



Semi-annual Report 2007

1 Jan – 30 Jun 2007

SMT Scharf AG
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 **SCHARF**
SOLUTIONS FOR MINING TRANSPORT

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1. Key Figures at a Glance

(in € thousand)	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006	Change in %
Revenue	18,842	22,821	- 17 %
Earnings before interest and taxes (EBIT)	2,515	3,215	- 22 %
EBIT margin	13.4 %	14.1 %	- 5 %
Net profit	2,182	2,393	- 9 %
Staff	247	270	- 9 %

2. Introduction by the Managing Board

Ladies and gentlemen, dear shareholders,

We are pleased to present you with SMT Scharf AG's current semi-annual report. The second quarter was characterised in particular by our IPO on 11 April and a significant increase in order intake from foreign countries. We would like to thank you for the trust you have placed in us to date, as this is what made our successful IPO possible in the first place.

SMT Scharf AG's business continued to grow in line with forecasts in the second quarter of 2007, with the temporary year-on-year downturn in sales a natural part of our increasing internationalisation – as was already the case in the first quarter. The Company generated revenue of €18.8 million in the first half of 2007, compared to €22.8 million in the previous year (-17 %). Conversely, the order book grew disproportionately to €20.6 million as at 30 June 2007. This is an increase of 72 % over the previous year (€12.0 million).

The Company's earnings in the first six months were down year-on-year as a result of the lower revenues. EBIT totalled €2.5 million compared to €3.2 million last year, with consolidated profit falling slightly to €2.2 million from €2.4 million.

SMT Scharf AG is driving forward the internationalisation of its business at high speed and is progressing as planned. The Managing Board confirms its forecast for full-year revenue to exceed the figure for the previous year and full-year consolidated profit to be up slightly over 2006.

Warm regards,

Dr. Friedrich Trautwein
Chief Executive Officer

Heinrich Schulze-Buxloh
Managing Board Member

3. Management Report

a. Macroeconomic environment

SMT Scharf AG has already attained a leading position with a share of more than 45 % among the systems installed world-wide. Demand for rail-bound railway systems is continuing to grow in the various foreign markets. Investment sentiment is particularly strong at present in Russia, where operators aim to increase mine automation and improve safety standards. SMT Scharf's railway systems are now in use in three of Russia's four large coal mining areas. The technology developed by SMT Scharf is also gaining an increasing recognition in China, following the delivery and successful commissioning of a number of pilot installations over the past three years. Here, too, major mine operators are placing more and more emphasis on increasing mining productivity.

In Germany, we believe that business will decline in line with falling output as a result of the compromise agreed by Germany's coalition government regarding the future subsidisation of coal mining in Germany through 2018. We aim to more than balance out these further downturns in our German business in 2007 and the coming years by continuing to expand rapidly in growing foreign markets. The funds from the IPO will play a major role in this regard, allowing the SMT Scharf Group to continue its internationalisation – a path it already has successfully embarked upon during the past three years.

b. Order situation

SMT Scharf AG's business grew in line with forecasts in the second quarter of 2007. The Company received a major order from the Russian Severstal Group in May to supply six trains for rail-bound railway systems with a total volume of more than €3 million. The trains will be used in several of the Severstal Group's mines in northern Russia. Following delivery and commissioning, SMT Scharf AG will establish a service centre in northern Russia.

In addition, in June SMT Scharf received four additional orders from Russia with a total volume of €4.1 million. Seven trains were ordered, one of which will be delivered to a new customer successfully acquired in Eastern Siberia. The remaining six were ordered by three mining groups in the Russian Kuzbass basin, all of which are long-standing SMT Scharf customers. The order volume includes two trains from the newly developed DZ 1800 series, which will be used in Russia for the first time. These trains will be delivered between August and October.

The Company generated revenue of €18.8 million in the first half of 2007, after €22.8 million in the previous year (-17 %). This temporary downturn is based on the shift to doing business abroad. As foreign markets are characterised by shorter project lead times and, on the whole, a stronger orientation to annual budgets, a larger portion of revenue will be realised in the second half of the year compared to 2006. Accordingly, the proportion of foreign revenue increased to a current total of 53 % compared to 46 % in 2006. Foreign orders even accounted for 68 % of new orders (previous year: 44 %). The shift in new business towards orders to be delivered in the second half of the year – and particularly in the fourth quarter – is reflected in particular in the order book. This amounted to €20.6 million as at 30 June 2007, an increase of 72 % year-on-year (€12.0 million).

c. Research and development

SMT Scharf's current R&D activities continue to focus on further developing drive technology as well as the standardisation and value analysis of the Company's product range. Work on these projects is proceeding according to schedule. The newly developed DZ 1800 series of suspended monorail systems with diesel-hydraulic drives was issued with its first licenses. Customers have already ordered these trains.

d. Human resources

The SMT Scharf Group had 247 employees, including 14 trainees, as at 30 June 2007 (30 June 2006: 270 employees). To this figure six external staff members must be added who are located in countries in which SMT Scharf does not yet have its own subsidiary or branch. The year-on-year reduction is mostly due to staff adjustments at the Hamm facility, which have now been completed. SMT Scharf's objective with this adjustment was to adapt better to intra-year fluctuations in order volumes and to increase production flexibility.

e. Net assets, financial position and results of operations

Net assets

Net assets have changed markedly since the beginning of the year thanks to the successful IPO. As a result of the capital increase in April, the equity ratio totalled 47.4 % on 30 June 2007 (59.6 % incl. the mezzanine financing). The income tax provision totalling €4.3 million at the start of the year was consumed as a result of substantial back payments for income taxes from previous years. By contrast, advance payments received increased from €0.8

million to €2.2 million. Inventories rose by €1.4 million (14 %) due to advance purchases made for orders to be delivered later in the year.

Financial position

Cash and cash equivalents increased substantially to €9.5 million as at 30 June 2007 in particular as a result of the capital increase. A total of €5.2 million had to be paid in taxes on earnings for the current and previous fiscal years. In addition, inventories needed to be built up to start work on orders that are scheduled for completion in the second half of the year.

Results of operations

The Company's earnings in the first six months were down year-on-year as a result of the lower revenues. Profit from operating activities (EBIT) amounted to €2.5 million, after €3.2 million in the previous year (-22 %). Consolidated profit in the first six months totalled €2.2 million after €2.4 million last year (-9 %). The less than proportionate downturn is due in particular to the lower tax rate. This fell temporarily to 9 % (previous year: 23 %). The primary influencing factor was establishing deferred tax assets as a result of the capital increase.

Investments

SMT Scharf made investments totalling €0.7 million in the first six months of 2007. The largest item was the capitalisation of two diesel cats that are leased to customers. In addition, expenses for two development projects were capitalised and various replacement and rationalisation investments were made. A company was acquired in Estonia. At present, SMT Scharf is expanding the testing grounds at the Hamm site, which is its most important ongoing investment project.

f. Opportunity and risk report

SMT Scharf AG's opportunities and risks are discussed in detail in the consolidated financial statements for financial year 2006. In the course of the first half of 2007, no substantial changes have occurred.

g. Report on events after the balance sheet date

No events occurred after the end of the period under review that were of material importance in assessing the net assets, financial position and results of operations. Please refer to Item (19) of the Notes for the impact of the German Corporation Tax Reform of 2008.

h. Outlook

The Managing Board of SMT Scharf AG is upholding its forecast for full-year revenue to exceed the figure for the previous year and full-year consolidated profit to be up slightly year on year. The downturn in the German business is offset by lively demand on foreign markets. However, these markets are characterised by shorter lead times for projects and a stronger overall focus on annual budgets. As a result, a greater proportion of revenue will be generated in the second half of the year in comparison to 2006. Last year's extremely strong results contained a number of special factors that will not reoccur in the same manner in 2007. The Managing Board expects to be able to more than offset the absence of these special factors by earnings-enhancing measures. On these grounds the Managing Board aspires to have shareholders enjoy reasonable participation in the Company's economic success via a dividend for 2007.

Hamm, 24 August 2007

SMT Scharf AG

The Managing Board

4. IFRS Semi-Annual Financial Statements

a. Consolidated balance sheet

(in € thousand)	Notes	30 Jun. 2007	30 Jun. 2006	31 Dec. 2006
Assets				
Inventories	(8)	10,775	11,699	9,414
Trade receivables	(9)	6,732	6,586	7,011
Other current receivables/assets	(9)	767	309	565
Current financial assets		618	300	493
Cash and cash equivalents	(10)	9,509	1,580	2,313
Current assets		28,401	20,474	19,796
Intangible assets	(11)	867	655	622
Property, plant and equipment	(11)	9,728	9,944	9,909
Deferred tax assets	(7)	530	0	55
Non-current assets		11,125	10,599	10,586
Total assets		39,526	31,073	30,382
Equity and liabilities				
Other current provisions	(12)	4,318	5,747	4,646
Provision for income tax	(12)	24	2,987	4,331
Advance payments received	(13)	2,216	1,084	837
Current financial liabilities		0	1,188	447
Trade payables	(13)	1,765	1,203	1,706
Other current liabilities	(13)	1,230	1,564	1,075
Current provisions and liabilities		9,553	13,773	13,042
Provisions for pensions	(12)	2,778	2,528	2,690
Other non-current provisions	(12)	921	1,234	996
Deferred tax liabilities	(7)	2,729	3,286	3,045
Non-current financial liabilities	(13)	4,827	4,828	4,826
Non-current provisions and liabilities		11,255	11,876	11,557
Subscribed capital		4,200	25	3,000
Share premium		9,519	0	0
Retained earnings		2,803	3,156	1,092
Profit brought forward		2,182	2,393	1,711
Currency translation difference		14	-150	-20
Equity	(14)	18,718	5,424	5,783
Total equity and liabilities		39,526	31,073	30,382

b. Consolidated income statement

(in € thousand)	Notes	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Revenue	(1)	9,773	10,634	18,842	22,821
Other operating income	(2)	337	84	848	135
Changes in inventories		912	1,482	1,558	2,121
Cost of materials	(3)	5,169	6,103	9,405	12,536
Personnel expenses	(4)	3,291	3,414	6,531	6,793
Depreciation and amortisation	(5)	301	251	590	523
Other operating expenses	(6)	1,357	1,104	2,207	2,010
Profit from operating activities (EBIT)		904	1,328	2,515	3,215
Interest income		77	78	108	173
Interest expenses		122	281	231	287
Net financial income/net finance costs		-45	-203	-123	-114
Profit before tax		859	1,125	2,392	3,101
Income taxes	(7)	-261	32	210	708
Net profit		1,120	1,093	2,182	2,393
Earnings per share (in €) *					
Basic		0.27	0.26	0.61	0.67
Diluted		0.27	0.26	0.61	0.67

* Based on an average of 4,173,626 shares (1 April 2007 – 30 June 2007) respectively an average of 3,590,055 shares (1 January 2007 – 30 June 2007). To ease comparison, the consolidated prior year figures for SMT Scharf GmbH's group are based on the same number of shares as applied in the respective periods in 2007.

c. Consolidated cash flow statement

(in €thousand)	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Net profit	2,182	2,393
Depreciation and amortisation	591	523
Loss on the disposal of intangible assets and property, plant and equipment	0	128
Changes in working capital		
- Changes in provisions	-316	477
- Changes in taxes	-5,163	189
- Change in inventories	-1,361	-1,938
- Change in receivables/other current assets	143	-610
- Change in liabilities	1,592	-1,163
Net cash flows used in operating activities	-2,332	-1
Payments to acquire intangible assets and property, plant and equipment	-654	-75
Proceeds from the disposal of intangible assets and property, plant and equipment	0	0
Net cash flows used in investing activities	-654	-75
IPO	11,400	0
Deduction of IPO costs from equity	-681	0
Hardship and social funds	14	-990
Consolidation of SMT Scharf GmbH	0	25
Payments to previous shareholders	0	-24,104
Repayment of/proceeds from non-current financial liabilities	1	24
Issuance of non-current liabilities (mezzanine financing)	0	4,800
Net cash flows from/used in financing activities	10,734	-20,245
Effect of exchange rate changes and changes in consolidated group structure	34	-162
Net change in cash and cash equivalents	7,782	-20,483
Net financial position – start of period*	1,401	20,156
Net financial position – end of period*	9,183	-327

* Cash and cash equivalents without hardship and social funds less current financial liabilities

d. 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 1 January 2007	3,000		1,092	1,711	-20	5,783
Reclassification			1,711	-1,711		0
Capital increase	1,200	10,200				11,400
Costs of the capital increase		-998				-998
Deferred taxes		317				317
Net profit				2,182		2,182
Other changes					34	34
For information only: Comprehensive Income *		681		2,182	34	2,897
Balance at 30 June 2007	4,200	9,519	2,803	2,182	14	18,718
Balance at 1 January 2006	14,830		7,535	4,895	28	27,288
Reclassification			531	-531		0
Payments to previous shareholders	-14,830		-4,910	-4,364		-24,104
Acquisition of SMT Scharf GmbH	25					25
Net profit				2,393		2,393
Other changes					-178	-178
Balance at 30 June 2006	25	0	3,156	2,393	-150	5,424

* The sum of cost of the capital increase less associated deferred taxes, consolidated profit and other changes

5. Notes

Methods

This financial report of the SMT Scharf Group as at 30 June 2007 was prepared in accordance with the International Accounting Standards (IAS) issued by the International Accounting Standards Board and their Interpretations (IFRIC). The accounting policies used and the information included comply with IAS 34 (Interim Financial Reporting). The accounting policies and methods of computation used are the same as those applied to the IFRS consolidated financial statements as at 31 December 2006, which were audited by the Group's auditors.

In the period under review, a contract is being worked upon that, based on its nature and volume, is to be accounted for in accordance with IAS 11 (Construction Contracts). There was no such contract last year.

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 Saar GmbH, Neunkirchen, 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

SMT Scharf International OÜ was acquired during the second quarter, and was thus included in the consolidated group. The acquisition resulted in goodwill totalling € 107 thousand.

Income statement disclosures

(1) Revenue

Revenue in the first six months includes €1,348 thousand from a contract which is accounted for in accordance with IAS 11. This contract is scheduled to be completed in the fourth quarter. Revenue is composed of the following items:

(in €thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Sale of new equipment	3,431	3,003	6,100	8,981
Spare parts/service/other	6,342	7,631	12,742	13,840
Total	9,773	10,634	18,842	22,821
Germany	4,535	5,963	8,870	12,311
Other countries	5,238	4,671	9,972	10,510
Total	9,773	10,634	18,842	22,821

(2) Other operating income

Other operating income is composed of the following items:

(in €thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Reversal of provisions	235	22	425	34
Utilisation of provisions	86	0	201	0
Miscellaneous other operating income	16	62	222	101
Total	337	84	848	135

The reversal of provisions which were no longer required relates in particular to sales and purchasing activities.

(3) Cost of materials

The cost of materials is composed of the following items:

(in € thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Cost of raw materials, consumables and supplies, and of goods purchased for resale	4,682	5,540	8,214	11,315
Cost of purchased services	487	563	1,191	1,221
Total	5,169	6,103	9,405	12,536

(4) Personnel expenses

Personnel expenses are composed of the following items:

(in € thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Wages and salaries	2,722	2,808	5,378	5,576
Post-employment benefit expenses	61	42	145	88
Social security contributions	508	564	1,008	1,129
Total	3,291	3,414	6,531	6,793

The SMT Scharf Group had 247 employees, including 14 trainees, as at 30 June 2007 (30 June 2006: 270 employees).

(5) Depreciation and amortisation

Depreciation and amortisation are composed of the following items:

(in € thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Amortisation of purchased intangible assets	13	19	24	38
Amortisation of capitalised internally generated intangible assets	26	18	45	36
Depreciation of property, plant and equipment	262	214	521	449
Total	301	251	590	523

No impairment losses in accordance with IAS 36 were recognised.

(6) Other operating expenses

Other operating expenses are composed of the following items:

(in € thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Purchased services	328	367	649	563
Maintenance and servicing	115	96	240	209
Travel expenses	165	138	288	206
Project-related cost of sales	188	228	353	413
Miscellaneous other operating expenses	561	275	677	619
Total	1,357	1,104	2,207	2,010

(7) Income taxes

Income taxes are composed of the following items:

(in € thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Current tax expense	33	262	684	1,082
of which: income tax expense for the current period	33	262	614	1,082
of which: restatement of income taxes incurred in prior periods	0	0	70	0
Deferred taxes	-294	-230	-474	-374
Total	-261	32	210	708

Deferred taxes are attributable to the following balance sheet items:

(in €thousand)	30 Jun. 2007	30 Jun. 2006	31 Dec. 2006
Deferred tax assets			
Provisions for pensions	320	367	242
Other assets and liabilities	1,249	306	214
Offset	-1,039	-673	-401
Total deferred tax assets	530	0	55
Deferred tax liabilities			
Intangible assets	286	238	226
Property, plant and equipment	2,865	2,945	2,955
Other assets and liabilities	617	776	265
Offset	-1,039	-673	-401
Total deferred tax liabilities	2,729	3,286	3,045

The difference between the expected income tax expense (calculated using the tax rate applicable to SMT Scharf AG) and the reported tax expense is due to the following factors:

(in €thousand)	1 Apr. 2007- 30 Jun. 2007	1 Apr. 2006- 30 Jun. 2006	1 Jan. 2007- 30 Jun. 2007	1 Jan. 2006- 30 Jun. 2006
Profit before tax	859	1,125	2,392	3,101
Expected tax expense (rate = 39.9 %)	342	449	954	1,237
International tax rate differences	-298	-105	-386	-182
Other differences	-305	-312	-358	-347
Reported income tax expense	-261	32	210	708

Balance sheet disclosures

(8) Inventories

(in €thousand)	30 Jun. 2007	30 Jun. 2006	31 Dec. 2006
Raw materials, consumables and supplies	2,781	2,213	2,851
Work in progress	5,747	7,349	4,311
Finished goods and goods purchased for resale	2,247	2,137	2,252
Total	10,775	11,699	9,414

(9) Receivables and other assets

As in the previous year, there were no trade receivables with a remaining maturity of more than one year as at 30 June 2007. €63 thousand of other assets have a remaining maturity of more than one year (previous year: €57 thousand).

(10) Cash and cash equivalents

Cash and cash equivalents as at 30 June 2007 include a hardship and social fund amounting to €326 thousand. A trustee committee consisting of the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as the works councils of these two companies is responsible for managing the fund.

(11) Intangible assets, property, plant and equipment and leased items

As a lessor, the SMT Scharf Group leases internally developed diesel cats. These are recorded as leased assets under non-current assets. There were five leased items as at 30 June 2007.

Development costs amounting to €116 thousand for two projects that fulfil the recognition criteria under IAS 38 were capitalised in the second quarter. €57 thousand of this amount relates to personnel expenses and €59 thousand to other operating expenses. These were eliminated in the relevant period.

(12) Provisions

Provisions are broken down by origin as follows:

(in € thousand)	30 Jun. 2007	30 Jun. 2006	31 Dec. 2006
Employee-related provisions	6,399	6,924	6,187
of which: with a remaining maturity of > 1 year	3,699	3,762	3,686
Warranty and other sales-related provisions	1,024	1,551	1,114
Provisions for income taxes	24	2,987	4,330
Miscellaneous other provisions	594	1,034	1,031
Total	8,041	12,496	12,662

(13) Liabilities

In particular the mezzanine financing issued in 2006 is reported as a non-current financial liability (€4,827 thousand). The financing matures in 2013. As in the previous year, none of the current liabilities has a remaining maturity of more than one year.

(14) Equity

The statement of changes in equity shows the development of the SMT Scharf Group's equity.

As at 30 June 2007, 4,200,000 ordinary bearer shares of SMT Scharf AG are issued in the form of no-par value shares with a notional value of € 1.00 per share. Of this total, 1,200,000 stem from the capital increase implemented on 3 April 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 Company, to the extent that they were not distributed. No dividends were paid or proposed in the first six months of 2007 (previous year: € 4,364 thousand paid to the previous shareholder). Costs of € 681 thousand relating to the capital increase implemented in April 2007 which included a public offer of shares were deducted from equity in accordance with IAS 32; at the same time, deferred tax assets increased by € 317 thousand.

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

Further disclosures

(15) 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. In the second quarter, payments for rental agreements and leases amounting to € 36 thousand were recognised under other operating expenses.

The nominal total of future minimum lease payments under non-cancellable leases and operating leases is broken down by maturity as follows:

(in € thousand)	30 Jun. 2007	30 Jun. 2006	31 Dec. 2006
Due within one year	85	95	74
Due in one to five years	83	168	120
Due after more than five years	0	0	0

(16) Managing Board and Supervisory Board

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

Dr. Dirk Markus, Feldafing, Chairman of the Managing Board of Aurelius AG,
(Chairman of the Supervisory Board)

Florian Kawohl, Frankfurt/Main, Director Research,
(Deputy Chairman of the Supervisory Board)

Ulrich Radlmayr, Schondorf a. A., lawyer

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

Dr. Friedrich Trautwein (As CEO as of 1 February 2007)

Heinrich Schulze-Buxloh (as of 1 February 2007).

The members of the Supervisory Board do not hold any shares of the Company. Of the members of the Managing Board, Mr. Schulze-Buxloh held 1,000 shares of the company on 30 June 2007.

(17) Related party disclosures

In the second quarter, services totalling €39 thousand were purchased at normal market rates from related parties as defined by IAS 24. These related parties are Metraplan Research und Beratungs GmbH, Aurelius Management GmbH and Craftbond Ltd. No services were provided to related parties.

(18) 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 hedges or fair value hedges were used in the period under review.

Please see the 2006 consolidated financial statements for information on the financial risks of the SMT Scharf Group's business. In the course of the first half of 2007, no substantial changes have occurred.

(19) Events after the end of the reporting period

The reform of corporate taxation was passed by the German *Bundesrat* on 6 July 2007. This includes a cut in German corporation tax rates for financial years from 2008. This means that our Company's deferred taxes will have to be revalued; this will be reflected for the first time in the quarterly financial statements as of 30 September 2007.

6. 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, 24 August 2007

SMT Scharf AG

The Managing Board