Schmack Biogas AG

THE SCHMACK GROUP AT A GLANCE

	2008 kEUR	2007 kEUR
	06/30	**06/30**
EARNINGS POSITION		
Sales	29,810	55,837
Sales growth	-46.6 %	97.4 %
EBIT	-25,807	-10,732
Net income (result imputable to equity holders)	-20,070	-6,660
EBIT margin	-86.6 %	-19.2 %
Earnings per share (in EUR)	-3.49	-1.26
	06/30	**12/31**
ASSET AND CAPITAL STRUCTURE		
Non-current assets	56,521	53,702
Current assets	41,210	74,113
Equity	49,601	64,508
Equity ratio	50.8 %	50.5 %
Non-current liabilities	24,464	28,168
Current liabilities	23,666	35,139
Total assets	97,731	127,815
	06/30	**06/30**
CASH FLOW / INVESTMENTS		
Cash flow from operating activities	-14,279	-24,019
Cash flow from investing activities	-389	-4,829
Free cash flow	-14,668	-28,848
Cash flow from financial activities	2,833	34,743
Cash balance	8,500	24,531
	06/30	**12/31**
EMPLOYEES AT BALANCE SHEET DATE	460	522

CONTENT

LETTER FROM THE MANAGEMENT BOARD

Ladies and gentlemen,

Three months ago the new management team of Schmack Biogas took office. The half-year figures now presented confirm what we announced in the report on the first three months and reiterated at the Annual General Meeting in June – 2008 will be a very difficult year. The main reasons for this are the high prices of agricultural commodities and the long uncertainty about the amendment of the Renewable Energies Act (EEG). Moreover, the result for the first six months includes the reversal of approx. EUR 8.0 million in income from the development of project sites for financial investor Hg Renewable Power Partners which had been recognised in profit and loss in the previous year. Schmack Biogas and Hg Renewable Power Partners have mutually agreed to annul the framework agreement for the sale of biogas projects to Hg. This will allow Schmack Biogas to offer the projects to third parties. A sale to Hg at a later date also remains conceivable. Other non-recurrent effects and expenses of approx. EUR 5.2 million related to restructuring also weighed on the half-year result.

The projects already developed under, and up until now bound to the framework agreement are currently being offered for sale to energy companies and other investors. It is therefore not yet possible to project our key figures for the full year with accuracy. We expect this to be possible in the report on the third quarter. We assume, however, that the negative trend in our operative business will weaken in the second half of the year.

We have formulated a clear objective: profitability – irrespective of the future market situation. To achieve this, we must become better. This means above all that we must provide our services to our customers with the same high professionalism but at greatly reduced internal costs.

Ever since the new 4-strong Management Board took up office in early June, we have taken a very close look at the company's structures and analysed the sales, cost and order situation as well as the market environment. Based on the results, we have developed and initiated a large number of measures that will increase our sales and reduce our costs. These include, in particular, the ongoing integration of our subsidiaries with a view to creating a powerful and effective Group. Whether it's purchasing, project management or sales – we are optimising all our processes to work efficiently, fast and, hence, economically. The long-standing experience of the Management Board members will make it possible to achieve quick progress in these areas.

Notwithstanding our efforts on the cost side, we will continue to increase our technological market lead in the construction of large, complex gas feed-in plants. Energy companies and financial investors not only want state-of-the-art biogas plants; they also rely on the project development expertise of Schmack Biogas. The purchase and the management of feedstock materials are key elements in the development of project sites for our customers. In this context, we focus on the development and implementation of intelligent raw materials strategies to offset the effects of the past – and potential future – price increases.

Both the measures initiated and our project development activities including our raw materials strategies will gradually improve the company's situation and earnings position. This will be reflected in our key figures for 2009.

As Schmack Biogas AG increases its efficiency, the sector environment will also improve in 2009. Following the adoption of the Gas Grid Access Regulations in the spring, which is a positive factor for our company, the amendment of the EEG will give our company an additional boost in the coming months. This should be reflected in our order situation at the end of the year. In early July, we already signed a EUR 60 million framework agreement with Fri-El Biogas Holding S.r.l., the subsidiary of a leading Italian operator of power plants based on renewable energies. This is all the more positive as Fri-El is an industry insider, who can make very precise forecasts of future market trends. We therefore regard the fact that the company has chosen to invest in biogas and to rely on Schmack Biogas as a very good sign for our company and our shareholders.

Ladies and gentlemen,

In the coming months, we will push ahead our efficiency gains and thus lay the basis for the profitable growth of our company as fast as possible. We would be glad if you stay with us all the way.

The Management Board

Werner Rüberg
Chairman

Ulrich Schmack
Vice Chairman

Joachim Schlichtig
Technical Director

Otto R. Eichhorn
Director of Sales

INTERIM CONSOLIDATED MANAGEMENT REPORT

SCHMACK BIOGAS AG, SCHWANDORF

1. BUSINESS DEVELOPMENT

Economic development

The German economy was surprisingly buoyant in the first half of 2008 but will slow down markedly in the second half, according to the Deutsches Institut für Wirtschaftsforschung (DIW). In the second quarter of 2008, the gross domestic product (GDP) was up by 0.2 percentage points on the first quarter, when the quarter-on-quarter growth rate had been as high as 1.5%. However, the positive trend in the first quarter was influenced by a number of special factors. According to the Hamburgisches WeltWirtschaftsInstitut (HWWI), the economy will slow down in the long term, as the adverse factors such as the international financial crisis, the strong euro and the high energy prices will clearly make themselves felt in the long run. The increase in consumer prices, which is attributable, among other things, to the high oil price, means that the rate of inflation will come close to 3%. Provided that the current conditions remain in place, the HWWI expects economic activity to pick up again around the turn of the year and in the course of 2009.

The market for renewable energy and biogas

The situation on the demand side hardly changed in the first half of 2008 for the companies of the Schmack Biogas Group. Demand from farmers remained extremely weak, while energy companies continued to show strong interest. Overall, however, most customers maintained a wait-and-see stance, as uncertainty about the amendment of the Renewable Energies Act (EEG) prevailed for a long time. In view of the proposed increase in the basic remuneration and the NaWaRo bonus, Schmack Biogas projects favourable conditions for the biogas sector. The Gas Grid Access Regulations adopted in March of this year should also have a positive effect. The prices of agricultural commodities remain relatively high, which means that the biogas sector will be challenged to find solutions using catch crops and other input materials.

Development of energy prices

Having risen steadily in the first three months of 2008, the price of crude oil continued to increase in the second quarter. While the price of a barrel of crude oil stood at between USD 101 and USD 133 in April and May, it climbed to a temporary high of USD 140 in June. According to the Hamburgisches WeltWirtschaftsInstitut (HWWI), however, the oil price will decline in the further course of the year. Such a decline could be driven primarily by ongoing political stabilisation in the oil producing countries and by a mild winter in Europe and North America. Experts expect the oil price to average USD 80 per barrel in 2008.

Business performance of Schmack Biogas

In the first six months of the year, the Group generated sales of EUR 29.8 million, compared to EUR 55.8 million in the same period of 2007; of this, an amount of EUR 15.5 million was generated in the second quarter (Q2 2007: EUR 24.8 million). First-half earnings before interest and taxes (EBIT) stood at EUR -25.8 million (H1 2007: EUR -10.7 million). Second-quarter EBIT amounted to EUR -17.0 million (Q2 2007: EUR -8.4 million).

The weak performance is attributable to customers' wait-and-see attitude in view of the long uncertainty about the amendment of the Renewable Energies Act (EEG) and the high prices of agricultural commodities. Moreover, the result for the first six months includes the reversal in income from the development of project sites for financial investor Hg Renewable Power Partners in an amount of approx. EUR 8.0 million, which had been recognised in profit and loss in the previous year. Schmack Biogas and Hg Renewable Power Partners have mutually agreed to annul the existing framework agreement for the sale of biogas projects to Hg. This will allow Schmack Biogas to offer the projects to third parties. A sale to Hg at a later date also remains conceivable. Other non-recurrent effects and expenses of approx. EUR 5.2 million related to the restructuring also weighed on the half-year result. The projects already developed under, and up until now bound to the framework agreement are currently being offered for sale to energy companies and other investors. Some of them have already indicated their concrete interest in several large-scale projects.

In the second quarter of 2008, Schmack Biogas successfully completed the construction of eight biogas plants. As of June 30, 2008, the Plant Management and Operation division of Schmack Biogas provided microbiological services to 59 plants, technical services to 22 plants, microbiological and technical services to 47 plants and assumed full operational responsibility for 26 plants. As of the reporting date, the company's Own Operations division operated eight plants from which the produced biogas or the electric energy and heat are marketed.

In April of this year, the 10 MW biogas plant in Schwandorf, which was built in cooperation with E.ON Bioerdgas GmbH and E.ON Bayern AG and is the largest and most modern biomethane plant in Europe, was taken into service. In mid-July, the plant was officially inaugurated by Bavarian Prime Minister Günther Beckstein. It will generate approx. 16 million cubic metres of biogas per year and supply some 5,000 households with energy.

From April to June 2008, Schmack Biogas received incoming orders worth EUR 11.8 million, compared to EUR 35.3 million in the second quarter of the previous year. This primarily reflects the caution exercised by farmers and investors in view of the high commodity prices. As of the reporting date, the amendment of the Renewable Energies Act (EEG), which was adopted by the German Bundestag only in June 2008, did not make any major contribution to incoming orders. As of June 30, 2008, the company's orders on hand totalled EUR 116.2 million (orders on hand on June 30, 2007: EUR 131.3 million). As in the past, the projects under the framework agreement with Hg Renewable Power Partners are not included in orders on hand.

2. THE SHARE

Share price performance

The Xetra opening price on April 1, 2008 was EUR 15.93. At the end of the reporting period, the price of the Schmack Biogas share closed at EUR 9.75. This is equivalent to a performance of -38.8% in the second quarter of 2008 and of -65.1% for the first six months of the year. The DAX 30 index lost 20.2% in the first half-year. The performance of the TecDax technology index and the Renewable Energies Index was negative as well, with the former losing 21.0% and the latter 26.0%.

Shareholder structure and market capitalisation

On April 1, 2008, Schmack Biogas successfully implemented an ex-rights cash capital increase from authorised capital. Upon the entry of the capital increase in the Commercial Register on April 24, 2008, the company's share capital increased by EUR 453,350 from EUR 5,523,514 to EUR 5,976,864. Since then, Ulrich Schmack has held 5.3% of the shares, while 7.6% of the shares are held by Emerald Technology Ventures AG. As defined by Deutsche Börse AG, this means that 87.1% of the Schmack Biogas shares are freely floated.

As of June 30, 2008, Schmack Biogas AG had a market capitalisation of EUR 58.3 million. The free float thus had a market capitalisation of EUR 50.8 million.

Liquidity

In the second quarter of 2008, Schmack shares in a total amount of approx. EUR 35 million were traded on all German stock exchanges. Accounting for approx. 84% of the total trading volume, Xetra, the electronic trading platform, remained the most important stock market for the shares of Schmack Biogas AG. Between April and June 2008, a total of 2.2 million shares were traded on Xetra. This represents an average daily trading volume of 35,028 shares on Xetra, compared with 43,893 shares traded in the first quarter of 2008.

3. NET WORTH, FINANCIAL AND EARNINGS POSITION

Earnings position

As had been expected, business was extremely weak for Schmack Biogas AG in the first half of 2008. At EUR 29.8 million, Group sales were clearly below the previous year's EUR 55.8 million. The situation was similar in the second quarter, when sales reached EUR 15.5 million, compared to EUR 24.8 million in the same period of 2007.

While sales revenues declined, the company's fixed cost remained high in the second quarter. Due to applicable dismissal protection regulations, job cuts were fully reflected in costs only towards the end of the first half-year. The low sales revenues meant that the ongoing product and process standardisation failed to have a material positive impact on the result. Overall, the earnings performance of the Schmack Biogas Group in the reporting period was highly unsatisfactory. This was due to the three reasons, namely the fact that the large-scale plants still make relatively low profit contributions compared to the smaller agricultural plants, the agreed annulment of the framework agreement with Hg Renewable Power Partners, as well as other non-recurrent effects and expenses incurred in conjunction with restructuring.

Gross profit stood at EUR -8.4 million in the first half of the year (H1 2007: EUR -1.3 million), thereof EUR -4.7 million in the second quarter (Q2 2007: EUR -3.1 million). As a result, the gross profit margin for the first six months declined from -2.2% in the previous year's period to -28.1% in 2008.

While other operating income, at EUR 0.5 million, was slightly higher in the second quarter of 2008 than in the same period of the previous year (EUR 0.3 million), other operating expenses rose sharply by EUR 7.9 million to EUR 8.8 million. The latter is primarily attributable to the above-mentioned full reversal of income (EUR 8.0 million) from project developments recognised in profit and loss in the previous year. This income had been booked on the assumption that the projects were predominantly likely to be realised in cooperation with financial investor Hg Renewable Power Partners. Now that Schmack Biogas and Hg Renewable Power Partners have agreed to annul the existing framework agreement for the sale of biogas projects to Hg, this can no longer be assumed.

Earnings before interest and taxes (EBIT) amounted to EUR -25.8 million in the first half of 2008 (H1 2007: EUR -10.7 million). Second-quarter EBIT stood at EUR -17.0 million, compared to EUR -8.4 million in the previous year. At EUR -20.4 million, consolidated earnings after taxes before minority interests are significantly lower than the previous year's EUR -7.0 million.

In view of the weak performance, concrete measures were implemented in the second quarter with a view to cutting both procurement and fixed costs. The ongoing integration of the subsidiaries will gradually improve the cost situation of the Schmack Biogas Group, while at the same time leading to higher sales. Significant effects on earnings will not however materialise before next year.

Net worth and financial position

The Schmack Biogas Group's total assets declined from EUR 127.8 million on December 31, 2007 to EUR 97.7 million on June 30, 2008.

Non-current assets increased from EUR 53.7 million to EUR 56.5 million in the first half of 2008. This is primarily attributable to deferred tax assets, which rose from EUR 2.6 million to EUR 9.1 million. By contrast, intangible assets declined from EUR 26.3 million to EUR 23.7 million.

Current assets dropped sharply from EUR 74.1 million on December 31, 2007 to EUR 41.2 million on June 30, 2008. On the one hand, trade receivables were reduced by EUR 6.5 million. On the other hand, receivables from long-term construction contracts declined by EUR 13.5 million due to the lower sales and the full reversal of income from project developments (EUR 8.0 million) recognised in the previous year. In addition, liquid funds decreased from EUR 20.3 million to EUR 8.5 million, primarily due to the negative operating cash flow.

The equity capital of the Schmack Biogas Group amounted to EUR 49.6 million on the balance sheet date (December 31, 2007: EUR 64.5 million). The decline is mainly attributable to the negative balance sheet result, which declined from EUR -4.9 million on December 31, 2007 to EUR -25.0 million on June 30, 2008 as a result of the charging of the half-year result after minority interests of EUR -20.1 million. By contrast, the successful cash capital increase of April 1, 2008, which generated gross proceeds in an amount of EUR 7.1 million, led to an increase in the capital reserve to EUR 67.5 million (December 31, 2007: EUR 60.9 million). Although the Group's equity capital declined in absolute terms, the equity ratio rose moderately from 50.5% to 50.8% as a result of the decline in total assets.

As of June 30, 2008, current and non-current liabilities totalled EUR 48.1 million (December 31, 2007: EUR 63.3 million). On the one hand, long-term debt was reduced by EUR 3.6 million; on the other hand, current trade payables declined by EUR 6.8 million to EUR 5.0 million and other short-term financial liabilities decreased by EUR 3.0 million to EUR 5.4 million.

The Group's current assets in an amount of EUR 41.2 million are sufficient to cover current liabilities in an amount of EUR 23.7 million. As of June 30, 2008, the Schmack Group's liquid funds amounted to EUR 8.5 million (December 31, 2007: EUR 20.3 million) and are sufficient to meet current financial obligations on the basis of the present business volume. Basically the policy of collecting instalment payments for biogas projects in progress helps finance growth through ongoing business operations, although it does not fully cover the company's financing needs. These are covered with free cash flow and credit lines from banks.

As of the reporting date, the consolidated cash flow statement showed a cash flow from operating activities of EUR -14.3 million, compared to EUR -24.0 million in the same period of the previous year. With regard to the first-half operating cash flow, it should be noted that trade receivables declined by EUR 6.5 million and receivables from long-term construction contracts by EUR 13.5 million. Moreover, advances received in the reporting period increased by EUR 0.1 million, compared to a decline by EUR 6.4 million in the same period of the previous year. Non-current trade payables decreased by EUR 6.8 million.

As of June 30, 2008, cash flow from investing activities amounted to EUR -0.4 million, compared to EUR -4.8 million in the previous year. This moderate investment activity will persist in the second half of 2008.

Cash flow from financing activities stood at EUR 2.8 million at the half-year stage, compared to EUR 34.7 million in the same period of the previous year. The difference results from the highly different amounts of the proceeds from equity financing. While gross proceeds in an amount of EUR 27.2 million were generated from a cash capital increase in February 2007, an amount of only EUR 7.1 million was generated in April 2008. In addition, long-term financial liabilities were reduced by EUR 3.5 million (H1 2007: EUR 0) in the first six months of 2008.

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 opportunities and typical risks to which the Group is exposed. Except for the framework agreement with Hg, there have been no material changes in the assessment compared to the risk situation detailed in the Annual Report 2007. In particular, the company's risk expectation regarding customers' wait-and-see attitude because of the long uncertainty about the amendment of the EEG and the situation in the agricultural commodity markets proved to be true. The Annual Report is available for download at www.schmack-biogas.com.

5. FORECAST REPORT

Outlook on the market and the company in 2008/2009

Schmack Biogas AG projects a weak sales and earnings performance for the second half of 2008. The full-year figures will be clearly below the previous year's levels. However, the company assumes that the negative trend in its operative business of the first six months will slow down in the second half of the year and projects greatly improved sales and earnings for 2009, also because of the projects already developed under the framework agreement with Hg Renewable Power Partners. Following the mutually agreed annulment of the framework agreement, these projects are currently being offered for sale to energy companies and other investors. Some of them have already indicated their concrete interest in several large-scale projects.

Additional positive effects are expected to arise from the measures initiated internally and the future market trend. In particular, the German biogas market will receive a fresh boost from the amendment of the EEG and the Gas Grid Access Regulations already adopted in the spring. Under the new regulations, small plants will be promoted more strongly going forward, with the main emphasis on the use of solid and liquid manure. This will make biogas plants with a capacity of 150 KW to 500 KW interesting again. An especially positive aspect for Schmack Biogas is that gas feed-in plans will be promoted more strongly going forward. These plants will also benefit from the higher subsidisation of small plants laid down in the EEG which is geared to the size of the electricity generation plant (co-generation plant) rather than the size of the production plant (biogas plant).

For the market players, this means that incoming orders will probably take a positive turn in the second half of 2008. Due to the project lead times, however, this will be reflected in sales and earnings only from 2009. The price trend of grain and other commodities will also influence the company's performance. In response to the rising prices, Schmack Biogas adopted a catch crop strategy already in mid-2007, making the company somewhat less dependent on global agricultural prices. Nevertheless, these two external factors – future effects of the amended EEG and the commodity price trend – will continue to have a strong impact on the company's planning and, hence, on the value of the subsidiaries of Schmack Biogas AG.

Schmack Biogas additionally expects the Italian market to provide significant stimulation. In early July, a framework agreement was signed with Fri-El Biogas Holding S.r.l., the subsidiary of a leading Italian operator of power plants based on renewable energies. The contract, which runs until 2011, has a proposed volume of approx. EUR 60 million. Under the agreement, Schmack Biogas will build plants with an average installed capacity in the 1 MWel range for a total installed capacity of roughly 20 MW. The first order under the framework agreement has already been placed. Construction is scheduled to start in the third quarter of 2008.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SCHMACK BIOGAS AG, SCHWANDORF

CONSOLIDATED INCOME STATEMENT (IFRS)

	04/01/2008-06/30/2008	04/01/2007-06/30/2007	**01/01/2008-06/30/2008**	01/01/2007-06/30/2007
	kEUR	kEUR	kEUR	kEUR
Sales	15,539	24,792	29,810	55,837
Cost of sales	-20,195	-27,878	-38,196	-57,087
Gross profit	**-4,656**	**-3,086**	**-8,386**	**-1,250**
Distribution expenses	-1,500	-1,769	-3,220	-3,350
General administrative expenses	-2,112	-2,488	-4,730	-4,809
Research and development expenses	-434	-516	-881	-920
Other operating income	505	268	1,149	449
Other operating expenses	-8,776	-853	-9,528	-899
Operating income	**-16,973**	**-8,444**	**-25,596**	**-10,779**
Income from financial assets carried at equity	-2	16	-211	47
EBIT	**-16,975**	**-8,428**	**-25,807**	**-10,732**
Interest income	83	213	212	376
Interest expense	-1,183	-405	-1,722	-753
Pre-tax income	**-18,075**	**-8,620**	**-27,317**	**-11,109**
Income tax expense	4,367	3,228	6,918	4,133
Net income	**-13,708**	**-5,392**	**-20,399**	**-6,976**
Income imputable to minority interests	147	175	329	316
Result imputable to equity holders	**-13,561**	**-5,217**	**-20,070**	**-6,660**
Profit/loss carried forward	-11,434	393	-4,925	1,836
Balance sheet profit/loss	**-24,995**	**-4,824**	**-24,995**	**-4,824**
Earnings per share in EUR				
Earnings per share basic (EUR)	-2.36	-0.98	-3.49	-1.26
Earnings per share diluted (EUR)	-2.36	-0.98	-3.49	-1.26
Weighted average shares outstanding				
Basic	5,750,189	5,305,249	5,750,189	5,305,249
Diluted	5,750,189	5,305,249	5,750,189	5,305,249

CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS	06/30/2008 kEUR	12/31/2007 kEUR
NON-CURRENT ASSETS		
Intangible assets	23,661	26,298
Property, plant and equipment	20,445	21,112
At-equity investments	1,813	2,495
Other financial assets	1,513	1,216
Deferred taxes	9,089	2,581
	56,521	**53,702**
CURRENT ASSETS		
Inventories	9,018	10,842
Trade receivables	7,667	14,124
Receivables from long-term construction contracts	12,043	25,508
Other short-term financial assets	3,532	2,989
Tax receivables	450	315
Cash and cash equivalents	8,500	20,335
	41,210	**74,113**
TOTAL ASSETS	**97,731**	**127,815**

EQUITY & LIABILITIES	06/30/2008 kEUR	12/31/2007 kEUR
EQUITY		
Subscribed capital	5,977	5,524
Capital reserves	67,546	60,943
Currency translation reserves	-95	-43
Revaluation reserve	10	10
Cash flow hedge reserve	55	-41
Other retained earnings	118	118
Balance sheet profit/loss	-24,995	-4,925
Minority interests	985	2,922
	49,601	**64,508**
NON-CURRENT LIABILITIES		
Long-term debt	19,069	22,715
Other long-term financial liabilities	2,279	1,979
Long-term provisions	2,986	2,963
Deferred taxes	130	511
	24,464	**28,168**
CURRENT LIABILITIES		
Trade payables	5,005	11,779
Short-term debt	5,578	6,633
Other short-term financial liabilities	5,361	8,406
Advances received	2,237	2,088
Short-term provisions	5,209	5,934
Tax liabilities	276	299
	23,666	**35,139**
TOTAL EQUITY AND LIABILITIES	**97,731**	**127,815**

CHANGE IN GROUP EQUITY (IFRS)

	Common shares outstanding	Subscribed capital kEUR	Capital reserves kEUR	Currency translation reserves kEUR
BALANCE 01/01/2007	4,939,559	4,940	32,613	-14
Adjustment according to IFRS 3	0	0	0	0
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	-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	-667	0
Stock options (MSP)	0	0	166	0
Capital increase	493,955	494	26,674	0
BALANCE 06/30/2007	**5,433,514**	**5,434**	**58,786**	**-17**

	Common shares outstanding	Subscribed capital kEUR	Capital reserves kEUR	Currency translation reserves 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
Expenses of raising equity capital	0	0	-21	0
Stock options (MSP)	0	0	-27	0
Capital increase	453,350	453	6,651	0
BALANCE 06/30/2008	**5,976,864**	**5,977**	**67,546**	**-95**

Revaluation reserve kEUR	Cash flow hedge reserve kEUR	Other retained earnings kEUR	Balance sheet profit/loss kEUR	Minority interests kEUR	Total kEUR
0	0	118	1,666	1,584	40,907
0	0	0	73	0	73
0	0	0	-6,660	-316	-6,976
0	-24	0	0	0	-24
0	9	0	0	0	9
0	0	0	0	0	-3
0	-15	118	-4,921	1,268	33,986
10	0	0	97	751	858
0	0	0	0	0	-667
0	0	0	0	0	166
0	0	0	0	0	27,168
10	**-15**	**118**	**-4,824**	**2,019**	**61,511**

Revaluation reserve kEUR	Cash flow hedge reserve kEUR	Other retained earnings kEUR	Balance sheet profit/loss kEUR	Minority interests kEUR	Total kEUR
10	-41	118	-4,925	2,922	64,508
0	0	0	-20,070	-329	-20,399
0	133	0	0	0	133
0	-37	0	0	0	-37
0	0	0	0	0	-52
10	55	118	-24,995	2,593	44,153
0	0	0	0	-1,608	-1,608
0	0	0	0	0	-21
0	0	0	0	0	-27
0	0	0	0	0	7,104
10	**55**	**118**	-24,995	**985**	**49,601**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

			01/01/2008-06/30/2008 kEUR	01/01/2007-06/30/2007 kEUR
		CASH FLOW FROM OPERATING ACTIVITIES		
1.		After-tax result before minority interests	-20,399	-6,976
2.	+/-	Income tax expense	-6,918	-4,133
3.	+	Interest expense	1,722	753
4.	-	Interest income	-212	-376
		ADJUSTMENTS TO NON-CASH EXPENSES AND INCOME		
5.	-/+	Stock option plan income/expenses	-27	166
6.	+/-	Write-downs/-ups on property, plant & equipment	757	693
7.	+/-	Write-downs/-ups on intangible assets	512	252
8.	+/-	Write-downs/-ups on financial assets	414	0
9.	-/+	Gains/losses on at-equity holdings	211	-47
10.	-/+	Gains/losses on the sale of property, plant and equipment	-21	0
11.	-/+	Other non-cash income/expenses	490	0
		CHANGE IN NET CURRENT ASSETS (WORKING CAPITAL)		
12.	-/+	Increase/decrease in inventories	1,824	5,235
13.	-/+	Increase/decrease in trade receivables	6,457	2,286
14.	-/+	Increase/decrease in receivables from long-term construction contracts (asset balance)	13,465	-7,421
15.	-/+	Increase/decrease in other short-term financial assets	-516	-671
16.	-/+	Increase/decrease in tax receivables	-135	1
17.	+/-	Increase/decrease in trade payables	-6,774	-6,390
18.	+/-	Increase/decrease in other short-term financial liabilities	-3,923	592
19.	+/-	Increase/decrease in advances received	149	-6,423
20.	+/-	Increase/decrease in provisions	-702	-1,160
21.	+/-	Increase/decrease in tax liabilities	127	-141
22.	=	**CASH GENERATED FROM OPERATING ACTIVITIES**	**-13,499**	**-23,760**
23.	-	Income tax remitted	-121	-216
24.	-	Interest paid	-844	-308
25.	+	Interest received	185	265
26.	=	**CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES**	**-14,279**	**-24,019**
		CASH FLOW FROM INVESTING ACTIVITIES		
27.	-	Payments for investments in intangible assets	-61	-2,538
28.	+	Proceeds from disposals of property, plant and equipment	51	0
29.	-	Payments for investments in property, plant and equipment	-349	-1,637
30.	+	Proceeds from disposals of financial assets	0	841
31.	-	Payments for investments in financial assets	-30	0
32.	-	Payments for the acquisition of consolidated companies and business units	0	-1,495
33.	=	**CASH INFLOW/OUTFLOW FROM INVESTING ACTIVITIES**	**-389**	**-4,829**
		CASH FLOW FROM FINANCING ACTIVITIES		
34.	+	Proceeds from equity financing	7,410	27,168
35.	-	Payments for equity financing	-21	-667
36.	-	Payments for finance leasing	-104	-69
37.	+	Proceeds from the incurrence of long-term financial liabilities	0	4,311
38.	-	Payments for the redemption of long-term financial liabilities	-3,478	0
39.	+	Proceeds from the incurrence of short-term financial liabilities	0	4,131
40.	-	Payments for the redemption of short-term financial liabilities	-974	-131
41.	=	**CASH INFLOW/OUTFLOW FROM FINANCING ACTIVITIES**	**2,833**	**34,743**
42.	=	**CHANGE IN CASH AND CASH EQUIVALENTS (TOTAL FROM LINES 26, 33, 41)**	**-11,835**	**5,895**
43.	+	Cash balance on 01/01	20,335	18,636
44.	=	**CASH BALANCE ON 06/30**	**8,500**	**24,531**

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:

	04/01/2008-06/30/2008 kEUR	04/01/2007-06/30/2007 kEUR	**01/01/2008-06/30/2008** kEUR	01/01/2007-06/30/2007 kEUR
Germany	13,786	23,485	24,573	52,434
Other EU	1,609	1,287	4,820	3,145
Non-EU	144	20	417	258
Total	**15,539**	**24,792**	**29,810**	**55,837**

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 August 18, 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 June 30, 2008 were produced in conformance with IAS 34 "Interim Financial Reporting". All standards effective and mandatory as of June 30, 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 June 30, 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

Of the 17 domestic and 4 international subsidiaries listed on pages 70 and 71 of the 2007 Annual Report in addition to the parent Schmack Biogas AG, Energiefeld Bayern GmbH & Co. KG and Energiefeld Bayern Verwaltungs GmbH, two joint ventures established by Erdgas Südbayern GmbH and Schmack Energie Holding GmbH in the previous year, were deconsolidated with effect from June 18, 2008 due to the liquidation decided in March 2008. Because of insolvency proceedings initiated in May 2008, IMB Verfahrenstechnik GmbH, Frechen, in which Schmack Biogas AG held 30.07%, is no longer included in the basis of consolidation.

On June 26, 2007, Schmack Biogas S.r.l., Bozen, Italy, a subsidiary in which Schmack Biogas AG holds 66.0% and an Italian partner company established Fri-El Biogas Holding S.r.l. The company's fully paid-up share capital amounted to kEUR 100, of which 30.0% or kEUR 30 were accounted for by Schmack Biogas S.r.l. Given that the share capital of Fri-El Biogas Holding S.r.l. was increased to kEUR 450 by external shareholders in the reporting period, the shareholding of Schmack Biogas AG declined from 30.0% to 6.67%. As a result, Fri-El Biogas Holding S.r.l. is no longer included in the basis of consolidation.

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. The residual 20.04% share was transferred to Schmack Biogas AG by the remaining old shareholders at a symbolic price with effect from June 30, 2008.

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 29,810 (H1 2007: kEUR: 55,837) were generated in the first six months of 2008. Total sales revenues include contract revenues determined using the POC method in an amount of kEUR 17,790 (H1 2007: kEUR 43,574).

Cost of sales

Cost of sales amounted to kEUR 38,196 in the first half of 2008 (H1 2007: kEUR 57,087). As the cost of sales also comprises fixed costs, the decline in the cost of sales is not proportionate with the decline in sales. The measures launched to lower the fixed costs will be reflected in the figures only from the third quarter of 2008.

Other operating expenses

Other operating expenses totalled kEUR 9,528 in the first half of 2008 (H1 2007: kEUR 899). They primarily include expenses from the reversal of income from project developments (kEUR 8,015) recognised in profit and loss in the previous year. This income had been booked on the assumption that the projects were predominantly likely to be realised in cooperation with financial investor Hg Renewable Power Partners. Now that Schmack Biogas and Hg Renewable Power Partners have mutually agreed to annul the existing framework agreement for the sale of biogas projects to Hg, this can no longer be assumed.

Other operating expenses also include kEUR 835 in valuation allowances on outstanding receivables relating to prior periods as well as expenses from provisions for anticipated losses in an amount of kEUR 578.

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 15.

Intangible assets

Intangible assets in an amount of kEUR 23,661 (December 31, 2007: kEUR 26,298) include goodwill of kEUR 20,547 (December 31, 2007: kEUR 22,733). The latter declined by kEUR 2,186 in conjunction with the increase in the investment in Stelzenberger Biogas GmbH from 79.96% to 100%.

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 due to the amendment of the EEG 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 1,759 (December 31, 2007: kEUR 1,898) as well as acquired property rights, concessions and other intangible assets in an amount of kEUR 1,355 (December 31, 2007: kEUR 1,667).

Receivables

Trade receivables were reduced from kEUR 14,124 on December 31, 2007 to kEUR 7,667 on June 30, 2008.

Total receivables from long-term construction contracts declined from kEUR 25,508 on December 31, 2007 by kEUR 13,465 to kEUR 12,043 on June 30, 2008. The single most important item was the non-cash reversal of the income from project developments recognised in the previous year in conjunction with the framework agreement with Hg Renewable Power Partners in an amount of kEUR 8,015.

Equity

a) Subscribed capital and capital reserves

On April 1, 2008, the Management Board of Schmack Biogas AG decided, with the consent of the Supervisory Board, to increase the company's share capital by EUR 453,350 from EUR 5,523,514 to EUR 5,976,864 by issuing 453,350 registered shares with a calculated par value of EUR 1.00 against contributions in cash. The capital increase was effected ex rights and funded with the authorised capital approved by the Annual General Meeting on June 22, 2007. The issue price was EUR 15.67 per share. The premium from the capital increase less the equity financing-related costs amounts to kEUR 6,629 and was allocated to the capital reserve.

b) Authorised capital

At the Annual General Meeting of Schmack Biogas AG on June 20, 2008, 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 2,988 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.

c) Own shares

The Annual General Meeting dated June 20, 2008 also resolved to authorise the company to acquire own shares worth kEUR 598 with a pro-rata amount of the share capital. This authorisation will expire on December 20, 2009.

d) Conditional capital

Based on a resolution passed at the Annual General Meeting on June 20, 2008, the company's share capital was increased conditionally by kEUR 2,988 through the issue of 2,988,432 registered shares with a calculated par value of EUR 1.00. The conditional capital increase exclusively serves to issue shares to the holders of optional and/or convertible bonds that may be issued by the company by June 19, 2013 in accordance with the applicable conditions for option and/or convertible bonds.

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

The key parameters to the Black-Scholes pricing model employed for the 1st to 3rd tranche of the MSP are shown below:

	1st tranche [1)]	2nd tranche	3rd tranche
Strike price in EUR	34.72	73.29	17.67
Expected volatility in %	30.00	28.93	35.16
Allocation date	05/24/2006	05/24/2007	05/24/2008
Maturity	05/23/2008	05/23/2009	05/23/2010
Risk-free interest rate in %	3.60	4.50	4.19
Number of options outstanding as of June 30, 2008	0	22,710	22,710
Fair value of an option at the time of agreement in EUR	8.16	10.66	2.69
Relevant total value of options in kEUR	0	242	61
Relevant pro-rata expenditure January to June 2008 in kEUR	75	61	5

1) The phantom stocks of the first tranche allocated on May 24, 2006 could not be exercised after expiry of the holding period and lapsed without replacement on May 23, 2008 as the stock was trading below the stipulated exercise threshold (EUR 15.78 as compared to EUR 34.72).

As a result of several employees leaving the company in the first six months of 2008, 11,285 options of the first tranche and 27,415 options of the second tranche (i.e. a total of 38,700 options) lapsed as compared to the number of options as at December 31, 2007. In the reporting period this resulted in total income of kEUR 168.

Provisions

Short-term provisions declined by kEUR 725 from kEUR 5,934 as of December 31, 2007 to kEUR 5,209 as of June 30, 2008, while long-term provisions increased by a moderate kEUR 23 from kEUR 2,963 to kEUR 2,986 as of June 30, 2008. The decline in short-term provisions is primarily attributable to the reduction in provisions for guarantee claims and remaining construction site expenses, which, in turn, is due to lower sales.

Liabilities

The biggest change in the liabilities item was the kEUR 6,774 reduction in trade payables from kEUR 11,779 on December 31, 2007 to kEUR 5,005 on June 30, 2008.

Other short-term financial liabilities declined by kEUR 3,045 from kEUR 8,406 on December 31, 2007 to kEUR 5,361 on June 30, 2008 primarily due to the settlement of turnover tax liabilities. Both short-term and long-term debt were reduced. Short-term debt was reduced by kEUR 1,055 from kEUR 6,633 as of December 31, 2007 to kEUR 5,578 on June 30, 2008, while long-term debt declined by kEUR 3,646 from kEUR 22,715 as of December 31, 2007 to kEUR 19,069 on June 30, 2008.

Deferred taxes

As of the reporting date, the balance of deferred tax assets and deferred tax liabilities amounted to kEUR 8,959 in deferred tax assets. The change by kEUR 6,889 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. The residual share of approx. 20% was transferred to Schmack Biogas AG by the remaining old shareholders with effect from June 30, 2008 at a symbolic price.

In view of the recent earnings performance, the wait-and-see attitude adopted by customers due to the long uncertainty about the upcoming statutory amendments and the difficult commodity situation, the Management Board decided, in February 2008, to initiate cost-cutting measures in addition to the product and process standardisation. Significant savings effects have been realised with regard to both procurement costs and the total block of fixed costs. Fixed costs were reduced both through cuts in operating expenses and job cuts. Moreover, the ongoing integration of the subsidiaries will gradually improve the cost situation of the Schmack Biogas Group, while at the same time leading to higher sales. Significant effects on earnings will not materialise before next year, though.

In March 2008, it was decided to liquidate Energiefeld Bayern GmbH & Co. KG and Energiefeld Bayern Verwaltungs GmbH, two joint ventures established by Erdgas Südbayern GmbH and Schmack Energie Holding GmbH in the previous year. In May 2008, insolvency proceedings were initiated against IMB Verfahrenstechnik GmbH, Frechen, in which Schmack Biogas AG held a share of 30.07%. The expertise for the processing of fermentation residues, which makes an important contribution to improving the cost-efficiency of large industrial biogas plants, is available within the Schmack Biogas Group and is constantly being refined.

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.

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. This means 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.

The Management Board of Schmack Biogas AG was reorganised with effect from June 1, 2008. The Supervisory Board appointed Werner Rüberg as the new Chairman of the Management Board. Mr Rüberg is also in charge of Finance, having succeeded Dr. Alexander Götz, who left the company for personal reasons. In the context of the Board reorganisation, Ulrich Schmack assumed the position of Vice Chairman. Going forward, he will focus on raw materials, biology and research, pushing ahead the strategic development of the company together with the new Chairman.

Also effective from June 1, 2008, Joachim Schlichtig and Otto R. Eichhorn were appointed to the Management Board. Mr Schlichtig is in charge of Plant Engineering, Technology and Development, while Mr Eichhorn, in his capacity as Director of Sales, is in charge of National and International Sales and Marketing. Mr Schlichtig fills the position of Technical Director, which had been vacant since September 1, 2007, whereas Mr Eichhorn takes over from Dr. Karl Reinhard Kolmsee, who resigned from the Management Board of Schmack Biogas AG at the end of February.

The result for the first six months includes the reversal of income from the development of project sites for financial investor Hg Renewable Power Partners in an amount of approx. EUR 8.0 million, which had been recognised in profit and loss in the previous year. Schmack Biogas and Hg Renewable Power Partners have mutually agreed to annul the existing framework agreement for the sale of biogas projects to Hg. This will allow Schmack Biogas to offer the projects to third parties. A sale to Hg at a later date also remains conceivable. Other non-recurrent effects and expenses of approx. EUR 5.2 million related to the restructuring also weighed on the half-year result. The projects already developed under, and up until now bound to the framework agreement are currently being offered for sale to energy companies and other investors. Some of them have already indicated their concrete interest in several large-scale projects.

5. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE JUNE 30, 2008

At the beginning of July, Schmack Biogas AG signed a framework agreement with Fri-El Biogas Holding S.r.l., the subsidiary of a leading Italian operator of power plants based on renewable energies. The contract, which runs until 2011, has a proposed volume of approx. EUR 60 million. Under the agreement, Schmack Biogas will build plants with an average installed capacity in the 1 MWel range for a total installed capacity of roughly 20 MW. The first order under the framework agreement has already been placed. Construction is scheduled to start in the third quarter of 2008.

Furthermore no other events of special importance have occurred since June 30, 2008.

6. EMPLOYEES

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

	06/30/2008 Number	12/31/2007 Number
Non-office staff	131	165
Office staff	285	321
Part-time staff	44	36
	460	**522**
Apprentices and trainees	30	31
Total	**490**	**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 2007 under point D. (41) Transactions with related parties.

In the reporting period from January 1, 2008 until June 30, 2008, the company engaged in business dealings primarily with the following related parties:

- Certified Energy BV (laboratory services)
- Schmack Bio-Energy LLC (sale of biogas plant, training costs)
- IMB Verfahrenstechnik GmbH, insolvency proceedings initiated in May 2008 (plant for the processing of fermentation residues)
- Bioerdgas Schwandorf GmbH (sale of biogas plant, settlement of harvest expenses)
- Biogas Steyerberg GmbH (sale of 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 biogas plant, various services, loans)
- Ziegler GmbH & Co. KG (metalwork, recurrent rebilling)

As of the reporting date, the total business volume, primarily resulting from the sale of biogas plants, amounted to kEUR 3,420, while the volume from services sourced amounted to kEUR 213.

All transactions were made on terms equivalent to those that prevail in arm's length transactions. Valuation allowances in an amount of kEUR 768 were established for impaired receivables; 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 2007, no material changes occurred that would have to be reported.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Schmack Biogas Group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Schwandorf, August 18, 2008

The Management Board

Werner Rüberg
Chairman

Ulrich Schmack
Vice Chairman

Joachim Schlichtig
Technical Director

Otto R. Eichhorn
Director of Sales

REVIEW REPORT

To Schmack Biogas AG

We have reviewed the condensed consolidated interim financial statements, comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and selected explanatory notes, and the interim group management report of Schmack Biogas AG, Schwandorf, for the period from January 1 to June 30, 2008, which form part of the half-year financial report according to Section 37 (w) German Securities Trading Act (Gesetz über den Wertpapierhandel/ Wertpapierhandelsgesetz - WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report, which has been prepared in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the parent company's management. Our responsibility is to issue a review report on these condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Nuremberg, August 18, 2008

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Bömelburg	Morgenroth
Certified Public Accountant	Certified Public Accountant

Financial Calendar 2008

November 11, 2008	*Analysts' Conference: German Equity Forum 2008*
November 26, 2008	*Publication of Q3 Report 2008*

Service & Contact

This interim report was compiled as of August 18, 2008 and was published in German and English on August 27, 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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