Interim Report Petrotec AG
Half Year Report June 30, 2013

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 2012 and the additional information on the company contained therein.

Half year IFRS interim report

The present IFRS interim report outlines the business development of the first half of 2013 and reports on the first six months (January 1 – June 30, 2013) of Petrotec AG's fiscal year 2013 (January 1 – December 31, 2013).

II GROUP INTERIM MANAGEMENT REPORT

II.1 GENERAL CONDITIONS

II.1.1 Market

At the beginning of the 2nd quarter 2013 commodity prices dropped significantly amid lower growth expectations from the industrialized nations and GDP reports out of the US, China and Europe that were far below expectations. Besides that the Organization for Economic Co-operation and Development lowered its growth forecast for China, the No. 2 oil consumer.

Given a broader decline in prices of also other commodities, such as metals and textiles, it can be assumed that price moves were not necessarily industry specific but indicated an economic slow down of the bigger industrialized nations.

However, the continued negative news out of Egypt and Syria as well as a production cut in Libya kept crude prices steadily above the 100 USD/mt level and supported the bullish trend of oil products outweighing the bearish economic outlook. The ICE Gasoil price dropped sharply from its highest level at 935 USD/mt on the 2nd of April to a level of 815.50 USD/mt mid of April, before the market turned bullish again, bouncing back to a level of 885.50 USD/mt in the second half of May.

The EUR/USD recovered from its low of 1.2786 beginning of April which seemed more of a technical correction given unchanged fiscal political directions. It reached its highest level at 1.3415 on the 18th of June. Bearish news from the Euro zone and improved economic figures from the US for the short term helped strengthening of the US dollar vs. the Euro. The weaker Euro significantly helped increasing sales margins. Foreign exchange (US dollar) hedges for purchases of feedstock took place at more favorable US dollar levels.

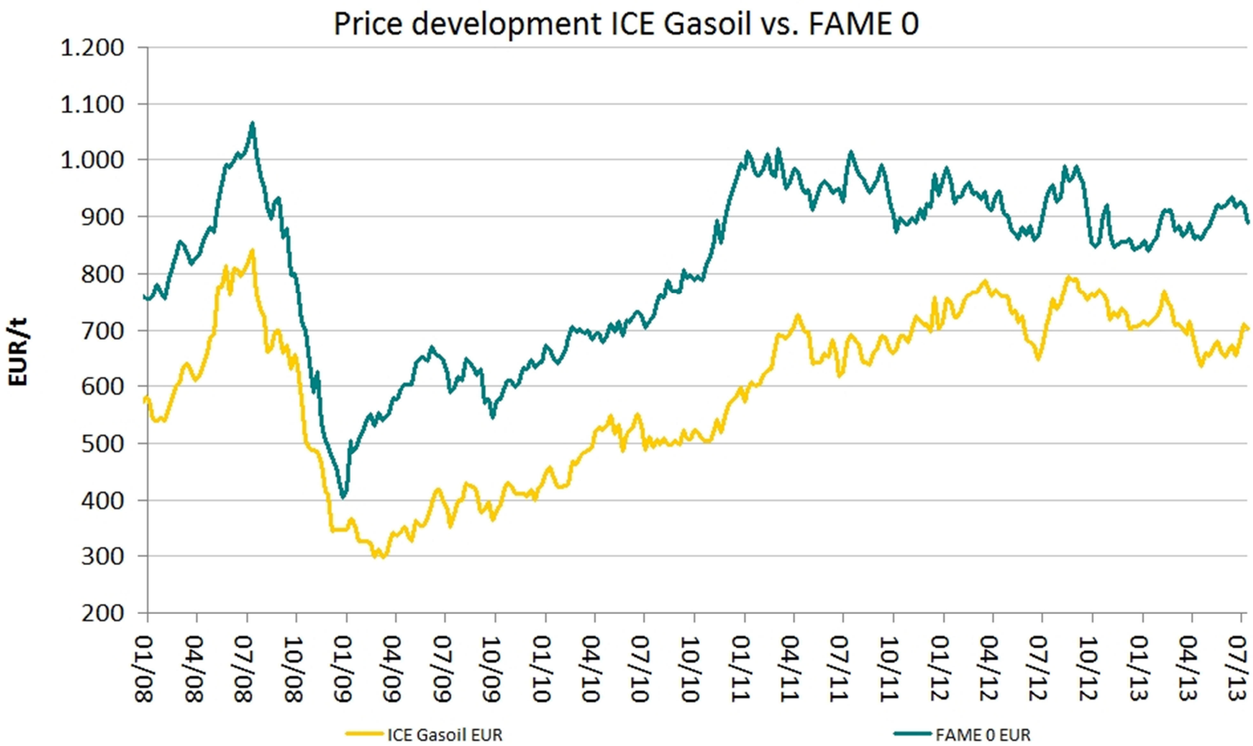
FAME 0 premiums picked up further mid of May, continuing to move up to maximum levels of around 350 USD/mt over ICE Gasoil for prompt physical product. Even though having been priced in partially, the import duties for FAME from Indonesia and Argentina helped pushing up FAME 0 premiums vs. the ICE Gasoil. With the beanoil prices moving sideward in a range of 1022.66 USD/mt and 1102.66 USD/mt and tending to get into a trend slightly downwards towards end of June. The expected seasonal pick up in demand for biodiesel was lower than expected which indicated a movement towards lower prices going into end of June and beyond. The decreasing Beanoil-Gasoil spread confirmed these fundamentals. The spread between the RED (certified) paper FAME 0 and the RED physical FAME 0 price moved between 15 USD/mt and 45 USD/mt.

Even though FAME premiums improved during May and June, still the Gasoil and FAME 0 premiums stayed backwardated towards Q3 and Q4. This backwardation curbed the initially expected high demand for double counted biodiesel for the German market. By mid of April, given the summer specification for Germany, blenders were allowed to blend 100% double counted biodiesel and hence maximize their blended biodiesel fulfilling their obligation. Given the backwardation of commodity prices in the market demand for prompt product increased and hence premiums for prompt deliveries. Contract towards Q2 and Q3 could only be closed for the German market if double counting product could have been offered at competitive price levels. Also the low amount of term volumes lead to a higher prompt demand for both the ISCC DE product for the German market as well as ISCC EU product for markets like the UK and the Netherlands.

After successfully overcoming the transition period of feedstock suppliers being certified according to the new regulation for German double counting (effective on the 1st of January 2013), the majority of the volumes Petrotec produced were delivered to the German blending market. As not all suppliers of feedstock had been certified beginning of the 2nd quarter 2013, not the entire demand coming from the German market for double counted FAME could be supplied. However, Petrotec managed to accelerate the process of supplier certifications and hence increased the ISCC DE certified volumes during the 2nd quarter.

Besides the German market also countries like the Netherlands and the UK showed demand for double counted FAME, even though the demand was much lower than in Germany. The fact that also TME is accepted for double counting in those countries slowed down the demand for the higher priced UCOME.

The certification of Petrotec's two plants for the French double counting scheme was (retroactively for 2012) confirmed in April 2013. Also Petrotec got its EPA approval and is hence registered with its two production facilities in the US. That means that Petrotec can export its biodiesel to the US as an additional outlet.



II.1.2 Regulation

The second quarter of 2013 was still marked by the insufficient transition period for the implementation of the new German Biofuels Law ("36th BImSchV") introducing stricter standards for double counting waste feedstock like Petrotec's UCO. While the law was published at the beginning of December 2012, the implementing authority BLE published the general rules to be applied at the end of December just a few days before the law became effective. The foreseen transition period until the end of February was too short as the certification schemes like ISCC finalized their checklists at the end of January and English translations of the main documents only became available in mid-February (other languages followed later, if at all). Aforementioned facts put serious doubts on the constitutionality of the law as well as the compliance with EU legislation forbidding the effective banning of inter-community trade. Last but not least, the imposed "incompatibility" of German & EU certified material effectively impeded to a great extent the conversion of best-in-class feedstock like UCO into fuel with the highest CO2 reduction. Based on a strong intervention by the industry, the authorities had to extend the transition period until end of March for biodiesel producers and end of May for UCO collectors. The late mid-quarter announcement had already significantly disrupted the affected value chains, though.

In the EU Parliament, adverse lobbying completely perverted the EU Commission's iLUC proposal (aiming at reducing the use of crop-based biofuels) into a legal draft achieving the exact opposite. Precisely, at a 20th June vote, the ITRE (Industry, Research & Energy) Committee surprisingly deleted double counting from its proposal and eliminated UCO as an advanced feedstock. When the leading ENVI (Environment) Committee also eliminated double counting for waste-based biofuels in its latest proposal on 24th June, a pan-European coalition of affected companies was created, which successfully reversed these developments: at its scheduled July 11th vote, the ENVI Committee re-introduced double counting into the legal text and kept UCO and animal fat as an advanced feedstock. Given that the plenary will vote on these proposals on the 10th September, the waste-to-biofuels industry will need to keep up the effort of educating EU & national decision makers on the merits of its socially & environmentally advantageous business model. The argumentation is simple as UCOME & TME happen to be the only – commercially available - biofuels with no impact on land use and zero carbon emissions associated with the production of the feedstock. As such, they offer more than double the GHG savings compared with the major virgin oil based biofuels.

Double counting is an effective mechanism to encourage consumption of more sustainable fuels:
Double counting has worked extremely effectively to get wastes and residues recycled into transport fuel. Since the introduction of double counting, there has been a steady expansion of waste-based biofuels increasing the effectiveness of CO2 reduction and reducing the environmental footprint of EU biofuels policy. Yet, due to the limited feedstock availability this currently represents only a small share of the total biodiesel supply and even less when considering the overall biofuel supply. Last, this incentive scheme also contributes to reduce the price for diesel consumers, as it is by itself a cheaper blending component.

UCO and tallow recycling is expensive. The process cost for manufacturing EN14214 product from this material is twice that of virgin oil biodiesel plants for example. In terms of investment, the capital cost of waste and residue biodiesel plants that typically have pre-treatment and post-treatments of all products is over twice that of a similarly sized vegetable oil biodiesel plant. As far as innovation is concerned – we are heavily investing in developing new technologies with the capacity to improve our processes and broaden the variety of our feedstock. There is still much development ahead from developing new catalysts up to adopt biological processes for our recycling processes of same and new feedstock.

Last but not least, based on the aforementioned threats to the value chain from UCO collection to the production of UCO based biodiesel, a group of EU UCO collectors have created a Brussels-based association following a business necessity and the continuous feedback from EU decision makers that the sector is not represented in the European capital.

II.1.3 Movement of inventories

Since December 31, 2012 the inventories declined in total by EUR 5,938k to EUR 13,641k. Within the inventories, the raw materials declined by 6.4% from EUR 10,419k to EUR 9,755k by June 30, 2013. In 4th quarter 2012 Petrotec accumulated a high stock level, which properly supplied the production in first quarter and supported a record production in Q1. In Q2/2013 Petrotec increased the purchase volume of treated raw material to supply production in the beginning of the third quarter, which resulted again in a high stock accumulation at end of June. Production process wise high stocks were reported from Spain at June 30, 2013, as usually the feedstock is first collected and then being processed in one batch production process. The average treated feedstock price moderately increased towards the first half year, but did not yet reached the level from Q4/2012.

The sourced volumes of untreated used cooking oil from Petrotec's collection business declined compared to year end. The stocks of untreated used cooking at the end of Q2 decreased as well compared to end of December 31, 2012. The average purchase price has been slightly reduced within the quarters.

The finished and unfinished goods contain Biodiesel and By-products. While in end of Q1 the value of finished and unfinished goods hardly changed from EUR 9,160k at year end to EUR 9,026k, the position changed significantly in end of the second quarter. Petrotec sold a record volume of 87.164 tons of Biodiesel in the first six month (compared to 66.010 tons in comparable period 2012) to the market, which could only be achieved by adding on top of the production some trading volumes and the release of further 5.000 tons from the stocks. As consequence the finished and unfinished goods dropped by EUR 5,274k from EUR 9,160k to EUR 3,886k and hereby unlocked the margin on those volumes.

II.2 MOVEMENTS OF REVENUES AND RESULTS

II.2.1 Key Figures

KEY FIGURES	Unit	H1/2013	H1/2012	Deviance 2013 vs 2012
Profitability				
Sales	EURk	96,924	77,060	19,864
EBITDA	EURk	5,015	2,079	2,936
EBIT	EURk	3,731	896	2,834
EBIT-margin	%	3.8%	1.2%	0.0%
EBT	EURk	2,789	-114	2,903
Net profit / loss	EURk	2,789	-114	2,903
Profit per share (2)	EUR	0.114	-0.005	0.119
Asset position		**Jun. 30, 13**	**Dec. 31, 12**	
Working capital	EURk	18,250	20,361	-2,111
Non-current assets	EURk	21,188	21,932	-744
Total assets	EURk	55,745	59,336	-3,591
Debt(1)	EURk	18,016	25,354	-7,338
Equity	EURk	26,101	23,315	2,786
Equity-ratio	%	46.8%	39.3%	
Cash flow		**H1/2013**	**H1/2012**	0
Adjusted net profits from non cash accounts	EURk	4,898	2,476	2,422
Change in working capital	EURk	2,102	-1,395	3,497
Operating cash flow	EURk	7,003	1,106	5,898
Cash at period end	EURk	6,060	9,362	-3,302

(1) Loans from shareholders and banks

(2) Undiluted profit per share, as introduced stock option plan has no effect yet, due to current stock price

II.2.2 Management Overview

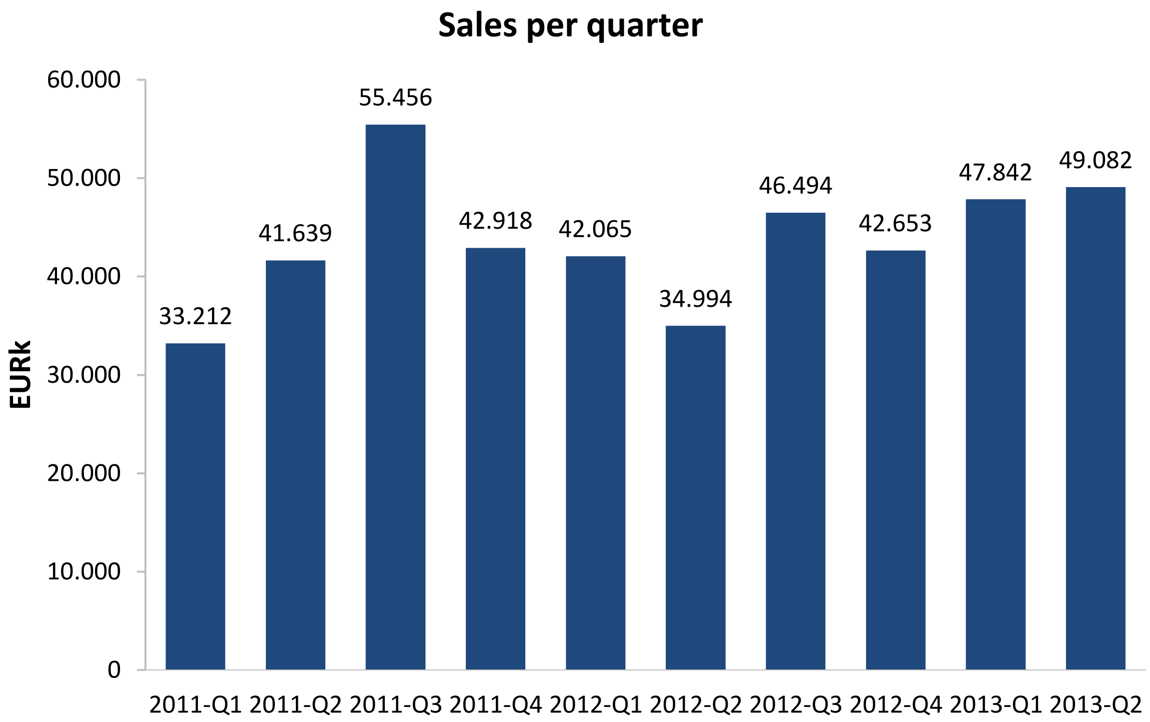
In the first semester of 2013 Petrotec enjoyed relatively good market conditions and high demand for its products. The seasonally good second quarter, continued the same positive trend seen in the first quarter, with even increased margins. This, together with the relative good purchases done at the year-end of 2012 resulted in relatively strong half year results.

On the feedstock supply side, the company was challenged through the first semester with certifying its supply chain with the 36th BImSchV requirements for maintaining its position in the German market. The company invested lots of its resources to accomplish this task, and by the end of May a large part of its supply was certified. In addition, the company has dedicated resources and efforts in discussions with the relevant German authorities to point out how un-reasonable some of the 36th BImSchV measures are both in terms of efforts required as well as time-frame granted for implementation. In parallel, the company saw an upward trend in the prices of feedstock through the first semester, with prices in traded in an upward trend.

On the other hand, the demand for the company product was strong, where many of the traditional customers of the company keep demonstrating loyalty, thanks to the very high level of attention the company puts in its certification system, and service. The demand in the German market has been strong from the beginning of the quarter, and got stronger throughout the second quarter, mainly thanks for the shortage of ISCC DE certified material in the market.

In Spain – the company still gradually continue growing its operation, through the purchase of UCO and its conversion locally into UCOME. On the medium term, the company targets its Spanish product to the south European market, whereby it is expected that Spain would adopt the double counting scheme by the end of this year.

The company continued its operational improvement trend. After achieving the high production record in the first quarter of 2013, with over 37 KT biodiesel (up 9% compared to same quarter previous year), the company produced 34 KT in the second quarter (up 22% compare to same quarter previous year) despite having stopped both plants for planned maintenance period in this second quarter. The relatively small investments the company did in the past few months, keep proving themselves beneficial and pushed the utilization rate of the company plants from 67% for the first semester last year to almost 78% this year (up 15%).



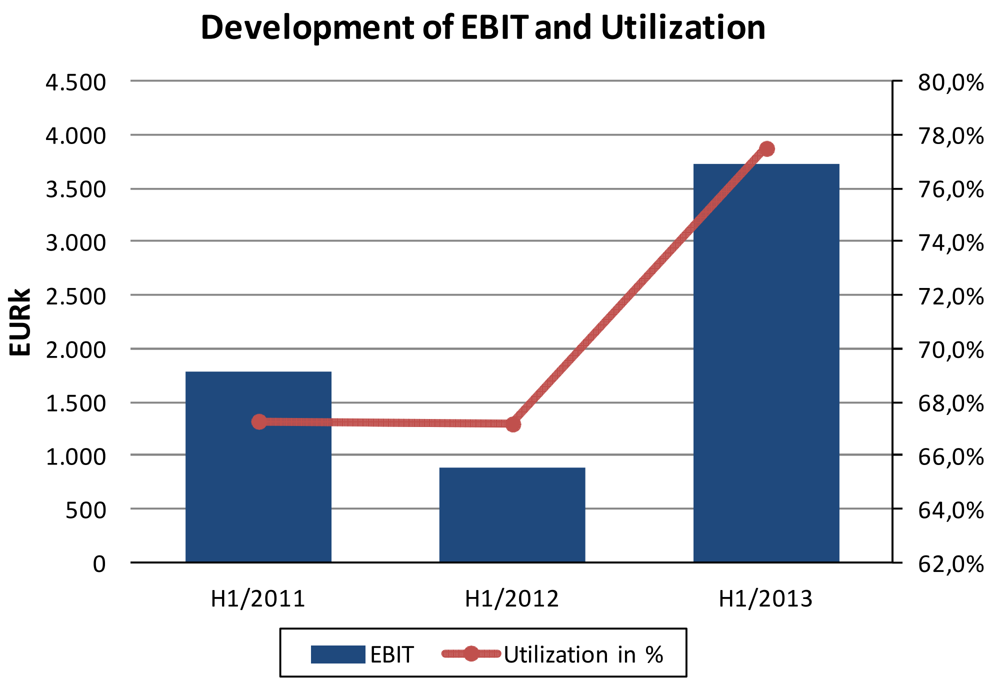
II.2.3 Movement of profit & loss indicators

Based on continuing strong revenue achievement within the second quarter 2013, operating result for the first half of 2013 demonstrate the continuation of improvement in the company position in the market. In total Petrotec produced 71,138 tons of its EcoPremium biodiesel in the first six month of 2013 compared to 61,996 tons in H1/2012. The utilization improved from 67.2% to 77.5% during the period H1/2013 compared to the same period in 2012. The strong financial result of H1/2013 is mainly attributable to the increase in production volumes and corresponding high sales volume.

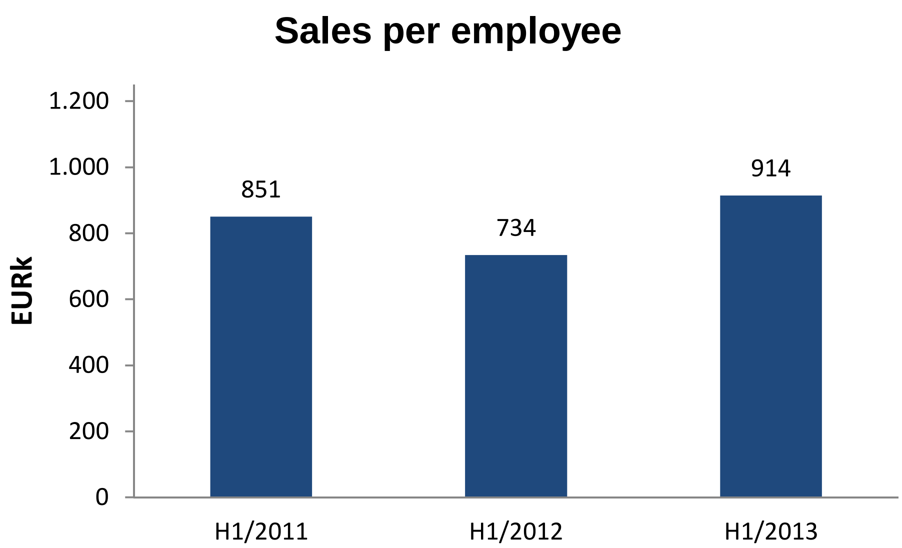
In the first six months of 2013, **sales** amounted to EUR 96.9m, representing an increase of EUR 19.8m (25.7%) compared to EUR 77.1m for the first six months of 2012. This positive development is mainly a result of the increasing demand for Petrotec´s EcoPremium biodiesel, especially in the German market, along with improvement in production capacity utilization and improving sales and logistics procedures.

Cost of material rose by EUR 7,636k to EUR 79,373k within the comparable period of H1/2013 to H1/2012. The cost of material ratio, taking the change of inventory in account, further declined compared to the H1/2012 ratio. The ratio improved from 88.2 % in H1/2012 to 87.3 % in H1/2013.

The improvement of current period results was next to the strong revenue achievement especially caused by the higher utilization of the plants.



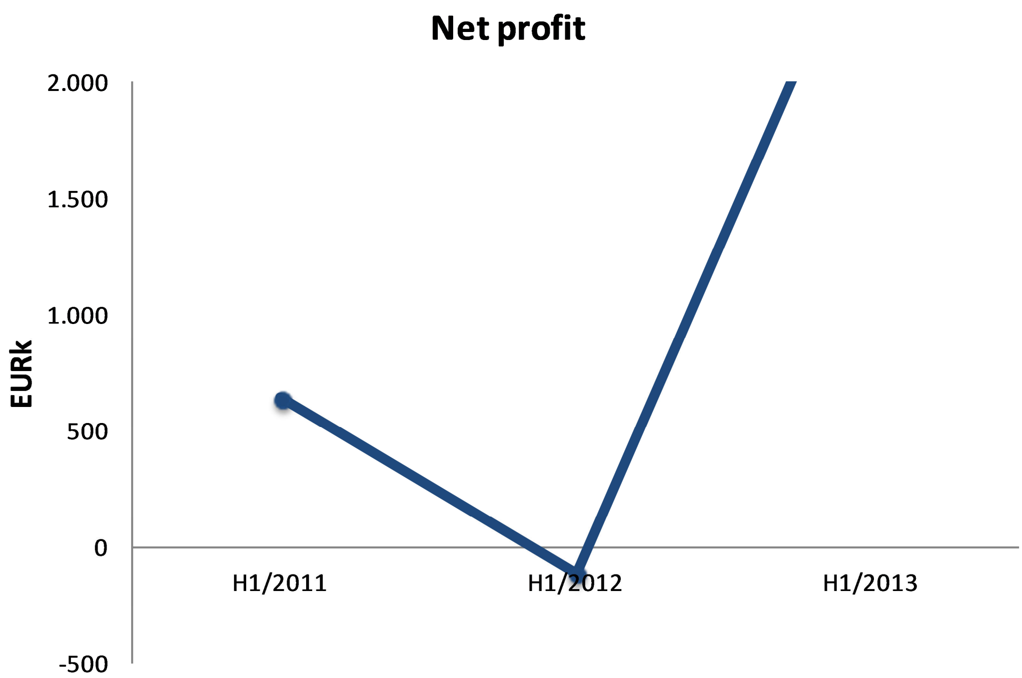
Personnel expenses during the first six months period in 2013 amounted to EUR 3.0m; an increase of 5.6% compared to EUR 2.9m of the parallel period in 2012. The main reason for the increase is due to the increase in staff related to the growing business activity. Thanks to the strong revenue achievement, the sales per employee increased by more than 24.6% compared to H1/2012.



Other operating expenses remained on a steady level of EUR 5.0m compared to the first six months of 2012. The development is due to several opposite movements of other operating expenses. While other production costs (+EUR 0.2m), insurance cost (+EUR 0.1) and freight out cost (+EUR 0.1) increased, cost for a one time effect included in last year´s half year reporting relating to a financial instrument in a non hedging relationship (-EUR 0.4m) reduced the other operating expense. Further other operating expenses include insurance premiums, vehicle costs as well as legal and consulting costs.

The **financial result** is characterized by financial expenses slightly declined compared to the H1/2012. The financial result cumulates to EUR 0.9m. The lion share of the financial expenses is interest on loans provided by the major shareholder IC Green Energy.

The group generated a **Net profit** of EUR 2.789k in the first half of 2013 compared to a loss of EUR 114k in the prior year. Due to the improvement of the cost of material ratio, stable other operating expenses and the only moderate increase in personnel cost, the strong increase in sales lead to a strong performance for H1/2013.



The **Profit per share** for the first half year of 2013 amounts to EUR 0.11.

II.3 NET ASSETS AND FINANCIAL POSITION

II.3.1 Net Assets

Total assets as of June 30, 2013 have declined to the comparable at year end 2012 and amount to EUR 55.7m. The decline from EUR 59.3m at year end is primarily due to the decline in inventories by EUR 5.9m. Inventories at year end were exceptionally high, as the company had the opportunity to buy large volumes at reasonable prices which raised the values of raw material by EUR 6.0m at year end. This effect was positively reversed during Q1/2013. Vice versa trade receivables increased significantly by EUR 4.9m to EUR 14.9m which is primarily caused by the strong revenue achievement during the first six month. Additionally yearend is rather low season for Petrotec due to the winter specification of its products and hence revenues and accordingly trade receivables are rather low at yearend.

The total non current assets declined primarily due to planned depreciations amounting to EUR 1.284k, while EUR 587k were primarily invested in tangible assets.

Petrotec’s working capital remains stable:

Working Capital	Unit	Jun. 30, 13	Dec. 31, 12	Deviance
Inventories	EUR mio.	13.6	19.6	-6.0
Trade receivables and other receivables	EUR mio.	14.9	9.9	5.0
Trade payables and other payables	EUR mio.	10.2	9.1	1.1
TTL	EUR mio.	18.3	20.4	-2.1

Compared to 2012 year end the working capital declined by EUR 2.1m. The decline is primarily due to the building up of raw materials at year end, which were reversed during the first six month of 2013. The short term increase in raw materials at year end was financed through short term bank loans and was primarily repaid during Q1/2013.

On June 30, 2013, Petrotec's equity ratio improved to 46.8% compared to 39.3% as of the balance sheet date on December 31, 2012, which is attributable to the generated net profit of the first six month, as well as the reduced asset position.

IC Green Energy Ltd. (ICG) continues to prove to be a very supportive shareholder. As of June 2013, ICG has provided Petrotec with financial debt amounting to EUR 14.5m, compared to EUR 17.7m at yearend 2012, after another repayment of EUR 1.2m of incurred and not paid interest at the end of March 2013 and EUR 2m redemption end of June. The current long term portion of the granted financial debt declined significantly from EUR 12.5m to EUR 5.3m, whereas the short term portion increased to EUR 9.3m from EUR 5.2m compared to year end. This is primarily due to loans amounting to EUR 7.3 that expire on March 19, 2014 that became short term during March 2013.

II.3.2 Cash flow

Thanks to the decrease in inventories and the strong H1 result Petrotec was able to generate a net cash flow from operating activities amounting to EUR 7.0m.

The positive cash flow was used to finance the investing activities amounting to EUR 0.5m and to redeem the short term loans build up at year end for financing the investment in working capital. Due to the new ability to finance working capital not solely with the shareholder loans by ICG, Petrotec also financed a material amount of its Working Capital through external banking institutions. Those short term bank loans (EUR 4.1M) as well as ICG's accrued and not paid interest and loan principle (totaling EUR 3.2M) were redeemed during H1/2013. Newly taken up loans are primarily short term based and used to gain more flexibility in financing the working capital. The short term based loans are constantly redeemed.

The abovementioned cash flow activity resulted in a decrease in cash and cash equivalents from EUR 7.9m for December 31, 2012 to EUR 6.0m for June 30, 2013. The decline primarily results from the redemption of loans.

II.4 EMPLOYEES

As of June 30, 2013, Petrotec had a total of 106 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

	Jun. 30, 13	Jun. 30, 12	Change %	Dec. 31, 12	Change %
Production	69	64	7.8%	66	4.5%
Sales & administration	37	41	-9.8%	38	-2.6%
Thereof trainees	3	3	0.0%	4	-25.0%
Total	106	105	1.0%	104	1.9%

* 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 June 30, 2013 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			
Jun. 30, 2013	QTY	12,388	0.05%
Dec. 31, 2012	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 statements for 2012. 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 2012.

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

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 – 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 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^{th} 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 strongly supports measure introduced with the aim of preventing fraudulent practices, the latter must be reasonable in terms of the implementation time-frame, the fit with effective logistic and production processes and the additional burden it adds to our relatively slim margin business. The company expects that this new requirement will put additional operational burden as well as reduce the flexibility of the company when selling the product to different target markets. At first stage, due to the very limited period of implementation, the company expects that it will only be able to offer a lower portion of its production into the local German market. Although to date Petrotec has been able to certify many of its major suppliers, there are still numerous suppliers that have not yet been certified, mainly due to lack of auditor's availability and the extremely high additional burden this auditing processes are putting on small collectors. Volume that will be eventually found non-certified will be eligible in Germany 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. To date, the company has significantly invested in certifying a large part of its supply chain. It is expected that these new requirement will have a limited impact, only, on the business model of the company.

On a wider European perspective - the current development can be described as follows: an increasing number of countries (such as Germany, Italy and Denmark) followed last year 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 are 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. Yet, with the double counting gaining a growing share in the market, the company is concerned by the arising interest of rivals to put additional pressure on the regulatory frameworks with the aim of limiting said trend, by imposing caps on double counting material or making efforts to eliminate the double counting scheme for UCO and animal fats during the last revision of the RED in connection to the iLUC considerations. The company keeps strongly believing that the course of action of recycling waste into biodiesel is right thing to do, and invest resources in conducting these messages to the relevant decision makers, involved in this debate.

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 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 applicable. 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 aims to 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 36th 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. Structured procurement policies on the electricity and natural gas market 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 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.

Liquidity risk

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

In the Petrotec Group, access to liquid funds is gained alongside operating business, primarily through current and non-current loans from its majority shareholder IC Green Energy Ltd. The liquid funds generated are used for investments and to finance working capital. Moreover, suppliers furnish credit lines for the financing of feedstock in conjunction with the procurement of used cooking oil. In the beginning of the year 2013, Petrotec has been able to conclude a global agreement with a major European bank to finance its working capital, which further supports the financing capacity of the company.

The Group's goal is to strike a balance between constantly covering its liquidity needs and ensuring flexibility by using current and non-current loans from 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 no tax provision has been recognized in fiscal year 2012. A tax expert review is supporting the management in its decision. In case of an unfavorable ruling and a following tax liability, potential interest payments according to the German tax law would become due. No changes have come to effect during H1/2013.

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.

Hence, assuming all uncertainties and especially those related to regulations will not actualize as the worst case scenario, we are expecting to generate stable margins in 2013. 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 relative limited availability of UCOME with all required certifications, and specifically with ISCC DE certificate, created a healthy demand for the company's product in its local German market, with reasonable margins. The company strongly supports the authorities' requirements for improved traceability of double counting products, so long that the measured placed are allowing for efficient operations, and avoiding unnecessary value distortion. In the other European markets, the company saw through the second quarter a weaker demand, which made the company selling most of its product to its local market. On the single counting biodiesel market, the new product registration requirements for biodiesel coming from Argentina and Indonesia were apparently not effective enough to completely cease the product dumping from these origins, supported by the differential import taxes schemes, onto the European market. While on the short term these requirements have somewhat supported FAME 0 margins, looking forward it seems that the now existing surplus of bean and palm oils from those origin is depressing the FAME 0 margins. Furthermore, the on-going debate on the iLUC (marginal land usage) is threatening the long term viability of the biodiesel industry as structured today. Despite Petrotec produces a much "better" product in terms of CO2 emission savings, said discussion seem to also trigger surprisingly question the biodiesel industry as a whole, and despite in contradiction to the initial intention of the commission, might eventually have a negative impact on the double counting players as well, and inter alia on Petrotec.

In the year 2012 the double counting scheme has been adopted by the major Western European countries, including Italy, Denmark and mainly Germany. Same trend has continued this year with additional eastern and northern countries, such as Finland, Sweden and Romania adopting the double counting scheme. This is continuing the increase of demand for the company’s product, and enhanced the differentiation point compared to the vegetable oil based biodiesel producers. This is proving again that the product of the company better matches the regulatory environment intention to promote those biofuels that are creating the most possible savings in CO2 emission.

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). These high standards are supporting the company with its continuously enlarging customer base, and finding better demand for its product.

Feedstock market

The company maintains its efforts to increase the availability of feedstock for its plants. The 36^{th} BImSchV has increase the requirements for supply of feedstock eligible for double counting in Germany. This has in parallel created a certain shortage in feedstock availability and therefor an increase in prices through the first semester. These relative high prices might be maintained in the short term, going into the third quarter. Yet, the discussed bean and palm oil surplus, supported by the good harvest for oil seeds in the US (corn) and in other places in the world, is starting to put significant pressure on oil prices towards the last trimester of the year. Parallel pressure is being observed on the FAME 0 margins and to have double the pressure effect on double counting feedstock such as UCO and animal fat.

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 for the third quarter with a probable decline towards the seasonally weak fourth quarter of the year.

The management maintains the outlook it has published in the 2012 annual report.

III INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Interim Consolidated Balance Sheet as of June 30, 2013 (unaudited)

(EUR)	Note	Jun. 30, 2013	Dec. 31, 2012
Non-current assets			
Tangible assets		19,862,087	20,358,577
Intangible assets		1,238,360	1,468,462
Other financial assets (long-term)		87,191	104,623
Total non-current assets		**21,187,638**	**21,931,662**
Current assets			
Inventories		13,641,394	19,579,160
Trade receivables and other receivables		14,856,173	9,884,320
Cash and equivalents, current assets		6,059,816	7,940,385
Total current assets		**34,557,383**	**37,403,866**
Total assets		**55,745,021**	**59,335,528**
Equity			
Subscribed capital		24,543,741	24,543,741
Capital reserve		85,897,880	85,901,380
Revenue reserves		-84,340,358	-87,129,654
Total equity capital		**26,101,263**	**23,315,467**
Non-current liabilities			
Interest-bearing bank loans		204,978	89,024
Liabilities from finance lease (long term)		1,124,925	1,174,205
Interest-bearing loans against shareholders		5,250,000	12,505,993
Provision for part-time work in years before retirement		157,570	156,652
Total non-current liabilities		**6,737,473**	**13,925,874**
Current liabilities			
Interest-bearing bank loans		3,304,905	7,569,520
Trade payables and other liabilities		10,247,176	9,102,334
Interest-bearing loans against shareholders		9,255,993	5,189,485
Liabilities from finance lease (short term)		98,211	126,741
Accruals		0	106,107
Total current liabilities		**22,906,285**	**22,094,187**
Total equity and liabilities		**55,745,021**	**59,335,528**

Interim Consolidated Statement of comprehensive income for the first half year of Fiscal Year 2013 (unaudited)

(EUR)	Note	Q1/2013	Q2/2013	H1/2013	Q1/2012	Q2/2012	H1/2012
Sales revenues including energy tax		47,842,020	49,082,395	96,924,415	42,065,276	34,994,449	77,059,725
Energy tax		0	-687	-687	-76	0	-76
Sales revenues		**47,842,020**	**49,081,708**	**96,923,728**	**42,065,200**	**34,994,449**	**77,059,649**
Other operating income		621,404	106,101	727,505	342,266	503,688	845,955
Changes in inventories of finished and unfinished goods		-131,085	-5,142,785	-5,273,870	1,339,009	2,421,620	3,760,629
Cost of materials		-42,325,443	-37,047,206	-79,372,649	-38,952,437	-32,784,084	-71,736,521
Personnel expenses		-1,478,863	-1,545,687	-3,024,550	-1,376,739	-1,488,594	-2,865,333
Depreciation		-631,641	-652,447	-1,284,088	-588,305	-594,213	-1,182,518
Other operating expenses		-2,375,257	-2,584,299	-4,959,556	-2,212,523	-2,791,812	-5,004,335
Result from hedging activity		16,353	-22,283	-5,930	-10,191	28,939	18,748
Earnings before interest and taxes (EBIT)		**1,537,487**	**2,193,103**	**3,730,590**	**606,281**	**289,995**	**896,275**
Finance income		1,975	854	2,829	11,462	13,234	24,697
Finance costs		-484,941	-459,181	-944,122	-513,804	-521,248	-1,035,052
Earnings before taxes (EBT)		**1,054,521**	**1,734,775**	**2,789,296**	**103,939**	**-218,019**	**-114,080**
Income taxes		0	0	0	0	0	0
Profit / loss for the year		**1,054,521**	**1,734,775**	**2,789,296**	**103,939**	**-218,019**	**-114,080**
Earnings per share (EPS)		0.043	0.071	0.114	0.004	-0.009	-0.005

Consolidated Cash Flow Statement for June 30, 2013

(EUR)	Note	HY1/2013	HY1/2012
Profit/loss before tax		**2,789,296**	**-114,080**
Non-cash adjustments for the reconciliation			
of earnings before taxes to net cash flow			
Depreciation/amortisation		1,284,088	1,182,518
Market value of hedge		-12,893	0
Additions to provisions		0	0
Income from sale of plant		2,688	-44,415
Financial income		-2,829	-24,697
Financial expenses		944,122	1,035,052
Changes in accruals		-106,107	441,956
		4,898,366	**2,476,334**
Changes in working capital			
Changes in inventories		5,937,767	-6,948,674
Changes in trade receivables and other receivables and other assets		-5,463,449	911,320
Changes in trade payables and other liabilities		1,627,860	4,642,058
		2,102,177	**-1,395,296**
Received interests		**2,829**	**24,697**
Net cash from operating activities		**7,003,371**	**1,105,735**
Payments from the sale of tangible assets		33,481	4,125
Payments for the purchase of tangible assets		-586,515	-552,504
Payments from the sale of intangible assets		0	0
Payments for the purchase of intangible assets		-7,150	0
Payments for the payback of other financial assets		33,501	23,041
Payments for the purchase of other financial assets		-16,069	-70,000
Net cash from investing activities		**-542,753**	**-595,338**
Loan redemption		-13,707,818	-2,226,061
Loan increase		7,559,157	0
Redemption Finance Lease		-55,420	0
Interest payments		-2,133,608	-23,143
Cash received from the issue of shares		0	0
Transaction costs from SOP		-3,500	0
Net cash from financing activities		**-8,341,188**	**-2,249,204**
Change in cash and cash equivalents		**-1,880,569**	**-1,738,807**
Cash and cash equivalents at the beginning of the period		**7,940,385**	**11,101,007**
Cash and cash equivalents at the end of the period		**6,059,816**	**9,362,200**

Consolidated Statement of Changes in Equity for June 30, Fiscal Year 2013

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total
Balance as of Jan. 1, 2013	**24,543,741**	**85,901,380**	**-87,129,654**	**23,315,467**
Capital increase from own funds	0	0	0	0
Transaction costs (net of deferred taxes)	0	-3,500	0	-3,500
Total result directly attributed to equity capital	**0**	**-3,500**	**0**	**-3,500**
Total comprehensive income	0	0	2,789,296	2,789,296
Total earnings for the period	**0**	**-3,500**	**2,789,296**	**2,785,796**
Balance as of Jun. 30, 2013	**24,543,741**	**85,897,880**	**-84,340,358**	**26,101,263**

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity
Balance as of Jan. 1, 2012	**24,543,741**	**85,901,380**	**-88,055,583**	**22,389,538**
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	-114,080	-114,080
Total earnings for the period	**0**	**0**	**-114,080**	**-114,080**
Balance as of Jun. 30, 2012	**24,543,741**	**85,901,380**	**-88,169,663**	**22,275,458**

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 June 30, 2013 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 2012. Unless expressly indicated otherwise, the accounting policies for consolidated interim financial statements for Half year 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, 2012.

In the opinion of the Management Board, the unaudited half year 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 half of fiscal year 2013 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 half year 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 six month ended June, 30 have been prepared in accordance with IAS 34 Interim Financial Reporting.

In the half year financial statements as of June 30, 2013, two companies in Germany were included (December 31, 2012: 2). There were no changes made to the consolidated financial statements on the basis of consolidation.

New Standards, interpretations and amendments

IAS 34 Interim financial reporting and segment information for total assets and liabilities (amendment)
The amendment clarifies the requirements in IAS 34 to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. As the group does not have a segment reporting due to the single segment product, this change did not have an impact on the interim reporting.

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relation to an entity´s interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

Overall during H1/2013 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, 2012.

4. Property, plant and equipment

During the six month ended June 30, 2013, the Group acquired assets with a cost of EUR 609,734.33 and disposed assets with a net value of 187,012.74.

5. Inventories

In the first half of 2013, 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 H1 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 and purchase 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 June 30, 2013, the Group's balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	Unit	Jun. 30, 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	EURk	232	0	232	0
Currency future contracts without hedging relationship	EURk	0	0	0	0
Swaps and futures in a hedging relationship	EURk	71	0	71	0
Change in fair value of underlying transactions in a hedging relationship	EURk	127	0	127	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	EURk	129	0	129	0
Currency future contracts without hedging relationship	EURk	0	0	0	0
Swaps and futures in a hedging relationship	EURk	59	0	59	0
Change in fair value of underlying transactions in a hedging relationship	EURk	316	0	316	0

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

During the first half of the year, ended June, 30 2013, 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 hierarchy 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	Nominalvolumes	Unit	Derivative assets = positive market values	Derivative liabilities = negative market values
Jun. 30, 2013				
Derivatives in a hedging relationship				
Fair value hedge				
Biodiesel hedge	20,631	EURk	71	59
Currency hedge	39,400	EURk	232	129
TTL		EURk	303	188
Dec. 31, 2012				
Derivatives in a hedging relationship				
Fair value hedge				
Biodiesel hedge	8,971	EURk	14	2
Currency hedge	17,350	EURk	231	80
TTL		EURk	245	82

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. In contrast to that fixed currency purchases were used to hedge raw material purchases in foreign currencies. 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 liabilities contain EUR 98k within short term and EUR 1,125k 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 comprised of the following:

Cash and equivalents, current assets	Unit	Jun. 30, 13	Dec. 31, 12
Cash equivalents	EURk	0	135
Cash	EURk	6,060	7,805
TTL	EURk	6,060	7,940

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 half year, 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) H1/2013	EURk	0	0	0	14,506
IC Green Energy Ltd., Tel Aviv (Israel) 2012	EURk	0	30	0	17,696

10. Share-based payments

In April 2013 Petrotec granted to its senior executives 1,120,000 stock options under the Senior Executive Plan 2013 (“Aktienoptionsprogramm 2013”/ AOP 2013”). The AOP 2013 is based on an AGM resolution taken in May 30, 2012 approving the AOP and a corresponding board resolution dated March 18, 2013, whereas Petrotec is entitled to issue a total of 2,454,374 stock options. These options can be granted during several tranches latest on May 29, 2017. To fulfill the stock option Petrotec will use the conditional capital II from 2012.

The current unadjusted performance based exercise price of the options of EUR 1.133 was calculated as 110% of the 20 days weighted average share price prior to the date of grant. The options could be exercised only if the Petrotec weighted average share price 20 days prior to exercise period will be at least 35% higher than the weighted average share price 20 days prior to granting those options, which has been determined at EUR 1.03. The options can be exercised in six different exercise windows after the publication of the Q1 and Q3 reports starting in financial year 2017 and ending in financial year 2019. The options will lapse if they will not be exercised during this period.

At balance sheet date June 30, 2013 the intrinsic value of the option amounts to EUR 0 as the option is not “in the money”. Currently Petrotec considers the impact of the value of the stock options plan as immaterial to the financial position, and the result of Petrotec operations and cash flow for the first half year. Hence no journal entries were made as well as there is no dilution effect on the earnings per share calculation.

11. Contingent liabilities

European Fund for Regional Development

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 ended on March 31, 2013. An infringement of these conditions will lead to the revocation of the entire grant or parts thereof. If the conditions were met, have not been finally agreed by the end of H1/2013.

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 North Rhine-Westphalia (NRW) have assessed income tax payments for fiscal year 2010 against Petrotec AG amounting to EUR 892.094,05 corporate and trade tax. The tax assessment is based on the authorities' opinion that the proceeds from the above described debt waiver transaction do not meet the requirements of a so-called restructuring profit (Sanierungsgewinn) pursuant to the decree of the German Ministry of Finance (BMF) of March 27, 2003 (so-called bail-out decree, Sanierungserlass). The calculation of the stated amount took the minimum taxation into account as Petrotec was able to only partially use its 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 no tax provision has been recognized in fiscal year 2012. A tax expert review is supporting the management in its decision. In case of an unfavorable ruling and a following tax liability, potential interest payments according to the German tax law would become due.

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, August 9, 2013

Jean Scemama
Management Board
Petrotec AG

V FINANCIAL CALENDER 2013

Annual Report 2012:	March 20, 2013
Q1 Report:	May 7, 2013
Annual General Meeting:	May 29, 2013
Half Year Report:	August, 9 2013
Q3 Report:	November 13, 2013
Annual Report 2013:	March 18, 2014

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