Interim Report Petrotec AG
Quarterly Report September 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.

IFRS interim report

The present IFRS interim report outlines the business development of the third quarter of 2013 and reports on the first nine months (January 1 – September 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

The third quarter was marked by a general economic recovery. Positive economic data, particularly from Europe and China were reflected in an overall strong demand for commodities.

Based on this strong demand, the seizure of power by the military in Egypt and the strong decline in crude oil production in Libya kept the oil prices consistently above a level of USD 105 per barrel. Furthermore, the threat of escalation of the crisis in Syria supported the rise in prices for oil products, and let the price of Brent rise at times to USD 117 per barrel. At the end of the quarter the price settled at USD 109.

The ICE Gasoil price developed positively. From its low beginning of the quarter at USD 883 per metric ton it rose to its peak of USD 978.75 per metric ton during the Syria crisis. With the increasing unlikelihood of a military intervention by the United States, the price fell to the end of the quarter to a level of USD 913 per metric ton.

The possible end of QE-Tapering by the U.S. Federal Reserve left the EUR/USD exchange rate fall to its low of 1.2786 early in the quarter. After the FED announcement an exit in the context of a lack of agreement in the U.S. debt ceiling and the lower improvements in the unemployment rate, the exchange rate rose again. It reached its peak of 1.3533 on September, 22nd. The prices of vegetable oils came under strong pressure in the third quarter. For example, the soybean oil prices dropped dramatically. Based on a price of USD 1,034 per metric ton, the price fell to a low of USD 899 at the end of the quarter – which is its lowest level since September 2010.

The Soybean Oil/Gasoil spread, an important indicator for the FAME premiums, reached a level of approximately zero at the beginning of August and even listed end of September, for the first time, in a negative range. The FAME 0 premiums over Gasoil followed the downward trend in the beginning, but by then separated from this development.

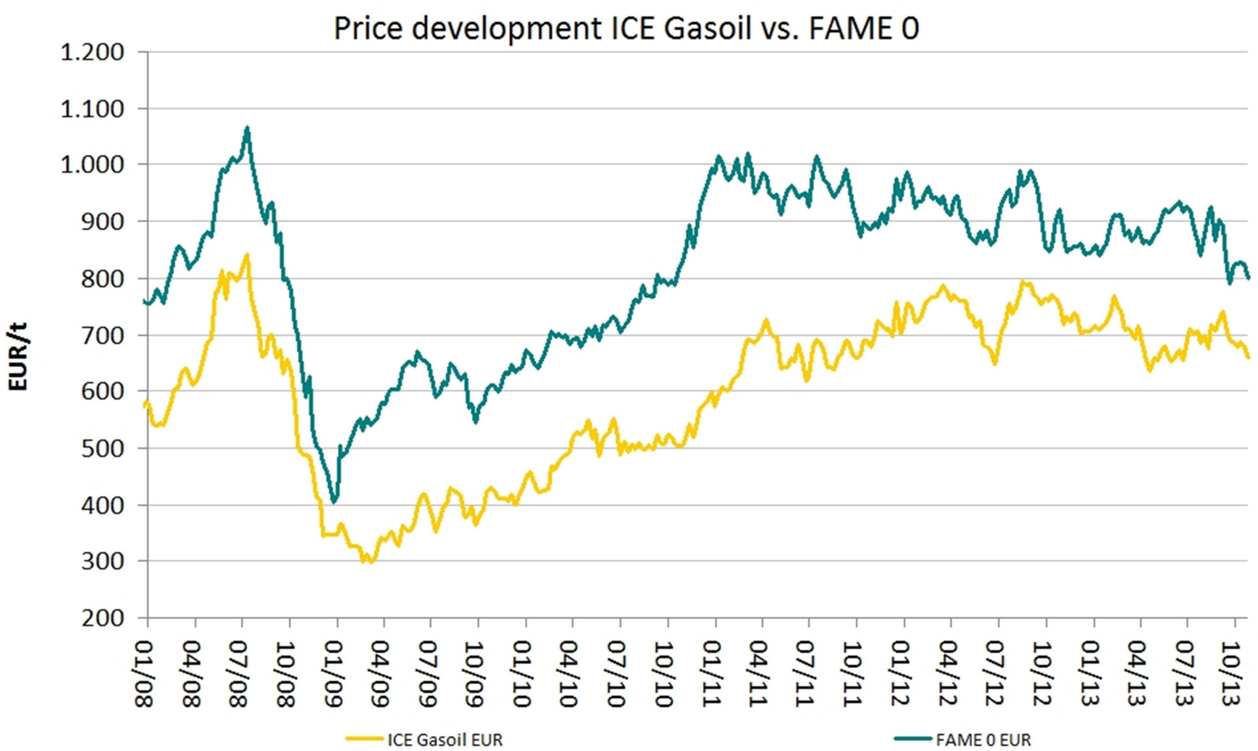
In July, the FAME premiums decreased in parallel with the Soybean Oil/Gasoil spread by 40%. Although the FAME premiums in August improved and partially separated from falling prices of soybean oil, the FAME 0 premiums in September remained on a overall low level. A steep backwardation situation lowered the expected high demand for biodiesel in the third quarter and consumers delayed their buying decision to latest possible dates.

Despite this development, the demand for waste -based biofuel remained strong. Particularly the demand in the German market seemed to be higher than the available supply. This was especially due to the lack of availability of DE-certified feedstock in the market. There was also a high demand for waste -based biofuels for markets such as the UK and the Netherlands. But in comparison to the German market this was, however, lower. The fact that in these countries also Animal Fat Methyl Ester (TME) is accepted for the system of double counting weakened the demand for the higher-priced Used Cooking Oil Methyl Ester (UCOME), although the better UCOME technical specification still supported its premium price.

In Germany, thanks to the summer specifications, consumers were able to blend 100% of the double-counting biodiesel until end of September, maximizing their biodiesel blending while meeting their obligation. Given the backwardation situation at the FAME premiums in the market, the demand for short-term available product was high, and the consumers paid higher premiums for direct deliveries.

Towards the end of the quarter the German consumers were preparing for the switch to winter specification and looked increasingly FAME -10. Petrotec was able to successfully positioning itself in this market.

After successfully overcoming the transition period, after which the feedstock suppliers had to get certified according to the new framework for the German system of double counting (since January, 1st 2013), most of Petrotec's production volumes in the third quarter was delivered to the German blending market. Even though a majority of the feedstock suppliers had been certified according to the DE-Scheme, there was more demand for DE-certified double-counting product than supply. Nevertheless Petrotec could successfully continue the process of supplier certifications in the third quarter and thus further increase the supply of DE-certified volumes during the quarter.



II.1.2 Regulation

The third quarter kept plaguing the waste-based biofuels industry in Germany (as well as marketers into the German market) with many disproportionate requirements of the 36th BImSchV (the relevant German Biofuels Law), mainly toward the smaller, and often weaker, upstream players of the value chain. Several operators lost their certificates, which caused significant disruption of value chains in the market. The imposed "incompatibility" of German & EU certified material effectively continues to impede the conversion of best-in-class feedstock like UCO into fuel with the highest CO2 reduction. The German Association of small & medium sized waste based fuels producers/traders (MVAK) has taken the lead in clarifying sustainability certification issues with the auditors, the systems ISCC & RED-Cert as well as the supervisory authority BLE.

In Brussels, the "iLUC battle" has been effectively postponed for after the EU elections next spring, when a new EU Parliament and a new EU Commission will be established (Note: The European Commission has proposed to cap the use of 'first generation' biofuel suspected of causing indirect land use change (iLUC) and generating more greenhouse gas emissions than it abates. But the proposal has provoked fierce resistance from the biofuel industry. The waste-based biofuels are not affected by iLUC). The parliamentary vote on 10th September confirmed double counting as the appropriate mechanism for supporting waste-based biofuels. Still, the EU Parliament failed to give the responsible rapporteur of the ENVI committee the mandate to negotiate with the EU Council (the 28 Member States). The EU Council in its majority supports double counting although member states could not yet agree on what should be considered an advanced biofuel and if there should be a sub-target for advanced biofuels or any special incentive scheme. Petrotec regrets that the will at EU level seems to support novel technologies, regardless of their eventual emission savings, who produce expensive fuels and therefore need additional support has lead some policy makers to take UCO & tallow out of the advanced group; the issue is one of labelling: UCO & tallow are advanced feedstock based on their CO2 reduction of 83% and are in a more advanced commercial state than any of the other advanced biofuel. Nevertheless additional investments are required to carry further R&D optimizing production method of UCO & tallow further leading to higher emissions savings. Petrotec calls policy makers to continue and incentivize the waste based industry based on the eventual CO2 emission savings as well as technology cost competitiveness, and leave the market balancing act to the "market invisible hand".

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

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

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

UCO 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 further improving emissions savings. There is still much development ahead from developing new catalysts and biological processes to further improving existing processes by, for example, reducing energy utilization

Back to the German front, the industry associations have begun liaising with the biofuels policy making ministries, in order to prepare the so called "decarbonisation": Germany will introduce valuation of fuels according to their CO2 reduction credentials from 1st January 2015, which is an advantage for waste-based biofuels (as they reduce more CO2 – up to double – than conventional crop-based biofuels). The industry demands early clear rules in order to avoid the disruption seen by the last minute introduction of the 36th BImSchV; also the fact that Germany will lead this effort, means that possible repercussions in the market have to be managed.

II.1.3 Movement of inventories

Since December 31, 2012 the inventories declined in total by EUR 3,546k to EUR 16,033k.

Within the inventories, the raw materials declined by 24.1% from EUR 10,419k to EUR 7,907k by September 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 materials, which resulted again in a high stock accumulation at end of June. At end of 3rd quarter the stocks decreased by EUR 2,512k compared to year end and supported the highest quarterly production of both Petrotec plants. The average treated feedstock price moderately increased towards the first half year. During third quarter the opposite trend could be recognized, as the average treated feedstock price started decreasing mainly towards the end of the quarter.

The finished and unfinished goods contain Biodiesel and the By-products from Biodiesel production. Petrotec increased the sales volume by 22.4% and sold 129,449 tons of Biodiesel to the market within the first nine month of 2013 (compared to 105,720 tons in comparable period 2012), which could only be achieved by adding on top of the production some trading volumes. The finished and unfinished goods dropped by EUR 1,034k from EUR 9,160k to EUR 8,126k.

II.2 MOVEMENTS OF REVENUES AND RESULTS

II.2.1 Key Figures

KEY FIGURES	Unit	9M/2013	9M/2012	Deviance 2013 vs 2012
Profitability				
Sales	EURk	144,559	123,553	21,006
EBITDA(3)	EURk	8,437	5,071	3,366
EBIT	EURk	6,185	3,273	2,912
EBIT-margin	%	4.3%	2.6%	0.0%
EBT	EURk	4,837	1,802	3,035
Net profit / loss	EURk	4,722	1,802	2,920
Profit per share (2)	EUR	0.192	0.073	0.119
Asset position		**Sep. 30, 13**	**Dec. 31, 12**	
Working capital	EURk	15,121	20,361	-5,240
Non-current assets	EURk	20,843	21,932	-1,089
Total assets	EURk	57,218	59,336	-2,118
Debt(1)	EURk	16,816	25,354	-8,538
Equity	EURk	28,352	23,315	5,037
Equity-ratio	%	49.6%	39.3%	
Cash flow		**9M/2013**	**9M/2012**	0
Adjusted net profits from non cash accounts	EURk	8,357	4,872	3,484
Change in working capital	EURk	5,217	-794	6,011
Operating cash flow	EURk	13,584	4,105	9,479
Cash at period end	EURk	10,674	11,735	-1,062

(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
(3) Adjusted by the expense of the SOP

II.2.2 Management Overview

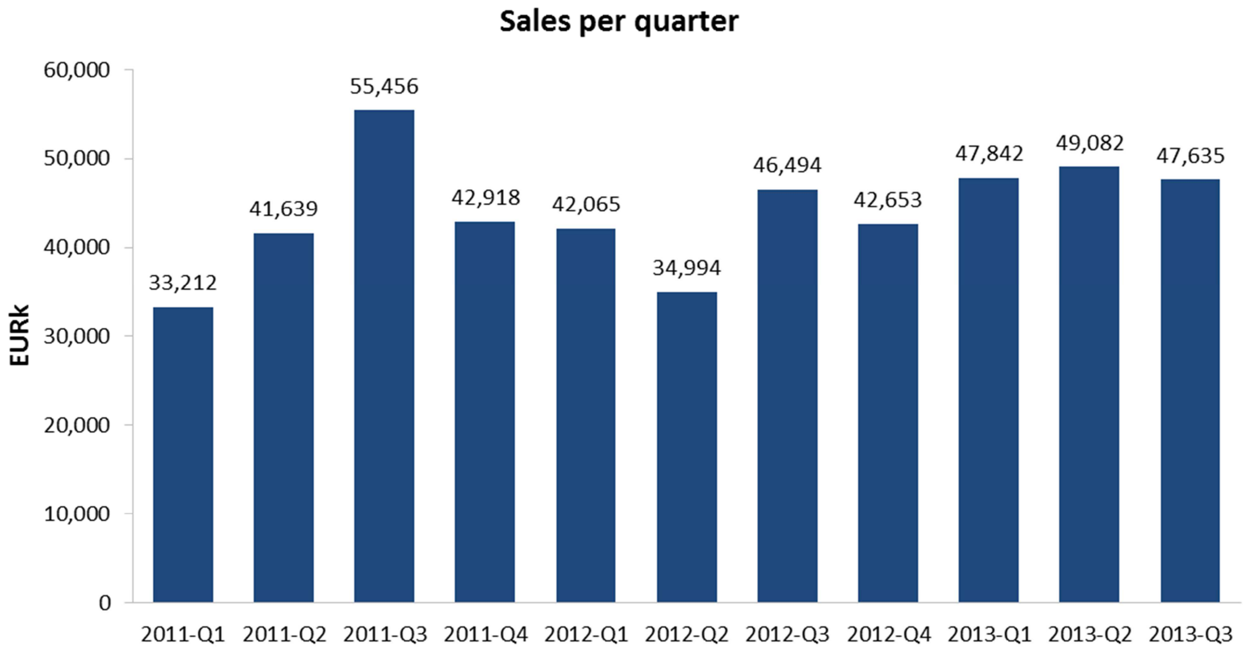
In the third quarter Petrotec continued the same trend observed in the first semester of 2013 and continued enjoying relatively good market conditions and high demand for its products. In addition, Petrotec continued the improvement of its production processes, which allowed a significant increase in the plant utilization and production volume. Overall, Petrotec could maintain relatively good margins on its sales which resulted in the strongest nine months financial result for the company since it went public.

On the feedstock supply side, the 36th BImSchV requirements still prove themselves to be challenging, and many time disproportionate measures. The company finds itself investing too many resources to comply with the requirements. The extremely high certification costs associated with these requirements make it possible mainly to the large UCO collectors to comply with the requirements, making it extremely challenging for the small collector to comply with the requirements. Since the UCO collection business in many regions is highly fragmented, this fact is significantly reducing the availability of UCO certified according to the 36th BImSchV for the German market, were suppliers are pricing a premium for this product compared with the EU certified product. Collectively – these certification requirements have been very challenging for the company, where many of the new requirements are still being clarified with the relevant authorities, which turns the compliance with this scheme some kind of a "moving target".

The demand for the company's product kept being strong for the third quarter, 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 third quarter, but saw a slight slow down in the second half of the quarter, where customers kept short demand, due to the lower FAME 0 premium that represented a good blending alternative.

The Spanish operation continues its growth, whereby the current company position present new opportunities on the trading front. The company still expects that Spain will adopt the double counting scheme in the near coming future.

Petrotec continued its operational improvement trend. For the second time this year, the company achieved a new high production record in this third quarter of 2013, with almost 38 KT biodiesel. Cumulatively the company produced 109 KT in the first nine months period of 2013 (up more than 10% compare to same period previous year). The relatively small investments the company did in the past two years, keep proving themselves beneficial and pushed the utilization rate of the company's plants from 71% for the first nine months period last year to more than 78% this year (up 10%).



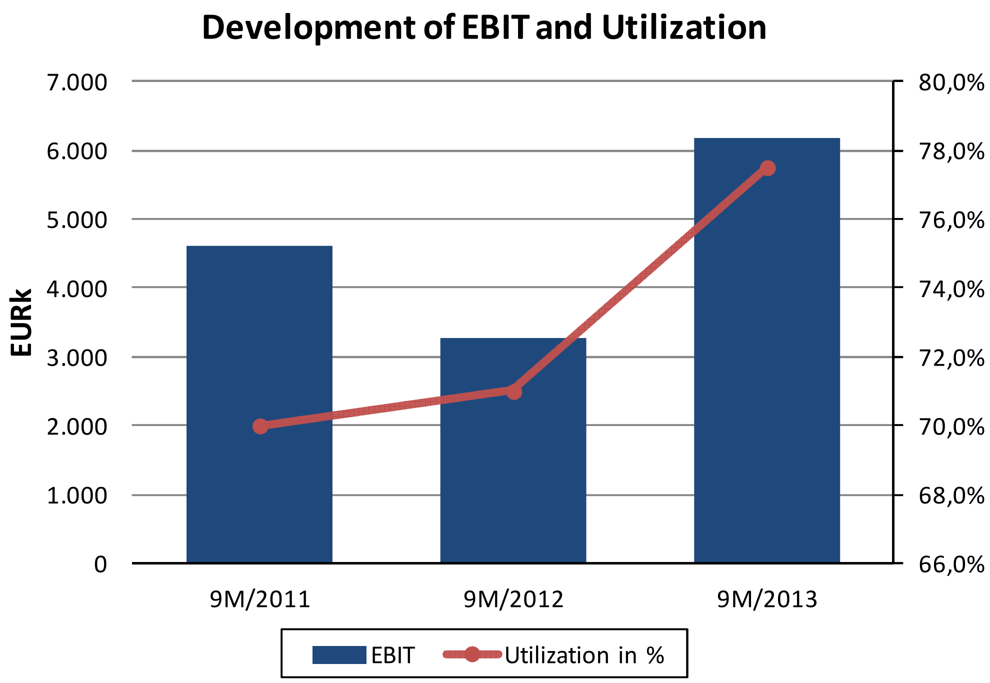
II.2.3 Movement of profit & loss indicators

Based on continuing strong revenue achievement within the third quarter 2013 which came in EUR 1,141k higher compared to Q3 2012, the operating result for the first nine month of 2013 demonstrate the continuation of improvement in the company position in the market. In total Petrotec produced 108,846 tons of its EcoPremium biodiesel in the first nine month of 2013 compared to 98,603 tons in the comparable period 2012. The utilization improved from 71.0% to 78.7% during the period of the first nine months of 2013 compared to the same period in 2012. The strong increase in production volumes and corresponding high sales volume were major contributors to the improved financial result of first nine months of 2013.

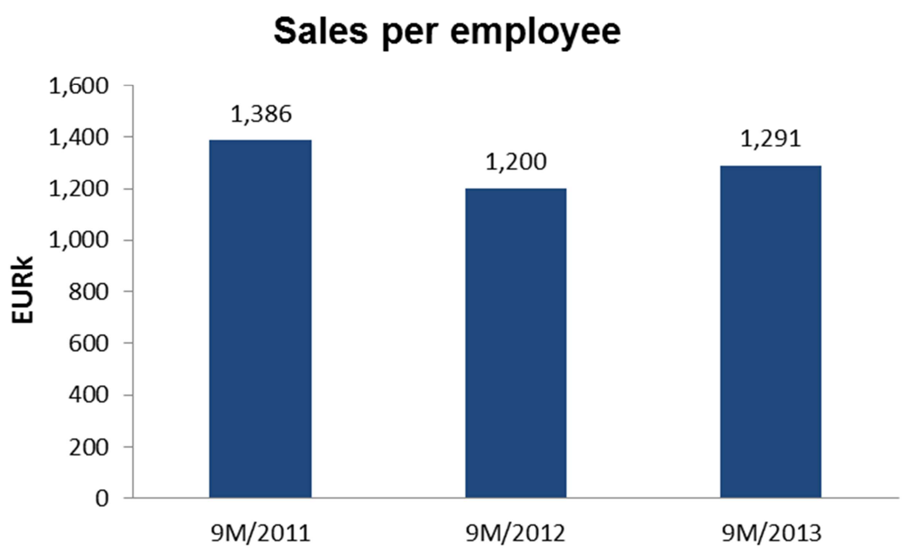
In the first nine months of 2013, **sales** amounted to EUR 144.6m, representing an increase of EUR 21.0m (17.0%) compared to EUR 123.6m for the first nine months of 2012. This positive development is mainly a result of the increasing demand for Petrotec´s EcoPremium biodiesel, especially in the German market, along with improvement in production capacity utilization and improving sales and logistics procedures.

Cost of material rose by EUR 9.3m to EUR 123.3m within the comparable period of 2013 to 2012. The cost of material ratio, taking the change of inventory into account, further declined compared to the first nine months of 2012 period ratio. The ratio improved from 87.7% then to 86.0% in the parallel period of 2013.

The improvement of current period result was next to the strong revenue achievement especially caused by the higher plant utilization and yield improvement.



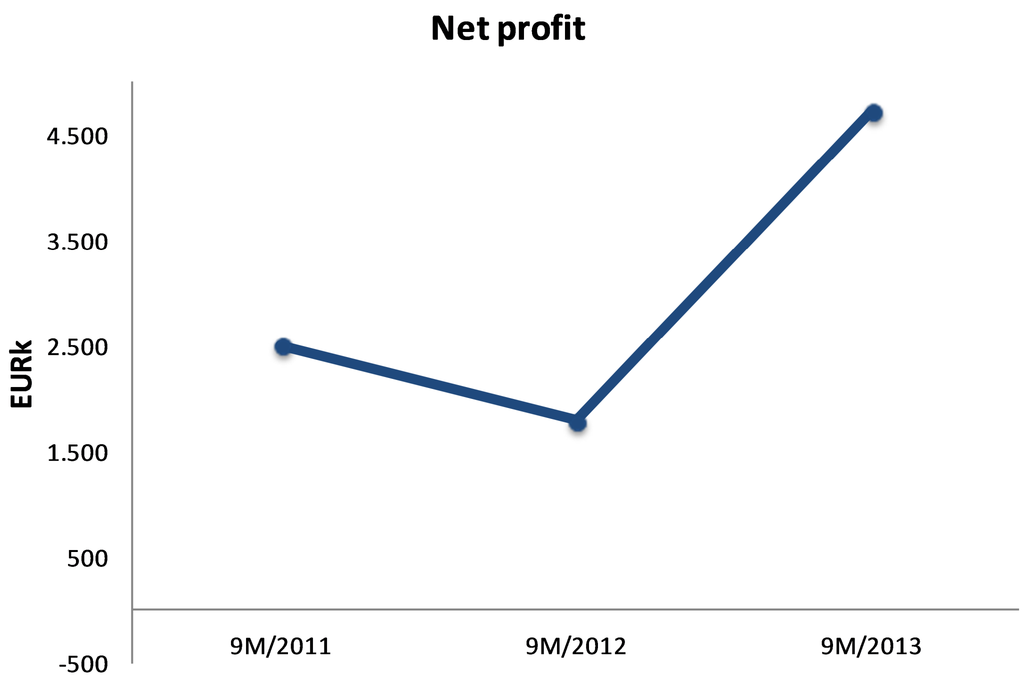
Personnel expenses during the first nine months period in 2013 amounted to EUR 4.9m; an increase of 14.0% compared to EUR 4.3m of the parallel period in 2012. The main reason for the increase is next to the increase in staff related due to the growing business activity the effect of the granted stock option program of EUR 315k and incentive schemes of EUR 75k which both came to effect for the first time due to the favorable development of the stock price. Thanks to the strong revenue achievement, the sales per employee increased despite the increase in personal expense by 7.6% compared to the first nine month in 2012.



Other operating expenses remained on a steady level of EUR 8.1m compared to the first nine months of 2012. The development is due to several opposite movements of other operating expenses. While consultancy expenses (+EUR 0.1m) other production costs (+EUR 0.2m), insurance cost (+EUR 0.2) and freight out cost (+EUR 0.3) increased, mainly in connection with the higher production volumes, 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) and maintenance costs (-EUR 0.1m) reduced the other operating expense.

The **financial result** is characterized by financial expenses, which slightly declined compared to the comparable period in 2012. The financial result cumulates to EUR 1.4m. The lion share of the financial expenses is interest on loans provided by the major shareholder IC Green Energy.

The improvement of the cost of material ratio, stable other operating expenses, the strong increase in production and sales all together lead to an improved performance for in the first nine month of 2013. The group generated a **Net profit** of EUR 4.721k in the first nine months of 2013 compared to EUR 1.802k in the parallel period last year.



The **Profit per share** for the first nine month of 2013 amounts to EUR 0.192.

II.3 NET ASSETS AND FINANCIAL POSITION

II.3.1 Net Assets

Total assets as of September 30, 2013 have declined to the comparable at year end 2012 and amount to EUR 57.2m. The decline from EUR 59.3m at year end is primarily due to the decline in inventories by EUR 3.5m. 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 was caused by the strong revenue achievement during the first six month. During Q3 trade receivables declined as cash increased which also emphasizes the stable situation of Petrotec.

The total non current assets declined primarily due to planned depreciations amounting to EUR 1.937k, while EUR 938k were primarily invested in tangible assets.

Petrotec's working capital declines:

Working Capital	Unit	Sep. 30, 13	Dec. 31, 12	Deviance
Inventories	EUR mio.	16.0	19.6	-3.6
Trade receivables and other receivables	EUR mio.	9.7	9.9	-0.2
Trade payables and other payables	EUR mio.	10.6	9.1	1.5
TTL	EUR mio.	15.1	20.4	-5.3

Compared to 2012 year end the working capital declined significantly by EUR 5.3m. 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 which were primarily repaid during Q1/2013.

On September 30, 2013, Petrotec's equity ratio improved to 49.6% 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 nine month, as well as the reduced asset position.

IC Green Energy Ltd. (ICG) continues to prove to be a very supportive shareholder. As of September 2013, ICG has provided Petrotec with financial debt amounting to EUR 14.5m, compared to EUR 17.7m at year end 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 interim result Petrotec was able to generate a net cash flow from operating activities amounting to EUR 13.6m.

The positive cash flow was used to finance the investing activities amounting to EUR 0.9m 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 5.4M) as well as ICG's accrued and not paid interest and loan principle (totaling EUR 3.2M) were redeemed during the first nine month. 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. Overall the loan redemptions during 2013 lead to a negative cash flow from financing activities which could be compensated by the strong net cash flow from operating activities.

The abovementioned cash flow activity resulted in an increase in cash and cash equivalents from EUR 7.9m for December 31, 2012 to EUR 10.6m for September 30, 2013.

II.4 EMPLOYEES

As of September 30, 2013, Petrotec had a total of 112 full and part-time employees, including four trainees. The increase in the number of employees is a result of the expansion of the purchasing, collecting and logistics activities.

Employees of the Petrotec group:

Employees* of the Petrotec Group

	Sep. 30, 13	Sep. 30, 12	Change %	Dec. 31, 12	Change %
Production	72	65	10.8%	66	9.1%
Sales & administration	40	38	5.3%	38	5.3%
Thereof trainees	4	3	33.3%	4	0.0%
Total	112	103	8.7%	104	7.7%

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

II.5 RESEARCH AND DEVELOPMENT

Petrotec places great value on optimization of the delivery process and the improvement of production technology. Optimization activities are carried out throughout the entire production process, i.e., in recording and conditioning used cooking oil, as well as in refinery and biodiesel production. Optimizing the processes and technology helps to strengthen and expand competitive advantage. In addition, Petrotec strives to reduce costs and implement improvement measures to preserve the environment and conserve resources. As part of these efforts, Petrotec has been able to significantly improve its production output and increase its assets utilization through the last three quarter, and is expecting to carry on this trend in the future.

II.6 SHARE PORTFOLIO OF BOARD MEMBERS

As of September 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			
Sep. 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. Among others, the company continuously invests in maintaining and improving or upgrading its operative assets. Some of these investments require slow down or complete stop of the production plants, where there is no full certainty that the those upgrades will eventually operate as planned. In that context the risk of significant slowdown in the actual production volumes of the company, below the average production volume, is not to be ignored.

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 biofuels 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 Great Britain, 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.

At the end of 2012 (December 28, 2012), 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. As reported in Q2 Petrotec successfully coped with certifying a substantial part of its supplier base, despite the very restricted time line provided by the BLE for this implementation phase. Since, the BLE has been publishing numerous clarifications for its original intention which further complicates the ability for businesses to have the assurance they fully understand and eventually comply with said intentions. While Petrotec and other members of the industry strongly supports measure introduced with the aim of preventing fraudulent practices, the latter must be in proportion to the risk the come to prevent in terms of the implementation time-frame, the fit with effective logistic and production processes and the additional burden it adds on a slim margin business model. In particular, the inconsistencies between the European wide (EU) certification requirements, applicable for most of the European countries, and those set for the German (DE) certification system, are adding enormous additional operational hurdles for companies selling internationally, such as Petrotec. Petrotec intends to continue to engage in fruitful discussion with the BLE with the aim to have full clarity on the BLE expectations, and clarify the BLE the risks associated with Petrotec business model as well as the best measures to prevent those.

On a wider European perspective, we assume that as part of implementing the RED and due to its success, an increasing number of countries will adopt the double counting scheme. At this time, Petrotec presumes that the introduction of double counting in those additional countries 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, limit the origin of feedstock eligible for double counting scheme 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. On the latter, in the vote from September 10, the European parliament approved (again!) that the double counting scheme is the desirable scheme to promote the usage of the more sustainable waste-based biodiesel. 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 commodity prices it is based upon. The value of the used cooking oil based biodiesel is therefore tied to a certain extent to the price level of FAME 0 and diesel. The commodity 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 commodity 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 continuously aims to expand and diversify its supplier base including its own collection activities. This is achieved through the continuous deepening of supplier relationships and by expanding the procurement logistics regionally beyond the borders of Germany. The new requirements for feedstock eligibility for double counting according to the 36^{th} 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 major shareholder IC Green Energy Ltd. The liquid funds generated are mostly 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 and its major stakeholders. The restructuring 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 restructuring effort, 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 the first nine month of 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 better 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 commodity 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 proportionated, allowing for efficient operations, and avoiding unnecessary value distortion. In the other European markets, the same weaker demand that the company saw through the second quarter continued through the third quarter, and resulted with 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. Looking forward, there are signs showing that higher import taxes are expected to be imposed on single counting biodiesel coming from those origins into the EU, on the shortcoming future. 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 CO_2 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 CO_2 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 (in 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 throughout the first nine months of 2013. These relative high prices might be maintained in the short term, going into the fourth quarter. On the other hand, 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 quarter 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 description above for short term effect on the longer terms we see a further increase of the demand for biodiesel mainly thanks to an increasing number of countries adopting the double counting scheme and raising blending obligations in order to achieve GHG saving targets, expected in Germany as of 2015. 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. In the fourth quarter Petrotec plans to perform equipment maintenance and upgrade to allow this continuous asset improvement. It is therefore expected that the production volume and as consequence also the sales, through this fourth quarter, will be weaker relatively to previous quarters this year. Nevertheless, considering the good performance of this third quarter, the management has adjusted the guidance provided in the 2012 annual report, and expects now the annual sales to be in the higher end of the EUR 150m to EUR 190m range, and the annual EBIT margin to be in the range of 3%-4%. This, considering the expected seasonal weaker fourth quarter performance.

III INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

(EUR)	Note	Sep. 30, 2013	Dec. 31, 2012
Non-current assets			
Tangible assets		19,648,705	20,358,577
Intangible assets		1,119,402	1,468,462
Other financial assets (long-term)		74,417	104,623
Total non-current assets		**20,842,524**	**21,931,662**
Current assets			
Inventories		16,033,200	19,579,160
Trade receivables and other receivables		9,668,281	9,884,320
Cash and equivalents, current assets		10,673,718	7,940,385
Total current assets		**36,375,199**	**37,403,866**
Total assets		**57,217,724**	**59,335,528**
Equity			
Subscribed capital		24,543,741	24,543,741
Capital reserve		86,215,979	85,901,380
Revenue reserves		-82,407,718	-87,129,654
Total equity capital		**28,352,003**	**23,315,467**
Non-current liabilities			
Interest-bearing bank loans		177,073	89,024
Liabilities from finance lease (long term)		1,099,867	1,174,205
Interest-bearing loans against shareholders		5,250,000	12,505,993
Provision for part-time work in years before retirement		157,973	156,652
Total non-current liabilities		**6,684,913**	**13,925,874**
Current liabilities			
Interest-bearing bank loans		2,132,500	7,569,520
Trade payables and other liabilities		10,580,465	9,102,334
Interest-bearing loans against shareholders		9,255,993	5,189,485
Liabilities from finance lease (short term)		98,907	126,741
Accruals		112,943	106,107
Total current liabilities		**22,180,808**	**22,094,187**
Total equity and liabilities		**57,217,724**	**59,335,528**

Interim Consolidated Statement of Comprehensive Income for the first nine month of Fiscal Year 2013 (unaudited)

(EUR)	Note	Q1/2013	Q2/2013	Q3/2013	9M/2013	Q1/2012	Q2/2012	Q3/2012	9M/2012
Sales revenues including energy tax		47,842,020	49,082,395	47,635,434	144,559,849	42,065,276	34,994,449	46,493,789	123,553,514
Energy tax		0	-687	0	-687	-76	0	-54	-130
Sales revenues		**47,842,020**	**49,081,708**	**47,635,434**	**144,559,162**	**42,065,200**	**34,994,449**	**46,493,735**	**123,553,384**
Other operating income		621,404	106,101	213,907	941,412	342,266	503,688	562,586	1,408,541
Changes in inventories of finished and unfinished goods		-131,085	-5,142,785	4,239,534	-1,034,336	1,339,009	2,421,620	2,626,922	6,387,551
Cost of materials		-42,325,443	-37,047,206	-43,918,938	-123,291,587	-38,952,437	-32,784,084	-42,259,720	-113,996,241
Personnel expenses		-1,478,863	-1,545,687	-1,930,433	-4,954,984	-1,376,739	-1,488,594	-1,455,548	-4,320,881
Depreciation		-631,641	-652,447	-653,121	-1,937,209	-588,305	-594,213	-615,588	-1,798,105
Other operating expenses		-2,375,257	-2,584,299	-3,175,761	-8,135,317	-2,212,523	-2,791,812	-2,888,193	-7,892,528
Result from hedging activity		16,353	-22,283	43,640	37,710	-10,191	28,939	-87,533	-68,785
Earnings before interest and taxes (EBIT)		**1,537,487**	**2,193,103**	**2,454,261**	**6,184,851**	**606,281**	**289,995**	**2,376,660**	**3,272,936**
Finance income		1,975	854	7,757	10,586	11,462	13,234	2,161	26,857
Finance costs		-484,941	-459,181	-414,378	-1,358,501	-513,804	-521,248	-462,641	-1,497,693
Earnings before taxes (EBT)		**1,054,521**	**1,734,775**	**2,047,640**	**4,836,936**	**103,939**	**-218,019**	**1,916,180**	**1,802,100**
Income taxes		0	0	-115,000	-115,000	0	0	0	0
Profit / loss for the year		**1,054,521**	**1,734,775**	**1,932,640**	**4,721,936**	**103,939**	**-218,019**	**1,916,180**	**1,802,100**
Earnings per share (EPS)		0.043	0.071	0.079	0.192	0.004	-0.009	0.078	0.073

Interim Consolidated Cash Flow Statement as of September 30, 2013 (unaudited)

(EUR)	Note	9M/2013	9M/2012
Profit for the period		**4,721,936**	**1,802,100**
Non-cash adjustments for the reconciliation			
of earnings before taxes to net cash flow			
Depreciation/amortisation		1,937,209	1,798,105
Share based payment expenses		314,599	0
Market value of hedge		3,290	0
Additions to provisions		0	0
Income from sale of plant		24,868	-198,806
Financial income		-10,586	-26,857
Financial expenses		1,358,501	1,497,693
Changes in accruals		6,836	0
		8,356,653	**4,872,235**
Changes in working capital			
Changes in inventories		3,545,960	-4,531,186
Changes in trade receivables and other receivables and other assets		-389,291	1,418,479
Changes in trade payables and other liabilities		2,060,026	2,318,508
		5,216,695	**-794,199**
Received interests		**10,586**	**26,857**
Net cash from operating activities		**13,583,934**	**4,104,894**
Payments from the sale of tangible assets		34,821	174,966
Payments for the purchase of tangible assets		-930,818	-930,903
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		49,999	60,496
Payments for the purchase of other financial assets		-19,792	-70,000
Net cash from investing activities		**-872,940**	**-765,441**
Loan redemption		-22,924,593	-2,240,256
Loan increase		15,575,622	21,000
Redemption Finance Lease		-80,705	0
Interest payments		-2,547,986	-485,784
Cash received from the issue of shares		0	0
Transaction costs from SOP		0	0
Net cash from financing activities		**-9,977,662**	**-2,705,040**
Change in cash and cash equivalents		**2,733,333**	**634,412**
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		**10,673,718**	**11,735,419**

Consolidated Statement of Changes in Equity 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**
Share based payment expenses	0	314,599	0	314,599
Transaction costs (net of deferred taxes)	0	0	0	0
Total result directly attributed to equity capital	**0**	**314,599**	**0**	**314,599**
Total comprehensive income	0	0	4,721,936	4,721,936
Total earnings for the period	**0**	**314,599**	**4,721,936**	**5,036,535**
Balance as of Sep. 30, 2013	**24,543,741**	**86,215,979**	**-82,407,718**	**28,352,003**

(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	1,802,100	1,802,100
Total earnings for the period	**0**	**0**	**1,802,100**	**1,802,100**
Balance as of Sep. 30, 2012	**24,543,741**	**85,901,380**	**-86,253,484**	**24,191,637**

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 September 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 the quarterly reporting correspond to those adopted for the most recent consolidated financial report for the end of the fiscal year. A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2012.

In the opinion of the Management Board, the unaudited quarterly report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the net assets, financial position and results of operations of the Group. The results obtained in the first nine month 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 quarterly financial statements include the figures from the financial statement, in addition to the notes with explanations of selected items.

The interim condensed consolidated financial statements for the nine month ended September 30, have been prepared in accordance with IAS 34 Interim Financial Reporting.

In the quarterly financial statements as of September 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 the first nine month 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. Due to the minimum taxation rules in Germany, the company has posted income tax during Q3 2013 which was estimated according to the expected full year pre-tax profit. Concerning available tax loss carry forwards, we also refer to the notes of the financial statements ending December 31, 2012.

4. Property, plant and equipment

During the nine month ended September 30, 2013, the Group acquired assets with a cost of EUR 954.036,53 and disposed assets with a net value of 105.964,67.

5. Inventories

During the first nine month 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 the full nine month average stock cost. According to IAS 2, a 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 September 30, 2013, the Group's balance sheet contained the following financial instruments measured at fair value:

Hierarchy of fair values	**Unit**	**Sep. 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	147	0	147	0
Currency future contracts without hedging relationship	EURk	0	0	0	0
Swaps and futures in a hedging relationship	EURk	174	0	174	0
Change in fair value of underlying transactions in a hedging relationship	EURk	267	0	267	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	170	0	170	0
Currency future contracts without hedging relationship	EURk	0	0	0	0
Swaps and futures in a hedging relationship	EURk	108	0	108	0
Change in fair value of underlying transactions in a hedging relationship	EURk	246	0	246	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 nine month of the year, ended September 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**
Sep. 30, 2013				
Derivatives in a hedging relationship				
Fair value hedge				
Biodiesel hedge	13,642	EURk	174	108
Currency hedge	29,650	EURk	147	170
TTL		EURk	321	278
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 1,100k 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	Sep. 30, 13	Dec. 31, 12
Cash equivalents	EURk	11	135
Cash	EURk	10,662	7,805
TTL	EURk	10,674	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 nine month, except for drawing on shareholder loans, there were neither business relations between the Petrotec Group and IC Green Energy Ltd. nor with the ultimate controlling parent corporation of Israel Corporation Ltd.

The following table presents the total for transactions between related parties in the respective first three quarters:

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) Q3/2013	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 1.1077 was calculated as 110% of the 20 days weighted average share price prior to the date of grant (EUR 1.007). 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 1.007. 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 September 30, 2013 based on a fair valuation of the option, conducted by BDO, a single option value of EUR 0.68 was derived. The valuation was conducted using the Monte Carlo Simulation. For the period ended September 30, 2013 the Group has recognized EUR 315k of share based payments in the income statement. Although the current movement of the share price is favorable for exercising the option, the average share price of the period is below the exercise price. Hence there is no dilution effect on the earnings per share calculation, yet.

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, has not been finally agreed by the end of Q3/2013.

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, November 8, 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 13, 2013
Q3 Report:	November 13, 2013
Annual Report 2013:	March 18, 2014

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Investor Relations

Petrotec AG
Fürst-zu-Salm-Salm-Str. 18
46325 Borken
Germany

Tel. +49 (0) 2862 910019
www.petrotec.de