

3-Month Report  
01 Jan - 31 Mar 2012



## **Table of contents**

**Summary of key data**

**Introduction by the Managing Board**

**Management report**

**Macroeconomic environment**

**Order situation**

**Research and development**

**Human resources**

**Net assets, financial position and results of operations**

**Report on events after the balance sheet date**

**Outlook**

**IFRS quarterly financial statements (unaudited)**

**Consolidated balance sheet**

**Consolidated statement of comprehensive income**

**Consolidated cash flow statement**

**Consolidated statement of changes in equity**

**Notes**

## Summary of key data

	<b>01.01.2012- 31.03.2012</b>	<b>01.01.2011- 31.03.2011</b>	<b>Change</b>
Revenue	TEUR 25,276	TEUR 15,182	+66 %
Profit from operating activities (EBIT)	TEUR 3,013	TEUR 2,118	+42 %
EBIT margin	11.9 %	12.2 %	-2 %
Net income	TEUR 2,407	TEUR 1,784	+35 %
Order book as of March, 31	EUR 43.9 million	EUR 38.7 million	+13 %
Employees – end of period	307	281	+9 %

## Introduction by the Managing Board

Dear shareholders and business partners,

Following our public general meeting on April 25, 2012, a new two-member Managing Board was duly appointed by the Supervisory Board. Under this new management the company's fundamental strategy will remain unchanged: SMT Scharf AG will continue its international development as a specialist supplier of underground transport systems. Our monorails have already proven their worth in some of the leading mines in China, Russia and other important mining countries, and we are confident that we shall be able to market our technology also in regions where it is as little known to date and not yet in use.

My name is Christian Dreyer and as a new member of the Managing Board and CEO I would like to express my warmest greetings and earnestly request that you place the same trust in me as in my successful predecessor. I am 49 years old and I have worked in the mining industry for 20 years as general manager and director. I am taking on this present task with great pleasure as well as confidence. In a steadily growing market we are the technological leaders with specialist products for which I perceive considerable growth potential.

The first three months marked a gratifying start to the year 2012, not least due to the overhang of orders from 2011 especially at our subsidiary Dosco in England. In the first quarter the Group generated revenues amounting to EUR 25.3 million, an increase of 66 % over last year's figure of EUR 15.2 million. As previously in 2011, China represents the most important individual market for the Group. Several Chinese mining groups placed their first orders with us for floor-mounted rack-and-pinion railways. Markets outside Germany overall contributed 91 % of total revenue in the first quarter (prior-year period: 87 %).

Operating profit (EBIT) for this period amounted to EUR 3.0 million, representing a 42 % increase compared with the previous year's figure of EUR 2.1 million. The EBIT margin – which we shall in future be reporting as a percentage of operating income rather than simply of revenue – was slightly lower at 11.9 % (Q1/2011: 12.2 %), due to a writedown on a development project. Consolidated earnings were up 35 % compared with the same period last year at EUR 2.4 million.

In view of the high order book, we look forward to the rest of the current year with confidence: At the end of the period under review the order book stood at EUR 43.9 million, compared with EUR 38.7 million in the first quarter of 2011. Long lead times in procuring key components continue to create bottlenecks in delivery.

The positive results from the first three months of 2012 reinforce our expectation that, on average, we will grow the Group's revenue and earnings over the coming years. Although we anticipate that the propensity to invest among our mining customers may wane slightly in 2013, this does not, however, detract from our medium-term prospects.

We would like to thank you as investors, business partners and customers for the trust that you have placed in our company to date. We look forward to sharing the road ahead with you.

Yours sincerely

Christian Dreyer      Heinrich Schulze-Buxloh

# Management report

## Economic environment

Investment activity in the international mining sector, particularly relating to coal, exerts the most important influence on the business of the SMT Scharf Group. In turn, these investments are primarily impacted by global demand for raw materials. Coal production was up in all countries of importance for SMT Scharf over the course of 2011, with the exception of Germany and Poland. In Germany, hard coal mining is being phased out step-by-step through to 2018 as a result of the unfavourable costs compared to other countries, while production in Poland, however, appears to be stabilizing at its current level.

From a present perspective it is to be expected that global demand for raw materials and mining sector investment will continue to grow in future. Due to their economic growth, countries such as China, India, Russia and South Africa will continue to experience rising demand for energy, steel and other metals. For this reason, these markets will remain the primary demand markets for the SMT Scharf Group over the next two years. At the same time, global growth weakened at the beginning of the year. This reduction in growth, which is expected to persist throughout 2012 relative to previous years, is once again attributable in particular to the high levels of sovereign debt in certain countries coupled with government efforts to implement substantial savings. The recent steep rise in the price of oil has also affected the economic situation, whereby however there are discernible indicators that energy prices will fall back in the coming months. Given the negative impact on mining revenues and the staggered effect on investment, we take a more moderate view of the year 2013: strong growth is not expected.

Nevertheless, the continued pressure on output and the ever greater difficulties in accessing the raw materials deposits worked by the international mining industry will prompt many mine operators to continue to invest in technologies that enhance their productivity. The SMT Scharf Group's transport systems play a growing role with regard to transporting materials in underground mining operations.

## Order situation

The SMT Scharf Group consistently pursued its international expansion in the first three months of financial year 2012. Revenue increased to EUR 25.3 million, compared with EUR 15.2 million in the prior-year period. Markets outside Germany contributed EUR 23 million, or 91 %, to revenue (previous year: 87 %). The rise was in part due to the overhang of deliveries from the previous year (Dosco).

China remained the Group's most important individual market, followed by Russia. Several Chinese mining groups awarded their first orders to SMT Scharf for rack-and-pinion railways. These are connected with the possibility of follow-up orders over the coming years. SMT Scharf continued to invest in additional service personnel in order to optimally support the operation of customers' rail systems.

Business in Poland is robust, but still somewhat reticent in South Africa. As expected business in Germany continued to decline from an already low level, while quarterly revenues in other countries such as the Ukraine and Mexico are not meaningful given the project business concerned.

The Group's order book position stood at EUR 43.9 million as of March 31, 2012, representing an increase of 13 % compared with the previous year's figure of EUR 38.7 million.

### **Research and development**

New vehicle drives formed the focus of R&D activities in the first quarter of 2012. SMT Scharf received its first approvals in additional markets for the shunting locomotive with 25 kW power that was presented for the first time in December 2010. Work also continued on expanding the product range in the high-performance roadheader area.

The project mentioned on several occasions in the past year to develop our "Schatun" heavy-load vehicle was presented to a wide audience in China. However, the current prototype which was demonstrated in working mode still requires some modifications in terms of motor power and also to accommodate different applications such as transportation, extraction and higher-speed operation. For this reason we have written down our own works capitalised in respect of this project. This adjustment is already included in the quarterly result.

### **Personnel**

As of March 31, 2012, the SMT Scharf Group employed a total of 307 individuals, 18 of whom were trainees, compared with 281 in the previous year (12 of whom were trainees). The workforce in Germany increased marginally with the addition of two employees. New hires and departures due to the expiry of early retirement contracts offset each other in the reporting period. SMT Scharf also employed temporary help staff in order to boost production capacity. The number of employees at foreign locations rose from 151 to 180. This is attributable, firstly, to the temporary employment of staff in the UK, and, secondly, in particular, to the workforce in China, which was augmented.

### **Net assets, financial position and results of operations**

As of the March 31, 2012 reporting date, the SMT Scharf Group's total assets amounted to EUR 81.5 million, marginally below the EUR 81.9 million reported at the end of 2011. The decline in the balance sheet relative to December 31, 2011 was attributable to the discontinuation of the securities item valued at EUR 2.0 million and a reduction in advance payments received which declined from EUR 8.0 million to EUR 5.6 million. Trade accounts payable were also reduced by EUR 1.5 million compared with the closing date at the end of 2011 to stand at EUR 8.9 million. By contrast, there was a further increase in inventories from EUR 24.6 million to EUR 26.1 million due to the continuing delays in plant deliveries as well as materials purchases to cope with the high level of order book. There was also an increase relative to March 31, 2011 in other current receivables and assets.

Equity rose to EUR 43.8 million, having amounted to EUR 40.9 million at the end of 2011. As a result the equity ratio increased from an already high level of 50 % to 54% in this period. The higher level of equity is primarily due to the net profit generated during the period.

Consolidated revenue increased to EUR 25.3 million in the reporting period, representing a 66.5 % increase compared with the previous year's figure of EUR 15.2 million. The change in inventories due to expenditure on orders yet to be shipped declined from EUR 2.2 million last year to EUR 0.6 million.

As inventories declined, material costs rose slightly in proportion of operating income to 55 % (Q1/2011: 54 %). Similarly, personnel expenses fell to 16 %, having still amounted to 20 % in the same period of the previous year. The balance of other income and expenses (excluding depreciation) amounted to 14 % (previous year: 12 %). As a result, SMT Scharf Group achieved an 11.9 % EBIT margin in the first three months of 2012, slightly lower than in the prior-year period (12.2 %). We shall in future be reporting this parameter as a percentage of operating income rather than simply of revenue as in the past. This equates to 42 % growth in EBIT which now stands at EUR 3.0 million.

The financial result amounted to TEUR 70, compared with TEUR 263 in the prior-year period, particularly due to a decline in income from the Chinese joint venture.

Taking into account a slight increase in taxes on income which rose from TEUR 597 to TEUR 678, the Group achieved a consolidated result of EUR 2.4 million (Q1/2011: EUR 1.8 million). Earnings per share rose to EUR 0.58, compared with EUR 0.45 one year previously.

Liquidity on March 31, 2012 (including securities) stood at EUR 12.5 million compared with EUR 14.8 million at the end of 2011. The decline was mainly due to a reduction in liabilities amounting to EUR 1.5 million.

SMT Scharf invested EUR 0.4 million in the reporting period, of which EUR 0.1 million was accounted for by current development projects that were capitalised pursuant to IAS 38. To these were added some EUR 0.3 million in replacement and rationalisation investments.

### **Report on events after the balance sheet date**

There were no further events after the balance sheet date which have a material impact on the net assets, financial position or results of operations after the end of the first quarter of 2012.

### **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 2011.

In the first quarter of 2012 the international mining industry defied the general economic trend as mining operations' investments and demand for raw materials continued to rise. This particularly applies for the SMT Scharf Group's main markets – China, Russia and South Africa. Current expectations for 2013 are somewhat more modest, however further growth is anticipated in the medium term.

SMT Scharf continued the previous year's successful international expansion during the first three months of 2012. Numerous new orders and inquiries for further projects were received, particularly from China and Russia. However, strong demand also meant that the delivery times for some components were very long, and SMT Scharf was 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 over the next few years.

Hamm, May 15, 2012

SMT Scharf AG

The Managing Board



## IFRS quarterly financial statements (unaudited)

### Consolidated balance sheet

(in TEUR)	Notes	31.03.2012	31.03.2011	31.12.2011
<b>Assets</b>				
Inventories		26,127	12,905	24,623
Trade receivables		21,441	17,422	22,868
Other current receivables/assets		4,980	1,557	3,099
Securities		0	3,000	2,000
Cash and cash equivalents		12,521	13,881	12,772
<b>Current assets</b>	(3)	<b>65,069</b>	<b>48,765</b>	<b>65,362</b>
Intangible assets		3,359	3,713	3,791
Property, plant and equipment		8,555	8,424	8,419
Participating interests		1,536	963	1,372
Deferred tax assets		2,707	2,557	2,577
Other non-current receivables / assets		248	604	340
<b>Non-current assets</b>	(4)	<b>16,405</b>	<b>16,261</b>	<b>16,499</b>
<b>Total equity and liabilities</b>		<b>81,474</b>	<b>65,026</b>	<b>81,861</b>
<b>Equity and liabilities</b>				
Current income tax		2,673	853	2,920
Other current provisions		6,917	5,514	6,008
Advance payments received		5,572	3,661	8,000
Trade payables		8,940	4,227	10,469
Other current liabilities		181	1,080	232
<b>Current provisions and liabilities</b>	(5)	<b>24,283</b>	<b>15,335</b>	<b>27,628</b>
Provisions for pensions		4,657	9,205	4,652
Other non-current provisions		2,408	2,126	2,302
Deferred tax liabilities		1,338	1,450	1,446
Non-current financial liabilities		4,963	4,930	4,954
<b>Non-current provisions and liabilities</b>	(5)	<b>13,366</b>	<b>17,711</b>	<b>13,354</b>
Subscribed capital		4,150	3,965	4,150
Share premium		11,689	7,848	11,689
Profit brought forward		27,236	19,483	24,830
Currency translation difference		750	684	210
<b>Equity</b>	(6)	<b>43,825</b>	<b>31,980</b>	<b>40,879</b>
<b>Total equity and liabilities</b>		<b>81,474</b>	<b>65,026</b>	<b>81,861</b>

## Consolidated statement of comprehensive income

(in TEUR)	Notes	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Revenue	(1)	25,276	15,182
Other operating income		641	466
Changes in inventories		62	2,228
Operating income (100 %)		25,338	17,410
Cost of materials		13,922	9,408
Personnel expenses		4,014	3,493
Depreciation and amortisation		774	368
Other operating expenses		4,256	2,489
<b>Profit from operating activities (EBIT)</b>		<b>3,013</b>	<b>2,118</b>
Income from participating interests		196	291
Interest income		27	110
Interest expenses		151	138
<b>Financial result</b>		<b>72</b>	<b>263</b>
<b>Profit before tax</b>		<b>3,085</b>	<b>2,381</b>
Income taxes	(2)	678	597
<b>Net income</b>		<b>2,407</b>	<b>1,784</b>
Currency differences from translation of foreign financial statements		540	-859
<b>Comprehensive income</b>		<b>2,947</b>	<b>925</b>
<b>Earnings per share (in EUR)</b>		<b>0.58</b>	<b>0.45</b>
Basic		0.58	0.45
Diluted		0.58	0.45
Average number of shares		4,149,525	3,964,905

## Consolidated cash flow statement

(in TEUR)	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Net income	2,407	1,784
Income from equity participation	-196	-291
Depreciation and amortisation	774	368
Gain / loss from disposals of non-current assets	0	4
Changes in assets, provisions and liabilities		
- Provisions	1,020	-813
- Taxes	-485	-1,126
- Inventories	-1,504	-2,540
- Receivables / other assets	-363	5,863
- Liabilities	-4,006	-1,126
<b>Net cash flows from / used in operating activities</b>	<b>-2,354</b>	<b>2,123</b>
Investments in non-current assets	-404	-173
Proceeds from disposals of non-current assets	0	0
<b>Net cash flows used in investing activities</b>	<b>-404</b>	<b>-173</b>
Repayment of / proceeds from financial liabilities	9	8
<b>Net cash flows from / used in financing activities</b>	<b>9</b>	<b>8</b>
Effect of changes in exchange rates and group composition	498	-508
<b>Change in net financial position*</b>	<b>-2,251</b>	<b>1,450</b>
Net financial position – start of period	14,091	14,750
Net financial position – end of period	11,840	16,200

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

## Consolidated statement of changes in equity

(in TEUR)	Subscribed capital	Share premium	Profit brought forward	Currency translation differences	Equity
<b>Balance at January 1, 2012</b>	<b>4,150</b>	<b>11,689</b>	<b>24,830</b>	<b>210</b>	<b>40,879</b>
Net income			2,407		2,407
Other changes				540	540
Comprehensive income			2,407	540	2,947
<b>Balance at March 31, 2012</b>	<b>4,150</b>	<b>11,689</b>	<b>27,236</b>	<b>750</b>	<b>43,825</b>
<b>Balance at January 1, 2011</b>	<b>3,965</b>	<b>7,848</b>	<b>17,699</b>	<b>1,543</b>	<b>31,055</b>
Net income			1,784		1,784
Other changes				-859	-859
Comprehensive income			1,784	-859	925
<b>Balance at March 31, 2011</b>	<b>3,965</b>	<b>7,848</b>	<b>19,483</b>	<b>684</b>	<b>31,980</b>

## **Notes**

### ***Methods***

This financial report of the SMT Scharf Group as of March 31, 2012 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, 2011, 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 statement is drawn up in euros. Unless otherwise indicated, all amounts are stated and rounded to thousands of euros (EUR 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  
Dosco Overseas Engineering Ltd., Tuxford, United Kingdom  
Hollybank Engineering Co. Ltd., Tuxford, United Kingdom  
OOO Dosco, Novokuznetsk, Russian Federation  
SMT Scharf Saar GmbH, Neunkirchen  
Shandong Xinsha Monorail Co. Ltd., Xintai, China  
TOW SMT Scharf Ukraine, Donetsk, Ukraine (from June 22, 2011)  
SMT Scharf Far East Holdings Ltd., Hong Kong, China (from August 31, 2011)

As 50 % participating interests, Shandong Xinsha Monorail Co. Ltd. and TOW SMT Scharf Ukraine are consolidated using the equity method.

## **Notes to the income statement**

### **(1) Revenue**

Revenue is composed of the following items:

	<b>01.01.2012- 31.03.2012</b>	<b>01.01.2011- 31.03.2011</b>
New equipment	16,344	6,611
Spare parts/service/other	8,932	8,571
<b>Total</b>	<b>25,276</b>	<b>15,182</b>
Germany	2,223	1,937
Other countries	23,053	13,245
<b>Total</b>	<b>25,276</b>	<b>15,182</b>

### **(2) Income taxes**

Income taxes are composed of the following items:

	<b>01.01.2012- 31.03.2012</b>	<b>01.01.2011- 31.03.2011</b>
Current tax expense	888	616
Deferred taxes	-210	-19
<b>Total</b>	<b>678</b>	<b>597</b>

## **Notes to the balance sheet**

### **(3) Current assets**

Securities and cash and cash equivalents as of March 31, 2012 include a hardship and social fund amounting to EUR 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 March 31, 2012.

From January to March 2012, EUR 85 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 by liens.

## **(6) Equity**

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity. In order to enhance transparency, the retained earnings and the profit brought forward were compounded to form a single item.

On March 31, 2012, 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 EUR 1 each. Of this total, SMT Scharf AG held 50,475 treasury shares. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the company. A total of 3,200 shares were sold to employees in March 2012 as part of an employee equity participation plan. These were transferred in April.

In the first quarter 2012, no dividends were paid, as in the previous year. On April 25, 2012, the Ordinary General Meeting resolved to distribute a dividend of EUR 0.95 per share for the fiscal year 2011, payable in April 2012.

## ***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 EUR 100 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):

	<b>31.03.2012</b>	<b>31.03.2011</b>	<b>31.12.2011</b>
Due within one year	241	326	285
Due in one to five years	288	376	277

## **(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), Dr. Rolf-Dieter Kempis, Waldenburg, management consultant (from April 13, 2011).

The period of office of Mr. Dreyer ended at the conclusion of the Ordinary General Meeting on April 25, 2012. The General Meeting elected Dr. Fett 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.

As of March 31, 2012, 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.

## **(9) Related party disclosures**

Services with a value of less than EUR 5 thousand were procured on normal market terms 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 2011 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 2012.

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