



6-MONTH REPORT 2019



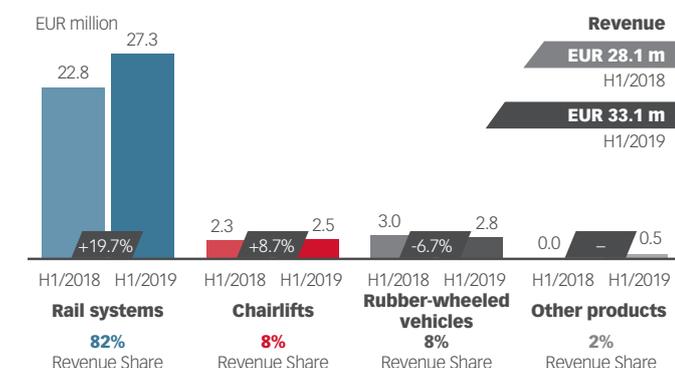
CONTENTS

Summary of key data	3
Share price chart	4
Key share data	4
Shareholder structure	4
Financial calendar	4
Letter to shareholders	5
Management report (unaudited)	6
Basis of the Group	6
Economic and business report	8
Events after the balance sheet date	12
Outlook	12
Report on opportunities and risks	13
IFRS half-year financial statements (unaudited)	13
Consolidated balance sheet	13
Consolidated statement of comprehensive income	15
Consolidated cash flow statement	16
Consolidated statement of changes in equity	17
Notes	19
Responsibility statement	25
Imprint	26

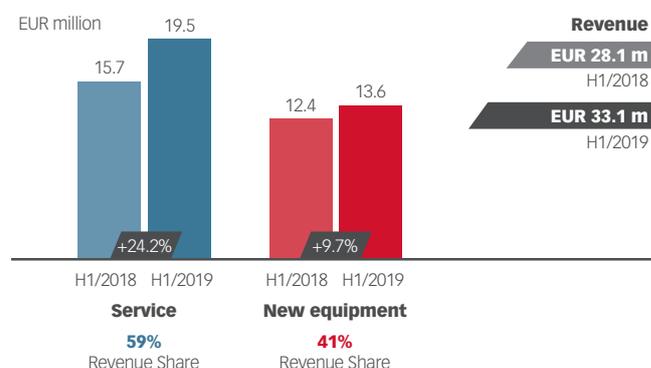
SUMMARY OF KEY DATA

		2017	2018	H1/2018	H1/2019
Revenue	EUR thousand	52,131	70,795	28,132	33,139
Total operating revenue	EUR thousand	53,114	71,028	30,226	34,479
EBIT	EUR thousand	4,554	5,304	3,051	3,150
EBIT margin on total operating revenue	%	8.6	7.5	10.1	9.1
Group net profit/loss	EUR thousand	3,982	4,633	3,089	3,173
Equity	EUR thousand	48,709	51,533	51,203	56,422
Equity ratio	%	67	62	62	60
FTE (full-time equivalent)	on the reporting date	317	397	390	433

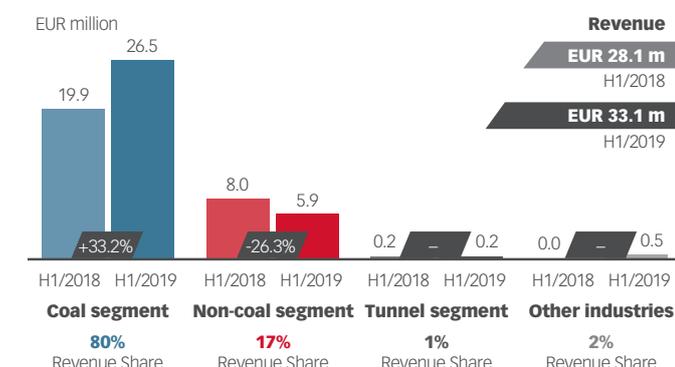
Revenue by product



Revenue by type



Revenue by segment





Managing Board of SMT Scharf AG

LETTER TO SHAREHOLDERS

Dear shareholders,

SMT Scharf AG successfully continued its positive business development in the first half of 2019. In the first six months of 2019, we achieved revenue growth in our new systems and service businesses. Against the backdrop of a market environment that remains highly competitive, we achieved consolidated revenue of EUR 33.1 million, compared with EUR 28.1 million in the same period of the previous year. The service business was particularly strong in the second quarter, with the consequence that our revenue grew by 24.2% to EUR 19.5 million in the first half of the year.

With an operating profit (EBIT) of EUR 3.2 million, we also increased our profitability in the first six months of 2019, after posting EBIT of EUR 3.1 million in the first half of 2018. Given our full order books, our production capacity remains very well utilised. New order intake amounted to EUR 33.0 million in the first half of the year and the order book position amounted to EUR 19.6 million as of June 30, 2019.

Trends such as automation, real-time data management, conversion to electric drives and increasing networking in mines as a result of digitalisation are shaping Mining 4.0. Last year, we already adequately expanded our portfolio in this respect with the acquisition of RDH Mining, one of the world's leading suppliers of battery-powered vehicles harnessing lithium-ion technology for underground mining. The technical integration of RDH continues according to plan. With the participation in our long-standing partner ser elektronik in April 2019, we have also added valuable electronics and controls expertise to our portfolio. This will help us to continue to develop tailor-made products for our customers in the future.

In view of global uncertainties and the ongoing trade conflict between the USA and China, commodity prices came under pressure in the first half of the year. This could lead to a deterioration in SMT Scharf's market environment in the second half of the year. Irrespective of this, we will press further ahead with the implementation of our corporate strategy in the second half of the year and, on the basis of our good market position, continue to pursue growth opportunities in our target markets worldwide. Overall, we remain confident that we will achieve the targets we set at the beginning of the year. For the 2019 fiscal year, we continue to anticipate consolidated revenue in a range between EUR 72 million and EUR 75 million and EBIT in a range between EUR 5.5 million and EUR 6.0 million.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence you have invested in us, and we would be pleased to continue our cooperation 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 ") develops, builds and services transportation equipment and logistics systems for underground mining and tunnel construction. The business profile of SMT Scharf can be described on the basis of the following criteria:

- **Business fields:** The SMT Scharf Group's core product are captivated railway systems that are deployed in underground mining. These systems are technically capable of transporting personnel and materials up to 45 tonnes on gradients of up to 35 degrees. As an ancillary product, SMT Scharf offers chairlifts for the mining industry. The product range also includes the development and installation of open air rail and cable management systems, including for energy supplies to machines, for example. With the acquisition of the Canadian mining specialist RDH Mining Equipment, SMT Scharf has expanded its portfolio to include rubber-wheeled vehicles, thereby advancing the implementation of its strategy to position itself in the market as an integrated system provider in the underground logistics area. The establishment of the Tunnel Logistics business segment also forms part of this process. This additional pillar promises additional sales potential in the coming years.

With the acquisition of ser elektronik GmbH in April 2019, SMT Scharf expands its portfolio to include expertise in the electronics and control systems area. The systems – which are integrated into SMT Scharf's transport solutions for coal and non-coal mining – are manufactured in-house. In addition, ser elektronik develops customer-specific solutions for deployment in mining, the food manufacturing industry and medical technology. Business outside the scope of underground mining and tunnel logistics is being aggregated within the newly created "Other Industries" segment.

- **Type of business:** The production and installation of new equipment forms the core of the operating activities. SMT Scharf also concentrates on downstream services. The offerings include the provision of spare parts, maintenance, repairs or maintenance work. SMT Scharf occasionally acts as a railway operator in response to customer demand.
- **Customer groups:** SMT Scharf products are deployed mainly in hard coal mining (the Coal Mining segment), as well as increasingly in producing gold, platinum, copper, nickel (hard rock) and salts (aggregated within the Non-Coal Mining segment). With the establishment of the Tunnel Logistics business segment, tunnel construction companies are being added as a potential customer group.
- **Regions:** SMT Scharf sells its own products in its main markets through subsidiaries located in the world's most important mining nations. The especially include foreign markets in China, Poland, Russia and South Africa as well as increasingly South America following the opening of the company's own sales subsidiary in Chile. With the addition of RDH Mining Equipment, SMT Scharf is also concentrating on the North American market. The German domestic mining market plays only a minor role nowadays. In smaller markets, SMT Scharf works together with dealers or agents.

Corporate strategy

SMT Scharf pursues a strategy based on 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:** Development and launch of new products in the area of underground logistics in coal mining and, with increasing importance, in hard rock, development of new geographical markets, and development and establishment of Tunnel Logistics and Other Industries as further business areas.
- **External growth:** Takeovers and partnerships aimed at promoting and securing SMT Scharf's core positioning. Takeovers, strategic partnerships and joint ventures have already been brought to completion and established. This will remain a strategic thrust of SMT Scharf AG.
- **Operational excellence:** SMT Scharf has made further progress in continuously improving its productivity, profitability and market position. Part of SMT Scharf's permanent strategy is to leverage optimisation potential more effectively through the interplay of international locations as well as in the management of development processes. The targeted analysis of specific markets and customer requirements helps SMT Scharf further enhance its competitiveness in this context.

The Managing Board team deploys these strategies to advance its measures in order to further develop the company into a **system supplier of logistics solutions**, while at the same time positioning it in **adjacent markets** (through the core positioning in the mining supply market). The aim of this approach is to tap additional sales revenue potential and make sales trends less dependent on the traditionally cyclical business in mining, which remains SMT Scharf's core market.

Given the further increase in the willingness to invest on the part of companies in the mining industry and a sales campaign, SMT Scharf continued the trend of strong revenue growth and significant **earnings improvement** in the first half of 2019. At the end of 2018, SMT Scharf decided to introduce a uniform Group-wide **Enterprise Resource Planning (ERP)** system. The signing of the contract is to occur during the course of the year. The new ERP system shall contribute to better coordination of process steps, to enhancing the quality of planning, and to further increasing efficiency in relation to international cooperation within the Group. At the same time, the new ERP system will open up the possibility of identifying and realising optimisation potentials at an early stage in the future.

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 and in discussions with the Supervisory 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 on the basis of stable or a further uptrend in raw materials prices.

Financial performance indicators:

Key indicator	Calculation method	Target (medium-term, 3-5 years)
Key income statement figures		
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%
Key balance sheet indicators		
Net Working Capital	$\text{Year-average current assets} - \text{Year-average liquid assets} - \text{Year-average current liabilities}$ (excluding current liabilities)	EUR 20 million
Equity ratio (on reporting date)	Equity / total assets	>=30%
Key efficiency figures		
Net Working Capital Intensity	Net working capital / Group revenue	<50%
Days of sales outstanding	$\text{Number of days in reporting year} * (\text{Annual average trade receivables} / \text{Group revenue})$	<150 days

Non-financial performance indicators

Key indicator	Calculation method	Target (medium-term, 3-5 years)
Employee numbers		
Employee turnover	$\text{Employees leaving the company (FTEs)} / \text{Annual average number of employees (FTEs)}$	<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 433 members of staff (full-time employees) as of 30 June 2019, including 8 trainees. The Group employed 390 FTEs on the same date of the previous year (including 6 trainees). The new subsidiary ser elektronik contributes 19 employees to the SMT Group. In order to manage production capacity flexibly, SMT Scharf draws on short-term and temporary help staff in accordance with the three-layer model. In the event of sustainable growth, these temporary workers are then taken on accordingly in the respectively higher layer.

The changed international demand structure for SMT products has led to production capacity being expanded on a targeted basis, along with the workforce in the international companies. In Germany, too, SMT Scharf further expanded its personnel capacities in production so that the number of employees as of 30 June 2019 was 9 FTEs higher (previous year: 91 FTEs). Moreover, recourse continues to be made to temporary help staff in order to cover higher demand.

	H1/2018	H1/2019
Total employees	390	433
Employees in Germany	98	100
Employees abroad	292	333
Proportion of female employees (%)	15.4	17.6

Research and development

During the first half of 2019, SMT Scharf continued to work successfully on establishing local expertise centres with increasing range of vertical manufacture, especially in Poland and China. In Russia, too, the development of local expertise is being further advanced. The creation of synergies through further networking of the locations is a future-related topic for SMT Scharf and is being additionally advanced by the approved introduction of a uniform ERP system and uniform development systems worldwide.

International project teams are progressing the important developments and new developments of the existing product range. These are adjusted to respective demand in individual markets by means of targeted customer analysis. The communication of international project team is facilitated mainly by digital media, as well as through regular personal meetings between national department managers. At the same time, thanks to local production as well as a global supplier network SMT Scharf ensures delivery times in line with requirements. Innovative, modular machine design enables flexible configuration options for sophisticated customer specifications while also optimising costs. In series production, SMT Scharf is already benefiting already benefiting from the phased implementation of this strategy applied to each individual machine model.

For innovative applications beyond underground coal mining, the SMT Scharf Group concentrates on developing new applications based on its core expertise in tunnel construction and non-coal mining. At the same time, SMT Scharf is working intensively on solutions for emission-free drive systems for underground operation, which, according to current estimates, will not replace the combustion drive in the short and medium term, but will play a significant role in the sector due to changes in the general legislative framework.

Expenses for research and development amounted to EUR 1,227 million during the first half of 2019 (H1/2018: EUR 893 million). The share of development costs in overall research and development costs (capitalisation ratio) stood at EUR 170 thousand (H1/2018: EUR 437 million), while the write-downs on capitalised development costs amounted to EUR 123 thousand (H1/2018: EUR 54 thousand) in the reporting period.

IFRS 16 came into force on January 1, 2019. As a lessor, the SMT Scharf Group has concluded both finance leases and rental leases. No significant effects from IFRS 16 arose in this context. Lease agreements in which the SMT Scharf Group is the lessee predominate over finance leases. In this area, the application of IFRS 16 led to an increase in assets and financial liabilities.

Economic and business report

Macroeconomic environment

The International Monetary Fund (IMF) has issued a further downgrade to its global economic growth forecasts. The IMF now expects the pace of growth in the coming years to be slower than earlier forecasts. Nevertheless, overall growth is at a good and stable level: following an expansion rate of 3.6% in 2018, the IMF forecasts that the global economy will grow by 3.3% in the current year and at a faster rate of 3.6% in 2020. As far as emerging economies are concerned, the IMF also anticipates a slight slowdown in growth at an overall high level on average. The main reasons for this are the trade conflict between the USA and China and the uncertainties surrounding an imminent Brexit.

As a consequence of the deteriorating overall conditions and more stringent regulation of the financial sector, the Chinese economy's growth dynamic has slowed. In the trade dispute between the USA and China, however, the IMF sees improved prospects for a trade agreement in its April 2019 outlook. At the same time, China has strengthened its fiscal and monetary incentives to counter the negative effects of trade tariffs. According to the IMF, China will record growth of 6.3% in 2019 and 6.1% in 2020.

In Russia, the government expects economic growth to slow tangibly in 2019, particularly due to the lower oil price. According to the IMF, the Russian economy grew by 2.3% in 2018, whereas its economists are forecasting growth of just 1.6% for 2019. By contrast, Poland continues to rank among Europe's most dynamic markets. In the wake of the global economic slowdown, however, growth in the Polish economy also declined noticeably last year, but remains at a comparatively high level. By contrast, South Africa's economy, which has been booming for a long time, is entering an increasingly deep recession. This reflects declining economic performance in the agricultural sector and a lower level of business investment. According to IMF estimates, this downward trend will continue in 2019. 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 %)	2018
World	3.6
China	6.6
Poland	5.1
Russia	2.3
South Africa	0.8

Source: *IMF World Economic Outlook, April 2019

Exchange rate changes in the most important sales markets* (in %)	2018	H1/2019
Yuan Renminbi (China)/Euro	+0.5	+0.03
Zloty (Poland)/Euro	+3	-1
Rouble (Russia)/Euro	+15	-10
Rand (South Africa)/Euro	+18	-2

*Source: European Central Bank

Sector trends

In the reporting period, the prices of many energy raw materials and metals rose or remained stable at a high level. The S&P GSCI Energy and Metal Index increased by around 17% between January and June 2019. At the end of the reporting period, the oil price recovered from its initial fall. In general, commodity prices appear to be firming further. At a high level, the price of coal lost some ground in the course of the first half of the year, and at the end of June 2019 was hovering around the USD 54 mark (based on a tonne of hard coal). Even if the momentum of the global economic cycle weakens over the course of the year, economists continue to expect the world economy to report a positive trend. Given the prevailing conditions, it is consequently possible to continue to expect that commodity prices will remain at current levels and could even increase in the medium term.

According to the Mining Association of the German Engineering Federation (VDMA), German mining machinery manufacturers turned a corner in 2018, emerging from the trough that had lasted since 2013. According to the study, in 2018 mining machinery manufacturers producing in Germany increased their sales by around 12% compared to the previous year. Around 96% of German mining machinery was exported abroad in 2018. According to the VDMA, mining machinery manufacturers recorded an increase in orders in the first months of 2019. The OECD forecast that global demand for raw materials will double by 2060 forms a further reason for confidence. For example, the VDMA expects increased demand especially from companies focusing on the extraction of raw materials utilised in alternative forms of energy generation.

According to SMT Scharf's assessment, positive growth prospects also exist in the Tunnel segment: the global tunnel construction market will continue to play an essential role thanks to rising demand worldwide for infrastructure. This is also confirmed by the International Tunnelling and Underground Space Association (ITA) in its report. Accordingly, the worldwide tunnel construction market amounts to around EUR 86 billion per year (as of 2016), which corresponds to an increase of 23% compared to 2013. Since 2013, an average of 5,200 km of tunnels have been built annually worldwide. Here, the ITA predicts that China, with annual economic output worth EUR 37 billion, will represent around 50% of the tunnel construction market in the next decade. The study indicates that the European market is developing steadily at rates of between EUR 10 million and EUR 12 million per year. A total worldwide output in tunnel construction of around EUR 680 billion is expected for a pipeline of more than eight years. The strong demand is also driven by ongoing development in many cities and the linking of urban centres.

SMT Scharf supports a business model based on several pillars through its diversification by product, region, customer group and regional market. This approach serves to mitigate the impact of the coal mining business cycle on SMT Scharf's business development. The order books were well filled in the first half of the year, so that capacities are fully utilised.

The "Light Electric Vehicle" (LEV) for underground mining, developed under the direction of SMT Scharf, was presented at the construction machinery trade fair Bauma Munich in April. The light electric vehicle is characterised by high energy efficiency, emission-free operation and significantly reduced heat radiation. This helps mine operators reduce underground ventilation costs. The LEV offers further potential to support the positive business trend in non-coal markets.

Financial position and performance

In a market environment that continues to improve but remains intensely competitive, the SMT Scharf Group reported a significant increase in its revenue during the first half of 2019 compared with the first half of 2018. **Consolidated revenue** reached EUR 33.1 million (H1/2018: EUR 28.1 million), reflecting an increase of 17.8% compared with the corresponding previous year's figure. By quarter, SMT Scharf recorded a strong first quarter with revenue growth of 31.0%, while in the second quarter the company grew revenue by 8.8% year-on-year. The increase was driven by growth in our businesses with new systems and with service. In the new systems business, revenue in the first half of 2019 was 9.7% up on the corresponding prior-year figure. In addition, SMT Scharf grew its service business by 24.2% in the first six months of 2019. This development reflects continuing high demand from mine operators worldwide, which are investing further in systems, equipment and technologies thanks to higher commodity prices.

In the Rail Systems product area, SMT Scharf generated revenue of EUR 27.3 million in the period under review, which increased its share of total revenue to 82.5% (H1/2018: EUR 22.8 million or 81.1%). The Chairlifts business accounted for EUR 2.5 million of revenue, or 7.6% of total revenue (H1/2018: EUR 2.3 million or 8.2%). At the same time, the company generated revenue of EUR 2.8 million (H1/2018: EUR 3.0 million) in the rubber-tyred vehicle product area. In the new "Other Industries" segment, SMT Scharf also recorded revenue of EUR 0.5 million from other products.

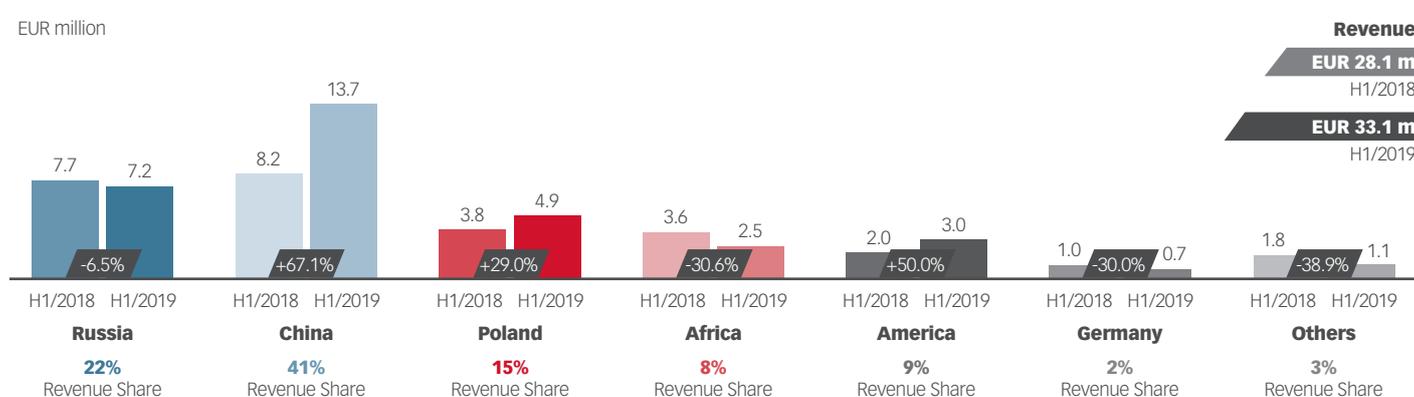
SMT Scharf generated revenue of EUR 13.6 million from new systems, up significantly compared with the same period of the previous year (H1/2018: EUR 12.4 million). This corresponds to a 41.1% share of Group revenue (H1/2018: 44.1%). In a direct comparison, business with services and spare parts grew at a significantly faster rate in the period under review. Here, revenue in the first half of 2019 reached EUR 19.5 million. The share of revenue amounted to 58.9% (H1/2018: EUR 15.7 million or 55.9%).

On an operating segment basis, EUR 26.5 million was attributable to the Coal segment, which aggregates business with operators of hard coal mines. Thanks to strong revenue growth in the Non-Coal segment, the share of Group revenue increased significantly to 80.0% (H1/2018: EUR 19.9 million or 70.8%). In the Non-Coal segment, SMT Scharf generated revenue of EUR 5.9 million, corresponding to 17.8% of total revenue (H1/2018: EUR 8.0 million or 28.5%). Revenue in Tunnel Logistics amounted to EUR 0.2 million (H1/2018: EUR 0.2 million). In the newly created "Other Industries" segment, SMT Scharf recorded revenue of EUR 0.5 million in the reporting period.

Among the country markets, China again proved to be SMT Scharf's most important foreign market, accounting for 41.4% of revenue. Now that the consolidation in the market for mine operators has been completed, demand in the People's Republic of China is continuing to pick up strongly. Higher prices for hard coal make it lucrative for mining companies to invest in modern infrastructure and expand production. Given this, SMT Scharf reported a significant increase in revenue in China of 67.1% year-on-year to EUR 13.7 million (H1/2018: EUR 8.2 million).

As expected, the decline in Russia, the second-largest foreign market, continued in the second quarter. Due to the completion of major projects, revenue there of EUR 7.2 million was slightly below previous year's level (H1/2018: EUR 7.7 million). In Poland, by contrast, SMT Scharf recorded considerable revenue growth to EUR 4.9 million (H1/2018: EUR 3.8 million). Compared with this, Africa, where the political situation in South Africa remains fragile, reported somewhat weaker trend. At EUR 2.5 million, revenue in the African market was 30.6% below the prior-year period (H1/2018: EUR 3.6 million). The share of the business in Germany continued its downtrend to a level of EUR 0.7 million, as expected (H1/2018: EUR 1.0 million). The relative share of the domestic market reduced to 2.0% during the first half of 2019 as a consequence (H1/2018: 3.6%).

Revenue by region



Due to work having already started on new orders, **changes in inventories** amounted to EUR 1.5 million (H1/2018: EUR 2.1 million), with **total operating revenue** (defined as the sum of revenue and changes in inventories) thereby reporting a 14.1% increase to EUR 34.5 million (H1/2018: EUR 30.2 million).

Other operating income amounted to EUR 1.8 million in the first half of 2019, 25.9% below the corresponding figure for the previous year (H1/2018: EUR 2.4 million). This includes currency gains of EUR 786 thousand. **Other operating expenses** include currency losses of EUR 364 thousand. At EUR 4.7 million, other operating expenses were almost at the the previous year's level (H1/2018: EUR 4.8 million).

The **cost of materials** of EUR 17.7 million was 9.3% higher than the previous year's level overall (H1/2018: EUR 16.2 million). This reflects the positive trend of the new systems business, especially in the Rail Systems segment, where SMT Scharf generated 19.7% revenue growth in the period under review. The cost of materials ratio (in relation to total operating revenue) reduced slightly to 51.4% (H1/2018: 53.7%).

Personnel expenses amounted to EUR 9.5 million in the first half of the year, representing a 21.8% year-on-year increase (H1/2018: EUR 7.8 million). Despite the comparatively higher total operating revenue, the personnel expense ratio rose to 27.5% (H1/2018: 25.8%) due to the increased headcount. **Depreciation, amortisation and impairment losses** relating to non-current assets amounted to EUR 1.2 million, up 71.4% year-on-year (H1/2018: EUR 0.7 million). This is mainly due to amortisation of development costs capitalised in the 2018 financial year.

SMT Scharf increased its profit from operating activities (**EBIT**) in the first six months of 2019 to EUR 3.2 million (H1/2018: EUR 3.1 million). At segment level, EBIT in the Non-Coal segment decreased to EUR -0.1 million (H1/2018: EUR 0.3 million), while in the Coal segment it increased to EUR 3.1 million (H1/2018: EUR 2.7 million). In this context, the Group's **net financial result** of EUR 0.2 million was below the previous year's level (H1/2018: EUR 0.5 million). This reflects the income from the existing joint ventures in China and the implementation of the new IFRS 16 standard.

The profit from operating activities incurred **income taxes** of EUR 0.2 million (H1/2018: EUR 0.4 million) in the first half of the year. Thanks to the aforementioned business trend, SMT Scharf generated consolidated net income of EUR 3.2 million in the first six months of 2019, an increase compared with the same period of the previous year (H1/2018: EUR 3.1 million). Based on an identical average number of shares in issue compared with the prior-year period of 4,570,523 shares in issue, earnings per share amounted to EUR 0.71 during the period under review (H1/2018: EUR 0.68).

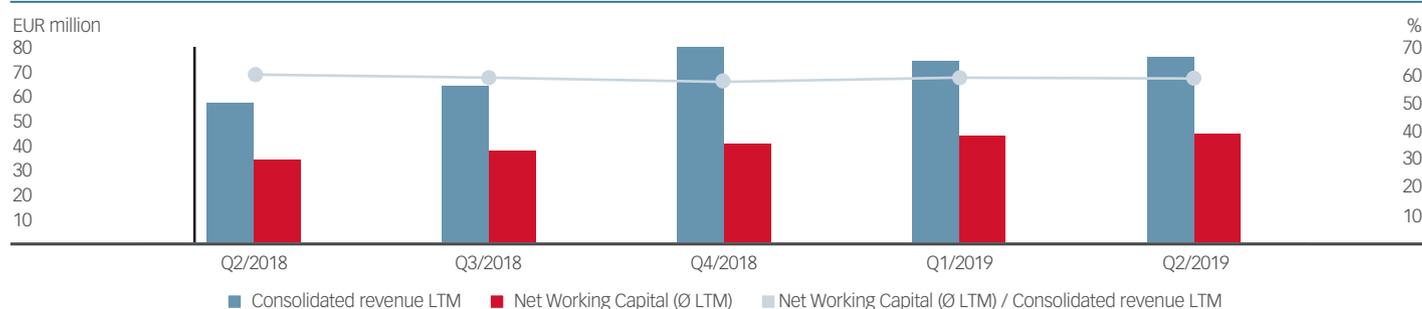
The **order book position** of SMT Scharf stood at EUR 19.6 million as of June 30, 2019 (June 30, 2018: EUR 22.5 million). **New order intake** during the first six months of 2019 amounted to EUR 33.0 million (H1/2018: EUR 35.4 million).

Compared with the end of 2018, **total assets** reported a significant increase of 13.2% to EUR 94.1 million as of June 30, 2019 (December 31, 2018: EUR 83.1 million). Thanks to improved receivables management, the receivables portfolio was reduced by EUR 1.1 million to EUR 24.3 million as of the reporting date and the length of its maturity structure was shortened further (December 31, 2018: EUR 25.3 million). At EUR 69.8 million, **current assets** as of June 30, 2019 were 12.6% higher than at the end of the 2018 fiscal year (December 31, 2018: EUR 62.0 million). At EUR 4.4 million, **other current provisions** were below the level at the end of the 2018 fiscal year (December 31, 2018: EUR 5.4 million). **Non-current assets** increased to EUR 24.3 million as of June 30, 2019 compared with the 2018 year-end (December 31, 2018: EUR 21.1 million).

SMT Scharf continued to command a solid equity base in the period under review. At EUR 56.4 million, SMT Scharf's **equity** as of June 30, 2019 was 9.5% below the level as of December 31, 2018 (EUR 51.5 million). The equity ratio decreased due to the significant increase in total assets, but remains at a high level. It reached 60.0% as of June 30, 2019 (December 31, 2018: 62.0%). Net working capital amounted to EUR 47.5 million as of June 30, 2019 and was thereby 13.0% higher than at the previous fiscal year-end (December 31, 2018: EUR 42.0 million).

The average **net working capital** of the past twelve months (LTM, calculated from quarterly figures) amounted to EUR 44.5 million as of June 30, 2019. Rolling consolidated revenue over the past twelve months amounted to EUR 75.8 million at the balance sheet date. This results in a net working capital intensity of 58.7%. This rate lies approximately at the level of the past three quarters. The trend towards rising net working capital in absolute figures continued during the first half of the year and must be taken into account accordingly. Irrespective of this, SMT Scharf aims to reduce net working capital intensity in 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 published in the 2018 annual report, the Managing Board expected for 2019 that the sector environment and improved conditions in the mining equipment market will continue to open up the growth opportunities for SMT Scharf in the current fiscal year. Given this, the Managing Board of SMT Scharf AG anticipated consolidated revenue in a range between EUR 72 million and EUR 75 million and EBIT in a range between EUR 5.5 million and EUR 6.0 million for the 2019 fiscal year.

The actual figures achieved in the first half of 2019 largely confirmed this expectation:

- Actual consolidated revenue EUR 33.1 million was slightly below the proportional forecast of EUR 36.0 million to EUR 37.5 million.
- In the first half of the year, EBIT improved to EUR 3.2 million, up 3.2% year-on-year. At 9.3%, the EBIT margin (based on total operating revenue) as of June 30, 2018 was thereby only slightly below the medium-term target of at least 10.0%.
- The equity ratio of 60.0% as of June 30, 2019 was below the figure at the end of the 2018 financial year (December 31, 2018: 62.0%). Will for the full 2019 fiscal year, the equity ratio is expected to remain at the previous year's level, with the result that the target at the reporting date was exceeded.
- The personnel expense ratio rose by 1.7 percentage points year-on-year to 27.5% due to the increased headcount and lower growth momentum.

Overall statement on the company's business position

The SMT Scharf Group increased both revenue and earnings in the period under review, thereby confirming the growth trend reported in the first quarter of 2019. As part of its growth strategy, SMT Scharf is pressing ahead with its sales activities in its key core markets with the aim of further expanding its market share. In the first half of the year, the company succeeded in achieving further profitable growth with an EBIT margin of 9.3%. The success in implementing the strategic measures and the progress realised in improving productivity, profitability and market position will make a significant contribution in this context. In view of the improved but at the same time highly competitive market environment and robust sector economy, further growth can be expected in the new systems business, in particular. This in turn will exert a positive impact on the spare parts and service business in the medium and long term. In addition, the company continues to command a solid asset and financing position. The equity ratio remained at a high level of 60.0%, while financial debt is still low. New order intake has continued to grow in the current fiscal year. The company has thereby created good conditions to benefit sustainably from the improved market conditions in the mining industry.

Events after the balance sheet date

SMT Scharf AG strengthens market position in Africa

In July, the purchase agreement concluded in April with AERO AFRICA LEASINGS (Pty.) came into force with the receipt of the purchase price of 30% of the shares in the wholly-owned subsidiary SMT Scharf Africa (Pty.) Ltd. The parties had agreed on a purchase price in the lower seven-digit range in euros. SMT Scharf is thereby consolidating its market position in South Africa and is now also in alignment with Broad-Based Black Economic Empowerment (B-BBEE) in this regard. With the B-BBEE, the South African government is pursuing the goal of promoting equal economic opportunities for formerly disadvantaged citizens in South Africa.

Amendment to valuation guidelines for inventories in the 2019 consolidated financial statements

SMT Scharf AG announces that it will change its valuation guidelines for inventories in its consolidated financial statements at the end of the 2019 fiscal year. The valuation period is being extended from one year to three years in order to compensate for business-related fluctuations in individual years and thereby achieve a presentation that better reflects the company's actual business performance. The amendment will be applied for the first time to the consolidated financial statements as of December 31, 2019, and from today's perspective is expected to have an effect of EUR 400,000.00 to EUR 900,000.00 in relation to changes in inventories and the cost of materials and thereby on the consolidated result. The half-year financial statements as of June 30, 2019 and the quarterly report as of September 30, 2019 have not yet been affected by the planned change in the valuation period.

If this valuation change falls within the scope of accounting standard IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the amended valuation guidelines would be applied (retrospectively) to the previous 2018 fiscal year.

Following the end of the first six months of 2019, no further events occurred that have a significant effect on the company's financial position and performance.

Outlook

In April 2019, 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 %)	2018	2019 (e)
World	3.6	3.3
China	6.6	6.3
Poland	5.1	3.8
Russia	2.3	1.6
South Africa	0.8	1.2

Source: *IMF World Economic Outlook, April 2019

China, Russia, Poland and South Africa will remain SMT Scharf's core markets for the foreseeable future. China is expected to see a slowdown in growth momentum in 2019 in view of the deteriorating overall conditions and more stringent regulation of the financial sector. For Russia and Poland, the IMF also anticipates slower economic growth. By contrast, the IMF expects accelerated growth in South Africa despite economic problems.

Medium- to long-term, the management expects further improvements in the worldwide market for mining equipment. Chinese mine operators, in particular, are optimising their infrastructure and investing in innovative transport logistics. Over the coming years, the management expects rising demand for electric vehicles for deployment in underground mining. In this context, SMT Scharf regards itself as well positioned to leverage future growth opportunities thanks to in-house battery and electrical expertise. The "Light Electric Vehicle" (LEV) developed under the direction of SMT Scharf and successfully presented at Bauma Munich in the second quarter also offers further potential to support the positive business trend in non-coal markets. In addition, following the acquisition of the Canadian mining specialist RDH Mining Equipment and successful completion of the related financial and sales integration in 2018, the aim is to advance the technical integration of RDH by the end of 2019 and to even better exploit the potential an expanded product range offers.

Commodity production will rise thanks to the sustainable expansion of the global economy. For example, economic expansion in emerging economies and increasing prosperity in these countries will lead to further growth in global energy demand. International Energy Agency (IEA) experts forecast a significant increase by 2040 in the share that renewable energies will contribute to achieve the international climate targets agreed in Paris. At the same time, this will drive demand for economically strategic raw materials such as lithium, cobalt and rare earths, which will boost mining.

In view of global uncertainties and the ongoing trade conflict between the USA and China, commodity prices came under pressure in the first half of the year. This could lead to a deterioration in SMT Scharf's market environment in the second half of the year. Irrespective of this, SMT Scharf AG will continue to concentrate on consistently exploiting growth opportunities in its target markets on the basis of its good market position. A continued positive sales trend is anticipated for the second half of the year. SMT Scharf's Managing Board is confident that the revenue target it originally issued will be achieved over the course of the year. Given this, the Managing Board anticipates consolidated revenue in a range between EUR 72 million and EUR 75 million for the 2019 fiscal year. Furthermore, the Managing Board continues to forecast 2019 EBIT in a range between EUR 5.5 million and EUR 6.0 million.

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 2018 fiscal year (see pages 47-51). No additional opportunities or risks exist affecting the prospective development and performance over the remaining months of the fiscal year.

Hamm, 14 August 2019

SMT Scharf AG
The Managing Board

IFRS HALF-YEAR FINANCIAL STATEMENTS (UNAUDITED)

Consolidated balance sheet

In EUR thousand	30/06/2019	30/06/2018	31/12/2018
Assets			
Intangible assets	5,720	4,616	4,778
Property, plant and equipment	8,319	6,551	6,864
Equity accounted investments	6,282	5,344	5,824
Other investments	7	0	0
Deferred tax assets	2,957	3,249	2,512
Non-current lease receivables	874	311	1,136
Other non-current non-financial assets	158	45	9
Non-current assets	24,317	20,116	21,123
Inventories	30,547	31,237	25,826
Trade receivables	24,258	20,119	25,250
Contract assets	462	0	623
Current lease receivables	914	691	1,076
Other current non-financial assets	5,908	3,636	3,519
Other current non-financial assets in connection with employee benefit entitlements	190	356	293
Cash and cash equivalents	7,514	7,033	5,410
Current assets	69,793	63,072	61,997
Total assets	94,110	83,188	83,120

In EUR thousand	30/06/2019	30/06/2018	31/12/2018
Equity and liabilities			
Subscribed share capital	4,571	4,571	4,571
Capital reserve	16,597	16,597	16,597
Revenue reserves	38,410	33,641	35,293
Other reserves	-3,398	-3,606	-4,928
	242	0	0
Equity	56,422	51,203	51,533
Provisions for pensions	3,299	3,339	3,151
Other non-current provisions	242	268	250
Deferred tax liabilities	841	819	697
Contract liabilities (previous year: advance payments received)	0	0	0
Leasing liabilities	593	166	173
Non-current financial liabilities	6,464	9,384	7,716
Other non-current financial liabilities	727	0	680
Non-current provisions and liabilities	12,166	13,976	12,667
Current income tax	133	52	187
Other current provisions	4,441	4,706	5,361
Contract liabilities (previous year: advance payments received)	1,437	684	996
Trade payables	7,197	5,530	6,390
Leasing liabilities	972	98	96
Current financial liabilities	10,002	6,204	4,363
Other current non-financial liabilities	1,340	735	1,527
Current provisions and liabilities	25,522	18,009	18,920
Total assets	94,110	83,188	83,120

Consolidated statement of comprehensive income

In EUR thousand	Q2 / 2019	Q2 / 2018	H1 / 2019	H1 / 2018
Revenue	18,241	16,761	33,139	28,132
Changes in inventories	103	689	1,340	2,094
Total operating revenue	18,344	17,450	34,479	30,226
Other operating income	573	1,499	1,757	2,370
Cost of materials	9,043	9,281	17,713	16,238
Personnel expenses	4,970	4,085	9,465	7,785
Depreciation, amortisation and impairment losses	641	378	1,167	705
Other operating expenses	2,664	2,761	4,741	4,817
Profit/loss from operating activities (EBIT)	1,599	2,444	3,150	3,051
Result from equity accounted investments	243	344	423	526
Interest income	92	61	189	138
Interest expenses	288	98	403	185
Financial result	47	307	209	479
Profit before tax	1,646	2,751	3,359	3,530
Income taxes	108	117	186	441
Consolidated net profit	1,538	2,506	3,173	3,089
of which attributable to non-controlling interests	56	0	56	0
of which attributable to equity holders	1,482	0	3,117	0
Other comprehensive income items recycled later to profit or loss				
Currency translation of foreign subsidiaries	212	473	1,495	-413
Share of other comprehensive income attributable to equity accounted investments	-227	248	35	-182
Other comprehensive income	-15	721	1,530	-595
Total comprehensive income	1,523	-1,419	4,703	-12
Earnings per share				
Undiluted (basic)	0.34	0.55	0.69	0.68
Diluted	0.34	0.55	0.69	0.68
Average number of shares	4,570,523	4,570,523	4,570,523	4,570,523

Consolidated cash flow statement

In EUR thousand	H1/2019	H1/2018
Consolidated net profit	3.173	3,089
- Result from equity accounted investments	-423	-526
+ Depreciation and amortisation of non-current assets	1,167	705
-/+ Profit/loss from the disposal of fixed assets	17	0
+/- Increase/decrease in provisions	-1.130	511
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	-3.173	-7,906
+/- Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	420	-1,927
+/- Interest expenses/interest income	214	47
+/- Income tax expense	186	441
-/+ Income tax payments	-719	-1.675
Cash flow from operating activities	-268	-7.241
+ Proceeds from disposals of property, plant and equipment	217	0
- Cash outflows for additions to the consolidation scope	-342	-4.580
- Cash outflows from investments in financial assets	0	-508
- Capital expenditure on property, plant and equipment	-120	-649
- Capital expenditure on intangible assets	-201	-447
+ Interest received	189	129
Cash flow from investing activities	-257	-6.055
+ Cash inflows from the drawing down of loans	6.543	8.065
- Cash outflow for the redemption of loans	-2.167	-216
- Cash outflows for finance lease liabilities	-1.711	-284
- Interest paid	-403	-211
Cash flow from financing activities	2.262	7.354
Net change in cash and cash equivalents	1.737	-5.942
Changes in cash and cash equivalents due to changes in exchange rates and Group composition	391	-100
Cash and cash equivalents at start of period	3.218	7.841
Cash and cash equivalents at end of period	5.346	1.799

Note 10 provides information about the cash flow statement.

Consolidated statement of changes in equity

In EUR thousand	Revenue reserves					Other reserves	Equity attributable to the shareholders of SMT Scharf AG	Non-controlling interests	Total equity
	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves	Currency translation difference				
Balance on 01/01/2019	4,571	16,597	-65	35,358	-4,928	51,533	0		
Transfer due to change in accounting rules				0		0			
Consolidated net profit				3,117		3,117	56	3,173	
Currency difference from translating results from foreign annual financial statements					1,495	1,495		1,495	
Share of other comprehensive income attributable to equity accounted investments					35	35		35	
Recognition of actuarial gains/losses			0			0	0	0	
Deferred taxes on recognised actuarial gains/losses			0			0	0	0	
Total income and expense	0	0	0	3,117	1,530	4,647	0	4,647	
changes in the scope of consolidation						0	186	186	
Increase in equity due to shares to be issued						0	0	0	
Balance on 30/06/2019	4,571	16,597	-65	38,475	-3,398	56,180	242	56,422	

in TEUR	Revenue reserves				Other reserves	Equity attributable to the shareholders of SMT Scharf AG	Non-controlling interests	Total equity
	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves	Currency translation difference			
Balance on 01/01/2018	4,571	16,597	-141	30,693	-3,011			48,709
Capital increase				3,089				3,089
Currency difference from translating results from foreign annual 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 recognised actuarial gains/losses								0
Total income and expense	0	0	0	3,089	-595			-2,494
Balance on 30/06/2018	4,571	16,597	-141	33,782	-3,606			55,296

Since January 1, 2019, the new accounting standard IFRS 16 "Leases" has been applied. The previous year's figures have not been adjusted. For further information, please refer to the section "Information on the Consolidated Financial Statements".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 equipment that transports 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, 2019 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 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, 2018. 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 present 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 consolidated financial report for the financial year ending December 31, 2018, which provides a basis for these interim financial statements. Moreover, as regards significant modifications and business transactions up until June 30, 2019, 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 2018 annual report for detailed information about standards to be applied in the future.

As part of the transition to IFRS 16, assets of EUR 1,503 thousand for the rights of use for leased items (including finance leases amounting to EUR 265 thousand) and lease liabilities of EUR 1,478 thousand were recognised as of 1 January 2019.

Currency translation

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

1 EURO =	Closing rate		Average rate	
	30/06/2019	31/12/2018	2019	2018
Polish Zloty	4.2496	4.3014	4.29195	4.2615
South African Rand	16.1218	16.4594	16.04392	15.6186
Chinese Renminbi Yuan	7.8185	7.8751	7.66698	7.8081
Russian Rouble	71.5975	79.7153	73.72150	74.0416
Canadian Dollar	1.4893	1.5605	1.50665	1.5294

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 Ukraine, Kiev, Ukraine	100%
SMT Scharf Sudamerica SpA, Santiago, Chile	100%
OOO SMT Scharf, Novokuznetsk, Russian Federation *	100%
OOO SMT Scharf Service, Novokuznetsk, Russian Federation **	100%
RDH Mining Equipment, Alban, Canada (since 07/02/2018)	100%
Ser Elektronik GmbH, Möhnesee, Germany (since 03/04/2019) *****	51%
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

***** consolidated as a 51% holding in accordance with the equity method

The following changes occurred in the first six months of the 2019 reporting year:

On April 3, 2019, SMT Scharf AG acquired a 51 percent interest in Möhnesee-based ser elektronik GmbH. The acquisition price lies in the mid six-digit range in euros. In addition, SMT Scharf secured the option to acquire further shares in the company as part of age-related succession arrangements for ser elektronik. With this investment, SMT Scharf is consistently pursuing its growth strategy and expanding its portfolio to include valuable expertise in the electronics and controls area. SMT Scharf has already been working for more than 20 years with the electronics specialist, which develops and produces customer-specific electronic controls and components for SMT Scharf's transport solutions.

The purchase price allocation is regarded as provisional in accordance with IFRS 3.45.

The acquired company generated EUR 812 thousand of revenue in the reporting period, contributing a profit of EUR 114 thousand to consolidated net income. If the company had already been acquired at the start of the reporting period, the company would have contributed EUR 1,471 thousand to revenue and a profit of EUR 108 thousand to consolidated net income.

The carrying amounts and fair values of the assets and liabilities upon acquisition are presented in the following table.

	EUR thousand Carrying amounts	EUR thousand Fair values
Assets		
Inventories	494	494
Receivables and other current assets	407	407
Cash and cash equivalents	138	138
Non-current assets	937	937
Total	1,976	1,976
Equity and liabilities		
Non-current provisions and liabilities	765	765
Current provisions and liabilities	697	697
Equity	514	514
Total	1,976	1,976

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

	Q2 / 2019	Q2 / 2018	H1 / 2019	H1 / 2018
New equipment	8,664	7,873	13,600	12,413
Spare parts / service / other	9,577	7,919	19,539	15,719
Total	18,241	15,792	33,139	28,132
Germany	645	451	740	1,038
Other countries	17,596	15,341	32,399	27,094
Total	18,241	15,792	33,139	28,132

(2) Income taxes

Income taxes are composed of the following items:

	Q2 / 2019	Q2 / 2018	H1 / 2019	H1 / 2018
Current tax expense	168	372	457	606
Deferred taxes	-60	-125	-271	-164
Total	108	247	186	441

(3) Segment report

In line with IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this, the external segment reporting is performed based on 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 within 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 thousands	Coalmining		Non-Coal Mining		Tunnel logistics		Other industries		Not allocated		SMT Scharf Group	
	H1/ 2019	H1/ 2018	H1/ 2019	H1/ 2018	H1/ 2019	H1/ 2018	H1/ 2019	H1/ 2018	H1/ 2019	H1/ 2018	H1/ 2019	H1/ 2018
Sales revenues	26,515	19,868	5,882	8,026	215	238	527	-	-	-	33,319	28,132
of which new equipment	10,628	7,671	2,272	4,742	173	-	527	-	-	-	13,600	12,413
of which spare parts	13,363	9,788	1,838	3,087	42	238	-	-	-	-	15,243	13,113
of which other	2,524	2,409	1,772	197	-	-	-	-	-	-	4,296	2,606
Operating earnings	3,129	2,729	(56)	344	(54)	(23)	131	-	-	-	3,150	3,051
Earnings from equity accounted companies	423	526	-	-	-	-	-	-	-	-	423	526
Segment assets	73,947	69,432	14,741	10,238	286	269	2,179	-	2,956	3,249	94,110	83,188
Segment liabilities	31,779	26,394	3,384	5,088	138	53	1,544	-	841	451	37,688	31,985
Segment investments	2,354	2,507	145	-	-	-	46	-	-	-	2,545	2,507
Share of equity accounted companies	6,282	5,344	-	-	-	-	-	-	-	-	6,282	5,344
Scheduled depreciation	945	657	185	43	3	4	34	-	-	-	1,167	705
FTE	329	306	82	81	3	3	19	-	-	-	433	309

Notes to the balance sheet

(4) Current assets

Securities as of June 30, 2019 include a hardship and social fund amounting to EUR 332 thousand (June 30, 2018: EUR 346 thousand). 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 systems as a lessor. These are recorded as leased assets under property, plant and equipment. The carrying amount was at EUR 626 thousand as of June 30, 2019.

As of June 30, 2019, fixed assets comprise rights of use that have been accounted for in accordance with IFRS 16 since January 1, 2019. As of June 30, 2019, their carrying amount amounted to EUR 1,978 thousand, of which EUR 1,379 thousand related to developed land and EUR 448 thousand to operating and office equipment.

In the first six months of 2019, development expenses that meet IAS 38 recognition criteria for projects amounting to EUR 170 thousand (June 30, 2018: EUR 437 thousand) were capitalised.

(6) Equity

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

As of June 30, 2019, 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.

NNo dividends were paid in the first six months of 2019, 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

As of the reporting date, contingent liabilities exist from advance payment and warranty guarantees with a total value of EUR 180 thousand (December 31, 2018: EUR 67 thousand).

(9) 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, 2018.

Fair values

30/06/2018

Balance sheet items	IAS 39 category	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
Leasing liabilities	n.a.	264	275

30/06/2019

Balance sheet item	IAS 39 category	Carrying amount	Fair value
Trade receivables	LaR	24,137	24,137
Lease receivables	n.a.	1,789	1,789
Non-current financial liabilities	FLAC	6,925	6,925
Trade payables	FLAC	7,150	7,150
Current financial liabilities	FLAC	9,541	9,541
Leasing liabilities	n.a.	987	1,028

Please see the 2018 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 2019.

(10) 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 drawn 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.

(11) Supervisory and Managing Boards

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

- Prof. Dr. Louis Velthuis (Chairman), Professor of Controlling at the Johannes Gutenberg University of Mainz, Germany, 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 executive (no positions held at other companies)

On June 30, 2019, Professor Velthuis held 3,000, Dr. Vorsteher 900, Ms. Gattineau 910, Mr. Theiss 22,711 and Mr. Embert 14,000 shares in the company.

(12) Related party disclosures

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 2019. In the reporting period from January 1 to June 30, 2019, no consulting services were purchased from a key management member (previous year: EUR 7 thousand). Besides this, compensation for the Managing and Supervisory boards is expensed.

(13) 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.

(14) Events after the balance sheet date

Amendment to valuation guidelines for inventories in the 2019 consolidated financial statements

SMT Scharf AG announces that it will change its valuation guidelines for inventories in its consolidated financial statements at the end of the 2019 fiscal year. The valuation period is being extended from one year to three years in order to compensate for business-related fluctuations in individual years and thereby achieve a presentation that better reflects the company's actual business performance. The amendment will be applied for the first time to the consolidated financial statements as of December 31, 2019, and from today's perspective is expected to have an effect of EUR 400,000.00 to EUR 900,000.00 in relation to changes in inventories and the cost of materials and thereby on the consolidated result. The half-year financial statements as of June 30, 2019 and the quarterly report as of September 30, 2019 have not yet been affected by the planned change in the valuation period.

If this valuation change falls within the scope of accounting standard IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the amended valuation guidelines would be applied (retrospectively) to the previous 2018 fiscal year.

SMT Scharf AG strengthens market position in Africa

In July, the purchase agreement concluded in April with AERO AFRICA LEASINGS (Pty.) came into force with the receipt of the purchase price of 30% of the shares in the wholly-owned subsidiary SMT Scharf Africa (Pty.) Ltd. The parties had agreed on a purchase price in the lower seven-digit range in euros. SMT Scharf is thereby consolidating its market position in South Africa and is now also in alignment with Broad-Based Black Economic Empowerment (B-BBEE) in this regard. With the B-BBEE, the South African government is pursuing the goal of promoting equal economic opportunities for formerly disadvantaged citizens in South Africa.

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 remainder of the fiscal year.

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DISCLAIMER

The Report of the first half-year 2019 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 in the category "Investor Relations/Publications/Financial reports".