



6-MONTH-REPORT

01 Jan - 30 Jun 2008



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Summary of key data

(in €thousand)	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007	Change
Revenue	17,966	18,842	- 5%
Profit from operating activities (EBIT)	1,545	2,515	- 39%
EBIT margin	8.6%	13.4%	- 36%
Net income	1,269	2,182	- 42%
Employees	251	247	+ 2%

Introduction by the Managing Board

Dear shareholders and business partners,

SMT Scharf AG continued its international expansion in the first half of 2008 steadily. This progress manifested itself in key orders that SMT Scharf acquired during the first six months. For example, a South African mining group ordered four trains in April. In China, one of the country's largest mining groups placed an order with SMT Scharf for the first time. In addition, during June SMT Scharf concluded its acquisition of Sareco Engineering, a South African mining chairlift manufacturer. Business with chairlifts is an excellent complement to rail-bound railways, as both are used under similar geological conditions.

SMT Scharf's consolidated revenues in the first six months of 2008 totaled €18.0 million, compared to €18.8 million last year. Foreign revenues were up 21% to €12.0 million, whereas revenues in Germany fell to a greater extent than had been anticipated. The downturn in Germany was due in particular to the interruption in operations at the RAG mine in the Saarland region after the earthquake on February 23. SMT Scharf provides ongoing services to this mine. The €12.0 million of foreign revenues were 67% of total revenues (previous year: 53%).

The interruption in operations at the RAG mine also depressed the SMT Scharf Group's earnings. In addition, there were also start-up costs for the Russian and Chinese foreign subsidiaries. As a result, EBIT fell to €1.5 million during the period under review, compared to €2.5 million in the previous year.

In 2008 and the coming years, the company is aiming to generate further growth in revenues and EBIT. However, it is still not yet possible to fully assess which impact the further development in mining in the Saarland region will have on SMT Scharf.

We would like to thank you – our investors, business partners and customers – for the trust you have placed in us to date, and look forward to proceed on our growth path together with you.

Yours sincerely,

Dr. Friedrich Trautwein

Heinrich Schulze-Buxloh

Management report

Macroeconomic environment

Capital investment in international mining, in particular in hard coal mining, has the most important impact on the SMT Scharf Group's business, which in turn is primarily impacted by global demand for commodities. The latter enjoyed positive growth in 2007 as was the case in previous years. This trend also continued in the first half of 2008 in countries that are undergoing strong economic growth, and which thus have increasing requirements for energy, steel and other metals. This was the case e. g. in China and Russia, and also, to the same extent, South Africa, India and other countries.

The strong demand for commodities is not the only force shaping the positive climate for capital expenditure among mine operators, in particular hard coal mine operators. The latter is also driven by many mine operators specifically investing in technologies to boost their productivity. The SMT Scharf Group's products 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. In 2007, Germany decided to discontinue hard coal mining by 2018 in the *Steinkohlefinanzierungsgesetz* (German Hard Coal Financing Act). At present, SMT Scharf does not believe that this decision will be changed in 2012, but rather it is anticipating a downturn in business in Germany through to 2018 that parallels the reduction in quantities being mined. The company aims to more than compensate for these further downturns in its German business via a rapid expansion into growing foreign markets. The funds from the IPO provide solid foundations to continue SMT Scharf's internationalization strategy, which it commenced several years ago.

Order situation

SMT Scharf AG continued its international expansion in the first six months of 2008, which can be seen in both the geographic sales breakdown as well as in its order book: Thanks to the strong growth outside Germany, the proportion of foreign revenues increased to 67% in the first six months and to 69% in the second quarter alone. The order book totaled €18.3 million on June 30, 2008, with 86% stemming from non-German markets. The downturn in Germany was substantially stronger than had been expected after an earthquake in the Saarland region on February 23, 2008 which was traced to a hard coal mine being operated in this region. As a result, SMT Scharf's customer in the Saarland region temporarily closed its mine and also discontinued deliveries from SMT Scharf. This interruption is also reflected in the downturn in service revenues in the first six months to €11.2 million (previous year: €12.7 million). The Saarland mine recommenced its operations in June, with the result that SMT Scharf was able to start making deliveries again.

The company acquired several significant orders from foreign countries during the first six months of the new fiscal year. Most prominently, these include the first order for SMT Scharf's newly developed rack-and-pinion railway with a volume of more than €1 million, as

announced in May. The customer, a Russian mine operator, will use the railway in its hard coal mine.

The SMT Scharf Group also received a large order in April consisting of four electric monorail hanging railways from a South African mining group. This order has a volume of more than €4 million. The customer currently has twelve SMT Scharf railways in operation in its mines. The new train formations are expected to be shipped successively from the fall of 2008. They will then be taken into operation in 2008 and 2009 in a newly developed extraction field of an ore mine in the greater Johannesburg region.

SMT Scharf also expanded successfully in other countries. Mine operators in both Ukraine and China which are among the leading companies in their respective markets placed initial orders with our company.

Research and development

In the first six months of 2008, as was the case in the previous year, ongoing research and development activities focused on further developing drive technology as well as the standardization and value analysis of the product range. In this context, we conducted value analyses of several competitors' products during the second quarter. In addition, SMT Scharf received the European (EU) license to use a modernized series of marshalling engines in areas with explosive atmosphere.

Human resources

As of June 30, 2008, the SMT Scharf Group had a total of 251 employees, of which 11 were trainees (June 30, 2007: 247 employees). The number of employees at both German facilities fell to 196 from 217 employees. In contrast, the number of employees at foreign facilities increased to 55 (previous year: 30). This is due roughly 50:50 to the expansion of the branches in China and Russia and the Sareco acquisition.

The management and works council of SMT Scharf Saar GmbH agreed to an arbitration procedure which is to set out the conditions for the staff cuts SMT Scharf intends to make at its Neunkirchen facility. The company believes that such cuts are necessary as a result of the faster than previously expected downturn in mining in the Saarland region after the earthquake there.

Net assets, financial position and results of operations

Net assets

On June 30, 2008, the SMT Scharf Group's total assets were €46.3 million which is €2.0 million higher than at the end of 2007. The balance sheet structure also remained mostly constant. At the end of the first half of 2008, the equity ratio was 46% (56% including mezzanine financing), compared to 51% at the start of the year (62% including mezzanine financing). Inventories increased substantially as of June 30, 2008 to €11.8 million (up €3.2 million). The main reason was advance purchasing for orders that are to be realized during the course of the year. This is linked to an increase in advance payments from customers by €3.7 million thus reaching €4.2 million. It was possible to reduce trade receivables by €1.3

million to €8.8 million upon the balance sheet date. Non-current intangible assets increased to €2.5 million from €1.0 million, with the capitalization of goodwill from the Sareco acquisition having a major impact in this regard.

Earnings

In the first half of 2008, revenue and total output were down slightly compared to the previous year. Revenue totaled €18.0 million (previous year: €18.8 million), and total output including changes in inventories totaled €19.7 million (previous year: €20.4 million). The cost of materials in the first six months amounted to €9.9 million, or 50% of total output (previous year: €46%). This was primarily due to changes in the product and order mix. The downturn in personnel expenses to 30% of total output (previous year: 32%) was not able to compensate for this. Other operating expenses increased temporarily as a result of the foreign expansion to 15% of total output (previous year: 11%). This growth is primarily due to higher selling costs, such as freight and commission.

The interrupted operations in the RAG mine in the Saarland region after the earthquake on February 23 also depressed revenues and earnings in the second quarter of 2008. Deliveries to this customer, which continues to be a key account, only started again in June; however, SMT Scharf was able to reduce its costs slightly by temporarily reducing working hours. The EBIT margin in the second quarter totaled 9.4%, in line with the previous year's figure, after being significantly lower than the previous year's figure in the first quarter at 7.8%. The EBIT margin in the first half of 2008 is thus 8.6%, compared to 13.4% in H1 2007.

Net income in the first six months of 2008 totaled €1.3 million. The previous year's figure of €2.2 million was particularly high as a result of the capitalization of deferred taxes in connection with the IPO.

Financial position

Cash and cash equivalents at the end of the period under review totaled €11.0 million and were thus only around €0.6 million lower than at the start of the year despite a dividend payment of €2.9 million and the payment of the purchase price for the Sareco acquisition.

Investments

During the first half of 2008, SMT Scharf made investments totaling €2.2 million. Of this total, €1.9 million related to the Sareco acquisition. The rest was due to the capitalization of development expenses and several smaller replacement and rationalization investments. At present, there are no major projects involving investments in property, plant and equipment.

Opportunities and risks

SMT Scharf AG's opportunities and risks are discussed in detail in the group management report for financial year 2007. No notable changes occurred during the first half of 2008.

Report on events after the balance sheet date

SMT Scharf sold part of its property in Neunkirchen (Saarland) which in future will no longer be required for operations this month. Ownership is scheduled to be transferred in the fourth quarter of 2008.

In August, SMT Scharf also received a further order for its rack-and-pinion railway that it developed last year. The first order from a Russian customer was received back in May, and the operator of another hard coal mine in Russia has now also decided to use this technology. The railways are to transport heavy roof support units on inclines of up to 30 degrees. The order for the delivery of two train formations, rails and additional equipment is worth more than €2 million.

Outlook

SMT Scharf AG's Managing Board has confirmed its expectations for continued positive business for the remainder of the fiscal year. The downturn in the German mining sector is offset by strong foreign demand. In 2008 and the years thereafter SMT Scharf is aiming to generate further growth in its revenues and EBIT. However, it is still not yet possible to fully assess which impact the further development in mining in the Saarland region will have on SMT Scharf.

Hamm, August 15, 2008

SMT Scharf AG

The Managing Board

IFRS semi-annual financial statements (unaudited)

Consolidated balance sheet

(in € thousand)	Notes	30.06.2008	30.06.2007	31.12.2007
Assets				
Inventories		11,775	10,775	8,604
Trade receivables	(3)	8,813	6,732	10,151
Other current receivables/assets	(3)	2,197	767	2,560
Deferred tax assets		292	0	344
Securities	(4)	874	618	740
Cash and cash equivalents	(4)	11,027	9,509	11,567
Current assets		34,978	28,401	33,966
Intangible assets		2,476	867	970
Property, plant and equipment		8,854	9,728	9,319
Non-current financial assets		2	0	0
Deferred tax assets		0	530	0
Non-current assets	(5)	11,332	11,125	10,289
Total assets		46,310	39,526	44,255
Equity and liabilities				
Other current provisions		4,284	4,318	4,828
Current income taxes		1,342	24	1,271
Advance payments received		4,202	2,216	496
Current financial liabilities	(6)	0	0	49
Trade payables	(6)	2,808	1,765	2,943
Other current liabilities	(6)	1,700	1,230	1,455
Deferred tax liabilities		116	0	0
Current provisions and liabilities		14,452	9,553	11,042
Provisions for pensions		3,088	2,778	2,763
Other non-current provisions		708	921	791
Deferred tax liabilities		1,924	2,729	2,090
Non-current financial liabilities	(6)	4,852	4,827	4,839
Non-current provisions and liabilities		10,572	11,255	10,483
Subscribed capital		4,200	4,200	4,200
Share premium		9,517	9,519	9,517
Retained earnings		5,839	2,803	2,803
Profit brought forward		1,269	2,182	5,976
Currency translation difference		461	14	234
Equity	(7)	21,286	18,718	22,730
Total equity and liabilities		46,310	39,526	44,255

Consolidated income statement

(in € thousand)	Notes	01.04.2008- 30.06.2008	01.04.2007- 30.06.2007	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
Revenue	(1)	8,999	9,773	17,966	18,842
Other operating income		815	337	1,128	848
Changes in inventories		916	912	1,776	1,558
Cost of materials		4,778	5,169	9,876	9,405
Personnel expenses		2,951	3,291	5,979	6,531
Depreciation and amortization		308	301	578	590
Other operating expenses		1,845	1,357	2,892	2,207
Profit from operating activities (EBIT)		848	904	1,545	2,515
Interest income		108	77	221	108
Interest expenses		104	122	211	231
Financial result		4	-45	10	-123
Profit before tax		852	859	1,555	2,392
Income taxes	(2)	54	-261	286	210
Net income		798	1,120	1,269	2,182
Earnings per share (in €) *					
Basic		0.19	0.27	0.30	0.61
Diluted		0.19	0.27	0.30	0.61

* Based on an average of 4,200,000 shares (April 1, 2008 – June 30, 2008 and January 1, 2008 – June 30, 2008) and 4,173,626 shares (April 1, 2007 – June 30, 2007) and 3,590,055 shares (January 1, 2007 to June 30, 2007) respectively

Consolidated cash flow statement

(in € thousand)	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
Net income	1,269	2,182
Depreciation and amortization	578	591
Loss on the disposal of intangible assets and property, plant and equipment	25	0
Changes in assets and liabilities items		
- Changes in provisions	-302	-316
- Changes in taxes	73	-5,163
- Changes in inventories	-3,171	-1,361
- Changes in receivables/other assets	1,701	143
- Change in liabilities	3,816	1,592
Net cash flows from/used in operating activities	3,989	-2,332
Investments in intangible assets and property, plant and equipment	-227	-654
Proceeds from the disposal of intangible assets and property, plant and equipment	92	0
Acquisition	-1,944	0
Current assets acquired in the acquisition	946	0
Liabilities acquired in the acquisition	-513	0
Net cash flows used in investing activities	-1,646	-654
IPO	0	11,400
Deduction of IPO costs from equity	0	-681
Dividend	-2,940	0
Hardship and social funds	57	14
Repayment of/proceeds from non-current financial liabilities	13	1
Net cash flows from/used in financing activities	-2,870	10,734
Effect of exchange rate changes and changes in consolidated group structure	227	34
Net change in net financial position	-300	7,782
Net financial position – start of period*	11,291	1,401
Net financial position – end of period*	10,991	9,183

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

Consolidated statement of changes in equity

(in € thousand)	Subscribed capital	Share premium	Retained earnings	Profit/loss brought forward	Currency translation difference	Total equity
Balance at 01.01.2008	4,200	9,517	2,803	5,976	234	22,730
Reclassification			5,976	-5,976		0
Net income				1,269		1,269
Dividend			-2,940			-2,940
Other changes					227	227
Balance at 30.06.2008	4,200	9,517	5,839	1,269	461	21,286
Balance at 01.01.2007	3,000	0	1,092	1,711	-20	5,783
Reclassification			1,711	-1,711		0
Capital increase	1,200	10,200				11,400
Costs of capital increase		-998				-998
Deferred taxes		317				317
Net income				2,182		2,182
Other changes					34	34
Balance at 30.06.2007	4,200	9,519	2,803	2,182	14	18,718

Notes

Methods

This financial report for the SMT Scharf Group as at June 30, 2008 was prepared in accordance with the International Financial Reporting Standards (IFRS), 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 dated December 31, 2007, which were audited by the Group's auditors.

One order was processed during the period under review – as in the previous year's period – that is to be accounted for as a construction contract within the meaning of IAS 11.

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. They were not subject to an auditor's 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 Saar GmbH, Neunkirchen, Germany
- SMT Scharf Sales and Services GmbH, Hamm, Germany
- SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa
- SMT Scharf International OÜ, Tallinn, Estonia
- SMT Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China
- SMT Scharf OOO, Moscow, Russia
- Sareco Engineering (Pty.) Ltd., Brakpan, South Africa

Sareco Engineering, in which a 100% interest was acquired, is consolidated since June 30, 2008. As a result, this does not impact the SMT Scharf Group's revenues and earnings in the period under review. In practice it is not possible to disclose pro forma revenues and earnings within the meaning of IFRS 3.70 as the acquired company has a different fiscal year.

Notes to the income statement

(1) Revenue

Revenue in the first six months includes €1,122 thousand from a contract which is to be accounted for in accordance with IAS 11. Deliveries for this contract were finished after June 30, 2008. Revenue is composed of the following items:

(in €thousand)	01.04.2008- 30.06.2008	01.04.2007- 30.06.2007	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
Sale of new equipment	3,305	3,431	6,816	6,100
Spare parts/service/other	5,694	6,342	11,150	12,742
Total	8,999	9,773	17,966	18,842
Germany	2,806	4,535	5,941	8,870
Other countries	6,193	5,238	12,025	9,972
Total	8,999	9,773	17,966	18,842

(2) Income taxes

Income taxes are composed of the following items:

(in €thousand)	01.04.2008- 30.06.2008	01.04.2007- 30.06.2007	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
Current tax expense	218	33	451	684
Thereof current income tax expense for the period	218	33	451	614
Thereof restatement of current income taxes incurred in prior periods	0	0	0	70
Deferred taxes	-166	-294	-167	-474
Thereof creation or reversal of temporary differences	-166	-294	-167	-474
Total	52	-261	284	210

Notes to the balance sheet

(3) Receivables and other assets

As of June 30, 2008 there were no trade receivables or other current assets with a remaining term of more than one year – as was the case one year ago. Trade receivables include PoC receivables totaling €337 thousand.

(4) Securities and cash and cash equivalents

Securities and cash and cash equivalents as of June 30, 2008 include a hardship and social fund in the amount of €910 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) Intangible assets and property, plant and equipment

The SMT Scharf Group leases internally developed diesel cats as a lessor. These are recorded as leased assets under non-current assets. There were two leased items as of June 30, 2008.

During the first half of the year, development costs totaling € 157 thousand were capitalized for a project which fulfills the requirements of IAS 38. € 124 thousand of this amount relates to personnel expenses and € 33 thousand to purchased services. These were eliminated in the relevant period.

Non-current assets totaling € 323 thousand were acquired as part of the Sareco acquisition. The amount by which the purchase price, which was paid in cash, exceeded the balance of the acquired company's assets and liabilities - calculated in accordance with IFRS 3 - was capitalized as goodwill.

(6) Liabilities

The mezzanine financing issued in 2006 is reported as a non-current financial liability. This runs until 2013. Of the current liabilities – as was the case in the previous year – none have a remaining term of more than one year. Trade payables include PoC liabilities totaling € 303 thousand.

(7) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity.

On June 30, 2008, 4,200,000 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par value shares with a notional interest of € 1 each. Of these shares, 1,200,000 are from the capital increase implemented on April 3, 2007. All shares are fully paid up. SMT Scharf AG does not hold any treasury shares.

Retained earnings contain prior-period profits generated by the Group, to the extent that they were not distributed. In the period under review, based on a resolution by the Ordinary General Meeting on April 10, 2008, SMT Scharf paid a dividend of € 0.70 per share.

No stock options have been granted to members of the Supervisory or Managing Boards or employees of the company.

Other disclosures

(8) Contingent liabilities and other financial commitments

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

In addition to liabilities, provisions and contingent liabilities, the company has other financial obligations from rental and lease payments for cars and copiers in particular. The agreements have maturities of up to five years and in some cases include extension options

and escalation clauses. As part of the rental and leasing agreements, payments totaling € 89 thousand were carried under other operating expenses in the first six months.

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)	30.06.2008	30.06.2007	31.12.2007
Due within one year	124	85	210
Due in one to five years	48	83	29
Due after more than five years	0	0	0

(9) Managing and Supervisory 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., lawyer, member of Aurelius AG's Managing Board.

The members of the Managing Board of SMT Scharf AG in the reporting period were:

Dr. Friedrich Trautwein (CEO),

Heinrich Schulze-Buxloh.

On June 30, 2008 the member of the Supervisory Board Dr. Markus held 1,000 shares of the company and the Managing Board members Dr. Trautwein and Mr. Schulze-Buxloh held 39,400 and 5000 shares of the company respectively.

(10) Related party disclosures

No services were procured from related parties within the meaning of IAS 24 during the period under review. 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 cash flow or fair value hedges were used in the period under review.

Please see the 2007 consolidated financial statements for information on the financial risks of the SMT Scharf Group's business. No notable changes occurred from January to June 2008.

Responsibility statement

To the best of our knowledge, we declare that, according to the principles of proper consolidated interim reporting applied, the consolidated interim financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, that the consolidated interim management report presents the company's business including the results and the Group's position such as to provide a true and fair view and that the major opportunities and risks of the Group's anticipated growth for the remaining financial year are described.

Hamm, August 15, 2008

SMT Scharf AG

The Managing Board

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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