

9-Month Report

01 Jan - 30 Sep 2010



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Summary of key data

(in € thousand)	01.01.2010- 30.09.2010 *	01.01.2009- 30.09.2009	Change
Revenue	39,705	37,508	+6%
Profit from operating activities (EBIT)	6,412	4,994	+28%
EBIT margin	16.2%	13.3%	+22%
Net income	4,505	3,338	+35%
Employees – end of period	271	235	+15%

* Figures from May 2010 include the newly acquired Dosco Holdings Ltd. and its subsidiaries

Introduction by the Managing Board

Dear shareholders and business partners,

We have driven the SMT Scharf Group's international growth highly successfully in the first nine months of fiscal year 2010. We were able to further expand our business on several of our key markets. Shortly after the end of the period under review, our joint venture company Shandong Xinsha Monorail Co. Ltd. delivered the first monorail hanging railway train completed in China.

We acquired two UK mining suppliers in May 2010 – Dosco Overseas Engineering Ltd. and Hollybank Engineering Co. Ltd. – which have significantly increased our product range. Both companies already made a positive contribution to the SMT Scharf Group's revenues and earnings in the period under review. In addition, we received a key order from Argentina in October for two Dosco roadheaders with a volume of more than €3 million. This order is expected to be shipped in the first half of 2011.

Consolidated revenues totaled €39.7 million in the first nine months of 2010, up from last year's figure of €37.5 million. After the first six months this figure had still been lower than in the previous year. This growth is in line with the standard seasonal pattern of business, which had shifted temporarily as a result of the global recession, thus making corporate forecasts more difficult. The perceptible return to the "normal" course of business thus confirms our expectations that SMT Scharf will record an above-average proportion of its revenues in the second half of the year – in contrast to the previous year. During the past few months the Chinese market has played a particularly major role in the positive revenue growth. Demand from Russia also recovered in the third quarter. Non-German markets accounted for 90% of total revenues (previous year: 80%).

Revenue growth was also accompanied by a disproportionate increase in profits. EBIT increased by 28% to €6.4 million compared to €5.0 million in the same period of the previous year. As a result, the EBIT margin increased to 16.2%, compared to 13.3% in the same period of the previous year. Net income improved to €4.5 million compared to €3.3 million in the previous year as a result of a lower tax rate.

Results from the first nine months of 2010 and the current growth in demand have confirmed our expectations that the SMT Scharf Group's revenues and earnings will enjoy positive growth during the current year. In addition, our continuing aim is to increase our revenues and earnings on average over the coming years.

We would like to thank you, our investors, business partners and customers for the trust that you have placed in our company to date, and look forward to working together with you in future.

Yours sincerely,

Dr. Friedrich Trautwein

Heinrich Schulze-Buxloh

Management report

Macroeconomic environment

Capital expenditure in the international mining sector, in particular for hard coal, is the key factor to impact the SMT Scharf Group's business. This capital expenditure in turn is primarily impacted by global demand for commodities. Many customers throttled their production in the fall of 2008 as a result of the developing recession, and the SMT Scharf Group's individual markets experienced varied growth in 2009. Although production and investments by mines increased again in some countries, such as China, these fell in other countries, such as Russia.

In 2010 to date, a year characterized by a recovering general economy, this split regional growth in demand for commodities and investment by mines has continued. Growth trends are increasingly proving to be a dominant factor, compared to the stagnation on individual markets. Given a continued economic recovery the international mining sector is likely to return to the on-track growth it enjoyed up to 2008. Countries such as China, India, Russia and South Africa will have increasing requirements for energy, steel and other metals in line with their continued economic growth. As a result, these will continue to be the markets with the strongest demand for the SMT Scharf Group's products in the coming years. This is coupled with the fact that many mine operators will also specifically invest in technology to boost productivity in future. The SMT Scharf Group's transport systems play a key role in this regard when it comes to transporting materials in underground mining operations.

Although hard coal mining in other countries is growing, this sector is shrinking in Germany as costs here are high compared to other countries. SMT Scharf expects that the decision to end German hard coal mining by 2018 will remain effective.

Order situation

The SMT Scharf Group continued to drive its international expansion in the first nine months of 2010. Revenues outside Germany increased to €35.6 million (previous year: €30.1 million), or 90% of total revenues (previous year: 80%). The order book totaled €27.8 million on September 30, 2010, with 96% stemming from non-German markets. This figure is thus up 117% compared to €15.1 million in the previous year. The growth is due to both the first-time inclusion of the UK companies as well as seasonal shifts in business.

China was the most important individual market for SMT Scharf. The Group already recorded growth on this market in the previous year. The second largest market was Russia and other member states of the Commonwealth of Independent States (CIS). Demand in these countries during the period under review was on a par with levels prior to the international economic crisis. This demand slumped substantially in 2009. In contrast, demand on the Polish and South African markets continued to be lower than in the previous year. In South Africa, this was the result of extraordinarily high figures in the previous year. In Poland it was due, in particular, to uncertainties concerning the planned privatization of mines and excessive price competition.

In Germany, revenue in the first nine months of 2010 was lower than in the previous year, in line with expectations. This was due to the downturn in demand from the key account

Deutsche Steinkohle AG and also the deconsolidation of SMT Scharf Saar GmbH during the first five months of the year. The insolvency proceedings for SMT Scharf Saar GmbH were discontinued on May 26, 2010. Since then, this company has gone back to working as part of the SMT Scharf Group, albeit at a lesser size.

Research and development

During the third quarter of 2010, research and development activities continued to focus on investigations into new types of drives. The diesel motors that SMT Scharf uses are based on motors that were originally developed for construction machines. As a result of the continuing changes in standards in this area, the SMT Scharf Group also has to constantly develop its motors. Additional projects related to adjusting the rack-and-pinion driven floor-mounted rail system to other track widths and to the first-time use of the rack-and-pinion driven monorail hanging railway developed last year.

Human resources

As of September 30, 2010, the SMT Scharf Group had 271 employees, including 15 trainees, compared to 235 employees (including 13 trainees) one year before. This figure does not include employees at the Chinese joint venture. The number of employees in Germany fell from 163 to 132 as a result of rationalization activities at the facilities in Hamm and Neunkirchen. In contrast, the number of employees at foreign locations increased to 139 (previous year: 72). The primary influencing factor was the acquisition of the UK companies.

A total of 24,901 shares were sold to employees in March and June 2010 as part of an employee equity participation plan.

Net assets, financial position and results of operations

As of September 30, 2010, the SMT Scharf Group's total assets amounted to €60.9 million. This figure was thus up €16.1 million or 36% compared to the end of 2009. The primary influencing factor was the inclusion of the UK companies acquired in May. This was coupled with preparatory work for orders that are still to be shipped during the current year. The largest changes were in inventories (up €7.0 million), provisions for pensions (up €6.9 million) and non-current assets (€+6.0 million). Equity increased to €26.6 million compared to €23.0 million at the end of the year. This was due, in particular, to the positive earnings for the period. Additional influencing factors were the sale of 100,000 treasury shares in February and the disbursement of a dividend of €2.8 million for 2009 in April. The equity of €26.6 million corresponds to an equity ratio of 44% at the end of the period under review, compared to 51% at the end of 2009. This reduction is due to the increase in total assets.

Revenue in the first nine months of 2010 totaled €39.7 million, which was 6% higher than the previous year's figure of €37.5 million. This was coupled with an increase in inventories of unfinished goods of €2.5 million due to preparatory work for orders still to be shipped, whereas such inventories fell by €1.1 million in the same period of the previous year. This development shows that SMT Scharf will record a disproportionately high percentage of its revenues in the second half of 2010 as a result of the seasonal pattern of its business deviating from the previous year.

As a result of changes in the mix of products and orders as well as the increase in inventories, the cost of materials to revenue ratio increased to 56% (previous year: 48%). Personnel expenses fell both in absolute terms (€8.8 million compared to €9.0 million in the same period of the previous year) and also as a percentage of revenues (22% compared to 24% in the same period of the previous year). Other expenses and income (without the change in inventories) totaled 12% of revenues compared to 16% in the previous year. This includes the income from the first-time consolidation of the UK companies of €0.8 million. The new UK companies also made a positive contribution to the SMT Scharf Group's earnings without this one-off income.

In total, the EBIT margin in the first nine months of 2010 amounted to 16.2% compared to 13.3% in the same period of the previous year. In absolute terms EBIT increased to €6.4 million compared to €5.0 million in the previous year. Net income was also up year-on-year at €4.5 million (€3.3 million). This increase was above average as the group's tax rate fell to 27% compared to 31% in the same period of the previous year. This was the case in particular because no taxes were due on intra-group disbursements and because some income related to the first-time consolidation. Earnings per share increased to €1.14 as a result of the lower average number of shares in circulation (previous year: €0.80).

On September 30, 2010, cash and cash equivalents and marketable securities totaled €16.9 million compared to €15.0 million at the start of 2010. The positive earnings for the period did not lead to an inflow of funds in the same amount, as the SMT Scharf Group increased its working capital. The increase in inventories played a major role in this regard, and it was not possible to cover this amount with advance payments from customers. Further significant outflows of funds were due to the acquisitions and the dividend payment.

SMT Scharf's capital expenditure totaled €2.9 million in the period under review. The largest items were the Dosco acquisition at €1.9 million and the payment of capital into the Chinese joint venture totaling €0.6 million. There were also ongoing development projects, which had to be capitalized according to IAS 38, as well as replacement and rationalization investments at a standard level for SMT Scharf. At present, there are no major projects involving investments in property, plant and equipment.

Report on events after the balance sheet date

An Argentinean coal mine ordered two roadheaders and accessories with a total value of more than €3 million from SMT Scharf in October 2010. This order is expected to be shipped in the first half of 2011. SMT Scharf acquired Dosco Overseas Engineering Ltd. in May 2010. This company specializes in developing and producing these machines, which are used to excavate underground roadways.

The Chinese joint venture company Shandong Xinsha Monorail Co. Ltd. shipped the first monorail hanging railway trains to be produced in China in October. In order to produce these trains, SMT Scharf supplied sets of components from Germany, and supported commissioning in the mine. At the same time, the joint venture company also received several new orders from mines in Shandong province.

Outlook

The SMT Scharf Group's business is subject to a large number of external factors. The opportunities and risks associated with these factors for the SMT Scharf Group's growth are discussed in detail in the group management report for fiscal year 2009.

During the course of the third quarter, the SMT Scharf Group's opinion was confirmed that the split development seen on its markets in the previous year would continue in 2010. Economic growth on several markets, in particular China and Russia, has bolstered the mining sector's readiness to make investments, either on a continuous basis or as a return to previous levels. Demand on other markets continues to be weak and has not yet regained the levels prior to the economic crisis. During the first nine months of the year growth factors prevailed for the SMT Scharf Group's business, including the acquisition of the UK companies. The SMT Scharf Group continues to expect that this will also be the case for the full fiscal year.

After the recession has been overcome, market watchers are expecting the international mining sector to return to the on-track growth enjoyed until 2008. During this period, expansion was mostly driven by the increase in demand for energy commodities and metals as a result of the industrialization in countries with a large population such as China and India. It is highly probable that this trend will become prominent again. This is why the Managing Board continues to aim for revenue and earnings growth on average over the coming years.

Hamm, November 12, 2010

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in € thousand)	Notes	30.09.2010	30.09.2009	31.12.2009
Assets				
Inventories		14,548	9,666	7,535
Trade receivables		12,112	10,359	10,436
Other current receivables / assets		1,693	771	1,686
Deferred tax assets		0	168	419
Securities		3,007	1,776	1,743
Cash and cash equivalents		13,898	13,534	13,249
Current assets	(4)	45,258	36,274	35,068
Intangible assets		3,285	2,539	2,616
Property, plant and equipment		8,856	8,324	7,105
Participating interests		640	0	0
Deferred tax assets		2,706	0	0
Other non-current receivables / assets		192	0	0
Non-current assets	(5)	15,679	10,863	9,721
Total assets		60,937	47,137	44,789
Equity and liabilities				
Current income tax		1,090	1,362	1,430
Other current provisions		4,890	5,422	4,136
Advance payments received		4,578	2,591	716
Trade payables		4,632	1,919	3,247
Other current liabilities		1,117	1,458	1,584
Current provisions and liabilities	(6)	16,307	12,752	11,113
Provisions for pensions		9,916	2,946	3,017
Other non-current provisions		1,683	803	1,344
Deferred tax liabilities		1,556	1,571	1,379
Non-current financial liabilities		4,914	4,884	4,892
Non-current provisions and liabilities	(6)	18,069	10,204	10,632
Subscribed capital		3,965	4,140	3,840
Share premium		7,842	9,058	6,661
Retained earnings		0	2,803	2,803
Profit brought forward		14,197	8,086	9,652
Currency translation difference		557	94	88
Equity	(7)	26,561	24,181	23,044
Total equity and liabilities		60,937	47,137	44,789

Consolidated statement of comprehensive income

(in € thousand)	Notes	01.07.2010- 30.09.2010	01.07.2009- 30.09.2009	01.01.2010- 30.09.2010	01.01.2009- 30.09.2009
Revenue	(1)	20,630	12,738	39,705	37,508
Other operating income		963	312	2,697	924
Changes in inventories		805	-1,103	2,552	-1,144
Cost of materials		11,993	5,409	22,203	18,161
Personnel expenses		3,396	3,162	8,770	9,008
Depreciation and amortization		396	377	1,130	1,039
Other operating expenses		3,355	1,582	6,439	4,086
Profit from operating activities (EBIT)		3,258	1,417	6,412	4,994
Interest income		27	48	134	202
Interest expenses		124	112	350	330
Financial result		-97	-64	-216	-128
Profit before tax		3,161	1,353	6,196	4,866
Income taxes	(2)	903	407	1,691	1,528
Net income	(3)	2,258	946	4,505	3,338
Currency difference from translation of foreign financial statements		-422	173	469	538
Comprehensive income		1,836	1,119	4,974	3,876

Consolidated cash flow statement

(in € thousand)	01.01.2010- 30.09.2010	01.01.2009- 30.09.2009
Net income	4,505	3,338
Income from first-time consolidation	-809	0
Depreciation and amortization	1,130	1,039
Gain / loss on the disposal of non-current assets	99	6
Changes in assets and liabilities items		
- Provisions	-295	931
- Taxes	-208	-108
- Inventories	-3,974	2,797
- Receivables / other assets	2,379	3,648
- Liabilities	1,263	-8,943
Net cash flow from / used in operating activities	4,090	2,708
Investments in non-current assets	-363	-1,133
Proceeds from the disposal of non-current assets	66	151
Corporate acquisitions	-2,546	0
Cash and cash equivalents acquired	1,719	0
Net cash flow used in investing activities	-1,124	-982
Sale / acquisition of treasury shares	1,306	-519
Dividend	-2,763	-3,570
Hardship and social funds	90	62
Repayment of / proceeds from non-current financial liabilities	22	20
Net cash flow from / used in financing activities	-1,345	-4,007
Effect of changes in exchange rates and group composition on cash and cash equivalents	382	516
Change in net financial position*	2,003	-1,765
Net financial position – start of period*	14,221	16,272
Net financial position – end of period*	16,224	14,507

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

Consolidated statement of changes in equity

(in € thousand)	Subscribe d capital	Share premium	Retained earnings	Profit brought forward	Currency translation difference	Equity
Balance at January 1, 2010	3,840	6,661	2,803	9,652	88	23,044
Reclassification			-2,803	2,803		0
Sale of treasury shares	125	1,181				1,306
Net income				4,505		4,519
Dividend				-2,763		-2,763
Other changes					469	469
Balance at September 30, 2010	3,965	7,842	0	14,197	557	26,561
Balance at January 1, 2009	4,200	9,517	2,803	8,318	-444	24,394
Acquisition of treasury shares	-60	-459				-519
Net income				3,338		
Dividend				-3,570		-3,570
Other changes					538	
Balance at September 30, 2009	4,140	9,058	2,803	8,086	94	24,181

Notes

Methods

This financial report of the SMT Scharf Group as at September 30, 2010 was prepared in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the 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 as at December 31, 2009, which were audited by the Group's auditors.

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
SMT Scharf Polska Sp.z o.o., Tychy, Poland
SMT Scharf Sales and Services GmbH, Hamm
SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa
SMT Scharf International OÜ, Tallinn, Estonia
Scharf Mining Machinery (Beijing) Co. Ltd., Beijing, China
OOO SMT Scharf, Novokuznetsk, Russian Federation
Sareco Engineering (Pty.) Ltd., Brakpan, South Africa
Dosco Holdings Ltd., Tuxford, United Kingdom (from May 4, 2010)
Dosco Overseas Engineering Ltd., Tuxford, United Kingdom (from May 4, 2010)
Hollybank Engineering Co. Ltd., Tuxford, United Kingdom (from May 4, 2010)
OOO Dosco, Kemerowo, Russian Federation (from May 4, 2010)
SMT Scharf Saar GmbH, Neunkirchen (from May 27, 2010 and previously to Oct. 2, 2009)
Shandong Xinsha Monorail Co. Ltd., Xintai, China (from June 17, 2010)

The 100% interest in Dosco Holdings Ltd. and its subsidiaries have been fully consolidated since the acquisition on May 4, 2010. SMT Scharf Saar GmbH has been consolidated again since the insolvency proceedings were lifted on May 26, 2010.

The 50% participating interest in Shandong Xinsha Monorail Co. Ltd. is consolidated using the equity method.

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

(in € thousand)	01.07.2010- 30.09.2010	01.07.2009- 30.09.2009	01.01.2010- 30.09.2010	01.01.2009- 30.09.2009
New equipment	12,935	8,638	22,463	21,787
Spare parts / service / other	7,695	4,100	17,242	15,721
Total	20,630	12,738	39,705	37,508
Germany	1,474	1,811	4,086	7,428
Other countries	19,156	10,927	35,619	30,080
Total	20,630	12,738	39,705	37,508

(2) Income taxes

Income taxes are composed of the following items:

(in € thousand)	01.07.2010- 30.09.2010	01.07.2009- 30.09.2009	01.01.2010- 30.09.2010	01.01.2009- 30.09.2009
Current tax expense	922	429	1,866	1,582
Deferred taxes	-19	-22	-175	-54
Total	903	407	1,691	1,528

(3) Earnings per share

Diluted earnings per share correspond to basic earnings per share.

	01.07.2010- 30.09.2010	01.07.2009- 30.09.2009	01.01.2010- 30.09.2010	01.01.2009- 30.09.2009
Average number of shares	3,964,905	4,146,671	3,936,125	4,182,224
Earnings per share (in €)	0.57	0.23	1.14	0.80

Notes to the balance sheet

(4) Current assets

As of September 30, 2010 there were trade receivables and other current assets with a remaining term of more than one year totaling €787 thousand (previous year: none).

Securities and cash and cash equivalents as at September 30, 2010 include a hardship and social fund amounting to €681 thousand. This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as these two companies' works councils.

(5) Non-current assets

The SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recorded as leased assets under non-current assets. There were six leased items as of September 30, 2010.

From January to September 2010, €194 thousand were capitalized as development expenses for projects that fulfill the requirements of IAS 38.

(6) Liabilities

The mezzanine financing taken out in 2006 is reported as a non-current financial liability. This runs until 2013. Of the current liabilities, €514 thousand 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. In order to increase transparency, the retained earnings and the profit brought forward were compounded to form a single item.

On September 30, 2010 4,200,000 ordinary bearer shares of SMT Scharf AG had been issued in the form of no-par value shares with a notional interest of €1 each. Of this total, SMT Scharf AG held 235,095 treasury shares. In February 2010, SMT Scharf AG sold 100,000 treasury shares to institutional investors. This was executed in parallel to the sale of the remaining shares by the two previous major shareholders. A total of 24,901 shares were issued to employees in March and June 2010 as part of an employee equity participation plan. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the Company.

During the period under review, a dividend of €0.70 per share for fiscal year 2009 was paid based upon a resolution by the Ordinary General Meeting held on April 14, 2010.

Other disclosures

(8) Contingent liabilities and other financial commitments

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

There are other financial liabilities in particular from rental and lease agreements for buildings, cars and photocopiers. 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 €251 thousand were recognized under other operating expenses for rental agreements and leases. The nominal amount of the future minimum lease payments from rental agreements and operating leases that cannot be terminated is as follows (by due date):

(in € thousand)	30.09.2010	30.09.2009	31.12.2009
Due within one year	335	288	266
Due in one to five years	505	414	268

(9) Supervisory and Managing Boards

Since April 14, 2010, the members of SMT Scharf AG's Supervisory Board are:

Dr. Dirk Markus, Feldafing, CEO of Aurelius AG, (Chairman),
Christian Dreyer, Salzburg, entrepreneur, (Deputy Chairman),
Ulrich Radlmayr, Schondorf a. A., attorney, member of Aurelius AG's managing board.

Mr. Florian Kawohl resigned from the Supervisory Board as of the end of the Ordinary General Meeting on April 14, 2010. The General Meeting elected Mr. Christian Dreyer as a new member of the Supervisory 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, 2010, Dr. Trautwein held 64,400 shares of the company, and Mr. Schulze-Buxloh held 6,000 shares. The members of the Supervisory Board did not hold any shares.

(10) Related party disclosures

In the period under review, services totaling less than €5 thousand were purchased at arm's length conditions from related parties as defined by 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 fair value hedges were used in the period under review.

Please see the 2009 consolidated financial statements for information on the financial risks of the SMT Scharf Group's business. No substantial changes occurred over and above this from January to September 2010.

Legal Notice

This report contains future-related statements based on estimates of future trends on the part of the Managing Board. The statements and estimates have been made in view of all information available at present. Should the assumptions underlying such statements and estimates fail to materialize, actual results may differ from current expectations.

This report and the information contained therein do not constitute an offer for sale either in Germany or in any other country, nor do they constitute a demand to purchase securities of SMT Scharf AG, in particular if this type of offer or demand is prohibited or not authorized. Potential investors in shares of SMT Scharf AG must obtain information on any such restrictions and adhere to these.

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