



**III/10**

EnviTec Biogas



# Interim Report Business Year 2010

**Quarter III/10**

# Overview

(Million Euro)	Q3 2010	Q3 2009
Sales revenue	45.9	34.6
Gross result	12.8	10.4
EBITDA	2.1	2.2
EBIT	0.5	0.8
Surplus	0.3	1.5
Employees	435	396
Order pipeline	255.8	230.1
thereof „Own Plant Operation“	49.2	12.6
thereof abroad	91.8	59.1
Order intake	47.2	32.4
Order cancellations	23.8	0
Orders completed	38.2	29.1

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# Business increases significantly.

## Dear shareholders, dear customers and business partners, dear colleagues,



*from top to  
bottom:  
Olaf von Lehmden (CEO),  
Jürgen Tenbrink  
(CTO),  
Jörg Fischer  
(CFO) and  
Roel Slotman  
(CCO)*

As in the second quarter, EnviTec Biogas continued to experience a dynamic performance in the period from July to September 2010. In these three months alone, our sales totalled EUR 45.9 million, almost equal to the entire amount in the first half of the year. This means that we are currently working almost at full capacity. EnviTec Biogas benefits from strong demand for biogas plants from farmers, project developers and professional energy suppliers. All these customer groups profit from the production of clean energy.

Our earnings situation improved as well. With an operating result (EBIT) of EUR 0.5 million, we returned to profitability in the third quarter. However, we are not yet satisfied with this development. The reason for this is that one-off effects in the Plant Construction segment, which amounted to EUR 2.5 million, prevented us from achieving a considerably better result. Therefore, we reduced our operating loss in the nine-month period from EUR 4.0 million to EUR 1.0 million only. We are committed to change this situation and expect – thanks to a strong fourth quarter – to achieve a positive EBIT for the full year of 2010.

Our optimism is based on our large order book and the consistently high level of new order intake. At the end of September, EnviTec Biogas had in place orders worth EUR 255.8 million. This highlights that demand for biogas plants is steadily increasing. In Italy, for example, interest is strong. However, demand is currently held back by challenging financing procedures, which should change as a consequence of increasing market maturity as well as rising awareness and better information. We successfully contributed to this educational work by holding a bank roadshow. The first plants are already connected to the grid and, running smoothly, not only generate environmentally friendly energy but stable cash flows as well. More and more banks start to become aware of this and, as a result, offer project financing. EnviTec Biogas enjoys double benefits from improved financing conditions: in the

Plant Construction and the Own Plant Operation segments. As a result, Italy today has become our second largest market after Germany. France could experience a similar development.

The growth prospects for EnviTec Biogas AG are promising. Our goal is to exploit these opportunities even more consistently.

Thank you very much for the confidence placed in us.



Olaf von Lehmden  
CEO



Jürgen Tenbrink  
CTO



Jörg Fischer  
CFO



Roel Slotman  
CCO

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# Group interim business report

**of EnviTec Biogas AG  
for the nine-month period ended 30 September 2010**

## **1. Corporate structure**

EnviTec Biogas AG, based in Lohne, Germany, is a leading manufacturer and operator of biogas plants. The company is a single-source provider of all services related to the construction and operation of biogas plants. In addition, the company operates own plants which produce renewable energy. Our subsidiaries, joint ventures and sales offices give us a presence in 16 countries.

The Group's structure is based on three segments: Plant Construction, Own Plant Operation and Service. All three areas are closely interrelated in strategic, technical and economic terms. The consolidated financial statements of EnviTec Biogas AG comprise 158 subsidiaries of which 103 were fully consolidated.

## **2. Macroeconomic and sector performance**

### **Macroeconomic performance**

About one year after the recession bottomed out, the global economy continues to show an upward trend in the third quarter, despite the slowdown in growth momentum. Even so, uncertainty and volatility still prevail in financial markets, in particular due to structural issues in the US and the debt crises in some Eurozone countries. According to current estimates of the International Monetary Fund (IMF), world trade is set to rise by 11.4% in 2010, compared to the previous year's volume. In 2009, global trade in goods slumped by 11%, as reported by the IMF. The current upswing is driven by industrial nations, and increasingly by emerging and developing countries. The IMF expects global economic growth of 4.8% in 2010. The joint economic forecast of the leading German economic research institutes comes in lower. Following the weakness experienced in autumn, they now predict growth of 3.7%.

In 2010, the recovery in Germany gained momentum and, with a growth of 3.5% according to the joint economic forecast, will be stronger than at any time in the past 23 years. This positive development is not only driven by exports, not any more. Domestic economic activity and investments of German companies show a clear upward trend as well.

## Performance of the biogas sector

The legal framework in the key markets of EnviTec Biogas is still attractive, offering growth opportunities for the company. In the first half of the year, the German government amended the Gas Grid Access Directive (Gasnetzzugangsverordnung, GasNZV). Thus, the German legislature decided to facilitate access to the natural gas grid for plant operators and changed the rules on cost sharing in favour of these operators, while also capping costs in certain cases.

In line with rising soft commodity prices, costs of input factors required for biogas production increase as well. This could affect the Own Plant Operation segment of EnviTec Biogas, with the exception of existing plants where fixed supply agreements are in place. In general, higher input costs can be partly compensated by using fermentation residues as a natural fertilizer.

## 3. Business performance in the first nine months

The operating business of EnviTec Biogas developed positively in the third quarter of 2010. Compared to the first and second quarter, sales continued to increase. With an operating result (EBIT) of EUR 0.5 million, the company returned to profitability. The EBIT figure includes negative one-off effects amounting to EUR 2.5 million. For the nine-month period, EnviTec Biogas reduced its deficit from EUR -4.0 million to EUR -1.0 million compared to the previous year. Based on a large order book with a volume of EUR 256 million as of 30 September 2010, we expect the positive sales performance to continue in the last quarter of the year, which should also be reflected in earnings.

### Own Plant Operation

In this segment, EnviTec Biogas acts as an operator of its own biogas plants, frequently in conjunction with partners. As of 30 September 2010, 35 plants with an electric output of 18.5 MW were in operation. Further plants with a total output of 7.5 MW are under construction, scheduled for completion during the first quarter of 2011, and other plants, e.g. in Italy, are in the process of approval. This business segment is constantly being expanded, currently focusing on Germany and Italy, as regards regions. In other countries, own plants serve as showcases and door openers for the company's Plant Construction activities. The operating business of EnviTec profits from stable cash flows and good margins provided by this segment.

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### **Order book structurally improved on a high level**

With a volume of EUR 255.8 million as at end of September, the company's order book remains strong. In this context, one should note that, as a precaution, the order backlog has been adjusted for uncertain orders worth EUR 23.8 million. Due to financing and/or approval-related problems these orders are currently not expected to materialise in the mid-term.

With 64.1%, orders from Germany account for the largest share of the total volume. In the international business, Italy is the most important market with orders amounting to EUR 38.7 million. The demand situation in France is promising as well. EnviTec Biogas has successfully entered the French market in the first half of the year and in the third quarter alone, the order book grew by EUR 4.3 million to reach EUR 16.1 million.

Given the diversified order backlog as regards customer groups, the company is not dependent on individual major projects. As of mid-2009, three to four large key customers accounted for more than 50% of the order volume. Today, more than half of the orders are attributable to individual farmers. In addition, customers include project developers and professional energy suppliers as well. Orders in the Own Plant Operation segment reached a volume of EUR 49.2 million as at end of September.

### **Technological progress**

EnviTec Biogas engineers of the research and development department are consistently working on the technical optimisation of biogas plants. The latest developments comprise a next-generation stirring system (agitator) and a biotrickling filter for biogas desulphurisation. Both innovations provide significant added value in biogas production.

The so-called mid-size agitator is installed in the fermenter to mix the substrates. The new model delivers more performance with lower consumption. At the same time, the reduced number of revolutions results in less wear, thus extending the maintenance interval. The reason: With its large-diameter propeller, the mid-size agitator achieves a higher efficiency at lower speed and with lower friction losses than conventional agitators. The biological trickling filter, which has been developed to desulphurise biogas outside the fermenter, also delivers benefits to plant operators. The device reduces the concentration of hydrogen sulphide in the biogas with a desulphurisation performance of more than 94% on average, thus protecting the motor in the combined heat and power unit (CHP).

## Producing biogas solely from waste from the food industry

Biogas is an all-rounder: It can be used for heat and electricity generation as well as for biomethane and biofuel production. But biogas also shows flexibility as regards potential input materials. In principle, all organic substances are suitable. A current project of EnviTec Biogas in Wales could serve as a role model. In the city of Newport, the company will build a biogas plant for UK company InSource Energy. The customer is a specialist developer of onsite waste-to-energy solutions for the food and drink processing sector. The biogas plant will be built in the immediate vicinity of the Rogerstone Park ready-meals factory of RF Brookes, a subsidiary of UK food giant Premier Foods. It will generate heat and electricity from the company's food waste, solely using this waste as input materials. The Welsh Assembly Government pursues an ambitious goal: The total electricity requirements of Wales shall be covered from local and renewable sources in 20 years' time at the latest. Another aim is to increase the waste reuse rates to 70% by the year 2025.

## Employees

Qualified and committed employees are an important prerequisite for successful growth. On 30 September 2010, EnviTec Biogas had 435 employees (previous year: 396) on its worldwide payroll. The bulk of employees (352) are based in Germany. A total of 83 employees are based in foreign locations of EnviTec Biogas.

## 4. Earnings, Financial Position and Net Worth

### Sales performance

The third quarter of 2010 saw a very gratifying sales performance on the part of EnviTec Biogas. Revenues for the period from July to September amounted to EUR 45.9 million, up 32.6% over the prior-year period. All business segments contributed to this dynamic development. In Germany, sales grew by 21.8% from EUR 26.6 million in the corresponding prior-year quarter to EUR 32.4 million. Therefore, Germany still accounts for the highest share of revenue. Foreign revenue rose by 68.8% to EUR 13.5 million (Q3 2009: EUR 8.0 million), with sales in Italy contributing the largest part to this positive development. During the first nine months of 2010 we raised sales revenues by 29.8% from EUR 77.3 million in the previous year to EUR 100.3 million.

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## Segment performance

All segments developed positively during the year. The Plant Construction segment's sales in the first nine months amounted to a total of EUR 78.0 million, equivalent to an increase of 29.0% over the previous year and representing 77.8% of group revenue. The operating result of the Plant Construction business in the first nine months of 2010 was EUR -4.9 million. This was only a slight improvement over the previous year, which is due to negative one-off effects in the third quarter. An expansion of a customer's plant, built for research purposes, had to be dismantled again. In addition, a plant built by EnviTec in the capacity as general contractor started to feed energy into the grid with a delay compared to the agreed deadline. As a result, the company had to make a one-off payment. In total, the one-off effects amounted to EUR 2.5 million in the third quarter. They were recognized in cost of materials and other operating expenses.

In the mean time, the substantial expansion in capacity in the Own Plant Operation segment begins to affect operating results. In the first nine months of 2010, the segment's sales rose by 32.5% compared to the previous year to EUR 15.4 million. The operating result increased by 117.4% from EUR 1.7 million to EUR 3.7 million. EBIT margin in this segment was 23.9%. As regards the result in 2009, it has to be taken into account that a part of EUR 1.4 million of the sales and profit were realised in the fourth quarter, which was due to legal uncertainty.

The business with services related to the operation of biogas plants showed a solid performance. During the first nine months of 2010, sales in the company's Service segment amounted to EUR 7.0 million, up 33.6% over the prior-year period. The operating result improved from EUR -533 thousand to EUR 230 thousand.

## Earnings

After an operating loss in the first half of the year, EnviTec Biogas returned to profitability in the third quarter of 2010. However, due to the one-off effects described above, the dynamic sales performance is not fully reflected in earnings figures.

The sales growth entailed an increase in the cost of materials, which rose from EUR 54.3 million in the prior-year period to EUR 71.6 million. Cost of materials as percentage of sales was up from 70.3% to 71.3%. In the reporting period the company raised its gross profit by 39.1% from EUR 24.1 million to EUR 33.6 million.

During the first nine months of 2010, personnel expenses rose at a slower pace than sales revenues, increasing by 8.2% to EUR 13.1 million only. Accordingly, personnel expenses as percentage of sales declined from 15.7% to 13.1%. The



**Sales revenues**  
compared to the prior year  
**+ 29.8%**



**Foreign sales revenues**  
compared to the prior year  
**+ 68.8%**

increase in depreciation from EUR 4.0 million to EUR 5.0 million is mainly due to the expansion of the company's Own Plant Operations. Other operating expenses, which include operating, administration and sales costs, rose from EUR 12.0 million to EUR 16.4 million in the reporting period.

EnviTec Biogas achieved an operating result of EUR 0.5 million in the third quarter. This means that EnviTec Biogas was not able to fully compensate for its deficit of EUR 1.5 million in the first half of the year, which was characterized by a long winter. Therefore, the operating result for the first nine months of 2010 was EUR -1.0 million. This is a significant improvement compared to the deficit of EUR 4.0 million in the prior-year period. The financial result for the nine-month period was EUR 1.3 million, compared to EUR 2.4 million in the prior-year period. Income tax of EUR 0.9 million resulted in net income before minority interest expenses for the period of EUR -0.7 million. In the prior-year period this figure was EUR -1.2 million.

### **Net worth and financial position**

EnviTec Biogas remains a well capitalised and liquid company as at end of September 2010. This enables the company to consistently implement its operational and strategic objectives: working off the high order backlog, expanding the Own Plant Operations and exploring new technologies.

On 30 September 2010, EnviTec Biogas' equity capital stood at EUR 174.4 million (2009: EUR 175.1 million). Total assets amounted to EUR 239.6 million (2009: EUR 231.4 million). At 72.8%, the equity ratio remained at a very high level (2009: 75.7%). The equity capital compared with debt amounting to EUR 65.2 million (2009: EUR 56.3 million).

As of 30 September, non-current assets rose from EUR 77.1 million to EUR 90.0 million. Investments in Own Plant Operations entailed an increase in property, plant and equipment as well as investments accounted for using the equity method by EUR 9.3 million and EUR 2.9 million, respectively. With EUR 149.6 million as of the reporting date, current assets were at the same level as at the beginning of the year. Trade receivables increased from EUR 18.5 million to EUR 31.3 million.

### ***Liquidity analysis***

The liquidity position of EnviTec Biogas remains solid at the end of September 2010. Cash and cash equivalents declined from EUR 53.8 million at the beginning of the year to EUR 20.4 million, due to the large-scale investments in the construction of own biogas plants. Cash flow from operating activities stood at EUR -7.9 million. The decline compared to the prior year is mainly due to the increase in trade receivables.

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## 5. The Share

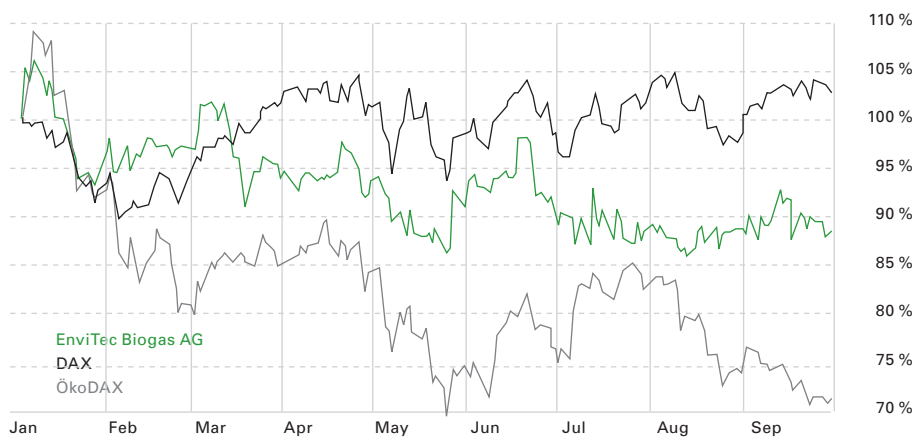
While equity markets declined in the first half of 2010, they recovered significantly in the third quarter. By the end of August, the leading German stock market index, the DAX, had climbed back above 6,000 points. As at the end of the quarter, the index closed at 6,229 points, gaining 3.0% year-to-date. The TecDAX also performed positively in the third quarter. For the first nine months of 2010, however, the technology index posted a negative return of 6.4%. The ÖkoDAX, which includes the EnviTec share, also showed a clearly negative performance in the same period, finishing down 27%.

In the third quarter of 2010, the EnviTec Biogas share consistently traded within a tight range between EUR 10.76 and EUR 11.85, closing at EUR 11.21 on 30 September 2010. Year-to-date, the share declined by about 12%. A total of 1,337,394 million EnviTec shares were traded in the first nine months, resulting in a daily average trading volume of 6,930 shares. The annual high and the annual low were marked at EUR 13.83 on 8 January and at EUR 10.89 on 13 August 2010, respectively.

### Basic information on the EnviTec Biogas share

ISIN	DE000A0MVLS8
WKN	A0MVLS
Stock exchange symbol	ETG
Number of shares	15,000,000
Market capitalisation at end of quarter	168.2 m Euro
Highest price (8 January 2010)	13.83 Euro
Lowest price (13 August 2010)	10.89 Euro
Price on 30 September 2010	11.21 Euro
Earnings per share in the first three quarters of 2010	-0.06 Euro

*All figures refer to XETRA prices*



DEVELOPMENT OF THE ENVITEC SHARE BY COMPARISON

Shareholder structure on 30 September 2010	Shares	Percent
von Lehmden Beteiligungs GmbH	6,407,017	42.72
TS Holding GmbH	3,280,000	21.86
Ruhe Verwaltungs GmbH	1,793,707	11.96
Freefloat	3,519,276	23.46

## 6. Risk report

The risk situation of EnviTec Biogas AG was presented in detail in the Group Management Report and the Management Report for the period ended 31 December 2009. Typical risks were listed and described in detail in these reports. The Executive Board is currently not aware of any risks that could jeopardize the continued existence of the company.

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## 7. Related party disclosures

Transactions that were made with related parties in the reporting period and could have a material impact on the net worth, financial and earnings position are described in detail in the notes to the interim consolidated financial statements.

## 8. Forecast report

The basic conditions for EnviTec Biogas AG are favourable. The low interest rate level makes investments in biogas plants even more attractive. While numerous project finance offerings are available in Germany, the situation in foreign markets which are still emerging is more difficult. However, given the market growth, conditions in these markets will improve as well. A bank roadshow of the company held in Italy in November 2010, for example, attracted intense interest. The newly established contacts will be useful for EnviTec Biogas in financing its own plants. As the company supports its customers in project financing, its Plant Construction segment will profit as well.

The large order book of EUR 255.8 million and the consistently high level of new order intake give EnviTec Biogas an excellent basis for continued growth – in the fourth quarter of 2010 and beyond. Capacity utilization in the Plant Construction segment will remain at a very high level. For the time being, Germany and Italy will continue to be the most important markets for EnviTec Biogas.

EnviTec Biogas will continue to invest in its Own Plant Operations. In the fourth quarter, plants with a total combined output of 7.5 MW<sub>el</sub> were under construction. By the end of the year, there should be about 20 MW<sub>el</sub> connected to the grid. In addition, biogas plants with a total capacity of 15 MW<sub>el</sub> are in the late planning phase or even in the approval process. The goal is to increase total capacity by a minimum of 12 MW<sub>el</sub> per year.

In light of the positive developments across all segments, the Executive Board anticipates a similar sales-level in the fourth quarter of 2010 compared to the prior quarter. Profitability should improve as well. For the full year 2010, we expect sales of at least EUR 145 million and an EBIT of at least EUR 1.0 million. Risks include potential delays in approval procedures and a severe onset of winter.

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# Interim financial statements

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	07/01-09/30/2010	07/01-09/30/2009	01/01-09/30/2010	01/01-09/30/2009
<b>1. Sales</b>	45,882,813	34,602,065	100,327,270	77,294,913
<b>2. Other operating income</b>	2,030,940	327,168	4,809,744	1,148,041
<b>Total performance</b>	<b>47,913,753</b>	<b>34,929,233</b>	<b>105,137,014</b>	<b>78,442,954</b>
<b>3. Cost of materials</b>	35,148,822	24,578,518	71,552,587	54,305,591
<b>Gross result</b>	<b>12,764,931</b>	<b>10,350,715</b>	<b>33,584,427</b>	<b>24,137,363</b>
<b>4. Staff costs</b>				
> Wages and salaries	3,470,311	3,405,869	10,665,282	9,916,801
> Social security, pensions and other benefits	854,359	757,168	2,467,980	2,214,601
	<b>4,324,670</b>	<b>4,163,037</b>	<b>13,133,262</b>	<b>12,131,402</b>
<b>5. Depreciation</b>	1,629,888	1,359,812	5,009,431	3,987,313
<b>6. Other operating expenses</b>	6,313,523	4,012,227	16,405,118	11,985,056
<b>Operating income</b>	<b>496,850</b>	<b>815,639</b>	<b>-963,384</b>	<b>-3,966,408</b>
<b>7. Result from at-equity valued participations</b>	-157,549	154,189	-53,535	362,014
<b>8. Interest earnings</b>	1,008,996	832,447	2,526,935	3,336,626
<b>9. Interest expenses</b>	424,768	342,511	1,246,132	912,646
<b>10. Pretax income</b>	<b>923,529</b>	<b>1,459,764</b>	<b>263,884</b>	<b>-1,180,414</b>
<b>11. Income tax expense</b>	586,956	539,031	917,289	9,434
<b>12. Net income</b>	<b>336,573</b>	<b>920,733</b>	<b>-653,405</b>	<b>-1,189,848</b>
<b>13. Income inutable to minority interests</b>	68,624	-539,556	218,047	-929,495
<b>14. Consolidated loss/profit</b>	<b>267,949</b>	<b>1,460,289</b>	<b>-871,452</b>	<b>-260,353</b>
<b>Earnings per share in EUR</b>				
Earnings per share in EUR (basic)	0,02	0,10	-0,06	-0,02
Earnings per share in EUR (diluted)	0,02	0,10	-0,06	-0,02
<b>Weighted average shares outstanding</b>				
Basic	14,850,000	14,897,843	14,850,000	14,935,508
Diluted	14,850,000	14,897,843	14,850,000	14,935,508

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	07/01 – 09/30/2010	07/01 – 09/30/2009	01/01 – 09/30/2010	01/01 – 09/30/2009
<b>Consolidated profit</b>	<b>267,949</b>	<b>1,460,289</b>	<b>-871,452</b>	<b>-260,353</b>
Changes in fair value of derivatives designated as cash flow hedges	-181,738	-1,951	-211,560	-113,054
Recognized in profit and loss account	0	0	0	0
Thereon apportionable to income tax	0	0	0	0
<b>Changes recognized outside profit and loss (cash flow hedges)</b>	<b>-181,738</b>	<b>-1,951</b>	<b>-211,560</b>	<b>-113,054</b>
Changes in fair value of available-for-sale financial assets	0	605	-542	38,723
Recognized in profit and loss account	0	-376	3,911	-2,919
Thereon apportionable to income tax	0	147	-152	317
<b>Changes recognized outside profit and loss (available-for-sale financial assets)</b>	<b>0</b>	<b>376</b>	<b>3,217</b>	<b>36,727</b>
Exchange differences on translation of operations outside the euro zone	5,823	-69,561	-8,092	-95,382
Recognized in profit and loss account	0	0	0	0
Thereon apportionable to income tax	0	0	0	0
<b>Changes recognized outside profit and loss (exchange differences)</b>	<b>5,823</b>	<b>-69,561</b>	<b>-8,092</b>	<b>-95,382</b>
<b>Other comprehensive income (changes recognized outside profit and loss)</b>	<b>-175,915</b>	<b>-71,136</b>	<b>-216,435</b>	<b>-171,709</b>
<b>Total comprehensive income</b>	<b>92,034</b>	<b>1,389,153</b>	<b>-1,087,887</b>	<b>-432,062</b>

## CONSOLIDATED BALANCE SHEET

### Assets

A. Fixed assets	09/30/2010	12/31/2009
I. Intangible Assets	3,439,303	3,586,579
II. Tangible Assets	58,607,911	49,299,842
III. Shares in at-equity valuation of participations	4,650,015	1,734,102
IV. Other long-term receivables	19,335,842	20,980,860
V. Deferred taxes	3,993,689	1,519,226
<b>Total fixed assets</b>	<b>90,026,760</b>	<b>77,120,609</b>
B. Current assets		
I. Stocks	17,211,489	14,068,971
II. Receivables from long-term construction contracts	39,235,579	40,366,235
III. Trade receivables	31,256,190	18,503,074
IV. Other short-term financial assets	36,781,784	23,213,728
V. Tax receivables	4,665,474	1,867,430
VI. Available for sale financial assets	0	12,000,000
VII. Liquid funds	20,418,486	41,762,343
<b>Total current assets</b>	<b>149,569,002</b>	<b>151,781,781</b>
C. Non-current assets held for sale		
	0	2,526,732
<b>Total assets</b>	<b>239,595,762</b>	<b>231,429,122</b>

## Equity and liabilities

<b>A. Equity</b>		<b>09/30/2010</b>	<b>12/31/2009</b>
I.	Subscribed capital	14,850,000	14,850,000
II.	Capital reserves	132,995,741	132,995,741
III.	Revenue reserves		
	1. Currency translation reserves	-30,363	-22,271
	2. Other reserves	311,653	519,996
	3. Other revenue reserves	10,000,000	10,000,000
IV.	Retained earnings brought forward	16,207,764	14,944,734
V.	Minority interests	889,409	572,240
VI.	Consolidated profit	-871,452	1,263,030
<b>Total equity</b>		<b>174,352,752</b>	<b>175,123,470</b>
<b>B. Non-current liabilities</b>			
I.	Long-term provisions	477,000	510,499
II.	Long-term financial liabilities	27,633,340	24,036,171
III.	Deferred taxes	5,489,569	3,758,400
<b>Total noncurrent liabilities</b>		<b>33,599,909</b>	<b>28,305,070</b>
<b>C. Current liabilities</b>			
I.	Short-term provisions	8,509,490	5,893,369
II.	Short-term financial liabilities	4,331,906	2,951,905
III.	Trade payables	10,749,509	10,534,165
IV.	Liabilities from long-term construction orders	3,887,904	3,818,797
V.	Other short-term liabilities	2,544,735	1,978,303
VI.	Tax liabilities	1,619,557	2,824,043
<b>Total current liabilities</b>		<b>31,643,101</b>	<b>28,000,582</b>
<b>Total equity and liabilities</b>		<b>239,595,762</b>	<b>231,429,122</b>

## CONSOLIDATED EQUITY CAPITAL CHANGE STATEMENT

	Subscribed capital	Capital reserves	Revenue reserves incl. OCI	Other revenue reserves
<b>Balance at 01/01/2009</b>	<b>15,000,000</b>	<b>134,927,281</b>	<b>489,527</b>	<b>0</b>
Reclassifications	0	0	0	0
Minority interests	0	0	0	0
Other reclassification	0	0	0	10,000,000
Dividend payments	0	0	0	0
Own shares	-150,000	-1,931,540	0	0
Total comprehensive income first three quarters 2009	0	0	-171,709	0
<b>Balance at 09/30/2009</b>	<b>14,850,000</b>	<b>132,995,741</b>	<b>317,818</b>	<b>10,000,000</b>
<b>Balance at 01/01/2010</b>	<b>14,850,000</b>	<b>132,995,741</b>	<b>497,725</b>	<b>10,000,000</b>
Reclassifications	0	0	0	0
Minority interests	0	0	0	0
Total comprehensive income first three quarters 2010	0	0	-216,435	0
<b>Balance at 09/30/2010</b>	<b>14,850,000</b>	<b>132,995,741</b>	<b>281,290</b>	<b>10,000,000</b>

Retained earnings brought forward	Consolidated profit/loss	Total shareholders interests	Minority interests	Total
23,625,067	5,774,667	179,816,542	-31,708	179,784,834
5,774,667	-5,774,667	0	0	0
0	0	0	807,779	807,779
-10,000,000	0	0	0	0
-4,455,000	0	-4,455,000	0	-4,455,000
0	0	-2,081,540	0	-2,081,540
0	-260,353	-432,062	-929,495	-1,361,557
14,944,734	-260,353	172,847,940	-153,424	172,694,516
<b>14,944,734</b>	<b>1,263,030</b>	<b>174,551,230</b>	<b>572,240</b>	<b>175,123,470</b>
1,263,030	-1,263,030	0	0	0
0	0	0	99,122	99,122
0	-871,452	-1,087,887	218,047	-869,840
<b>16,207,764</b>	<b>-871,452</b>	<b>173,463,343</b>	<b>889,409</b>	<b>174,352,752</b>

## CONSOLIDATED CAPITAL FLOW STATEMENT

	01/01 – 09/30/2010	01/01 – 09/30/2009
Consolidated net income before minority interests	-653,405	-1,189,848
Income tax expenses	917,289	9,434
Net interest income	-1,280,803	-2,423,980
Profit (-) losses (+) from at-equity companies	485,865	-244,964
Paid income tax	-2,341,169	-2,710,380
Depreciation on tangible and intangible assets	5,009,431	3,987,313
Increase in other provisions	2,582,622	87,060
Profit (-) losses (+) on the sale of tangible assets	-4,513	-5,789
Profit (-) losses (+) on the sale of non-current assets held for sale	-456,564	0
<b>Brutto Cashflow</b>	<b>4,258,753</b>	<b>-2,491,154</b>
Increase in stocks	-3,142,518	-5,646,195
Decrease in receivables from long-term construction contracts	1,130,656	12,876,378
Increase in liabilities from long-term construction orders	69,107	1,344,866
Increase/decrease in trade receivables	-12,753,116	8,623,831
Increase in trade payables	215,344	739,333
Increase/decrease in other short-term financial assets	-13,568,056	869,100
Decrease/increase in other long-term receivables	1,645,018	-15,968,403
Increase in deferred taxes	-2,474,462	-1,227,170
Decrease/increase of financial assets	12,000,000	-48,000
Increase in other long-term liabilities	2,627,895	172,144
Increase/decrease in other short-term liabilities	566,432	-479,187
Increase of tax receivables	-2,798,044	-174,483
Increase in liabilities from transaction tax and tax deductions	1,950,563	3,166,446
Other non cash payments	-117,314	636,072
Interest received	2,526,935	3,336,626
<b>Flow from operative activities (net cashflow)</b>	<b>-7,862,807</b>	<b>5,730,204</b>

	01/01 – 09/30/2010	01/01 – 09/30/2009
Proceeds from disposals of tangible assets	248,126	95,527
Payments for intangible assets	-129,202	-99,662
Payments for tangible assets	-14,284,634	-10,593,504
Proceeds from payments in consolidated companies	0	-319,889
Payments for at-equity investments	-3,401,778	-1,335,001
Proceeds for financial investments	0	35,385,000
Proceeds from disposals of non current assets held for sale	2,983,295	0
<b>Flow from investment activities</b>	<b>-14,584,193</b>	<b>23,132,471</b>
Proceeds from bank loans	3,916,237	6,410,344
Payments for debt redemption	-2,283,263	-1,682,888
Payments to shareholder	0	-4,455,000
Payments for own shares	0	-2,081,540
Decrease/increase in other short-term financial liabilities (without short-term bank loans and overdrafts)	716,301	-1,915,957
Interest paid	-1,246,132	-912,646
<b>Inflow from financial activities</b>	<b>1,103,143</b>	<b>-4,637,687</b>
<b>Change in cash and cash equivalents</b>	<b>-21,343,857</b>	<b>24,224,988</b>
<b>Cash balance on 1 January</b>	<b>41,762,343</b>	<b>22,930,987*</b>
<b>Cash and cash equivalents balance on 30 September</b>	<b>20,418,486</b>	<b>47,155,975</b>

\* A discrepancy in the preparation of the liquid funds in the balance sheet in the amount of EUR 35.4 million is due to funds that are not in accordance with the definition of IAS 7.7.



# Notes to the Consolidated Financial Statements

**for the period ended September 30th 2010  
of EnviTec Biogas AG, Lohne**

## **1. Principles applied in the preparation of the interim financial statements**

EnviTec Biogas AG, Lohne, continued to apply the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), in preparing its consolidated financial statements for the 2009 financial year. Accordingly, this set of abbreviated financial statements as of June 30, 2010 was also prepared in accordance with IAS 34 regulations.

The auditor did not review these interim financial statements.

The interim financial statements were prepared in euros. All amounts are rounded to full euros unless otherwise stated.

Individual items are combined for purposes of clarity in both the income statement and the balance sheet, and are explained in the notes to the financial statements.

## **2. Seasonal influences**

Being a manufacturer of biogas plants, EnviTec Biogas AG is exposed to weather-related, seasonal influences. Depending on the duration and intensity of cold spells, construction activities may be continued only with restrictions, or not at all. In the first quarter of 2010, weather influences had a greater impact than in the first quarter of 2009.

## **3. Accounting and valuation principles**

In preparing these interim consolidated financial statements and calculating the previous year's comparable figures, the company consistently applied the same accounting and valuation principles as in the 2009 consolidated financial statements. A detailed description of these methods was published in the notes to the consoli-

dated financial statements in the 2009 annual report. They can also be downloaded from the internet at [www.envitec-biogas.de](http://www.envitec-biogas.de).

The EnviTec Group is required to apply for the first time from the 2010 financial year the following new standards, amendments and interpretations that were adopted by the EU:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based payments between Group companies
- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

None of the new accounting regulations has a significant impact on the net assets, financing position and results of operations, nor on the earnings per share of the current accounting period.

#### **4. Scope of consolidation and consolidation methods**

The consolidated financial statements contain those companies in which EnviTec Biogas AG directly or indirectly holds the majority of the voting rights (subsidiaries), insofar as their influence on the Group's net assets, financial position, and results of operations is not of subordinate significance. Inclusion commences at the time when the possibility of control arises, and ends when the possibility of control ceases.

Including EnviTec Biogas AG, the consolidated financial statements as of December 31 2009 comprise 110 companies, of which 74 were fully consolidated. Changes to the consolidation scope in the 2009 financial year were presented in detail in the notes to the consolidated financial statements in the 2009 annual report.

Seventeen newly established domestic companies as well as ten newly established foreign companies were added to the consolidation scope. Twentytwo companies measured at equity were also added to the Group.

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One company valued at equity was removed from the consolidation scope. This relates to the 26 % stake in AC Biogasanlagen Fünfzehn Management GmbH, Münster. A disposal gain of kEUR 457 was generated on the sale. Due to the planned disposal, the stake had already been reclassified out of investments measured at equity and into the assets held for sale item as of December 31, 2009.

In addition, in two at equity companies the shares has been increased to over 50%, so that these companies are fully consolidated from now. The impact on group sales and net income are significant and therefore not further explained.

**Changes to the consolidation scope between December 31, 2009 and September 30, 2010 are as follows:**

	Germany	Abroad	Total
<b>EnviTec Biogas AG and consolidated companies</b>			
12/31/09	54	20	74
Additions of subsidiaries	19	10	29
<b>09/30/10</b>	<b>73</b>	<b>30</b>	<b>103</b>
<b>Companies measured at equity</b>			
12/31/09	29	7	36
Additions of at-equity measured companies	22	0	22
Disposals of at-equity measured companies	3	0	3
<b>09/30/10</b>	<b>48</b>	<b>7</b>	<b>55</b>

## 5. Segment reporting

Segment reporting for the period from January 1 to September 30 (in kEUR)

Revenue	Plant Construction		Service		Own Plant Operation		Reconciliation		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	78,017	60,497	6,951	5,202	15,359	11,596	0	0	100,327	77,295
Internal revenue	2,195	1,654	1,686	1,053	2,110	1,802	-5,991	-4,509	0	0
Operating earnings	-4,862	-5,121	230	-533	3,669	1,688	0	0	-963	-3,966
Segment assets	201,706	162,788	6,374	3,543	91,834	50,155	-60,318	4,833	231,269	221,319

Reconciliations	2010	2009
EBIT		
Segment earnings (EBIT)	-963	-3,966
Adjustment of unallocated expenses and income	1,227	2,786
Consolidated pretax profit	264	-1,180

EnviTec Biogas AG is required by IFRS 8 to include segment reporting in the notes to the consolidated financial statements. IFRS 8 requires business segments to be demarcated on the basis of the internal reporting of divisions that the company's key decision-maker regularly reviews in order to reach decisions concerning the distribution of resources to this division, and to measure its profitability.

Due to the product-oriented management of the EnviTec Group's business, the company continued to identify the individual segments of Plant Construction, Own Plant Operation and Service as relevant segments that are also used for internal reporting purposes. Plant Construction includes the general planning, approval planning and construction of biogas plants, while the Service segment comprises the technical and biological maintenance of biogas plants. The Own Plant Operation segment covers the biogas plants operated by the company.

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## 6, Notes on selected items of the consolidated balance sheet and consolidated income statement

### 6.1. Tangible assets

Tangible assets increased by kEUR 9,308 primarily because of purchases made by the own plant operation segment.

Property, plant and equipment	09/30/2010	12/31/2009
Land, similar rights and buildings including buildings on third-party land	15,405,314	13,867,097
Technical plant and machinery	26,594,875	28,413,407
Other plant, operating and office equipment	7,546,400	6,699,550
Prepayments and plant under construction	9,061,322	319,787
	<b>58,607,911</b>	<b>49,299,842</b>

### 6.2. Construction contracts

Construction contracts are as follows as of September 30, 2010:

Gross amount due from customers for biogas plant contract work in progress	09/30/2010	09/30/2009
Contract revenue recognized during the quarter	37,302,512	28,799,962
Accumulated costs incurred	93,397,509	79,202,336
Accumulated profits recognized	13,819,079	14,482,314
Accumulated advance payments received including progress billings	-67,981,009	-53,298,501
<b>Receivables from long-term construction contracts</b>	<b>39,235,579</b>	<b>40,386,149</b>

Gross amount due to customers for biogas plant contract work in progress	09/30/2010	09/30/2009
Contract revenue recognised during the quarter	2,088,615	776,754
Accumulated costs incurred	13,005,385	11,371,803
Accumulated profits recognized	-1,584,764	-653,879
Accumulated advance payments received including progress billings	-15,308,525	-12,896,358
<b>Liabilities from long-term construction contracts</b>	<b>-3,887,904</b>	<b>-2,178,434</b>

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### 6.3. Financial liabilities

Financial liabilities are composed as follows:

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Financial liabilities	09/30/2010		12/31/2009	
	Total	of which current	Total	of which current
Bank borrowings	26,153,602	3,142,654	24,520,628	2,478,954
Liabilities to minority shareholders	4,438,879	187,571	1,924,394	154,898
Other financial liabilities	1,372,765	1,001,681	543,054	318,053
	<b>31,965,246</b>	<b>4,331,906</b>	<b>26,988,076</b>	<b>2,951,905</b>

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### 6.4. Earnings per share

Undiluted earnings per share are calculated by dividing the consolidated net income by the weighted average number of shares in circulation during the financial year. The calculation is based on the income statement, and takes the share repurchase program into consideration.

There were no circumstances during the reporting period that could have resulted in divergent diluted earnings per share.

## **7. Other remarks**

### **7.1. Events of particular significance during the reporting period and subsequent events**

In May 2010, EnviTec Biogas AG together with BKN biostrom AG, Vechta, founded the joint venture ETBKN GmbH & Co. KG, which they intend to use to invest in biogas plants.

### **7.2. Contingent liabilities and other financial obligations**

#### *Contingent liabilities*

As of the reporting date, the Group had issued a guarantee to the Bremer Landesbank for a total of kEUR 1,000 for obligations of five fully consolidated subsidiaries and one at-equity measured subsidiary (previous year: kEUR 0). The company does not anticipate that the guarantee will be utilised.

#### *Other financial obligations*

As of the balance sheet, the company has other financial liabilities from purchase commitments in an amount of kEUR 10,231 (previous year: kEUR 6,911). They are due within one year.

### **7.3. Dividend payment**

No dividend was paid during the reporting period.

### **7.4. Related party disclosures**

#### *Individuals in key positions*

Please refer to the section "Corporate officers".

### *Subsidiaries, joint ventures and associated companies*

Please refer to the sections concerning consolidation scope, consolidation methods and share-holdings.

IAS 24 defines related parties as individuals or parties that are able to exercise influence over EnviTec Biogas AG or may be influenced by EnviTec Biogas AG.

As part of its operating business, EnviTec Biogas AG sources materials, inventories and services from numerous business partners. These also include companies that are related to controlling bodies or shareholders of the company. Transactions with these companies occur on normal market terms, EnviTec Biogas AG was not involved in any material transactions whose conditions were unusual for the company itself or its related parties, and does not intend to enter into such transactions in the future.

Related parties include individuals and companies listed in the following table. There were no significant business relations with further related parties during the reporting period.

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Transactions with related parties	01/01 – 09/30/2010			01/01 – 09/30/2009		
	Transaction Amount	Receivable Amount	Liability Amount	Transaction Amount	Receivable Amount	Liability Amount
<b>Shareholders</b>						
Ruhe Verwaltungs GmbH	0	0	0	0	0	0
von Lehmden Beteiligungs GmbH	-3,016	0	0	-2,232	0	0
<b>Associated companies</b>						
Biogas Neu Sterley GmbH & Co. KG	80,669	69,441	0	33,410	259,360	0
Biogas Güntner GmbH & Co. KG	141,231	342,857	0	41,228	784,861	0
Biogas Löschenrod GmbH & Co. KG	37,792	328,537	0	49,440	283,257	0
<b>Related parties</b>						
Schulz Systemtechnik GmbH	-6,101,907	1,152	1,651,999	-1,891,443	2,104	77,494
Agrico Handelsgesellschaft mbH	94,769	4,149,238	0	-9,519	88,800	0
BGF GmbH & Co. KG	23,652	5,606	0	4,017	1,317	0
LVL GmbH	-57,238	0	25,956	-36,640	761	5,521
MVL Verwaltungs GmbH	-55,902	0	6,450	-66,614	0	17,969

The business transactions with amounts preceded by minus signs relate to EnviTec Group expenses, and business transactions with amounts preceded by plus signs relate to EnviTec Group income.

Business transactions with management members relate to the invoicing of travel costs, and the disposal of operating and office equipment. Related parties transactions relate mainly to interest income, and income from the disposal of biogas plants and machines.

Income from business relations with related parties primarily results from goods purchases and services.

## 7.5. Corporate officers

### *Executive Board*

The Executive Board was composed of the following members during the reporting period:

Olaf von Lehmden, Lohne  
Chairman of the Board (CEO)

Kunibert Ruhe, Bakum  
Technical Director (CTO)  
until June 30th, 2010

Jörg Fischer, Bremen  
Finance Director (CFO)

Roel Slotman, Enter/Niederlande  
International Sales Director (CCO)

Jürgen Tenbrink, Steinfurt  
Technical Director (CTO)  
since July 1st, 2010

The Executive Board members held no further mandates.

### *Supervisory Board*

The following members were appointed to the Supervisory Board during the reporting period:

Bernard Ellmann (Chairman)

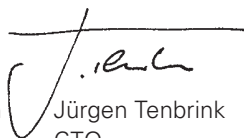
Hans-Joachim Jung (Vice Chairman)

Michael Böging

Lohne, November 17th, 2010



Olaf von Lehmden  
CEO



Jürgen Tenbrink  
CTO



Jörg Fischer  
CFO



Roel Slotman  
CCO

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# Calendar

**November 22nd, 2010** Interim Report 3rd Quarter 2010

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Both versions can be found on our website.

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