



3-Month Report

01 Jan - 31 Mar 2011



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Summary of key data

(in €thousand)	01.01.2011 – 31.03.2011	01.01.2010 – 31.03.2010	Change
	31.03.2011	31.03.2010	
Revenue	15,182	8,786	73%
Profit from operating activities (EBIT)	2,118	1,440	47%
EBIT margin	14.0%	16.4%	-15%
Net income	1,784	971	84%
Employees – end of period	281	208	35%

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 materialise, 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 authorised. Potential investors in shares of SMT Scharf AG must obtain information on any such restrictions and adhere to these.

Introduction by the Managing Board

Dear shareholders and business partners,

We have had great success in continuing the SMT Scharf Group's international growth in the first three months of fiscal year 2011. The Group's revenue was recorded at € 15.2 million for the first quarter 2011, up 73% on the previous year's figure of € 8.8 million. This rise is primarily due to the strong demand for our products; in addition, the first-time consolidation of the UK companies purchased in the previous year has supported it. We are currently experiencing particularly strong demand from China – the Group's most important individual market in the first quarter 2011 as well as in the fiscal year 2010 as a whole. The Russian market also continues to recover and we are anticipating an increase in revenue year-on-year for the full year 2011. The non-German markets comprised 87% of total revenue in the first three months of the year (previous-year period: 86%).

The growth in revenue also resulted in a substantial rise in earnings. Profit from operating activities (EBIT) rose to € 2.1 million, up 47% on the € 1.4 million mark from the previous year. This represented an EBIT margin of 14.0%, compared to 16.4% one year ago. Net income recorded above-average growth to € 1.8 million on the back of a lower tax rate (previous year: € 1.0 million).

The strong demand among our customers is not only reflected in the growth in revenues, but also in the higher order book. This figure came in at € 38.7 million at the end of the reporting period, almost quadrupling compared to the prior-year period. This increase is due about equally to the first-time consolidation of the UK companies and the rising orders received from customers.

The results of the first three months of 2011 have confirmed our belief that we can increase both the Group's revenue 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 further in the future.

Yours sincerely

Dr. Friedrich Trautwein Heinrich Schulze-Buxloh

Management report

Macroeconomic environment

Capital expenditure in the international mining sector, in particular in hard coal, is the key factor impacting the SMT Scharf Group's business. In turn, this is primarily influenced by the global demand for raw materials. During 2010, coal production increased in all key countries for SMT Scharf, with the exception of Germany and Poland. In Germany, hard coal mining is being gradually phased out until 2018 due to the unfavourable cost situation compared to other countries.

From the current perspective it is highly likely that the global demand for raw materials and capital expenditure in mining will continue to grow in 2011 and in subsequent years. Countries such as China, India, Russia or South Africa will experience rising demand for energy, steel and other metals on the back of their economic development. As a result, they are set to remain the markets that will generate the predominant portion of demand for the SMT Scharf Group in the next few years. At the same time, there are still considerable risks of another recession. This could be triggered, in particular, by economic imbalances in many countries, some states' overindebtedness, and political disagreements over currency exchange rates.

The further growth in international mining anticipated by SMT Scharf is likely to lead many mine operators to focus on investing in technology in future that will boost their productivity. In this context, the SMT Scharf Group's products for tunneling and the supply of materials for underground mining will play a major role.

Order situation

In the first quarter of 2011, the SMT Scharf Group continued to systematically pursue its international expansion. Revenue outside of Germany rose to €13.2 million, compared to €7.6 million in the previous year's period. This represents 87% of revenue overall (previous year: 86%). Less than half of this increase is attributable to the first-time consolidation of the UK companies taken over in May 2010, as these delivered no new machines during the first quarter 2011. Most of this growth is instead due to strong demand for rail-bound railways from SMT Scharf's growing main markets.

Similar to the full year 2010, China was the most important individual market for SMT Scharf in Q1, followed by South Africa. The Group received many inquiries from the Russian market and several new orders, and therefore anticipates an increase in revenue year-on-year for the full year 2011. In Germany, SMT Scharf recorded higher revenue compared to the previous-year period. On the one hand, this is due to the fact that SMT Scharf Saar GmbH was temporarily not part of the Group in the first quarter 2010, and, on the other hand, due to the current strong demand for services from Deutsche Steinkohle AG.

On 31 March 2011, the order book totalled €38.7 million, of which 95% stemmed from non-German markets. This figure has almost quadrupled compared to the €9.9 million from the previous year. This increase is due about equally to the first-time consolidation of the UK companies and the rising demand, which currently goes along with a longer average run-time of projects.

Research and development

Similar to the previous year, the Group's R&D activities in Q1 2011 focused on new types of drives. One important project relates to the approval of the new shunting locomotive with 25 kW power, which was launched in December 2010. Further projects included adjusting the rack-and-pinion drive for monorail railways developed in 2009 to fit older models and extending the high-performance roadheader programme.

Human resources

As of 31 March 2011, the SMT Scharf Group employed a total of 281 people, 12 of whom were trainees (compared to 208 employees in the previous year, including 11 trainees). In Germany, the workforce remained almost unchanged at 130, after 129 people were employed in the previous year. The growth caused by the return of SMT Scharf Saar GmbH to the Group was balanced out by the departure of employees as part of rationalisation activities. The number of employees at foreign locations rose from 79 to 151, primarily on the back of the acquisition in England.

A total of 4,620 shares were sold to employees in March 2011 as part of an employee equity participation plan. These were transferred in April.

Net assets, financial position and results of operations

As of 31 March 2011, the SMT Scharf Group's total assets were recorded at € 65.0 million, down 3% on the € 67.2 million total reported at the end of 2010. This was mainly due to the € 6.2 million reduction in customer receivables. In contrast, inventories rose by € 2.5 million due to preparatory work for orders which are due to be delivered in the current year. Equity rose to € 32.0 million from € 31.1 million at the turn of the year, primarily on the back of the positive net income figure. Due to the lower total assets, this represented an equity ratio of 49% as of 31 March 2011, compared to 46% at the end of 2010.

The Group's revenue was recorded at € 15.2 million for the first quarter 2011, up 73% on the previous year's figure of € 8.8 million. Inventories of unfinished goods were also up on the same period in the previous year (from € 1.1 million to € 2.2 million) due to preparatory work for pending orders.

On the back of changes in the product mix and the rise in inventories, the cost of materials increased to 62% in relation to revenue (previous year: 59%). In contrast, personnel expenses as a percentage of revenue fell to 23%, following 26% in the previous year period. Other expenses and income (without the changes in inventories) rose substantially to 16% of revenue compared to 10% in the previous year. This was mainly due to the unfavourable developments of the most important exchange rates for SMT Scharf, higher sales costs and rising energy cost. As a result, SMT Scharf Group generated an EBIT margin of 14.0% in the first three months of 2011, compared to 16.4% in the previous year period. In absolute terms, EBIT was up 47% to € 2.1 million, against € 1.4 million in the previous year.

Net income was up 84% year-on-year at € 1.8 million (€ 1.0 million). This increase was above average as the Group's tax rate fell to 26% compared to 29% in the same period of the previous year. This decrease relates, firstly, to the increasing internationalisation of SMT Scharf Group, which results in the Group generating more earnings in countries with a lower tax rate than Germany. Secondly, it relates to the fact that income from the equity participation is net of taxes. Earnings per share increased almost on a par with net income, coming in at € 0.45 compared to € 0.25 in the previous year.

On 31 March 2011, cash and cash equivalents and marketable securities totalled € 16.9 million, after being recorded at € 15.4 million at the end of 2010. Net working capital was reduced somewhat. This was primarily due to a reduction of customer receivables from their very high level on the balance sheet date 31 December 2010. On the other hand, inventories were built up to prepare for new orders.

In the period under review, SMT Scharf invested € 0.2 million. Of this amount, half was spent on ongoing development projects, which had to be capitalised according to IAS 38, as well as replacement and rationalisation investments. At present, there are no major projects involving investments in property, plant and equipment.

Report on events after the balance sheet date

In April 2011, SMT Scharf transferred 180,000 shares to the pension fund at the UK companies. As part of the purchase of Dosco Holdings Limited and its subsidiaries, the Company agreed with the trustees of the pension fund to put arrangements in place that will enable such a transfer. The trustees now exercised their right.

Outlook

The opportunities and risks associated with the future development of the SMT Scharf Group are discussed in detail in the Group management report for the fiscal year 2010.

During 2010, international mining returned to the growth path it had followed until 2008 on the back of the general economic recovery. Currently, the general expectation is that global demand for raw materials and capital expenditure in mining will continue to grow in 2011. This particularly applies to the SMT Scharf Group's main markets – China, Russia and South Africa. Further growth is also expected for subsequent years. Market observers (Freedonia Group) have forecast a medium-term annual growth rate of 5% in the global investment in mining technology.

2010 was another year of successful international expansion for SMT Scharf. This positive development continued in the first quarter 2011. Numerous new orders and inquiries for further projects were received, particularly from China and Russia. However, the recovering economy also means that the delivery times for components sometimes grow substantially longer and SMT Scharf is unable to meet customers' delivery date requests. In view of the rising demand in the main markets and the SMT Scharf Group's strong market position, the Managing Board continues to anticipate being able to increase revenue and earnings on average over the coming years.

Hamm, 13 May 2011

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in €thousand)	Notes	31.03.2011	31.03.2010	31.12.2010
Assets				
Inventories		12,905	8,822	10,365
Trade receivables		17,422	7,043	23,487
Other current receivables / assets		1,557	1,838	1,265
Deferred tax assets		0	342	0
Securities		3,000	1,647	3,331
Cash and cash equivalents		13,881	16,207	12,100
Current assets	(3)	48,765	35,899	50,548
Intangible assets		3,713	2,624	3,870
Property, plant and equipment		8,424	6,907	8,728
Participating interests		963	0	761
Deferred tax assets		2,557	0	2,584
Other non-current receivables / assets		604	0	694
Non-current assets	(4)	16,261	9,531	16,637
Total assets		65,026	45,430	67,185
Equity and liabilities				
Current income tax		853	981	1,980
Other current provisions		5,514	4,003	6,202
Advance payments received		3,661	1,082	3,805
Trade payables		4,227	2,192	5,739
Other current liabilities		1,080	965	549
Current provisions and liabilities	(5)	15,335	9,223	18,275
Provisions for pensions		9,205	3,025	9,362
Other non-current provisions		2,126	1,327	2,094
Deferred tax liabilities		1,450	1,376	1,477
Non-current financial liabilities		4,930	4,899	4,922
Non-current provisions and liabilities	(5)	17,711	10,627	17,855
Subscribed capital		3,965	3,947	3,965
Share premium		7,848	7,614	7,848
Profit brought forward		19,483	13,426	17,699
Currency translation difference		684	593	1,543
Equity	(6)	31,980	25,580	31,055
Total equity and liabilities		65,026	45,430	67,185

Consolidated statement of comprehensive income

(in €thousand)	Notes	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
Revenue	(1)	15,182	8,786
Other operating income		466	689
Changes in inventories		2,228	1,050
Cost of materials		9,408	5,204
Personnel expenses		3,493	2,310
Depreciation and amortisation		368	367
Other operating expenses		2,489	1,205
Profit from operating activities (EBIT)		2,118	1,439
Income from participating interests		291	0
Interest income		110	43
Interest expenses		138	109
Financial result		263	-66
Profit before tax		2,381	1,373
Income taxes	(2)	597	402
Net income		1,784	971
Transaction costs from the sale of treasury shares		0	-42
Tax benefit		0	13
Currency difference from translation of foreign financial statements		-770	505
Comprehensive income		1,014	1,447

Earnings per share (in €)

Basic	0.45	0.25
Diluted	0.45	0.25
Average number of shares	3,964,905	3,889,941

Consolidated cash flow statement

(in €thousand)	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
Net income	1,784	971
Income from equity participation	-291	0
Depreciation and amortisation	368	367
Gain / loss from disposals of non-current assets	4	0
Changes in assets, provisions and liabilities items		
- Provisions	-813	-143
- Taxes	-1,126	-375
- Inventories	-2,540	-1,288
- Receivables / other assets	5,863	3,241
- Liabilities	-1,126	-1,307
Net cash flows from / used in operating activities	2,123	1,466
Investments in non-current assets	-173	-81
Proceeds from disposals of non-current assets	0	0
Net cash flows used in investing activities	-173	-81
Sale / acquisition of treasury shares	0	1,060
Hardship and social funds	0	42
Repayment of / proceeds from financial liabilities	8	7
Net cash flows from / used in financing activities	8	1,109
Effect of changes in exchange rates and group composition	-508	410
Change in net financial position *	1,450	2,904
Net financial position – start of period	14,750	14,221
Net financial position – end of period	16,200	17,125

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

Consolidated statement of changes in equity

(in €thousand)	Subscribed capital	Share premium	Retained earnings	Currency translation difference	Equity
Balance on 1 January 2011	3,965	7,848	17,699	1,543	31,055
Net income			1,784		1,784
Other changes				-859	-859
Balance on 31 March 2011	3,965	7,848	19,483	684	31,980
Balance on 1 January 2010	3,840	6,661	12,455	88	23,044
Sale of treasury shares	107	982			1,089
Transaction costs		-42			-42
Tax benefit		13			13
Net income			971		971
Other changes				505	505
Comprehensive income		-29	971	505	1,447
Balance on 31 March 2010	3,947	7,614	13,426	593	25,580

Notes

Methods

This financial report of the SMT Scharf Group as of 31 March 2011 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 of 31 December 2010, 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.

The interim financial statements are drawn up in Euros. Unless otherwise indicated, all amounts are stated in and rounded to thousands of Euros (€thousands).

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 (since 04.05.2010)

Dosco Overseas Engineering Ltd., Tuxford, United Kingdom (since 04.05.2010)

Hollybank Engineering Co. Ltd., Tuxford, United Kingdom (since 04.05.2010)

OOO Dosco, Novokuznetsk, Russian Federation (since 04.05.2010)

SMT Scharf Saar GmbH, Neunkirchen (since 27.05.2010)

Shandong Xinsha Monorail Co. Ltd., Xintai, China (since 17.06.2010)

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:

	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
New equipment	6,611	4,750
Spare parts / service / other	8,571	4,036
Total	15,182	8,786
Germany	1,937	1,209
Other countries	13,245	7,577
Total	15,182	8,786

(2) Income taxes

Income taxes are composed of the following items:

	01.01.2011- 31.03.2011	01.01.2010- 31.03.2010
Current tax expense	616	326
Deferred taxes	-19	76
Total	597	402

Notes to the balance sheet

(3) Current assets

Securities and cash and cash equivalents as of 31 March 2011 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.

(4) Non-current assets

The SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recorded as leased assets under property, plant and equipment. There were six leased items as of 31 March 2011.

From January to March 2011, € 99 thousand were capitalized as development expenses for projects that fulfil the requirements of IAS 38.

(5) Liabilities

The mezzanine financing taken out in 2006 is reported as a non-current financial liability. This runs until 2013. There are no liabilities secured through rights of lien.

(6) 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 31 March 2011, 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 this total, SMT Scharf AG held 235,095 treasury shares. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the Group. A total of 4,620 shares were sold to employees in March 2011 as part of an employee equity participation plan. These were transferred in April. In April 2011, SMT Scharf transferred 180,000 shares to the pension fund at the UK companies. As part of the purchase of Dosco Holdings Limited and its subsidiaries, the Company agreed with the trustees of the pension fund to put arrangements in place that will enable such a transfer. The trustees now exercised their right.

In the first quarter 2011, no dividend was paid, as in the previous year. On 13 April 2011, the Ordinary General Meeting resolved to distribute a dividend of €0.85 per share for the fiscal year 2010, payable in April 2011.

Other disclosures

(7) 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 €156 thousand were recognised under other operating expenses. 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):

	31.03.2011	31.03.2010	31.12.2010
Due within one year	326	286	378
Due within between one and five years	376	244	446

(8) Supervisory and Managing Boards

During the period under review, the members of SMT Scharf AG's Supervisory Board were:
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.

Dr. Markus' and Mr. Radlmayr's terms ended as of the end of the Ordinary General Meeting on 13 April 2011. The General Meeting elected Dr. Rolf-Dieter Kempis as a new member of the Supervisory Board and re-elected Dr. Markus.

The members of the Managing Board of SMT Scharf AG in the period under review were:
Dr. Friedrich Trautwein (CEO),
Heinrich Schulze-Buxloh.

As of 31 March 2011, Dr. Trautwein held 64,400 shares of the company, and Mr. Schulze-Buxloh held 6,000 shares. Members of the Supervisory Board did not hold any shares.

(9) Related party disclosures

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

(10) 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 utilised in the period under review.

Please see the 2010 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 March 2011.

Imprint

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