SCHARF
SOLUTIONS FOR MINING TRANSPORT

9-MONTH REPORT
01 Jan - 30 Sep 2008

Contents

Summary of key data

(in € thousand)	01.01.2008-30.09.2008	01.01.2007-30.09.2007	Change
Revenue	30,945	35,537	- 13%
Profit from operating activities (EBIT)	4,229	5,714	- 26%
EBIT margin	13.7%	16.1%	- 15%
Consolidated earnings	3,344	4,599	- 27%
Employees	246	238	3%

Introduction by the Managing Board

Dear shareholders and business partners,

SMT Scharf AG continued its international expansion in the first nine months of 2008. The progress we made is exemplified by key orders that SMT Scharf acquired during this period. For example, two Russian mine operators ordered a total of six rack-and-pinion trains with tracks and accessories. Several South African mining groups also ordered trains for electrically-driven monorail hanging railways.

During the third quarter, SMT Scharf recorded a substantial upswing in its business, which corresponds to the growth in the previous year. Accumulated revenues in the first nine months totaled € 30.9 million (9m 2007: € 35.5 million), with 72% recorded abroad (9m 2007: 71%). EBIT in the third quarter of 2008 totaled around € 2.7 million compared to € 1.5 million after the first six months, and accumulated EBIT in the first nine months totaled € 4.2 million (previous year: € 5.7 million). This brought the EBIT margin to 13.7% for the first nine months compared to 16.1% one year ago.

The distortions on the capital markets and the current insecurity surrounding financing conditions have caused some of our customers, in particular from Russia, to push back projects that had already been resolved. This means that the further increase in revenues and earnings that had been anticipated for the fourth quarter will not occur to the full extent. As a consequence, it will not be possible to achieve the growth intended for the year as a whole for these figures. In 2008, SMT Scharf AG's Managing Board is now forecasting revenues between € 47 million and € 50 million and EBIT between € 6.5 million and € 7.0 million. In 2007, the company recorded € 51.2 million revenues and € 7.5 million EBIT. However, it is still not yet possible to reliably assess which impact the further development in mining in the Saarland region after the earthquake on February 23, 2008 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 for hard coal, has the most important impact on the SMT Scharf Group's business. In turn, this investment 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 nine months 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. However, distortions on the capital markets, the resulting deterioration in financing conditions and insecurities concerning economic developments have also impacted many mine operators.

However, SMT Scharf believes that investments in international mining, in particular hard coal mining, will also increase in the coming years once the current insecurities concerning the issue of credit by the banking sector have been put to lay. Demand for hard coal to generate electricity and produce steel will continue to increase in the coming years in those countries that are SMT Scharf's primary markets. This is coupled with the fact that investments in technology to boost productivity continue to be of major importance for many mine operators. The SMT Scharf Group's products play a key role in this regard when it comes to transporting materials in underground mining operations.

In contrast, hard coal mining in Germany is shrinking 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 before 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 nine months of 2008, which can be seen in both the geographic sales breakdown as well as in its order book: The proportion of foreign revenues increased again slightly to 72%. The order book totaled € 31.0 million on September 30, 2008, with 10% stemming from non-German markets. The revenues recorded in Germany in the third quarter were in line with the company's expectations, after having been significantly lower than forecast in the first and second quarters after the disruption to operations at the mine in Germany's Saarland region.

The company also received several key foreign orders in the third quarter. Two orders from Russia are worthy of particular mention – these are for the rack-and-pinion railway newly developed by SMT Scharf last year. The first order from a Russian customer was received back in May 2008, and in August the operator of another hard coal mine in Russia decided to use this technology. In future the railways are to transport heavy shield-type support units on

inclines of up to 30 degrees. This order for the delivery of two train formations, rails and additional equipment is worth more than € 2 million. SMT Scharf received a further order with a volume in excess of € 4 million for four trains, tracks and additional equipment in September. These trains are scheduled to be delivered in the first half of 2009 and will thus also be reflected in revenues and earnings that year.

In the period from July to September 2008 SMT Scharf received further orders from South Africa for electrically driven monorail hanging railways. Including tracks and other equipment, these are worth more than € 5 million. These are to be delivered in 2008 and 2009.

Research and development

In the first nine months of 2008, as was the case in the previous year, ongoing research and development activities focused on further developing drive technology and standardizing and analyzing the value of the product range. In addition, there are several projects in process to cut manufacturing costs for specific assemblies and products. A weight-optimized heavy-duty lifting beam was added to the modular range of lifting beams during the period under review. The control technology for electrically driven railways was fundamentally modernized over the course of the past few months.

Human Resources

As of September 30, 2008, the SMT Scharf Group had a total of 246 employees, including 15 trainees (September 30, 2007: 238 employees). The number of employees at both German facilities in Hamm and Neunkirchen fell to 188 from 207 employees. In contrast, the number of employees at foreign locations increased to 58 (previous year: 31). This is due to the expansion of the branches in China, Russia and South Africa as well as the Sareco acquisition.

The negotiations in the arbitration procedure at SMT Scharf Saar GmbH were still in progress on September 30, 2008. The aim is to set out the conditions for the staff cuts that SMT Scharf intends to make and which have become necessary at the Neunkirchen facility as a result of the downturn in demand stemming from the earthquake in the spring. The results of the negotiations and thus the financial impact on SMT Scharf can not yet be reliably determined.

Net assets, financial position and results of operations

Financial condition

On September 30, 2008, the SMT Scharf Group's total assets were at € 50.6 million which is € 6.4 million higher than at the end of 2007. At the same time, the balance sheet structure was mostly unchanged. At the end of the first nine months of 2008, the equity ratio amounted to 46% (56% including mezzanine financing), compared to 51% at the start of the year (62% including mezzanine financing). Inventories increased substantially as of September 30, 2008 to € 12.8 million – up € 4.2 million. This was primarily due to advance work for orders that are to be recognized during the remainder of the year. This went hand-in-hand with an increase in advance payments from customers by € 6.4 million to € 6.9 million. It was

possible to reduce trade receivables by € 2.3 million to € 7.9 million, in particular by reducing PoC receivables.

Results of operations

Revenue and total output in the first nine months of 2008 continued to be lower than in the previous year. Revenue totaled € 30.9 million (previous year: € 35.5 million), whereas the increase in inventories of unfinished goods was up slightly on the previous year's figure at € 1.7 million (€ 1.6 million). The cost of materials totaled € 15.7 million or 48% of total output (previous year: 50%). This was primarily due to changes in the product and order mix. For the same reason, personnel expenses increased to 27% of total output (previous year: 26%), although this figure fell in absolute terms from € 9.6 million to € 9.0 million. Other operating expenses increased as a result of the foreign expansion to 14% of total output (previous year: 9%). This growth is primarily due to the higher selling costs, such as freight and commission.

The EBIT margin totaled 20.9% in the third quarter – even outstripping the previous year's excellent 19.2% margin. In the first three months of 2008, the EBIT margin was substantially lower than in the previous year as a result of the earthquake in the Saarland region, and it climbed to the previous year's level in the second quarter. This gives a total EBIT margin of 13.7% in the first nine months of fiscal year 2008 - which is still lower than in 2007 (16.1%).

Net income in the first nine months of 2008 totaled € 3.3 million. The previous year's figure of € 4.6 million was particularly high as a result of the capitalization of deferred taxes in connection with the IPO.

Financial situation

Cash and cash equivalents on September 30, 2008 totaled € 16.1 million compared to € 11.6 million at the start of the year. Higher advance payments were the main reason for this increase. These totaled € 6.9 million at the end of September, compared to € 0.5 million at the start of the year.

Capital expenditure

SMT Scharf invested € 2.5 million in the first nine months of 2008. This amount includes the Sareco acquisition, the capitalization of development expenses and smaller investments in replacements and rationalization. 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 substantial changes occurred during the course of the first nine months of 2008.

Report on events after the balance sheet date

Ownership of that part of the property in Neunkirchen, which SMT Scharf sold in August, was transferred in October 2008.

At the end of October, there were initial indicators that some of SMT Scharf AG's customers, in particular from Russia, push back projects that they had already resolved. The primary reason given for this move by the Russian mine operators was the fact that financing investments had become more difficult as a result of the global crisis on the financial markets. As a result, SMT Scharf does not believe that it will be able to execute all of the projects that it had intended to deliver by the end of 2008. This means that the further increase in revenues and earnings that the company had anticipated for the fourth quarter will not result to its full extent. There have not been any delays in projects on other key markets such as Poland or South Africa to date.

Outlook

As a result of projects being delayed it will not be possible to achieve the revenue and earnings growth forecast for the year as a whole. SMT Scharf AG's Managing Board is now forecasting revenues between € 47 and 50 million and EBIT between € 6.5 and 7.0 million for the fiscal year 2008. In 2007, the company recorded € 51.2 million revenues and € 7.5 million EBIT. However, it is still not yet possible to reliably assess which impact the further development in mining in the Saarland region after the earthquake on February 23, 2008 will have on SMT Scharf.

Hamm, November 14, 2008

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in € thousand)	Notes	30.09.2008	30.09.2007	31.12.2007
Assets				
Inventories		12,784	10,771	8,604
Trade receivables	(3)	7,894	9,870	10,151
Other current receivables/assets	(3)	1,728	1,049	2,560
Deferred tax assets		164	0	344
Securities	(4)	894	686	740
Cash and cash equivalents	(4)	16,071	11,933	11,567
Current assets		**39,535**	**34,309**	**33,966**
Intangible assets		2,477	896	970
Property, plant and equipment		8,593	9,502	9,319
Non-current financial assets		2	0	0
Deferred tax assets		0	437	0
Non-current assets	(5)	**11,072**	**10,835**	**10,289**
Total assets		**50,607**	**45,144**	**44,255**
Equity and liabilities				
Other current provisions		4,243	4,394	4,828
Current income taxes		823	705	1,271
Advance payments received		6,886	1,534	496
Current financial liabilities	(6)	0	0	49
Trade payables	(6)	2,973	5,183	2,943
Other current liabilities	(6)	1,802	1,305	1,455
Deferred tax liabilities		322	0	0
Current provisions and liabilities		**17,049**	**13,121**	**11,042**
Provisions for pensions		3,099	2,809	2,763
Other non-current provisions		632	866	791
Deferred tax liabilities		1,609	2,315	2,090
Non-current financial liabilities	(6)	4,858	4,833	4,839
Non-current provisions and liabilities		**10,198**	**10,823**	**10,483**
Subscribed capital		4,200	4,200	4,200
Share premium		9,517	9,519	9,517
Retained earnings		5,772	2,803	2,803
Profit brought forward		3,344	4,599	5,976
Currency translation difference		527	79	234
Equity	(7)	**23,360**	**21,200**	**22,730**
Total equity and liabilities		**50,607**	**45,144**	**44,255**

Consolidated income statement

(in € thousand)	Notes	01.07.2008-30.09.2008	01.07.2007-30.09.2007	01.01.2008-30.09.2008	01.01.2007-30.09.2007
Revenue	(1)	12,979	16,695	30,945	35,537
Other operating income		368	174	1,496	1,022
Changes in inventories		-29	75	1,747	1,633
Cost of materials		5,774	9,218	15,650	18,623
Personnel expenses		2,998	3,040	8,977	9,571
Depreciation and amortization		232	279	810	869
Other operating expenses		1,630	1,208	4,522	3,415
Profit from operating activities (EBIT)		**2,684**	**3,199**	**4,229**	**5,714**
Interest income		149	108	370	216
Interest expenses		127	102	338	333
Financial result		**22**	**6**	**32**	**-117**
Profit before tax		**2,706**	**3,205**	**4,261**	**5,597**
Income taxes	(2)	631	788	917	998
Net income		**2,075**	**2,417**	**3,344**	**4,599**
Earnings per share (in €) *					
Basic		0.49	0.58	0.80	1.21
Diluted		0.49	0.58	0.80	1.21

* Based on an average of 4,200,000 shares (July 1, 2008 – September 30, 2008 and January 1, 2008 – September 30, 2008 and July 1, 2007 – September 30, 2007) and 3,795,604 shares (January 1, 2007 – September 30, 2007) respectively

Consolidated cash flow statement

(in T€)	01.01.2008-30.09.2008	01.01.2007-30.09.2007
Net income	3,344	4,599
Depreciation and amortization	810	869
Loss on the disposal of intangible assets and property, plant and equipment	35	5
Changes in assets and liabilities items		
- Changes in provisions	-408	-263
- Changes in taxes	-427	-4,738
- Changes in inventories	-4,180	-1,357
- Changes in receivables/other assets	3,519	-3,343
- Change in liabilities	6,767	4,404
Net cash flows from/used in operating activities	**9,460**	**176**
Investments in intangible assets and property, plant and equipment	-582	-751
Proceeds from the disposal of intangible assets and property, plant and equipment	35	10
Acquisition	-1,944	
Current assets acquired in the acquisition	946	
Liabilities acquired in the acquisition	-513	
Net cash flows used in investing activities	**-2,058**	**-741**
IPO	0	11,400
Deduction of IPO costs from equity	0	-681
Dividend	-2,940	
Exchange rate difference from Cash Flow Hedge	-67	
Hardship and social funds	60	17
Repayment of/proceeds from non-current financial liabilities	19	7
Net cash flows from/used in financing activities	**-2,928**	**10,743**
Effect of exchange rate changes and changes in consolidated group structure	293	98
Net change in net financial position	**4,767**	**10,276**
Net financial position – start of period*	11,291	1,401
Net financial position – end of period*	16,058	11,677

* 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				3,344		3,344
Dividend			-2,940			-2,940
Other changes			-67		293	226
Balance at 30.09.2008	**4,200**	**9,517**	**5,772**	**3,344**	**527**	**23,360**
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				4,599		4,,599
Other changes					99	99
Balance at 30.09.2007	**4,200**	**9,519**	**2,803**	**4,599**	**79**	**21,200**

Notes

Methods

This financial report for the SMT Scharf Group as at September 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.

The order which was to be accounted for according to IAS 11 (construction contracts) was settled by the end of the period under review.

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

Consolidated group

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

- SMT Scharf GmbH, Hamm, Germany
- SMT Scharf Polska Sp.z o.o., Tychy, Poland
- SMT Scharf 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.

Notes to the income statement

(1) Revenues

Revenue is composed of the following items:

(in € thousand)	01.07.2008-30.09.2008	01.07.2007-30.09.2007	01.01.2008-30.09.2008	01.01.2007-30.09.2007
Sale of new equipment	6,533	10,852	13,349	16,952
Spare parts/service/other	6,446	5,843	17,596	18,585
Total	**12,979**	**16,695**	**30,945**	**35,537**
Germany	2,644	1,466	8,585	10,336
Other countries	10,335	15,229	22,360	25,201
Total	**12,979**	**16,695**	**30,945**	**35,537**

(2) Income taxes

Income taxes are composed of the following items:

(in € thousand)	01.07.2008-30.09.2008	01.07.2007-30.09.2007	01.01.2008-30.09.2008	01.01.2007-30.09.2007
Current tax expense	706	1,110	1,157	1,794
Thereof current income tax expense for the period	682	1,110	1,133	1,724
Thereof restatement of current income taxes incurred in prior periods	24	0	24	70
Deferred taxes	-73	-322	-240	-796
Thereof creation or reversal of temporary differences	-73	-322	-240	-796
Total	**633**	**788**	**917**	**998**

Notes to the balance sheet

(3) Receivables and other assets

As of September 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.

(4) Securities and cash and cash equivalents

Securities and cash and cash equivalents as of September 30, 2008 include a hardship and social fund in the amount of € 907 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 September 30, 2008.

During the first nine months, development expenses totaling € 198 thousand were capitalized for a project which fulfills the requirements of IAS 38. Of this total € 165 thousand was due to personnel expenses and € 33 thousand was due to purchased services. These were eliminated in the relevant period.

The sold portion of the property in Neunkirchen was re-posted to current assets.

(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.

(7) Equity

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

As of September 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 April 2008, based on a resolution by the Ordinary General Meeting, SMT Scharf paid a dividend of € 0.70 per share out of the net profit for 2007.

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. In the period under review, payments amounting to € 98 thousand were recognized under other operating expenses for rental agreements and leases.

The nominal amount of the future minimum payments from rental agreements and operating leases that cannot be terminated is as follows (by due date):

(in € thousand)	30.09.2008	30.09.2007	31.12.2007
Due within one year	116	80	210
Due in one to five years	42	65	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., attorney, 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 September 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 500 shares of the company respectively.

(10) Related party disclosures

Services from related parties within the meaning of IAS 24 totaled € 30 thousand 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 fair value hedges were used in the period under review. Two currency forwards are carried as cash flow hedges.

Please see the 2007 consolidated financial statements for information on the financial risks of the SMT Scharf Group’s business. No substantial changes occurred from January to September 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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