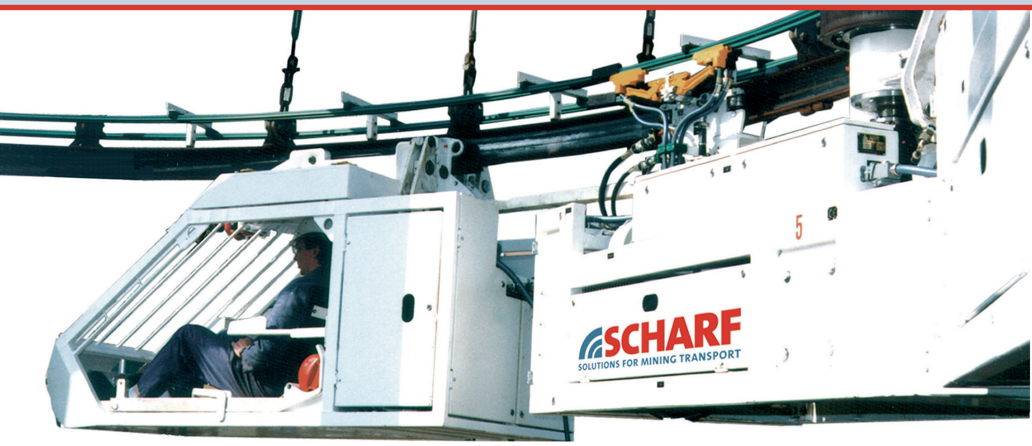

3-month report

1 Jan – 31 Mar 2007

SCHARF
SOLUTIONS FOR MINING TRANSPORT

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1. Key Figures at a Glance

(in € thousand)	1 Jan. 2007 – 31 Mar. 2007	1 Jan. 2006 – 31 Mar. 2006	Change in %
Revenue	9,069	12,187	-26 %
Earnings before interest and taxes (EBIT)	1,611	1,887	-15 %
EBIT margin	17.8 %	15.5 %	+15 %
Net profit	1,062	1,300	-18 %
Staff	249	269	-7 %

2. Introduction by the Managing Board

Ladies and gentlemen, dear shareholders,

SMT Scharf AG has been a listed company since 11 April. We would like to thank you for the trust you have placed in us to date, as this is what made our successful debut possible in the first place.

In the past few years, SMT Scharf has succeeded in putting its business on a successively broader international footing and in growing revenue and earnings. As a result, we have become the global leader in derailment-proof rail systems and now have subsidiaries in Germany, Poland and South Africa, external staff in China and Russia, and agencies throughout the world. Our advanced products are the key to this success. In particular, they combine powerful motors, substantial hauling capacity and low operating and maintenance costs. At SMT Scharf, we aim to stay the technology leader going forward by being the first to launch new products offering enhanced customer benefits on the market.

SMT Scharf AG kicked off 2007 in line with its planning. The Company generated revenue of €9.1 million in the first quarter of 2007, down from €12.2 million in the previous year (-26 %). This decline is due to billing factors, since the first quarter of 2006 was extremely strong by comparison with previous years. Conversely, the order backlog increased to €16.2 million on 31 March 2007, up 28 % year on year (€12.6 million).

The Company's first-quarter profit was down on the figure for the previous year due to the lower revenue, whereas profitability improved. Profit from operating activities (EBIT) amounted to €1.6 million, after €1.9 million in the previous year (-15 %). The EBIT margin rose to 17.8 % from 15.5 %. Thanks among other things to a lower tax rate, the consolidated profit for the period under review amounted to €1.1 million (previous year: €1.3 million).

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

With best wishes

Dr. Friedrich Trautwein
Chief Executive Officer

Heinrich Schulze-Buxloh
Managing Board Member

3. Management Report

a. Macroeconomic environment

Demand for derailment-proof rail systems is growing in our various foreign markets. Investment sentiment is particularly strong at present in Russia, with the aim of increasing mine automation and improving safety standards. SMT Scharf's rail systems are now in use in three of the four large coal mining areas in Russia. The technology developed by SMT Scharf is also gaining an increasing following 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.

Within Germany, the coalition government reached a compromise in the past quarter on the subsidies for hard coal mining in Germany up to the year 2018. As a result of this compromise SMT Scharf expects that it will be able to plan its domestic business in the coming years with greater certainty. The previously planned closure of two mines and the reduction in output up to the year 2012 have been confirmed; additional closures in this period are at the planning stage. For the coming years, SMT Scharf expects a decline in its domestic business in line with the reduction in German hard coal production.

Overall, the Managing Board expects that the continued decrease in its domestic business in 2007 and the years thereafter will be more than offset by expansion in its growing foreign markets. As a result, the SMT Scharf Group will continue the internationalisation process that it successfully started over the last three years.

b. Order situation

SMT Scharf AG started off 2007 in line with its planning. The Company generated revenue of €9.1 million in the first quarter of 2007, after €12.2 million in the previous year (-26 %). This decline is due to the extremely strong first quarter of 2006 in which already 25 % of full-year revenue was billed. The figure included €1.7 million of new equipment sales to Deutsche Steinkohle AG. The first quarter of 2007 documents the ongoing internationalisation of SMT Scharf's business. The share of foreign revenue now amounted to 52 %, after 48 % in the previous year. New equipment sales to Deutsche Steinkohle AG were a mere €0.2 million. The shift in new business towards orders to be billed in the second half of the year – and in the fourth quarter in particular – is reflected in the order backlog. This amounted to €16.2 million as at 31 March 2007, an increase of 28 % year on year (€12.6 million).

c. Research and development

One focus of current development work is on enhancements to the Company's drive technology, e.g. in the area of electro-hydraulic drives and the development of a self-driven floor-mounted rail system. Work on these projects is proceeding according to schedule. SMT Scharf will exhibit newly developed products in the coming months at trade fairs in Russia, Poland and China. Another focus is on the standardisation and value analysis of the Company's product range. In the area of suspended monorail systems with diesel-hydraulic drives, for example, the new DZ1800 series was constructed using components from the current DZ1500 and DZ2000 series.

d. Human resources

The SMT Scharf Group had 249 employees as at 31 March 2007, including 21 trainees (31 March 2006: 269 employees). To this figure seven 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 decrease as against the previous year is primarily due to a workforce adjustment initiated in the second half of 2006 at the Hamm location. SMT Scharf's objective with this adjustment was to react better to intra-year fluctuations in order volumes and to increase production flexibility. This adjustment has now virtually been completed.

We would like to thank our employees for their hard work and openness to change, which made the key changes at SMT Scharf of the past months possible.

e. Net assets, financial position and results of operations

Net assets

Net assets did not change materially as against the beginning of the year. Inventories rose by €1.0 million (10 %) due to advance purchases made in relation to orders to be delivered later in the year. Income tax provisions declined by €2.3 million (52 %), in particular because substantial back payments had to be made for previous years. By contrast, advance payments received increased by €1.6 million (196 %).

Financial and other receivables at the end of March 2006 were unusually high (€20.5 million in the aggregate). They primarily related to the purchase price obligation to the former shareholder DBT GmbH and to shareholder loans.

The equity ratio was at the end of period 31 March 2007 at 21.6 % (incl. mezzanine financing 37.3 %). At the end of the period under report it increased further thanks to the successful IPO.

Financial position

Cash and cash equivalents in the reporting period declined from €2.3 million to €0.8 million. This was primarily due to income tax expenses for previous years and the current year in the aggregate amount of €2.4 million. In addition, inventories needed to be built up (€1.0 million) in order to start work on orders that are scheduled for completion in the second half of the year.

SMT Scharf has adequate bank lines of credit at its disposal to offset even substantial fluctuations in cash flow.

Results of operations

The Company's first-quarter profit was down on the figure for the previous year due to the lower revenue, whereas profitability improved. Profit from operating activities (EBIT) amounted to €1.6 million, after €1.9 million in the previous year (-15 %). As a result, the EBIT margin rose from 15.5 % to 17.8 %.

The consolidated profit for the period under review amounted to €1.1 million (previous year: €1.3 million). Net finance costs widened by comparison with the previous year due to the mezzanine finance raised. At the same time, profit was boosted by a decrease in the tax rate from 34.2 % to 30.7 %.

Investments

In the period under report, SMT Scharf made total investments of €0.1 million; these relate to the capitalisation of expenses relating to two development projects and expenditure on replacement and rationalisation measures, primarily at the Company's German locations in Hamm and Heinitz. At present, there are no major projects involving investments in property, plant and equipment.

f. Opportunity and risk report

The opportunities and risks of SMT Scharf AG have been reported on extensively in the consolidated financial statements of 2006. In the course of the first quarter of 2007 no substantial changes have occurred.

g. Report on events after the balance sheet date

SMT Scharf AG's shares have been traded on the Regulated Market (Prime Standard segment) of the Frankfurt Stock Exchange since the Company's successful market debut on 11 April 2007. In the course of the IPO, 1,200,000 shares from a capital increase were placed. Additionally, the original shareholders contributed 400,000 shares, and a greenshoe option for 200,000 shares was exercised. The gross issue proceeds from the capital increase amounted to €11.4 million. The issue price for the shares was €9.50. SMT Scharf was advised during its IPO by Baader Wertpapierhandelsbank AG.

On 22 May 2007, SMT Scharf AG reported that it has been awarded a major order by the Russian Severstal Group to deliver six trains for derailment-proof rail systems. The order is worth more than €3 million and is the largest single order for derailment-proof rail systems from Russia to date. Delivery is scheduled for the third quarter. Following delivery and commissioning, SMT Scharf AG will establish a service centre in Northern Siberia.

h. Outlook

The Managing Board of SMT Scharf AG expects full-year revenue to exceed the figure for the previous year and full-year consolidated profit to be up slightly year on year. As expected, business in Germany is lower than the previous year. By contrast, demand on foreign markets is buoyant. However, these markets are characterized 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.

Hamm, 25 May 2007

SMT Scharf AG

The Managing Board

4. IFRS-Quarterly Financial Statements (unaudited)

a. Consolidated balance sheet

(in € thousand)	Note	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Assets				
Inventories	(8)	10,396	10,658	9,414
Trade receivables	(9)	7,364	4,269	7,011
Other current receivables/assets	(9)	1,036	1,841	565
Current financial assets		562	0	493
Cash and cash equivalents	(10)	807	16,916	2,313
Current assets		**20,165**	**33,684**	**19,796**
Intangible assets	(11)	683	641	622
Property, plant and equipment	(11)	9,720	10,164	9,909
Deferred tax assets	(7)	181	59	55
Non-current assets		**10,566**	**10,864**	**10,586**
Total assets		**30,731**	**44,548**	**30,382**
Equity and liabilities				
Other current provisions	(12)	4,796	5,784	4,646
Provision for income tax	(12)	2,066	2,812	4,331
Advance payments received	(13)	2,475	1,898	837
Current financial liabilities		615	10,940	447
Trade payables	(13)	1,636	1,803	1,706
Other current liabilities	(13)	999	9,537	1,075
Deferred tax liabilities	(7)	261	0	0
Current provisions and liabilities		**12,848**	**32,774**	**13,042**
Provisions for pensions	(12)	2,742	2,475	2,690
Other non-current provisions	(12)	960	1,259	996
Deferred tax liabilities	(7)	2,731	3,575	3,045
Non-current financial liabilities	(13)	4,826	28	4,826
Non-current provisions and liabilities		**11,259**	**7,337**	**11,557**
Subscribed capital		3,000	25	3,000
Retained earnings		832	3,121	1,092
Profit brought forward		2,773	1,300	1,711
Currency translation difference		-61	-9	-20
Equity	(14)	**6,624**	**4,437**	**5,783**
Total equity and liabilities		**30,731**	**44,548**	**30,382**

b. Consolidated income statement

(in € thousand)	Note	Q1 2007	Q1 2006
Revenue	(1)	9,069	12,187
Other operating income	(2)	511	51
Changes in inventories		646	639
Cost of materials	(3)	4,236	6,433
Personnel expenses	(4)	3,240	3,379
Depreciation, amortisation and impairment losses	(5)	289	272
Other operating expenses	(6)	850	906
Profit from operating activities (EBIT)		**1,611**	**1,887**
Interest income		31	95
Interest expenses		109	6
Net financial income/net finance costs		**-78**	**89**
Profit before tax		**1,533**	**1,976**
Income taxes	(7)	471	676
Net profit		**1,062**	**1,300**
Earnings per share (in €) *			
Basic		0.35	0.43
Diluted		0.35	0.43

* In each case based on 3,000,000 shares (as at 31 March 2007)

c. Consolidated cash flow statement

(in € thousand)	Q1 2007	Q1 2006
Net profit	1,062	1,300
Depreciation and amortisation	289	272
Loss/gain on the disposal of intangible assets and property, plant and equipment	4	131
Changes in working capital		
- Changes in provisions	167	485
- Changes in taxes	-2,444	244
- Change in inventories	-983	-897
- Change in receivables/other current assets	-826	154
- Change in liabilities	1,492	8,285
Net cash flows from/used in operating activities	**-1,239**	**9,995**
Payments to acquire intangible assets and property, plant and equipment	-147	-16
Proceeds from the disposal of intangible assets and property, plant and equipment	0	0
Net cash flows used in investing activities	**-147**	**-16**
Merger	0	-19,750
Deduction of IPO costs from equity	-180	0
Payment of dividends/profits to shareholders	0	-4,364
Repayment of/proceeds from non-current financial liabilities	-1	-7
Issuance of non-current liabilities (mezzanine finance)	0	0
Net cash flows used in financing activities	**-181**	**-24,121**
Effect of exchange rate changes and changes in consolidated group structure	-41	-39
Net change in cash and cash equivalents	**-1,608**	**-14,181**
net financial position at beginning of period	1,401	20,156
net financial position at end of period	-207	5,975

d. Consolidated statement of changes in equity

(in € thousand)	Subscribed capital	Capital reserves	Retained earnings	Profit/loss brought forward	Currency translation difference	Total equity
Balance at 1 Jan. 2007	3,000		1,092	1,711	-20	5,783
Reclassification			1,711	-1,711		0
Profit after tax				1,062		1,062
Other changes			-180		-41	-221
Balance at 31 Mar. 2007	3,000		2,623	1,062	-61	6,624
Balance at 1 Jan. 2006	14,830		7,535	4,895	28	27,288
Reclassification			531	-531		0
Dividend				-4,364		0
Profit after tax				1,300		1,300
Other changes	-14,805		-4,945		-37	-24,151
Balance at 31 Mar. 2006	25		3,121	1,300	-9	4,437

5. Notes

Methods

This quarterly report of the SMT Scharf Group as at 31 March 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, work began on a contract that, based on its nature and volume, must be accounted for in accordance with IAS 11 (Construction Contracts). As at 31 March 2007, work on this contract by the subcontractors was not sufficiently advanced to enable a reliable estimate of the contract revenue and expenses in accordance with IAS 11. Contract revenue was therefore only recognised in the amount of the contract costs incurred to date (€42 thousand).

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

In addition to SMT Scharf AG, the SMT Scharf Group's consolidated financial statements include the following companies, which are unchanged as against the consolidated financial statements for financial year 2006:

- 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 (Johannesburg), South Africa

Income statement disclosures

(1) Revenue

Revenue is composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Sale of new equipment	2,669	5,978
Spare parts/service/other	6,400	6,209
Total	**9,069**	**12,187**
Germany	4,335	6,348
Other countries	4,734	5,839
Total	**9,069**	**12,187**

(2) Other operating income

Other operating income is composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Reversal of provisions	190	12
Utilisation of provisions	115	0
Miscellaneous other operating income	206	39
Total	**511**	**51**

Miscellaneous other operating income includes €81 thousand from the sale of an investment property.

(3) Cost of materials

The cost of materials is composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Cost of raw materials, consumables and supplies, and of goods purchased for resale	3,532	5,775
Cost of purchased services	704	658
Total	**4,236**	**6,433**

(4) Personnel expenses

Personnel expenses are composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Wages and salaries	2,656	2,768
Post-employment benefit expenses	84	46
Social security contributions	500	565
Total	**3,240**	**3,379**

The SMT Scharf Group had 249 employees, including 21 trainees, as at 31 March 2007 (31 March 2006: 269 employees).

(5) Depreciation and amortisation

Depreciation and amortisation are composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Amortisation of purchased intangible assets	11	19
Amortisation of capitalised internally generated intangible assets	19	18
Depreciation of property, plant and equipment	259	235
Total	**289**	**272**

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)	Q1 2007	Q1 2006
Purchased services	321	196
Maintenance and servicing	125	113
Travel expenses	123	68
Special direct cost of sales	165	185
Miscellaneous other operating expenses	116	344
Total	**850**	**906**

(7) Income taxes

Income taxes are composed of the following items:

(in € thousand)	Q1 2007	Q1 2006
Current tax expense	651	820
of which: current income tax expense for the period	651	820
of which: restatement of current income taxes incurred in prior periods	0	0
Deferred taxes	-180	-144
of which: origination or reversal of temporary differences	-180	-144
Total	**471**	**676**

Deferred taxes are attributable to the following balance sheet items:

(in € thousand)	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Deferred tax assets			
Provisions for pensions	309	231	242
Other assets and liabilities	406	273	214
Offset	-534	-445	-401
Total **deferred tax assets**	**181**	**59**	**55**
Deferred tax liabilities			
Intangible assets	217	226	226
Property, plant and equipment	2,704	2,796	2,956
Other assets and liabilities	604	767	265
Offset	-534	-445	-401
Total **deferred tax liabilities**	**2,991**	**3,575**	**3,046**

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)	**Q1 2007**	**Q1 2006**
Profit before tax	1,533	1,976
Expected tax expense (rate = 39.9 %)	612	788
Non-deductible expenses	9	9
Tax arrears/refunds for previous years	0	0
Other differences	-150	-121
Reported income tax expense	**471**	**676**

Balance sheet disclosures

(8) Inventories

(in € thousand)	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Raw materials, consumables and supplies	2,983	2,391	2,851
Work in progress	5,070	5,868	4,311
Finished goods and goods purchased for resale	2,343	2,399	2,252
Total	**10,396**	**10,658**	**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 31 March 2007. €61 thousand of other assets has a remaining maturity of more than one year (previous year: €60 thousand).

(10) Cash and cash equivalents

Cash and cash equivalents as at 31 March 2007 include a hardship and social fund amounting to €399 thousand. A committee consisting of the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as the works councils of these two companies are responsible for managing the fund in trust.

(11) Intangible assets; property, plant and equipment; leased assets; and investment property

An agreement to sell an investment property was signed in the last quarter of 2006. Payment was received in January 2007, generating other operating income of €81 thousand.

The SMT Scharf Group leases internally developed diesel cats (DZ 1500) as a lessor. These are recorded as leased assets in the statement of changes in non-current assets. Three leased assets were recognised as at 31 March 2007.

Development costs amounting to €81 thousand for two projects that fulfil the recognition criteria under IAS 38 were capitalised in the period under review. €68 thousand of this amount relates to personnel expenses and €13 thousand to other operating expenses. These were eliminated in the relevant period.

(12) Provisions

Provisions are broken down by origin as follows:

(in € thousand)	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Employee-related provisions	6,420	6,758	6,187
of which: with a remaining maturity of > 1 year	3,702	3,733	3,686
Warranty and other sales-related provisions	1,002	1,486	1,114
Provisions for income taxes	2,066	2,812	4,330
Miscellaneous other provisions	1,077	1,273	1,031
Total	**10,565**	**12,329**	**12,662**

(13) Liabilities

In particular the mezzanine financing issued in 2006 is reported as a non-current financial liability (€4,821 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 31 March 2007, 3,000,000 ordinary bearer shares of SMT Scharf AG had been issued in the form of no-par value shares with a notional value of €1.00 per share. 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. Please see the statement of changes in equity for information on the development of retained earnings. No dividends were paid or proposed in the period under review (previous year: €4,364 thousand paid to the previous shareholder). Costs of €180 thousand relating to the capital increase, including a public offer of shares, which was implemented in April 2007 were deducted from equity in accordance with IAS 32; at the same time, deferred tax assets increased by €119 thousand.

No stock options have been granted to members of the Managing Board or 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 period under review, payments amounting to €11 thousand were recognised under other operating expenses for rental agreements and leases.

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

(in € thousand)	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Due within one year	61	74	74
Due in one to five years	59	120	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 (Chairman from 1 February 2007)
Heinrich Schulze-Buxloh (from 1 February 2007)

(17) Related party disclosures

In the period under review, no services were purchased from or sold to related parties as defined by IAS 24.

(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 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 quarter of 2007, no substantial changes have occurred.

(19) Events after the end of the reporting period

On 3 April 2007, SMT Scharf AG implemented a capital increase of 1,200,000 shares to 4,200,000 shares against cash contributions by way of a resolution adopted by the Managing Board and the Supervisory Board. Following an application by the Company, all 4,200,000 ordinary bearer shares in the form of no-par value shares with a notional value of €1.00 per share were admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange on 10 April 2007. The Company's shares were quoted for the first time on 11 April 2007.