



3-MONTH REPORT

01 Jan - 31 Mar 2008



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Summary of key data

(in € thousand)	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007	Change
Revenue	8,967	9,069	-1 %
Profit from operating activities (EBIT)	697	1,611	-57 %
EBIT margin	7.8 %	17.8 %	-56 %
Net income	471	1,062	-56 %
Employees	236	249	-5 %

Introduction by the Managing Board

Ladies and gentlemen, dear shareholders,

SMT Scharf AG continued its international expansion at the start of 2008. The first quarter is traditionally weak, yet it enjoyed revenues of € 9.0 million compared to € 9.1 million last year (-1 %). Foreign revenues increased by 23 % to € 5.8 million. This means that the percentage of income generated abroad lifted to 65 %, after totaling 52 % in the first quarter of 2007.

Earnings in the first quarter were depressed in particular by the temporary closure of the RAG mine in Germany's Saarland region after the earthquake on February 23, start-up costs for the Russian and Chinese branches and delays in processing a project. As a result, EBIT fell 57 % from € 1.6 million to € 0.7 million. Net income thus totaled € 0.5 million in the period under review (previous year: € 1.1 million).

SMT Scharf AG continues to drive the internationalization of its business in 2008 with vigor, and is making the scheduled progress. For example, after the end of the first quarter, we received the first order from Russia for our newly developed rack-and-pinion railway, which was presented to the professional public for the first time in November 2007. This order, which has a volume of slightly more than € 1 million, is a positive signal for the interest being shown by international mine operators in this innovative railway, and for possible further orders.

On the whole, in 2008 and the coming years, the company is aiming to generate further growth in revenues and EBIT. However, it is 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 hope that you will continue to support SMT Scharf AG.

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 quarter of 2008 in countries that are undergoing strong economic growth, and which thus have increasing requirements for energy, steel and other metals. This is the case in China and Russia, as well as in 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 transport 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 will continue to be of great service to SMT Scharf in this regard. The group will use them to continue its internationalization that it already embarked on several years ago.

Order situation

SMT Scharf AG continued its international expansion at the start of 2008. Consolidated revenues in the first quarter totaled € 9.0 million (previous year: € 9.1 million). Foreign revenues increased by 23 % to € 5.8 million, whereas revenues in Germany fell by 28 %. The downturn in Germany was stronger than had been expected, as there was an earthquake in the Saarland region on February 23, which was traced to the 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 to € 5.5 million (previous year: € 6.4 million).

As a result of the downturn in Germany and the further international expansion, the proportion of foreign revenues increased to 65 %, after totaling just 52 % in the first quarter of 2006. The order book also reflects the further internationalization. At the end of the period under review, the order book totaled € 8.9 million, with 67 % of this total stemming from markets outside of Germany.

Research and development

As was the case in the previous year, the ongoing R&D work focuses on drive technology as well as the standardization and value analysis of the product range. SMT Scharf has now received European approval for its rack-and-pinion railway, which it presented to the specialist public for the first time in November at the CHINA COAL & MINING EXPO 2007 trade fair.

Human resources

As of March 31, 2008, the SMT Scharf Group had a total of 236 employees, of which 14 were trainees (March 31, 2007: 249 employees). The year-on-year downturn relates to the two German facilities. The number of employees in Germany fell from 223 to 195. In contrast, the number of employees at foreign facilities increased to 41 (previous year: 26).

As part of an employee equity participation program, a total of 11,700 shares were sold to employees in February and March 2008. SMT Scharf previously acquired these shares on the stock exchange in line with the provisions of Regulation (EC) No. 2273/2003.

Net assets, financial position and results of operations

Net assets

The SMT Scharf Group's total assets increased slightly as of March 31, 2008 to € 45.5 million (+ € 1.3 million compared to December 31, 2007). The balance sheet structure also remained mostly constant in the period under review. On March 31, 2008 the equity ratio was 51 % (incl. mezzanine financing 62 %) – in line with the figures at the start of 2008. Inventories increased substantially during the period under review to € 10.2 million (+ € 1.6 million), which was almost as high as the previous year's figure (€ 10.4 million). The main reason was advance purchasing for orders that are to be realized during the course of the year. This was offset in part by an increase in trade payables of € 0.5 million. As a result of the simultaneous downturn in customer receivables and other receivables by a joint total of € 0.7 million working capital only increased slightly.

Earnings

Revenues and total output during the first quarter of 2008 were at around the previous year's level. Revenues totaled € 9.0 million (previous year: € 9.1 million) and total output including the changes in inventories totaled € 9.8 million (previous year: € 9.7 million). Other operating income fell to € 0.3 million from € 0.5 million, with the previous year's figure including income from the sale of a property no longer required. Cost of materials amounted to € 5.1 million, or 52 % of total output (previous year: 44 %). Personnel expenses accounted for 31 % of total output (previous year: 33 %) and other operating expenses accounted for 11 % (previous year: 9 %).

Earnings were depressed in particular by the disruption to operations at the RAG mine in Germany's Saarland region after the earthquake on February 23. As a result of this earthquake, SMT Scharf lost one month's revenues with this customer, who is still key, while cost-side countermeasures, in particular working reduced hours, could only be introduced

with effect from the end of March. In addition, the costs for setting up the new branches in China and Russia and additional costs resulting from the delay to a key project had a negative impact.

Financial position

Cash and cash equivalents totaled € 12.1 million at the end of the period under review and were thus up € 0.6 million compared to the start of the year. This increase is primarily due to the positive net income. Working capital increased slightly by € 0.1 million. Although inventories increased significantly by € 1.6 million, the capital tied up in receivables net of liabilities fell by almost the same amount. Non-current assets were reduced slightly because depreciation and amortization were higher than new capital expenditures.

Investments

During the first three months of fiscal year 2008, SMT Scharf made investments totaling € 0.1 million; these relate to the capitalization of expenses for the development and approval of the rack-and-pinion railway as well as several smaller investments to replace and rationalize assets. 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 quarter of 2008.

Report on events after the balance sheet date

The ordinary general meeting of SMT Scharf AG, which was held on April 10, 2008, resolved to distribute a dividend of € 0.70 per share.

In April 2008, SMT Scharf received a major order from a South African mining company for four electrically driven monorail hanging railways with a total volume of more than € 4 million. Because this customer has already been successfully running SMT Scharf train formations in several of its mines during the last ten years, it decided to deploy these systems again. The customer already 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.

In addition, after the end of the quarter, SMT Scharf received an initial order from Russia for its newly developed rack-and-pinion railway, which it presented to the specialist public for the first time in November. The customer will use the train in a hard coal mine in Russia, where it will be used, in particular, to transport heavy roof support units at inclines of up to 30°. This customer already uses SMT Scharf's monorail hanging railways in three of its mines.

Outlook

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

Hamm, May 16, 2008

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in € thousand)	Notes	31.03.2008	31.03.2007	31.12.2007
Assets				
Inventories		10,183	10,396	8,604
Trade receivables	(3)	9,961	7,364	10,151
Other current receivables/assets	(3)	2,030	1,036	2,560
Deferred tax assets		242	0	344
Securities	(4)	843	562	740
Cash and cash equivalents	(4)	12,121	807	11,567
Current assets		35,380	20,165	33,966
Intangible assets	(5)	1,014	683	970
Property, plant and equipment	(5)	9,105	9,702	9,319
Deferred tax assets		0	181	0
Non-current assets		10,119	10,566	10,289
Total assets		45,499	30,731	44,255
Equity and liabilities				
Other current provisions		4,569	4,796	4,828
Current income taxes		1,425	2,066	1,271
Advance payments received		714	2,475	496
Current financial liabilities	(6)	17	615	49
Trade payables	(6)	3,415	1,636	2,943
Other current liabilities	(6)	1,480	999	1,455
Deferred tax liabilities		138	261	0
Current provisions and liabilities		11,758	12,848	11,042
Provisions for pensions		3,071	2,742	2,763
Other non-current provisions		752	960	791
Deferred tax liabilities		1,850	2,731	2,090
Non-current financial liabilities	(6)	4,846	4,826	4,839
Non-current provisions and liabilities		10,519	11,259	10,483
Subscribed capital		4,200	3,000	4,200
Share premium		9,517	0	9,517
Retained earnings		8,779	2,623	2,803
Profit brought forward		471	1,062	5,976
Currency translation difference		255	-61	234
Equity	(7)	23,222	6,624	22,730
Total equity and liabilities		45,499	30,731	44,255

Consolidated income statement

(in € thousand)	Notes	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
Revenue	(1)	8,967	9,069
Other operating income		313	511
Changes in inventories		860	646
Cost of materials		5,098	4,236
Personnel expenses		3,028	3,240
Depreciation and amortization		270	289
Other operating expenses		1,047	850
Profit from operating activities (EBIT)		697	1,611
Interest income		113	31
Interest expense		107	109
Financial result		6	-78
Profit before tax		703	1,533
Income taxes	(2)	232	471
Net income		471	1,062
Earnings per share (in €) *			
Basic		0.11	0.35
Diluted		0.11	0.35

* Based on an average of 4,200,000 shares (January 1, 2008 - March 31, 2008) and 3,000,000 shares (January 1, 2007 - March 31, 2007) respectively.

Consolidated cash flow statement

(in € thousand)	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
Net income	471	1,062
Depreciation and amortization	270	289
Loss on the disposal of intangible assets and property, plant and equipment	0	4
Changes in assets and liabilities items		
- Changes in provisions	9	167
- Changes in taxes	154	-2,444
- Changes in inventories	-1,578	-983
- Changes in receivables/other assets	720	-826
- Changes in liabilities	716	1,492
Net cash flows from/used in operating activities	762	-1,239
Investments in intangible assets and property, plant and equipment	-129	-147
Proceeds from the disposal of intangible assets and property, plant and equipment	30	0
Net cash flows used in investing activities	-99	-147
Deduction of IPO costs from equity	0	-180
Hardship and social funds	55	0
Repayment of/proceeds from non-current financial liabilities	6	-1
Net cash flows from/used in financing activities	61	-181
Effect of exchange rate changes and changes in consolidated group structure	20	-41
Net change in net financial position	744	-1,608
Net financial position – start of period*	11,291	1,401
Net financial position – end of period*	12,035	-207

* 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 01.01.08	4,200	9,517	2,803	5,976	234	22,730
Reclassification			5,976	-5,976		0
Net income				471		471
Other changes					21	21
Balance at 31.03.2008	4,200	9,517	8,779	471	255	23,222
Balance at 01.01.07	3,000		1,092	1,711	-20	5,783
Reclassification			1,711	-1,711		0
Net income				1,062		1,062
Other changes			-180		-41	-221
Balance at 31.03.07	3,000		2,623	1,062	-61	6,624

Notes

Methods

This financial report for the SMT Scharf Group as of March 31, 2008 was prepared in accordance with 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 dated December 31, 2007, which were audited by the group's auditors.

One order was processed during the first quarter of 2008 that is to be accounted for as a construction contract within the meaning of IAS 11. Work on this order had not progressed sufficiently in the first quarter of 2007 so that the order income was then only recognized in the amount of the order-based costs incurred.

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.

Group of consolidated companies

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

Notes to the income statement

(1) Revenue

Revenue in the first three months includes EUR 623 thousand from an order to be accounted for in line with IAS 11. This order is scheduled to be completed in the first half of 2008. Revenue is composed of the following items:

(in € thousand)	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
Sale of new equipment	3,511	2,669
Spare parts/service/other	5,456	6,400
Total	8,967	9,069
Germany	3,134	4,335
Other countries	5,833	4,734
Total	8,967	9,069

(2) Income taxes

Income taxes are composed of the following items:

(in € thousand)	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
Current tax expense	233	651
Thereof current income tax expense for the period	233	651
Thereof restatement of current income taxes incurred in prior periods	0	0
Deferred taxes	-1	-180
Thereof creation or reversal of temporary differences	-1	-180
Total	232	471

Notes to the balance sheet

(3) Receivables and other assets

As of March 31, 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 EUR 1,516 thousand.

(4) Securities and cash and cash equivalents

The securities and cash and cash equivalents as of March 31, 2008 include a hardship and social fund in the amount of EUR 912 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 three leased items as of March 31, 2008.

During the first three months, EUR 87 thousand of development expenses were capitalized for a project which fulfills the criteria of IAS 38. EUR 85 thousand of this amount relates to personnel expenses and EUR 2 thousand to purchased services. These were eliminated in the relevant period.

(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 EUR 409 thousand.

(7) Equity

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

On March 31, 2008, 4,200,000 ordinary bearer shares of SMT Scharf AG were issued as no-par value shares with a notional interest of € 1.00 each. Of these shares, 1,200,000 were 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. No dividends were paid in the first quarter of 2008, as was the case in the first quarter of 2007. A proposal was made to the ordinary general meeting held on April 10, 2008 to pay 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 obligations

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 EUR 34 thousand were carried under other operating expenses during the first quarter.

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)	31.03.2008	31.03.2007	31.12.2007
Due within one year	156	229	210
Due in one to five years	66	229	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 the Managing Board of Aurelius AG.

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, 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 5,000 shares of the company respectively.

(10) Related party disclosures

No services were procured from related parties within the meaning of IAS 24. 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 during the first three months of 2008.

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.

Imprint

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