SCHARF

SOLUTIONS FOR MINING TRANSPORT

2014

9-MONTH REPORT
1 JAN - 30 SEP 2014

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Summary of key data

in EUR thousand	01.01.2014-30.09.2014	01.01.2013-30.09.2013	Change
Revenue	31,913	46,565	-31.5%
Operating output	31,214	47,577	-34.4%
Profit from operating activities (EBIT)	225	5,082	-95.6%
EBIT margin on operating output	0.7%	10.7%	-
Profit/loss on discontinued operations	0	-1,963	-
Net income	678	2,242	-69.8%
Order book position as of September 30	18,826	19,927	-5.5%
New order intake	34,681	48,233	-28.1%
Full-time employees at the end of the period	280	301	-7.0%

Letter to shareholders

Dear shareholders,

Although we remain in a very difficult economic environment in the mining sector, we have some cautiously positive news today for the first time in two years. On the one hand, we believe that the mining cycle is beginning to find a floor to its downturn, although we are far from seeing an upturn – and an upturn is hardly expected to occur before 2016. On the other hand, we have successfully introduced the requisite internal measures at SMT Scharf to prepare ourselves for the next upturn without incurring losses, while at the same time significantly boosting our development investments. Let us take a look at the specifics:

Firstly: since the end of 2011, when China first signalled a cooling in its economic growth, the mining sector cycle initially entered a moderate downturn, which then grew into an ever steeper decline. Following ten boom years of a super-cycle, a correspondingly sharp countertrend had to be anticipated at some juncture. We are now noting, however, that our sales expectations are no longer following a downtrend, but appear to us to be at least stabilising at their existing low level. We nevertheless caution that further setbacks can occur to commodity prices, and that volatility can remain as high as it has been of late, although we hope that we have now withstood the worst.

Secondly: we have also been doing our in-house homework over the last two years to adapt our costs to low market demand. Above all, our workforce at our main plant in Hamm is being reduced considerably, and we are assuming that by mid-2015 it will be halved compared to its 2012 level. We have also implemented a rigorous cost reduction programme, and spun off our interest in Dosco – an exposure that proved to be very risky during the downturn. In addition, burdensome marginal issues have been solved, especially our legal dispute with Bematec settled, and we have repaid our most expensive (mezzanine) financing facility in full.

We have succeeded in doing all of this without impacting the company's intrinsic value and technical expertise in the slightest. On the contrary: we have set up a development programme that will replace practically all our current products with both improvements and new versions by the end of 2016. For this we have also hired – and will continue to hire – new engineers both in Germany and abroad. In parallel, our sales function has analysed our customer potential systematically, identifying precisely where further strength was needed – for

example, through preparing further joint ventures in China, where close relationships are extremely important. In consequence, we are optimally equipped and prepared for the next upturn with a combination of new products, a streamlined structure and an effective sales function.

We have also defined our "hard rock" segment, which today comprises around 10 to 15% of our sales revenue, as a strategic business area – along with our long established coalmining clientele. While we do not anticipate any great leaps in revenue here over the next two to three years, we have some irons in the fire – which could mean that this segment develops into a pillar that rivals that of coal over the medium to long term. Enormous market opportunities open up for us especially with our reference customer Codelco, the world's largest copper producer, for which we are working on a revolutionary new mining system in Chile together with Caterpillar.

All of this means that SMT Scharf is not – as in the last downturn around 15 years ago – slipping deep into the red, but will instead emerge largely unscathed from the crisis with just a slight scrape. For the 2014 fiscal year, we are retaining our forecast of sales revenue of around EUR 45 million and a consolidated net loss of EUR -2 million, due to provisions for restructuring measures. This revenue forecast entails a range of fluctuation, as it is difficult to predict which projects can be shipped particularly at the hectic year-end, which mostly depends not only on us, but especially on the customer.

Our first budget for 2015 shows a stable level of sales revenue, similar to that in 2014. For 2015, we anticipate a return to a moderate level of consolidated net profit of between EUR 2 million and EUR 3 million.

Given all our cautious optimism, however, we wish to refer also to the risks that bear down on our prospects: China is our most important market, accounting for one third of our sales, with 150 installed rail systems out of a total of around 600 worldwide, and the source of most of our growth upside potential. Possible political, economic, financial, and business turbulence there would present a serious risk to our ambitions. Russia remains our second most important market, comprising around 25% of our revenue. Although we see considerably less growth potential in Russia than in China, long-term market access to our installed base of 180 rail systems is very important, and we hope that the EU's embargo due to the Ukraine crisis does not spill over to the coal mining sector, but remains restricted to the oil, gas and banking sectors. The massive loss in the exchange rate value of the rouble is painful.

We would also like to add a piece of personnel news: Heinrich Schulze-Buxloh, who could have embarked on well-earned retirement at the end of 2014, has made himself available for a further year as a Managing Board member and as COO, and extended his contract until December 31, 2015. He would like to thereby ensure continuity during the current difficult phase, and see that his final year is a basis for future renewed growth.

We would like to thank you, our investors, business partners and customers for the trust that you have placed in our company, and look forward to charting our course to the future.

Kind regards

Christian Dreyer Heinrich Schulze-Buxloh

Management report

Basis of the Group

Business model and corporate strategy

The SMT Scharf Group develops, manufactures and services transportation equipment for underground mining. SMT Scharf's operating activities can be categorised as follows:

- Product areas: the product areas can be split into the main product area of captivated railway systems (monorail hanging railways, otherwise referred to as "monorails", and floor-mounted railways, which accounted for 93% of sales revenue in the 2013 fiscal year) and the product area of chairlifts (7% of revenue in the 2013 fiscal year).
- Type of business: along with supplying new systems, SMT Scharf also offers its customers services in the area of spare parts / repairs / service / other. The business with new plants and the business with spare parts and service have each comprised an average of around half of sales revenue over the past years.
- Customer groups: buyers of SMT Scharf products comprise, firstly, customers from the coalmining area, to which 83% of products were shipped in the 2013 fiscal year. In the same year, 17% of products were delivered to customers from the hard rock mining area. The hard rock area comprises raw materials such as gold, platinum, copper and nickel.
- Regions: the geographical sales markets are segmented into the regions of China, Russia, Poland, Africa, Germany, other Europe, America and Australia/Asia. A total of 91% of sales revenue was generated outside of Germany in the 2013 fiscal year in this context.

The main products are captivated railway systems that are used all over the world, primarily in hard coal mines, but also in mines for gold, platinum and other metals. They are needed to transport material and personnel with payloads of up to 45 tons and on gradients of up to 35 degrees. In addition, the Group supplies the mining sector with chairlifts.

The SMT Scharf Group distributes its products through its own companies in China, Poland, Russia, South Africa and Ukraine, as well as through commercial representations worldwide. The company generates the predominant proportion of its revenue in growing foreign markets such as Russia, China, Poland and South Africa.

The company's strengths lie in its technical expertise, consistently high quality-standards and the international orientation of his business. In this way, the company can successfully defend it position of global market leadership, and also operate profitably.

Despite the weak demand for mining equipment that has now lasted for more than two years, SMT Scharf retains its general outlook planning that it drew up in 2013, although this planning has been postponed by two to three years due to the continued poor market situation. It comprises the following objectives:

(1) Concentration on the core "railways" business (already achieved);
(2) Average annual sales revenue growth in the core business of 15%, which should feed through to a doubling of sales revenue every five years (currently delayed by two to three years due to the cyclical downturn);
(3) Target EBIT margin of 20% (currently unachievable due to the downturn).

Moreover, in order to reach the ambitious medium-term growth and earnings targets, SMT Scharf AG is further expanding its competences at its subsidiaries close to its mining customers (localisation strategy). When it is finished, this process should deliver a corporate culture characterised by German engineering thinking with its central development function

located at the Group headquarters in Hamm, as well as subsidiaries in all important mining countries for SMT Scharf – largely with their own competences and expertise. The central technologies, systems and quality benchmarks for all corporate areas – research & development, project management, marketing, and strategic purchasing – are to be provided from Germany. In the sales countries, full operating locations are to grow out of today's sales and service branches, which will also be independently responsible for customer-specific adaptation developments including local production and registration.

Research and development

Since experienced design engineers are currently entering retirement age, SMT Scharf has strengthened its construction and development team in Hamm to include several new junior engineers over the course of the last two years. A smooth transition of know-how is occurring in line with expectations, ensuring a constantly high level of innovative research and development projects.

At its international locations, especially in China, SMT Scharf AG continues to pursue the objective of hiring for local construction and development departments in order to more efficiently process development projects close to our customers as part of our localisation strategy. The initial training and familiarisation of the engineers that we have already hired is proceeding promisingly, and in line with expectations. For innovative applications in copper mining, new transportation technologies based on monorails were developed in the first nine months of the year 2014. These are currently being deployed at the customer.

As part of our KVI program, we are pushing development ahead with the definition of 35 new development projects that we plan to realise over the next three to five years. Not all project ideas will be implemented prospectively, however, as we utilise a rigorous internal process to ensure that only the most promising ideas are brought to a marketable stage. Every project is examined extensively by a project manager before being approved for series development by a cross-border product committee. Along with technical aspects, this also entails considering and appraising potential sales volumes, achievable prices and the competitive situation.

Personnel

The localisation strategy that has arisen as a consequence of a change to the demand structure for SMT products means that the number of employees in Germany is being reduced continuously over the coming years, whereas production capacities at the foreign companies are being augmented gradually. The workforce in Germany reduced accordingly from 123 full-time equivalents (FTE) at the end of the 2013 fiscal year to 112 FTE as of the reporting date. Negotiations with the works council were running during the second half of 2014 for a further reduction to around 55 to 65 employees by mid-2015. These negotiations have failed, and have now transitioned to arbitration proceedings. At the sites abroad, the number of employees during the first nine months of 2014 initially fell slightly – due to the order situation – from 176 FTE at the end of the 2013 fiscal year to 168 FTE as of the reporting date. Especially in China, additional qualified staff were hired in order to make it possible to expand our local technical expertise in terms of service and development, as well as production. Overall, the Group consequently employed 280 staff as of September 30, 2014, including 9 trainees. The Group employed 299 individuals as of the previous year's reporting date (including 13 trainees).

Economic report

Economic and business environment

Economic environment: At a current annualised rate of 2.5%, the global economy was expanding significantly more slowly during the first half of 2014 than in the comparable period of the previous year (3.7%), according to data from the Kiel Institute for the World Economy (IfW). Along with very different dynamics between advanced economies on the one hand and emerging economies on the other, geopolitical tensions, in particular, contributed to a weakening in global economic growth.

In the Eurozone, too, the economic recovery that started in spring 2013 began to tail off. In some cases, this trend also impacted other countries within the European Union, feeding through to a slowdown in production growth in Central and Eastern European countries, as they are closely integrated into Europe's industrial value chain. In Poland, gross domestic product (GDP) grew by just 2% p.a. during the first half of this year, compared with 3.5% in the four preceding quarters. In emerging economies, growth had already lost momentum during 2013. At a current annualised rate of 7.3%, the Chinese economy was growing less fast than in the comparable prior-year period (7.7%), whereby growth dynamism gathered steam during the second quarter at a rate of around 8.0%. Although investments in China are not rising as rapidly as in previous years, they are still outpacing GDP. Geopolitical tensions with Ukraine burdened the Russian economy during the first half of the year. In particular, the attendant depreciation of the Russian currency (the rouble) dampened Russian imports.

Despite the current slowdown in the global economy, the IfW indicator for the world economy suggests a moderate growth increase. As long as geopolitical tensions do not intensify further, expansion should already start as early as the second half of the current year, albeit at the latest by 2015. According to the Kiel Institute for the World Economy (IfW), real GDP is forecast to grow in 2014 by 2.8 % in Poland (2013: 1.6 %), by 7.3 % in China (2013: 7.7 %), by 0.2 % in Russia (2013: 1.3 %), and by 2.2 % in South Africa (2013: 1.9 %). Overall, the Institute sees the global economy growing by 3.2% over the full course of 2014 (2013: 3.2%). For 2015, the economists are forecasting that the world economy will expand by 3.7%. While Chinese economic growth in 2015 is set to reduce slightly compared to the current year (7.0%), a further increase in growth rates is anticipated for the economies of Poland (3.0%), Russia (0.5%) and South Africa (2.8%).

Sector trends: Further declining prices for coal and other raw materials still damping global demand for mining equipment in the year 2014. As some mine operators have overinvested significantly during the past ten years and returns on capital have worsened continuously, the mining industry has recently focused very strongly on capital efficiency.

The downturn is also affecting German manufacturers of mining equipment. For 2014, the specialist mining equipment association of the German Engineering Federation (VDMA) forecasts a fall in sales in the low double-digit percentage range.

The slowdown in growth of the Chinese economy as one of the most important buyers of raw materials has fed through to lower capital expenditure in mining equipment worldwide. Moreover, the Chinese government plans to reduce coal's share of primary energy requirements to 65 % in 2014, and to make major investments in renewable energies and other fossil fuel sources.

Nevertheless, the installed output of Chinese coal power plant is to be expanded from 660 GW in 2010 to 960 GW in 2015. With 50.2 % of global coal consumption, Chinese remained the largest customer for coal in 2013 (China Coal Information Institute). Globally, too, coal will remain the most important fuel source over the coming decade – regardless of all efforts to reduce CO_2 emissions, and the growing importance of renewable energies. In their International Energy Outlook 2013, experts at the US Energy Information Administration forecast

that global coal production will grow by around 1.3% per annum on average between 2010 and 2040, growing from 147 billion BTU (British Thermal Units) to 220 billion BTU. A major shift in coal demand away from industrial countries (EU, USA) towards expanding economies in Asia is clearly identifiable in this context.

Medium-term, especially Chinese mines need to catch up with the past decades' investment backlog, and invest in their infrastructure. Deloitte believes that mining operators will focus not only on boosting productivity through further automation, but also on further expanding safety precautions.

Further growth is to be registered not only in the coal production area over the coming years, however. Sector experts at the Freedonia Group anticipate strong demand growth in the mining equipment area up to 2017 for metal production. They see this as attributable to constant demand growth for steel and aluminium worldwide.

Results of operations, net assets and financial position

The trends described in the "Economic and business environment" segment and the resultant low-level demand for mining equipment characterised the progression of business at SMT Scharf AG during the first nine months of 2014. At Group level, revenue fell 31.5% year-on-year to EUR 31.9 million (9M/2013: EUR 46.6 million). The trend is somewhat more positive when viewing the third quarter 2014 in isolation: with revenue of EUR 10.5 million (Q3/2013: EUR 14.6 million), the fall in revenue compared with the corresponding quarter of the previous year was 28.1%.

In this context, 41% of Group revenue was attributable to the sale of new systems during the first nine months of 2014 (9M/2013: 47%). The volume of revenue generated in the new systems business amounted to EUR 13.1 million (9M/2013: EUR 21.8 million), down 39.9% year-on-year. Accordingly, SMT Scharf achieved 59% of its revenue in the spare parts / repairs / service / other segment during the first nine months of 2014 (9M/2013: 53%). This corresponds to EUR 18.8 million of revenue (9M/2013: EUR 24.7 million), whereby the fall in sales in this segment of 24.1% compared with the first nine months of 2013 was considerably lower than in the business with new systems. A separate observation of the third quarter of 2014 also pays testament to a currently comparatively greater level of continuity in the spare parts / repairs / service / other segment: with revenue of EUR 6.9 million (Q3/2013: EUR 7.6 million), the year-on-year fall in revenue was just 9.6%. Over the same period, SMT Scharf generated EUR 3.6 million of revenue in its new systems business (Q3/2013: EUR 7.0 million), reflecting a 48.2% decline. The main product area of captivated railway systems accounted for 90.8% of consolidated revenue during the first nine months of 2014, with the remaining 9.2% being generated in the chairlifts product area. In terms of customer groups, customers from the coalmining area comprised 84.9% of revenue during the first nine months of 2014, with customers from the hard rock area accounting for 15.1% accordingly.

The ever greater importance of export business continued during the nine-month period: although the share of revenue generated outside Germany of around 85% (9M/2013: 89%) was down year-on-year (as was already the case during the first half of the year), this is primarily attributable to continued low global demand, and consequently weaker demand from SMT Scharf's core sales markets. While the revenue generated abroad fell 34.4% to EUR 27.2 million during the January to September 2014 period (9M/2013: EUR 41.4 million), business in Germany – accounting for 15% of revenue – was down by 8.2% to EUR 4.7 million (9M/2013: EUR 5.2 million). As far as core sales markets are concerned, Russia defended the position that it gained in the first half of 2014 of currently representing SMT Scharf's largest target market – despite geopolitical tensions. The company generated around 28% of its revenue in Russia during the first nine months of 2014 (9M/2013: 23%), with the 16% year-on-year fall in sales being less than SMT Scharf expected. In the company's previous largest market of Poland, revenue was down by 23% over the same period. With a 23% revenue share, Poland consequently remains SMT Scharf's second-largest sales

market when measured in terms of revenue. Revenue generated in China (-61%) – which was still SMT Scharf's largest target market in 2013 – and South Africa (-41%) registered sharp falls. The corresponding revenue shares during the first nine months of 2014 amounted to 15% (China) and 13% (South Africa), with these two national markets consequently matching the German market (15%). Strong growth, by contrast, was reported in Australia and other Asian countries (excluding China). Here, revenue growth amounted to 60% compared with the first nine months of the 2013 fiscal year. As a consequence, this target region has meanwhile almost attained the significance of the "Other Europe" and "America" regions.

Revenue by regions

in EUR thousand	**9M/2014**	**9M/2013**	**Change**	**Share of total revenue**
Russia	9,076	10,789	-16%	28%
Poland	7,219	9,299	-23%	23%
Germany	4,741	4,535	+4%	15%
China	4,722	11,888	-61%	15%
Africa	4,096	6,861	-41%	13%
America	880	1,224	-29%	3%
Other Europe	676	1,656	-60%	2%
Australia / Asia excluding China	503	313	+60%	2%
Total revenue	**31,913**	**46,565**	**-32%**	**100%**

Given the continued fall in business volumes, inventories reduced by EUR 699 thousand during the first nine months of 2014 (9M/2013: EUR +1.0 million). In line with the lower revenue volume, operating output was down by 34.4% to EUR 31.2 million (9M/2013: EUR 47.6 million). Given currency gains, and the utilisation and release of provisions, other operating income reported a marked rise to EUR 2.9 million (9M/2013: EUR 1.0 million). As far as operating expenses are concerned, SMT Scharf reduced its cost of materials faster than its fall in revenue (31.5%), cutting it by 43.3% to EUR 13.6 million (9M/2013: EUR 24.0 million). This corresponds to a cost of materials ratio of 43.6% in relation to operating output (9M/2013: 50.4%). By contrast, personnel expenses were up by 16.1% over the same period to reach EUR 11.4 million (9M/2013: EUR 9.8 million); the corresponding personal expense ratio amounted to 36.6% accordingly (9M/2013: 20.7%). The higher level of personnel expenses is particularly attributable to the formation of provisions for severance payments given the restructuring measures in Germany. Other operating expenses, predominantly costs for selling and marketing, of EUR 7.9 million were below the level in the corresponding prior-year period (9M/2013: EUR 8.7 million). Depreciation and amortisation stood at EUR 981 thousand (9M/2013: EUR 942 thousand).

The fall in business at SMT Scharf AG combined with the higher level of personnel expenses exerted a tangible impact on profit from operating activities (EBIT). EBIT fell by 95.6% to EUR 225 thousand during the first nine months of the year (9M/2013: EUR 5.1 million). This is equivalent to a 0.7% EBIT margin (in relation to operating output) (9M/2013: 10.7%).

Income from the investment in the Chinese joint venture Xinsha fell to EUR 790 thousand (9M/2013: EUR 990 thousand). This was the main reason for the lower financial result of EUR 692 thousand compared with the corresponding previous-year period (9M/2013: EUR 879 thousand). In this context, a fall was reported in both interest income (EUR 90 thousand compared with EUR 108 thousand in the prior-year period) and interest expenses (EUR 188 thousand compared with EUR 219 thousand in the previous-year period).

After deducting income taxes of EUR 239 thousand (9M/2013: EUR 1.8 million), the Group consequently generated EUR 678 thousand of consolidated net income (9M/2013: EUR 2.2 million). The corresponding earnings per share amounted to EUR 0.16 accordingly (9M/2013: EUR 0.54).

The order book position of the SMT Scharf Group stood at a total of EUR 18.8 million as of September 30, 2014 (September 30, 2013: EUR 19.9 million), with new order intake falling year-on-year from EUR 48.2 million to EUR 34.7 million in the first nine months of the year.

The lower level of business volumes during the current 2014 fiscal year fed through to a reduction in liquid assets to EUR 5.5 million (December 31, 2013: EUR 10.6 million). The level of current assets fell to EUR 44.8 million accordingly (December 31, 2013: EUR 47.7 million). Both the level of inventories (EUR 19.2 million compared with EUR 18.2 million as of December 31, 2013) and trade receivables (EUR 17.2 million compared with EUR 16.9 million as of December 31, 2013) as of the end of quarter reporting date were slightly above the corresponding figures as of the balance sheet of the annual financial statements for the 2013 fiscal year. By contrast, non-current assets of EUR 14.8 million (December 31, 2013: EUR 13.4 million) were above the level as of December 31, 2013. This is particular attributable to the higher reported valuation of the participating interests as a consequence of earnings shares (EUR 3.3 million compared with EUR 2.3 million as of December 31, 2013). In line with the reduction in current assets, total assets fell to EUR 59.7 million (December 31, 2013: EUR 61.1 million). The capital expenditures of SMT Scharf AG on non-current assets stood at EUR 1.4 million in the January to September 2014 period (9M/2013: EUR 2.1 million); of which EUR 129 thousand was attributable to current development projects that are to be capitalised pursuant to IAS 38.

On the equity and liabilities side of the balance sheet, current provisions and liabilities increased to EUR 14.3 million (December 31, 2013: EUR 13.5 million). Although SMT Scharf reduced its current financial liabilities this year by EUR 2.5 million to EUR 2.0 million as the result of repaying current borrowings (December 31, 2013: EUR 4.5 million), the higher reported level of other current liabilities outweighed this factor. Non-current provisions and liabilities fell to EUR 6.1 million (December 31, 2013: EUR 8.2 million). This is chiefly due to a marked reduction in other non-current provisions as the result of the settlement that was achieved with Bematec. Other non-current provisions amounted to EUR 357 thousand as of the quarter-end reporting date (December 31, 2013: EUR 2.2 million). Equity of EUR 39.2 million was at the level as of the end of 2013 balance sheet date (December 31, 2013: EUR 39.4 million), with the equity ratio consequently standing at 65.7% (December 31, 2013: 64.5%).

Report on events after the balance sheet date

Following the end of the first nine months of 2014, no further events occurred which have a significant effect on the net assets, results of operations or financial position.

Forecast

For 2014, the specialist mining equipment association of the German Engineering Federation (VDMA) forecast a significant decline in sector sales in the low double-digit percentage range. This has also occurred, albeit to a greater extent than expected.

As already announced in the context of the report on the first half-year, since the resolution on July 31 by the Managing Board to implement a further reduction to the workforce, the company forecast for the SMT Scharf Group for 2014 is as follows: the revenue forecast for 2014 is EUR 45 million, and the Group net result forecast amounts to EUR -2.0 million due to one-off costs – mainly for a social plan in Germany. The EBIT forecast stands at EUR -1.0 million.

The company continues to expect that the mining sector will not recover tangibly before early 2015, but potentially also later. The management nevertheless currently believes that the climate at the low level will at least not worsen further in 2015. In consequence, the management assumes that revenue will be stable in 2015, and equivalent to the level of revenue generated in 2014. Consolidated net income is expected to lie in a range between EUR 2 million and EUR 3 million.

The management has a high degree of confidence that the climate on the mining market will improve again in the medium term, and that mine operators will return to making larger capital expenditures. Due to global economic growth and the increasingly higher level of prosperity enjoyed in many emerging and developing economies, raw materials production will grow slowly but continuously.

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 2013. In general, no significant changes have occurred.

Hamm, November 13, 2014

SMT Scharf AG

The Managing Board

IFRS quarterly financial statements (unaudited)

Consolidated balance sheet

(in EUR thousand)	Notes	30.09.2014 (Core business)	30.09.2013 (core business)	31.12.2013 (core business)
Assets				
Inventories		19,156	21,816	18,244
Trade receivables		17,186	14,143	16,894
Other current receivables/assets		3,024	3,227	2,040
Cash and cash equivalents		5,466	8,884	10,566
Current assets	(3)	**44,832**	**48,070**	**47,744**
Intangible assets		2,911	2,781	2,920
Property, plant and equipment		6,427	6,443	6,027
Participating interests		3,277	2,451	2,306
Deferred tax assets		2,210	2,093	2,098
Other non-current receivables/assets		2	121	2
Non-current assets	(4)	**14,827**	**13,889**	**13,353**
Total assets		**59,659**	**61,959**	**61,097**
Equity and liabilities				
Current income tax		660	0	596
Other current provisions		6,862	5,452	5,012
Advance payments received		1,460	2,496	634
Trade payables		2,428	2,529	2,071
Current financial liabilities		2,000	4,000	4,500
Other current liabilities		936	774	701
Current provisions and liabilities		**14,346**	**15,251**	**13,514**
Provisions for pensions		2,903	2,714	2,865
Other non-current provisions		357	2,473	2,247
Deferred tax liabilities		1,132	1,077	1,274
Non-current financial liabilities		1,703	1,513	1,816
Non-current provisions and liabilities		**6,095**	**7,777**	**8,202**
Subscribed capital		4,155	4,155	4,155
Share premium		11,815	11,815	11,815
Profit brought forward		25,684	25,131	26,045
Currency translation difference		-2,436	-2,170	-2,634
Equity	(5)	**39,218**	**38,931**	**39,381**
Total assets		**59,659**	**61,959**	**61,097**

Consolidated statement of comprehensive income

(in EUR thousand)	Notes	01.07.2014-30.09.2014	01.07.2013-30.09.2013	01.01.2014-30.09.2014	01.01.2013-30.09.2013
Revenue	(1)	10,508	14,617	31,913	46,565
Changes in inventories		-915	-3,068	-699	1,012
Total operating revenue (100%)		9,593	11,549	31,214	47,577
Other operating income		1,185	144	2,916	1,005
Cost of materials		3,797	6,499	13,605	23,983
Personnel expenses		5,080	2,880	11,422	9,839
Depreciation, amortization and impairment charges		323	319	981	942
Other operating expenses		2,242	3,008	7,897	8,736
Profit from operating activities (EBIT)		**-664**	**-1,013**	**225**	**5,082**
Income from participating interests		211	389	790	990
Interest income		26	37	90	108
Interest expenses		128	33	188	219
Financial result		**109**	**393**	**692**	**879**
Profit before tax		**-555**	**-620**	**917**	**5,961**
Income taxes	(2)	-33	146	239	1,756
Profit/loss on discontinued operations		**0**	**0**	**0**	**-1,963**
Net income		**-522**	**-766**	**678**	**2,242**
Currency difference from translation of foreign financial statements		322	-1,183	198	-2,623
Comprehensive income		**200**	**-1,949**	**876**	**-381**

Earnings per share (in EUR)				
Basic	-0.13	-0.18	0.16	0.54
Diluted	-0.13	-0.18	0.16	0.54
Average number of shares	4,154,173	4,154,850	4,154,173	4,154,173

Consolidated cash flow statement

(in EUR thousand)	01.01.2014-30.09.2014	01.01.2013-30.09.2013
Net income	678	2,242
Deconsolidation loss	0	778
Income from participating interests	-790	-990
Dividends received from equity participation	0	111
Depreciation and amortization of non-current assets	981	1,048
Gain/loss on disposal of non-current assets	44	63
Changes in assets, provisions and liabilities items		
- Provisions	-2	1,262
- Taxes	-189	-1,330
- Inventories	-912	-7,389
- Receivables/other assets	-1,275	6,948
- Liabilities	1,486	-899
Net cash flows from operating activities	**21**	**1,843**
Investments in non-current assets	-1,440	-2,087
Outgoing payments for corporate acquisition	0	-40
Payment received from sale of Dosco	0	1,500
Acquired/sold cash and cash equivalents	0	-3,023
Net cash flows used in investing activities	**-1,440**	**-3,650**
Sale of treasury shares	0	54
Dividend disbursement	-1,039	-4,076
Repayment of/proceeds from financial liabilities	-2,613	-14
Net cash flows from/used in financing activities	**-3,652**	**-4,036**
Effect of changes in exchange rates and Group composition	41	1,788
Change in net financial position*	**-5,030**	**-7,631**
Net financial position at start of period	9,899	15,834
Net financial position at end of period	4,869	8,203

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

Consolidated statement of changes in equity

(in EUR thousand)	Subscribed capital	Share premium	Profit brought forward	Currency translation difference	Equity
Balance on 01.01.2014	**4,155**	**11,815**	**26,045**	**-2,634**	**39,381**
Dividend disbursement			-1,039		-1,039
Net income			678		678
Other changes				198	198
Comprehensive income	0	0	678	198	876
Balance on 30.09.2014	**4,155**	**11,815**	**25,684**	**-2,436**	**39,218**
Balance on 01.01.2013	**4,153**	**11,763**	**26,965**	**452**	**43,333**
Dividend disbursement			-4,076		-4,076
Sale of treasury shares	2	52			54
Net income			2,242		2,242
Other changes				-2,622	-2,622
Comprehensive income	0	0	2,242	-2,622	-380
Balance on 30.09.2013	**4,155**	**11,815**	**25,131**	**-2,170**	**38,931**

Notes

Methods

This financial report of the SMT Scharf Group as of September 30, 2014 was prepared in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the Interpretations (IFRIC) issued by the International Accounting Standards Board. The accounting policies used and the information included comply with IAS 34 (Interim Financial Reporting). The accounting and valuation policies and the calculation methods applied are the same as those used in the IFRS consolidated financial statements as at December 31, 2013, which were audited by the Group's auditors.

The interim financial statements present a true and fair view of the net assets, financial position and results of operations of the SMT Scharf Group for the period under review. They were not subjected to an auditor's review.

The interim financial statement is drawn up in euros. Unless otherwise indicated, all amounts are stated and rounded to thousands of euros (EUR thousands).

Consolidated group

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

SMT Scharf GmbH, Hamm
SMT Scharf Polska Sp. z o. o., Tychy, Poland
Global Mining Services GmbH i.L., Hamm
SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa
SMT Scharf International OÜ, Tallinn, Estonia
Scharf Mining Machinery (Beijing) Co. Ltd., Beijing, China
OOO SMT Scharf, Novokuznetsk, Russian Federation
OOO SMT Scharf Service, Novokuznetsk, Russian Federation
Sareco Engineering (Pty.) Ltd., Brakpan, South Africa
SMT Scharf Saar GmbH, Neunkirchen
Shandong Xinsha Monorail Co. Ltd., Xintai, China
TOW SMT Scharf Ukraine, Donetsk, Ukraine
Scharf Mining Machinery (Xuzhou) Ltd, Xuzhou, China

As a 50 %-held interest, Shandong Xinsha Monorail Co. Ltd. is consolidated applying the equity method.

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

	01.07.2014-30.09.2014	01.07.2013-30.09.2013	01.01.2014-30.09.2014	01.01.2013-30.09.2013
New equipment	3,637	7,015	13,129	21,828
Spare parts/service/other	6,871	7,602	18,784	24,737
Total	**10,508**	**14,617**	**31,913**	**46,565**
Germany	1,408	1,803	4,741	5,162
Other countries	9,100	12,814	27,172	41,403
Total	**10,508**	**14,617**	**31,913**	**46,565**

(2) Income taxes

Income taxes are composed of the following items:

	01.07.2014-30.09.2014	01.07.2013-30.09.2013	01.01.2014-30.09.2014	01.01.2013-30.09.2013
Current tax expense	104	530	466	2,147
Deferred taxes	-137	-384	-227	-391
Total	**-33**	**146**	**239**	**1,756**

Notes to the balance sheet

(3) Current assets

Securities and cash and cash equivalents as of September 30, 2014 include a hardship and social fund amounting to EUR 598 thousand. This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as these two companies' works councils.

(4) Non-current assets

The SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recorded as leased assets under property, plant and equipment. Five leased items existed as of September 30, 2014.

From January to September 2014, EUR 129 thousand were capitalized as development expenses for projects that fulfil the requirements of IAS 38.

(5) Equity

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

On September 30, 2014, 4,200,000 ordinary bearer shares of SMT Scharf AG were in issue in the form of no-par value shares with a notional interest of EUR 1 each. Of this total, SMT Scharf AG held 45,150 treasury shares. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the company.

In May 2014, the Ordinary General Meeting passed a resolution to distribute a dividend of EUR 0.25 per share for the 2013 fiscal year.

Other disclosures

(6) Contingent liabilities and other financial commitments

The company has no significant contingent liabilities that are unusual in the industry.

Other financial liabilities exist, in particular from rental and lease agreements for buildings, cars and photocopiers. The agreements have maturities of up to five years and in some cases include extension options and escalation clauses. In the period under review, payments amounting to EUR 536 thousand were recognised under other operating expenses in the course of rental and lease agreements. The nominal amount of the future minimum lease payments within the core business from rental agreements and operating leases that cannot be terminated is as follows (by due date):

	30.09.2014	30.09.2013	31.12.2013
Due within one year	290	260	359
Due in one to five years	558	417	792

(7) Supervisory and Managing Boards

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

Period from January 1, 2014 until May 7, 2014:

Dr. Dirk Markus, London, CEO of Aurelius AG (Chairman),
Dr. Rolf-Dieter Kempis, Waldenburg, management consultant (Deputy Chairman),
Dr. Harald Fett, Monheim, management consultant.

Period from May 7, 2014:
Dipl.-Ing. Michael Reich, Hamm, management consultant (Chairman),
Dipl.-Kfm. Hans Joachim Theiss, Busek, management consultant (Deputy Chairman),
Dr. Dipl.-Ing. Dirk Vorsteher, Werne, management consultant.

The members of the Managing Board of SMT Scharf AG in the reporting period were:
Christian Dreyer (CEO),
Heinrich Schulze-Buxloh.

On September 30, 2014, Mr. Dreyer held no shares in the company, and Mr. Schulze-Buxloh held 6,000 shares. The members of the Supervisory Board did not hold any shares.

(8) Related party disclosures

Services with a value of EUR 84 thousand were procured on normal market terms from related parties as defined by IAS 24. No services were provided to related parties.

(9) Financial instruments and financial risks

Especially to hedge currency risks – which currently exist only in roubles – the SMT Scharf Group enters to a minor extent into derivative transactions in the form of forward currency transactions or currency hedging transactions utilising different options or similar contracts, although such arrangements are always directly related to specific currency exchange requirements arising from the operating business. The Group does not trade in financial instruments, in accordance with its financial policy objectives. No fair value hedges were utilised in the period under review.

Please see the 2013 annual report for information on the financial risks of the SMT Scharf Group's business. No substantial changes occurred over and above this from January to September 2014.

Imprint

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