

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 |
|---|------------------------------------|------------------------------------|---------------|
| 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.

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