



# 6-MONTH REPORT 2018



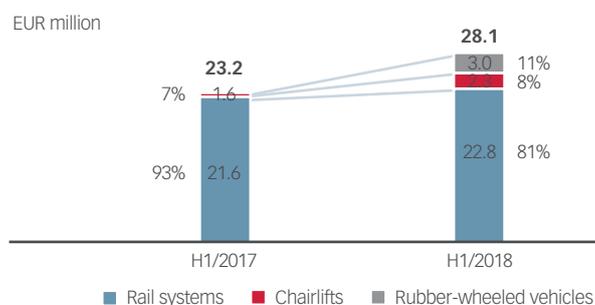
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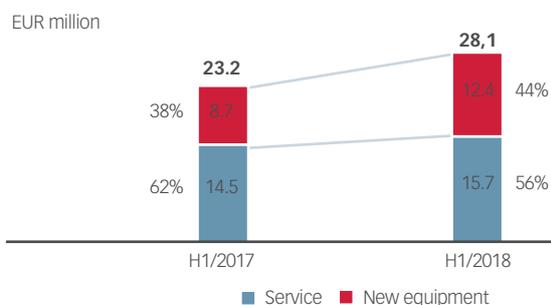
## SUMMARY OF KEY DATA

		2016	2017	H1/2017	H1/2018
Revenue	EUR thousand	42,565	52,131	23,157	28,132
Total operating revenue	EUR thousand	42,241	53,114	24,769	30,226
EBIT	EUR thousand	2,473	4,554	1,160	3,051
EBIT margin on total operating revenue	%	5.9	8.6	4.7	10.1
Group net profit/loss	EUR thousand	1,873	3,982	819	3,089
Equity	EUR thousand	39,297	48,709	39,285	51,203
Equity ratio	%	66.1	67	67.2	61.5
FTE (full-time equivalent)	on the reporting date	308	317	308	390

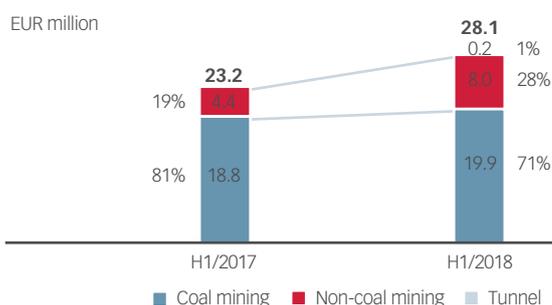
### Revenue by product



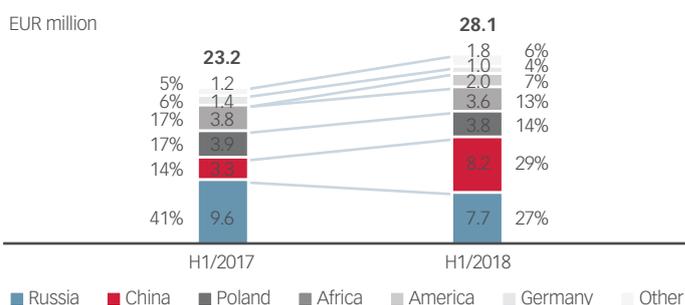
### Revenue by type



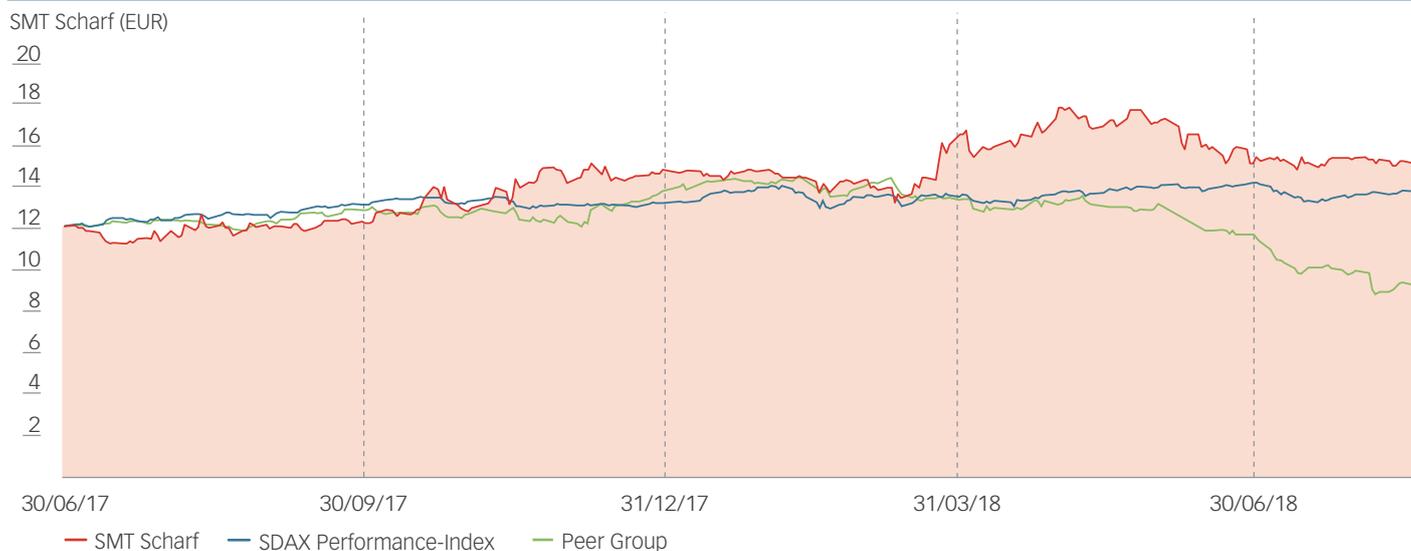
### Revenue by segment



### Revenue by region



## SHARE PRICE CHART



## KEY SHARE DATA

Ticker / ISIN	S4A / DE0005751986
Number of shares (including 49,477 treasury shares)	4,620,000
Closing price (June 29, 2018)*	EUR 15.25
Price high / low*	EUR 17.90 / EUR 11.29
Share price performance (LTM on June 30, 2018)	26 %
SDAX performance (LTM on June 30, 2018)	10 %
Peer group portfolio performance (LTM on June 30, 2018)	-17 %
Market capitalisation excluding treasury shares (June 29, 2018)	EUR 69,395 thousand

\* Closing prices on the Xetra trading system of Deutsche Börse AG

## SHAREHOLDER STRUCTURE



\* Shareholdings are disclosed on the basis of the number of shares

\*\* Shareholders with a shareholding of less than 3 % are included in the free float (exception: treasury shares)

## TERMINE

November 14, 2018	2018 9M report
November 26 to 28, 2018	German Equity Capital Forum 2018
December 31, 2018	Fiscal year-end



Managing Board of SMT Scharf AG

## LETTER TO SHAREHOLDERS

Dear shareholders,

In the first half of 2018, SMT Scharf AG has posted overall growth in line with the budget, and was able to record positive growth in sales, income and orders. In the first six months of the year, consolidated revenue was up by 21.5 % year-on-year to reach EUR 28.1 million following EUR 23.2 million in the previous year. Earnings from operating activities (EBIT) increased to EUR 3.1 million by comparison with EUR 1.2 million in the first half of 2017. The order book at the end of the reporting period stood at EUR 22.5 million – almost EUR 7 million higher than at the same time in the previous year. All in all, we can see that the successful implementation of our strategic measures is bearing fruit.

The market environment proved to be still in robust condition in the first half of the year. The global economy is growing despite all the doom-mongering and an undeniable increase in political risks. Raw material prices have received a sustained boost as a result. Many mine operators – still the most important customer group for SMT Scharf – have cast aside their caution and are investing again – in new mining projects as well as in modernising their existing systems. From a geographical perspective, this applies above all to China where coal prices have reached a sensible level for producers, and the market shake-out driven by the government has been largely completed. We are seeing a significant rise in demand in the People's Republic which is reflected in appreciable sales growth in the reporting period. Developments in South Africa, Canada and Poland, on the other hand, have so far failed to live up to our expectations. However, we are assuming that these markets will generate new momentum in the second half of the year.

As one of the world's leading suppliers of transport solutions and underground logistics systems, we are benefiting from the healthy state of the industry – and partly, because we did our homework in the past. The growth of SMT Scharf's business is on target and we are operating close to full capacity utilization. In improving productivity, profitability and our market position, we continue to make progress with our continuous improvement programmes. At the same time, we are working on making even better use of the potential for optimisation in the interactions between our international locations as well as in controlling our development processes.

In setting up a second, sales-oriented joint venture in China and taking over the Canadian mining specialist RDH Mining Equipment, we have created the conditions for further growth both in our established business with coalmining producers, the non-coal sector and the comparatively young tunnelling segment. We are confident that the latter sector will deliver significant revenue contributions over the long term. We completed the inclusion of RDH in the consolidated group for the second quarter, and integration is on target in all departments such as Sales and Distribution. We will start with the technical integration in the second half of the year.

We see our large order book and our consistently healthy order intake as a solid platform for further positive growth of our business. Against this background, we continue to expect consolidated revenue for fiscal 2018 to lie in a range of EUR 58 to 62 million with EBIT in a corridor of EUR 4.5 to 5.5 million.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence that you invest in us, and we would be delighted were you to accompany us further into the future.

Kind regards

Hans Joachim Theiss

Wolfgang Embert

## MANAGEMENT REPORT (UNAUDITED)

### Basis of the Group

#### Business model

The SMT Scharf Group ("SMT Scharf") is an integrated systems supplier in the field of underground logistics. SMT Scharf develops, builds and maintains infrastructure equipment and logistics systems for underground mines as well as for tunnel construction sites. The company is the global market and technology leader in rail systems and chairlifts for the mining industry. The business profile of SMT Scharf can be described on the basis of the following criteria:

- **Business fields:** The main product consists of rail-bound railway systems which are used in underground coal-mines and for the mining of gold, platinum and other ores. SMT Scharf's systems are technically capable of transporting personnel and materials up to 45 tons on gradients of up to 35 degrees. Chairlifts for mining applications comprise an ancillary product.

Through its acquisition of the mining company RDH Mining Equipment, SMT Scharf also has a broad portfolio of rubber-wheeled diesel and electric vehicles for non-coal and salt mining as well as for tunnel construction sites. RDH is among the world's leading suppliers of battery-driven vehicles using lithium-ion technology for underground mining.

SMT Scharf's product portfolio also includes high quality underground mining and tunnelling equipment. Added to this are the development and installation of rail, ventilation and cable management systems, including for energy supplies for transportation equipment and, in particular, mining machinery. Here, SMT Scharf is also increasingly active in the mining sector not including coalmining. The company is undertaking a systematic drive to expand the field of tunnel logistics to form a further pillar of the business. SMT Scharf is confident that this sector will offer significant sales potential in the medium term.

- **Type of business:** The production and installation of new systems forms the core of our operating activities. They also comprise downstream services such as replacement parts, maintenance, repairs or servicing. Due to increased investments in new systems by mining operators, the percentage sales share of the Services division fell in the reporting period although the total value grew by 8%. SMT Scharf occasionally acts as a railway operator in response to customer demand.
- **Customer groups:** SMT Scharf products are utilised mainly in hard coal mining (the Coalmining segment), as well as in producing gold, platinum, copper, nickel and salts, referred to as hard rock mining (aggregated within the Non-Coalmining segment). The prospects are that these segments will be complemented by tunnelling companies (Tunnel segment).
- **Regions:** SMT Scharf is a manufacturer of special machines with its roots in Germany which has offices in the domestic markets of its core customers in the most important mining countries in the world. There the company distributes its own products through subsidiaries. The most important foreign markets include Russia, Poland, China and South Africa. The German domestic mining market plays only a subordinate role today. Furthermore, SMT Scharf also operates in the North American market through its acquisition of RDH; this globally active Canadian mining company previously had an average sales share of over 50% in North America.

#### Corporate strategy

SMT Scharf pursues a strategic orientation to three areas of activity. To this end, the Managing Board team has defined an extensive **list of measures** that are being consistently addressed and implemented. The three strategic areas of activity are:

- **Organic growth:** New products, the expansion of non-coal mining, tapping new geographic markets and setting up and establishing tunnel logistics as a third business area.
- **External growth:** takeovers and partnerships by which the core positioning of SMT Scharf is to be advanced and secured. Takeovers, strategic partnerships and joint ventures have already been formed or set up. This will remain a strategic direction of travel for SMT Scharf AG.
- **Operational excellence:** SMT Scharf has made further progress in its continuous improvement of productivity, profitability and its market position. Part of SMT Scharf's permanent strategy is to make even better use of the potential for optimisation in the interactions between its international locations as well as in controlling its development processes. The targeted analysis of specific markets and customer requirements helps SMT Scharf become even more competitive in this context.

With these strategies and the takeovers and partnerships already concluded, SMT Scharf's management team is driving its goal of turning the company into a **systems supplier for logistics solutions** in its core business, and at the same time becoming active in **neighbouring market segments** (beyond its core positioning in the mining supply market). In this way, SMT Scharf is tapping additional sales potential and making its sales growth less dependent on cyclical business in traditional mining.

The success of the measures already implemented and projects concluded in pursuit of this goal have become increasingly evident over the past fiscal years in the form of positive value contributions. In this period, SMT Scharf has achieved the goal it set itself of a marked **improvement in earnings**, and its commitment to the same course remains relentless. The introduction of a standard **Enterprise Resource Planning (ERP)** system around the world should help to further boost the efficiency of international collaboration within the Group, improve processes, as well as identify and realise optimisation potentials at an early stage in future. With this aim in mind, process surveys are being carried out in the Group on the basis of which suppliers of ERP systems are being contacted and examined. The selection process is to be completed in the second half of 2018.

## Steering system

SMT Scharf AG steers its business applying financial and non-financial performance indicators whose trends exert a positive influence on the company's value in different ways. Financial and non-financial performance indicators are monitored continuously, and included in monthly reporting to the Managing Board. Reporting is by subsidiary, and includes an analysis of actual outcomes, a budget/actual analysis, and year-on-year comparisons. SMT Scharf undertakes further specific analyses where required.

Financial and non-financial performance indicators as well as current forward planning are presented in the following tables. The medium-term targets reflect the background assumption that the market environment continues to normalise, especially against the backdrop of stable or still rising raw materials prices.

### Financial performance indicators:

Key indicator	Calculation method	Target (medium-term, 3-5 years)
<b>Key income statement figures</b>		
Consolidated sales revenue growth (organic and inorganic)	$(\text{Group revenue in reporting year} / \text{Group revenue in previous year}) - 1$	>5%
Tunnel revenue share	Tunnel segment revenue / Group revenue	>10%
EBIT margin	Earnings before interest and tax (EBIT) / Group revenue	>10%
Cost of materials ratio	Cost of materials / total operating revenue	~50%
<b>Key balance sheet indicators</b>		
Net Working Capital	$\text{Year-average current assets} - \text{Year-average liquid assets} - \text{Year-average current liabilities}$	EUR 20 million
Equity ratio (on reporting date)	Equity / total assets	>=30%
<b>Key efficiency figures</b>		
Net Working Capital Intensity	Net working capital / Group revenue	<50%
Days of sales outstanding	$\text{Number of days in reporting year} * (\text{year-average trade receivables} / \text{Group revenue})$	<150 days

### Non-financial performance indicators

Key indicator	Calculation method	Target (medium-term, 3-5 years)
<b>Employee numbers</b>		
Employee turnover	$\text{Employees leaving the company (FTE)} / \text{Year-average number of employees (FTE)}$	<10%
Sickness rate	$\text{Number of work days lost due to sickness} / \text{Planned working days}$	5%

## Employees

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). SMT Scharf Group employed 390 members of staff (full-time employees) as of 30 June 2018, including 6 trainees. The Group employed 308 individuals as of the previous year's reporting date (including 2 trainees). The new Canadian subsidiary RDH adds 50 employees to the SMT Group. In order to enable it to manage its production capacity flexibly, SMT Scharf also deploys workers on fixed-term contracts and temporary staff in accordance with a Three Layer Model besides the core workforce. If growth is sustained, they are taken on in the next layer higher in each case.

The changing international demand structure for SMT products is leading to a situation in which production capacity is gradually being set up in its foreign companies, and staffing levels increased accordingly. Additional qualified staff were employed in Germany in order to meet the increase in demand and establish additional technical expertise. The number of employees in Germany as per June 30, 2018 rose accordingly to 91 FTEs (previous year: 81 FTEs). Temporary staff were also used to a greater extent to meet increased demand.

	H1/2017	H1/2018
Total employees	308	390
Employees in Germany	81	98
Employees abroad	227	292
Proportion of female employees (%)	16	15.4

## Research and development

The establishment of local expertise centres with a growing vertical range of manufacture was stepped up, especially in Poland and China. Efforts are also being undertaken in Russia to promote the creation of local skills. Synergy generation through further site networking represents a topic for the future for SMT Scharf (ERP system).

International project teams are driving important further developments and innovations to the existing product range and tailoring them to local market demand in individual markets by means of targeted customer analysis. The international project teams communicate using state-of-the-art means, although also personally through regular meetings with national departmental directors. At the same time, local manufacture and a global supplier network ensure that lead times meet requirements. The innovative, modular design of the machines offers highly flexible configuration options for demanding customer requests while at the same time optimising costs. Series production is already benefiting from the successive implementation of this design for each individual machine type.

For innovative applications beyond underground coal mining, new applications can be developed for tunnelling and the exploitation of further mineral resources based on SMT Scharf Group's core expertise. The partnership with the Sandvik Group underscores this.

Expenditure on research and development amounted to EUR 893 thousand in the first half of 2018 (H1/2017: EUR 1.2 million).

## Economic and business report

### Macroeconomic environment

According to forecasts by the International Monetary Fund (IMF), the upturn in the global economy observable since mid-2016 has gathered pace and become broader. The IMF is expecting growth to accelerate again this year and to remain stable at this high level in the coming year. Following growth of 3.8% in 2017, the global economy will post growth of 3.9% in the current year and of 3.9% again in 2019 according to the IMF forecast. It is also expecting growth to increase slightly on average in emerging countries around the world with subsequent stabilisation at this level in the coming year. The principle factor behind this development is the continuing recovery in raw material prices which will be maintained in the current year in the IMF's estimation.

Contrary to this positive outlook, the Monetary Fund thinks the growth curve in China will flatten slightly going into 2019. In the medium term, the country is in a restructuring process in the wake of which the economy will be dominated more by services and consumer goods than by the hitherto prevailing capital goods and equipment sector. The continuing rise in domestic debt in the People's Republic is worrying to the IMF, however. The government is responding with further regulation of the financial sector. According to the assessment of the IMF, these measures will slow down the domestic economy in the same way as weakening foreign demand. However, even after this revised forecast, the growth rates predicted for China are significantly higher than the average of all emerging regions.

In Russia, the IMF experts are assuming that the economy will stabilise after the recession has been overcome with the renewed rise in oil prices providing higher export revenues. In Poland, on the other hand, the economy will slow down markedly in the coming year in comparative terms according to the IMF's forecast. However, the growth rate for the country will continue to be significantly higher than in the Eurozone. In South Africa, economic growth in the year to date indicates in the opinion of the IMF that the recovery will be sustained with a moderate rate of growth. The four aforementioned countries represent the most important sales markets of SMT Scharf. The customers there together usually account for more than 75% of Group sales revenues.

GDP growth in the most important sales markets* (in %)	2017
World	3.8
China	6.9
Poland**	4.6
Russia	1.5
South Africa	1.3

Source: \*IMF World Economic Outlook, July 2018; \*\*IMF World Economic Outlook, April 2018

Exchange rate changes in the most important sales markets* (in %)	2017	H1/2018
Yuan Renminbi (China)/Euro	+7	-1
Zloty (Poland)/Euro	-5	+5
Rouble (Russia)/Euro	+8	+5
Rand (South Africa)/Euro	+3	+8

\*Source: European Central Bank, Statistical Data Warehouse (monthly average exchange rates)

## Sector trends

The prices of many energy resources and metals rose in the reporting period or remained stable at high levels. The IMF Primary Commodities Price Index rose by 16.9% between August 2017 and February 2018. The oil price, in particular, has risen consistently since the start of the year. Raw material prices in general continued to strengthen in the first half of 2018. The main reasons for this development were the pace of economic growth seen over the last few months in crucial industrial countries and emerging markets as well as the consistently positive prospects for the global economy.

This forms the basis for the positive growth of mining around the world and its supply sectors. Following a sharp increase in 2016, the price of coal has settled in a range between USD 55 and USD 65 (in relation to a tonne of hard coal). In view of the good prospects for the global economy, there is every reason under the present conditions to assume that this trend will continue and prices will remain within the current band. Against this background, it can be expected that the demand for equipment from operators of coal mines around the world will continue to grow and investments in new conveyor systems including the replacement of existing systems with modern conveyor and transport systems will revive.

In the opinion of the Mining Trade Association in the German Engineering Federation (VDMA), German manufacturers of mining machinery have accomplished the turnaround. The reason for the optimism is the rise in orders from abroad to be seen across the industry in the last few months. In the assessment of the trade association, the pick-up in orders in conjunction with the return to higher raw material prices will ensure sales increases in the industry in the next two years – assuming sufficient political stability in importing countries. Increasing digitisation and technological refinements are also facilitating the autonomous control of mining and transport processes underground. This is lowering extraction costs, thereby creating investment incentives for mine operators.

The prospects for growth in the Tunnel segment are also positive in the estimation of SMT Scharf. According to information supplied by the International Tunnelling and Underground Space Association (ITA), the global tunnel construction market is worth around EUR 86 billion per year (as of 2016) which represents a rise of 23% over 2013. Since 2013, an average of 5,200 km of tunnels are constructed every year around the world. As a result of its increasing urbanisation, the Asian market is growing at the strongest rate. For example, the ITA is forecasting that China will represent around 50% of the global tunnel market for the coming ten years with an annual output of EUR 37 billion. At the same time, the European market will remain steady at between EUR 10 and 12 billion per year, according to the study. Overall, worldwide output in tunnel construction is expected to total EUR 680 billion from a pipeline of more than eight years. This huge demand is driven among other things by sustainable development in many towns and the networking of urban centres.

By diversifying in terms of products, areas of application, customer groups and regional markets, SMT Scharf bases its business model on several pillars. This relativises the effect created by the cyclical nature of coalmining on the business development of SMT Scharf.

## Financial position and performance

In an improved market environment overall, the SMT Scharf Group reported a significant increase in its revenue during the first half of 2018 compared with the first half of 2017. **Group revenue** reached EUR 28.1 million (H1/2017: EUR 23.2 million) which represents a rise of 21.5% by comparison with the corresponding figure in the previous year. Consequently, the revival in business growth seen since 2016 is continuing undiminished. This also reflects the pick-up in the business dynamic during the period under review. While revenue in the first quarter was up 7.2 % year-on-year, in the second quarter of the year it was 33.5 % above the level of the directly comparable figure in the previous year. This rise was driven by strong growth in business for new systems. Sales in this segment in the first half of 2018 exceeded the figure for the previous year by 42.5%. The rise in services stood at 8.3%. This development reflects the pick-up in demand from worldwide mine operators – SMT Scharf's main customer group – who are increasingly investing in new mining projects and modern infrastructure in the wake of the ongoing recovery in raw material prices.

The Rail Systems product area accounted for EUR 22.8 million of revenue in the reporting period, with its share of total revenue thereby falling slightly to 81.1 % (H1/2017: EUR 21.6 million or 93.1 %). The Chairlifts business accounted for EUR 2.3 million of revenue, or 8.2 % of total revenue (H1/2017: EUR 1.6 million or 6.9 %). At the same time, the company generated revenue of EUR 3.0 million in the rubber-wheeled vehicles product area that has been newly added as a result of the RDH acquisition.

In its New Systems division, SMT Scharf generated revenue of EUR 12.4 million, representing a significant year-on-year increase (H1/2017: EUR 8.7 million). This corresponds to a share of Group revenue of 44.1% (H1/2017: 37.5 %). Growth in Services and Spare Parts was more modest by comparison. Here, revenue reached a figure of EUR 15.7 million in the first half of 2018. The share of revenue stood at 55.9% (H1/2017: EUR 14.5 million or 62.5 %).

On an operating segment basis, EUR 19.9 million was attributable to the Coal segment, which aggregates business with operators of hard coal mines. Its proportion of Group revenue fell appreciably to 70.8% thanks to strong growth in the Non-Coal segment (H1/2017: 81.0% or EUR 18.8 million). An amount of EUR 8.0 million was generated in the Non-Coal segment, representing a 28.5 % share of total (H1/2017: EUR 4.4 million or 19.0 %). Revenue in the Tunnelling segment came in at EUR 0.2 million.

Among country markets, China, with a share of revenue of 29.1%, has replaced Russia as SMT Scharf's most important market. This development is due to a strong pick-up in demand in the People's Republic. Here, the consolidation in the mine operators market is largely complete. At the same time, the local prices for hard coal have reached a level that is lucrative for mining companies to invest and expand production. Due to the improvement in their earnings position brought about by higher coal prices and the market shake-out, many operators also have higher capital which they can use for finance. Against this background, China was the fastest growing market in SMT Scharf's country portfolio with a significant increase over the corresponding figure in the previous year, advancing to EUR 8.2 million (H1/2017: EUR 3.3 million). As expected, the decline in the second largest foreign market of Russia has continued in the current year. Here, turnover stood at EUR 7.7 million which was below the level for the previous year due to the completion of major projects (H1/2017: EUR 9.6 million). With revenue of EUR 3.8 million, Poland almost matched the level of the previous year (H1/2017: EUR 3.9 million). Growth was weaker, however, in Africa where the political situation in South Africa is fragile. Turnover in the African market stood at EUR 3.6 million, which was 5.3% below the comparative period in the previous year (H1/2017: EUR 3.8 million). The share of the business in Germany continued its downward trend to a level of EUR 1.0 million, as expected (H1/2017: EUR 1.4 million). The relative share of the domestic market fell to 3.6 % during the first half of 2018 as a consequence (H1/2017: 5.8 %).

## Revenue by region

EUR thousand	H1/2017	H1/2018	Change	Share of total revenue
Russia	9,557	7,650	-20 %	27.2 %
Poland	3,851	3,819	-1 %	13.6 %
Africa	3,760	3,606	-4 %	12.8 %
China	3,307	8,200	+148 %	29.1 %
Germany	1,348	1,038	-33 %	3.7 %
Australia/Asia excluding China	506	53	-90 %	0.2 %
Rest of Europe	774	1,794	+132 %	6.4 %
America	54	1,972	+261 %	7.0 %
Total revenue	23,157	28,132	+22 %	100 %

**Changes in inventories** amounted to EUR 2.1 million (H1/2017: EUR 1.6 million) due to work having already started on new orders; **total operating revenue** (defined as the sum of revenue and changes in inventories) therefore reported a 22.0 % increase to EUR 30.2 million (H1/2017: EUR 24.8 million).

**Other operating income** during the first half of 2018 was up by 31.1 % year-on-year to EUR 2.4 million (H1/2017: EUR 1.8 million). **Other operating expenses** of EUR 4.8 million include, in particular, currency losses totalling EUR 659 thousand. Overall, other operating expenses were below the corresponding figure for the previous year (H1/2017: EUR 5.0 million) in spite of increased sales volume.

The **cost of materials** of EUR 16.2 million was 21.0 % higher than the previous year's level overall (H1/2017: EUR 13.4 million). This reflects the good performance by the new systems business, especially in the Rail Systems area, where the proportional rise in revenue of 19.4% was more or less the same. The cost of materials ratio (in relation to total operating revenue) nevertheless fell to 53.7 % (H1/2017: 54.2 %).

**Personnel expenses** amounted to EUR 7.8 million, representing a 21.7 % year-on-year increase (H1/2017: EUR 6.4 million). In spite of the comparatively high total operating revenue, the personnel cost ratio remained stable at 25.8 % (H1/2017: 25.8 %). **Depreciation, amortisation and impairment losses** relating to non-current assets amounted to EUR 0.7 million, up 16.7 % year-on-year (H1/2017: EUR 0.6 million).

The rise in revenue volume with a simultaneous expansion in all SMT Scharf's important core markets – led to an increase in the result from operating activities (**EBIT**) to EUR 3.1 million in the first six months of 2018 (H1/2017: EUR 1.2 million). At segment level, EBIT in the Non-Coal business contracted to EUR 0.3 million (H1/2017: EUR 0.5 million), while in the Coal segment, it increased to EUR 2.7 million (H1/2017: EUR 0.8 million). In this context, the Group's net **financial result** of EUR 0.5 million exceeded that of the previous year (H1/2017: EUR 0.03 million). Among other factors, this reflects the investment income from the existing joint venture in China amounting to EUR 526 thousand.

Higher earnings from operating activities led to a corresponding increase in **income taxes** of EUR 0.4 million (H1/2017: EUR 0.3 million). Due to the business development described above, SMT Scharf reported a significant year-on-year increase in its consolidated net result to EUR 3.1 million during the first six months of 2018 (H1/2017: EUR 0.8 million). Based on an average number of shares in issue of 4,570,523 shares which was higher than for the previous year, earnings per share amounted to EUR 0.55 during the period under review (H1/2017: EUR 0.20).

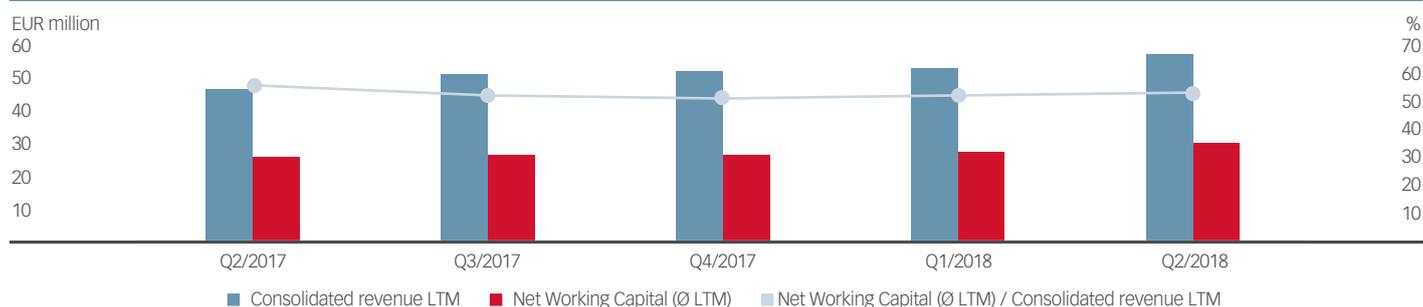
The **order book position** of SMT Scharf stood at EUR 22.5 million as of June 30, 2018 (June 30, 2017: EUR 15.7 million). **New order intake** during the first six months of 2018 amounted to EUR 35.4 million (H1/2017: EUR 23.1 million).

Compared with the end of 2017, **total assets** showed a significant increase of 15.1 % to EUR 83.2 million as of June 30, 2018 (December 31, 2017: EUR 72.3 million). The receivables position was reduced by EUR 4.5 million to EUR 20.1 million as part of the further development of receivables management, and the maturity structure was made significantly younger (H1/2017: EUR 24.7 million). Overall, **current assets** as of June 30, 2018 were 12.8 % higher than for the end of fiscal 2017 (December 31, 2017: EUR 55.9 million), standing at EUR 63.1 million. **Other short-term provisions** showed a value of EUR 4.7 million, up from the end of fiscal 2017 (December 31, 2017: EUR 4.2 million). **Non-current assets** stood at EUR 20.1 million as of June 30, 2018, up from their level at the end of 2017 (December 31, 2017: EUR 16.3 million).

SMT Scharf improved its **equity capital** position in the reporting period. The **equity** of SMT Scharf AG of EUR 51.2 million on the June 30, 2018 balance sheet date represented an increase of 5.1 % over the figure on December 31, 2017 (EUR 48.7 million). The equity ratio fell due to the sharp rise in total assets but it remains at a high level. As of June 30, 2018, it reached 61.6 % (December 31, 2017: 67.0 %). Net working capital amounted to EUR 37.7 million on June 30, 2018, up 50.9 % compared with its level at the start of the new financial year (December 31, 2017: EUR 25.0 million).

Average **net working capital** for the last twelve months (LTM) was posted at EUR 30.3 million as of June 30, 2018 (calculated from quarterly figures). The rolling consolidated revenue for the past twelve months amounted to EUR 57.1 million as of the balance sheet date, equivalent to a net working capital intensity of 53.0 % and higher than for the last three quarters. However, the sharp rise in net working capital in absolute figures must be taken into consideration. Regardless of this development, SMT Scharf is aiming to reduce its net working capital intensity over the medium term to <50%.

## Net Working Capital (Ø LTM) / Consolidated revenue LTM



### Comparison of the actual financial position and performance with the forecast

In the forecast report included in its 2017 annual report, SMT Scharf expected that the industry environment and market conditions for mining equipment would continue to improve in 2018. Against this background, SMT Scharf was expecting consolidated revenue for fiscal 2018 to lie in a range of EUR 58 to 62 million with EBIT in a corridor of EUR 4.5 to 5.5 million. This figure takes account of the positive effects of the RDH acquisition. Fundamentally, SMT Scharf is expecting its takeover of the Canadian mining specialist to have a positive effect on the growth of sales and earnings in the coming years.

The actual figures achieved in the first half of 2018 largely confirm this expectation:

- The actual consolidated revenue of EUR 28.1 million was slightly below the proportional forecast of EUR 29 million to EUR 31 million.
- The improved EBIT of EUR 3.1 million is on target and significantly higher than the proportional figure for the previous year. The EBIT margin (on total operating revenue) of 10.1 % as of the June 30, 2018 reporting date was not only above the previous year's proportion level, but also above the target level of at least 10.0 %.
- Consolidated net income of EUR 3.1 million for the first half of the year exceeded the corresponding previous year's level of EUR 1.12 million. The target was therefore more than reached.
- The equity ratio of 61.6 % as of the June 30, 2018 reporting date was down from the figure as of the 2017 fiscal year-end (December 31, 2017: 67.0 %). The company was aiming for an equity ratio at the previous year's level.
- In spite of the expansion in revenue and a noticeable risk in staffing levels by comparison with the previous year — both in the subsidiaries and at head office — the personnel cost ratio remained stable.

### Overall statement on the company's business position

The SMT Scharf Group achieved a significant increase in both sales and earnings in the reporting period. In the wake of its expansion course, SMT Scharf is intensifying its sales efforts in its principal core markets with the aim of further expanding market shares. In spite of the high rate of growth, the company succeeded in significantly boosting its profitability in terms of its EBIT margin. The success in implementing the strategic measures and progress made in improving productivity, profitability and market position have made vital contributions to this development. In view of the continuing improvement in the market environment and the recovery of the sector, further growth can be expected, first and foremost in new systems which will then have a beneficial knock-on effect on spare parts and services.

The company's net assets and financing position has once again improved thanks to the dynamic growth of the business: the equity ratio remains high at 61.6 %, and borrowing also continues to be low. The order intake and order book have risen again in the current fiscal year. The company has thus created a solid platform from which to draw lasting benefit from the improved market conditions in the mining industry.

## Events after the balance sheet date

Following the end of the first six months of 2018, no further events occurred that have a significant effect on the company's financial position and performance.

## Outlook

In April 2018, the International Monetary Fund (IMF) forecast the following GDP growth rates in SMT Scharf's target markets:

GDP growth in the most important sales markets* (in %)	2017	2018 (e)
World	3.8	3.9
China	6.9	6.6
Poland**	4.6	4.1
Russia	1.5	1.7
South Africa	1.3	1.5

Source: \*IMF World Economic Outlook, July 2018; \*\*IMF World Economic Outlook, April 2018

China, Russia, Poland and South Africa will remain SMT Scharf's core markets for the foreseeable future. For 2018, growth is expected to exceed that of the global economy, especially in China. The pace of economic growth in the People's Republic is slowing as a result of the restructuring process in which the country's economy finds itself. With a look to Russia, the IMF is expecting the modest recovery to continue, with the same applying to South Africa. The IMF makes its forecasts on the basis of greater political risks relating to free trade.

Positive revenue growth is expected to continue in the second half of the year. SMT Scharf's Management Board is confident that the original full-year revenue target will be met. Against this background, it is expecting Group revenue to lie within a range of EUR 58 to 62 million in fiscal 2018. The Board is also still expecting to see EBIT within a corridor of EUR 4.5 to 5.5 million.

In the medium to long-term, the management expects the recovery in the industry environment and the global market for mining equipment to continue in view of the stabilisation of commodity prices. This development will be driven by rising investment by mine operators around the world in new mining projects and the renewal of existing underground infrastructure. The demand for, and therefore the production of, raw materials will increase in view of consistently high growth in the global economy. The darkening prospects for growth in emerging countries due to rising oil prices and higher interest rates in the USA are likely to be only temporary. In the long term, the prosperity and incomes of emerging economies' middle classes will grow dynamically, accompanied by sustainable growth in the demand for energy worldwide. International Energy Agency (IEA) experts nevertheless forecast for 2040 a significant increase in the share that renewable energies will contribute to achieve the international climate targets agreed in Paris. Although demand for coal remains by far the greatest in China in absolute figures in this context, it will decline there too. Coal is expected to account for a less than 45% share of China's energy mix by 2040.

With the acquisition of the Canadian mining specialist RDH Mining, SMT Scharf is pursuing its strategic plan of further diversifying and reducing its dependence on coal mine operators. With this acquisition, SMT Scharf has established a platform for realising synergy effects in its Non-Coal and Tunnelling activities, and expanding both areas to form stable, independent pillars of the business in the medium to long term. In addition, further strategic measures, particularly in the areas of operational excellence and external growth, are intended to improve and expand SMT Scharf's position in its worldwide markets. The aim is to benefit to a disproportionately large degree from the improved market conditions in the mining industry.

## Report on opportunities and risks

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 2017. No additional opportunities or risks exist affecting the prospective development and performance over the remaining months of the fiscal year.

Hamm, August 10, 2018

SMT Scharf AG  
The Managing Board

## IFRS HALF-YEAR FINANCIAL STATEMENTS (UNAUDITED)

### Consolidated balance sheet

In EUR thousand	30/06/2018	31/12/2017
<b>Assets</b>		
Intangible assets	4,616	3,051
Tangible assets	6,551	5,397
Equity accounted investments	5,344	4,127
Deferred tax assets	3,249	3,092
Non-current lease receivables	311	580
Other non-current non-financial assets	45	86
<b>Non-current assets</b>	<b>20,116</b>	<b>16,333</b>
Inventories	31,237	15,100
Trade receivables	20,119	24,654
Current lease receivables	691	1,011
Other current non-financial assets	3,636	1,906
Other current financial assets	356	377
Cash and cash equivalents	7,033	12,886
<b>Current assets</b>	<b>63,072</b>	<b>55,934</b>
<b>Total assets</b>	<b>83,188</b>	<b>72,267</b>
<b>In EUR thousand</b>	<b>30/06/2018</b>	<b>31/12/2017</b>
<b>Equity and liabilities</b>		
Subscribed share capital	4,571	4,571
Capital reserve	16,597	16,597
Revenue reserves	33,641	30,552
Other reserves	-3,606	-3,011
<b>Equity</b>	<b>51,203</b>	<b>48,709</b>
Provisions for pensions	3,339	3,285
Other non-current provisions	268	318
Deferred tax liabilities	819	452
Advance payments received	0	248
Lease liabilities	166	198
Non-current financial liabilities	9,384	1,489
<b>Non-current provisions and liabilities</b>	<b>13,976</b>	<b>5,990</b>
Current income tax	52	1,104
Other current provisions	4,706	4,221
Advance payments received	684	407
Trade payables	5,530	5,410
Lease liabilities	98	72
Current financial liabilities	6,204	5,045
Other current non-financial liabilities	735	1,307
<b>Current provisions and liabilities</b>	<b>18,009</b>	<b>17,568</b>
<b>Total assets</b>	<b>83,188</b>	<b>72,267</b>

## Consolidated statement of comprehensive income

In EUR thousand	Q2/2018	Q2/2017	H1/2018	H1/2017
Revenue	16,761	12,551	28,132	23,157
Changes in inventories	689	570	2,094	1,612
Total operating revenue	17,450	13,121	30,226	24,769
Other operating income	1,499	1,184	2,370	1,808
Material expenses	9,281	7,452	16,238	13,424
Personnel costs	4,085	3,285	7,785	6,396
Depreciation, amortization and impairment losses	378	308	705	615
Other operating expenses	2,761	2,916	4,817	4,982
<b>Profit/loss from operating activities (EBIT)</b>	<b>2,444</b>	<b>344</b>	<b>3,051</b>	<b>1,160</b>
Result from equity accounted investments	344	-60	526	-14
Interest income	61	56	138	95
Interest expenses	98	34	185	49
<b>Financial result</b>	<b>307</b>	<b>-38</b>	<b>479</b>	<b>32</b>
<b>Profit/loss before tax</b>	<b>2,751</b>	<b>306</b>	<b>3,530</b>	<b>1,192</b>
Income taxes	117	313	441	373
<b>Consolidated net profit/loss</b>	<b>2,506</b>	<b>-7</b>	<b>3,089</b>	<b>819</b>
Other comprehensive income items recycled later to profit or loss				
Currency translation of foreign subsidiaries	473	-1,221	-413	-587
Share of other comprehensive income attributable to equity accounted investments	248	-191	-182	-244
Other comprehensive income	271	-1,412	-595	-831
<b>Comprehensive income</b>	<b>3,227</b>	<b>-1,419</b>	<b>2,494</b>	<b>-12</b>
<b>Earnings per share</b>	<b>0.55</b>	<b>0.00</b>	<b>0.68</b>	<b>0.20</b>
Undiluted (basic)	0.55	0.00	0.68	0.20
Diluted	0.55	0.00	0.68	0.20
Average number of shares	4,570,523	4,150,523	4,570,523	4,150,523

## Consolidated cash flow statement

In EUR thousand	H1/2018	H1/2017
Consolidated net profit/loss	3,089	819
- Result from equity accounted investments	-526	18
+ Depreciation and amortisation of non-current assets	705	615
+/- Increase/decrease in provisions	511	44
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investment or financing activities	-7,906	-1,604
+/- Increase/decrease in trade payables and other liabilities not allocable to investment or financing activities	-1,927	-288
-/+ Gain/loss on disposal of non-current assets	0	10
+/- Interest expenses/interest income	47	-46
+/- Income tax expense	441	344
-/+ Income tax payments	-1,675	-825
<b>Cash flow from normal operations</b>	<b>-7,241</b>	<b>-917</b>
+ Cash inflows from disposal of property, plant and equipment	0	197
- Capital expenditure for additions to the scope of consolidation	-4,580	0
- Capital expenditure on financial assets	-508	0
- Capital expenditure on property, plant and equipment	-649	-189
- Capital expenditure on intangible assets	-447	8
+ Interest received	129	88
<b>Cash flow from investing activities</b>	<b>-6,055</b>	<b>104</b>
+ Cash inflows from loans raised	8,065	0
- Cash outflows from the repayment of loans	-216	-140
- Cash outflows from finance lease liabilities	-284	0
- Interest paid	-211	-58
<b>Cash flow from financing activities</b>	<b>7,354</b>	<b>198</b>
<b>Net change in cash and cash equivalents</b>	<b>-5,942</b>	<b>-1,011</b>
Changes in cash and cash equivalents due to changes in exchange rates and Group composition	-100	-374
Cash and cash equivalents at start of period	7,841	4,098
<b>Cash and cash equivalents at end of period</b>	<b>1,799</b>	<b>2,713</b>

Note 9 provides information about the cash flow statement.

## Consolidated statement of changes in equity

In EUR thousand	Subscribed share capital	Share premium	Revenue reserves		Other reserves	Total equity
			Versicherungsm. Gewinne und Verluste	Sonstige Gewinnrücklagen		
					Difference from currency translation	
<b>Balance on 01/01/2018</b>	<b>4,571</b>	<b>16,597</b>	<b>-141</b>	<b>30,693</b>	<b>-3,011</b>	<b>48,709</b>
Consolidated net profit/loss				3,089		3,089
Result of currency difference from translation of foreign financial statements					-413	-413
Share of other comprehensive income attributable to equity accounted investments					-182	-182
Recognition of actuarial gains/losses						0
Deferred taxes on actuarial gains/losses recognised						0
Total income and expenses recognised				3,089	-595	2,494
<b>Balance on 30/06/2018</b>	<b>4,571</b>	<b>16,597</b>	<b>-141</b>	<b>33,782</b>	<b>-3,606</b>	<b>55,296</b>
<b>Balance on 01/01/2017</b>	<b>4,151</b>	<b>11,642</b>	<b>0</b>	<b>26,751</b>	<b>-3,247</b>	<b>39,297</b>
Consolidated net profit/loss				819		819
Result of currency difference from translation of foreign financial statements					-587	-587
Share of other comprehensive income attributable to equity accounted investments					-244	-244
Actuarial gains/losses						0
Deferred taxes on actuarial gains/losses recognised						0
Total income and expenses recognised				819	-831	-12
<b>Balance on 30/06/2017</b>	<b>4,151</b>	<b>11,642</b>	<b>0</b>	<b>27,570</b>	<b>-4,078</b>	<b>39,285</b>

## NOTES

### Information about SMT Scharf AG and the SMT Scharf Group

SMT Scharf AG, Römerstrasse 104, 59075 Hamm, Germany (hereinafter also referred to as the “company”) was formed on May 31, 2000, under German law. The company is registered in the commercial register in Hamm under commercial register sheet number 5845. SMT Scharf AG is the management holding company for the companies in the SMT Scharf Group. All 4,620,000 shares of SMT Scharf AG are listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The purpose of the companies in the SMT Scharf Group is to plan, produce, sell, install and maintain machinery and systems that transport people, equipment and materials. The Group companies’ further purpose is to hold participating interests in other entities.

#### General remarks on reporting

Pursuant to Section 37w (2) of the German Securities Trading Act (WpHG), this half-year financial report as of June 30, 2017 for the SMT Scharf Group comprises condensed interim consolidated financial statements and an interim Group management report. The condensed interim consolidated financial statements were prepared according to the regulations of International Financial Reporting Standards (IFRS), as applicable in the EU, for interim reporting (IAS 34). The applied accounting policies as well as the calculation methods are in accordance with those that have been applied in the IFRS consolidated financial statements as of December 31, 2017. Income taxes were deferred on the basis of the tax rate expected for the full year. The interim Group management report was prepared in compliance with the applicable regulations of the German Securities Trading Act (WpHG). The half-year financial report was not subjected to an auditor’s review. The interim financial statements give a true and fair view of the financial position and performance of the SMT Scharf Group for the period under review. These condensed interim consolidated financial statements do not include all disclosures that IFRS requires for consolidated financial statements, and should consequently be read in combination with the Group financial report for the financial year ending December 31, 2017, which provides a basis for these interim financial statements. Moreover, as regards significant modifications and business transactions up until June 30, 2018, please refer to the interim management report contained in this document.

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

#### New standards and interpretations

Please refer to the 2017 annual report for detailed information about standards to be applied in the future.

#### Currency translation

The exchange rates of the most important currencies report the following changes:

1 EURO =	Closing rate		Average rate	
	30/06/2018	31/12/2017	2018	2017
Average rate	4.3732	4.1770	4.2200	4.2570
Südafrikanischer Rand	16.0484	14.8054	14.8895	15.0490
Chinesischer Renminbi Yuan	7.7170	7.8044	7.7100	7.6290
Russischer Rubel	73.1582	69.3920	71.9802	65.9383

## Consolidated group

The consolidated group reports the following changes during the period under review.

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

	Interest
SMT Scharf GmbH, Hamm, Germany	100 %
Nowilan GmbH, Dinslaken, Germany	100 %
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %
SMT Scharf Africa (Pty.) Ltd., Germiston, South Africa	100 %
Scharf Mining Machinery (Xuzhou) Co. Ltd., Xuzhou, China	100 %
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China ***	100 %
TOW SMT Scharf Ukraina, Kiev, Ukraine	100 %
SMT Scharf Sudamérica SpA, Santiago, Chile	100 %
OOO SMT Scharf, Novokuznetsk, Russian Federation *	100 %
OOO SMT Scharf Service, Novokuznetsk, Russian Federation **	100 %
RDH Minnig, Equipment, Alban, Canada (since 07.02.2018)	100 %
Shandong Xinsha Monorail Co. Ltd., Xintai, China ****	50 %
Shanxi Ande Auxiliary Transportation Co. Ltd., Changzhi, Shanxi Province, China (since March 2018)*****	40 %

\* of which 1.25 % indirectly through SMT Scharf GmbH

\*\* indirectly through OOO SMT Scharf

\*\*\* indirectly through SMT Scharf GmbH

\*\*\*\* consolidated as a 50% holding in accordance with the equity method

\*\*\*\*\* consolidated as a 40 % holding in accordance with the equity method

The following changes have resulted in the first six months of the 2018 reporting year.

With effect from February 6, 2018, SMT Scharf AG indirectly acquired 100 percent of the shares of RDH Mining Equipment, headquartered in Alban, Canada, through SMT Scharf Corporation, a fully-owned subsidiary based in Alban, Canada. With this purchase, SMT Scharf AG is strengthening its market position as an integrated systems supplier in the field of underground logistics, and complementing its product portfolio with rubber-wheeled vehicles.

RDH Mining Equipment has specialised for over 30 years in high-quality underground equipment for mining and tunnelling, and has hitherto operated primarily in the North American market with an average sales share of over 50%. The product range stretches from jumbo drilling equipment to mobile loaders, scissor lifts and flat-bed trucks. The company has a high level of technical expertise, an established brand name and a network in the areas of special underground mechanical engineering and tunnel logistics which are of interest to SMT Scharf.

The purchase price is around CAD 8.0 million (corresponding to approx. EUR 5.17 million). It was paid for through a cash component of CAD 7.0 million and the balance was made up by treasury shares of SMT Scharf AG. The share component will be defined when the purchase price allocation has been completed.

Provisional goodwill amounting to CAD 522 thousand was recognised in conjunction with the merger with RDH. This represents the expected benefits from synergy effects, including in marketing, following the integration of RDH with the SMT Group.

The purchase price allocation is seen as provisional in compliance with IFRS 3.45.

The acquired company generated revenue of EUR 3,043 thousand in the reporting period and contributed a loss of EUR 30 thousand to consolidated earnings. If the company had been acquired at the beginning of the reporting period, it would have contributed sales revenue of EUR 3,584 thousand and a loss of EUR 36 thousand to consolidated earnings.

The carrying amounts and current market values of the assets and liabilities in the course of the acquisition are broken down in the following table:

	CAD thousand Carrying amounts	CAD thousand Fair values
<b>Assets</b>		
Inventories	8,886	9,282
Receivables and other current assets	1,849	1,849
Cash and cash equivalents	0	0
Non-current assets	1,587	3,361
<b>Total</b>	<b>12,322</b>	<b>14,492</b>
<b>Equity and liabilities</b>		
Non-current provisions and liabilities	108	683
Current provisions and liabilities	5,825	5,825
Equity	6,389	7,984
<b>Total</b>	<b>12,322</b>	<b>14,492</b>

After the liquidation period had expired, an application was submitted to remove the Saarland company SMT Scharf Saar GmbH i.L. from the Register. This was effected on July 17, 2018. The company is therefore no longer part of the Group.

## Notes to the income statement

### (1) Revenue

Revenue is composed of the following items:

	Q2/2018	Q2/2017	H1/2018	H1/2017
New Systems	7,873	5,115	12,413	8,705
Spare parts/service/other	7,919	7,495	15,719	14,452
<b>Total</b>	<b>15,792</b>	<b>12,610</b>	<b>28,132</b>	<b>23,157</b>
Germany	451	481	1,038	1,348
Other countries	15,341	12,129	27,094	21,809
<b>Total</b>	<b>15,792</b>	<b>12,610</b>	<b>28,132</b>	<b>23,157</b>

### (2) Income taxes

Income taxes are composed of the following items:

	Q2/2018	Q2/2017	H1/2018	H1/2017
Current tax expense	372	118	606	344
Deferred taxes	-125	193	-164	28
<b>Total</b>	<b>247</b>	<b>311</b>	<b>441</b>	<b>373</b>

### (3) Segment report

In line with IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this, external segment reporting is performed on the basis of the Group's internal organisation and management structure as well as the internal financial reporting to the highest management body ("chief operating decision maker"). In the SMT Scharf Group, the Managing Board of SMT Scharf AG is responsible for the measurement and controlling of the segments' business performance, and is the chief operating decision maker in the meaning of IFRS 8.

As already presented for the first time in the Group financial report for the 2016 financial year, SMT Scharf AG reports on two operating segments, which are managed independently by segment boards by types of products and services, brands, sales channels and customer profiles. The previous year's figures were restated accordingly. Intersegment revenues and inputs are of minor significance, and are not reported separately.

in EUR thousand	Coalmining		Non-Coal Mining		Tunnel logistics		Not allocated		SMT Scharf Group	
	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017
Sales revenues	19,868	18,829	8,026	4,328	238	-	-	-	28,132	23,157
Operating earnings	2,729	793	344	521	(23)	(154)	-	-	3,051	1,160
Earnings from equity accounted companies	530	46	-	-	-	-	-	-	530	46
Segment assets	69,432	51,000	10,238	4,247	269	152	3,249	3,035	85,944	58,434
Segment liabilities	26,394	17,799	5,088	1,171	53	86	451	94	30,648	19,150
Segment investments	2,507	175	-	6	-	-	-	-	2,507	181
Share of equity accounted companies	5,344	3,485	-	-	-	-	-	-	5,344	3,485
Scheduled depreciation	657	581	43	33	4	1	-	-	705	615
FTE	306	275	81	31	3	2	-	-	390	308

## Notes to the balance sheet

### (4) Current assets

Securities as of June 30, 2018 include a hardship and social fund amounting to TEUR 346 (June 30, 2017: TEUR 425). This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH as well as this company's works council.

### (5) Non-current assets

The SMT Scharf Group leases internally developed systems as a lessor. These are recognised as leased assets under property, plant and equipment. The company was leasing 22 items as of June 30, 2018.

In the first six months of 2018, expenses for projects totalling TEUR 437 (30.06.2017: TEUR 0) were capitalised as development costs meeting the requirements of IAS 38.

### (6) Equity

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

As of June 30, 2018, a total of 4,570,523 ordinary bearer shares of SMT Scharf AG have been issued in the form of no par value shares with a notional value of EUR 1 per share. All shares have been fully paid in and grant the holders the same rights.

No dividends were paid in the first six months of 2018, as in the prior-year period.

As already in comparable periods, the company has refrained from recognising actuarial gains and losses for materiality reasons. Further changes to equity are presented in the consolidated statement of changes in equity.

## Other disclosures

### (7) Contingent liabilities and other financial commitments

At the time of reporting, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 67 thousand (December 31, 2016: EUR 284 thousand).

Other financial liabilities exist that relate, in particular, to rental and lease agreements for cars and photocopiers. The leases have terms of up to five years and in some cases include extension options and escalation clauses. The rental and lease agreements resulted in payments totalling EUR 550 thousand (previous year: EUR 483 thousand) being recognised in other operating expenses during the first half of 2018. The total nominal amount of the future minimum lease payments under operating leases and rental agreements is composed as follows:

	30/06/2018	31/12/2017
Due within one year	681	356
Due in one to five years	667	1,185
Due after more than five years	0	0

### (8) Other disclosures about financial instruments

The measurement categories of significance for the Group include loans and receivables (LaR) and financial liabilities at amortised cost (FLAC). The following table presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments, and reconciles these with the corresponding balance sheet items. For the measurement of the financial assets and liabilities, please refer to the notes in the consolidated financial statements as of December 31, 2017.

#### Fair values

30/06/2018

Balance sheet items	Category pursuant to IAS 39	Carrying amount	Fair value
Trade receivables	LaR	20,119	20,119
Lease receivables	n.a.	1,002	1,034
Non-current financial liabilities	FLAC	9,384	9,384
Trade payables	FLAC	5,530	5,530
Current financial liabilities	FLAC	5,234	5,234
Lease liabilities	n.a.	264	275

30/12/2017

<b>Balance sheet items</b>	<b>Category pursuant to IAS 39</b>	<b>Carrying amount</b>	<b>Fair value</b>
Trade receivables	LaR	24,654	24,654
Lease receivables	n.a.	1,591	1,611
Non-current financial liabilities	FLAC	1,489	1,489
Trade payables	FLAC	5,410	5,410
Current financial liabilities	FLAC	5,045	5,045
Lease liabilities	n.a.	270	281

Please see the 2017 annual report for information on the financial risks of the SMT Scharf Group's business. Besides this, no substantial changes occurred from January to June 2018.

#### (9) Cash flow statement

The cash flow statement shows the changes in the SMT Scharf Group's net financial position as a result of cash inflows and outflows during the period under review. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.

The cash flows from investing and financing activities are identified directly, in other words, these are related to payments. In contrast, the cash flow from operating activities is derived indirectly from the net profit/loss for the period.

The net financial position in the cash flow statement comprises all of the cash and cash equivalents carried on the balance sheet, in other words, cash on hand and bank balances, to the extent that these are available within three months (from the date of acquisition) without any notable fluctuations in value. Marketable securities and current financial liabilities are not included.

#### (10) Supervisory and Managing Boards

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

- Univ.-Prof. Dr. Louis Velthuis, Holder of the Chair for Controlling at the Johannes Gutenberg University, Mainz, Intershop Communications AG, member of the Supervisory Board
- Dr. Dipl.-Ing. Dirk Vorsteher, Werne (Deputy Chairman), Management consultants, (no positions held at other companies)
- Dipl. Volkswirtin Dorothea Gattineau, Herdecke, Business manager, (no positions held at other companies)

As of June 30, 2017, Professor Velthuis held 1,750 shares in the company, Dr. Vorsteher 400, Ms Gattineau 410, Mr Theiß 10,000 and Mr Embert 1,000.

#### (11) Relationships with related companies and persons

For the SMT Scharf Group, the Managing and Supervisory boards and companies under joint management by the SMT Scharf Group are regarded as related companies and parties pursuant to IAS 24. No significant new types of transactions with related companies and parties were realised in 2018. Consultancy services amounting to EUR 7 thousand (H1/2017: EUR 9 thousand) were procured by a member of the management team in a key position in the reporting period from June 1 to June 30, 2018. Above and beyond this, compensation for the Managing and Supervisory boards is expensed.

#### (12) Estimates

The preparation of the consolidated financial statements requires the making of assumptions and utilisation of accounting estimates that relate to the recognition and measurement of assets and liabilities, income and expenses, and the extent of contingent liabilities. Estimates made by the company are based on historical amounts and other assumptions considered appropriate in the particular circumstances. Actual amounts may differ from estimates. The estimates and assumptions made are subject to constant review and adjusted accordingly. No adjustments arose due to the modified estimates or assumptions.

#### (13) Events after the balance sheet date

No events of particular significance occurred after the balance sheet date.

## Responsibility statement

We assure that, to the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial reporting on the consolidated half-year financial statements gives a true and fair view of the Group's financial position and performance, and the interim Group management report presents the Group's business including its results and the Group's position such as to provide a true and fair view, and describes the major opportunities and risks pertaining to Group's anticipated growth and development in the remaining part of the fiscal year.

Hans Joachim Theiss

Wolfgang Embert

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## **DISCLAIMER**

The Report of the first half-year 2018 is also available in English. In case of differences the German version prevails. The digital version of the Annual Report and the Interim Reports can be downloaded at [www.smtscharf.com](http://www.smtscharf.com) in the category "Investor Relations/Publications/Financial reports".