SCHARF

SOLUTIONS FOR MINING TRANSPORT

2014

6-MONTH REPORT
1 JAN - 30 JUN 2014

Contents

Summary of key data

in TEUR	01.01.2014-30.06.2014	01.01.2013-30.06.2013	Change
Revenue	21,405	31,948	-33.0 %
Operating output	21,621	36,028	-40.0 %
Profit from operating activities (EBIT)	889	6,095	-85.4 %
EBIT margin on operating output	4.1 %	16.9 %	-
Profit/loss on discontinued operations	0	-1,963	-
Net income	1,200	3,008	-60.1 %
Order book position as of June 30	17,730	18,276	-3.0 %
New order intake	23,053	35,193	-34.5 %
Full-time employees at the end of the period	286	296	-3.4 %

Letter to shareholders

Dear shareholders,

During the second quarter of 2014, the extremely slack market demand for mining equipment continued not only for SMT Scharf but also for the other manufacturers in the mining machinery sector. This was due to a continued low level of raw materials prices, as well as an oversupply of coal on the world market, which we believe is unlikely to disappear in the short term, unfortunately. As already noted on a number of occasions, such cycles are typical of the commodities market. We nevertheless succeeded in limiting the impact of these fluctuations on our business to such an extent that can still show a positive result despite a very sharp drop in revenue. This is mainly due to the fact that we have a very lean structure and keep our vertical depth of manufacturing as low as possible: purchased materials comprise almost 50 % of our costs. The diversification of our sales by sectors (coal versus ore) and countries also makes a contribution.

As expected, our revenue registered a marked decline during the first half of 2014 – of -33.0 % to EUR 21.4 million (H1/2013: EUR 31.9 million). New order intake fell to EUR 23.1 million (June 30, 2013: EUR 35.2 million), while the order book position of EUR 17.7 million was only slightly below the previous year's EUR 18.3 million. Despite the drop in revenue, we were also able to achieve a positive result: consolidated net income amounted to EUR 1.2 million (H1/2013: EUR 3.0 million).

We could already see the current mining crisis emerging back in mid-2012. We then positioned ourselves with according reticence on the cost side, and also bolstered our innovative and sales strength through our long-term localisation strategy. At that time, however, it was not envisaged that raw materials prices, and consequently demand for machinery, would decline in this way for so long and so sustainably. In order to respond to this even more vigorously, in early 2014 we also set up a short-term "KVI" program (KVI refers to "costs + sales + innovation") – as already reported. Along with cost-reducing effects, this program secures the long-term competitiveness of SMT Scharf AG, because we must anticipate Chinese competitors with aggressive prices in the next boom phase.

- With **cost** savings forming an important component of our KVI program, we aim to reduce our breakeven point from currently around EUR 45 million to EUR 35 million of annual

revenue. A critical lever in this context is reducing personnel costs in Germany, where we have ever fewer customers as a result of the ongoing shutdown of mining. We also running various special cost-reducing programs, including costs of infrastructure, or travel expenses.

- In **sales**, as part of this program we are currently cataloguing all coal mines in our core markets of China and Russia, allocating them to five categories depending on potential for SMT Scharf products. Action plans have been defined for each of the categories as well as for each individual mine.
- Finally, we are bolstering our **innovative strength**. We have defined a total of 35 development projects for customers on the basis of new product ideas, and we are expanding our engineering expertise and capacity in proximity to our customers abroad, especially in China and Poland. This also forms an integral component of our long-term localisation strategy.

On July 31, 2014, we decided to implement a further reductive correction to our personal capacities in Germany as part of the KVI program. This generates further one-off costs of around EUR 2.0 million, mainly due to the social plan that is required. These expenses are not yet included in this set of half-year results as of June 30, as the related approval and implementation both occur in the second half of the year. All of the expenses can be met from the existing liquidity. Thanks to future cost-savings of EUR 3.0 million per year from 2015, these expenses will be amortised in less than one year, whereby the positive effects arising from strengthening sales and innovation are not yet included in this calculation.

The revenue forecast for 2014 is unchanged at EUR 45 million, although on July 31 we downgraded our Group net result forecast in line with the aforementioned one-off costs from "breakeven" to EUR -2.0 million. The forecast EBIT has been reduced from EUR +1.0 million to EUR -1.0 million, as such one-off costs must be fully accounted for in normal operating activities according to IFRS.

Above and beyond the long-term localisation strategy and the short term KVI program, it remains an important objective of SMT Scharf AG to establish ourselves not only in our main customer market of coal mining, but also in hard rock as a second pillar. Already today, almost 100 of our 600 railway systems are working worldwide in platinum, gold and copper mines, rather than in coal mines. We aim to consistently further develop this promising base. For example, one of our projects in hard rock in a Canadian mine has the objective of replacing heavy 50 tonne trucks with our own significantly smaller and manoeuvrable monorails, thereby reducing the mines' capital expenditures and accessing deposits more quickly.

It is undisputed that demand for raw materials all over the world will grow continuously over the coming years, thereby also boosting demand for mining equipment. It is equally clear that easily accessible deposits are being gradually exhausted, so that increasingly less accessible and significantly deeper deposits need to be accessed. As conventional types of transportation like trucks come up against their limits, the manoeuvrable and more agile monorails of SMT Scharf can demonstrate their benefits in narrow tunnels and steeper shafts.

We would like to thank you, our investors, business partners and customers, for the trust that you have placed in our company during this difficult phase. It would please us as if you would continue to accompany us in the future. We would also like to thank our staff for their high degree of commitment during what has not been an easy period for them, too.

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. 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. The company also started to operate railways in 2013. In addition, the Group supplies the mining sector with chairlifts. The SMT Shaft 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. On average over the past years, around half of revenues were attributable to the replacement parts, service and repair business.

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 situation from mining equipment that has existed for several months, SMT Scharf is retaining its general five-year outlook planning that it developed in 2013. It has the following objectives:

(1) Concentration on the core "railways" business (already achieved).
(2) Average sales revenue growth of 15 % per year in the core business, which should feed through to a doubling of sales revenue every five years.
(3) Defending the attractive margin with the target of boosting the EBIT margin to 20 %.

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 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 an increasing number of experienced design engineers are currently entering retirement age, we have strengthened our construction and development team in Hamm to include several new junior engineers over the course of last year. A smooth transition of know-how is occurring in line with expectations, ensuring a constantly high level of innovative research and development projects.

At our 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 internationalisation 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 half 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 structure 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 continuously reduced over the coming years, whereas production capacities at the foreign companies are being gradually added to. The number of employees in Germany fell accordingly from 124 to 118 (full-time equivalents). Temporarily, and due to order-related reasons, the number of employees at the foreign sites fell slightly from 172 to 168 during the first half of 2014. Especially in China, additional qualified staff was 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 286 staff as of June 30, 2014, including 9 trainees. The Group employed 296 individuals as of the previous year's reporting date (including 12 trainees).

Economic report

Economic environment

Macroeconomic environment: The strong expansion of the global economy that was anticipated at the start of the year proved somewhat weaker in hindsight. Both industrialised nations and emerging economies grew more slowly during the first quarter 2014, according to the German Institute for Economic Research (DIW). The Eurozone economy failed to match its recent strength. In Russia, GDP growth even fell, in line with the Ukraine crisis, whereas economies in Central and Eastern Europe were hardly affected, and Poland, in particular, registered strong growth. Production growth was lower in China. Here, the government has approved a major economic program. For the full 2014 year, the DIW is forecasting global real gross domestic product growth of 3.5 % (2013: 3.1 %), and 3.9 % in 2015. According to the Kiel Institute for the World Economy (IfW), real GDP is forecast to grow in 2014 by 3.2 % in Poland (2013: 1.6 %), by 7.2 % in China (2013: 7.7 %), by 0.5 % in Russia (2013: 1.3 %), and by 2.2 % in South Africa (2013: 1.9 %).

Sector trends: Demand on the global market for mining equipment continued to be very weak during the past half-year. Prices for coal and other raw materials fell further. 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 Chinese economy – one of the most important buyers of raw materials – will grow by just 7.2 % in 2014, according to estimates produced by the Kiel Institute for the World Economy (IfW). The Chinese government aims to support the economy with spending programs. Economic growth is forecast to be 7.1% next year. This development alone 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.

Results of operations, net assets and financial position

Given the weak market for mining equipment, the revenue that SMT Scharf AG during the first half of 2014 was down by 33 % year-on-year, falling from EUR 31.9 million to EUR 21.4 million. With an almost one third share of revenue, Russia replaced Poland as its most important sales market. Revenues in Russia were even a little ahead of the expectations of SMT Scharf AG, whereas revenue from Ukraine collapsed completely due to the political conflict there. Although revenues in Poland fell by almost 20 %, Poland ranked second among the company's most important sales markets, and continues to comprise a stable market where localisation is also already far advanced. In the fourth most important market after Germany, South Africa, the political and economic situation has remained difficult recently: the miners' strikes have only just ended. Revenues there reported a correspondingly significant fall, of more than one third. China, which has been the most important sales market for SMT Scharf AG over recent years, also fell considerably short of previous years' levels with a 13 % revenue share.

Export business comprised just 84 % of consolidated revenue in the first half of 2014. As not only business with new equipment (EUR 9.5 million; H1/2013: EUR 14.8 million) but also demand for spare parts, repairs and maintenance reported a weak trend (EUR 11.9 million; H1/2013: EUR 17.1 million), the revenue share from the business generated with new equipment recovered to 44 % following the first quarter of 2014 (37 %), although it was still down slightly on a half-year comparison (H1/2013: 46 %). The revenue share with chairlifts increased from 6.2 % to 9.6 % (EUR 2.1 million; H1/2013: EUR 2.0 million).

Revenue by regions

in TEUR	**H1/2014**	**H1/2013**	**Change**	**Share of total revenue**
Russia	6,979	7,840	-11.0 %	32.6 %
Poland	4,933	6,138	-19.6 %	23.1%
Germany	3,332	3,358	-0.8 %	15.6 %
Africa	2,724	4,170	-34.7 %	12.7 %

China	2,649	8,504	-68.9 %	12.4 %
Australia / Asia excluding China	475	194	+144.7 %	2.2 %
Other Europe	224	1,736	-87.1 %	1.0 %
America	90	7	+1,185.7 %	0.4 %
Total revenue	**21,405**	**31,948**	**-33.0 %**	

Due to the lower business volume, the increase in inventories of EUR 216 thousand was down significantly on the previous year's EUR 4.1 million. In sum, total operating output amounted to EUR 21.6 million in the first half of 2014 (H1/2013: EUR 36.0 million).

Given larger currency gains and the release of provisions, other operating income reported a marked rise to EUR 1.7 million (H1/2013: EUR 862 thousand). SMT Scharf reduced all operating expenses compared with the prior-year period. Accordingly, the cost of materials ratio reported a clear decline from 48.5 % to 45.4 %, with the costs of materials standing at EUR 9.8 million (H1/2013: EUR 17.5 million). Due to the lower number of employees, personal expenses reduced to EUR 6.3 million (H1/2013: EUR 7.0 million), although the personal expense ratio amounted to 29.3 % as a result of the significantly lower level of operating output (H1/2013: 21.6 %). Other operating expenses, mainly sales costs, of EUR 5.7 million were at the level of the previous-year period. Depreciation and amortisation stood at EUR 658 thousand (H1/2013: EUR 623 thousand).

As a consequence, profit from operating activities (EBIT) amounted to EUR 889 thousand (H1/2013: EUR 6.1 million), equivalent to a 4.1 % EBIT margin (H1/2013: 16.9 %). This fall is particularly due to markedly lower sales revenues and a continued high personal cost level.

The subsidiaries continue to comprise a major share of the positive result. For example, income from the participating interest in the Chinese joint venture Xinsha of EUR 579 thousand remained at a high level (H1/2013: EUR 601 thousand). Overall, the net financial result grew markedly from EUR 486 thousand to EUR 583 thousand, primarily reflecting lower interest expenses.

After deducting tax, the Group generated consolidated net income of EUR 1.2 million (H1/2013: EUR 3.0 million) and earnings per share of EUR 0.29 (H1/2013: EUR 0.72).

The order book position of the SMT Scharf Group stood at a total of EUR 17.7 million as of June 30, 2014 (June 30, 2013: EUR 18.3 million), with new order intake falling year-on-year from EUR 35.2 million to EUR 23.1 million in the first half of the year.

Given the lower business volume, total assets were down from EUR 61.1 million as of December 31, 2013 to EUR 59.7 million as of June 30, 2014. While non-current assets rose to EUR 14.1 million due to the higher valuation of the participating interests in China and Ukraine (December 31, 2013: EUR 13.4 million), current assets fell slightly to EUR 45.6 million (December 31, 2013: EUR 47.8 million). In this context, the valuations of inventories of EUR 18.2 million (December 31, 2013: EUR 18.2 million) and of trade receivables of EUR 17.3 million (December 31, 2013: EUR 16.9 million) were almost unchanged compared with the previous year. Liquid assets totalled EUR 7.7 million (December 31, 2013: EUR 11.6 million).

On the equity and liabilities side of the balance sheet, the greatest change consisted in a fall in current financial liabilities of EUR 2.0 million as a result of the repayment of short-term borrowings. In sum, current debt reduced from EUR 13.5 million to EUR 12.2 million. Non-current provisions and liabilities of EUR 8.1 million were almost at the level as of December 31, 2013 (EUR 8.2 million). The company's equity ratio of 66.0 % remained at a very high level (December 31, 2013: 64.5 %).

During the first half of 2014, SMT Scharf invested EUR 940 thousand, EUR 129 thousand of which is attributable to current development projects that are to be capitalised pursuant IAS 38.

Report on events after the balance sheet date

On July 31, the Managing Board passed a resolution to implement a further corrective reduction to personnel capacities in Germany. This generates further one-off costs of around EUR 2.0 million, mainly due to the requisite social plan; these expenses have not yet been included in this set of half-year results as of June 30 as the related approval and implementation occur in the second half of the year. All of the expenses can be met from the existing liquidity.

Due to this measure that was approved, the published forecasts have been amended, which was also announced in an ad hoc announcement on the same date. The new forecast is specified in the next section.

Following the end of the first half 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) forecasts a fall in sector sales in the low double-digit percentage range.

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 has changed as follows: The revenue forecast for 2014 is unchanged at EUR 45 million, although the Group net result forecast was downgraded in line with the aforementioned one-off costs from "breakeven" to EUR -2.0 million. The forecast EBIT has been reduced from EUR +1 million to EUR -1.0 million, as such one-off costs must be fully reported in the result from normal operating activities according to IFRS accounting.

The company continues to expect that the mining sector will not recover tangibly before early 2015, but potentially also later. Nevertheless, the management assumes 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 the rising development of many emerging and developing countries, 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, August 14, 2014

SMT Scharf AG

The Managing Board

IFRS half-yearly financial statements (unaudited)

Consolidated balance sheet

(in TEUR)	Notes	30.06.2014 (Core business)	30.06.2013 (core business)	31.12.2013 (core business)
Assets				
Inventories		18,154	23,741	18,244
Trade receivables		17,296	14,712	16,894
Other current receivables/assets		2,493	3,287	2,040
Cash and cash equivalents		7,678	11,581	10,566
Current assets	(3)	**45,594**	**53,321**	**47,744**
Intangible assets		2,938	2,748	2,920
Property, plant and equipment		6,246	6,243	6,027
Participating interests		2,827	2,367	2,306
Deferred tax assets		2,096	1,814	2,098
Other non-current receivables/assets		0	2	2
Non-current assets	(4)	**14,107**	**13,174**	**13,353**
Total assets		**59,728**	**66,495**	**61,097**
Equity and liabilities				
Current income tax		155	150	596
Other current provisions		4,907	5,379	5,012
Advance payments received		1,067	1,646	634
Trade payables		2,417	3,118	2,071
Current financial liabilities		2,500	7,000	4,500
Other current liabilities		1,157	621	701
Current provisions and liabilities		**12,203**	**17,914**	**13,514**
Provisions for pensions		2,899	2,710	2,865
Other non-current provisions		2,289	2,388	2,247
Deferred tax liabilities		1,160	1,091	1,274
Non-current financial liabilities		1,759	1,513	1,816
Non-current provisions and liabilities		**8,107**	**7,702**	**8,202**
Subscribed capital		4,155	4,155	4,155
Share premium		11,815	11,815	11,815
Profit brought forward		26,206	25,897	26,045
Currency translation difference		-2,758	-988	-2,634
Equity	(5)	**39,418**	**40,879**	**39,381**
Total assets		**59,728**	**66,495**	**61,097**

Consolidated statement of comprehensive income

(in TEUR)	Notes	01.04.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2014-30.06.2014	01.01.2013-30.06.2013
Revenue	(1)	11,805	16,843	21,405	31,948
Changes in inventories		-815	1,338	216	4,080
Operating output (100%)		10,990	18,181	21,621	36,028
Other operating income		676	128	1,731	861
Cost of materials		4,473	8,071	9,808	17,484
Personnel expenses		3,210	3,560	6,342	6,959
Depreciation, amortization and impairment charges		352	237	658	623
Other operating expenses		2,838	3,546	5,655	5,728
Profit from operating activities (EBIT)		**793**	**2,895**	**889**	**6,095**
Income from participating interests		234	404	579	601
Interest income		24	24	64	71
Interest expenses		24	56	60	186
Financial result		**234**	**372**	**583**	**486**
Profit before tax		**1,027**	**3,267**	**1,472**	**6,581**
Income taxes	(2)	224	938	272	1,610
Profit/loss on discontinued operations		**0**	**-1,433**	**0**	**-1,963**
Net income		**803**	**896**	**1,200**	**3,008**
Currency difference from translation of foreign financial statements		295	-714	-124	-1,440
Comprehensive income		**1,098**	**182**	**1,076**	**1,568**

Earnings per share (in EUR)				
Basic	0.19	0.22	0.29	0.72
Diluted	0.19	0.22	0.29	0.72
Average number of shares	4,154,850	4,154,850	4,154,850	4,153,829

Consolidated cash flow statement

(in TEUR)	01.01.2014-30.06.2014	01.01.2013-30.06.2013
Net income	1,200	3,008
Deconsolidation loss	0	778
Income from participating interests	-579	-600
Depreciation and amortization of non-current assets	658	735
Gain/loss on disposal of non-current assets	29	66
Changes in assets, provisions and liabilities items		
- Provisions	-29	1,099
- Taxes	-553	-886
- Inventories	90	-9,314
- Receivables/other assets	-853	6,436
- Liabilities	1,283	-1,312
Net cash flows from operating activities	**1,246**	**10**
Investments in non-current assets	-940	-1,405
Outgoing payments for corporate acquisition	0	-40
Payment received from sale of Dosco	0	1,500
Acquired cash and cash equivalents	0	-3,023
Net cash flows used in investing activities	**-940**	**-2,968**
Sale of treasury shares	0	54
Dividend disbursement	-1,039	-4,076
Repayment of/proceeds from financial liabilities	-2,057	2,986
Net cash flows from/used in financing activities	**-3,096**	**-1,036**
Effect of changes in exchange rates and Group composition	-49	-940
Change in net financial position*	**-2,839**	**-4,934**
Net financial position at start of period	9,899	15,834
Net financial position at end of period	7,060	10,900

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

Consolidated statement of changes in equity

(in TEUR)	Subscribed capital	Share premium	Profit brought forward	Currency translation 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			1,200		1,200
Other changes				-124	-124
Comprehensive income	0	0	1,200	-124	1,076
Balance on 30.06.2014	**4,155**	**11,815**	**26,206**	**-2,758**	**39,418**
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			3,008		3,008
Other changes				-1,440	-1,440
Comprehensive income	0	0	3,008	-1,440	1,568
Balance on 30.06.2013	**4,155**	**11,815**	**25,897**	**-988**	**40,879**

Notes

Methods

This financial report of the SMT Scharf Group as of June 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:

	01.04.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2014-30.06.2014	01.01.2013-30.06.2013
New equipment	5,965	7,829	9,492	14,813
Spare parts/service/other	5,840	9,014	11,913	17,135
Total	**11,805**	**16,843**	**21,405**	**31,948**
Germany	1,439	1,449	3,333	3,358
Other countries	10,366	15,394	18,072	28,590
Total	**11,805**	**16,843**	**21,405**	**31,948**

(2) Income taxes

Income taxes are composed of the following items:

	01.04.2014-30.06.2014	01.04.2013-30.06.2013	01.01.2014-30.06.2014	01.01.2013-30.06.2013
Current tax expense	181	714	362	1,617
Deferred taxes	43	224	-90	-7
Total	**224**	**938**	**272**	**1,610**

Notes to the balance sheet

(3) Current assets

Securities and cash and cash equivalents as of June 30, 2014 include a hardship and social fund amounting to TEUR 618. 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 monorails as a lessor. These are recorded as leased assets under property, plant and equipment. Seven leased items existed as of June 30, 2014.

From January to June 2014, TEUR 129 were capitalised 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 June 30, 2014, 4,200,000 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par value shares with a notional interest of EUR 1 each. Of this total, SMT Scharf AG held 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 TEUR 364 were recognised under other operating expenses. 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):

	30.06.2014	**30.06.2013**	**31.12.2013**
Due within one year	283	238	359
Due in one to five years	558	420	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,
Dr. Rolf-Dieter Kempis, Waldenburg, management consultant, (Deputy CEO),
Dr. Harald Fett, Monheim, management consultant.

Period from May 7, 2014:

Dipl.-Ing. Michael Reich, Hamm, management consultant (CEO),
Dipl.-Kfm. Hans Joachim Theiss, Busek, management consultant, (Deputy CEO),
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 (Chairman),
Heinrich Schulze-Buxloh.

On June 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 less than TEUR 47 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

The SMT Scharf Group enters into derivative transactions in the form of currency forwards in particular to hedge currency risks. The Group does not trade in financial instruments, in accordance with its financial policy objectives. No fair value hedges were utilised in the period under review.

Please see the 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 June 2014.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim accounting, SMT Scharf AG's consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, 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 of the Group's anticipated growth for the remaining financial year.

Hamm, August 14, 2014

SMT Scharf AG

The Managing Board

Imprint

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