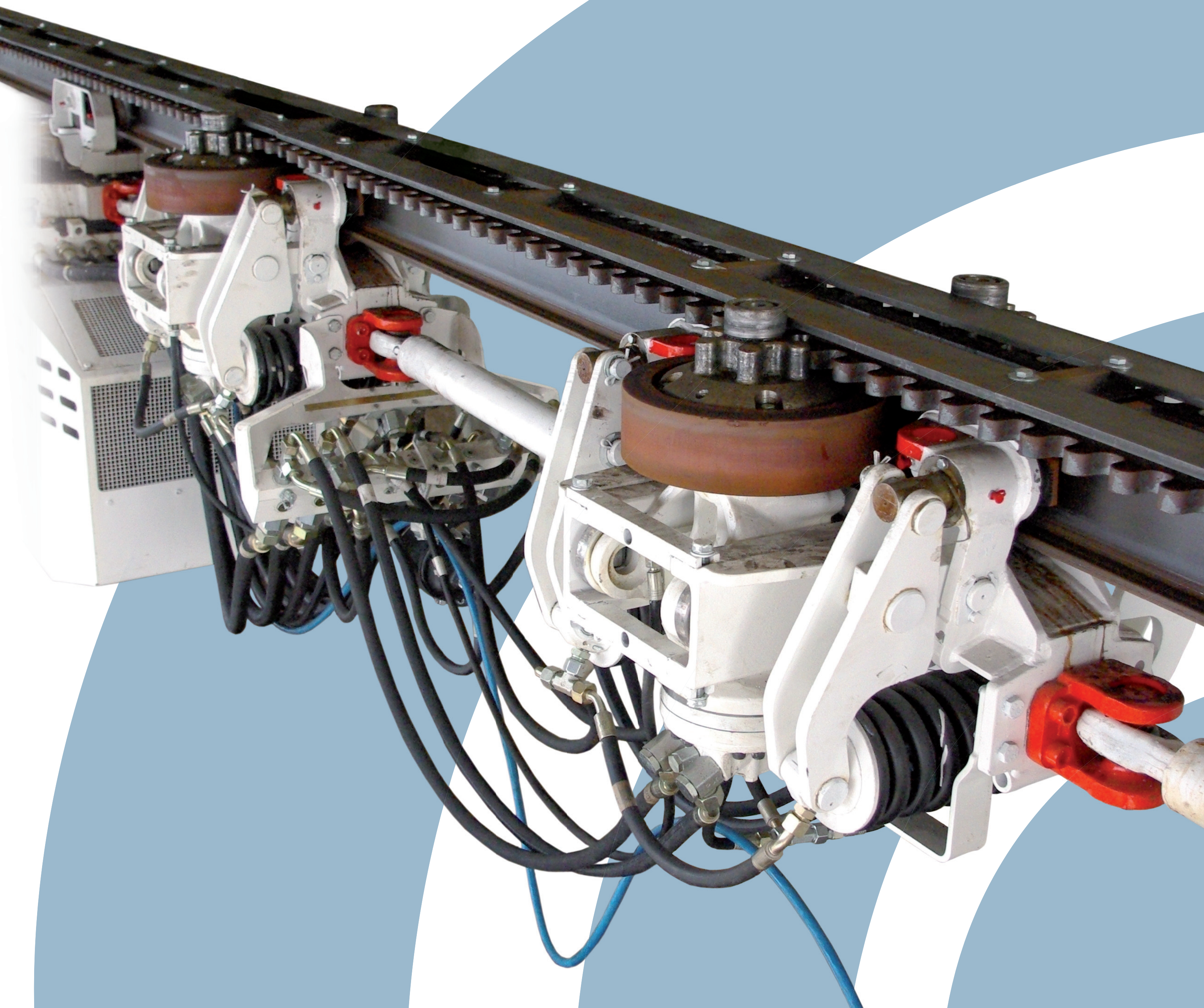
SCHARF
SOLUTIONS FOR MINING TRANSPORT

3-Month Report
01 Jan - 31 Mar 2010



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Summary of key data

(in € thousand)	01.01.2010-31.03.2010	01.01.2009-31.03.2009	Change
Revenue	8,786	12,153	-28%
Profit from operating activities (EBIT)	1,440	1,197	20%
EBIT margin	16.4%	9.8%	67%
Net income	971	832	17%
Employees	208	234	-11%

Introduction by the Managing Board

Dear shareholders and business partners,

The SMT Scharf Group significantly increased its profitability in Q1 2010 compared to the first quarter of the previous year. Despite lower revenue, the company was able to record clear profit growth. Consolidated revenue in the first three months of the current fiscal year totaled € 8.8 million after € 12.2 million in the previous year, down 28%. The high figures from the previous year were due, in particular, to the delivery of individual tranches of several major orders in South Africa during the period. Revenue in Russia and Poland was also lower than in the previous year in the period from January to March 2010. In contrast, the Chinese market continued to enjoy positive growth in the period under review. Non-German markets accounted for 86% of total revenue (previous year: 76%).

At the same time, EBIT improved to € 1.4 million compared to € 1.2 million in Q1 2009, up 20%. This caused the EBIT margin to increase to 16.4% compared to 9.8% in the first quarter of the previous year. This development was supported by lower other operating expenses and favorable developments in exchange rates. Consolidated earnings increased to € 1.0 million compared to € 0.8 million in the previous year.

SMT Scharf was able to record additional success at the start of the second quarter. The Group acquired two British mine suppliers, whose product ranges are closely linked to the SMT Scharf Group’s core business with rail-bound railway systems, both in terms of customers and technological content. The acquisition is expected to have a positive impact on the SMT Scharf Group’s earnings already in the current fiscal year.

It has not been possible to date to make a detailed forecast for the SMT Scharf Group’s revenue and earnings in fiscal year 2010, as it is very difficult to predict how our customers’ investments will pan out over the coming months. In general, our successfully continued expansion in 2009 and the acquisition of the two British companies reinforce our expectations that we will be able to further increase the SMT Scharf Group’s revenue and earnings on average over the coming years.

We would like to thank you, our investors, business partners and customers for the trust that you have placed in our company to date, and look forward to working together with you in future.

Yours sincerely,

Dr. Friedrich Trautwein   Heinrich Schulze-Buxloh

Management Report

Macroeconomic environment

Capital expenditure in the international mining sector, in particular for hard coal, is the key factor to impact the SMT Scharf Group's business. In turn, this capital expenditure is primarily influenced by global demand for commodities. In the fall of 2008, demand fell on many markets, because customer industries throttled their production as a result of the financial crisis and the developing recession. During the course of 2009, growth on the individual markets served by the SMT Scharf Group was varied. Although production and investments by mines increased again in some countries, such as China, these fell in other countries, such as Russia.

It is currently difficult to see how demand for commodities and investments by mines will develop in 2010. From today’s perspective, it looks as if the regional split in development seen in the previous year will continue in the first instance. It cannot yet be forecasted whether growth or stagnation trends from individual markets will dominate overall. However, an economic recovery is likely to return the mining sector to the on-track growth it enjoyed up to 2008. Countries such as China, India, Russia and South Africa will have increasing requirements for energy, steel and other metals in line with their continued economic growth. As a result, these will continue to be the markets with the strongest demand for the SMT Scharf Group’s products in the coming years. This is coupled with the fact that many mine operators will also specifically invest in technology to boost productivity in future. The SMT Scharf Group’s transport systems play a key role in this regard when it comes to transporting materials in underground mining operations.

Although hard coal mining in other countries is growing, this sector is shrinking in Germany as costs in Germany are high compared to those in other countries. SMT Scharf does not expect that the decision to terminate German hard coal mining by 2018 will be changed in 2012.

Order situation

The SMT Scharf Group continued to drive its international expansion in the first three months of 2010. The proportion of foreign revenue increased to 86% compared to 76% in the same period of the previous year. The order book totaled € 9.9 million on March 31, 2010, with 92% stemming from non-German markets. The previous year’s figure of € 19.7 million was extraordinarily high, as it included orders that had already been awarded in 2008 for delivery in 2009.

In absolute terms, revenue on foreign markets in the first quarter of 2010 was lower than the previous year’s figure. This was due to, in particular, the high figure from the South African market in 2009. SMT Scharf delivered individual tranches of several key orders in South Africa in the first quarter of 2009. There were no orders of a comparable scale in the current year to date. SMT Scharf believes that there continues to be major potential on the South African market over the medium term. For example, in January 2010 a South African mining company placed an order for the installation of a monorail hanging railway in one of its transverse shafts. This order is confirmation for SMT Scharf that it has positioned itself as a system provider for the delivery and installation of end-to-end railway systems. Revenue in Russia and Poland in the first quarter was also slightly lower than in the previous year. In Russia, the new year has seen a recovery in enquiries from customers, and also in SMT Scharf's order intake. The Chinese market continued to enjoy positive growth in the period under review.

In Germany, revenue in the first quarter of 2010 was lower than in the previous year, in line with expectations. This was due to the downturn in demand from the key account Deutsche Steinkohle AG and also the deconsolidation of SMT Scharf Saar GmbH. In March 2010, a creditor's meeting for this company approved the insolvency plan that the insolvency administrator had prepared based on the draft presented by the SMT Scharf Group. It is expected that the insolvency proceedings will be discontinued in the second quarter of 2010, and that SMT Scharf Saar GmbH will return to the group. This will not have any notable impact on the Group's revenue and earnings.

Research and development

During the first quarter of 2010, research and development activities focused on investigations into new types of drives. The diesel motors that SMT Scharf uses are based on motors that were originally developed for construction machines. As a result of the continuing changes in standards in this area, the SMT Scharf Group also has to constantly develop its motors. Further projects in the period under review included system components for floor-mounted railways and monorail hanging railways with rack-and-pinion drive systems, for example specific types of switches, and expanding the program for heavy duty lifting beams.

Human resources

As of March 31, 2010, the SMT Scharf Group had 208 employees, including 11 trainees, compared to 234 employees one year before. The number of employees in Germany fell from 167 to 129, in particular as a result of the deconsolidation of SMT Scharf Saar GmbH. In contrast, the number of employees at foreign locations increased to 79 (previous year: 67).

A total of 6,700 shares were sold to employees as part of an employee equity participation plan in March 2010.

Net assets, financial position and results of operations

As of March 31, 2010, the SMT Scharf Group's total assets amounted to € 45.4 million. This figure was thus up € 0.6 million compared to the end of 2009. Equity increased to € 25.6 million from € 23.0 million on December 31, 2009 as a result of the positive earnings for the period and the sale of 100,000 treasury shares to institutional investors. This corresponds to an equity ratio at the end of the period under review of 56% compared to 51% at the end of 2009. Advance work for orders that are to be delivered during the course of the year caused inventories to rise to € 8.8 million after € 7.5 million at the end of 2009. However, on the whole SMT Scharf was able to reduce its capital employed, as it succeeded in significantly reducing customer receivables. These fell to € 7.0 million, compared to € 10.4 million at the end of 2009.

Revenue in the first three months of 2010 totaled € 8.8 million, which was significantly lower than the previous year's figure of € 12.2 million. This coincided with an increase in inventories both in the Q1 2010 and Q1 2009 of around € 1.1 million. As a result of changes to the mix of products and orders the cost of materials decreased slightly compared to total operating revenue to 53% (previous year: 56%). The ratio of personnel expenses to total operating revenue could be held constant at 23% despite lower revenue. Other operating expenses and income items fell to 9% of total operating revenue (previous year: 13%). The primary influencing factors were favorable developments in exchange rates and a disproportionate downturn in sales expenses. As a result, in the first quarter of 2010, the EBIT margin (based on revenue) was 16.4% compared to 9.8% in Q1 2009. In absolute terms, EBIT lifted to € 1.4 million (previous year: € 1.2 million).

Net income for the first three months of 2010 totaled € 1.0 million, up on the previous year's figure (€ 0.8 million). The Group's tax rate remained practically unchanged at 29% compared to 30% in the same period of the previous year, although the tax rate for the German companies increased to 32.1% (previous year: 31.6%).

On March 31, 2010, cash and cash equivalents and marketable securities totaled € 17.9 million compared to € 15.0 million at the start of 2010. This was mostly due to the reduction in customer receivables.

SMT Scharf invested € 0.1 million in the first three months of 2010. Ongoing development projects, which had to be capitalized according to IAS 38, accounted for the bulk of this figure. At present, there are no major projects involving investments in property, plant and equipment.

Report on events after the balance sheet date

On May 4, 2010, SMT Scharf AG acquired a 100% interest in two British mining supply companies from Billington Holdings plc for around € 2.0 million: Dosco Overseas Engineering Ltd. is a specialist for roadheaders. The second company, Hollybank Engineering Co. Ltd. supplies underground roadway supports. The two companies, both located in Nottinghamshire, together recorded revenue of around € 14 million in 2009 with slightly negative earnings. Their main customers include the operators of coal and other mines as well as tunnel-building companies. By making this acquisition, SMT Scharf has added a new product range which is closely linked to its core business of rail-bound railway systems, both in terms of customers and also technological content. The Managing Board believes that the acquisition will already have a positive impact on the Group's earnings in the current year.

Outlook

The SMT Scharf Group's business is subject to a large number of external factors. The opportunities and risks associated with these factors are discussed in detail in the group management report for fiscal year 2009.

It is currently difficult to see how global demand for commodities and thus also investments by mines will develop during 2010. As a result of the outstanding stabilization of the international financial sector in almost all countries, SMT Scharf believes that it remains to be awaited to what extent the economic growth that experts have forecast for 2010 actually materializes, and if this then leads to an increased readiness to make investments. The SMT Scharf Group expects that the split development observed on its markets in the previous year will continue in 2010. It is not yet possible to predict whether the growth or stagnation trends from individual markets will dominate over the course of the year.

After the recession has been overcome, market watchers are expecting the international mining sector to return to the growth path enjoyed until 2008. This expansion was mostly driven by the increase in demand for energy commodities and metals as a result of industrialization in countries with a large population such as China and India. It is highly probable that this trend will become prominent again. The medium-term forecast growth rates on the commodities markets are between around 2% to 5% per year depending on the particular commodity and region. Market-watchers (Freedonia Group) are forecasting medium-term annual growth rates of 5% for global investments in mining technologies.

On the whole, 2009 was yet another year of successful international expansion for SMT Scharf. This development, the profit growth in Q1 2010 and the additional potential stemming from the acquisition of the two British companies have reinforced the Managing Board's expectations of being able to increase revenue and earnings on average over the coming years, despite the uncertainties in 2010.

Hamm, May 14, 2010

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in € thousand)	Notes	31.03.2010	31.03.2009	31.12.2009
Assets				
Inventories		8,822	13,436	7,535
Trade receivables		7,043	9,742	10,436
Other current receivables / assets		1,838	1,578	1,686
Deferred tax assets		342	434	419
Securities		1,647	925	1,743
Cash and cash equivalents		16,207	12,683	13,249
Current assets	(4)	**35,899**	**38,798**	**35,068**
Intangible assets		2,624	2,537	2,616
Property, plant and equipment		6,907	8,153	7,105
Non-current assets	(5)	**9,531**	**10,690**	**9,721**
Total assets		**45,430**	**49,488**	**44,789**
Equity and liabilities				
Current income tax		981	1,047	1,430
Other current provisions		4,003	4,501	4,136
Advance payments received		1,082	3,990	716
Trade payables		2,192	3,274	3,247
Other current liabilities		965	1,350	1,584
Current provisions and liabilities	(6)	**9,223**	**14,162**	**11,113**
Provisions for pensions		3,025	2,928	3,017
Other non-current provisions		1,327	830	1,344
Deferred tax liabilities		1,376	1,607	1,379
Non-current financial liabilities		4,899	4,871	4,892
Non-current provisions and liabilities	(6)	**10,627**	**10,236**	**10,632**
Subscribed capital		3,947	4,200	3,840
Share premium		7,614	9,517	6,661
Retained earnings		0	2,803	2,803
Profit brought forward		13,426	9,150	9,652
Currency translation difference		593	-580	88
Equity	(7)	**25,580**	**25,090**	**23,044**
Total equity and liabilities		**45,430**	**49,488**	**44,789**

Consolidated statement of comprehensive income

(in € thousand)	Notes	01.01.2010-31.03.2010	01.01.2009-31.03.2009
Revenue	(1)	8,786	12,153
Other operating income		689	386
Change in inventories		1,050	1,141
Cost of materials		5,204	7,430
Personnel expenses		2,310	2,999
Depreciation and amortization		367	317
Other operating expenses		1,205	1,737
Profit from operating activities (EBIT)		**1,439**	**1,197**
Interest income		43	94
Interest expenses		109	105
Financial result		**-66**	**-11**
Profit before tax		**1,373**	**1,186**
Income taxes	(2)	402	354
Net income	(3)	**971**	**832**
Currency difference from translation of foreign financial statements		505	-136
Comprehensive income		**1,476**	**696**

Consolidated cash flow statement

(in € thousand)	01.01.2010-31.03.2010	01.01.2009-31.03.2009
Net income	971	832
Depreciation and amortization	367	317
Gain / loss on the disposal of non-current assets	0	0
Changes in assets and liabilities items		
- Provisions	-143	20
- Taxes	-375	-652
- Inventories	-1,288	-973
- Receivables / other current assets	3,241	3,457
- Liabilities	-1,307	-6,298
Net cash flow from / used in operating activities	**1,466**	**-3,297**
Investments in non-current assets	-81	-190
Proceeds from the disposal of non-current assets	0	0
Net cash flow used in investing activities	**-81**	**-190**
Sale / acquisition of treasury shares	1,060	0
Hardship and social funds	42	15
Repayment of / proceeds from non-current financial liabilities	7	7
Net cash flow from / used in financing activities	**1,109**	**22**
Effect of changes in exchange rates and group composition on cash and cash equivalents	410	-50
Change in net financial position	**2,904**	**-3,515**
Net financial position – start of period*	14,221	16,272
Net financial position – end of period*	17,125	12,757

* Cash and cash equivalents and securities excluding hardship and social funds less current financial liabilities

Consolidated statement of changes in equity

(in € thousand)	Subscribed capital	Share premium	Retained earnings	Profit brought forward	Currency translation difference	Equity
Balance at Jan. 1, 2010	**3,840**	**6,661**	**2,803**	**9,652**	**88**	**23,044**
Reclassification			-2,803	2,803		0
Sale of treasury shares	107	953				1,060
Net income				971		971
Other changes					505	505
Balance at Mar. 31, 2010	**3,947**	**7,614**	**0**	**13,426**	**593**	**25,580**
Balance at Jan. 1, 2009	**4,200**	**9,517**	**2,803**	**8,318**	**-444**	**24,394**
Net income				832		832
Other changes					-136	-136
Balance at Mar. 31, 2009	**4,200**	**9,517**	**2,803**	**9,150**	**-580**	**25,090**

Notes

Methods

This financial report for the SMT Scharf Group as at March 31, 2010 was prepared in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and Interpretations (IFRIC) issued by the International Accounting Standards Board. The accounting policies used and the information included comply with IAS 34 (Interim Financial Reporting). The accounting and valuation policies and the calculation methods applied are the same as those used in the IFRS consolidated financial statements as at December 31, 2009, which were audited by the Group's auditors.

The interim financial statements present a true and fair view of the net assets, financial position and results of operations of the SMT Scharf Group for the period under review.

Consolidated group

The consolidated financial statements of the SMT Scharf Group include SMT Scharf AG as well as the following companies:

- SMT Scharf GmbH, Hamm, Germany
- SMT Scharf Polska Sp.z o.o., Tychy, Poland
- SMT Scharf Sales and Services GmbH, Hamm, Germany
- SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa
- SMT Scharf International OÜ, Tallinn, Estonia
- Scharf Mining Machinery (Beijing) Co. Ltd., Beijing, China
- OOO SMT Scharf, Novokuznetsk, Russian Federation
- Sareco Engineering (Pty.) Ltd., Brakpan, South Africa

In the previous year, SMT Scharf Saar GmbH was also included.

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

(in € thousand)	01.01.2010-31.03.2010	01.01.2009-31.03.2009
New equipment	4,750	6,620
Spare parts / service / other	4,036	5,533
Total	**8,786**	**12,153**
Germany	1,209	2,895
Other countries	7,577	9,258
Total	**8,786**	**12,153**

(2) Income taxes

Income taxes are composed of the following items:

(in € thousand)	01.01.2010-31.03.2010	01.01.2009-31.03.2009
Current tax expense	327	577
Deferred taxes	76	-223
Total	**403**	**354**

(3) Earnings per share

Diluted earnings per share correspond to basic earnings per share.

	01.01.2010-31.03.2010	01.01.2009-31.03.2009
Average number of shares	3,889,941	4,200,000
Earnings per share (in €)	0.25	0.20

Notes to the balance sheet

(4) Current assets

As of March 31, 2010 there were no trade receivables or other assets with a remaining term of more than one year – as was the case one year ago.

Securities and cash and cash equivalents as of March 31, 2010 include a hardship and social fund in the amount of € 729 thousand. This fund is managed in trust by a commission comprising the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as these two companies' works councils.

(5) Non-current assets

The SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recorded as leased assets under non-current assets. There were nine leased items as of March 31, 2010.

During the first quarter of 2010, € 53 thousand was capitalized as development expenses for three projects that fulfill the requirements of IAS 38.

(6) Liabilities

The mezzanine financing taken out in 2006 is reported as a non-current financial liability. This runs until 2013. Of the current liabilities, € 688 thousand have a remaining term of more than one year.

(7) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity. In order to increase transparency, the retained earnings and the profit brought forward were compounded to form a single item.

On March 31, 2010, 4,200,000 ordinary bearer shares of SMT Scharf AG had been issued in the form of no-par value shares with a notional interest of € 1 each. Of this total, SMT Scharf AG held 253,296 treasury shares. In February 2010, SMT Scharf AG sold 100,000 treasury shares to institutional investors. This was executed in parallel to the sale of the remaining shares from the previous major shareholders. In March 2010, 6,700 shares were issued to employees as part of an employee equity participation plan. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the company.

No dividend was paid during the first quarter of 2010 – as was the case in Q1 2009. The Ordinary General Meeting on April 14, 2010 resolved a dividend of € 0.70 per share, payable in April.

Other disclosures

(8) Contingent liabilities and other financial commitments

The company has no significant contingent liabilities that are unusual in the industry.

There are other financial liabilities in particular from rental and lease agreements for cars and photocopiers. The agreements have maturities of up to five years and in some cases include extension options and escalation clauses. In the period under review, payments amounting to € 78 thousand were recognized under other operating expenses for rental agreements and leases. The nominal amount of the future minimum payments from rental agreements and operating leases that cannot be terminated is as follows (by due date):

(in € thousand)	31.03.2010	31.03.2009	31.12.2009
Due within one year	286	240	266
Due in one to five years	244	320	268

(9) Supervisory and Managing Boards

The members of the Supervisory Board of SMT Scharf AG in the reporting period were:
Dr. Dirk Markus, Feldafing, CEO of Aurelius AG, (Chairman)
Florian Kawohl, Frankfurt/Main, Director Research, (Deputy Chairman)
Ulrich Radlmayr, Schondorf a. A., attorney, member of Aurelius AG's Managing Board.

Mr. Florian Kawohl left the Supervisory Board as of the end of the Ordinary General Meeting on April 14, 2010. The General Meeting elected Mr. Dipl.-Ing. Christian Dreyer as a new member of the Supervisory Board.

The members of the Managing Board of SMT Scharf AG in the reporting period were:
Dr. Friedrich Trautwein (CEO),
Heinrich Schulze-Buxloh.

On March 31, 2010, Dr. Trautwein held 64,400 shares of the company, and Mr. Schulze-Buxloh held 6,000 shares. The members of the Supervisory Board did not hold any shares.

(10) Related party disclosures

No services were procured from related parties within the meaning of IAS 24 during the first quarter. In addition, no services were provided to related parties.

(11) Financial instruments and financial risks

The SMT Scharf Group enters into derivative transactions in the form of currency forwards in particular to hedge currency risks. The Group does not trade in financial instruments, in accordance with its financial policy objectives. No fair value hedges were used in the period under review.

Please see the 2009 consolidated financial statements for information on the financial risks of the SMT Scharf Group’s business. No substantial changes occurred from January to March 2010.

Legal notice

This report contains future-related statements based on estimates of future trends on the part of the Managing Board. The statements and estimates have been made in view of all information available at present. Should the assumptions underlying such statements and estimates fail to materialize, actual results may differ from current expectations.

This report and the information contained therein do not constitute an offer for sale either in Germany or in any other country, nor do they constitute a demand to purchase securities of SMT Scharf AG, in particular if this type of offer or demand is prohibited or not authorized. Potential investors in shares of SMT Scharf AG must obtain information on any such restrictions and adhere to these.

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