

ENERGY

WITH BIOGAS. TODAY. TOMORROW.

THE SCHMACK GROUP AT A GLANCE

	2008 kEUR	2007 kEUR
	03/31	03/31
EARNINGS POSITION		
Sales	14,271	31,045
Sales growth	-54.0 %	371.7 %
EBIT	-8,832	-2,304
Net income (result imputable to equity holders)	-6,509	-1,443
EBIT margin	-61.9 %	-7.4 %
Earnings per share (in EUR)	-1.18	-0.28
	03/31	12/31
ASSET AND CAPITAL STRUCTURE		
Non-current assets	55,465	53,702
Current assets	59,233	74,113
Equity	57,839	64,508
Equity ratio	50.4 %	50.5 %
Non-current liabilities	27,548	28,168
Current liabilities	29,311	35,139
Total assets	114,698	127,815
	03/31	03/31
CASH FLOW / INVESTMENTS		
Cash flow from operating activities	-6,074	-17,344
Cash flow from investing activities	-275	-4,501
Free cash flow	-6,349	-21,845
Cash flow from financial activities	-76	27,411
Cash balance	13,910	24,202
	03/31	12/31
EMPLOYEES AT BALANCE SHEET DATE	533	522

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INTERIM CONSOLIDATED MANAGEMENT REPORT

SCHMACK BIOGAS AG, SCHWANDORF

1. BUSINESS DEVELOPMENT

Economic development

The economic situation in Germany remained positive in the first three months of 2008 despite of the appreciation of the euro, the increase in oil and food prices and the US financial market crisis. While these negative external factors have led to a slowdown in economic growth, the leading economic research institutes consider a recession to be unlikely. This is also confirmed by labour market data; by March 2008, the unemployment rate had dropped sharply to 7.8 %, down 1.5 percentage points on the previous year. The ifo-Institut expects this figure to continue to decline in 2008 and the coming years. However, the high inflation rate is casting a shadow over the positive economic situation in Germany. The ifo-Institut has published an inflation rate of approx. 3 % for the first three months of 2008. The institute expects economic momentum to slow down sharply in the further course of the year, especially in the export sector. According to ifo projections, the gross domestic product (GDP) will increase by approx. 1.8 % in 2008.

The market for renewable energy and biogas

The situation on the demand side hardly changed for the companies of the Schmack Group in the first three months of the current fiscal year. Demand from the agricultural sector remains very weak, while energy companies in particular are still showing strong interest in the products and services of Schmack Biogas.

Insecurities about the future price development persist on the commodity side. The development of the grain harvest and the respective demand can be estimated more precisely only in the summer.

In March 2008, the Federal Cabinet officially adopted the amendments to the Gas Grid Access Regulations (GasNZV), which had been already passed by the Bundesrat, Germany's upper parliament, in mid-February. Under the new regulations, energy utilities are obliged to accept and transport biogas through the existing grid. Moreover, biogas producers such as Schmack Biogas are freed from a significant portion of the feed-in costs. Schmack Biogas also expects the amendment of the Renewable Energies Act (EEG) in the course of the year to improve the general conditions for biogas producers, especially through an increase in the basic remuneration and the „Nawaro bonus“. The final legislative decisions are expected to be made in the second half of the year; more concrete projections will be possible only in mid-2008.

Development of energy prices

Crude oil prices increased steadily in the first three months and reached a record high to date of USD 115 per barrel in April. At the end of the first quarter of 2007, the oil price stood at USD 68. The price currently fluctuates around the USD 110 mark, with the Deutsches Institut für Wirtschaftsforschung projecting an upward trend towards USD 120 per barrel.

Business performance of Schmack Biogas

In the first three months of 2008, the Schmack Biogas Group generated sales of EUR 14.3 million, which represents a 54.0 % decline from the previous year's EUR 31.0 million. This trend had already been expected and is primarily attributable to the wait-and-see attitude taken by farmers and investors in anticipation of the upcoming amendment of the German Renewable Energies Act (EEG) and due to the current commodity situation.

Schmack Biogas completed five plants in the first quarter of 2008. This means that the company installed a total rated capacity of approx. 75 MW between its foundation and the reporting date. In April 2008, the 10 MW biogas plant in Schwandorf, which was built in cooperation with E.ON Bioerdgas GmbH and E.ON Bayern AG, was officially taken into service. The plant is scheduled to produce approx. 16 million cubic metres of biogas per year. This generated energy is sufficient to supply approx. 5,000 households.

As of March 31, 2008, the Plant Management and Operation division of Schmack Biogas provided microbiological services to 73 plants, technical services to 22 plants, microbiological and technical services to 49 plants and assumed full operational responsibility for 26 plants. The company's Own Operations division currently operates seven plants and markets their biogas or the electric energy and heat produced from it.

From January to March 2008, Schmack Biogas received incoming orders worth EUR 19.2 million, compared to EUR 46.1 million in the first three months of the previous year. This reflects the current caution of the customer groups of farmers and investors as a result of the increased commodity prices and the pending amendment of the Renewable Energies Act (EEG). As of March 31, 2008, the company's orders on hand totalled EUR 116.9 million (orders on hand on March 31, 2007: EUR 123.5 million).

In February 2008, a financial investor exercised a put option, which increased Schmack Biogas AG's investment in Stelzenberger Biogas GmbH, Kirchweidach, by 0.66 % to 79.96 %. The purchase price amounted to kEUR 200.

2. THE SHARE

Share price performance

The Schmack Biogas AG share started the year at a price of EUR 27.90 (Xetra). In the course of the first quarter, the price dropped sharply and finally stood at EUR 16.22 on March 31, 2008, which represents a decline by 41.9 %. During the same period of time, the DAX 30 lost 18.8 %. The TecDAX technology index and the Renewable Energies Index also fell by March 31, 2008, losing 20.4 % and 31.9 %, respectively.

Market capitalisation

At the end of March 2008, Schmack Biogas AG had a market capitalisation of EUR 89.6 million. According to the definition of Deutsche Börse AG, 94.2 % of the 5,523,514 shares are freely floated. Accordingly, the free float represented a market capitalisation of EUR 84.4 million.

Shareholder structure and free float

On April 1, 2008, Schmack Biogas AG issued 453,350 registered shares in the context of an ex-rights cash capital increase from authorised capital. Upon the entry of the capital increase in the Commercial Register, which was made on April 24, 2008, the company's share capital increased by EUR 453,350 from EUR 5,523,514 to EUR 5,976,864. As a result, the free float, as defined by Deutsche Börse AG, fell to 87.1 %. While Emerald Technology Ventures AG, Zurich, own a fixed share of 7.6 % of the outstanding shares, Ulrich Schmack's shareholding declined to 5.3 % of the total number of shares.

Liquidity

In the first quarter of 2008, Schmack shares in a total amount of approx. EUR 62 million were traded on all German stock exchanges. Accounting for 82 % of the total trading volume, Xetra, the electronic trading platform, remained the most important stock market for the shares of Schmack Biogas AG. During the first three months of 2008, a total of 2.7 million shares were traded here. This represents an average daily trading volume of 43,893 shares on Xetra, compared with 35,171 shares traded in the first quarter of 2007.

3. NET WORTH, FINANCIAL AND EARNINGS POSITION

Earnings position

Schmack Biogas had already anticipated a very difficult first half-year at an early stage. Moreover, the first three months are traditionally the weakest quarter of a year. Consequently, Group sales in the first quarter of 2008 amounted to only EUR 14.3 million, compared to EUR 31.0 million in the same period of the prior year.

The individual subtotals of the results shown in the income statement of the Schmack Biogas Group also remained below the previous year's levels due to the lower sales and the still comparatively lower profit contributions currently supported by large plants. As a result, the gross operating result amounted to EUR -3.7 million, compared to EUR 1.8 million in 2007. Accordingly, the gross profit margin dropped from the previous year's 5.9 % to -26.1 %.

Earnings before interest and taxes (EBIT) declined from EUR -2.3 million to EUR -8.8 million, primarily because of the much lower gross operating result. Consolidated earnings after taxes before minority interests amounted to EUR -6.7 million for the first three months of 2008, compared to EUR -1.6 million in Q1 2007.

In response to the recent earnings performance, the wait-and-see attitude adopted by customers in view of the upcoming statutory amendments and due to the difficult commodity situation, the Management Board decided, in February 2008, to initiate cost-cutting measures in addition to the product and process standardisation. This is expected to result in significant savings with regard to both procurement costs and the total block of fixed costs. To reduce its fixed costs, the company aims to cut its operating expenses and to reduce its headcount. Initial concrete steps to this end were already implemented in early April 2008. The measures taken will result in significant cost savings from the third quarter of 2008.

Net worth and financial position

Total assets of the Schmack Biogas Group declined from EUR 127.8 million on December 31, 2007 to EUR 114.7 million on March 31, 2008.

Non-current assets rose from EUR 53.7 million to EUR 55.5 million, primarily due to an increase in deferred taxes from EUR 2.6 million to EUR 4.8 million.

By contrast, current assets declined considerably in the three-month period. On the one hand, trade receivables could be reduced by EUR 4.8 million and on the other hand, receivables from long-term construction contracts decreased by EUR 3.0 million due to the decline in sales. In addition, the negative operating cash flow in an amount of EUR -6.1 million led in particular to a drop in liquid funds from EUR 20.3 million to EUR 13.9 million.

Despite the decline in current assets from EUR 74.1 million as of December 31, 2007 to EUR 59.2 million as of March 31, 2008, current assets still exceeded current and non-current liabilities in a total amount of EUR 56.9 million (December 31, 2007: EUR 63.3 million) by EUR 2.3 million (December 31, 2007: EUR 10.8 million) as of the reporting date.

In the first three months of 2008, the Schmack Biogas Group's equity capital decreased from EUR 64.5 million to EUR 57.8 million. This is primarily attributable to the change in the balance sheet result, which amounted to EUR -11.4 million (December 31, 2007: EUR -4.9 million) due to the clearly negative net result for the period after minority interests in an amount of EUR -6.5 million on the balance sheet date. At 50.4 %, the equity ratio remained almost unchanged from year-end 2007 due to the decline in total assets as of March 31, 2008.

On the debt capital side, Schmack Biogas reduced total current and non-current liabilities to EUR 56.9 million as of March 31, 2008 (December 31, 2007: EUR 63.3 million). In particular, trade payables declined by EUR 4.6 million to EUR 7.2 million. In addition, mainly other short-term financial liabilities in an amount of EUR 2.5 million were repaid.

The 2.0 ratio between current assets in an amount of EUR 59.2 million and current liabilities in an amount of EUR 29.3 million (so-called working capital ratio) shows that the Group can meet its payment obligations at all times. As of the reporting date, Schmack Biogas' cash and cash equivalents amounted to EUR 13.9 million (December 31, 2007: EUR 20.3 million).

Despite the much lower result after taxes before minority interests, the operating cash flow improved from EUR -17.3 million in the previous year to EUR -6.1 million. This is primarily attributable to the EUR 4.8 million decline in trade receivables and the EUR 3.0 million reduction in receivables from long-term construction contracts. At the same time, inventories and advances received declined by EUR 1.0 million and EUR 2.0 million, respectively. Moreover, at EUR 1.0 million, provisions in the first quarter increased to a much lesser extent than in the previous year (EUR 2.6 million). The cost-cutting measures initiated in the first quarter of 2008 will have a positive effect on the operating cash flows only in the coming quarters.

As budgeted, capital expenditures in the first three months of 2008, at EUR 0.3 million, remained clearly below the capex volume reported in the prior year's period when Schmack Biogas AG invested EUR 4.5 million. Spending on property, plant and equipment amounted to EUR 0.2 million in the first three months of the year, compared to EUR 2.4 million in the first quarter of the prior year. Expenditure on intangible assets declined from EUR 2.1 million in the previous year's period to EUR 0.1 million in the reporting period. The company feels that the acquisitions and investments made in the past have put it in a good position to benefit from the expected clear upward trend in the biogas sector from 2009 at the latest. At present, the company primarily focuses on improving its cost and earnings position in the medium to long term.

The cash flow from financing activities amounted to EUR -0.1 million in the first three months of 2008 (Q1 2007: EUR 27.4 million). This great difference is primarily attributable to the cash capital increase in February 2007, which was not matched by a similar inflow of funds in the first quarter of 2008.

Schmack Biogas AG completed a cash capital increase in April 2008, resulting in proceeds of approx. EUR 7.1 million.

4. RISK REPORT

The detailed risk report of the Schmack Biogas Group was presented in the Annual Report 2007. The report lists and details the typical risks to which the Group is exposed. There have been no material changes in the assessment compared to the risk situation detailed in the Annual Report 2007. The first quarter confirmed, in particular, the risk assessment regarding the market's wait-and-see attitude in anticipation of the amendment of the Renewable Energies Act (EEG) as well as the situation in the commodities markets. The Annual Report is available for downloading at www.schmack-biogas.com.

5. FORECAST REPORT

Outlook on the market and the company in 2008/2009

Schmack Biogas AG projects a weak earnings performance for the financial year 2008. The Management Board projects a clearly positive sales and earnings trend and a commensurate improvement in key figures for 2009.

The main influential factors are the internal measures taken with regard to the product and process standardisation, savings in fixed costs and acquisition costs as well as the increased integration of the subsidiaries, which will be completed by the end of the year. Externally, the Gas Grid Access Regulations adopted in March of the current year will give the biogas industry a strong boost from the third quarter of 2008. The same may happen as a result of the amendment of the Renewable Energies Act (EEG), but this will be decided only in the second half of 2008. In addition, the price trend of grain and other related commodities will have an impact on the development of the company. In response to the rising prices, Schmack Biogas adopted a catch crop strategy already in mid-2007. This strategy is designed to reduce the company's exposure to global agricultural prices. Even so, the two external factors – the future shape of the Renewable Energies Act (EEG) and the development of commodities prices – continue to influence Schmack Biogas AG's corporate planning to a significant degree and have a bearing on the value of its subsidiaries.

In spite of the difficult current situation, the Management Board continues to view the medium and long-term outlook for the biogas industry and the company as positive. This is attributable to general conditions such as the societal objectives of climate protection, the public debate about energy supply security, the world's growing energy and gas requirements as well as the risk of natural gas import prices rising on a sustained basis. Thanks to its high space efficiency and the stable, weather-independent performance, biogas will be an attractive and successful element in the energy mix in the long term.

Note:

For information on important events after the balance sheet date and information on transactions with related parties in the reporting period, please refer to the notes to the interim consolidated financial statements

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SCHMACK BIOGAS AG, SCHWANDORF

CONSOLIDATED INCOME STATEMENT (IFRS)

	01/01/2008- 03/31/2008 kEUR	01/01/2007- 03/31/2007 kEUR
Sales	14,271	31,045
Cost of sales	-18,001	-29,209
Gross profit	-3,730	1,836
Distribution expenses	-1,720	-1,581
General administrative expenses	-2,618	-2,321
Research and development expenses	-447	-404
Other operating income	644	181
Other operating expenses	-752	-46
Operating income	-8,623	-2,335
Income from financial assets carried at equity	-209	31
EBIT	-8,832	-2,304
Interest income	129	163
Interest expense	-539	-348
Pre-tax income	-9,242	-2,489
Income tax expense	2,551	905
Net income	-6,691	-1,584
Income imputable to minority interests	182	141
Result imputable to equity holders	-6,509	-1,443
Profit/loss carried forward	-4,925	1,666
Balance sheet profit/loss	-11,434	223
Earnings per share in EUR		
Earnings per share basic (EUR)	-1.18	-0.28
Earnings per share diluted (EUR)	-1.18	-0.28
Weighted average shares outstanding		
Basic	5,523,514	5,175,560
Diluted	5,523,514	5,175,560

CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS	03/31/2008 kEUR	12/31/2007 kEUR
NON-CURRENT ASSETS		
Intangible assets	26,115	26,298
Property, plant and equipment	20,942	21,112
At-equity investments	2,276	2,495
Other financial assets	1,352	1,216
Deferred taxes	4,780	2,581
	55,465	53,702
CURRENT ASSETS		
Inventories	9,863	10,842
Trade receivables	9,283	14,124
Receivables from long-term construction contracts	22,533	25,508
Other short-term financial assets	3,243	2,989
Tax receivables	401	315
Cash and cash equivalents	13,910	20,335
	59,233	74,113
TOTAL ASSETS	114,698	127,815

EQUITY & LIABILITIES	03/31/2008 kEUR	12/31/2007 kEUR
EQUITY		
Subscribed capital	5,524	5,524
Capital reserves	60,930	60,943
Currency translation reserves	-95	-43
Revaluation reserve	10	10
Cash flow hedge reserve	-90	-41
Other retained earnings	118	118
Balance sheet profit/loss	-11,434	-4,925
Minority interests	2,876	2,922
	57,839	64,508
NON-CURRENT LIABILITIES		
Long-term debt	22,268	22,715
Other long-term financial liabilities	2,279	1,979
Long-term provisions	2,869	2,963
Deferred taxes	132	511
	27,548	28,168
CURRENT LIABILITIES		
Trade payables	7,222	11,779
Short-term debt	6,704	6,633
Other short-term financial liabilities	5,928	8,406
Advances received	4,103	2,088
Short-term provisions	5,075	5,934
Tax liabilities	279	299
	29,311	35,139
TOTAL EQUITY AND LIABILITIES	114,698	127,815

CHANGE IN GROUP EQUITY (IFRS)

	Common shares outstanding	Subscribed capital	Capital reserves	Currency translation reserves
		kEUR	kEUR	kEUR
BALANCE 01/01/2007	4,939,559	4,940	32,613	-14
Net profit/loss for the period	0	0	0	0
Adjustments taken to equity:				
Difference from currency translation	0	0	0	-3
Net profit/loss for the period factoring in adjustments taken to equity	4,939,559	4,940	32,613	-17
Change in basis of consolidation	0	0	0	0
Expenses of raising equity capital	0	0	-604	0
Stock options (MSP)	0	0	63	0
Capital increase	493,955	494	26,674	0
BALANCE 03/31/2007	5,433,514	5,434	58,746	-17
	Common shares outstanding	Subscribed capital	Capital reserves	Currency translation reserves
		kEUR	kEUR	kEUR
BALANCE 01/01/2008	5,523,514	5,524	60,943	-43
Net profit/loss for the period	0	0	0	0
Adjustments taken to equity:				
Cash flow hedge	0	0	0	0
Deferred tax on cash flow hedge	0	0	0	0
Difference from currency translation	0	0	0	-52
Net profit/loss for the period factoring in adjustments taken to equity	5,523,514	5,524	60,943	-95
Change in basis of consolidation	0	0	0	0
Stock Options (MSP)	0	0	-13	0
BALANCE 03/31/2008	5,523,514	5,524	60,930	-95

Revaluation reserve	Cash flow hedge reserve	Other retained earnings	Balance sheet profit/loss	Minority interests	Total
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	0	118	1,666	1,584	40,907
0	0	0	-1,443	-141	-1,584
0	0	0	0	0	-3
0	0	118	223	1,443	39,320
0	0	0	0	17	17
0	0	0	0	0	-604
0	0	0	0	0	63
0	0	0	0	0	27,168
0	0	118	223	1,460	65,964
Revaluation reserve	Cash flow hedge reserve	Other retained earnings	Balance sheet profit/loss	Minority interests	Total
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
10	-41	118	-4,925	2,922	64,508
0	0	0	-6,509	-182	-6,691
0	-68	0	0	0	-68
0	19	0	0	0	19
0	0	0	0	0	-52
10	-90	118	-11,434	2,740	57,716
0	0	0	0	136	136
0	0	0	0	0	-13
10	-90	118	-11,434	2,876	57,839

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

	01/01/2008- 03/31/2008 kEUR	01/01/2007- 03/31/2007 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
1. After-tax result before minority interests	-6,691	-1,584
2. +/- Income tax expense	-2,551	-905
3. + Interest expense	539	348
4. - Interest income	-129	-163
ADJUSTMENTS TO NON-CASH EXPENSES AND INCOME		
5. +/- Stock option plan income/expenses	-13	63
6. +/- Write-downs/-ups on property, plant & equipment	389	293
7. +/- Write-down/-ups on intangible assets	248	96
8. +/- Gains/losses on at-equity holdings	209	-31
9. +/- Gains/losses on the sale of property, plant and equipment	-39	0
10. +/- Other non-cash income/expenses	-61	0
CHANGE IN NET CURRENT ASSETS (WORKING CAPITAL)		
11. +/- Increase/decrease in inventories	979	-1,295
12. +/- Increase/decrease in trade receivables	4,841	2,204
13. +/- Increase/decrease in receivables from long-term construction contracts (asset balance)	2,975	-9,305
14. +/- Increase/decrease in other short-term financial assets	-211	-2,116
15. +/- Increase/decrease in tax receivables	-86	-58
16. +/- Increase/decrease in trade payables	-4,557	-2,809
17. +/- Increase/decrease in other short-term financial liabilities	-2,791	-270
18. +/- Increase/decrease in advances received	2,015	862
19. +/- Increase/decrease in provisions	-953	-2,640
20. +/- Increase/decrease in tax liabilities	-32	13
21. = CASH GENERATED FROM OPERATING ACTIVITIES	-5,919	-17,297
22. - Income tax remitted	-15	-40
23. - Interest paid	-226	-127
24. + Interest received	86	120
25. = CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES	-6,074	-17,344
CASH FLOW FROM INVESTING ACTIVITIES		
26. - Payments for investments in non-current intangible assets	-65	-2,103
27. + Proceeds from disposals of property, plant and equipment	43	0
28. - Payments for investments in property, plant and equipment	-223	-2,426
29. + Proceeds from disposals of financial assets	0	11
30. - Payments for investment in financial assets	-30	0
31. + Proceeds from the acquisition of consolidated companies and business units	0	17
32. = CASH INFLOW/OUTFLOW FROM INVESTING ACTIVITIES	-275	-4,501
CASH FLOW FROM FINANCING ACTIVITIES		
33. + Proceeds from equity financing	0	27,168
34. - Payments for equity financing	0	-604
35. - Payments for finance leasing	-52	-11
36. - Payments for the redemption of long-term financial liabilities	-147	-7
37. + Proceeds from the incurrence of short-term financial liabilities	123	865
38. = CASH INFLOW/OUTFLOW FROM FINANCING ACTIVITIES	-76	27,411
39. = CHANGE IN CASH AND CASH EQUIVALENTS (TOTAL FROM LINES 25, 32, 38)	-6,425	5,566
40. + Cash balance on 01/01	20,335	18,636
41. = Cash balance on 03/31	13,910	24,202

CONSOLIDATED SEGMENT REPORTING

The company's operations are divided into the business divisions Planning and Construction, Plant Management and Operation, and the sale of electricity, heat and biogas from own biogas plants (Own Operations). Since the Planning and Construction division's segment revenues, segment earnings and segment assets make up more than 90 % of the total for the year 2008 and in the medium term, segment reporting by business activity will not be provided for reasons of materiality.

As earnings are primarily generated in Germany, no breakdown of segment earnings by region has been provided on the grounds of insufficient materiality.

Sales revenue broke down by region as follows:

	01/01/2008- 03/31/2008	01/01/2007- 03/31/2007
	kEUR	kEUR
Germany	10,787	28,949
Other EU	3,211	1,858
Non-EU	273	238
Total	14,271	31,045

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SCHMACK BIOGAS AG, SCHWANDORF

Company information

Schmack Biogas AG is a listed corporation with headquarters in Schwandorf, Germany. The initial public offering of Schmack Biogas AG shares took place on May 24, 2006. The shares are traded on the regulated market of the Frankfurt Stock Exchange and listed in Deutsche Börse AG's "Prime Standard" segment.

These consolidated interim financial statements were approved for release on May 19, 2008.

1. LEGAL REPORTING BASIS

Schmack Biogas AG together with its group subsidiaries (hereinafter referred to as "Schmack" or "the Company") is a full-service provider of biogas systems. The operations of the Company are divided into the business units "Planning and Construction", "Plant Management and Operation", and the sale of electricity, heat and biogas from "Own Operations".

Schmack Biogas AG is a parent company as defined in section 290 of the German Commercial Code (HGB). Pursuant to section 315a para. 1 of the German Commercial Code (HGB) in connection with Article 4 of Directive No. 1606/2002 issued by the European Parliament and Council dated July 19, 2002, as an issuer of publicly traded equity securities the Company is required to produce consolidated financial statements in accordance with the IFRS accounting rules as adopted by the EU. Accordingly, these interim consolidated financial statements for the period ended March 31, 2008 were produced in conformance with IAS 34 "Interim Financial Reporting". All standards effective and mandatory as of March 31, 2008 have been applied. No modifications of the accounting policies and measurement methods were necessary.

The interim consolidated financial statements are prepared in euro. All amounts reported in the consolidated financial statements are quoted in thousand euros (kEUR) unless specified otherwise.

2. RECOGNITION AND MEASUREMENT PRINCIPLES

In principle, the same accounting and measurement methods were applied in producing the consolidated interim financial statements dated March 31, 2008 as were used to determine the relevant figures for the prior-year period and in the annual financial statements dated December 31, 2007. Consistent, uniform accounting and measurement principles are applied in the production of the separate financial statements for Schmack Biogas AG and its domestic and international Group subsidiaries. The balance sheet is organised by maturity in line with IAS 1 "Presentation of Financial Statements", and the income statement was produced using the cost of sales method.

Principles of consolidation

In addition to the parent company Schmack Biogas AG, the interim consolidated financial statements include all subsidiaries in which the company directly or indirectly holds a majority of voting rights, to the extent such have a material influence on Group assets, finances and earnings.

Capital consolidation is performed using the purchase method in which equity holdings acquired are charged against the revalued pro rata equity carried by the parent company. Assets and liabilities of acquired subsidiaries are carried at their respective fair values. Any positive difference in amount is recognised as an asset and subject to annual impairment testing; negative differences in amounts are immediately charged against earnings upon subsequent review.

Receivables, liabilities, provisions, material intercompany profits and losses, income and expenses between consolidated companies are eliminated in consolidation.

Interests in joint ventures may either be consolidated using proportionate consolidation on the consolidated financial statements or applying the equity method. As proportionate consolidation is employed uniformly for the consolidated financial statements, assets, liabilities, expenses and income of the joint ventures are included in the consolidated financial statements in the applicable percentages. Investment carrying value is charged against percentage of equity held; intercompany transactions and balances are proportionately offset in line with IAS 27 "Consolidated and Separate Financial Statements".

The equity method is applied for measuring investments in associates on the consolidated financial statements. Initial valuation is at cost; thereafter, carrying value reflects any percentage changes in the equity held in the associate firm. Goodwill reflected within the carrying value is not subject to scheduled amortisation. The carrying value of investments is subject to impairment testing in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 36 "Impairment of Assets".

Basis of consolidation and changes in the basis of consolidation

As of March 31, 2008, the basis of consolidation included Schmack Biogas AG as well as the 17 domestic and four international subsidiaries listed on pages 70 and 71 of the 2007 Annual Report.

In February 2008, a financial investor exercised a put option, which increased the investment of Schmack Biogas AG, Schwandorf, in Stelzenberger Biogas GmbH, Kirchweidach, by 0.66 % to 79.96 %. The purchase price amounted to kEUR 200.

No other changes in the basis of consolidation occurred as compared to December 31, 2007.

3. NOTES ON SELECTED ITEMS IN THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED BALANCE SHEET

Sales

Sales revenues of kEUR 14,271 (previous year's period: kEUR 31,045) were generated in the first three months of 2008.

Cost of sales

Cost of sales amounted to kEUR 18,001 (previous year's period: kEUR 29,209). As cost of sales also comprise some fixed costs, cost of sales do not develop proportionally to sales. The measures launched to lower the fixed costs will be reflected in the figures only from the third quarter of 2008.

General administrative expenses

The general administrative expenses in an amount of kEUR 2,618 (previous year's period: kEUR 2,321) include non-recurrent effects in an amount of kEUR 467 in connection with the cost reduction programme decided in February 2008.

Other operating expenses

Other operating expenses amounting to kEUR 752 (previous year's period: kEUR 46) include kEUR 493 in valuation allowances on outstanding receivables relating to prior periods.

Earnings per share

Pursuant to IAS 33, earnings per share are calculated by dividing the result imputable to equity holders by the weighted average of traded common shares. The calculation has been depicted in the consolidated income statement on page 13.

Intangible assets

Intangible assets in an amount of kEUR 26,115 (December 31, 2007: kEUR 26,298) include goodwill of kEUR 22,733 (December 31, 2007: kEUR 22,733) from the first-time consolidation of subsidiaries.

In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, goodwill from acquisitions was not subjected to scheduled amortisation. No indication that goodwill may be impaired was in place on the last day of the reporting period, given that despite the pending amendment of the German EEG Act and the situation in the commodities markets, the biogas market is expected to pick up in the medium and long term. Thus no correction of the goodwill recognised was required.

As of the reporting date, intangible assets also included capitalised development costs in an amount of kEUR 1,839 (December 31, 2007: kEUR 1,898) as well as acquired property rights, concessions and other intangible assets in an amount of kEUR 1,543 (December 31, 2007: kEUR 1,667).

Receivables

Trade receivables were reduced from kEUR 14,124 on December 31, 2007 to kEUR 9,283 on March 31, 2008. At the same time, receivables from long-term construction contracts declined from kEUR 25,508 to kEUR 22,533.

Equity

a) Subscribed capital and capital reserves

As of the balance sheet date, the subscribed capital remained unchanged as compared to December 31, 2007 at kEUR 5,524. The decline in the capital reserve since December 31, 2007 by kEUR 13 to kEUR 60,930 is exclusively attributable to accounting entries in conjunction with the Matching Stock Program of Schmack Biogas AG (see point d) "Equity-based incentives" below).

On April 1, 2008, i.e. after the balance sheet date, Schmack Biogas AG issued 453,350 registered shares in the context of an ex-rights cash capital increase from authorised capital. For more detailed information, refer to point 5. "Important events after the balance sheet date March 31, 2008".

b) Authorised capital

At the Annual General Meeting of Schmack Biogas AG on June 22, 2007, the shareholders resolved to authorise the Management Board to increase the share capital, subject to approval by the Supervisory Board, one or several times up to a maximum of kEUR 2,717 through the issue of new bearer shares against contribution in cash or kind, such authorisation being valid for a period of five years from the entry of the amendment of the statutes in the Commercial Register. Following partial use, the authorised capital of June 22, 2007 amounted to kEUR 2,627 as of March 31, 2008. In consideration of the capital increase effected in April 2008, the authorised capital still amounted to kEUR 2,173.

c) Own shares

The Annual General Meeting dated June 22, 2007 also resolved to authorise the company to acquire own shares with a pro-rata amount of the share capital worth kEUR 543. This authorisation will expire on December 22, 2008.

d) Equity-based incentives

In the interest of promoting long-term manager retention and motivation, Schmack Biogas has implemented a Matching Stock Program (MSP) entitling executives to shares of phantom stock. Detailed information on this programme is provided in the Notes of the Annual Report 2007 under point C. (26) Equity (Equity-based incentives).

The MSP program is classified as "equity-based" in terms of accounting treatment in line with IFRS 2, as benefits are exclusively payable in the form of shares. Stock-based compensation involving actual equity securities are always measurable at the fair value of goods/services received (direct measurement). This fair value cannot be reliably measured, as the income received under the MSP programme represents an additional remuneration for the

purpose of long-term manager retention and motivation. Therefore, the fair value of equity securities on the grant date is applied (indirect measurement via option pricing model).

The key parameters of the Black-Scholes pricing model employed for the 1st tranche are the share closing price on the date of adoption of the resolution implementing the MSP program (September 18, 2006) in the amount of EUR 37.30, a strike price of EUR 34.72, volatility of 30 % determined by means of peer group analysis, a term of 21 months and a risk-free interest rate of 3.6 %. Fair value of options granted in the context of the 1st tranche totals kEUR 317 given an option fair value of EUR 8.16 over the entire 21-month term prior to expiration, thus amounting to kEUR 45 for the first three months of 2008.

The allocation date for the 2nd tranche was May 24, 2007. Each MSP share held in the blocked security deposit entitled the holder to five phantom stocks of the 2nd tranche. The strike price of EUR 73.29 is equivalent to the average non-weighted closing price of the Schmack share on the Xetra trading system of the Frankfurt Stock Exchange during the last 60 trading days prior to the allocation, EUR 65.44, plus 12 %. A volatility of 28.93 % was taken as the basis, the term is 24 months and the risk-free interest rate is 4.5 %. Fair value of options granted in the context of the 2nd tranche totals kEUR 414 given an option fair value of EUR 10.66 over the entire 24-month term prior to expiration, thus amounting to kEUR 52 for the first three months of 2008.

This item is recorded as personnel expenses charged against capital reserves in equal amounts (pro-rata) over the vesting period, in line with IFRS 2.

As a result of employees leaving the company in the first quarter of 2008, 11,285 options per tranche (i.e. a total of 22,570 options) lapsed as compared to the number of options as at December 31, 2007. In the first three months of 2008, this resulted in total income of kEUR 110, of which kEUR 70 referred to the 1st tranche and kEUR 40 to the 2nd tranche. As a result, the number of shares subscribed in the context of the Matching Stock Program is 7,768 for the 1st tranche and the 2nd tranche each. Therefore, a total of 77,680 options (phantom stocks) can be exercised by the participants of the MSP program.

Provisions

Short-term provisions declined by kEUR 859 from kEUR 5,934 as of December 31, 2007 to kEUR 5,075 as of March 31, 2008, while long-term provisions decreased by kEUR 94 from kEUR 2,963 to kEUR 2,869. The decline is primarily attributable to the reduction in provisions for guarantee claims due to lower sales.

Liabilities

The biggest change in the liabilities item was the kEUR 4,557 reduction in trade payables from kEUR 11,779 on December 31, 2007 to kEUR 7,222 on March 31, 2008.

Other short-term financial liabilities declined by kEUR 2,478 from kEUR 8,406 on December 31, 2007 to kEUR 5,928 on March 31, 2008 due to the settlement of turnover tax liabilities.

While short-term debt increased by a moderate kEUR 71 from kEUR 6,633 on December 31, 2007 to kEUR 6,704 on March 31, 2008, long-term debt, which amounted to kEUR 22,715 on December 31, 2007, was reduced as planned by kEUR 447 to kEUR 22,268 on March 31, 2008.

Deferred taxes

As of the reporting date, the balance of deferred tax assets and deferred tax liabilities amounted to kEUR 4,648 in deferred tax assets. The change by kEUR 2,578 as compared to the deferred tax assets of kEUR 2,070 recorded as of December 31, 2007 is attributable to an increase in losses carried forward.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

In February 2008, a financial investor exercised a put option, which increased Schmack Biogas AG's investment in Stelzenberger Biogas GmbH, Kirchweidach, by 0.66 % to 79.96 %. The purchase price amounted to kEUR 200.

In response to the recent earnings performance, the wait-and-see attitude adopted by customers in view of the upcoming statutory amendments and due to the difficult commodity situation, the Management Board decided, in February 2008, to initiate cost-cutting measures in addition to the product and process standardisation. This is expected to result in significant savings with regard to both procurement costs and the total block of fixed costs. To reduce its fixed costs, the company aims to cut its operating expenses and to reduce its headcount. Initial concrete steps to this end have already been implemented.

Chief Sales Officer Dr. Karl Reinhard Kolmsee resigned from the Management Board of Schmack Biogas AG at the end of February 2008.

In March 2008, the Federal Cabinet officially adopted the amendments to the Gas Grid Access Regulations (GasNZV), which had been decided by the Bundesrat, Germany's upper parliament, in mid-February. The new regulations will greatly facilitate the feeding of biogas into the gas grid. In addition, certain costs that had to be borne by the biogas producers in the past are now absorbed by the grid operators. These improved conditions will clearly increase the margins of biogas production when fed into the gas grid.

5. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE MARCH 31, 2008

On April 1, 2008, Schmack Biogas AG issued 453,350 registered shares in the context of an ex-rights cash capital increase from authorised capital. Upon the entry of the capital increase in the Commercial Register, which was made on April 24, 2008, the company's share capital increased by EUR 453,350 from EUR 5,523,514 to EUR 5,976,864. The capital increase was decided on April 1, 2008 with the consent of the Supervisory Board. The issue price was EUR 15.67 per share, which resulted in proceeds of approx. EUR 7.1 million. These funds will primarily be used for the ongoing development of project sites for gas feed-in plants.

Furthermore no other events of special importance have occurred since March 31, 2008.

6. EMPLOYEES

The table below shows the number of employees on the respective reporting dates:

	03/31/2008 Number	12/31/2007 Number
Non-office staff	161	165
Office staff	335	321
Part-time staff	37	36
	533	522
Apprentices and trainees	30	31
Total	563	553

7. TRANSACTIONS WITH RELATED COMPANIES AND PARTIES

Related parties as defined in IAS 24 "Related Party Disclosures" are described in the notes of the Annual Report for the period ended December 31, 2007 under point D. (41) Transactions with related parties.

In the reporting period from January 1, 2008 to March 31, 2008, the company engaged in business dealings primarily with the following related parties:

- Certified Energy BV (laboratory services)
- Schmack Bio-Energy LLC (sale of a biogas plant)
- IMB Verfahrenstechnik GmbH (plant for the processing of fermentation residues)
- Bioerdgas Schwandorf GmbH (sale of a biogas plant, settlement of harvest expenses)
- Biogas Steyerberg GmbH (sale of a biogas plant, plant operation)
- Biogas Schoissenkager GmbH (various consumables and small parts for a biogas plant)
- Schmack Biogas Samswegen KG (service)
- Aufwind Schmack Gruppe (sale of a biogas plant, various services, loans)

As of the reporting date, the total business volume, primarily resulting from the sale of biogas plants, amounted to kEUR 2,749, while the volume from services sourced amounted to kEUR 86.

All transactions were made on terms equivalent to those that prevail in arm's length transactions. Valuation allowances or bad debt losses on receivables were not recorded; no guarantees were granted or received, respectively.

8. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Compared to the contingent liabilities and other financial obligations shown under point D. (37) in the notes of the Annual Report for the period ended December 31, 2007, no material changes occurred that would have to be reported.

9. REVIEW

These interim consolidated financial statements have been reviewed by an audit firm.

Financial Calendar 2008

<i>June 20, 2008</i>	<i>Annual General Meeting 2008</i>
<i>August 27, 2008</i>	<i>Publication of Q2 Report 2008</i>
<i>November 2008</i>	<i>Analysts' Conference</i>
<i>November 26, 2008</i>	<i>Publication of Q3 Report 2008</i>

DISCLAIMER

This interim report includes forward-looking statements based on assumptions and estimates made by the management of Schmack Biogas. In spite of the assumption that the forward-looking statements are realistic, it cannot be guaranteed that these expectations will prove to be accurate.

Service & Contact

This interim report was compiled as of May 19, 2008 and was published in German and English on May 28, 2008.

The interim report as well as further up-to-date information on Schmack Biogas AG are available on the Internet at www.schmack-biogas.com.

Under this address, you may also subscribe to the newsletter from Schmack Biogas AG.

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