

INTERIM REPORT, 30 JUNE 2008
VERBIO Vereinigte BioEnergie AG



Key Figures

PROFITABILITY

IN EUR MILLION	HY1 2008	HY1 2007	Δ 2008-2007
Sales	298.8	203.8	95.0
Gross margin	37.6	29.6	8.0
EBITDA	9.4	13.4	-4.0
EBIT before commodity futures	10.2	1.1	9.1
EBIT after commodity futures	3.8	1.1	2.7
EBT	2.2	0.7	1.5

LIQUIDITY AND RISK

IN EUR MILLION	30/06/08	31/12/07	Δ 2008-2007
Cash and cash equivalents	73.8	57.1	16.7
Net debt ¹	21.0	-0.6	21.6
Operating cash flow	72.6	-94.0	166.6
Equity ratio	62.3%	58.7%	3.6%-points

RETURN ON INVESTMENT

	HY1 2008	HY1 2007	Δ 2008-2007
ROCE	0.8%	0.2%	0.6%-points
EBIT before commodity futures/ Gross margin	27.1%	3.7%	23.4%-points

OPERATING DATA

	HY1 2008	HY1 2007	Δ 2008-2007
Production (tons)	234,182	250,547	-16,365
Number of employees	368	328	40
Investments in property, plant and equipment in EUR million	4.3	14.0	-9.7

SEGMENTS

IN EUR MILLION	Q1 2008	Q2 2008	HY1 2008	HY1 2007	Δ 2008-2007
BIODIESEL					
Sales	92.6	115.9	208.5	133.1	75.4
EBIT before commodity futures	3.2	-1.0	2.2	3.8	-1.6
BIOETHANOL					
Sales	22.7	53.7	76.4	57.5	18.9
EBIT before commodity futures	-3.3	10.3	7.0	-5.9	12.9
ENERGIE					
Sales	8.2	2.6	10.8	12.3	-1.5
EBIT	2.5	-1.1	1.4	3.0	-1.6
OTHER					
Sales	1.6	1.6	3.2	0.9	2.3
EBIT	-0.04	-0.3	-0.4	0.2	-0.6

¹ Cash and cash equivalents less current and non-current financial liabilities and other non-current liabilities

Interim consolidated management report

for the period 1 January to 30 June 2008

COMMENTS ON REPORTING

The financial reporting of VERBIO Vereinigte BioEnergie AG (hereinafter also referred to as VERBIO AG or VERBIO) is based on International Financial Reporting Standards (IFRS). The interim report is generally regarded as an update to the annual report and should therefore be read in conjunction with the annual report published for the business year 2007. The prior-year figures disclosed in this report were prepared using the same accounting and valuation methods.

ECONOMIC SITUATION

25 PERCENT GROWTH RATE IN VERBIO'S CORE BLENDING MARKET

The blending market for biodiesel and bioethanol, one of VERBIO's core markets, experienced significant growth in the first five months of 2008. Biodiesel blending increased by approximately 25 percent compared to the prior-year period. Sales of bioethanol went up by only around 11 percent in the first five months of 2008 despite the blending quota increasing from 1.2 percent to 2 percent (energy input) as of 1 January 2008.

By contrast, biodiesel pure fuel (B100) sales fell due to increased taxes as of 1 January 2008. This resulted in overall demand for biodiesel dropping 19 percent as of 30 May 2008.

MARKET CONSOLIDATION – PRODUCTION CAPACITY ADAPTS TO FALLING DEMAND

The increased tax rate and high raw material prices led to reduced demand and consolidation in the biodiesel market in recent months. As a consequence, the market's excess capacities shrank and adapted to the actual current sales opportunities of 2.7 million tonnes p.a. Of this, the blending market accounts for approximately 1.4 million tonnes p.a.

INCREASED RAW MATERIAL PRICES – RAW MATERIAL POTENTIAL VIA IMPROVEMENTS TO CULTIVABLE LAND AND YIELDS PER HECTARE

Global agriculture reacted to the shift in demand by increasing its production capacities. In the European Union (EU) for example, the acreage used for grain expanded by 4 to 5 percent from 55 million hectares to almost 58 million hectares. The European Commission estimates that the 2008/2009 grain harvest will be considerably larger than in the previous year.

While the prices of raw materials such as rapeseed and sugar increased in Q1 2008 in line with the price of crude oil, they broke the link in Q2 2008. The price of rapeseed experienced sideways development in the first half-year while the price of sugar was volatile.

PRICE DEVELOPMENT FOR SELECTED RAW MATERIALS



The price of oil remained high in the first half of 2008, rising by 40 percent, up from USD 99.64 per barrel (30/06/2007) to USD 139.96 per barrel (30/06/2008). Oil industry experts expect the production of crude oil to reach its peak (peak oil) before the end of 2009 (or believe that it may have reached its peak already), and that it will drop by about 3 to 6 percent every year after this. This leads us to anticipate that the price of oil will continue rising.

PRICE DEVELOPMENT (QUARTERLY AND HALF-YEAR AVERAGE)

	Q1 2008	Q2 2008	CHANGE IN %	HY1 2008	HY1 2007	CHANGE IN %
Crude oil in USD/Barrel	98	126	29%	111	62	79%
Mineral diesel in EUR/TON	600	775	29%	685	442	55%
Rapeseed oil in EUR/TON	900	975	8%	971	609	59%
Sugar in EUR/TON	196	186	-5%	186	181	3%

SALES AND EARNINGS DEVELOPMENT

GROUP SALES AND REVENUE INCREASED

In the first half of 2008, a total of 234,182 tonnes were sold (HY1 2007: 250,547 tonnes), providing revenue of EUR 298.8 million (HY1 2007: EUR 203.8 million). This represents an increase in sales of 46.6 percent, primarily due to pricing factors.

The cost of materials in the first half of 2008 was EUR 259.3 million (HY1 2007: EUR 177.8 million), representing a material cost rate of 87.3 percent (HY1 2007: 85.7 percent).

Gross profit rose 27 percent to EUR 37.6 million (HY1 2007: EUR 29.6 million) in the first half of 2008, representing a gross margin of 13 percent (HY1 2007: 15 percent).

The operating result before commodity futures ran to EUR 10.2 million. Commodity futures made a loss of EUR 6.4 million, thereof EUR -3.8 million was generated in the period under review.

POSITIVE OVERALL POSITION FROM REVALUATION OF DERIVATIVES AND CONTRACTS FOR MAINSTAY BUSINESS

What the consolidated income statement does not make obvious is that the commodity futures posted form the contractual basis for mainstay business in the future. This cannot be reflected in the balance sheet as yet, and leads to an overcompensation of the currently negative derivatives item at the current price level.

ASSETS AND FINANCIAL SITUATION

The balance sheet total fell by EUR 49.1 million to EUR 494.2 million (31/12/2007: EUR 543.3 million), mainly due to the reduction in inventories, financial liabilities and current trade payables.

BALANCE SHEET STRUCTURE

IN EUR MILLION	30/06/2008	IN % OF THE BALANCE SHEET	31/12/2007	IN % OF THE BALANCE SHEET
ASSETS				
Non-current assets	276.6	56%	277.2	51%
Current assets	217.6	44%	266.1	49%
Total	494.2	100%	543.3	100%
EQUITY AND LIABILITIES				
Shareholders' equity	307.7	62%	318.8	59%
Non-current liabilities	52.7	11%	55.9	10%
Current liabilities	133.8	27%	168.6	31%
Total	494.2	100%	543.3	100%

As of 30 June 2008, VERBIO had cash and cash equivalents amounting to EUR 73.8 million, up EUR 16.7 million from the end of 2007.

As of 30 June 2008, net financial assets came to EUR 21.0 million (31/12/2007: EUR -0.6 million). As of the reporting date, the equity ratio stood at 62.3 percent (31/12/2007: 58.7 percent).

HIGH POSITIVE OPERATING CASH FLOW

Operating cash flow amounted to EUR 72.6 million and was mainly influenced by a decrease in inventories of EUR 63.4 million. This was particularly due to a reduction in trading volumes of grain, as well as a drop of EUR 6,953 thousand in prepayments for inventories posted under other assets. The cash flow from investing activities (EUR -4.8 million) contains capital expenditure of EUR 4.7 million. The cash flow from financing activities (EUR -51.2 million) is mainly determined by disbursements from secured credit transactions related to the decrease in grain trading volumes (EUR -44.3 million). Cash funds increased by EUR 16.7 million in the period 1 January to 30 June 2008, totalling EUR 73.8 million at the end of the reporting period.

EMPLOYEES

ABOVE AVERAGE TRAINING RATIO IN THE COMPANIES

As of 30 June 2008, the VERBIO Group had a workforce of 368 employees as well as 21 apprentices (31/12/2007: 385 employees, 24 apprentices). We fully appreciate the importance of training young people; with an apprenticeship rate of 6.9 percent at our production plants, VERBIO is above average for the former East Germany (5.9 percent).

INVESTMENTS

In the first half of 2008, EUR 4.3 million (HY1 2007: EUR 14 million) was invested in property, plant and equipment. The investments in property, plant and equipment were mainly expansion investments in the esterification/transesterification facility and the tank farm in Schwedt/Oder as well as the biogas facilities in Schwedt/Oder and Zörbig. These expansion investments were completed in the first half of 2008.

SEGMENT REPORT

BIODIESEL – UTILISATION ON THE RISE

In the first quarter of 2008, capacity at the Schwedt/Oder facility was raised by 50,000 tonnes per year, giving VERBIO an annual production capacity of 450,000 tonnes. VERBIO further improved its market position in the Biodiesel segment in the first half of 2008, allowing VERBIO to profit from increased volumes in the blending market. In the first six months of 2008, 191,510 tonnes of biodiesel were produced (HY1 2007: 174,239 tonnes), increasing revenue by 57 percent. Gross profit in the Biodiesel segment in the first half of 2008 was slightly up from the comparison period at EUR 19.0 million (HY1 2007: EUR 18.1 million). The segment result for Q2 2008 is therefore unsatisfactory for contractual reasons.

BIOETHANOL – PACKAGE OF INITIATIVES LEADS TO IMPROVED RESULT

Bioethanol was exclusively produced in Zörbig between January and April 2008. The shortened shifts in Schwedt/Oder finished in May 2008 and production recommenced. In total 42,672 tonnes of bioethanol were produced in the first six months 2008 (HY1 2007: 76,308 tonnes). The package of initiatives implemented by the Management Board at the beginning of the year led to an increased market presence and an improved gross margin compared to the two previous quarters. Gross profit increased by EUR 7.0 million from the prior-year period, resulting in a gross margin of 18 percent. This is mainly due to the raw materials mixture used. Grain sales fixed in Q1 2008 contributed EUR 1.4 million to the result. As with the first quarter result, little of this quarter's result will be carried forward.

ENERGY – HAMPERED BY MAINTENANCE WORK

The Energy segment contributed revenue amounting to EUR 10.8 million in the first half of 2008. This was down from the revenue generated in the previous quarter and the prior-year period (EUR 12.3 million) due to months with weaker wind. The segment income before tax fell to EUR 1.1 million owing to sales factors and maintenance (HY1 2007: EUR 2.7 million).

OTHER

Revenue from the Other segment amounted to EUR 3.2 million in the first half of 2008 (mainly revenue from fleet services), contributing to improved sales (HY1 2007: EUR 0.9 million). Segment earnings before tax amounted to EUR -0.5 million. Revenue from fleet services only came into play when it became operational in Q4 2007.

Please see the notes on the interim consolidated financial statements for further information and figures on the specific segments.

SHARE BUYBACK PROGRAMME

As of 30 June 2008, VERBIO had acquired 1,470,000 treasury shares, representing 2.4 percent of share capital, at an average price of EUR 2.06 per share. 1,112,519 of these shares were bought back during the period under review.

On 12 June 2008 the Annual Shareholders' Meeting authorised the acquisition of shares up to the amount of 10 percent of the share capital until 11 December 2009.

RELATED PARTY DISCLOSURES

There have been no significant changes compared with the disclosures made on 31 December 2007.

OPPORTUNITY AND RISK REPORT

There were no significant changes in VERBIO's opportunity and risk profile in the first half of 2008 in comparison to the opportunities and risks listed in the VERBIO annual report 2007 (pages 27 to 30). There are no risks to the company as a going concern and none are currently recognisable for the future.

FORECAST REPORT AND OUTLOOK

INDEPENDENT STUDY PROVES THAT WE CUT CO₂ BY UP TO 80% OF THE SO-CALLED FIRST GENERATION

Generating energy from renewable resources is an important part of the energy mix of the future. We were prompted by the debate surrounding the issue of „food versus fuel“ as well as Federal Government and EU demands for proof that we adhere to sustainability standards to commission the Institute for Energy and Environmental Research in Heidelberg (IFEU) to carry out a study. IFEU is a non-profit-making ecological research body which made a major contribution towards drafting the German Sustainability Ordinance. The IFEU study showed that VERBIO's biofuels will cut CO₂ by more than 80 percent. This means that using VERBIO biofuels cuts CO₂ emissions by 80 percent compared with fossil fuels. VERBIO thus already meets the criteria for the second generation of biofuels and is setting the standard.

OUTLOOK – EXPANDING OUR MARKET SHARE

VERBIO aims to continue positioning itself as a reliable, financially strong supplier and partner. Both the consolidation of the biodiesel market and our positioning as a biofuels producer and supplier should lead to more stable income and cash flows in the medium term.

We will exceed the previous year's high capacity utilisation in the Biodiesel segment.

In the Bioethanol segment we expect to reach full utilisation of the production capacity provided by the bioethanol plant in Schwedt/Oder by the end of the year. We plan to use raw materials containing sugar again as Brazilian imports remain the benchmark for ethanol prices.

CONSOLIDATE – POSITION – PROFIT

Given the current adverse conditions, it is imperative that VERBIO AG increases and systematically expands the efficiency of its processes and organisation through further centralisation. We also face the challenges of expanding our market position as well as increasing and stabilising the gross margin and/or EBIT margin relating to the gross margin.

BIOGAS PRODUCT DIVERSIFICATION GIVEN SUPPORT BY LEGISLATIVE DRAFT PROPOSAL

The Federal Ministry for the Environment delivered a new draft proposal for the future biofuels strategy of the Federal Government on 25 July 2008. In VERBIO's opinion, the draft proposal contains a raft of positive suggestions. The most important changes are the focus on the use of waste materi-

als and the production of biogas along with ways of reducing greenhouse gases. This indicates that VERBIO is on the right path with the concept of biogas production in combination with Bioethanol. Critically for the biofuels industry, the quota is due to be lowered in 2009. It remains to be seen how the suggestions of the Ministry for the Environment will be put into legislation on 1 January 2009.

OUTLOOK – MARKET, INDUSTRY AND LEGISLATIVE ENVIRONMENT TO REMAIN VOLATILE

The VERBIO Management Board expects 2008 to be a volatile business year owing to the current negative industry and legislative situation. The measures we have introduced are showing initial signs of success in shoring up our ability to remain competitive.

The raw material markets remain unpredictable because of a variety of factors, making it hard to predict the long-term profitability of the biofuels industry.

The Management Board only expects an improvement in the general situation and that for VERBIO specifically once the EU Sustainability Ordinance is passed (scheduled for December 2008) and the government implements its new biofuels strategy. As the results of the IFEU study show, the VERBIO Group is already well positioned to fulfil the probable greenhouse gas reduction requirements.

RESPONSIBILITY STATEMENT

As the legal representatives of VERBIO, we declare that – 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 income, assets and financial situation of the Group, and the interim consolidated management report 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.

VERBIO Vereinigte BioEnergie AG
Leipzig, 14 August 2008
The Management Board

Interim Consolidated Financial Statements

at 30 June 2008

Consolidated Income Statement in accordance with IFRS

IN KEUR	01/04/-30/06/2008	01/04/-30/06/2007	01/01/-30/06/2008	01/01/-30/06/2007
1. Revenue including energy tax collected	176,514	102,101	304,142	206,634
Less: energy tax	-2,808	-1,443	-5,338	-2,867
Revenue	173,706	100,658	298,804	203,767
2. Change in unfinished and finished goods	-4,723	4,104	-2,596	3,652
3. Capitalized production of own plant and equipment	397	0	744	0
4. Cost of materials				
a) Raw materials, consumables and supplies	-145,489	-81,486	-232,935	-157,651
b) Purchased services	-4,073	-9,778	-26,371	-20,195
Gross Margin	19,818	13,498	37,646	29,573
5. Other operating income	4,836	1,617	6,135	3,272
6. Personnel expenses	-4,288	-4,018	-8,310	-7,286
7. Depreciation and amortisation	-2,955	-6,205	-5,530	-12,358
8. Other operating expenses	-9,554	-7,066	-19,734	-12,099
9. Operating result (EBIT) before commodity futures	7,857	-2,174	10,207	1,102
10. Result from commodity futures	-4,753	0	-6,366	0
11. Operating result (EBIT)	3,104	-2,174	3,841	1,102
12. Interest income	530	1,309	1,210	2,688
13. Interest expense	-1,153	-1,528	-2,881	-3,086
14. Financial result	-623	-219	-1,671	-398
15. Income (loss) before taxes (EBT)	2,481	-2,393	2,170	704
16. Income tax benefit (expense)	-769	-1,302	-1,822	-4,051
17. Income (loss) for the period	1,712	-3,695	348	-3,347
Earnings (loss) per share (basic and diluted)	0.03	-0.06	0.01	-0.05

Consolidated Balance Sheet in accordance with IFRS

ASSETS

IN KEUR	30/06/2008	31/12/2007
A. NON-CURRENT ASSETS		
I. Goodwill	155,655	155,655
II. Customer relationships	18,685	19,411
III. Other intangible assets	421	266
IV. Property, plant and equipment	99,022	99,921
V. Financial assets	1,300	1,268
VI. Deferred tax claims	1,521	667
Total non-current asset	276,604	277,188
B. CURRENT ASSETS		
I. Inventories	33,993	97,394
II. Trade receivables	58,606	52,164
III. Deferred tax assets	9,242	11,737
IV. Other assets	23,452	30,331
V. Derivatives	18,581	17,273
VI. Restricted cash balances	17,785	7,133
VII. Cash and cash equivalents	55,966	50,028
Total current assets	217,625	266,060
Total assets	494,229	543,248

LIABILITIES

IN KEUR	30/06/2008	31/12/2007
A. EQUITY		
I. Share capital	63,000	63,000
II. Additional paid-in capital	483,659	483,659
III. Fair value reserve	-4,635	4,908
IV. Reserve for treasury shares	-3,030	-1,131
V. Retained earnings	-231,311	-231,659
Total equity	307,683	318,777
B. NON-CURRENT LIABILITIES		
I. Provisions	598	578
II. Financial liabilities	19,962	24,286
III. Deferred investment grants and subsidies	11,420	11,138
IV. Other non-current liabilities	17,628	17,584
V. Deferred tax liabilities	3,109	2,276
Total non-current liabilities	52,717	55,862
C. CURRENT LIABILITIES		
I. Current tax liabilities	8,962	8,880
II. Other provisions	15,390	18,276
III. Financial liabilities	15,135	15,845
IV. Trade payables	32,631	36,927
V. Deferred investment grants and subsidies	1,768	1,745
VI. Other current liabilities	32,184	74,955
VII. Derivatives	27,759	11,981
Total current liabilities	133,829	168,609
Total equity and liabilities	494,229	543,248

Consolidated Cash Flow Statement in accordance with IFRS

IN KEUR	01/01/-30/06/2008	01/01/-30/06/2007
Net income for the period (in prior period: net loss)	348	-3,347
Income tax expense	1,822	4,051
Financial result	1,671	398
Depreciation and amortisation	5,530	12,358
Loss on disposal of non-current assets	131	14
Release of deferred investment grants and subsidies	-1,097	-1,643
Changes in derivatives with effect on income	3,031	-275
Decrease in inventories	63,401	11,652
Decrease (in prior period: increase) in trade payables	-6,443	-3,319
Decrease (in prior period: increase) in other assets	11,927	-2,933
Increase (in prior period: decrease) in provisions	-2,403	-6,099
Decrease in trade receivables	-3,641	-9,341
Increase (in prior period: decrease) in other liabilities	1,848	-798
Interest paid	-2,959	-2,403
Interest received	1,088	1,959
Income tax paid	-1,619	-3,541
Cash flows from operating activities	72,635	-3,267
Investments in time deposits	0	-24,990
Proceeds from the disposal of property, plant and equipment	65	28
Acquisition of property, plant and equipment	-4,692	-14,724
Acquisition of intangible assets	-221	-81
Cash flows from investing activities	-4,848	-39,767
Expenses of the initial public offering	0	94
Acquisition of treasury stock	-1,899	0
Payments on secured loans	-44,264	-8,018
Proceeds from assuming financial liabilities	0	1,638
Repayment of financial liabilities	-5,034	-20,737
Cash flows from financing activities	-51,197	-27,023
Net cash flows	16,590	-70,057
Cash funds at beginning of year	57,161	90,616
Cash funds at end of period	73,751	20,559

Consolidated Statement of Changes in Equity in accordance with IFRS

IN KEUR	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	RESERVE FOR TREASURY SHARES	RETAINED EARNINGS	TOTAL EQUITY
January 1, 2007	63,000	484,380	1,479	0	14,694	563,553
Revaluation of derivatives (after tax)	0	0	-1,506	0	0	-1,506
Expenses of raising capital (after tax) ¹	0	94	0	0	0	94
Income and expenses recorded directly to equity	0	94	-1,506	0	0	-1,412
Net loss for the period	0	0	0	0	-3,347	-3,347
Total income and expenses for the period	0	94	-1,506	0	-3,347	-4,759
June 30, 2007	63,000	484,474	-27	0	11,347	558,794
Revaluation of derivatives (after tax)	0	0	4,935	0	0	4,935
Expenses of raising capital (after tax) ¹	0	-815	0	0	0	-815
Income and expenses recorded directly to equity	0	-815	4,935	0	0	4,120
Net loss for the period	0	0	0	0	-243,006	-243,006
Total income and expenses for the period	0	-815	4,935	0	-243,006	-238,886
Acquisition of treasury stock	0	0	0	-1,131	0	-1,131
January 1, 2008	63,000	483,659	4,908	-1,131	-231,659	318,777
Revaluation of derivatives (after tax)	0	0	-9,543	0	0	-9,543
Income and expenses recorded directly to equity	0	0	-9,543	0	0	-9,543
Net income for the period	0	0	0	0	348	348
Total income and expenses for the period	0	0	-9,543	0	348	-9,195
Acquisition of treasury stock	0	0	0	-1,899	0	-1,899
June 30, 2008	63,000	483,659	-4,635	-3,030	-231,311	307,683

¹ Decrease in deferred taxes in connection with expenses of the initial public offering and the release of the liability for initial public offering costs

Notes on the interim consolidated financial statements in accordance with IFRS

ACCOUNTING AND VALUATION METHODS

The Group interim report as of 30 June 2008 with selected notes has been prepared in accordance with the accounting and valuation methods applied to draw up the IFRS consolidated financial statements of VERBIO Vereinigte BioEnergie AG for the period ending 31 December 2007. These interim consolidated financial statements do not include all the information required for the consolidated financial statements to the end of a business year and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2007.

The interim consolidated financial statements are presented in euros (EUR). Unless otherwise stated, all amounts are reported in thousands of euros (EUR thousand). Figures have been rounded and rounding differences are therefore possible.

ENTITIES INCLUDED IN THE CONSOLIDATION

There were no changes in the consolidated group during the period under review.

NOTES ON THE INDIVIDUAL ITEMS IN THE CONSOLIDATED INCOME STATEMENT

The presentation of the consolidated income statement has been altered as of 30 June 2008. Showing the gross margin (i.e. profit margin) and the operating result (EBIT) before commodity futures provides a clearer picture of the VERBIO Group's business dealings and gives readers more detailed information.

REVENUE

Revenue increased from EUR 203.8 million to EUR 298.8 million in the first half of 2008, up 46.6 per cent from the comparison period. The segment report in these notes contains information on the breakdown according to business segments.

OTHER OPERATING INCOME

Other operating income consists of the following items:

IN KEUR	01/01/- 30/06/2008	01/01/ - 30/06/2007
Release of provisions	3,000	0
Release of investment grants relating to current period	1,097	1,643
Miscellaneous	2,038	1,629
Other operating income	6,135	3,272

The retransfer of provisions amounting to EUR 3,000 thousand pertains to a retransfer from year-end 2007 connected with the investment project in Wismar.

COST OF MATERIALS

The majority material expenses related to the acquisition of raw materials, consumable and supplies. The cost of materials rate (cost of materials relating to sales, changes in unfinished and finished goods, and other capitalised production of own plant and equipment) was 87.3 percent in the first half of 2008 (HY1 2007: 85.7 percent). Please see the segment report in these notes for information on the breakdown according to business segments.

Outbound freight listed under the cost of materials until 31 December 2007 (HY1 2008: EUR 6,666 thousand; HY1 2007: EUR 4,564 thousand) is listed under other operating expenses in 2008 for the first time. Figures from the previous year have been adjusted accordingly.

PERSONNEL EXPENSES

As of 30 June 2008, VERBIO AG (Group) had a workforce of 368 employees (30/06/2007: 328), of which 136 were salaried employees (30/06/2007: 114) and 232 were industrial workers (30/06/2007: 214). There were also 21 apprentices (30/06/2007: 19 apprentices).

DEPRECIATION AND AMORTISATION

Compared with the prior-year period (01/01-30/06/2007), depreciation and amortisation fell by EUR 6,828 thousand to EUR 5,530 thousand. The change resulted mainly from the lack of depreciation on orders on hand and the subsequent impact from write-downs in the Bioethanol segment undertaken as of 31 December 2007.

OTHER OPERATING EXPENSES

Warehousing expenses are disclosed under other operating expenses owing to changes in purchasing conditions compared to the first half of 2007.

As noted in the 2007 year-end financial statement, a claim for damages amounting to EUR 3.4 million is pending against VERBIO Diesel Bitterfeld. The Management Board believes that the EUR 700 thousand allocation to provisions in Q2 2008 covers the resulting litigation risks.

OTHER OPERATING EXPENSES

IN KEUR	01/01/- 30/06/2008	01/01/- 30/06/2007
Outbound freight	6,666	4,564
Warehousing expenses	3,496	0
Repairs	2,380	1,841
Insurance and subscriptions	925	921
Litigation risks	700	0
Miscellaneous personnel expenses	640	644
Allocation to adjustment allowances and losses on receivables	557	80
Legal and consulting fees	528	483
Allocation to impending loss provision for pending sales contracts	485	0
Miscellaneous	3,357	3,566
Other operating expenses	19,734	12,099

The item "allocation to adjustment allowances and losses on receivables" contains an individual value adjustment relating to advance payments for inventories worth EUR 480 thousand listed under other current assets.

The "miscellaneous" item comprises, among others, automobile costs, rental, leases and advertising costs. The previous year has been adjusted accordingly.

RESULT FROM COMMODITY FUTURES

The result from the valuation of futures which do not qualify for hedge accounting as well as the ineffective portion of the futures which do qualify for hedge accounting amounts to EUR -6,366 thousand. In addition, the other reserves from the valuation of futures fell by EUR 9,543 thousand without an effect on profit and loss after consideration of deferred taxes (EUR 1,503 thousand) as they qualified as cash flow hedges.

INCOME TAX EXPENSE

Tax expenses for the period 1 January to 30 June 2008 amounting to EUR 1,822 thousand are made up as follows:

IN KEUR	01/01/-30/06/2008	01/01/-30/06/2007
Current tax expenses	-54	5.070
Deferred tax expenses (in prior period benefit)	1,876	-1,019
Income tax expense	1,822	4,051

EARNINGS PER SHARE

The earnings per share were calculated in accordance with IAS 33. For the calculation of the earnings per share, the earnings for the period were divided by the weighted average number of shares outstanding.

EARNINGS PER SHARE

	01/01/- 30/06/2008	01/01/- 30/06/2007
Result for the period (in EUR thousand)	348	-3,347
Weighted average number of shares outstanding during the period	62,029,889	63,000,000
Earnings per share in EUR	0.01	-0.05

The weighted average number of shares outstanding was calculated as follows:

	2008	2007
Issued shares on 1 January	62,627,702	63,000,000
Effect of treasury shares	-597,813	0
Weighted average number of shares outstanding as of 30 June	62,029,889	63,000,000

There is no dilution effect.

NOTES ON THE INDIVIDUAL ITEMS IN THE CONSOLIDATED BALANCE SHEET

Non-current assets

GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets include goodwill, customer relationships and software licences. Customer relationships are amortised over 15 years. Goodwill is subject to an annual impairment review in accordance with IAS 36.

PROPERTY, PLANT AND EQUIPMENT

After allowance for scheduled depreciation, property, plant and equipment increased in value particularly as a result of investments at the Schwedt/Oder and Zörbig sites.

FINANCIAL ASSETS

This item comprises a receivable of STS (nominal value) which has been deferred without interest charges until 31 December 2009 under consideration of accrued interest.

Current assets

INVENTORIES

IN KEUR	30/06/2008	31/12/2007
Raw materials, consumables and supplies		
Bioethanol production	24,881	50,102
Finished and unfinished products	9,112	11,674
Merchandise (grain)	0	35,618
Inventories	33,993	97,394

The reduction in inventories compared with 31 December 2007 is mainly due to the decrease in raw materials, consumables and supplies for biodiesel production and merchandise.

Write-downs (30/06/2008: EUR 4,003 thousand; 31/12/2007: EUR 13,570 thousand) were mainly undertaken on the stocks of raw materials for bioethanol production, amounting to EUR 3,856 thousand (31/12/2007: EUR 9,069 thousand). The EUR 9,567 thousand drop in write-downs is listed in the consolidated income statement under the item "cost of materials".

TRADE RECEIVABLES

Trade receivables amounted to EUR 58,606 thousand (31/12/2007: EUR 52,164 thousand) and are disclosed net after consideration of value adjustments totalling EUR 187 thousand (31/12/2007: EUR 222 thousand). The receivables have a residual term of less than one year.

DEFERRED TAX ASSETS

Deferred tax assets of EUR 9,242 thousand (31/12/2007: EUR 11,737 thousand) concern construction work withholding tax, corporate tax and trade tax.

OTHER ASSETS

IN KEUR	30/06/2008	31/12/2007
Investment subsidies	12,327	11,012
Security desposits resulting from security agreements and liability declaration	3,183	3,124
Security deposits for unrealized losses on commodity futures	2,868	1,060
Claims from security deposits to be reimbursed (customs office)	2,065	0
Value added tax receivable	369	4,300
Advanced payments for inventories	192	7,145
Other	2,448	3,690
Other assets	23,452	30,331

DERIVATIVES

In order to secure the supply of raw materials for Biodiesel production, derivatives are used in the form of futures contracts for vegetable oil to hedge against margin-damaging price levels and as a procurement instrument to secure access to the raw materials. As of the balance sheet date, the positive market value of these futures came to EUR 18,579 thousand with the negative market values amounting to EUR 3,608 thousand. These market values are recognised directly in equity.

Futures were used to hedge against falling prices from firm obligations for rapeseed. As of the balance sheet date, the negative market value came to EUR 2,868 thousand and was recognised in the result of commodity futures, affecting net income.

Hedging in the form of fixed diesel sales to counter variable diesel sales was undertaken to secure revenue from sales contracts linked to mineral diesel prices. The positive and negative market val-

ues of these swaps of EUR 2 thousand and EUR 21,283 thousand as of the balance sheet date were recognised directly in equity after deduction of non-effectiveness.

Shareholders' equity

Please see the consolidated statement of changes in equity as of 30 June 2008 for more details on the development of shareholders' equity at VERBIO AG.

OTHER RESERVES

Other reserves comprise the effective portion of changes in the fair value of futures qualifying as cash flow hedges which had not been realised as of 30 June 2008.

RESERVE FOR TREASURY SHARES

As of 30 June 2008, VERBIO had acquired 1,470,000 treasury shares at an average price of EUR 2.06 per share. Of this total, 1,112,519 shares were acquired during the period under review.

Non-current liabilities

PROVISIONS

Non-current provisions amounted to EUR 598 thousand as of 30 June 2008 (31/12/2007: EUR 578 thousand), with the majority (EUR 432 thousand; 31/12/2007: EUR 420 thousand) representing asset retirement obligations for wind power plants.

FINANCIAL LIABILITIES

Non-current financial liabilities relate exclusively to bank loans. These fell in comparison to 31 December 2007, mainly as a result of scheduled repayments.

ASSIGNED SECURITIES

Bank loans reported under financial liabilities are mainly collateralised by mortgages on company sites, assignment of inventories, technical facilities and machinery, vehicles and production and office equipment, as well as by pledging bank balances. Please see the detailed notes in the annual report for 2007 for further information.

DEFERRED INVESTMENT GRANTS AND SUBSIDIES

As of the reporting date, deferred investment grants and subsidies came to EUR 13.2 million (31/12/2007: EUR 12.9 million), with EUR 1.8 million being current and EUR 11.4 million non-current. Additions amounted to EUR 1.4 million in the first half of the year, with EUR 1.1 million retransferred in the current period.

OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are innovative financing instruments in the form of mezzanine capital.

Current liabilities

TAX LIABILITIES

Tax liabilities remain unchanged in comparison to 31 December 2007, mainly comprising trade tax obligations and construction work withholding tax.

OTHER PROVISIONS

IN KEUR	30/06/2008	31/12/2007
Investment grants	7,819	8,510
Impending for premium guaranties in connection with the energy crop program	5,293	5,293
Provision for impending losses	1,543	4,400
Litigation risks	700	0
Miscellaneous	35	73
Other provisions	15,390	18,276

Please refer to other operating expenses for more information on the litigation risks item.

Provision for other impending losses fell by EUR 3,000 thousand in Q2 2008 due to the abandonment of the Wismar investment project.

FINANCIAL LIABILITIES

Financial liabilities (bank loans) were reduced to EUR 15,135 thousand mainly owing to scheduled repayment (31/12/2007: EUR 15,845 thousand).

OTHER CURRENT LIABILITIES

IN KEUR	30/06/2008	31/12/2007
Liabilities from grain transactions	19,198	62,956
Realized losses on commodity forwards	4,712	669
Energy tax	2,106	1,725
Tax on sales	2,227	5,607
Miscellaneous	3,941	3,998
Other current liabilities	32,184	74,955

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash funds only include the cash and cash equivalents reported in the balance sheet. Operating cash flow amounted to EUR 72,635 thousand and was mainly influenced by a decrease in inventories of EUR 63,401 thousand, particularly due to a reduction in trading volumes of grain, as well as a drop of EUR 6,953 thousand in prepayments for inventories posted under other assets. The cash flow from investing activities (EUR -4,848 thousand) contains capital expenditure of EUR 4,692 thousand. The cash flow from financing activities (EUR -51,197 thousand) is mainly determined by disbursements from secured credit transactions relating to the decrease in grain trading volumes (EUR -44,264 thousand). Cash funds increased by EUR 16,590 thousand in the period 1 January to 30 June 2008, totalling 73,751 thousand at the end of the reporting period.

SEGMENT REPORT

The Group's risks and revenues are determined significantly by its business segments. Consequently, these form the primary segment reporting format. The VERBIO Group is divided on the basis of its internal organisation and management structure into the business segments of Biodiesel, Bioethanol, Energy and Other.

Regarding the positive overall position from revaluation of derivatives in the Biodiesel segment we refer to the comments on page 5 of the interim consolidated management report.

The following table contains segment revenues and results:

SEGMENT REVENUES AND RESULTS FOR THE PERIOD 1 JANUARY TO 30 JUNE 2008

	BODIESEL		BIOETHANOL		ENERGIE		OTHER		TOTAL	
IN KEUR	HY1 2008	HY1 2007	HY1 2008	HY1 2007	HY1 2008	HY1 2007	HY1 2008	HY1 2007	HY1 2008	HY1 2007
Revenue	208,487	133,126	76,349	57,411	10,806	12,293	3,162	937	298,804	203,767
Change in finished and unfinished products	2,182	-48	-4,778	3,700	0	0	0	0	-2,596	3,652
Capitalized production of own plant and equipment	155	0	589	0	0	0	0	0	744	0
Cost of materials	-191,800	-114,987	-58,471	-54,450	-7,535	-8,095	-1,500	-314	-259,306	-177,846
Gross Margin	19,024	18,091	13,689	6,661	3,271	4,198	1,662	623	37,646	29,573
Other operating income	1,245	1,164	4,376	1,096	416	1,014	98	-2	6,135	3,272
Personnel expenses	-3,942	-3,618	-3,406	-3,447	-73	-77	-889	-144	-8,310	-7,286
Depreciation and amortisation	-2,948	-5,025	-593	-5,922	-1,246	-1,249	-743	-162	-5,530	-12,358
Other operating expenses	-11,197	-6,836	-7,105	-4,326	-938	-851	-494	-86	-19,734	-12,099
EBIT before commodity futures	2,182	3,776	6,961	-5,938	1,430	3,035	-366	229	10,207	1,102
Result of commodity futures	-4,346	0	-2,020	0	0	0	0	0	-6,366	0
Segment result (EBIT)	-2,164	3,776	4,941	-5,938	1,430	3,035	-366	229	3,841	1,102
Interest income	795	2,154	352	352	52	170	11	12	1,210	2,688
Interest expense	-760	-1,622	-1,609	-970	-363	-456	-149	-38	-2,881	-3,086
Result before tax (EBT)	-2,129	4,308	3,684	-6,556	1,119	2,749	-504	203	2,170	704

The item "Other operating expenses" contains expenses for other taxes (EUR 50 thousand; comparison period: EUR 54 thousand).

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

Please refer to the information in the 2007 year-end financial statement regarding contingent liabilities.

On 11 May 2007 Rabobank International Frankfurt am Main issued a bond worth EUR 14,000 thousand for Märka GmbH on behalf of the Federal Agency for Agriculture and Food, which was reduced

by EUR 1,000 thousand to EUR 13,000 thousand by a writ issued on 14 March 2008. VERBIO AG committed to indemnify Radobank International against all claims, including secondary claims.

On 4 September 2007 Dresdner Bank AG granted VERBIO STS AG a secured line of credit of EUR 20,000 thousand, which ran until 31 December 2007. As of 31 December 2007, EUR 11,900 thousand of the secured line of credit had been utilised. The secured line of credit was extended until 31 December 2008 after being exhausted on 31 December 2007. VERBIO's fixed deposits with Dresdner Bank serve as security, which is pledged up to the amount of the credit used.

On 31 July 2007 VERBIO and Euler Hermes Kreditversicherungs-AG Hamburg agreed a fidelity agreement, whereby VERBIO, VERBIO Ethanol Zörbig (previously MBE) and VERBIO Ethanol Schwedt (previously NBE) were awarded a secured line of credit of EUR 10,000 thousand which relates to credit for customs and the Federal Agency for Agriculture and Food. VERBIO provided a deposit of EUR 3,000 thousand as security for all claims made by Euler Hermes Kreditversicherungs-AG Hamburg. As of 30 June 2008, EUR 5,073 thousand of the secured line of credit had been utilised.

LEASING AGREEMENTS

Additional financial obligations of EUR 28,045 thousand exist from various long-term leasing agreements of which EUR 14,666 thousand relate to the following year, EUR 6,907 thousand to the next one to five years and EUR 6,472 thousand for a period exceeding five years.

PURCHASE OBLIGATIONS

There are purchase obligations on the reporting date resulting from a service contract related to the acquisition of rapeseed oil. Prices have already been agreed yet for the parts still to be provided under the obligation. When future prices are agreed, they should be customary for the market and be based on MATIF price quotations. Using the MATIF future prices for August 2008 as available on 30 June 2008, there are purchase obligations for rapeseed totalling EUR 57,912 thousand.

ORDER OBLIGATION

As of 30 June 2008 there is an order obligation for investments amounting to EUR 1,486 thousand.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no significant events subsequent to the end of the reporting period.

Corporate bodies

Management Board

CLAUS SAUTER

Chief Executive Officer

DR.-ING. GEORG POLLERT

Chief Technology Officer

Deputy Chairman of the Board

MARTIN MEURER

Chief Financial Officer

Supervisory Board

ALEXANDER VON WITZLEBEN

Chairman of the Supervisory Board

PROF. DR. FRITZ VAHRENHOLT

Deputy Chairman of the Supervisory

Board

BERND SAUTER

Member of the Supervisory Board

Financial calendar

AUGUST 14, 2008 Publication of Interim Report Q1 + Q2 2008

NOVEMBER 14, 2008 Publication of Interim Report Q1 – Q3 2008

IMPORTANT NOTE

This interim financial report contains forward-looking statements which are based on assumptions and estimates by the company management of VERBIO Vereinigte BioEnergie AG. Even though the company management believes that these assumptions and estimates are correct, the actual future development and actual future results may deviate substantially from these assumptions and estimates due to many factors. For example, these factors can include changes in the economic situation, legal and regulatory constraints in Germany and the EU as well as changes in the industry. VERBIO assumes no liability and provides no warranty that future developments and actual future results will correspond to the assumptions and estimates expressed in this interim report.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Contact

INVESTOR RELATIONS

Anna-Maria Schneider

VERBIO Vereinigte BioEnergie AG

Augustusplatz 9, 04109 Leipzig

T +49 341 30 85 30-90

F +49 341 30 85 30-99

ir@verbio.de

www.verbio.de

Imprint

EDITOR VERBIO Vereinigte BioEnergie AG, Zörbig

Additional VERBIO reports are available on the homepage of the company. In case of divergence from the German version of the interim report 2008 the German version shall prevail.

CONCEPT AND DESIGN fischerAppelt, ziegler GmbH, Hamburg

IMAGES VERBIO

PRINT Dürmeyer GmbH, Hamburg

© 2008

