Interim Report Petrotec AG
Quarterly Report March 31, 2014

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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 2013 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 2014 and reports on the first three months (January 1 – March 31, 2014) of Petrotec AG's fiscal year 2014 (January 1 – December 31, 2014).

II GROUP INTERIM MANAGEMENT REPORT

II.1 GENERAL CONDITIONS

II.1.1 Market

Development of Crude and Gasoil
Due to a comparably mild winter in most parts of Europe and sufficient supply from most OPEC countries, Brent prices fell by around 2%. The easing of China´s apparent demand for refined product supported the slow downwards momentum. Gasoil started the year at USD 923.5 and ended at USD 893, following the downward movement of Brent.

Due to the severe winter weather across North America, WTI price rose by 3%. The cold weather had a double effect: it boosted demand and hit supply, leading to a significant deficit in crude oil stock.

Development of EUR/USD
In December 2013, the Fed announced that it will reduce the amount of buying bonds from member banks (tapering quantitative easing - QE). As this was mainly expected by the markets, only a small and short time effect was measurable and the USD gained strength: The EUR/USD started the year at 1.3754 and fell to 1.3487 at the end of January.

With the recovery of the US economy, decreasing unemployment rates and the tapering of QE, many analysts estimated the EUR/USD to move towards 1.25 within 2014 so this should have supported the downward movement of the EUR/USD. On the contrary, the EUR/USD moved to its highest level of 1.3932 on March 18, 2014 before closing the quarter at 1.3774. It seems as if the market is overly cautious and any report not showing stable recovery of US economy has an overstated effect on the exchange rate. Towards the end of first quarter, the ECB hinted that it would closely watch the development of the exchange rate and would consider actions (possible expansive monetary policy) if needed.

Development of biodiesel premiums
The paper FAME0 premium started the year at USD 175 over ICE Gasoil and moved to USD 235 (March 13, 2014) before closing at USD 228 on March 31, 2014. The spread between the paper and the physical product was very small, mostly ranging between USD 0 and USD 15. UCOME was mainly traded as double the FAME0 premium. At the end of the first quarter, the UCOME premium stayed at USD 220, although FAME0 premiums ranged above that level. The bean oil-gasoil spread, an important indicator for FAME0 premiums, stayed negative until March and hovered around 0 which put additional pressure on FAME0 premiums. Seasonally, the demand for Biodiesel / FAME is higher in the summer, so a slight contango towards Q2 and Q3 was visible.

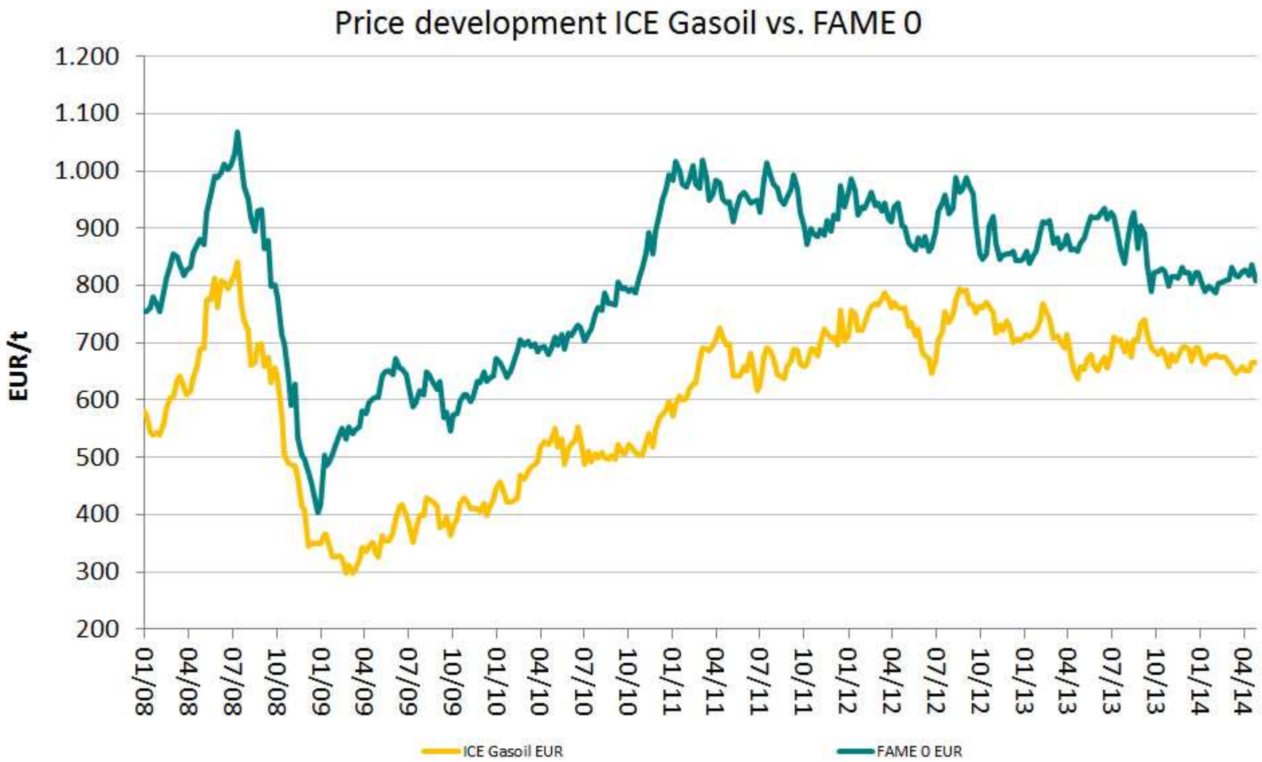
The weak USD combined with the FAME0 premiums which were not fully compensating for it, put pressure on the sales prices for UCOME. Feedstock suppliers did not adapt their prices despite this development so this put additional pressure on the margin. Petrotec was able to optimize it´s production and internal blending which held margins on a stable level.

In the first quarter, mainly spot demand was covered. Especially German customers were cautious not to over accomplish their blending requirements as there is a big uncertainty about the de-carbonization scheme which is planned to be in place in 2015. Still there has been demand for biodiesel meeting the winter specification i.e. EN14214 with a cold filter plugging point (cfpp) < -10°C in the German market. Petrotec successfully blended own volumes with traded through volumes to meet this demand.

Petrotec collected feedstock (used cooking oil = UCO) in Spain and tolled it in two refineries in Spain. The quality of Spanish feedstock resulted in a relatively low cfpp which helped to meet the required specification e.g. for the German market where the cfpp is required to be -10.

Petrotec was able to optimize its production to meet UK´s stricter quality requirements for FAME and thus increased exports to the UK market at the beginning of the year.

In March, Petrotec received the confirmation that all volumes which were sold to France in 2013 are according to the requirements for being considered as double counting. Petrotec has again proven itself to be a premium biodiesel supplier with reliable documentation. This gives the basis to further widen the customer base for future deals.



II.1.2 Regulation

Germany

In the first quarter of the year, the activities of the German associations of the biofuels industry were focused towards the decarbonisation regulation, which becomes effective on January 1, 2015. Despite persistent requests towards the responsible ministries by the industry, a draft proposal on the details of the implementation came out from the Environment Ministry only after the end of the report period. Finalisation is expected much later in the year, which paralyses the market and makes buyers, the mineral oil industry, keeping their purchases of biofuels to the absolute minimum required.

Here are a few relevant points from the aforementioned draft:

The initial CO2 reduction targets remain: 2015: 3%, 2017: 4,5%, 2020: 7%. The biofuels industry fears that this will lead to a significant reduction of biofuels demand in 2015 & 2016 as market players have done their homework and now produce much more CO2-reducing biofuels than when the initial text of the law was written; it is therefore expected that the biofuels associations will request an increased target of around 4% in 2015 followed by annual small increases until the final target of 7% is reached. The quota transfer from 2014 into 2015 will be based on 2014 CO2 reduction, which is favourable to UCOME sellers. CO2 reduction values according to RED/ BiokraftNachV remain, i.e. 83% for UCO-based biodiesel or UCOME. The penalty for non-compliance is defined at EUR/kg 0.47 CO2 equivalent, which is approximately EUR/t 600. Restrictions for the use of animal fat are planned to be more strict, as small “contaminations” can render the whole biofuel batch non-eligible for the German blending mandate. The industry will strongly object this non-pragmatic approach. The requirement of physical identity of the product, the so called “Nämlichkeit” is kept, although double counting (and therefore the extra-incentivation) for waste-based biofuels will disappear. Controls on GHG reduction values are not defined, which is a risk as it may encourage fraud. It is worrying that the draft does not contain a ban on already subsidised biofuels, e.g. US B99. The draft opens GHG reduction options through CNG & LPG, which are of fossil origin. This does not correspond to the Government’s intention to sustainably replace fossil fuels.

In this fluid environment, Petrotec intensified its lobbying activities alongside the Berlin-based Association of waste-fuels, initiating interventions towards the authorities and politicians.

EU

The Commission is currently preparing a legislative proposal addressing the EU energy targets for the 2020-2030 period that advocates for discontinuing existing market drivers for the biofuels markets (10% renewable transport in the RED and 6% GHG reduction in the FQD). EWABA, the EU UCO collectors’ association (that Petrotec presides over) has been vocal opposing the Commission's plans and took active part in the dissemination of the NGO-lead wasted report, which was quoted in key EU media outlets.

The Commission's plans have not been endorsed by Member States as an agreement on Energy Targets could not be reached during the 20-21 March European Council. Differences among Member State delegations and the impact of the extensive discussions on the Crimean crisis over the rest of the agenda items explain this outcome. Member States will reassess the issue after the summer break.

As a consequence of this delay provoked by the European Council, it is highly likely that the debates on the 2020 scenario and the ILUC reform run in parallel after the summer. EWABA is expected to continue fighting for a stable regulatory framework that assures security of investment and the development of the UCO market in the post-2020 scenario.
Revision of Annex V of the RED - UCOME GHG values**:** EWABA has been in contact with officials from the Sustainable Transport Unit within the European Commission's Joint Research Centre (JRC) regarding the incoming revision of Annex V of the Renewable Energy Directive and Annex IV of the Fuel Quality Directive (which state 88%-83% savings for UCO-based biodiesel compared to fossil fuel). The Commission officials welcomed the industry’s input and open approach and stressed that, even if they could not share the figures to be included in their proposal, there will be no downward revision of the values. In addition it was clarified that differences between the carbon footprints of domestic EU UCO and UCO imports is negligible.

The European Commission has adopted at the end of the quarter the EU Guidelines on State aid for environmental protection and energy applicable for the period from July 1, 2014 until the end of 2020. The rules are designed to support Member States in reaching the 2020 climate targets, while regulating subsidies within the internal energy market. The European Commission has identified an overcapacity for food-based biofuel. Therefore, no further *investment aid* shall be justified, unless it is granted to advanced biofuels plants or for the purpose of converting the facility to an advanced biofuel plant. While the investment aid shall cease with the entry into force of the new guidelines (July 1, 2014), *operating aid* to food-based biofuels can only be granted to plants that started operation before December 31, 2013 until the plant is fully depreciated, but no longer than 2020.

The Register for Biofuels Origination (RBO) is now in its finalisation 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 limits possibilities for fraud in this area. The EU biodiesel association EBB was about to choose a contractor at the end of Q1 to implement the programme supported by the Commission.

Last but not least, at the beginning of Q1, the European Court of Justice released its conclusions on the complaint opposing BP North America against the Council of the European Union (Case T-385/11). The judgement confirms the legal stop to any kind of circumvention practice to import biodiesel in Europe via biodiesel blends lower than 20%, or via triangular trade. The anti-circumvention Regulations were not at all annulled as requested by BP, but on the contrary they even got reinforced by the Court’s judgement. In other words, biodiesel duties against USA and, per extension, Indonesia and Argentina, are well defended also by the European Court of Justice against any kind of circumvention. The judgement in fact rejects BP claims to be excluded from anti-circumvention duties for biodiesel originating from North America.

II.1.3 Movement of inventories

The balance sheet position of inventories increased in total from EUR 15,087k by EUR 5,111k to EUR 20,198k compared to year end, which reflects an increase of 33.9%.
Since December 31, 2013 the raw materials increased by EUR 1,631k to EUR 8,090k. During the first quarter 2014 the purchase volume of treated feedstock increased by 21% compared to previous year Q1 although the production volume declined in the same period. At end of 2012 the company stored a large amount of treated feedstock on stocks which had been utilized during first quarter 2013 and reduced the necessary purchase volume for the same period. The collection activity of Petrotec sourced comparable volumes of untreated feedstock from its suppliers in the first quarter.

The major change in inventories occurred in the position of finished and unfinished goods which rose by 40% from EUR 8,628k to EUR 12,108k. The finished and unfinished goods contain Biodiesel and the by-products from Biodiesel production. At balance sheet date the value of By-products summed up to EUR 4,728k. This reflects an increase by EUR 1,507k or 46.8% and is caused by products stock accumulation. Nearly 50% of the by-products stocks were already sold in April 2014. During the first quarter Petrotec sold a total of 47,590 tons of Biodiesel (prior year: 43,429 tons). The sales volume increased versus prior year thanks to high trading volumes (11,734 tons in Q1/2014 vs. 3,920 tons in Q1/2013) while the production volume from own plants declined by 2,185 tons to 34,883 tons (prior year: 37,068 tons). On balance sheet date March 31, 2014 the finished and unfinished goods without by-products increased by EUR 1,972k to EUR 7,380k.

II.2 MOVEMENTS OF REVENUES AND RESULTS

II.2.1 Key Figures

KEY FIGURES	Unit	3M/2014	3M/2013	Deviance
Profitability				
Sales	KEUR	46,020	47,842	-1,822
EBITDA	KEUR	-93	2,169	-2,262
EBIT	KEUR	-755	1,537	-2,292
EBIT-margin	%	-1.6%	3.2%	
EBT	KEUR	-1,168	1,055	-2,223
Net profit / loss	KEUR	-1,168	1,055	-2,223
Profit per share undiluted	EUR	-0.0476	0.0430	-0.0906
Profit per share diluted	EUR	-0.0469	0.0430	-0.0899
Asset position		**Mar. 31, 14**	**Dec. 31, 13**	
Working capital	KEUR	19,770	16,573	3,197
Non-current assets	KEUR	22,212	21,630	582
Total assets	KEUR	55,584	58,223	-2,639
Debt(1)	KEUR	18,352	19,075	-723
Equity	KEUR	26,613	27,714	-1,101
Equity-ratio	%	47.9%	47.6%	
Cash flow		**3M/2014**	**3M/2013**	
Adjusted net profits from non accounts	KEUR	-1,168	1,055	-2,223
Change in working capital	KEUR	-3,166	4,760	-7,926
Operating cash flow	KEUR	-3,208	6,814	-10,022
Cash at period end	KEUR	4,306	6,518	-2,212

(1) Loans from shareholders and banks

II.2.2 Management Overview

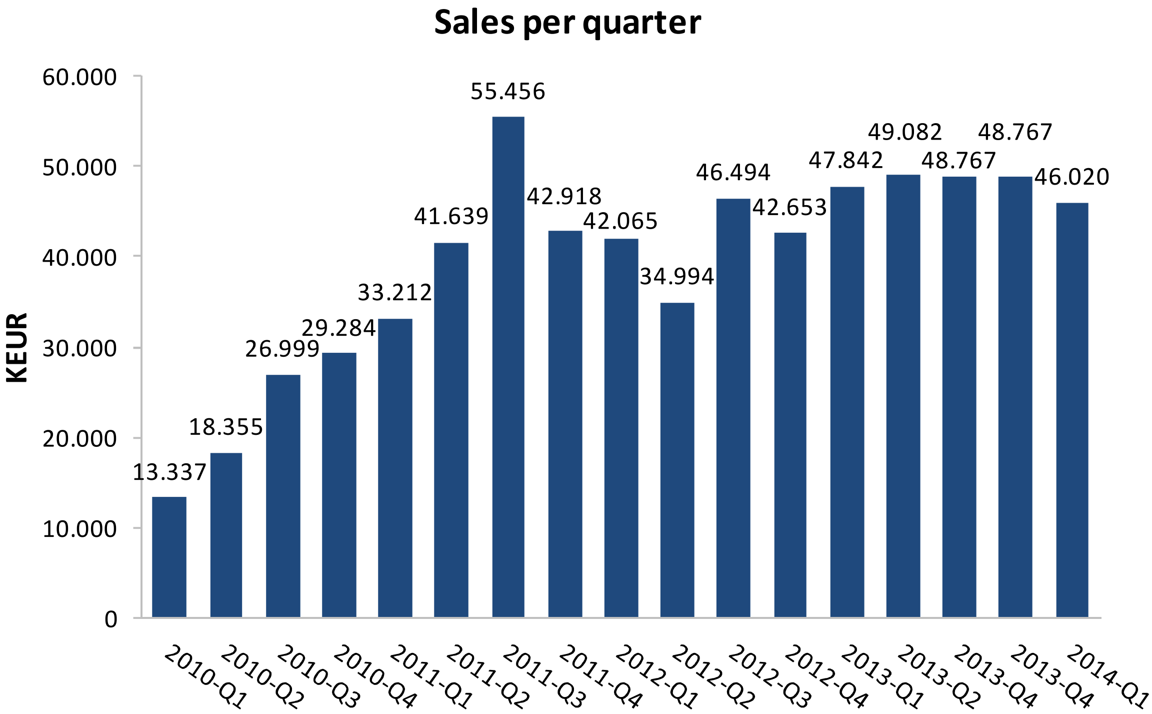
In the first quarter of 2014 Petrotec suffered relatively weak market conditions. While the winter season is traditionally weak for UCOME, Petrotec managed to capture higher demand for biodiesel in the market and traded through some significant volumes together with its own products. In addition, market conditions did not allow for pre-purchase of large feedstock volumes at the year end of 2013, in parallel to the year end 2012. Consequently, sales margins were relatively weak and resulted in a net loss for this period.

The Feedstock supply for the first quarter was characterized by many prompt purchases, due to reduced offers in the market as well as due to more than usual delays in scheduled feedstock shipments. Tight supply also tends to be slightly more expensive, and in some cases also end with production slow down and interruption. In the winter period, the demand for ISCC DE product is weaker, due to the product specification. The sourcing team has been able to purchase the required mix between EU and DE feedstock to answer the market demand. The pricing of the feedstock declined on the first quarter and yet not enough to compensate the decline in the end products prices decline.

At the target sales level, the demand for the company product was relatively weak, where the high prices of feedstock have dictated the sales team efforts to resist the market tendency to further lower the prices. Eventually, the company still managed a relatively strong sales quarter, thanks to the trading activity which enabled somewhat balancing the slower demand for the company product.

In Spain – the company maintained the growth trend in the activity, and continued the purchase of UCO and its local conversion into UCOME. The company managed to vary its target markets, whereby some of the product was delivered into the local Spanish market. The quota system was announced during the first quarter to be implemented as of May 2014. On April, the Spanish authorities have also announced that the double counting mechanism will also be soon introduced in the Spanish market.

The production of the company in the first quarter of 2013 was slightly below 35 KT biodiesel produced in the plants owned by the company. The prompt feedstock supply situation resulted in a certain slow-down in the plant output. Also, the strict quality parameters for the winter specification in the UK market required slowing down the production output in the first half of the quarter.

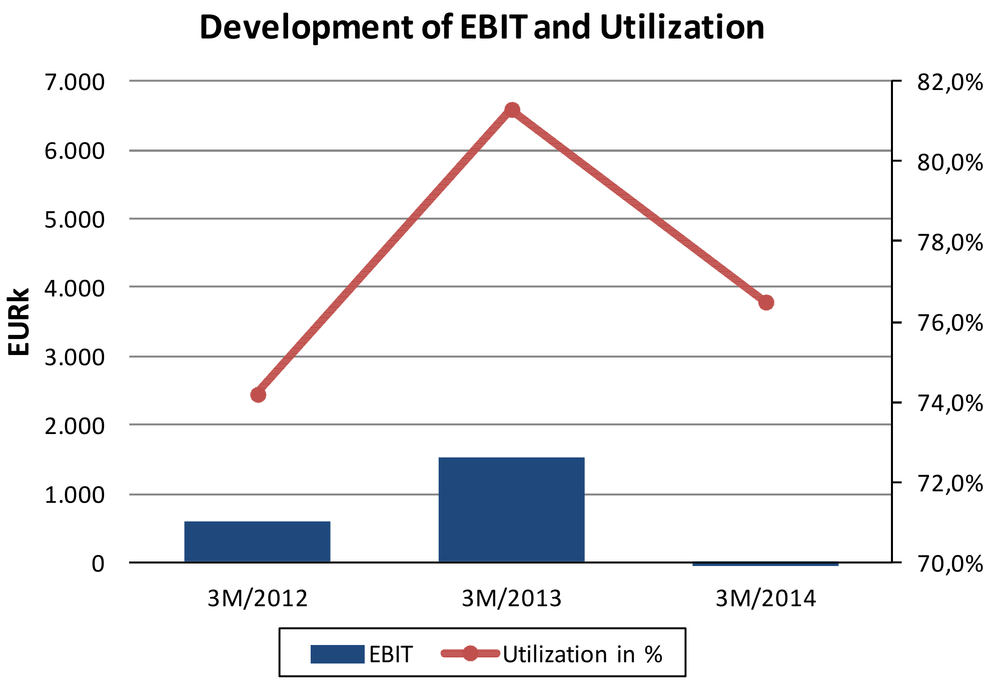


II.2.3 Movement of profit & loss indicators

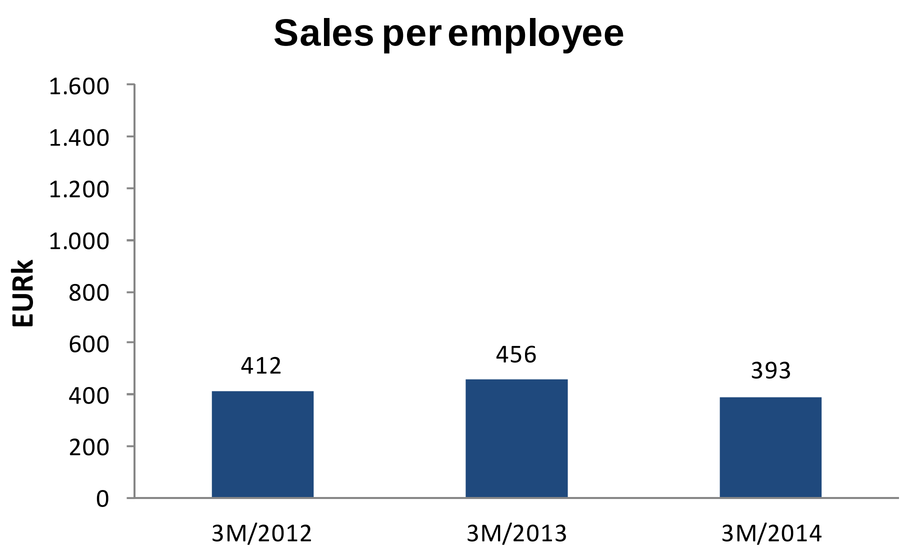
Due to the declining revenue followed by the increasing inventories, which is mainly attributed to building up of by-products and finished goods, results for the first quarter came in negative. The negative effect was additionally influenced by the lower sales from the company's production while thanks to a stronger trading activity the sales over all remained at a stable level and yet with decreasing average margins in Q1/2014. In total Petrotec produced an average volume of 34,883 tons of its EcoPremium biodiesel in the first three month of 2014 compared to 37,068 tons in Q1/2013. The total sales volume amounted to 47,590 tons for the company products and the trading activity compared to 43,429 tons in Q1/2013.

In the first three months of 2014, **sales** amounted to EUR 46.0m, representing a decline of EUR 1.8m (3.8%) compared to EUR 47.8m for the first three months of 2013. The decline in sales is mostly attributed to the decline in the sales price, which declined on average by 8.5% on the mix company sales, compared to the parallel period last year.

Taking into consideration the change in inventory, the **cost of material** declined by EUR 1,026k to EUR 41,431k within the comparable period of Q1/2014 to Q1/2013. The cost of material ratio, taking the change of inventory in account, rose compared to the Q1/2013 ratio. The ratio deteriorated from 88.7% in Q1/2013 to 90.7% in Q1/2014.



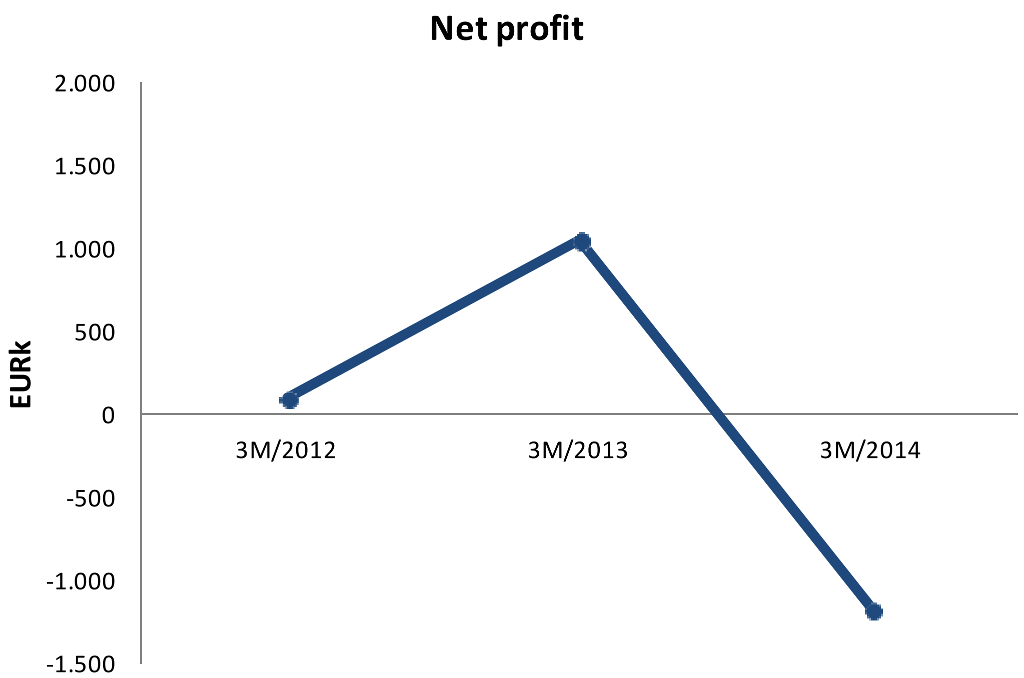
Personnel expenses during the first three months period in 2014 amounted to EUR 1.7m; an increase of 13.3% compared to EUR 1.5m of the parallel period in 2013. The main reason for the increase is the increase in staff related to the growing business and its complexity, a moderate increase in salaries that became effective in April 2013 as well the effects of the stock option program and stock appreciation rights, accounting for 58.6% of the increase, that were not effective within the comparable period of 2013. The sales per employee declined by 13.8% compared to Q1/2013.



Other operating expenses increased by 34.9% from EUR 2,375k for the first three months of 2013 to EUR 3,205k. The increase in other operating expenses is mainly a result of the increase of logistic costs which rose due to higher relocation costs between the storages and the logistical terms within the sales contracts. The storage costs increased as well in consequence of the high inventory level. Additionally the maintenance costs increased by EUR 170k compared to the prior year period. Further, other operating expenses include insurance premiums, vehicle costs, as well as legal and consulting costs.

The **financial result** is characterized by financial expenses and slightly declined compared to parallel period in 2013, amounting to EUR 0.4m. The lion share of the financial expenses is interest on loans provided by the major shareholder IC Green Energy Ltd.

The group generated a **Net loss** of EUR 1,168k in the first three months of 2014 compared to a **Net profit** of EUR 1,055k in the prior year. Due to the reduction of sales which ended in line with an increase in inventories following higher storage cost the results of Q1/2014 declined significantly. Furthermore, the reduction of production volumes had an impact on the results. Finally, the higher personnel expenses due to the increased number of employees as a consequence of generally expected higher business activity could not be compensated by the development of Q1 figures.



The undiluted **Profit per share** for the first three months of 2014 amounts to EUR -0.0476.

II.3 NET ASSETS AND FINANCIAL POSITION

II.3.1 Net Assets

Total assets as of March 31, 2014 have declined compared with the total assets at year end 2013 and amount to EUR 55.6m. The decline from EUR 58.2m at year end is primarily due to the decline in cash by EUR 5.6m and trade and other receivables by EUR 2.7m. In the opposite direction inventories increased significantly by EUR 5.2m, however, the decrease in cash and receivables exceeded the increase in inventories.

The total non-current assets increased primarily due to the prepayment for work in progress concerning new equipment (EUR 1,101k). The work in progress results from several projects concerning plant expansions and modernization. The planned depreciations amounting to EUR 662k did not compensate the additions of EUR 1,255k).

Petrotec’s working capital remains stable:

Working Capital	Unit	Mar. 31, 14	Dec. 31, 13	Deviance
Inventories	EUR mio.	20.2	15.1	5.1
Trade receivables and other receivables	EUR mio.	8.9	11.6	-2.7
Trade payables and other payables	EUR mio.	9.3	10.1	-0.8
TTL	EUR mio.	19.8	16.6	3.2

Compared to 2013 year end the working capital increased by EUR 3.2m. The increase is primarily due to the building up of inventories. Mainly the stocks of Biodiesel and by-products rose. This increase in inventories could not be compensated by the decline in trade receivables and other receivables. Additionally trade payables and other payables decreased.

On March 31, 2014, Petrotec's equity ratio remained stable at 47.9% compared to 47.6% as at the balance sheet day on December 31, 2013. The equity ratio remained almost unchanged due to the net loss of the period on the one hand, which was balanced by the parallel reduced asset position.

IC Green Energy Ltd. (ICG) continues to prove to be a very supportive shareholder. As of March 2014, ICG has provided Petrotec with financial debt amounting to EUR 12.5m unchanged compared to the financing position at yearend 2013. By an agreement dated March 17, 2014 the current loans of IC Green Energy Ltd. in an amount of EUR 7.3m due on March 19, 2014 could be extended till March 31, 2015. Alongside with the extension of the loan, the interest rate has been adjusted from 8% to 10%.

II.3.2 Cash flow

The cash flow from operating activities significantly declined due to the increase in working capital and the occurred loss for the first three month of 2014. Especially the increase in inventories could not be compensated by the positive effect from decreasing receivables. The profit before tax after non cash activity and financial expenses adjustments resulted in a slight negative figure of EUR 43k. Yet, the movement in the major working capital components, and mainly inventory, required net cash utilization of EUR 3,166k and resulted in negative cash outflow of EUR 3,208k from operating activity.

Additionally the cash flow from investing activities was effected by investments in the plant expansions and modernization as well as the partial renewal of the truck fleet. In total EUR 1.2m in cash were used for investing activities. The cash flow from financing activities was influenced by a net loan redemption and interest payments and resulted in a total cash out of EUR 1.2m.

The abovementioned cash flow activity resulted in a decrease in cash and cash equivalents from EUR 9.9m for December 31, 2013 to EUR 4.3m for March 31, 2014. The decline primarily results from the development of working capital.

II.4 EMPLOYEES

As of March 31, 2014, Petrotec had a total of 117 full and part-time employees, including four 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

	Mar. 31, 14	Mar. 31, 13	Veränderung %	Dec. 31, 13	Veränderung %
Production	74	67	10.4%	74	0.0%
Sales & administration	43	38	13.2%	41	4.9%
Thereof trainees	4	4	0.0%	4	0.0%
Total	117	105	11.4%	115	1.7%

* 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, 2014 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:

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

II.7 RISKS AND OPPORTUNITIES

The following risks and opportunities should be read in conjunction with the explanations to the financial for 2013. The Petrotec Group´s risk and opportunity position has not changed significantly vis-à-vis the time of the assessment. The following illustration sums up the major explanations to the financials for 2013.

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 is facing the following risks:

Operating risk

As part of Petrotec's business activity there are a number of operational risks while running and operating 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 – dominated by the "double counting" scheme promote in particular the use of biodiesel with low CO_2 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 anticipated, the percentages of basic commodities for biodiesel production in Great Britain saw a considerable shift. UCO lost percentages, while animal fats gained 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.

One of such relatively recent development is the new requirements in relation to double counting eligibility in Germany. At the end of 2012 (December, 28), the BLE (the German Federal Authority for Agricultural and Nutrition) introduced the 36. BImSchV with new certification requirements to qualify feedstock for double counting in Germany. According to this new scheme, each and every collection point needs to be involved in the certification process as well as having any respective UCO collectors audited and certified. All further parts of the collection chain (aggregators, UCO traders, production plants, and traders of the finished biodiesel) should also be certified and operate in a way that would make it possible to audit and trace back the origins of the feedstock. Moreover, these requirements should apply not only in Germany but also worldwide for each and every restaurant, collector, aggregator, trader supplying UCO for biodiesel production into the German market as of January 1, 2013. The timeline for implementation of this new requirement (having each of the participants in the chain audited and certified) was initially 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 alongside the time granted for implementation, these new requirements represent a new significant challenge for the company. While Petrotec generally supports measure introduced with the aim of preventing fraudulent practices, the last must be reasonable both in terms of implementation time-frame, and the additional burden it adds to our relatively slim margin business. This new requirement has put significant additional operational burden as well as reduce the flexibility of the company when selling the product to different target markets. Volume that will be eventually found non-certified will be eligible to the single counting scheme only, which represents a significant discount on current selling price. The company intends to take the necessary measures to control and limit this risk, but its ability to efficiently do so should be considered in connection to the complexity of this task, per the description above.

Another regulation change is expected to be introduced via the “de-carbonization” framework for the German biodiesel market as of January 2015. According to this new scheme, only producer which could prove a minimal contribution of CO2 emission saving would be eligible to count for the blending obligation. Producing the highly sustainable waste based Biodiesel, Petrotec is well positioned to be one of the eligible producer for the German market. Yet, one should consider that many of the virgin oil biodiesel producers may be ordering special sustainability audits and prove individual plants sustainability, and maintain their ability to sell biodiesel within this new framework. Our team is still reviewing all relevant publication on this matter, in order to better understand many of the still open questions around this matter. Those are expected to get clarified in the coming months in the circles of the industry associations, the certification bodies and relevant authorities. The eventual clarification of said question may have significant influence on the eventual market position and relative advantage of the company and its products within the German market.

On a wider European perspective - the current development can be described as follows: an increasing number of countries (such as Germany, Italy, Denmark) followed the double counting scheme in one way or another in the past years. Other countries, including Spain and Poland 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 relative value 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.

On the longer term perspective – the EU has recently reviewed the long term objectives for GHG emissions moving toward 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. That 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.

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 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 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. In order to mitigate that risk, Petrotec applies a back-to-back feedstock procurement practice to cover feedstock purchases with biodiesel sales, as much as possible. Nevertheless, this approach is not always practical as offers in the feedstock market are not always synchronized with the demand in the biodiesel market. The company, hence, is exposed to a certain extend to possible movement in biodiesel prices after having secured the feedstock for its production.

Procurement risks

Substantial competitive risks for the Group arise from the complex procurement of commodities. In order to reduce this risk, the company focuses on the continued expansion of its own collection activities. This is achieved through the continuous deepening of customer relationships and by expanding the procurement logistics 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 procurement risk. Please refer on that to the "regulation risk" section above.

In addition, the company is constantly striving to yield efficiency increases in the disciplines of preparation and yields. Structured procurement policies on the electricity, natural gas as well as other additive markets reduce the 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.

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 an hedging tool in conjunction with mitigating this currency risk.

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.

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. By the agreement dated March 17, 2014 the current loans of IC Green Energy Ltd. in an amount of 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.

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.

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 had to account for 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 being positive for the same year.

Based on a tax field audit, the local tax authorities of the German state of Northrhine-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 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 particular 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 till 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 pay the sum due till a decision in court is taken.

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. For this reason a tax provision has neither been recognized for the fiscal year 2012 nor for the fiscal year 2013. A tax expert review is supporting the management in its decision. No changes have come to effect during Q1/2014.

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 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, and especially those related to the new regulatory requirements in Germany, and the risk that other producer in the market might be in position to compete on our market share.

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, with only relatively small investment consideration.

In addition, the biodiesel price is contingent upon the oil price. With some delay, the used cooking oil price is tied to the UCOME price. Given the solid demand and the relatively soft supply, we have so far been able to pass on most of the commodities price increases to our customers. However, if a significant decline in demand 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.

II.8 OUTLOOK FOR THE PETROTEC GROUP

Biodiesel market situation

The recent developments in the feedstock and biodiesel markets have put a lot of pressure on the UCOME margins. On the single counting biodiesel market, the company observed a sharp decrease in prices and margins. Being tied to the FAME 0 and RME margins to gasoil, weaker margins for the latter have double the negative effect on the UCOME prices. In a way the double counting mechanism creates leverage on the UCOME price, and hence increases its volatility. In addition, through the first quarter, the local demand for the company product was seasonally weak, which further increased the pressure on the margins. Nevertheless, the company continues seeing the increasing demand trend for double counting biodiesel, where other European member states are expected to adopt the double counting mechanism for waste biodiesel in 2014. Hence, despite the current lower margin, on the mid-term, the company expect prices of feedstock to rationalize and allow UCOME producer to realize again reasonable margins. In addition, the uncertainty of the German market players around many unclear points on the newly introduced de-carbonization targets for biofuels in 2015, made many of those players to act more carefully with over-blending in 2014, and resulted in lower appetite for biodiesel blending.

The different certification requirements for ISCC EU and ISCC DE UCOME have created further complication for managing the supply and demand, and are also reducing the company flexibility in marketing its products. Yet, Petrotec has been able to successfully match between the supply of its feedstock and the demand in the market according these rigorous market requirements. The lower demand from the German market has significantly reduced last year’s premium for ISCC DE over ISCC EU UCOME.

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).

Feedstock market

From the feedstock side, following the previous years’ experience, suppliers in the market held expectation to see upraising prices coming closer to Q2. Unfortunately, due to the abovementioned weaker biodiesel margins, producer such as Petrotec could not realize these expectations. Adjusting the prices on the feedstock side often takes more time, as a longer supply chain going down to the restaurants, need to adjust expectations. The company maintains its efforts to continuously increase and diverse the availability of feedstock for its plants. The 36 BimschV has increase the requirements for supply of feedstock eligible for double counting in Germany.

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.

Considering the recent development in the biodiesel market, and the weaker margins for single counting product, the management asses the company to be able to meet only the lower range of the guidance it has published in the annual report 2013 and the overall likelihood to meet the guidance to be reduced.

III INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Consolidated Balance Sheet as of March 31, 2014 (unaudited)

(EUR)	Mar. 31, 2014	Dec. 31, 2013
Non-current assets		
Tangible assets	20,367,913	19,662,548
Intangible assets	885,257	1,001,924
Other financial assets (long-term)	58,501	65,012
Deferred tax assets	900,750	900,750
Total non-current assets	**22,212,421**	**21,630,234**
Current assets		
Inventories	20,197,829	15,087,427
Trade receivables and other receivables	8,867,807	11,570,880
Cash and equivalents, current assets	4,306,095	9,934,860
Total current assets	**33,371,731**	**36,593,167**
Total assets	**55,584,152**	**58,223,401**
Equity		
Subscribed capital	24,543,741	24,543,741
Capital reserve	86,351,468	86,283,723
Revenue reserves	-84,281,820	-83,113,852
Total equity capital	**26,613,390**	**27,713,612**
Non-current liabilities		
Interest-bearing bank loans	130,856	154,021
Liabilities from finance lease (long term)	1,050,439	1,074,592
Interest-bearing loans against shareholders	5,250,000	5,250,000
Provision for part-time work in years before retirement	144,054	151,061
Total non-current liabilities	**6,575,349**	**6,629,674**
Current liabilities		
Interest-bearing bank loans	5,715,133	6,414,974
Trade payables and other liabilities	9,296,134	10,084,977
Interest-bearing loans against shareholders	7,255,993	7,255,993
Liabilities from finance lease (short term)	111,687	124,171
Accruals	16,466	0
Total current liabilities	**22,395,413**	**23,880,115**
Total equity and liabilities	**55,584,152**	**58,223,401**

Consolidated Statement of comprehensive income for Fiscal Year 2014 (unaudited)

(EUR)	Q1/2014	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Sales revenues including energy tax	46,020,252	47,842,020	49,082,395	47,635,434	48,820,151	193,380,000
Energy tax	0	0	-687	0	-52,750	-53,437
Sales revenues	**46,020,252**	**47,842,020**	**49,081,708**	**47,635,434**	**48,767,401**	**193,326,563**
Other operating income	281,541	621,404	106,101	213,907	162,512	1,103,924
Changes in inventories of finished and unfinished goods	3,479,683	-131,085	-5,142,785	4,239,534	502,343	-531,994
Cost of materials	-44,910,705	-42,325,443	-37,047,206	-43,918,938	-44,657,384	-167,948,971
Personnel expenses	-1,734,948	-1,478,863	-1,545,687	-1,930,433	-2,087,016	-7,042,000
Depreciation	-662,384	-631,641	-652,447	-653,121	-659,091	-2,596,300
Other operating expenses	-3,205,014	-2,375,257	-2,584,299	-3,175,761	-3,342,332	-11,477,648
Result from hedging activity	-23,646	16,353	-22,283	43,640	2,976	40,686
Earnings before interest and taxes (EBIT)	**-755,219**	**1,537,487**	**2,193,103**	**2,454,261**	**-1,310,591**	**4,874,260**
Finance income	765	1,975	854	7,757	1,013	11,599
Finance costs	-413,513	-484,941	-459,181	-414,378	-412,306	-1,770,807
Earnings before taxes (EBT)	**-1,167,967**	**1,054,521**	**1,734,775**	**2,047,640**	**-1,721,884**	**3,115,052**
Income taxes	0	0	0	-115,000	0	900,750
Profit for the year	**-1,167,967**	**1,054,521**	**1,734,775**	**1,932,640**	**-1,721,884**	**4,015,802**
Other comprehensive income for the year, net of tax	0	0	0	0	0	0
Total comprehensive income for the year	**-1,167,967**	**1,054,521**	**1,734,775**	**1,932,640**	**-1,721,884**	**4,015,802**
						0
Earnings per share (EPS)						
- undiluted earnings per share	-0.0476	0.0430	0.0707	0.0787	-0.0288	0.1636
- diluted earnings per share	-0.0469	0.0430	0.0707	0.0787	-0.0293	0.1631

Consolidated Cash Flow Statement for 2014 (unaudited)

(EUR)	Note	3M/2014	3M/2013
Profit before tax		**-1,167,967**	**1,054,521**
Non-cash adjustments for the reconciliation			
of earnings before taxes to net cash flow			
Depreciation/amortisation		662,384	631,641
Share based payment expenses		67,746	0
Market value of hedge		-36,103	-5,983
Income from sale of plant		2,031	-5,749
Financial income		-765	-1,975
Financial expenses		413,513	484,941
Changes in accruals		16,466	-106,107
		-42,696	**2,051,289**
Changes in working capital			
Changes in inventories		-5,110,402	6,182,791
Changes in trade receivables and other receivables and other assets		2,547,729	-946,659
Changes in trade payables and other liabilities		-603,779	-475,681
		-3,166,452	**4,760,451**
Received interests		**765**	**1,975**
Net cash from operating activities		**-3,208,382**	**6,813,715**
Payments from the sale of tangible assets		1,261	5,750
Payments for the purchase of tangible assets		-1,254,999	-317,594
Payments for the purchase of intangible assets		0	-850
Payments for the payback of other financial assets		6,511	27,968
Payments for the purchase of other financial assets		0	0
Net cash from investing activities		**-1,247,228**	**-284,726**
Loan redemption		-15,000,314	-10,691,073
Loan increase		14,277,308	4,445,000
Redemption Finance Lease		-32,448	-34,782
Interest payments		-417,701	-1,670,075
Net cash from financing activities		**-1,173,156**	**-7,950,930**
Change in cash and cash equivalents		**-5,628,765**	**-1,421,941**
Cash and cash equivalents at the beginning of the period		**9,934,860**	**7,940,385**
Cash and cash equivalents at the end of the period		**4,306,095**	**6,518,444**

Consolidated Statement of Changes in Equity for Fiscal Year 2014 (unaudited)

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total
Balance as of Jan. 1, 2014	**24,543,741**	**85,901,380**	**-86,075,133**	**24,369,988**
Income of the period	0	0	-1,167,967	-1,167,967
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**-1,167,967**	**-1,167,967**
Stock options issued	0	67,745	0	67,745
Total result directly attributed to equity capital	**0**	**67,745**	**0**	**67,745**
Balance as of Mar. 31, 2014	**24,543,741**	**85,969,125**	**-87,243,100**	**23,269,766**

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity
Balance as of Jan. 1, 2013	**24,543,741**	**85,901,380**	**-87,129,654**	**23,315,467**
Income of the period	0	0	1,054,521	1,054,521
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**1,054,521**	**1,054,521**
Stock options issued	0	0	0	0
Total result directly attributed to equity capital	**0**	**0**	**0**	**0**
Balance as of Mar. 31, 2013	**24,543,741**	**85,901,380**	**-86,075,133**	**24,369,988**

IV SELECTED EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and changes to Group accounting policies

Basis of preparation

The condensed consolidated interim financial statements (consolidated interim financial statements) as of March 31, 2014 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 2013. 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, 2013.

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 2014, 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, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

In the quarterly financial statements as of March 31, 2014, two companies in Germany were included (December 31, 2013: 2). There were no changes made to the consolidated financial statements on the basis of consolidation.

New Standards, interpretations and amendments, taking the endorsement status of the EU into account. Only endorsed standards are reported:

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

Offsetting Financial Assets and Financial Liabilities – Amendment to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set off' and the criteria for non simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

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

Recoverable Amount Disclosures for Non Finance Assets – Amendment to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition the amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments have no impact on the Group.

Overall during Q1/2014 there were no changes to the group accounting policies with effect on the financials.

2. Impairments

Tangible Assets

No significant impairments have taken place during the reporting period.

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, 2013.

4. Property, plant and equipment

During the three month ended March 31, 2014, the Group acquired assets with a cost of EUR 1,254,999.45 and disposed assets with a net value of EUR 3,916.66. The acquisition of assets is mainly attributable to work in progress of EUR 1.1m.

5. Inventories

In Q1/2014, 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, 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, 2014, the Group's balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	Unit	Mar. 31, 14	Level 1	Level 2	Level 3
Financial assets valued at the applicable fair value					
Financial instruments measured at fair value through profit or loss					
Currency future contracts in a hedging relationship	KEUR	50	0	50	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	31	0	31	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	54	0	54	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	56	0	56	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	21	0	21	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	114	0	114	0

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

During the first quarter, ended March, 31 2014, 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 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	KGBP	KEUR	KEUR
Mar. 31, 2014				
Derivatives in a hedging relationship				
Fair value hedge				
Biodiesel hedge	7,045		31	21
Currency hedge	18,900	201	50	56
TTL			81	77
Dec. 31, 2013				
Derivatives in a hedging relationship				
Fair value hedge				
Biodiesel hedge	10,051		39	0
Currency hedge	21,800		45	64
TTL			84	64

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

Description of the existing derivatives as of the reporting date

Biodiesel swap transactions (in a hedging relationship)

To hedge the proceeds from sales contracts linked to petroleum prices, hedges in the form of fixed biodiesel sales are against variable petroleum prices. The inefficiencies resulting from the valuation of the current open contracts 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 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 and other liabilites contain EUR 112k within short term and EUR 1,050k within long term related to finance lease liabilities, mainly comprising 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:

Cash and equivalents, current assets	Unit	Mar. 31, 14	Dec. 31, 13
Cash equivalents	KEUR	16	0
Cash	KEUR	4,290	9,935
TTL	KEUR	4,306	9,935

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:

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) Q1/2014	KEUR	0	0	0	12,506
IC Green Energy Ltd., Tel Aviv (Israel) 2013	KEUR	0	0	0	12,506

10. Share-based payments

During Q1/2014 no new stock options were granted. Out of the Senior Executive Plan 2013 a total of EUR 68k was allocated to personnel expenses in Q1/2014.

11. 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 had to account for 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 being positive for the same year.

Based on a tax field audit, the local tax authorities of the German state of Northrhine-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 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 particular 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 till 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 pay the sum due till a decision in court is taken.

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. For this reason a tax provision has neither been recognized for the fiscal year 2012 nor for the fiscal year 2013. A tax expert review is supporting the management in its decision.

12. 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, May 9, 2014

Jean Scemama
CEO
Petrotec AG

V FINANCIAL CALENDER 2014

Annual Report 2013:	March 18, 2014
Q1 Report:	May 14, 2014
Annual General Meeting:	May 28, 2014
Half Year Report:	August, 13 2014
Q3 Report:	November 12, 2014
Annual Report 2014:	March 18, 2015

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