Interim Report Petrotec AG
Half Year Report June 30, 2015

Contents

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, is composed of 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 2014 and the additional information on the company contained therein.

Half year IFRS interim report

The current IFRS interim report outlines the business development of the first half of 2015 and reports on the first six months (January 1 – June 30, 2015) of Petrotec AG's fiscal year 2015 (January 1 – December 31, 2015).

II GROUP INTERIM MANAGEMENT REPORT

II.1 GENERAL CONDITIONS

II.1.1 Market

<u>Development of crude and gasoil prices</u>

The crude market was very volatile during the second quarter of the year. The price for Brent crude oil moved in a range between USD/mt 54.00 in early April and USD/mt 69.63 in mid May. Gasoil was traded at USD/mt 511.00 at its lowest level in the second quarter and reached its highest point at USD/mt 628.75.Toward the end of June, gasoil prices slipped again, finding strong support at around USD/mt 560.00. North Sea Brent crude oil spot prices decreased by USD 3.00 per barrel in June to a monthly average of USD 61 per barrel with a further slightly bearish outlook into the third quarter of this year.

Crude prices were slightly bearish in the second quarter. Oil prices have been relatively stable in the second quarter despite consistent growth in global petroleum and other liquid inventories, which grew by an estimated 1.9 million barrels per day in June and an average of almost 3.0 million barrels per day in April and May. Continued tensions in the Middle East, mainly in Yemen and the Saudi Arabian boarders were the reason for the spike in crude oil prices at the beginning of May. However, disappointing macroeconomic data worldwide, along with the uncertainty surrounding Greece's continued membership in the European monetary union pushed oil prices down. Also a more positive outlook on Iran's nuclear negotiations outweighed geographical fundamentals.

<u>Development of EUR/USD</u>

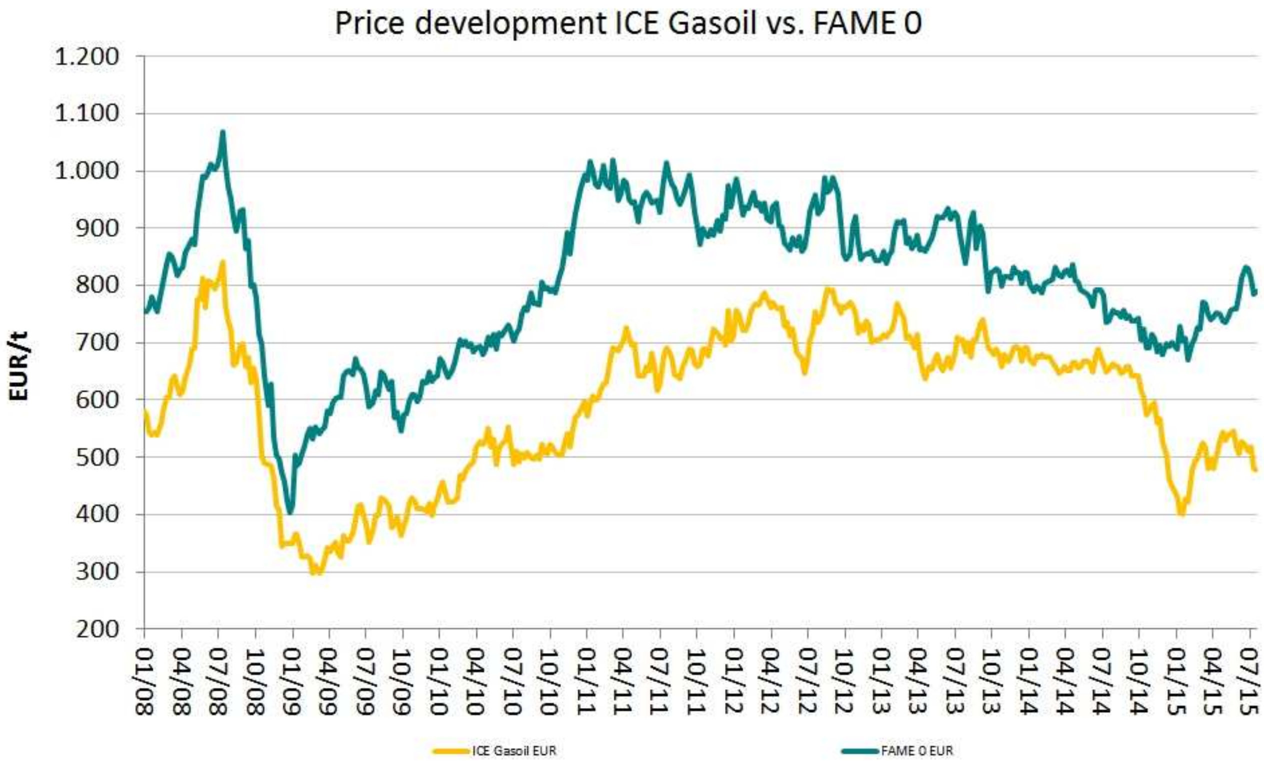
The EUR/USD was heavily influenced by the events in Greece and the fear of a possible exit by Greece from the European monetary union. Greek bailout negotiations failed over a long period which weakened the Euro significantly. The Euro dropped to its lowest level at 1.0518 at the beginning of April versus the US Dollar, though bounced back to 1.1451 on May 15, 2015 before it settled at a level of around 1.1100 by June 30, 2015. The value of the US Dollar versus the Euro was driven more by bullish economic news from the US, rather than the news about a possible Greek bailout in the Eurozone. In general commodity currencies were vulnerable in the quarter due to these events and overall worldwide economics being generally bearish for commodities.

<u>Development of biodiesel premiums</u>

FAME 0 premiums increased steadily throughout the second quarter of 2015. Premiums of FAME 0 over ICE GO were at a low of around USD/mt 205 for the front month in April. FAME premiums into the later second and third quarter were backwardated. A lack of liquidity in both the physical and paper markets led to bigger spreads between bids and offers, reaching a maximum of USD/mt 50 at one point. On the front month the premiums of FAME 0 peaked at a level of USD/mt 350 over ICE Gasoil in May and June. However, the strong backwardation for previous months of up to USD/mt 20 per month made forward sales somewhat less attractive. Sellers sold more volumes on the spot market as buyers were waiting for prices to decline further and didn't buy forward.

The situation concerning FAME 0 paper reflected the demand-supply situation of the physical biodiesel market very well. Demand was low - much lower than expected for this period of the year - especially considering that the Diesel consumption in Europe increased slightly in the second quarter. Higher GHG savings for RME and ethanol in Germany made fulfilling the quota easier for blenders and lowered the overall demand for UCOME. In the UK, the blending year that starts in April started slow with lower demand for UCOME. Ticket prices were low which didn't encourage physical blending. In the Netherlands, higher excise duties for Diesel blends lowered the demand for biodiesel. Few volumes of UCOME were sold to the French market. UCOME in the German market was traded with a GHG saving of around 85-90% while RME was traded with GHG savings guaranteed between 55% and 60%. Ethanol was traded with GHG savings of 62-71%.

The strong devaluation of the Euro in the first quarter made feedstock imports from the US, typically paid in US-Dollar, less attractive at the beginning of the second quarter of the year. However, lower demand of biodiesel and hence lower biofuels prices in the US in May and June pushed US feedstock prices further down. Additional sources for feedstock outside Europe and the US helped to replenish the demand of Petrotec's plants and enabled them to run at high capacity. However, the pressure on margins was high due to higher feedstock costs resulting from stable demand for UCO even though sales of UCOME were slow compared to the same time period one year ago.



II.1.2 Regulation

Germany

The decarbonization regulation effective since January 1, 2015 introduced the following CO2 reduction targets for marketers of fossil fuels: 2015: 3.5%, 2017: 4%, 2020: 6%. Obligated parties (= oil companies) seem to be able to comfortably reach the 3.5% target which reduces demand on the market. The waste-based biodiesel association MVaK has intervened with the authorities in order to safeguard the high CO2 emissions reduction in the application of the law as there were some practices by auditors slightly limiting this advantage. Given the “right” price, UCOME remains the undisputed leader in biodiesel CO2 reduction.

In order to reach the national goal of 40% GHG reduction by 2020 despite the existing lag, the Environment Ministry has launched the Climate Protection Action Plan. The measures contained therein are intended to function in addition to existing legislation in order to ensure that these goals are reached. It calls for an additional GHG reduction of 7-10 million tons CO2 equivalents for the transport sector by 2020. This is to be achieved by changes in the truck toll system, a growing share of electro mobility, transferring freight traffic to rail and additional smaller measures. In interventions towards the Environment Ministry, the German Biofuels Association (VDB) recommended options for a higher decarbonization contribution of biofuels in the transport and heating sectors. Unfortunately, additional measures for intensified biofuel use beyond the existing GHG quota have not turned up in the Action Program. Subsequent to the publication of the Action Program, the German Farmers’ Association and other relevant stakeholders criticised the insufficient attention paid to bioenergy in achieving climate protection targets. In view of the considerably improved GHG reduction values for biofuels and the enormous leverage of CCR (carbon capture & recovery) and UER (upstream emissions reduction) measures, even the GHG quota of 6% (2020) could prove to be modest. For this reason the association continues to point out, in discussions with departments and Members of Parliament, that an increased contribution of road transport to decarbonisation is possible if the prescribed biofuel quantities are maintained and are not reduced according to the logic of the GHG quota.

The VDB continues to support the continuation of the MFS (the German Government’s mobility and fuel strategy approved by the Federal Cabinet in May 2013) and cultivates close contacts with the responsible Transport Ministry. The VDB participated in events concerning inland shipping, CNG/LNG in road haulage as well as biofuels in aviation. The direction and relevance of the MFS remains unclear. To date, there are no indications of a potential use of the MFS in designing German post 2020 regulations. For this purpose, the VDB also remains in contact with the Environment Ministry, the Food and Agriculture Ministry, the Economics Ministry as well as the German Association of the Automotive Industry and the Association of the German Petroleum Industry. According to available information, the development of the biofuel strategy within the framework of the MFS (originally planned start: second quarter of 2015) remains unclear.

EU

ILUC Proposal / RED (Renewable Energy Directive) revision:

As per our Q1 report: After continuous negotiations in Q1, on April 1, 2015 EU Member State ambassadors gathering at the Council of permanent Representatives reached a new deal on the ILUC (=indirect Land Use Change) proposal. This latest negotiating position notably i) maintains a

7% cap for crop-based biofuels, ii) rejects the inclusion of ILUC factors, iii) and clarifies that double counting for non-commercially available advanced biofuels in part A of Annex IX should be counted towards the 2020 10% target of use of renewable energy in transport, as it is the case with the double counting for part B of Annex IX, which includes UCO-based biodiesel.

After a final positive vote by the European Parliament's Plenary Session on April 29, 2015, the EU Council (= 28 Member States) approved the same text in July 2015.

Status for UCO: the double counting for UCO-based biofuels is maintained until 2020 and after 2020 (when the RED targets expire) only low ILUC biofuels with high GHG savings will be promoted.

Preparatory work within the Commission's department for Energy (DG ENER) for the legal framework after 2020 will now start. In parallel other Commission departments such as DG ENV (Environment), DG MOVE (Transport) and DG CLIMA (Climate Action) are working on other relevant legal and policy instruments.

Redrafting a new revision of the Waste Framework Directive

Following the withdrawal of the Circular Economy Package and the proposed revision of the Waste Framework Directive, European Commission Vice-President Frans Timmermans initiated the redrafting of a new version of the revision of the Waste Framework Directive by DG Environment in order to adopt a proposal before years' end. Last year DG Environment's General Director Karl Falkenberg backed the waste-based biodiesel industry's intention of introducing a mention to the benefits associated with the separate collection of UCO in this legal text. Such mention would contribute to locking UCO as a feedstock and UCOME in the EU policy framework from a complementary angle to that of the Energy Policy.

A Public Consultation on the Commission's intention to revise the Waste Framework Directive was launched in Q2; stakeholders will submit their proposals in Q3.

The **Register for Biofuels Origination (RBO)** is completing its pilot phase in the next months: 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) that will limit the possibilities for fraud in this area.

International

IMO challenges UCO maritime shipments: Throughout Q1 the EWABA Secretariat has been very active in challenging a proposed categorization of UCO as a hazardous pollutant (category X) by the International Maritime Agency that significantly hampers maritime shipments of UCO as it requires prewash prior to discharges in the open sea. Following EWABA actions, IMO officials have reassigned the non-risky Category Y for UCO in April.

II.1.3 Movement of inventories

Petrotec's inventories increased in total by KEUR 4,325 from KEUR 7,617 at year end to KEUR 11,942, which reflects an increase of 56.8%.

On balance sheet date June 30, 2015, raw materials had increased by KEUR 3,508 from KEUR 2,583 to KEUR 6,091. In the first quarter, treated feedstock purchase volume decreased compared to the previous year as increasing prices combined with negative foreign currency development did not support the opportunity to buy large volumes at reasonable prices. During the second quarter, Petrotec increased its purchase activities again which resulted in high raw material stocks at end of the quarter. Petrotec sourced comparable volumes of untreated feedstock from its own collection points during the first six months of 2015 vs. previous year's first six months.

The finished and unfinished goods consist of biodiesel and the by-products from biodiesel production. This position increased in total by KEUR 817 (16.2%) from KEUR 5,034 to KEUR 5,851. The value of by-products remained nearly stable with KEUR 1,480 compared to year end value of KEUR 1,565.

In the first six months, Petrotec sold a total of 64,542 tons of biodiesel (previous year: 92,972 tons). The decrease in sales volume compared to the previous year was mainly due to reduced trading activity (2,860 tons in H1/2015 vs. 15,275 tons in H1/2014 (-81.3%)). The production volumes from own production facilities also declined by 7,026 tons to 62,381 tons (previous year: 69,407 tons). The finished and unfinished goods without by-products increased by KEUR 902 (+26.0%) from KEUR 3,469 on December 31, 2014 to KEUR 4,371 on June 30, 2015.

II.2 MOVEMENTS OF REVENUES AND RESULTS

II.2.1 Key Figures

KEY FIGURES	**Unit**	**6M/2015**	**6M/2014**	**Deviance**
Profitability				
Sales	KEUR	60,943	96,029	-35,086
EBITDA	KEUR	-186	1,324	-1,509
EBIT	KEUR	-1,620	-9	-1,610
EBIT-margin	%	-2.7%	0.0%	
EBT	KEUR	-2,343	-851	-1,493
Net profit / loss	KEUR	-2,343	-851	-1,493
Result per share undiluted	EUR	-0.0955	-0.0347	-0.0608
Result per share diluted	EUR	-0.0955	-0.0342	-0.0613
Asset position		**Jun. 30, 15**	**Dec. 31, 14**	
Working capital	KEUR	11,443	6,218	5,225
Non-current assets	KEUR	20,626	21,369	-743
Total assets	KEUR	49,019	47,148	1,870
Debt(1)	KEUR	17,006	13,306	3,700
Equity	KEUR	21,864	24,157	-2,294
Equity-ratio	%	44.6%	51.2%	
Cash flow		**6M/2015**	**6M/2014**	
Adjusted net profits from non accounts	KEUR	-175	1,454	-1,629
Change in working capital	KEUR	-5,250	3,320	-8,570
Operating cash flow	KEUR	-5,424	4,775	-10,199
Cash at period end	KEUR	7,940	9,103	-1,163

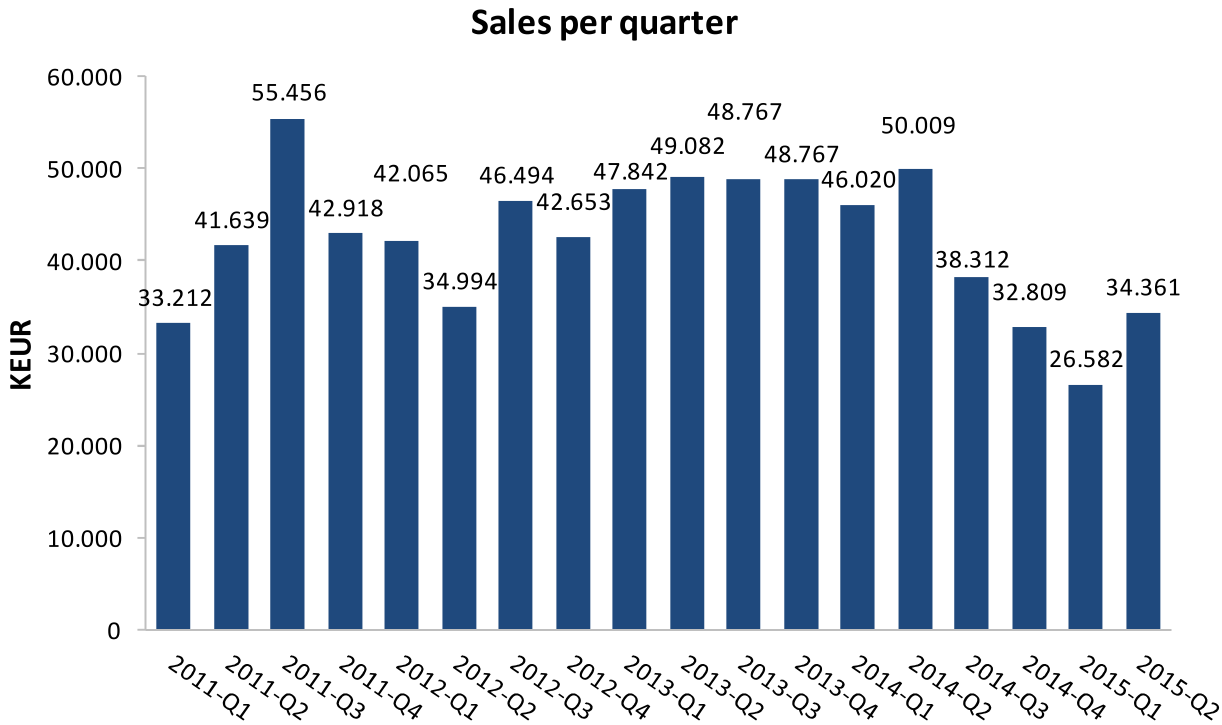
(1) Loans from shareholders and banks

II.2.2 Management Overview

After the seasonally weaker first quarter, market conditions in the second quarter did not improve as anticipated. Being a summer period product, demand for the UCOME traditionally picks up in the second and third quarters of the year. Unfortunately, this year's regulation framework has a negative effect on the demand for our product from obligated blending parties. Specifically the adoption of the decarbonization framework in Germany diversified the blending options for the obligated parties, improving their ability to fulfil a larger share of their obligation with RME and ethanol. These fuels have declared GHG emission savings in the range of 55%-70%, while UCOME captures savings at a range between 85%-90%. As a result, despite remaining the best contributor to GHG emission savings, the UCOME relative advantage from double the value in the years 2012 till 2014 to a theoretical value in the range of 1.2-1.65 the value of the "single counting" biodiesel. Although this new regulation has only been adopted in Germany, the dense characteristics of the Northern European UCOME market contributed in making the stronger supply of UCOME pressuring the prices in the other surrounding member states, such as The Netherlands and the UK, despite still applying the double counting framework. The drop in Germany resulted in a stronger effective supply to the Northern European market as a whole, and in a parallel drop in the UCOME prices. The average selling price for the company's product declined by more than 10% compared to the second quarter last year, and more than 12% in the first half this year compared to last year, having a negative impact on the company's revenues.

Unfortunately, the above trends in the UCOME market were not reflected in the feedstock market. The demand for UCO was kept relatively healthy, and despite certain adjustments, the decrease in the feedstock prices did not fully compensated the decrease in the UCOME price. Learning from previous years' experience, collectors and aggregators expected the market to rebound in the second quarter, and therefore kept the market short and pushed for high price levels for their product. Consequently, margins were significantly lower compared to the second quarter last year. On the sustainability front, the company maintained its capacity to supply sustainable waste-based feedstock, and complying with the regulatory requirements addressing its customer's markets.

The weaker market conditions, in the first half of 2015, pushed sales volumes down significantly, mainly due to a significant drop in trading activity which was only of 2,900 tons for the first half of 2015 compared with over 15,000 for the parallel period last year. The trading spreads that the company saw last year almost completely disappeared this year mainly due to regulation changes in the German market. In Spain, the management decided in mid last year to stop local tolling production due to the decreasing trend in UCOME prices. Therefore, in terms of biodiesel sales for this year, the company is missing the 7,700 tons it had produced in Spain in the first half of 2014. The company has kept its trading activity in Spain and either trades feedstock locally or supplies its own plants with this feedstock. In addition, the same market conditions mentioned above drove a more careful and conservative approach in feedstock procurement, which occasionally resulted in tighter feedstock supply to the production plants. The plants, furthermore, suffered several production slow-downs and interruptions for different technical reasons. Consequently, the production volumes for the first half of 2015 decreased by about 7,000 tons (-10%) compared to the parallel period last year. This had a negative contribution to the financial results of the company for the first half year 2015. Overall the sales volumes of the company for the first half of 2015 decreased by 28.500 tons (-30%) compared to the parallel period last year. Together with the unit price decrease by 10%, in the first half of 2015 compared to the first half of 2014, the biodiesel sales value dropped by over 40%.



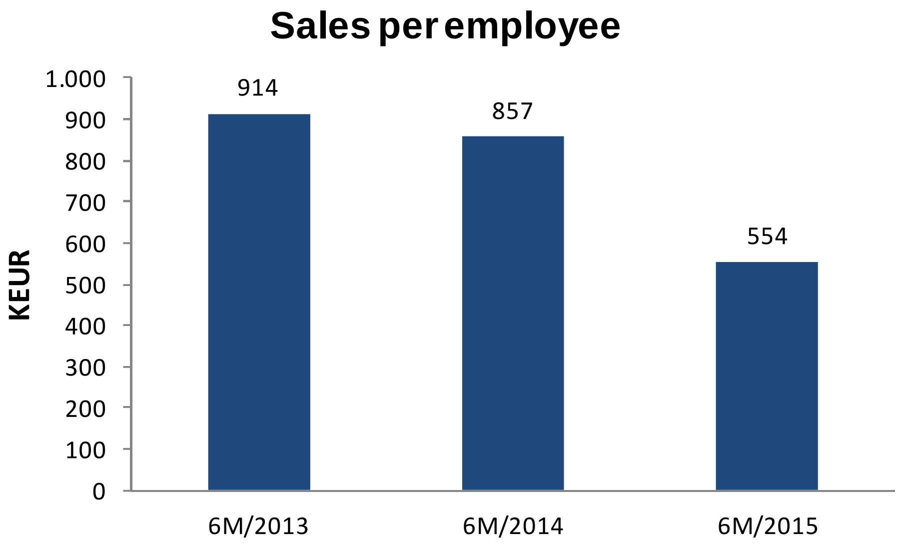
II.2.3 Movement of profit & loss indicators

In the first six months of 2015, **sales** amounted to EUR 61.0m, representing a sharp decline of EUR 35.0m (36.5%) compared to EUR 96.0m for the first six months of 2014. The sales volume decreased mainly due to the reduced trading activity (2,860 tons in H1/2015 vs. 15,275 tons in H1/2014 (-81.3%)). Additionally the reduction in production volume and Biodiesel prices led to a further decline of sales.

The production volume of Petrotec's own plants declined by 7,026 tons (-10.1%) as Petrotec produced in total 62,381 tons of its EcoPremium biodiesel in the first six month of 2015 compared to a volume of 69,407 tons in H1/2014.

The **cost of material** decreased by EUR 28.8m to EUR 53.5m within the comparable period of H1/2015 to H1/2014. The cost of material ratio, taking the change of inventory into account improved from 89.2% in H1/2014 to 86.6% in H1/2015, which is mainly triggered by the reduced trading activity. The overall decline in sales volume is the primary reason for the declining result.

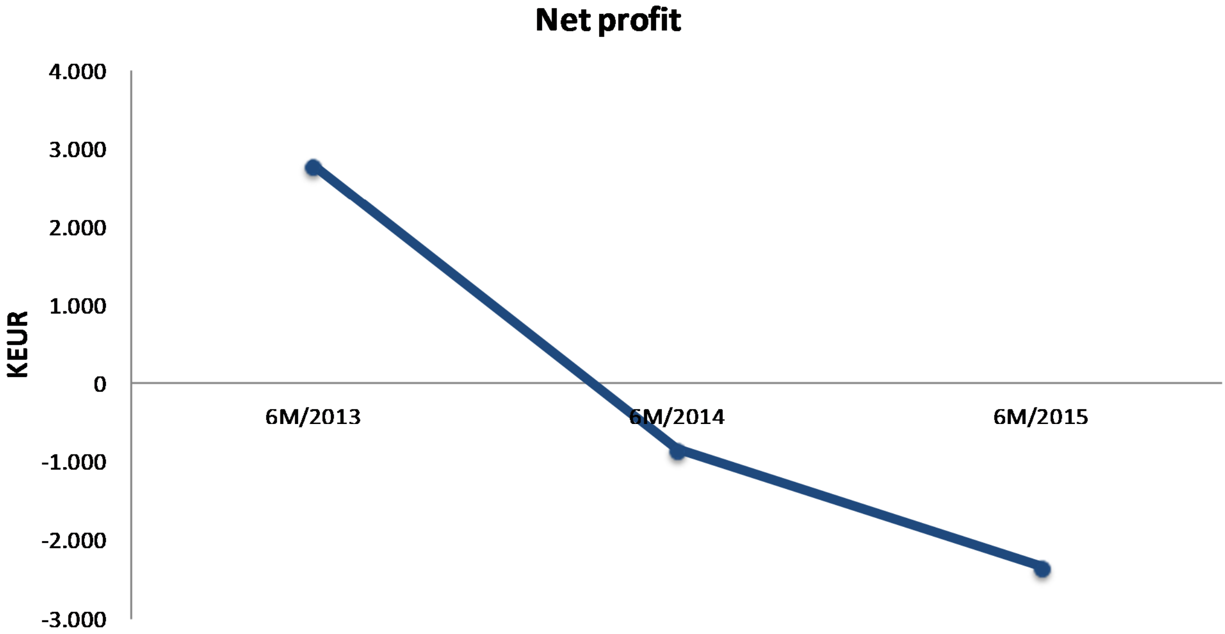
Personnel expenses during the first six months in 2015 amounted to EUR 3.4m, an increase of 1.9% compared to EUR 3.3m of the parallel period in 2014. Due to the Alternative Compensation Plan (ACP) introduced in Q2/2015 (for details please refer to note 10 of the notes to the interim financials) the personnel expenses related to the stock option program increased by KEUR 69 compared to H1/2014. Aside from those effects the personnel expenses remained primarily unchanged compared to the previous period. General salary increases were compensated by reduced staff and declining variable compensations. Due to the reduced sales volume, the sales per employee declined by 35.4% compared to H1/2014.



Other operating expenses slightly declined by EUR 0.1m to EUR 6.1m compared to the first six months of 2014. This development is determined by opposing trends within several positions of the operating expenses. While freight out cost (-EUR 0.5m), rents (storage/ trucks/ cars) (EUR -0.7m) and other production costs (-0.2m) decreased, other sales cost (+EUR 0.6), foreign currency losses (+EUR 0.4) and losses from financial instruments (+EUR 0.5) increased. The increase in other sales cost results from a reclassification of external storage costs for Biodiesel and By-products from the position of rents, which has been executed first time in Q4/2014 and external storage costs for Biodiesel and By-products declined by EUR 0.2m. The other operating expenses further include insurance premiums, vehicle costs, legal and consulting costs.

The **financial result** is characterized by a decline in financial expenses compared to H1/2014. The financial result cumulates to EUR 0.7m. The lion share of the financial expenses reflects interest on loans provided by the major shareholder Renewable Energy Group (REG).

Overall, the group generated a **Net Loss** of KEUR 2,343 in the first half of 2015 compared to a loss of KEUR 851 in the previous year.



II.3 NET ASSETS AND FINANCIAL POSITION

II.3.1 Net Assets

Total assets as of June 30, 2015 have increased compared to year end 2014 and amount to EUR 49.0m. The increase from EUR 47.1m at year end 2014 is primarily due to the increase in inventories by EUR 4.3m. Cash and total non-current assets decreased.

Petrotec's working capital increased by EUR 5.2m compared to year end 2014, due to the development of inventories and trade receivables:

Working Capital	Unit	Jun. 30, 15	Dec. 31, 14	Deviance
Inventories	EUR mio.	11.9	7.6	4.3
Trade receivables and other receivables	EUR mio.	8.5	7.0	1.5
Trade payables and other payables	EUR mio.	9.0	8.4	0.6
TTL	EUR mio.	11.4	6.2	5.2

On June 30, 2015, Petrotec's equity ratio declined to 44.6% compared to 51.2% as of the balance sheet dated December 31, 2014, which is mainly attributable to the accumulated loss of the period 2015 and the increase in short term working capital financing loans.

The new major shareholder, REG European Holdings B.V. (REG) took over the role of the supportive shareholder from IC Green Energy Ltd. As of June 2015, REG has provided Petrotec with financial debt amounting to EUR 11.5 million compared to EUR 12.9 million at year end 2014 after a principle payment of EUR 1.0 million and Q4 interests (EUR 0.4 million) during the first three months of 2015.

II.3.2 Cash flow

Due to the negative income of the period and the building up of working capital Petrotec generated a negative cash flow from operating activities amounting to -EUR 5.4m.

The investment in working capital was achieved through the increase in short term loans. Additionally existing cash was used to finance the investment in working capital.

The abovementioned cash flow activity resulted in a decrease in cash and cash equivalents from EUR 11.1m for December 31, 2014 to EUR 7.9m for June 30, 2015.

II.4 EMPLOYEES

As of June 30, 2015, Petrotec had a total of 110 full and part-time employees, including three trainees.

Employees of the Petrotec group:

Employees* of the Petrotec Group

	Jun. 30, 15	Jun. 30, 14	Change %	Dec. 31, 14	Change %
Production	67	70	-4.3%	64	4.7%
Sales & administration	43	42	2.4%	41	4.9%
Thereof trainees	3	4	-25.0%	3	0.0%
Total	110	112	-1.8%	105	4.8%

* 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 advantages. 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, 2015, Petrotec AG does not hold any of its own shares. Supervisory board chairman Mr. Rainer Laufs sold his shares to REG following the public take over offer. By the end of June 30, 2015 no board member had a holding interest in Petrotec AG.

Share portfolio of board members:

Stakes in the Group held by related persons	Unit	Quantity	Mathematical percentage in the capital stock
Rainer Laufs			
Dec. 31, 2014	QTY	12,388	0.05%
Jun. 30, 2015	QTY	0	0.00%

II.7 RISKS AND OPPORTUNITIES

The following risks and opportunities should be read in conjunction with the parallel explanations to the financial statement for 2014. 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 2014.

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 currently facing the following risks:

Operating risks

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 in 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 certain country. In recent years, the development has shown that the binding force and sustainability of statutory provisions regarding bio fuels was not very predictable from an entrepreneurial point of view.

Over the past few years, the intervention of politics through regulation has become more specific. The RED legislation passed by the EU Commission has triggered this effect. In order to create incentives for the use of particularly environmentally friendly biodiesel such as waste-based biodiesel, some EU member states have introduced preference schemes. Such incentive systems – dominated by the "double counting" scheme- promote in particular the use of biodiesel with low CO_2 emissions. Legislators might also change such incentives at the spur of a moment because these incentives are also always the subject matter of conflicting groups who represent different interests. In the UK, for example, a new scheme was introduced at the end of 2011, replacing the GBP 200 per cubic meter scheme with the more widely used double counting scheme. As anticipated, since that change came into place, the percentages of basic commodities for biodiesel production in Great Britain saw a considerable shift, resulting in Petrotec addressing different markets and selling a much smaller portion of its products into the UK market. This risk, which arises from legislation or the political will power, can be limited by Petrotec only within very minimal boundaries. Petrotec is a member of the respective lobbying associations in Germany and Europe which represent the interests of the biodiesel industry on the political platform and vis-à-vis other interest groups on the national level and also try to push them through on the level of the EU Commission.

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

One such development is the so-called decarbonization in Germany: the EU’s biggest member state switched from January 1, 2015 from a volumetric obligation of blending 7% biodiesel to a CO_2 reduction objective, mandating a CO_2 reduction for fuels companies of 3.5% from 2015, 4% from 2017 and 6% from 2020. So far the management identifies a negative impact on the demand from the German market as well as on the company’s margins resulting from the introduction of the decarbonization regulation. However, the management is not in a position to forecast the full influence of this regulation on the different market forces throughout the different seasons of the year and their impact on the company’s yearly results.

Junior environment minister Rita Schwarzeluehr-Sutter stated in the parliament that biofuels with a more favorable carbon footprint, such as biofuels from waste, will enjoy “clear prospects” starting in 2015 (thanks to the new law). This statement misses the fact that first generation biofuels have hugely increased their CO_2 reduction credentials in the past years, reducing the lead of waste biofuels from double to less than 1.5 times.

From a wider European perspective, the current development can be described as follows: In the short-term, an increasing number of countries (such as the UK, France, Italy and Denmark) have applied the double-counting scheme in one way or another in the past years. Other countries, including Spain, and other countries in Eastern Europe, are expected to introduce the double counting scheme in the near future. Petrotec presumes that the introduction of double counting will result in an increase in demand for waste-based biodiesel in the relevant geographies. As a result, the waste-based biodiesel is expected to be our customers' first choice presuming that there are no exceptions or loop holes. In the longer term, the EU has recently reviewed the long-term objectives for GHG emissions moving towards the year 2030. Despite the ambitious target of reducing 40% of GHG emissions (including increasing the share of renewable energies to at least 27% by 2030), no specific targets have been set for the transportation sector. On the contrary, the binding targets of the RED are expected to be removed as of January 1st 2021. This represents the following risks for the biodiesel industry:

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

The tendency of the regulators is to come back to the basic fundamentals for supporting renewable energy activities in the EU-namely cutting GHG emissions. Despite the fact that this factor has always been one of the strengths of Petrotec products, 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

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

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

With two large plants to feed and a relatively illiquid feedstock, the company typically commits to purchasing feedstock many weeks in advance of its eventual delivery as end product. In soft market conditions, buyers might delay purchasing decisions to the last minute, creating a large gap between the company's purchasing commitments and the eventual selling of the product, which exposes the company to price fluctuations in the end product price. The management has analyzed the different available possibilities to hedge this exposure with existing tools in the commodity market, such as the paper market, and unfortunately has not identified any effective tool to perfectly hedge this risk. The pricing of the company's end product is complex and includes components, such as the UCOME premiums that do not have parallel paper derivatives. To ensure that negative price developments do not have a significant impact on the targeted margin, the company avoids, to the extent applicable, entering into long-term sales obligations, without having first secured the appropriate raw material and the other way around for feedstock procurement ("back-to-back" strategy). In cases where this strategy is not applicable, the company may apply imperfect hedging tools using the available paper derivatives in the market.

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

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 extending and varying its supplier base. This is achieved through the continuous deepening of supplier relationships and by expanding the procurement regionally beyond the borders of Germany. The 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 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 in the liquid energy 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 policy, to comply with a term-congruent securing obligation at the time the risk is created. Currency futures are being used as a 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.

The "Price risk" and “Currency risk” sections above should also be read in conjunction with this "Market risk" section.

Commodity price risk

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

The "Price risk" section above should also be read in conjunction with this "Market risk" section.

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 REG European Holdings B.V. The liquid funds generated are used for investments and to finance working capital. The Group also utilizes short-term bank loans to finance its working capital.

The Group’s goal is to strike a balance between constantly covering its liquidity needs and ensuring flexibility by using current and non-current loans from REG European Holdings B.V. and current bank loans. Liquidity management is achieved through the ongoing alignment of the liquidity needs with inflow of funds from operating activities.

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.

Tax Risk

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

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

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

On August 26, 2010, in another similar case, the federal fiscal court (BFH) raised serious doubts that the minimum taxation fulfills the constitutional requirements when the possibility of loss offsetting in the following assessment periods is not granted.

In its letter from October 19, 2011, the German Ministry of Finance (BMF) followed a decision of the federal fiscal court (BFH) that the taxation, for similar cases, should be suspended until a final legal judgment is given. Petrotec submitted an application to suspend the tax payment until the federal fiscal court (BFH) will decide upon the matter. The request was approved by financial authorities Borken enabling the company not to be required to pay the outstanding sum until such time as a decision in court has been made.

The management still assumes that the above mentioned waiver agreement - contrary to the opinion of the tax authorities - meets the requirements for a so-called restructuring profit (Sanierungsgewinn). Additionally the management shares the doubts raised by the federal fiscal court (BFH) concerning the decision of the ministry of finance (BMF) and assumes that it is more likely that a tax liability will not finally concluded. A tax expert review is supporting the management in its decision.

On December 10, 2014, tax authorities confirmed that the restructuring event in 2010 does not impose corporate income tax on Petrotec. The local tax authority of Borken confirmed that the ministry of finance of Northrhine-Westphalia has concluded that the restructuring transaction as described in the ad-hoc announcement dated November 9, 2012 has to be considered as restructuring profit (Sanierungsgewinn) pursuant to the bail-out decree.

Based on this decision, Petrotec AG has contacted the communities of Ratingen, Borken, Südlohn and Emden and asked for revised tax assessments for 2010 trade taxes. Petrotec AG assumes that these communities will follow the corporate income tax assessment of the tax authority of Borken.

Opportunities and risks with short term effects

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

Our average facility capacity utilization has already reached a high level. 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 for our biodiesel or supply of our feedstock should occur or significant other supply sources may become available in the double counting market, this could lead to significant margin reductions. Unfortunately, after the sharp decline in prices of the UCOME in the year 2014, the UCO prices have not yet adjusted to a level that provide historical spread form the years 2010-2013, which put significant pressure on the company margins.

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

Developments in the feedstock and biodiesel markets in 2014 put a lot of pressure on UCOME margins. In Q2 2015 biodiesel prices continued the same recovery trend that started in Q1 2015, from the deep low prices seen in Q4 2014. Yet, the demand for UCOME, especially in Petrotec's local - German market, was affected by the decabornization regulation that was implemented in Germany at the beginning of the year. This regulation is enabling customers to use alternative fuels in order to comply with their blending obligation, such as ethanol or RME. Despite still being most efficient in term of GHG emissions saving, according to the new approach, the relative advantage of the UCOME to the virgin oil based biodiesel for the German market has been damaged. This shift in customer preferences has resulted in lower demand for UCOME, not only in Germany, but also in most of the neighbouring countries. To that end, the effect of the decarbonization regulation on the German biodiesel market has not yet fully expressed itself, and we can already see and we will further expect the total demand to be lower than what we experienced in previous years for this market. This decrease in demand also has implications for the pricing of the product in markets outside Germany. We see buyers decreasing the premium offered for waste based biodiesel, despite enjoying double counting value for this product. This is due to a certain oversupply of double counting product in the north European market, and in light of the decrease in the German market demand. Being the largest independent European UCOME producer, Petrotec maintains its excellent relationship with large mineral oil producers by providing a high level of product and services.

Feedstock market

This year again, and despite the experience from the previous year, suppliers in the market are moving feedstock prices up in anticipation of seeing an upward trend in the prices of waste-based biodiesel in the stronger summer season. In addition, the weak EUR/USD exchange has made feedstock imports less appealing, and has created a shortage in feedstock supplies overall. This shortage supports the suppliers' expectations and their willingness to increase feedstock prices. This does not take into account the weaker demand for waste-based biodiesel as described above and has resulted in decreasing spreads between feedstock and biodiesel.

On the medium-term, we expect some of the producers to lose their competitive position and stop offering UCOME. As this occurs, we expect the demand and therefore prices of the feedstock to balance and adjust.

Future outlook

(Subject to and with reference to the description in the "Risk Report") Despite the positive attributes of the German decarbonization regulation, the management is concerned by the negative effect of this regulation that has so far resulted in a weakening of the market position of the company. The management is further concerned by the non-harmonized regulatory framework in the different EU member states, creating advantages to certain producers over others only based on the local regulatory framework, such as in the case of the decarbonization regulation in Germany.

Due to a short term decreasing trend of the waste-based biodiesel prices driven by the weaker demand for the product, the management expects a relatively weak second half year. Having to secure its plants' continuous operations, the company often purchases feedstock in advance of its actual production and sales. In weak market conditions, with prompt demand for its product, and raw material adjusting with a lag, this might result in capturing lower than initially anticipated margins on the purchased feedstock.

In the longer term´, the management believes that the company holds the necessary competitive attributes, compared to other waste-based biodiesel producers, to recover from the losses it has experienced in the past few quarters. The management holds a positive view of the ability of the company to achieve this recovery as soon as supply and demand in the market will rationalize. For doing so, the company continues to follow its plans for further improving its production and logistic capabilities.

The company's management has revised its guidance for the financial year 2015 as announced on March 18, 2015 and still expects the annual sales to meet its original guidance of EUR 100m to EUR 150m, however , it expects the EBIT margin to drop to a range of -2% and -4%.

De-listing

On April 8, 2015, the Frankfurt Stock Exchange approved of the application of the company, dated March 24, 2015 for the revocation of the admission of its shares for trading in the regulated market of the Frankfurt Stock Exchange and has published this revocation on the same date so that the revocation of the admission of the shares to trading in the regulated market of the Frankfurt Stock Exchange will become effective as of the end of October 8, 2015. Accordingly, PETROTEC AG shares will no longer be traded on any regulated market of any stock exchange as of the day-end of October 8, 2015.

III INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Consolidated Balance Sheet (unaudited)

(EUR)	Note	Jun. 30, 2015	Dec. 31, 2014
Non-current assets			
Tangible assets		19,298,577	19,862,134
Intangible assets		378,799	557,593
Other financial assets (long-term)		47,625	48,677
Deferred tax assets		900,750	900,750
Total non-current assets		**20,625,751**	**21,369,154**
Current assets			
Inventories		11,942,105	7,617,201
Trade receivables and other receivables		8,510,326	7,048,674
Cash and equivalents, current assets		7,940,328	11,113,400
Total current assets		**28,392,760**	**25,779,275**
Total assets		**49,018,511**	**47,148,429**
Equity			
Subscribed capital		24,543,741	24,543,741
Capital reserve		86,566,130	86,516,584
Revenue reserves		-89,246,283	-86,902,852
Total equity capital		**21,863,588**	**24,157,473**
Non-current liabilities			
Interest-bearing bank loans		189,920	266,600
Liabilities from finance lease (long term)		952,582	990,592
Interest-bearing loans against shareholders		3,250,000	3,250,000
Provision for part-time work in years before retirement		107,538	122,446
Total non-current liabilities		**4,500,040**	**4,629,638**
Current liabilities			
Interest-bearing bank loans		5,310,322	187,421
Trade payables and other liabilities		9,009,292	8,447,874
Interest-bearing loans against shareholders		8,255,993	9,602,424
Liabilities from finance lease (short term)		79,276	86,300
Accruals		0	37,299
Total current liabilities		**22,654,884**	**18,361,318**
Total equity and liabilities		**49,018,511**	**47,148,429**

Consolidated Statement of comprehensive income for the first quarter of fiscal year 2015 (unaudited)

(EUR)	Q1/2015	Q2/2015	H1/2015	Q1/2014	Q2/2014	H1/2014
Sales revenues including energy tax	26,596,370	34,360,476	60,956,845	46,020,252	50,008,690	96,028,942
Energy tax	-14,120	0	-14,120	0	0	0
Sales revenues	**26,582,250**	**34,360,476**	**60,942,726**	**46,020,252**	**50,008,690**	**96,028,942**
Other operating income	417,899	643,320	1,061,219	281,541	604,294	885,835
Changes in inventories of finished and unfinished goods	3,591,435	-2,774,545	816,891	3,479,683	-7,195,368	-3,715,684
Cost of materials	-26,626,757	-26,874,696	-53,501,454	-44,910,705	-37,435,948	-82,346,653
Personnel expenses	-1,634,967	-1,778,422	-3,413,389	-1,734,948	-1,614,988	-3,349,936
Depreciation	-711,987	-722,010	-1,433,998	-662,384	-670,543	-1,332,928
Other operating expenses	-2,441,159	-3,679,069	-6,120,228	-3,205,014	-3,020,124	-6,225,138
Result from hedging activity	21,151	7,433	28,585	-23,646	69,964	46,317
Earnings before interest and taxes (EBIT)	**-802,135**	**-817,514**	**-1,619,649**	**-755,219**	**745,976**	**-9,244**
Finance income	1,267	698	1,965	765	710	1,475
Finance costs	-335,499	-390,249	-725,747	-413,513	-429,317	-842,829
Earnings before taxes (EBT)	**-1,136,366**	**-1,207,065**	**-2,343,431**	**-1,167,967**	**317,369**	**-850,598**
Income taxes	0	0	0	0	0	0
Profit for the year	**-1,136,366**	**-1,207,065**	**-2,343,431**	**-1,167,967**	**317,369**	**-850,598**
Other comprehensive income for the year, net of tax	0	0	0	0	0	0
Total comprehensive income for the year	**-1,136,366**	**-1,207,065**	**-2,343,431**	**-1,167,967**	**317,369**	**-850,598**
Earnings per share (EPS)						
- undiluted earnings per share	-0.0463	-0.0492	-0.0955	-0.0476	0.0129	-0.0347
- diluted earnings per share	-0.0463	-0.0492	-0.0955	-0.0469	0.0127	-0.0342

Consolidated Cash Flow Statement (unaudited)

(EUR)	6M/2015	6M/2014
Profit before tax	**-2,343,431**	**-850,598**
Non-cash adjustments for the reconciliation		
of earnings before taxes to net cash flow		
Depreciation/amortisation	1,433,998	1,332,928
Share based payment expenses	49,546	135,490
Market value of hedge	-89	-1,550
Income from sale of plant	-1,589	-4,108
Financial income	-1,965	-1,475
Financial expenses	725,747	842,829
Changes in accruals	-37,299	0
	-175,082	**1,453,516**
Changes in working capital		
Changes in inventories	-4,324,905	1,531,760
Changes in trade receivables and other receivables and other assets	-1,347,526	2,427,494
Changes in trade payables and other liabilities	421,956	-639,565
	-5,250,475	**3,319,688**
Received interests	**1,965**	**1,475**
Net cash from operating activities	**-5,423,592**	**4,774,679**
Payments from the sale of tangible assets	5,798	20,261
Payments for the purchase of tangible assets	-665,310	-1,961,311
Payments for the purchase of intangible assets	-30,546	-1,283
Payments for the payback of other financial assets	1,051	17,679
Payments for the purchase of other financial assets	0	-25,000
Net cash from investing activities	**-689,006**	**-1,949,655**
Loan redemption	-6,076,423	-34,995,248
Loan increase	10,122,645	32,242,076
Redemption Finance Lease	-38,304	-57,220
Interest payments	-1,068,391	-846,896
Transaction costs from the issue of shares	0	0
Net cash from financing activities	**2,939,526**	**-3,657,288**
Change in cash and cash equivalents	**-3,173,072**	**-832,263**
Cash and cash equivalents at the beginning of the period	**11,113,400**	**9,934,860**
Cash and cash equivalents at the end of the period	**7,940,328**	**9,102,597**

Consolidated Statement of Changes in Equity (unaudited)

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total
Balance as of Jan. 1, 2015	**24,543,741**	**86,516,584**	**-86,902,852**	**24,157,473**
Income of the period	0	0	-2,343,431	-2,343,431
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**-2,343,431**	**-2,343,431**
Stock options issued	0	49,546	0	49,546
Total result directly attributed to equity capital	**0**	**49,546**	**0**	**49,546**
Balance as of June 30, 2015	**24,543,741**	**86,566,130**	**-89,246,283**	**21,863,588**

(EUR)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity
Balance as of Jan. 1, 2014	**24,543,741**	**86,283,723**	**-83,113,852**	**27,713,612**
Income of the period	0	0	-850,598	-850,598
Other comprehensive income for the year, net of tax	0	0	0	0
Total comprehensive income	**0**	**0**	**-850,598**	**-850,598**
Stock options issued	0	135,490	0	135,490
Total result directly attributed to equity capital	**0**	**135,490**	**0**	**135,490**
Balance as of June 30, 2014	**24,543,741**	**86,419,213**	**-83,964,450**	**26,998,504**

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, 2015 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 2014. 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, 2014.

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 2015 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 ending June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

In the half year financial statements as of June 30, 2015 two companies in Germany were included (December 31, 2014: 2). There were no changes made to the consolidated financial statements on the basis of consolidation.

New Standards, interpretations and amendments

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group´s financial statements as at December 31, 2014.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group´s annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards, interpretation and interpretations effective as of January 1, 2015. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these standards and amendments apply for the first time in 2015, they do not have a material impact on the annuals consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle
These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group consists of only one segment; hence the changes had no impact on the financials of the group.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

Petrotec AG is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

Overall during the first half months of 2015 there were no changes to the group accounting policies with effect on the financials.

2. Impairments

Tangible Assets

No 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, 2014.

4. Property, plant and equipment

During the six month ending June 30, 2015 the Group acquired assets with a cost of EUR 695,855.99 and disposed of assets with a net value of EUR 4,209.34.

5. Inventories

In the first half of 2015, no write-downs were charged on the inventory assets. Inventory assets were valued at purchase cost. According to IAS 2, an impairment on the value of the 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, 2015 the Group’s balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	Unit	Jun. 30, 15	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	0	0	0	0
Currency future contracts without hedging relationship	KEUR	96	0	96	0
Swaps and futures in a hedging relationship	KEUR	4	0	4	0
Swaps and futures without hedging relationship	KEUR	5	0	5	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	110	0	110	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	28	0	28	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	82	0	82	0
Swaps and futures without hedging relationship	KEUR	138	0	138	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	4	0	4	0

Hierarchy of fair values	Unit	Dec. 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	20	0	20	0
Currency future contracts without hedging relationship	KEUR	0	0	0	0
Swaps and futures in a hedging relationship	KEUR	0	0	0	0
Swaps and futures without hedging relationship	KEUR	134	0	134	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	104	0	104	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	179	0	179	0
Currency future contracts without hedging relationship	KEUR	46	0	46	0
Swaps and futures in a hedging relationship	KEUR	0	0	0	0
Swaps and futures without hedging relationship	KEUR	217	0	217	0
Change in fair value of underlying transactions in a hedging relationship	KEUR	18	0	18	0

During the first half of the year, ending June 30, 2015 there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. The movements into and out of Level 2 resulted 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	KEUR	KEUR
Jun. 30, 2015			
Standalone Derivatives			
Biodiesel hedge	7,069	5	138
Currency hedge	2,900	96	0
Derivatives in a hedging relationship			
Fair value hedge			
Biodiesel hedge	4,884	4	82
Currency hedge	950	0	28
TTL		105	248
Dec. 31, 2014			
Standalone Derivatives			
Biodiesel hedge	4,000	134	217
Currency hedge	4,100	0	46
Derivatives in a hedging relationship			
Fair value hedge			
Biodiesel hedge	0	0	0
Currency hedge	13,440	20	179
TTL		154	442

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 within 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.

Stand-alone derivatives currency
In order to hedge future USD- purchases against exchange rate fluctuations, further additional hedging transactions (futures and options) were closed which do not meet the requirements for hedge accounting. The negative market value of such derivatives amounted at the interim balance sheet date to KEUR 138.

7. Finance Lease Liabilities

At June 30, 2015 the balance sheet contains KEUR 79 short term and KEUR 953 long term liabilities related to 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, 15	Dec. 31, 14
Cash equivalents	KEUR	2	409
Cash	KEUR	7,938	10,704
TTL	KEUR	7,940	11,113

9. Related Party Disclosures

The ultimate parent corporation, headquartered in Amsterdam-Schiphol, Netherlands is REG European Holdings B.V. The ultimate controlling parent corporation is Renewable Energy Group, Inc., Ames, Iowa, USA.

During the first six months, except for drawing on shareholder loans and the positions stated in the table below, there were neither any business relations between the Petrotec group and REG European Holdings B.V. nor with the ultimate controlling parent corporation, Renewable Energy Group, Inc.

The following table shows the total for transactions between related parties in the respective first six months of 2015:

Related party disclosures	Unit	Sales / services to related parties	Purchases / services rendered by related parties	Receivables from related parties	Liabilities owed to related parties
REG Eurpean Holdings B.V., Amsterdam- Schiphol (Netherlands) Q2/2015	KEUR	0	0	0	11,506
REG Eurpean Holdings B.V., Amsterdam- Schiphol (Netherlands) 2014	KEUR	0	0	0	12,852

10. Share-based payments

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

In April 2015, as a consequence of the planned delisting, the company offered its executives except board members an Alternative Compensation Plan (ACP) which allows a fixed compensation that will be granted subject to the tenure with the company of the employees. The compensation of the ACP replaces the SOP. The first granting of the ACP took place on April 30, 2015, at an amount of KEUR 154 which was paid to the employees. The remaining dates of granting are April 30, 2016, April 30, 2017 and April 30, 2018.

On November 27, 2014 Petrotec granted its board member 400,000 stock options in conjunction with the Senior Executive Plan 2013 (“Stock Options Program 2013/ AOP 2013”). This SOP remains in place and was not affected by the ACP.

During H1/2015 no new stock options were granted. In the first six month the total personnel expenses recorded in equity in relation to the SOP after effects of the alternative compensation of the employees amounted to KEUR 50 (H1/2014: KEUR 135).

For further details please refer to Note 22 of the Notes to the group financial statements for fiscal year 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 until a final legal judgment is given. Petrotec submitted an application to suspend the tax payment until the federal fiscal court (BFH) will decide upon the matter. The request was approved by financial authorities in Borken enabling the company not to pay the sum due until 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 supports the management in its decision.

On December 10, 2014, tax authorities confirmed that restructuring event in 2010 does not impose corporate income tax on Petrotec. The local tax authority of Borken confirmed that the ministry of finance of Northrhine-Westphalia has concluded that the restructuring transaction as described in the ad-hoc announcement dated November 9, 2012 has to be considered as restructuring profit (Sanierungsgewinn) pursuant to the bail-out decree. The company received the revised tax assessments for corporate tax 2010 dated February 19, 2015.

Based on this decision, Petrotec AG has contacted the communities of Ratingen, Borken, Südlohn and Emden and asked for revised tax assessments for 2010 trade taxes. Petrotec AG assumes that these communities will follow the corporate income tax assessment of the tax authority of Borken.

No changes have come to effect during the first six months of 2015.

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 11, 2015

Jean Scemama
Management Board
Petrotec AG

V FINANCIAL CALENDAR 2015

Annual Report 2014	March 18, 2015
Q1 Report	May 11, 2015
Annual General Meeting	May 19, 2015
Half Year Report	August 12, 2015
Q3 Report	November 11, 2015

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