of the first quarter with a slightly positive outlook of demand for fame 0 picking up in the second quarter. There seemed to be an oversupply of UCOME starting from end of February on so that still premiums paid for UCOME did not reflect the full value of the product with regard to its Double Counting effect.

Besides that Petrotec enlarged its collection and trading activities and expanded its business to the Spanish market. There, Petrotec is collecting used cooking oils and locally process it on a tolling basis. The UCOME supplied was traded into the Northwest European market. A volume increase is aimed and expected for the operations in Spain.




## II.1.2 Regulation

The year began with Germany (at the end of December) retroactively announcing double counting for 2011 and excluding the use of animal fats from the double counting scheme, except for used cooking Oil (UCO) with an emphasis on the oil pathway to be derived from frying food in kitchens. At the annual industry event in Berlin, Petrotec lead a traceability project with MEO, the consultancy behind International Sustainability and Carbon Certification Association (ISCC), to assure buyers about the waste-credentials of UCO-based Biodiesel in Germany.

In the UK, the 20 pence per liter tax rebate on UCOME expired at the end of March after being in place for the past two years. The double counting scheme for both TME and UCOME will remain in place. An increase in demand of the cheaper tallow methyl ester (TME) could be expected, even though it can only be used during summer months due to its high cold filter plugging point (CFPP), which typically ranges between +6 and +11. The product would likely be blended with UCOME in order to decrease the final CFPP level.

In France, the Parliament kept the partial tax exemption on biofuels until the end of 2013 and put a ceiling of 5% of biofuels for double counting material. Customs apparently make imports of waste-based biofuels difficult.

Another EU country found a way to favour its domestic industry, namely Poland which allowed blenders to decrease their mandate by 15% if their suppliers are registered at an official agency. In the US, the Environmental Protection Agency (EPA) published the final Renewable Fuels Standard – 2 (RFS-2) volume requirements for 2012 setting biomass-based diesel requirement at 1 bln gallons as initially planned.

Q1 2012 is when all EU countries (with the exception of Finland, Greece and Poland) transposed the "Renewable Energy Directive" (RED) into national law making sustainability the licence to operate. The worry is that we may be going towards a patchwork of 27 different double counting schemes as each country seems to be interpreting the RED through its own lenses. This creates a cumbersome environment for traders within Europe. Sustainability interpretations remain arbitrary, the latest example being the EPA excluding palm oil as a feedstock qualifying as renewable fuel under the U.S. RFS program because it fails to meet the minimum 20% Green House Gas savings (GHG) performance threshold. Indirect Land Use Changes (iLUC) affecting GHG savings calculations are the main concern of the biodiesel industry; market players agree on the need for the European Commission to take a clear position on the indirect land use change (ILUC) debate soon. Players are worried that with the incorporation of iLUC into the GHG savings calculation, first generation biodiesel would be heavily affected.

Extra-EU imports increased their market share mainly from Argentina and Indonesia based on preferential tax regimes. The differential between crude palm oil (CPO) and biodiesel export tax in Indonesia increased to 16%, literally "killing" Malaysian biodiesel exports. The European Biodiesel Board (EBB) prepared legal action against these two countries. The Amsterdam-Rotterdam Antwerp (ARA) as an import hub remained weakened as Spain and Italy absorb a lot of the imports directly. Consolidation of the EU industry continues with the largest Belgium biodiesel producer Neochim halting production at its 260,000 mt/year plant due to bankruptcy in February. As many stand alone plants, the dependency on rape oil and palm oil supply from third parties, made this producer more sensitive to price volatility.

Concerns were raised with regard to possible fraudulent practices in connection with sustainability paperwork due to the differences in national regulations. The different sustainability schemes' Achilles heel is that they don't audit the whole value chain of certain players who can adapt documentation for each audited market. The response from the industry is a single European Database for double counting biofuels lead by the European Biodiesel Board and endorsed by the EU Commission; the Netherlands is considering to pilot such a scheme. In the U.S., biodiesel renewable identification numbers (RINs) rallied during February as players that had acquired fraudulent RINs tried to cover their 2011 obligation. Three (smaller) biodiesel plants in the US announced their plans to shut down production amid increased difficulties in selling their RINS after the frauds occurred.

Despite a lack of transparency and fragmentation in the market for double counting material, interest is steady and new players are joining this market. The following table gives an idea of the environment Petrotec operated in during Q1 (source: Kingsman and own market information):

| | Double counting | Double counting | |
|---|---|---|---|
| | UCOME | TME | |
| France | April 2010 | April 2010 | Double counting decree ratified |
| Germany | 2011 | TME not accepted | Double counting decree ratified |
| U.K. | December 2011 | December 2011 | Double counting decree ratified |
| Italy | January 2012 (not fully implemented yet) | January 2012 (not fully implemented yet) | Double counting decree ratified |
| Austria | December 2010 (hardly used in practice because of other regulations) | December 2010 (hardly used in practice because of other regulations) | Double counting decree ratified |
| Netherlands | December 2009 | December 2009 | Double counting decree ratified |
| Spain | April 2012 (not implemented yet) | April 2012 (not implemented yet) | Decree pending (ratified in April) |
| Ireland | 2010 | 2010 | Double counting as per RED |
| Denmark | UCOME not accepted | July 2011 | Double counting as per RED |
| Finland | October 2011 | October 2011 | Double counting as per RED |
| Poland | n/a | n/a | Double counting decree missing |
| | | | |

### II.1.3 Movement of raw materials

Since the beginning of Q1 prices for treated raw material (UCO) have started to come up after the prices went down in end of last year. This was the start of the general upward trend in the product prices, present through all the quarter. Although the purchase volume of treated UCO rose to a higher level in the first quarter than in Q4 2012, Petrotec further sized down its stock volume to supply production. On the supply side Petrotec faced a lack of purchase volumes at reasonable price offers especially from the US. The trend of low supply and increasing prices has continued toward the start of Q2.

As Used Cooking Oil (UCO) has become increasingly lucrative, thanks to its double counting benefits, the collection of untreated UCO is as well facing a higher competition and seeing also an upward price trend through the last month. Petrotec achieved an increase of the collected volumes compared to the previous quarter. In addition to that a second trend which has already started in Q4/2011 could be recognised also in the last three month. The quality of the untreated product is deteriorating as the product is more valuable and there is a high level demand for it in the market.

Parallel to the higher utilization rates in Q1/2012 the sales volume of Glycerine (a by-product) increased compared to Q4/2011. Petrotec was able to also achieve a slight increase in its sales price.

## *II.2 MOVEMENTS OF REVENUES AND RESULTS*

### II.2.1 Key Figures

| KEY FIGURES | Units | Jan-Mar 2012 | Jan-Mar 2011 | Jan-Dec 2011 | Change Q I/2012 vs Q I/ 2011 |
|---|---|---|---|---|---|
| **Profitability** | | | | | |
| Sales | KEUR | 42,065 | 33,212 | 173,224 | 8,853 |
| EBITDA | KEUR | 1,195 | 902 | 7,473 | 293 |
| EBIT | KEUR | 606 | 364 | 5,262 | 242 |
| EBIT margin | % | 1.5 % | 1.1 % | 3.0 % | 0.4 |
| EBT | KEUR | 104 | -208 | 2,975 | 312 |
| Net profit/loss | EUR | 104 | -208 | 2,975 | 312 |
| Profit per share | EUR | 0.01 | -0.02 | 0.19 | 0.03 |
| | | | | | **Change Q I/ 2012 vs. yearend 2012** |
| **Asset position (at period end)** | | | | | |
| Working capital | KEUR | 8,497 | | 8,637 | -141 |
| Non-current assets | KEUR | 22,849 | | 21,951 | -725 |
| Total assets | KEUR | 50,811 | | 50,977 | 12,476 |
| Debt | KEUR | 19,593 | | 19,145 | -6,013 |
| Equity | KEUR | 22,493 | | 22,390 | 15,715 |
| Equity ratio | % | 44.3 % | | 43.9 % | 0.4 % |
| | | | | | **Change Q I/ 2012 vs. Q I/ 2011** |
| **Cash flow** | | | | | |
| Adjusted net profits from non cash accounts | KEUR | 1,195 | 455 | 7,172 | 740 |
| Change in working capital | KEUR | -237 | -783 | -2,241 | 557 |
| Operating cash flow | KEUR | 969 | -327 | 4,931 | 1,296 |
| Cash at period end | KEUR | 11,811 | 2,833 | 11,101 | 8,978 |

### II.2.2 Management Overview

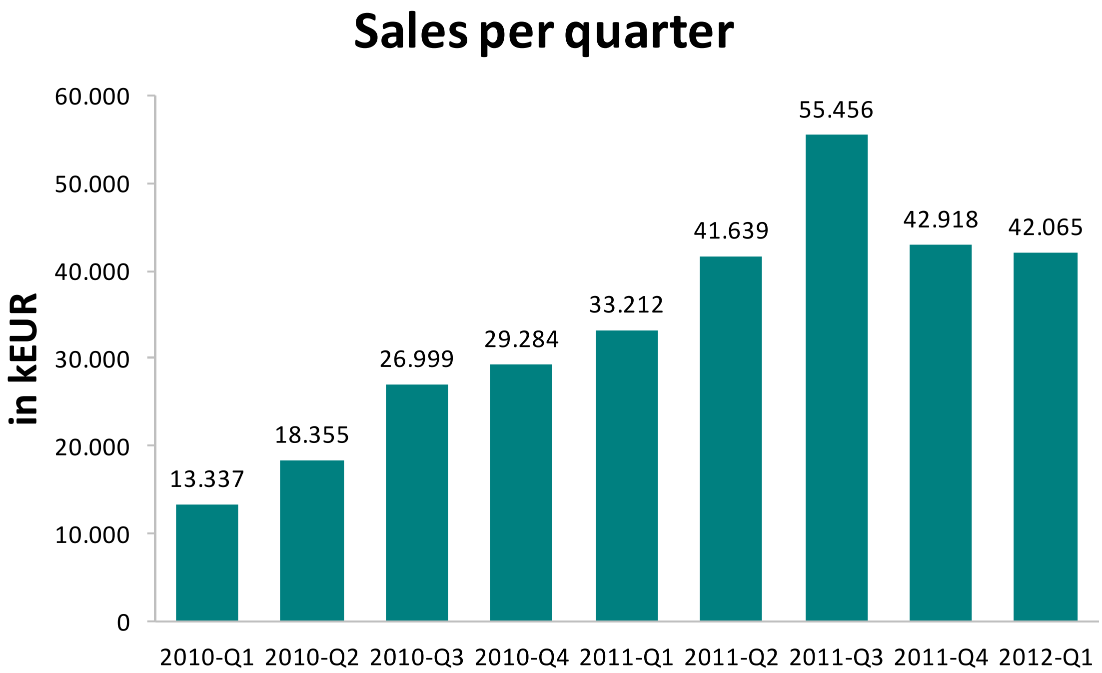
In the first quarter of 2012 Petrotec faced a trend of reducing spreads. This was driven by the following observed market forces:

1. UCO prices – upward trend:
    a. Expected low yields in various oil seeds harvest initiated a price raising trend in the vegetable oil market which drove a parallel effect in the UCO price.
    b. Being less expensive than virgin oils, UCO still serves as a substitute for the virgin oils in various industries despite legal limitation (mainly veterinarian).
2. UCOME price – downward trend:
    a. Regulation changes in UK, taking effect in the beginning of April 2012, have toward the end of the quarter driven demand volume but mainly prices down. In parallel, demand for UCOME in the first quarter in Germany has only started picking up.
    b. High mineral oil prices have reduced transportation fuel consumption in many of the western European country, affecting by that the total demand for biodiesel.
    c. High volumes of Fame 0 offered in ARA have driven down FAME 0 premiums, and consequently also the double counting effect attributed to the UCOME.
    d. Having a relatively high CFPP, UCOME is a summer product, typically enjoying stronger demand during Q2 and Q3.

In the middle of the first quarter, Petrotec has also initiated its activity in Spain, and has opened an office in Barcelona with three new employees. Spain represents a unique opportunity of a market with significant installed capacity, mostly idled due to imports (mainly Argentina). Petrotec objective in Spain is to increase its purchase UCO and tooling activity in existing local plants to further increase UCOME sales.

The rest of the production activity has stabilized compared to Q4 2011. In parallel, despite the more challenging market conditions, Petrotec reputation in the market for its uncompromising sustainable regulations implementation, kept on supporting the continuous positive revenues trend which have increased by 26.7 % compared to parallel period last year.

On the fixed costs side, pursuant few financially-wise challenging years of restructuring, some of the required maintenance operations needed to be postponed in the past and have eventually taken place through the past few months. Also, to enable its sales grow, Petrotec needed to increase the storage capacity and logistic cost as a whole as part of its other operating expenses. Last, to support the same growth, the number of employees through the year 2011 has also increased and so the related personal expenses.

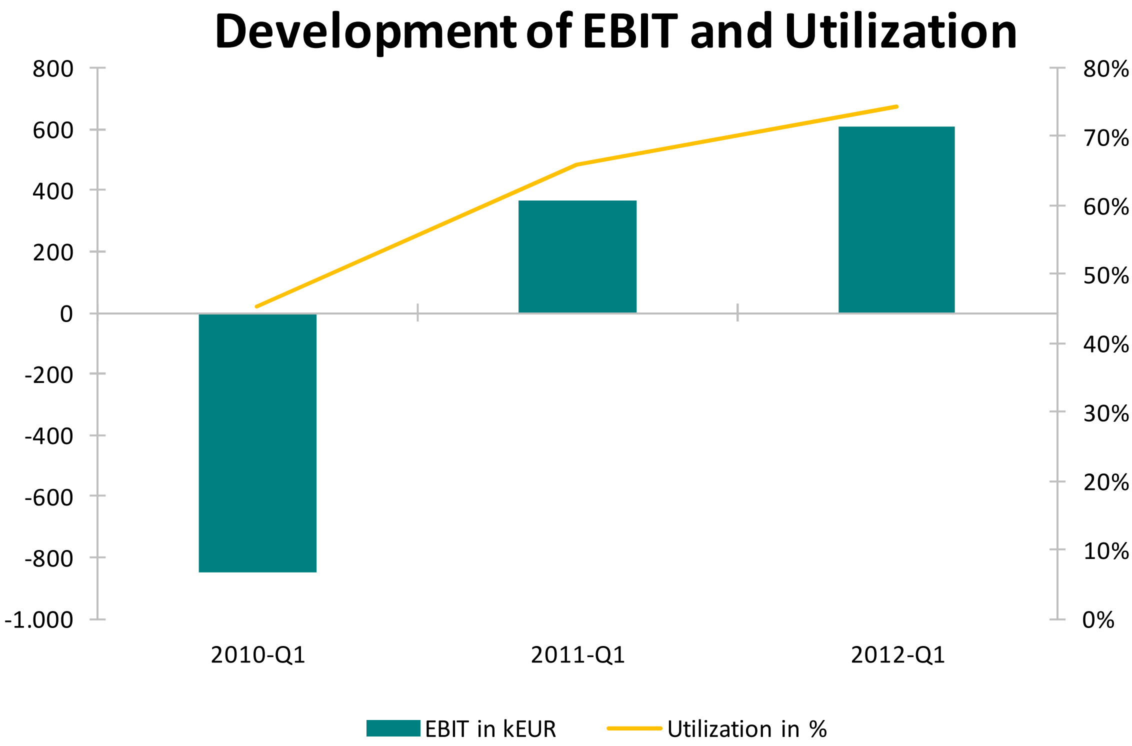



### II.2.3 Movement of profit & loss indicators

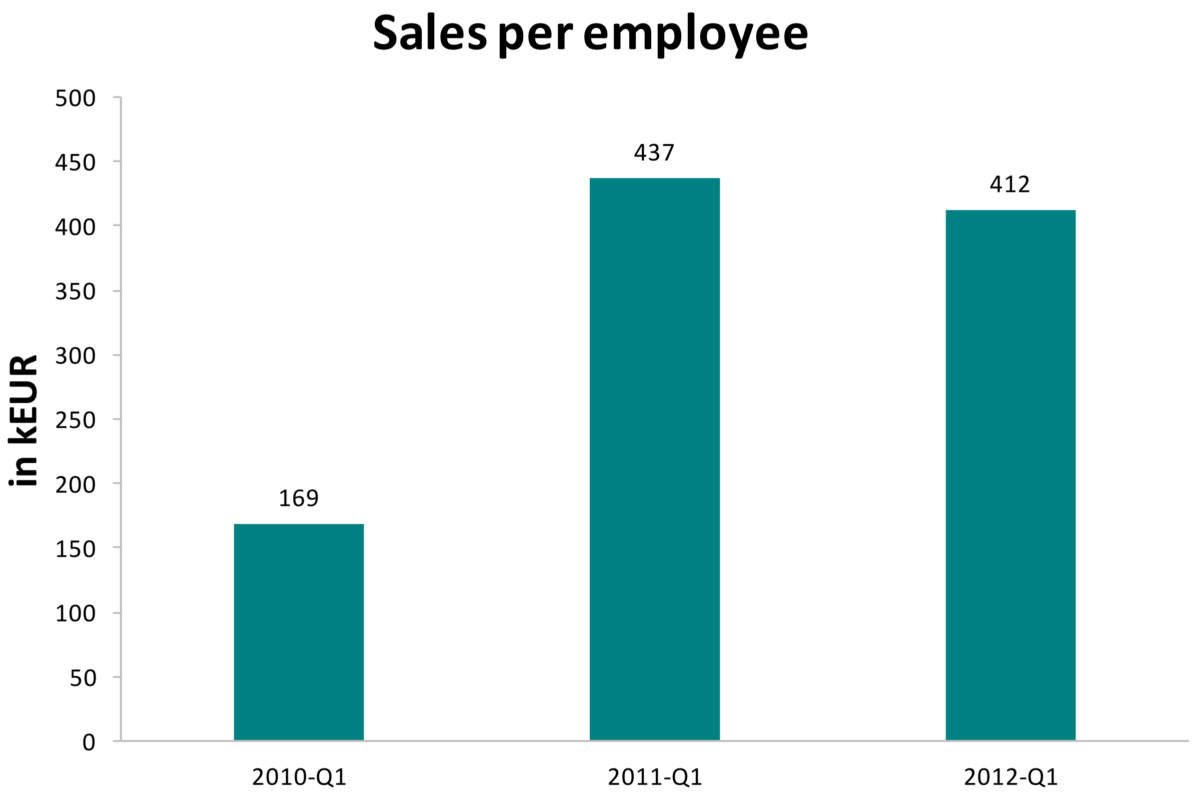
Based on the strong revenue achievement, operating result for the first three months of 2012 demonstrate the continuation of improvement in the company position in the market. In total Petrotec produced 34.211 tons of its EcoPremium biodiesel in the first three month of 2012 compared to 30.061 tons in Q1/ 2011.

In the first three months of 2012, **sales** amounted to EUR 42.1m, representing an increase of EUR 8.9m (26.8%.) compared to EUR 33.2m for the first three months of 2011. This positive development is mainly a result of the increasing demand for Petrotec´s EcoPremium biodiesel along with the general increase of the biodiesel price, improvement in production capacity utilization, and improving sales and logistics procedures.

**Cost of material** rose by EUR 7,221m to EUR 38,952 within the comparable period of Q 1/ 2011 to Q 1/ 2012. The cost of material ratio, taking the chance of inventory in account, remained stable compared to the Q 1/ 2011 ratio. The ratio slightly improved from 90.1 % in Q 1/ 2011 to 89.7 % in Q 1/ 2012.



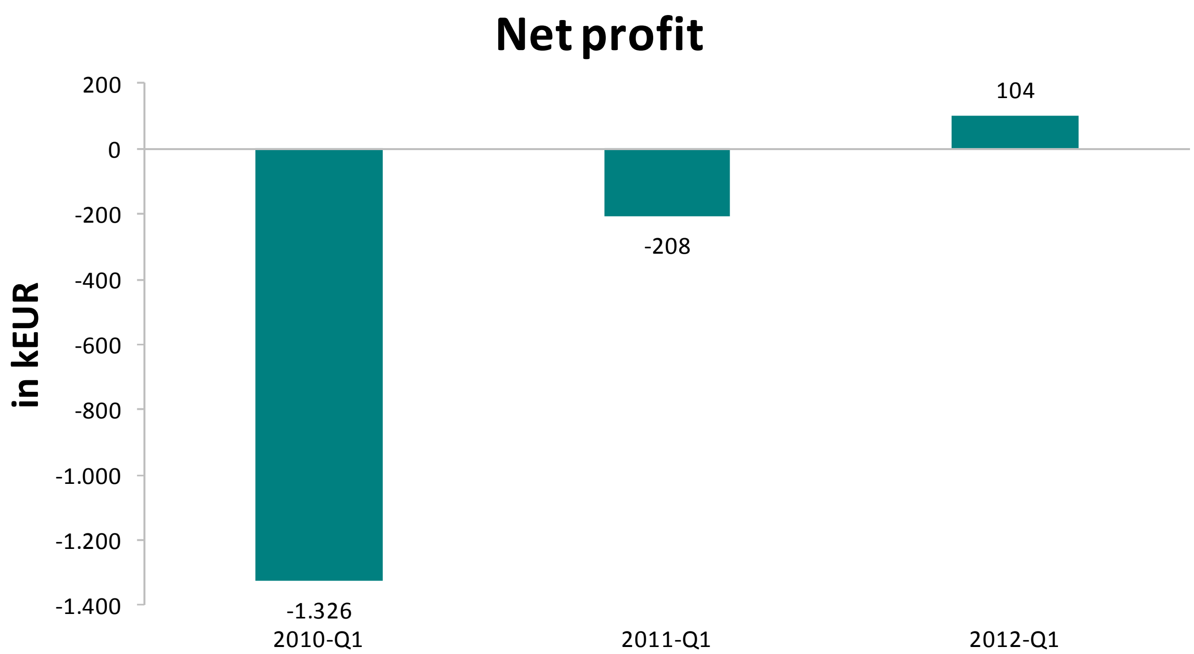

**Personnel expenses** in the first three months period 2012 amounted to EUR 1.4m; an increase of 20.6 % compared to EUR 1.142m of the parallel period in 2011. The main reason for the increase is due to the increase in staff related to the growing business activity.



**Other operating expenses** increased by 36.4% from EUR 1.6m for the first three months of 2011 to EUR 2.2m. The increase in other operating expenses is mainly cost of storage and other logistics and was caused by the increase in sales activities. Further, they include insurance premiums, vehicle costs, costs for outgoing freight, as well as legal and consulting costs.

The **financial result** is characterized by financial expenditures due to interest expenses amounting to EUR 0.5m for the period, compared with EUR 0.6m during the parallel period in 2011. The lion share of the financial expenses is interest accrued, but not paid, on loans provided by the major shareholder IC Green Energy.

The group generated an **Net profit** of KEUR 104 in the first three months of 2012 compared to KEUR -208 in the prior year. Due to the stable cost of material ratio the positive effect of the sales increase was primarily compensated through higher personnel and other operating expenses.




The **Profit per share** for the first three months of 2012 amounts to EUR 0.01.

## *II.3 NET ASSETS AND FINANCIAL POSITION*

### II.3.1 Net Assets

Total assets as of March 31, 2012 are in line with the comparable at year end 2011 and amounts to EUR 50.8m.

Within non-current and current assets there were opposite developments. Inventories declined by EUR 2.0m, tangible assets increased by EUR 1.0m. The reason for the increase in tangible assets is mainly caused by the acquisition of a tank storage facility in Emden (EUR 1.45m), financed through a finance lease contract.

Petrotec's working capital remains stable:

| | 31/03/2012 mEUR | 31/12/2011 mEUR |
|---|---|---|
| Inventories | 4.6 | 6.6 |
| Trade receivable | 11.3 | 11.3 |
| Trade payables and other liabilities | 7.4 | 9.3 |
| Total | 8.5 | 8.6 |

Compared to the yearend working capital ratio, the ratio remains unchanged. The decrease in inventories went along with the decrease in short term trade payables and other liabilities.

On March 31, 2012, Petrotec's equity ratio was slightly improved to 44.3% compared to 43.9% as of the balance sheet day on December 31, 2011, which is attributable to the generated net profit of the first three month.

IC Green Energy Ltd. (ICG) continues to prove to be a very supportive shareholder. As of March 2012, ICG has provided Petrotec with financial debt amounting EUR 19.4m, supporting by that its restructuring and positive development. The lion share of this sum is effectively financing the EUR 8.6m working capital of the company. Petrotec is concluding discussions with few financial institutions to raise alternate financing for said working capital, as it should naturally be.

### II.3.2 Cash flow

Although the profit before taxes only amounted to EUR 0.1m, Petrotec was able to generate a positive cash flow from operating activities amounting to EUR 1.0m. The positive cash flow was achieved through the stable working capital. Due to cumulative interest expenses and depreciation of the period Petrotec ended with a positive cash flow from operating activities.

The major addition to tangible assets within the first three month was a finance lease contract in connection with the financing of the tank storage facility in Emden. As the lease contract was classified as finance lease the addition was recorded. Nevertheless the finance lease did not lead to a cash out within the first three month of 2012.

The above mentionend cash flow activity resulted in an increase in cash and cash equivalents from EUR 11.1m for December 31, 2011 to EUR 11.8m for March 31, 2012.

## II.4 EMPLOYEES

As of March 31, 2012, Petrotec had a total of 102 full and part-time employees, including three trainees. The increase in the number of employees is a result of the expansion of the purchasing, collecting and logistics activities.

Employees of the Petrotec group:

**Employees* of the Petrotec Group**

| | March 31, 2012 | December 31, 2011 | Change % |
|---|---|---|---|
| Production | 62 | 59 | 5% |
| Sales & administration | 40 | 37 | 8% |
| Thereof trainees | 3 | 3 | - |
| Total | 102 | 96 | 6% |

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

## II.5 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.

## II.6 Share portfolio of board members

As of March 31, 2012 Petrotec AG does not hold any of its own shares. The members of the supervisory and of the management board indirectly held the following shares in Petrotec AG as of the balance sheet date:

Share portfolio of board members:

| | March 31, 2012 | December 31,2011 |
|---|---|---|
| Shares supervisory board: | | |
| Rainer Laufs | 12,388 | 12,388 |

## II.7 RISKS AND OPPORTUNITIES

The following risks and opportunities should be read in conjunction with the explanations to the financial for 2011. The Petrotec Group´s risk and opportunity position has not changed significantly vis-à-vis the time of the assessment. The following illustration sum up the major explanations to the financials for 2011.

*Operating and other risks*

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

*Operating risk*

In the course of Petrotec's business there are a number of operational risks while running 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 of production.

*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 hardly predictable from an entrepreneurial point of view.

The political market intervention of politics through regulation has become more specific over the past three years. 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 – including "double counting" in particular the use of biodiesel with low CO2 emissions. Legislators can 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 of April 2012. As a result, the percentages of basic commodities for biodiesel production in Great Britain will likely see a considerable shift. UCO will lose percentages, while animal fats will gain shares. 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 who 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.

The current development can be described as follows: an increasing number of countries (such as Germany, Italy and Denmark) will follow the double counting scheme in one version or another. 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 prices for waste based biodiesel may increase presuming that the double counting system will be accepted by market participants and does not allow for any exceptions or loop holes.

*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 extreme price fluctuations of the commodities prices it is based upon. The value of the used cooking oil based biodiesel is therefore tied to the price level of Fame 0 and diesel. The commodities price of used cooking oil, on the other hand, is highly dependent on palm oil or the price of soybean oil. Consequently, the purchasing and sales departments of Petrotec frequently find themselves in conflict with each other as far as their supply and demand goals are concerned. This is further compounded by the price risk, which arises from the holding of the commodities derivatives over a certain period of time. This means specifically that the value of an item can constantly change throughout any given day and that this can lead to a margin call, which in turn requires a larger amount of monetary resources to have on hand. These margin call obligations can affect both the derivatives from the biodiesel business and the currency positions.

*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 risk, 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 this.

*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.

*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.

*Opportunities and risks with short term effects*

Among the largest opportunities and risks is the development of the demand for biodiesel on its trading 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 continuously 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.

Our average facility capacity utilization has already reached a high level. In some cases, we still have the opportunity to take advantage of opportunities inherent in increased demand within our still available production capacities.

Hence, we are expecting to generate stable margins through 2012. Principally, the biodiesel price is contingent upon the oil price. With some delay, the used cooking oil price is tied to the biodiesel price. Given the solid demand, 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 should occur, this could lead to significant margin reductions. Unfortunately, due to slower take up in the demand for waste based biodiesel in new double counting adopting countries, we start seeing a certain reduction in margin toward the end of Q1.

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

## *II.8 Outlook for the Petrotec Group*

*Biodiesel market situation*

Pursuant a healthy demand for waste based biodiesel, and mainly UCOME, in the financial year 2011; we generally saw the continuation of the same trend in Q1 2012. Yet, due to a stronger supply of FAME 0, specifically in ARA, there was also a decrease in the FAME 0 margins. This in turn started, especially toward the end of Q1, affecting the double counting margins on waste based biodiesel.

Another effect observed in the market occurred also toward the end of the quarter, anticipating the changing incentive for sustainable biodiesel usage, from the GBP 200 per cubic meter to double counting as of April 2012. Under this new regulation, not only half the physical volume for UCOME seen in 2011 could be cut down but also substituted by certain TME qualities. This effect is expected to put some further pressure on UCOME margins.

Being the largest European independent UCOME producer, Petrotec keeps its excellent relationship with the large mineral oil producer by providing high level of product (on spec) and services (genuine sustainability documents).

Last, in the beginning of Q2, the Spanish government revived its dormant plan to introduce a biodiesel production quota system in retaliation against Buenos Aires' nationalisation of Argentina-based oil and gas producer YPF, in which Spanish oil firm Repsol-YPF had held a controlling stake. The new system will restrict mandated biodiesel sales of up to 5mn t/yr in Spain to government-approved EU-based plants. Quotas will be awarded to individual plants. The Argentinian government has announced a plan for absorbing the lion share of this now released capacity locally by increasing mandatory blending. Yet, on the short term, this changes in Spanish market might have a certain negative impact on FAME 0 margins, hence also on the double counting effect for waste based biodiesel.

*Future outlook*

(subject to and with reference to the description in the "Risk Report") Despite the above description for short term effect on the longer terms we see a further increasing of the demand for biodiesel mainly thanks to an increasing number of countries adopting the double counting scheme and to higher blending obligations in order to achieve GHG saving targets. These are expected to support Petrotec´s further positioning in the market as one of the largest waste-based biodiesel producers in Europe. Petrotec´s efforts to constantly increase production and sales output by improving its processing yields and its logistics network flexibility stand as basic assumption to support this positive forecast.

The relatively new renting storage in Nijmegen (The Netherlands) enables as expected a more flexible and frequent handling of ship loadings and – together with Emden as a load location – also the loading of higher volumes vessels. The proximity to the ARA area is another advantage of this storage. In Emden, a new storage facility has been commissioned through the first quarter, and further support more flexible operations from this location and especially for supporting larger volume orders.

# III INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| | EUR | EUR |
| **Assets** | | |
| **Non-current assets** | | |
| Tangible assets | 20,948,986.98 | 19,947,384.78 |
| Intangible assets | 1,796,544.87 | 1,888,144.46 |
| Other financial assets (non-current) | 103,830.13 | 115,081.14 |
| | 22,849,361.98 | 21,950,610.38 |
| **Current assets** | | |
| Inventories | 4,589,306.92 | 6,592,045.49 |
| Trade receivables and other receivables | 11,291,664.24 | 11,332,960.74 |
| Cash and cash equivalents, current assets | 11,810,936.36 | 11,101,006.75 |
| | 27,961,907.52 | 29,026,012.98 |
| **Total equity and liabilities** | 50,811,269.50 | 50,976,623.36 |

Petrotec AG
Borken
Interim consolidated statement of financial position
as of March 31, 2012

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| | EUR | EUR |
| **Liabilities and equity capital** | | |
| **Equity capital** | | |
| Subscribed capital | 24,543,741.00 | 24,543,741.00 |
| Capital reserve | 85,901,380.08 | 85,901,380.08 |
| Loss carryforwards | -87,951,644.59 | -88,055,583.35 |
| **Total equity capital** | 22,493,476,49 | 22,389,537.73 |
| **Non-current liabilities** | | |
| Interest-bearing bank loans | 127,175.05 | 141,748.55 |
| Trade payables | | |
| and other liabilities | 1.185,235.47 | 0.00 |
| Interest-bearing loans to shareholders | 8,255,992.98 | 7,255,992.98 |
| Provision for part-time work in years before retirement | 155,638.00 | 155,267.00 |
| | 9,724,041.50 | 7,553,008.53 |
| **Current liabilities** | | |
| Interest-bearing bank loans | 60,521.84 | 60,877,92 |
| Trade payables | | |
| and other liabilities | 7,383,924.43 | 9,286,505.93 |
| Interest-bearing loans to | | |
| shareholders | 11,149,305.24 | 11,686,693.25 |
| Accruals | 0.00 | 0.00 |
| | 18,593,751.51 | 21,034,077.10 |
| **Total liabilities** | 28,317,793.01 | 28,587,085.63 |
| **Total equity and liabilities** | 50,811,269.50 | 50,976,623.36 |

**Consolidated income statement**

**for the period of January 1 to March 31, 2012**

| | January 1 – March 31, 2012 | January 1 – March 31 , 2011 |
|---|---|---|
| | EUR | EUR |
| **Sales revenues including energy tax** | 42,065,276.29 | 33,212,486.90 |
| Energy tax | -76.49 | 0 |
| **Sales revenues** | 42,065,199.80 | 33,212,486.90 |
| Other operating income | 342,266.49 | 213,473.18 |
| Changes in inventories of finished and unfinished goods | 1,339,008.85 | 1,971,302.60 |
| Cost of materials | 38,952,436.57 | 31,731,031.86 |
| Personnel expenses | 1,376,739.14 | 1,141,760.62 |
| Depreciation/amortization | 588,305.07 | 537,835.25 |
| Other operating expenses | 2,212,522.98 | 1,622,431.86 |
| Result from Hedging Activities | -10,190.79 | 0.00 |
| **Operating profit/loss** | 606,280.59 | 364,203.09 |
| Financial income | 11,462.38 | 1,835.17 |
| Financial expense | -513,804.21 | -574,165.88 |
| **Financial result** | 103,938.76 | -572,330.71 |
| **Earnings before tax** | 103,938.76 | -208,127.62 |
| Income tax | 0.00 | 0.00 |
| **Net profit for the period** | 103,938.76 | -208,127.62 |
| **Total comprehensive income net of tax** | 103,938.76 | -208,127.62 |
| | EUR | EUR |
| **Earnings per share:** | | |
| - undiluted and diluted, with reference to loss for the period | | |
| - attributable to ordinary shareholders of parent company | 0.01 | -0.02 |

**Consolidated Cash Flow Statement as of March 31, 2012**

| | March 31, 2012 | March 31, 2011 |
|---|---|---|
| | EUR | EUR |
| **Operating activities** | | |
| Earnings before tax | 103,938.76 | -208,127.62 |
| Non-cash adjustments for the reconciliation of earnings before taxes to net cash flow | | |
| Depreciation/amortization | 588,305.07 | 537,835.25 |
| Income from disposal of non-current assets | 0.00 | 2,585.04 |
| Fincancial Income | -11,462.38 | 0.00 |
| Financial expenses | 513,804.21 | 563,964.40 |
| Changes in accruals | 0.00 | -441,034.00 |
| | 1,194,585.66 | 455,223.07 |
| Change in working capital | | |
| Changes in inventories, trade receivables and other assets | 1,774,035.07 | -2,029,863.89 |
| Changes in trade payables and other liabilities | -2,011,403.93 | 1,247,174.87 |
| Received Interests | 11,462.38 | 0.00 |
| **Cash flow from operating activities** | 968,679.18 | -327,465.95 |
| **Investing activities** | | |
| Payments for the purchase of tangible assets | -247,954.73 | 0.00 |
| Payments from the sale of tangible assets | 0.00 | -91,547.53 |
| Payments for the purchase of other financial assets | 0.00 | -37,561.32 |
| Payments from the sale of other financial assets | 11,251.01 | 0.00 |
| **Cash flow from investing activities** | -236,703.72 | -129,108.85 |

**Consolidated Cash Flow Statement as of March 31, 2012 (continuation)**

**Financing activities**

| | | |
|---|---|---|
| Loan redemption | -14,929.58 | 0.00 |
| Interest payments | -7,116.27 | 0.00 |
| **Cash flow from financing activities** | -22,045.85 | 10,253,000.00 |
| Net increase in cash and cash equivalents | 709,929.61 | -456,574.80 |
| Cash and cash equivalents at the beginning of the reporting period | 11,101,006.75 | 3,289,921.01 |
| **Cash and cash equivalents at end of the reporting period** | 11,810,936.36 | 2,833,346.21 |

**Consolidated statement of changes in equity capital**

**as of March 31, 2012**

| | Note | Subscribed capital | Capital reserves | Profit reserves | Total equity capital |
|---|---|---|---|---|---|
| | | EUR k | EUR k | EUR k | EUR k |
| **Balance as of January 1, 2012** | | 24,543 | 85,902 | -88,056 | 22,389 |
| Capital increase from own funds | | 0 | 0 | 0 | 0 |
| Transaction costs (net of deferred taxes) | | 0 | 0 | 0 | 0 |
| Total result directly attributed to equity capital | | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 104 | 104 |
| Total earnings for the period | | 0 | 0 | 104 | 104 |
| **Balance as of March 31, 2012** | | 24,543 | 85,902 | -87,952 | 22,493 |

**Prior year comparison as of March 31, 2011**

| | Note | Subscribed captial | Capital reserves | Revenue reserves | Total Equity capital |
|---|---|---|---|---|---|
| | | EUR k | EUR k | EUR k | EUR k |
| **Balance as of January 1, 2011** | | 11,550 | 86,156 | -91,031 | 6,675 |
| Total earning for the period | | 0 | 0 | -208 | -208 |
| **Balance as of March 31, 2011** | | 11,550 | 86,156 | -91,239 | 6,467 |

# IV SELECTED EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and changes to the Group´s accounting policies

The condensed consolidated interim financial statements (consolidated interim financial statements) as of March 31, 2012 of Petrotec AG, Borken, have been prepared in accordance with the International Accounting Reporting Standards (IFRSs) and the related interpretations issued by the International Accounting Standards Board (IASB) for interim reporting, as adopted by the European Union (EU). Consequently, these consolidated financial statements do not contain all the information and disclosures that are required by the IFRSs for end of fiscal year consolidated financial statements, but are to be read together with the company's published IFRS consolidated financial statements for fiscal year 2011. Unless expressly indicated otherwise, the accounting policies for consolidated interim financial statements for quarterly reporting correspond to those adopted for the most recent consolidated financial report for the end of the fiscal year. A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2011.

In the opinion of the Management Board, the unaudited quarterly report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the net assets, financial position and results of operations of the Group. The results obtained in the first quarter of fiscal year 2012, do not necessarily represent a prediction of the development of the continuing performance of the business.

The preparation of the consolidated financial statements is based on the assumptions and estimations made by the Management Board. These influence the amount and disclosure of the amounts reported for assets and liabilities, as well as for income and expenses for the reporting period. The actual amounts may differ from these estimates. The quarterly financial statements include the figures from the financial statement, in addition to the notes with explanations of selected items.

The interim condensed consolidated financial statements for the three month ended March, 31 have been prepared in accordance with IAS 34 Interim Financial Reporting.

In the quarterly financial statements as of March 31, 2012, two companies in Germany were included (December 31, 2011: 2). There were no changes made to the consolidated financial statements on the basis of consolidation.

## 2. Impairments

*Tangible Assets*

In line with the impairment tests carried out in June 2010, an impairment amount of EUR 3,997k followed for property, plant and equipment. The impairment loss represents the impairment of specific property, plant and equipment to its realized amount, in particular, in the area of "plant and equipment, furniture and fixtures, and payments on account." The recoverable amount was determined on the basis of the value in use and on the level of cash-generating units. In the determination of the value in use, cash flows were discounted at a rate of 12% on a pre-tax basis.

## 3. Income taxes

The current income tax expense presented in the interim financial statements has been determined on the basis of the expected full-year income tax rate. The company does not expect income tax charges for the current full year due to the tax claims available through the taxable goodwill. We refer to the notes of the financial statements ending December 31, 2011.

## 4. Property, plant and equipment

During the three month ended March 31, 2012, the Group acquired assets with a cost of EUR 1.500.689,29, while no disposals occurred. The acquisitions include a tank storage facility in Emden. The acquisition was financed through a lease contract classified as finance lease according to IAS 17 and valued with acquisition costs of EUR 1.255.636,97.

## 5. Inventories

In Q1 2012, no write-downs were charged on the inventory assets. Inventory assets were valued at purchase cost. At present, prices for used cooking oils are higher compared to Q1 average stock cost. According to IAS 2, an impairment on the value of inventory was not necessary.

## 6. Other financial assets and financial liabilities

**Hedge Activities**

Fair Value Hedges

The price and currency risks of specific sales transactions were hedged by entering into swap or option transactions. Those derivative financial instruments are measured at fair value as of the date of signature of the contract and re-measured at fair value in the subsequent periods. Derivative financial instruments are reported as assets if the going-concern value is positive and as liabilities if it is negative.

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.

**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 March 31, 2012, the Group's balance sheet contained the following financial instruments measured at fair value:

| | Mar.31, 2012 KEUR | Level 1 KEUR | Level 2 KEUR | Level 3 KEUR |
|---|---|---|---|---|
| **Financial assets valued at the applicable fair value** | | | | |
| Financial instruments measured at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Currency futures contracts in a hedging relationship | 195 | 0 | 195 | 0 |
| Currency futures contracts – no hedging relationship | 0 | 0 | 0 | 0 |
| Swaps and futures in a hedging relationship | 177 | 0 | 177 | 0 |
| Change in the fair value of underlying transactions in a hedging relationship | 34 | 0 | 34 | 0 |
| **Liabilities valued at the applicable fair value** | | | | |
| Financial liabilities valued at the applicable fair value through profit or loss | | | | |
| Currency futures contracts in a hedging relationship | 52 | 0 | 52 | 0 |
| Currency futures contracts - no hedging relationship | 0 | 0 | 0 | 0 |
| Swaps and futures in a hedging relationship | 34 | 0 | 34 | 0 |
| Change in the fair value of underlying transactions in a hedging relationship | 177 | 0 | 177 | 0 |

During the first quarter, ended March, 31 2012, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. The movements into and out of Level 2 result from the ongoing hedge activities.

The table above illustrates the classification of the Group´s financial instruments based on the fair value hirachy as required for complete sets of financial statements. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

**Derivatives**

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

| KEUR | Nominal volumes | Derivative assets = Positive market values | Derivative liabilities = Negative market values |
|---|---|---|---|
| Mar. 31, 2012 | | | |
| Derivatives in a hedging relationship | | | |
| Fair value hedge | | | |
| Biodiesel hedge | 24,463 | 177 | 34 |
| Currency hedge | 23,950 | 195 | 52 |
| **Total** | | **372** | **86** |
| Dec. 31, 2011 | | | |
| Derivatives in a hedging relationship | | | |
| Fair value hedge | | | |
| Biodiesel hedge | 26,988 | 184 | 232 |
| Currency hedge | 20,936 | 401 | 0 |
| **Total** | | **585** | **232** |

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

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

**Biodiesel swap transactions (in a hedging relationship)**
To hedge the proceeds from sales contracts linked to petroleum prices, hedges in the form of fixed biodiesel sales are against variable petroleum prices. The inefficiencies resulting from the valuation of the current open contracts during Q 1 amount to KEUR -14 and 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.

**Currency transactions (in a hedging relationship)**
To hedge the foreign currency receivables resulting from the sale of biodiesel, hedges were used in the form of fixed currency sales. The inefficiencies resulting from the valuation of the current open contracts during Q 1 amount to KEUR 4 and 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.

## 7. Finance Lease Liabilities

Trade Payables an other liabilites contain KEUR 65 within short term and KEUR 1,185 within long term related to the finance lease liability concerning the finance lease of the tank storage facility in Emden.

## 8. Cash and equivalents

For the purposes of the interim consolidated statement of cash flow, cash and cash equivalents are compriesed of the following:

| | Mar. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Bank balances and cash balances | 11,811 | 11,101 |

Bank balances bear variable interest for balances that can be rendered due at any given time.

## 9. Related Party Disclosures

The ultimate parent corporation, headquartered in Tel Aviv, Israel is IC Green Energy Ltd. The ultimate controlling parent corporation is Israel Corporation Ltd., in Tel Aviv, Israel.

During the first quarter, except for drawing on shareholder loans, there were no business relations between the Petrotec Group and IC Green Energy Ltd. nor with the ultimate controlling parent corporation of Israel Corporation Ltd.

The following table shows the total for transactions between related parties in the respective first quarter:

| | Sales/services to related parties | Purchases/ services rendered by related parties | Receivables from related parties | Liabilities owed to related parties |
|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR |
| Companies with significant influence on the Group: | | | | |
| IC Green Energy Ltd., Tel Aviv (Israel) Q 1/ 2012 | 0 | 0 | 0 | 19,405 |
| IC Green Energy Ltd., Tel Aviv (Israel) 2011 | 0 | 0 | 0 | 18,943 |

## 10. Contingent liabilities

The construction of the biodiesel plant in Emden was supported by the European Fund for Regional Development, which contributed a sum of KEUR 563. IAS 20 was adhered to in that the grant was discounted from production costs. The grant was approved subject to the conditions for the period for which the plant is committed to that purpose being upheld. The operating plant must be included under operating assets and the respective number of jobs must be maintained and/or newly filled. The period over which it is committed to the purpose will end on March 31, 2013. An infringement of these conditions will lead to the revocation of the entire grant or parts thereof.

The income tax assessed for fiscal year 2010 amounting to KEUR 892 by the tax office of Borken and the municipalities of Borken, Ratingen, Emden and Südlohn has been suspended in accordance with § 361 of the German Tax Code [AO]. In the case of an unfavorable ruling by the tax authorities the assessed taxes of 2010 would become due. The issue was not ruled by the time of reporting the first three month of 2012.

For further details we refer to the Annual Report as of December 31, 2011.

## 11. Declaration of the legal representative

We assure to the best of our knowledge that in accordance with the applicable accounting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and that the interim group management report gives a true and fair view of the business development including the result and situation of the group and also describes the significant opportunities and risks relating to the anticipated development of the group for the remaining fiscal year.

Borken, Mai 4, 2012

Petrotec AG
Management Board

# V FINANCIAL CALENDER 2012

| | |
|---|---|
| Annual Report 2011: | March 16, 2012 |
| Q1 Report: | May 10, 2012 |
| Annual General Meeting: | May 30, 2012 |
| Half Year Report: | August, 2012 |
| Q3 Report: | November, 2012 |
| Annual Report 2012: | March, 2013 |

# VI IMPRINT

**Investor Relations**

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