



2013





ANNUAL REPORT
2013
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Eight-year comparison of key financials

		2006	2007	2008	2009	2010	2011	2012	2013
Income statement data (without Dosco)									
Revenue	TEUR	48,700	51,206	49,739	53,262	50,607	68,378	76,648	63,251
Revenue share from outside Germany	%	52	64	75	84	89	88	89	91
Operating output	TEUR	48,333	51,069	49,809	51,056	51,271	72,330	75,646	63,363
EBIT	TEUR	6,711	7,453	7,489	7,585	9,581	12,524	12,858	6,590
EBIT margin	%	13.9	14.6	15.0	14.9	18.7	17.3	17.0	10.4
Net income	TEUR	4,339	5,976	5,343	5,073	8,006*	10,658*	9,842	5,537

* incl. results from Dosco (all other figures without Dosco)

Balance sheet data

Total assets	TEUR	30,382	44,256	55,410	44,789	67,185*	81,861*	77,798*	61,097
Equity	TEUR	5,783	22,730	24,226	23,044	31,055*	40,879*	43,333*	39,381
Equity ratio	%	19	51	44	51	46*	50*	56*	64
Cash and cash t equivalents and securities	TEUR	2,806	12,307	17,138	14,992	12,750	11,222	13,192	10,566

* incl. Dosco (all other figures without Dosco)

Personnel data (without Dosco)

Average number of employees		272	252	249	228	218	229	252	296
Germany		242	215	189	158	132	130	127	121
Other Countries		30	37	60	70	86	99	125	175
Share of employees outside Germany	%	11	15	24	31	39	43	50	59

Share data

Earnings per share	EUR	n / a	1.53	1.27	1.23	2.03	2.60	2.82	0.77
Dividend (2013: proposed)	EUR	n / a	0.70	0.85	0.70	0.85	0.95	0.98	0.25



Equity Story

- ♦ Manufacturer of monorails/captivated railway systems (main product), floor-mounted railways and chairlifts for underground mining
- ♦ Niche global market-leader and technology-leader: high market shares in all target markets, 34% of global installed monorails derive from SMT Scharf
- ♦ Growth market: increase in global demand for energy and commodities continues to stimulate market for mining equipment over coming years. Increasingly inaccessible commodities deposits drive additional demand
- ♦ Strong positioning in emerging economies such as China, Russia and South Africa
- ♦ Stable business in cyclical mining market as a result of 50% service business share of total sales revenue
- ♦ Profitable, established company with sustainable EBIT margins and significantly positive operating cash flow
- ♦ Sustainable financing structure due to low debt levels and equity ratio above 50%
- ♦ Managing Board team with many years of experience: each member draws on more than 20 years' experience in mining sector





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To our shareholders

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Letter to shareholders



*Dear Sir or Madam,
Dear shareholders,*



A difficult year lies behind us. As we forecast back at the start of 2013, the climate in the mining market has worsened continuously over the course of the past year. Along with slower economic growth in China – the world's commodity and energy demand engine – the sector also faced low raw materials prices due to the weakening of the global economy. Mines were forced to delay or completely cancel their investments.

We achieved EUR 63.3 million of revenue in the 2013 fiscal year (-17 % year-on-year). Our revenue base was supported by our service business, which, at 49 % of total revenue, generates stable and recurring income, thereby at least partially offsetting the drop in the new equipment business. Our profit from operating activities (EBIT) nevertheless fell to EUR 6.6 million (-49 %), with consolidated net income standing at EUR 3.2 million, compared with EUR 11.7 million in the previous year. The Managing and Supervisory Boards will propose a dividend of EUR 0.25 per share to the Annual General Meeting for the 2013 fiscal year.

Sector heavyweights such as Caterpillar, Atlas Copco, Sandvik Mining and Joy Global, suffered even greater revenue and earnings declines than we did last year. New order

intake received by German mining equipment manufacturers declined sector-wide between January and September 2013, dropping by 39 % year-on-year, according to estimates published by the German Engineering Federation (VDMA). This is also the result of a new trend which sees international mining operators generally cutting their investment budgets.

We nevertheless used the year 2013 to further improve our position for the future. As part of our localisation strategy, we aim above all to further bolster our subsidiaries in Poland, Russia and China. In May, we also spun off our interest in Dosco Holdings Ltd., since the expected synergies with its roadheader machines in service and sales could not be realised in the form that we originally planned. In the future, we aim to focus completely on our core business of „Railway Systems“. In Chile, we are currently testing new applications for our monorails, which could generate additional demand for us over the coming years. In Russia, we have been testing a new operator model for some months, whereby we rent our trains and operate them ourselves, rather than sell them.

We do not expect the mining sector to recover tangibly before early 2015. The German Engineering Federation

(VDMA) sees the sector reporting sales revenue down by a lower double-digit percentage amount in 2014. As a consequence, we at SMT Scharf expect 2014 sales revenues and EBIT to decline by a similar percentage as in 2013.

We nevertheless anticipate a positive trend to re-emerge in the medium term. The Freedonia Group, an industrial market research institute, forecasts that demand for mining equipment will grow by 8.6 % per year until 2017, for example. Mining operators worldwide need to reinvest in their infrastructure in the medium term in order to improve their productivity, while raw materials production is likely to grow slowly but continuously. For this reason, we assume that we will once again report significant revenue and earnings growth in the medium term, and continue to pursue our localisation strategy.

We would like to thank you, our investors, business partners and customers, for the trust that you have placed in our company over the past year. It would please us if you would continue to accompany us in the future.

Best regards

Christian Dreyer

Heinrich Schulze-Buxloh

- 1 Dr. Rolf-Dieter Kempis**
Vice Chairman of the Supervisory Board
- 2 Dr. Dirk Markus**
Chairman of the Supervisory Board
- 3 Dr. Harald Fett**
Member of the Supervisory Board





Supervisory Board report for the 2013 fiscal year

In fiscal year 2013, SMT Scharf AG's Supervisory Board thoroughly performed the tasks required of it by law and the articles of incorporation. It constantly monitored and advised the Managing Board. It received regular, up-to-the-minute, comprehensive written and verbal reports from the Managing Board about business growth for SMT Scharf AG and the Group's companies, the company's strategic orientation as well as the implementation status of its strategy.

In its four ordinary meetings on March 4 (Hamm), April 17 (Hamm), September 22 (Xuzhou/China) and December 9, 2013 (Munich), the Supervisory Board held in-depth discussions on all issues of relevance for the company. The Supervisory Board discussed ongoing business growth, strategic concepts, short and medium-term company forecasts, capital expenditure forecasts, income and liquidity developments, actual risks and risk management as well as key organizational and staff changes with the Managing Board. The

Supervisory Board also dealt thoroughly with corporate governance issues, including a review of its own efficiency, which was analyzed with the help of a questionnaire on March 4, 2013 and found to be sound.

At all of its meetings, the Supervisory Board let itself be informed with in-depth information on the progression of the fiscal year. Important transactions and the trends of financial indicators were also discussed at Supervisory Board meetings. The meeting on March 4, 2012 focused on the financial statements and the IFRS consolidated financial statements for the 2012 fiscal year, together with the associated management reports. The expansion of manufacturing and development capacities in China was discussed, and the construction of a factory was approved. The possible sale of Dosco was also discussed. A further topic of discussion at this meeting was the extension of the Managing Board service contract of Mr. Dreyer

by three years until 2016. At the meeting on April 17, a discussion was held as to whether it was appropriate to delay the construction of the factory in China due to slow sales. An offer for Dosco was rejected as too low. The sale of Dosco on May 7 to the local management was approved by way of telephone discussion and in the form of written resolution-taking. The meeting on October 22 in Xuzhou / China focused on a special report on activities in China. Capital of up to USD 3 million for the founding of a wholly-owned subsidiary in Xuzhou was approved, with the original plan for a new building being replaced by a rental concept. On December 9 in Munich, the Supervisory Board focused particularly on significantly reduced sales revenue prospects for the full year, the Group 2014 budget, and resultant Group structure issues. In addition, at this meeting the Supervisory Board also discussed with the Managing Board, and approved, the declaration of conformity pursuant to Section 161

of the German Stock Corporation Act (AktG).

The Managing Board also informed the Supervisory Board of plans of major importance or of particular urgency between its meetings. If necessary it also passed resolutions in writing. This included, for example, agreeing to the sale of Dosco. The approval requirements for certain transactions as defined in the Managing Board's bylaws were upheld. This particularly related to the conclusion of the founding of new subsidiaries, and capital measures in the subsidiaries. In addition, the Chairman of the Supervisory Board was in regular contact with the Managing Board, in particular the CEO, and discussed strategic issues, business growth, key staff issues and risk management with him. The CEO always informed the Chairman of the Supervisory Board without delay of extraordinary events of key importance in assessing the position and growth of SMT Scharf Group. No committees have existed or exist

due to the small size of the Supervisory Board.

The members of the Supervisory Board jointly have the knowledge, capabilities and experience to fulfil their responsibilities. The Supervisory Board is endeavouring to achieve a higher diversity with regard to its composition over the period from 2014 to 2018. This is intended to relate to three aspects in particular. Different professional and industry backgrounds of members shall foster different points of view in internal discussions. An international membership shall reflect the international activity of the Group. An appropriate share of female members is particularly desirable. Progress was made with the first two of these objectives in the new elections in 2011 and 2012. The members of the Supervisory Board fulfilled and continue to fulfil the independence criteria stipulated by the German Corporate Governance Code. Conflicts of interest within the meaning of the Corporate Governance Code were

avoided. The Managing and Supervisory Boards issued a declaration of conformity according to Section 161 of the Aktiengesetz on December 9, 2013. This has been published in the meantime and made accessible to shareholders at www.smtscharf.com.

The financial statements and management report prepared by the Managing Board, as well as the IFRS consolidated financial statements and group management report for fiscal year 2013 were audited by Verhuelsdonk & Partner GmbH, Duesseldorf, and issued with an unqualified auditors' opinion. According to the statutory requirements, SMT Scharf Group's risk management system, the internal control system and the corporate management system were also covered by the audit.

Prior to issuing the mandate to audit the financial statements and consolidated financial statements, the Chairman of the Supervisory Board discussed the focus of the



audit, the content of the audit and the costs in detail with the auditor. The auditor reported to the Chairman of the Supervisory Board on the preaudit results. He also made certain to report immediately on all of the findings that are material for the Supervisory Board's work that he became aware of while conducting the audit.

In its meeting on March 19, 2014, also attended by the auditor, the Supervisory Board reviewed the financial statements and the management report as well as the IFRS consolidated financial statements and group management report for fiscal year 2013. The audit reports were available to all members of the Supervisory Board in good time prior to its meeting. The auditor reported in depth to the Supervisory Board and was available for extensive questions. After a thorough discussion and based on its own review, the Supervisory Board concurs with the results of the audit of the financial statements and the consolidated financial

statements by the auditor. As a final result of its review, the Supervisory Board does not have any objections to the financial statements or the consolidated financial statements. The Supervisory Board expressly approves the financial statements and management report prepared by the Managing Board for fiscal year 2013. The financial statements for 2013 are thus adopted. The Supervisory Board also approves the IFRS consolidated financial statements and group management report prepared by the Managing Board for fiscal year 2013.

The company's Managing Board proposes to distribute a dividend of EUR 0.25 per share from the company's net retained profits totaling TEUR 1,516. In terms of shares outstanding on today's date (excluding the company's treasury shares), this corresponds to a dividend total of TEUR 1,039. The remaining amount of TEUR 477 will be carried forward to new account. The Supervisory Board has reviewed and approved this proposal.

The Supervisory Board would like to thank all of the members of the Managing Board and all of the employees for their dedication and commitment during the past fiscal year. The Supervisory Board would like to wish the new Managing Board and the employees continuing success in meeting the challenges posed by the new fiscal year.

Hamm, March 19, 2014

*Dr. Dirk Markus
Chairman of the Supervisory Board*

SMT Scharf's Management Team

SMT Scharf AG's success in the past years is the result of both our committed staff in Germany and abroad as well as the confiding teamwork between the German parent company and the international subsidiaries. Thus, in

the operational business the Executive Board of SMT Scharf AG closely cooperates with the personnel of the senior management level. Thereby the company benefits from the long lasting experience of each either in

the mining industry, in the commercial or the engineering sector. In periodical meetings this collective know how is utilized in favor of a positive business development.



- 1 **Marlies Schweins**
*Directress finance and
human resources*
SMT Scharf GmbH, Germany
- 2 **Christoph Schroeder**
Managing Director
SMT Scharf GmbH, Germany
- 3 **Andrey Logvenkov**
Managing Director
SMT Scharf Russia, Russia
- 4 **Eduard Gneiding**
Managing Director
SMT Scharf Russia, Germany
- 5 **Jens Schumacher**
Managing Director
SMT Scharf GmbH, Germany

- 6 **Heinrich Schulze-Buxloh**
COO
SMT Scharf AG, Germany
- 7 **Christian Dreyer**
CEO, CFO
SMT Scharf AG, Germany
- 8 **Andrzej Lisowski**
Managing Director
SMT Scharf Polska, Poland
- 9 **Jerzy Skolmowski**
Managing Director
SMT Scharf Polska, Poland
- 10 **Michael Pan**
Managing Director
Scharf Mining Machinery China

- 11 **Wayne Busch**
Managing Director
SMT Scharf Africa + Sareco,
South Africa

Missing in the picture:

Mark van Ede
Managing Director
Sareco, South Africa

Igor Masalskyi
Managing Director
SMT Scharf Ukraine, Ukraine

Reinhold Jung
Managing Director
SMT Scharf Saar, Germany





*"SMT Scharf's monorail is very powerful.
It copes with payloads up to 45 tons on
gradients up to 35%."*

Soma, TURKEY





SMT Scharf - the mining environment

Whereas transportation tasks in surface mines can be handled primarily by conventional trucks, SMT Scharf AG's railways and chairlifts are designed exclusively for the harsh conditions of underground mining. In order to reach underground deposits of all types (coal, ore and

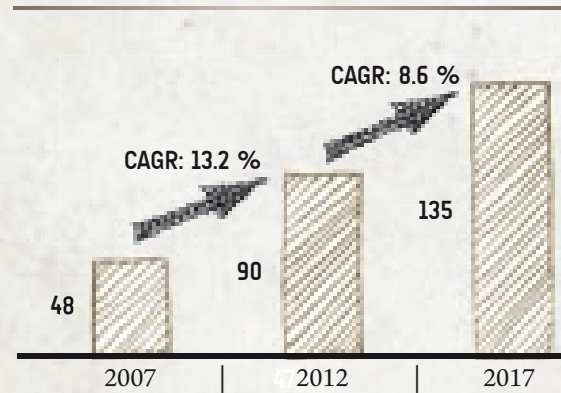
so on), shafts and tunnels need to be driven into the rock as deep as 4.000 meters, sometimes stretching horizontally for kilometres under ground. To mine coal or ore, people and machine parts must be transported over such distances, and over considerable height variations along the way. Mine

operators deploy SMT Scharf railways and chairlifts, among other products, in order to operate such transportation efficiently, rapidly and safely.

The monorail is Scharf's most widely-distributed product, accounting for around 80 % of its revenues. It runs along a simple rail with a double-T-profile that is secured by rock anchors transportation offers significant advantages compared with rubber-tired vehicles and ground-based rails: a monorail is easier to install than rails on the ground, it is less sensitive to debris and rocks scattered on the floor. Their decisive advantage, however, is that they can manage gradients of up to 35° and payloads of up to 45 tonnes.

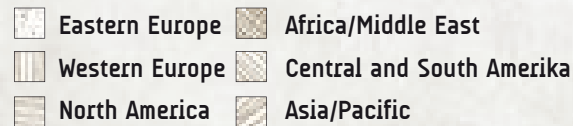
SMT Scharf operates mainly in coal mines, although increasingly also in underground ore and precious metal mines. In order to differentiate itself from the coal-based business, at SMT Scharf this segment is referred to as „hard rock“.

GLOBAL MINING EQUIPMENT DEMAND 2005-2017 (IN US\$ BILLION)



Source: Freedonia Group Inc. (2014)

MINING EQUIPMENT DEMAND BY REGION 2007-2017 (IN %)



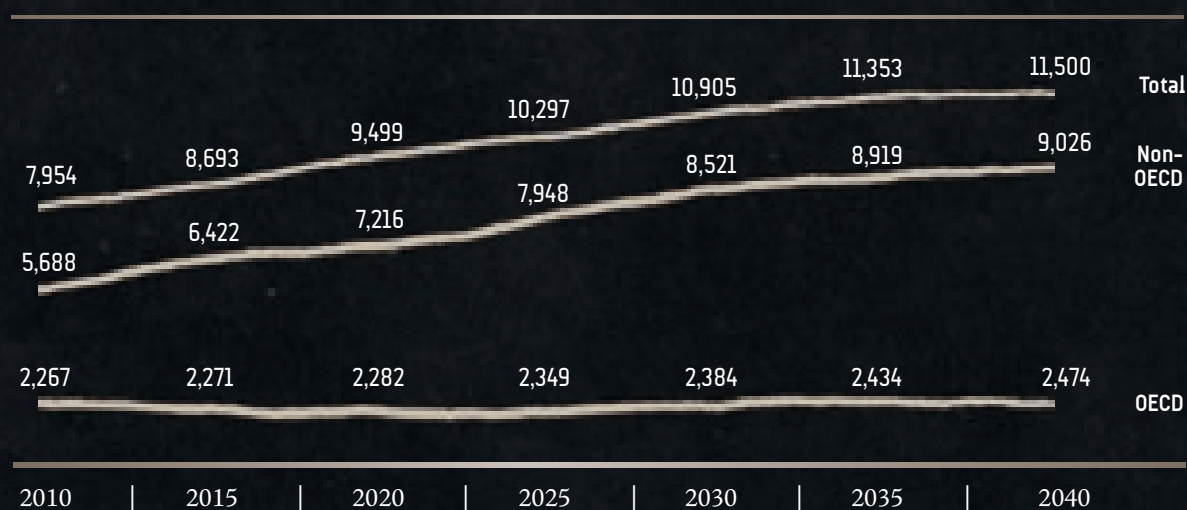
Source: Freedonia Group Inc. (2014)

COAL MINING

Around 80 % of SMT Scharf Group's products are sold to underground coal mines. Although coal mining has been in decline in Western Europe for many years, it reports very robust and continuous growth in other countries such as China, Australia and India. The combustion of coal in power plants as an energy source covers around one third of global electricity demand – which will still be the case in twenty years' time, according to many independent projections like one study carried out by market research institute Frost & Sullivan. Moreover, approximately 20 % of coal production is used to melt steel from iron ore. The growing share of regenerative energy production (water, sun, wind, etc.) is also unable to avoid further growth of coal consumption. Only dynamic growth in fracking in the USA impedes even stronger growth in coal combustion.

Overall, international energy forecasts anticipate continuous growth in coal production at a global rate of 1-2 % per year over the next 25 years. A strong shift away from industrial countries (EU, USA) towards expanding economies in Asia, whose energy hunger is growing ever stronger, is evident. In these recently developed markets, deposits that can be reached easily are mined first, but are exhausted within a few years, leaving increasingly remote and deep deposits to be mined. For this reason, the forecast annual growth of the mining machinery industry significantly outpaces that of coal production, amounting to 8.6 % over the next years up to 2017 according to US industry market research institute Freedonia Group. Along with many other automation and mechanisation options, the incentive for the mining industry to deploy SMT Scharf products is becoming ever greater as a consequence. Besides increased cost efficiency, Scharf trains also offer the benefit that they have been developed especially for

GLOBAL COAL PRODUCTION 2010-2040 (IN MILLION SHORT TONS)



Source: U.S. Energy Information Administration, International Energy Outlook 2013

difficult conditions in black coal mines, and have already proven themselves as optimal in the mature German coal mining industry.

A further aspect speaks in favour of SMT Scharf products, and differentiates them from similar systems that are deployed in the industry outside mines: the basic condition for products used in underground coal mining is explosion protection, since the risk of deadly methane gas or coal dust explosions („firedamp explosions“) always exists underground. Consequently, explosion protection must be implemented and certified on all machines and equipment according to stringent national and international standards. This is particularly relevant for the diesel engines SMT Scharf purchases and then modifies specifically for explosion protection requirements. All electrical components can also generate sparks, and must also be expensively encased and rendered explosion-proof in line with such regulations. To a certain extent, certification represents a natural barrier to market entry for SMT Scharf's competitors.

Even beyond explosion protection safety is a major aspect in underground mining where darkness, dust, blast fumes, gases, lack of ventilation, humidity and narrow spaces are encountered. In this harsh environment Monorails facilitate safe and continuous transport right from the surface yard to the underground workings.

HARD ROCK MINING

Some 20 % of SMT Scharf Group's production is sold to mines extracting raw materials other than coal, such as gold, platinum, copper or nickel. Here, too, we supply exclusively to underground mines where rock layers need to be penetrated to reach the deposits. The main difference compared with coal mines is that no expensive explosion protection is required, and that electrical locomotives with conductor rails can therefore be used, rather than diesel locomotives. Apart from this, these applications do not differ in general.

Hard rock mining presents a highly varied picture. The mining locations are located all around the world, although they are predominantly concentrated in developing countries (Africa, Asia) and remote regions (Canada, Russia, Australia), and to a lesser extent in populated industrial countries. Consequently, German customers account for virtually 0 % of this business at SMT Scharf AG.

Today, the hard rock business at SMT Scharf has only limited significance compared to coal. The company nevertheless believes this could become its main area of activity in the very long term, as coal's share of energy production will decrease due to political pressure. For this reason, SMT Scharf AG is already investing in its hard rock business today. In business management language, coal mining represents the „cash cow“ from a classic portfolio perspective, while the hard rock mining business could be considered the company's „star“.

TO OUR SHAREHOLDERS

*"Increasingly remote and
deep deposits?
No big deal for the miners
of SGT Sakarf."*

Novokuznetsk, RUSSIA





*'The railway systems
of SMT Scharf makes
our work easier.'*

'Absolutely.'

Tychy, POLAND



Product areas

CAPTIVATED RAILWAY SYSTEMS – MONORAIL

SMT Scharf has been producing captivated (meaning being protected against derailment) railway systems for the mining industry for over 40 years. Their most widely-found design is that of a suspended monorail. These entail a suspended rail with a double-T-profile,

a drive with rubber friction wheels (in some applications supported by a rack-and-pinion system), while their locomotives are constructed in a modular set-up. The rails are hanging from the roof on chains, either from the roof support or from bolts in the rock. In this way, the stretch of rails can adjust to movements and deformations in the rock.



In most cases, the trains are driven by a diesel engine. Battery-powered or conductor-rail powered electric motor variants are also in use. The motor feeds a hydraulic system in which the hydraulic motors that drive the friction wheels are integrated. Alternatively, there is a version in which the electric motors drive the friction wheels directly with the help of frequency converters. Since 2009, SMT Scharf has also offered a variant that allows a rack-and-pinion drive to be engaged on selected rail sections. Since the trains are suspended on the rails using running gear that can be compared with crane trolleys, the name „diesel trolley“ has become common for the most-used diesel-driven locomotives.

The locomotives comprise two driver's cabins at the front and at the back, an engine section, a cooling section, and three or more driving units. These assemblies are linked flexibly to each other by coupling rods, enabling the tight curves and the changes between descents, straight sections and inclines in the underground tracks to be negotiated. The trains are set up for horizontal radii of up to four meters, and vertical radii of up to eight meters.

Each train comprises one locomotive and up to ten transport units that accommodate the payload. In terms of transportation types, a differentiation is made between lifting beams, handling containers, heavy load units taking larger objects with single loads of up to 45 tonnes, and units for transporting people. The trains, as well as the locomotives, are assembled based on the mine's specific transportation tasks.

Measured in terms of the numbers of systems installed, SMT Scharf is the world market-leader in Monorails for underground mining. Of the approximately 1,600 systems installed worldwide, around 546 or 34 % were supplied by SMT Scharf. Poland remains the country with the highest penetration of these systems. SMT Scharf commands an approximately 24 % share of systems installed in Poland. The installed base in Russia and China has grown significantly over recent years. SMT Scharf holds market shares of around 36 % and 38 % respectively in these countries, and is the market leader in each case.



CAPTIVATED RAILWAY SYSTEMS – RACK AND PINION LOCOMOTIVE

Besides suspended monorails, floor-mounted railways represent a second construction type. Their stretch of rails is made of U-profiles, and the railways run captivated on these rails on the mineshaft floor. SMT Scharf's floor-mounted rack-and-pinion driven railway system is built so that conventional narrow-gauge railway wagons can also run on floor-mounted railway tracks. SMT Scharf's railways are primarily used for gradients of up to 35°, and in scenarios in which the narrow cross-sections of headings and sharp mountain turns pose problems for more conventional vehicles.

CHAIRLIFTS

SMT Scharf has supplied the mining industry as well with chairlifts for almost fifty years. Chairlifts offer a highly cost efficient solution for mines in which a large number of people have to be transported over long distances underground.

The chairlifts for transporting personnel underground are substantially more compact and can deal significantly better with curves than traditional lifts – such as those used above ground as ski-lifts, for example. They are driven either electro-mechanically or electro-hydraulically. In black coal mining in particular, the drives are encapsulated, as are the other electrical components, thereby ensuring compliance with national regulations for explosion protection (ATEX, for example).

Overall, the chairlifts product group nevertheless contributed only 6 % to Group revenue during the last three fiscal years, and consequently ranks as an ancillary product.





*'SMT Scharf is world market leader
in monorails for underground
mining with a market share of approx. 34%.'*

Kya Sand, SOUTH AFRICA





Localisation strategy - Optimizing the value chain

SMT Scharf AG originated around sixty years ago in the German black coal mining region. Black coal mining in Germany, however, will come to a definite end by 2018. Consequently, from its base in the Ruhr region, the business has increasingly internationalised itself over the

past ten years. Today, only 9 % of sales revenue comes from Germany, which is only the remaining service and spare parts business. New trains are no longer sold in Germany, where around 60 of our systems are still being operated. With our „localisation strategy“, which we formulated

explicitly in 2012, we aim to continue to consistently pursue our orientation towards our international customer market, in order to be prepared for a future where greater local competition is anticipated, especially in China.

The core of the localisation strategy is to strengthen our foreign locations. For example, developments to adapt to local customer requirements are to be carried out directly at our subsidiaries, in order to better and more rapidly meet respective client requirements.

Components purchasing is also to be shifted locally to a greater extent. This reduces the procurement costs. Finally, assembly will also be expanded at our foreign companies. The aim is to shorten delivery times, and to better adjust products to fit specific national requirements.



In spite of this strengthening of our foreign subsidiaries, however, it must be emphasised that SMT Scharf remains a German company at its core, and will continue to benefit from „Made in Germany“ engineering prowess. Therefore, research & development, project management, marketing, and strategic purchasing will remain the tasks of our highly-qualified engineers and staff at our Hamm location. Here, the company can benefit from group economies of scale. Group headquarters also remain in Germany, drawing on decades of experience with German engineering expertise.

During the year under review, SMT Scharf AG has continuously hired and trained staff – including engineers – at the foreign subsidiaries. The company has also built up further development and production capacities in China. Consequently, SMT Scharf has decided to rent factory space that meets the local production needs in China.

„In terms of quality, no other railway systems can keep up with Scharfs.“

Donetsk, UKRAINE





Los Andes, CHILE



Hard rock mining example: Monorails for the Codelco copper mine in Chile

Along with his commitment to coal mining, SMT Scharf AG is also continuously expanding its business with hard rock mines. The company is currently working on a pilot project for Chilean mining group Codelco, who are convinced of the effectiveness of the tried-and-tested monorails of SMT Scharf AG. The world's largest copper producer has developed a new conveying concept – „continuous mining“ – for its underground mine in Chile, which should feed through to both significant productivity enhancements and lower costs. Four different SMT Scharf monorail applications developed specifically for Codelco play a key role in this new conveying system.

A version of the rail system produced individually for Codelco is to transport special equipment

such as dozer feeders and armed face conveyors (AFCs), which form part of this „continuous mining“ system. The three other applications of SMT Scharf's monorail system are largely new: while one version is to be equipped with a lifting platform suspended from the track to carry out installation work on the hangwall and then later to be utilized as a maintenance tool, a second train is to be designed as a drilling and wedging car: here, a long arm is installed with the drilling and wedging tool at the end, to crush oversized boulders. The third train functions as an explosives placement car: a long, remotely-steered telescope arm will place explosive charges in the rock with the help of an infrared camera, distance sensors and angular sensors. SMT Scharf's project also includes the delivery

of rail systems. These new, highly-automated applications not only save on costs, but also avoid the need for people to work in overly dangerous mine areas.

If these special monorails prove effective, SMT Scharf hopes that they will not only be multiplied in other areas of this mine, but also in numerous other underground mines worldwide where the block caving method is used, for example in ore mines in Chile, the USA, Australia, South Africa, Indonesia and Mongolia, especially to mine copper ore, as well as for the mining of diamonds, gold and silver.



*"SMT Schaeff's products enable
us to work more efficiently."*

Ibbenburen, GERMANY



Share information

Share price performance 2013



SHARE PRICE PERFORMANCE

The shares of SMT Scharf AG have been listed on Frankfurt Stock Exchange's Prime Standard since April 11, 2007. In September 2013, the SMT Scharf AG was deselected from the SDAX index, having belonged to it for a year. This was due to several big companies moving down from the MDAX, including sports article manufacturer Puma, agricultural trader BayWa and the carbon product specialist SGL Group.

The performance of the SMT Scharf share during 2013 was characterised by constant up-and-down movement. Starting from the previous year's year-end share price (EUR 21.10), the share rose initially and constantly –

albeit interrupted by some setbacks – to reach EUR 25.99 on April 4, 2013, with this level also representing its high for the year. Since then, the share has continuously lost value before reaching its low for the year of EUR 19.22 on December 18, 2013. Frequent recovery phases occurred over this period but proved unable to turn the trend around. The share price rose slightly during the last weeks of the year, before ending the year at EUR 19.45 on December 31, 2013, representing an approximately 8 % decline over the previous year's closing price. By contrast, the comparable SDAX share price index stood at 6,788.79 points on December 31, 2013, reflecting a 29 % year-on-year gain (December 31, 2012: 5,249.35 points).

Share Price Information for 2013 (Xetra)

Closing price previous year	EUR 21.10
Highest price (April 4, 2013)	EUR 25.99
Lowest price (December 18, 2013)	EUR 19.22
Closing price (December 31, 2013)	EUR 19.45

SMT Scharf's share initially climbed to EUR 21.70 EUR at the beginning of the year 2013, oscillating round EUR 21.00 afterwards with a downside trend. On February 28 the share closed at EUR 20.31. The SDAX performance index continued his upward movement in the first weeks of the year.

Trading volumes in SMT Scharf shares registered a marked year-on-year decline. Around 9,400 shares were

traded on Xetra and the Frankfurt Stock Exchange on an average daily basis during 2013 (2012: 12,600).

Key Data

German Securities Code (WKN)	575198
ISIN	DE0005751986
Stock exchange symbol	S4A
Segment	Prime Standard (regulated market)
Number of shares	4,200,000
Initial quotation	April 11, 2007

ANALYST'S RECOMMENDATIONS

As of March 14, 2014 SMT Scharf AG is covered by five analysts. The price target of SMT Scharf's share is currently estimated between EUR 21.70 and EUR 23.00.

Bank/ Research Company	Analyst	Date	Current recommendation and price target
Bankhaus Lampe	Gordon Schönell	November 12, 2013	Hold, EUR 23.00
equinet Bank AG	Holger Schmidt	February 27, 2014	Accumulate, EUR 25.00
Hauck & Aufhäuser	Thomas Wissler	August 15, 2013	Buy, EUR 33.00
SMC Research	Holger Steffen	January 30, 2014	Hold, EUR 21.70
WGZ Bank	Stefan Röhle	November 11, 2013	Hold, EUR 23.00



SHAREHOLDER STRUCTURE

By definition of Deutsche Börse, more than 98 % of SMT Scharf AG shares comprise its Free Float since former major shareholders Field Point II S.a.r.l. and MS

Mining Solutions GmbH sold their remaining interests in February 2010. The company was also notified of the following changes to voting rights during the past year (in each case including attributed voting rights):

06/02/2013	Exceeding the threshold of 3% of voting rights	Colin Moran, Abdiel Capital Advisors LLC, Abdiel Capital Management LLC
05/03/2013	Exceeding the threshold of 3% of voting rights	Abdiel Qualified Master Fund LP
23/05/2013	Exceeding the threshold of 3% of voting rights	Oakcliff Capital Partners, LP, Oakcliff Capital Management LLC, Oakcliff Partners LLC, Herr Bryan R. Lawrence
06/06/2013	Falling below the threshold of 3% of voting rights	The Bank of New York Mellon Corporation, The Bank of New York Mellon, The Bank of New York Mellon SA/NV
13/06/2013	Falling below the threshold of 3% of voting rights	Abdiel Qualified Master Fund LP
26/11/2013	Exceeding the threshold of 3% of voting rights	Axxion S.A.
11/12/2013	Exceeding the threshold of 3% of voting rights	Shareholder Value Beteiligungen AG

SMT Scharf AG held 1.1 % of its own shares as treasury shares at the start of the 2013 fiscal year. As in previous years, SMT Scharf AG sold shares to employees as part of an equity participation plan. The company's treasury share position consequently fell further over the course of the year (1.1 %).

The General Meeting on April 14, 2010 approved a new authorisation for the Managing Board to acquire SMT Scharf AG treasury shares up to April 13, 2015. This authorisation was not utilised in 2013.



IR ACTIVITIES

When the company went public in 2007, SMT Scharf AG opted for Deutsche Börse's segment with the strictest regulations: the Prime Standard. Accordingly, the company places high priority on transparency, openness and reliability in its interaction with capital market participants. Investors regularly receive current in-depth financial information, in both German and English, in the quarterly, six-month and annual reports as well as up-to-the-minute press releases and ad hoc disclosures on business developments. In addition, SMT Scharf presented itself at the German Equity Forum in Frankfurt in November 2013, as in previous years. Here, questions posed by institutional and private investors, as well as analysts, were responded to in detail in numerous one-on-one meetings and as part of a presentation. The Managing Board takes the opportunity in numerous discussions during the course of the year with investors, analysts and financial journalist to report on the company's development.

Detailed information on the company and its shares can be found online at www.smtscharf.com in the Investor Relations section. The website also includes the financial reports for previous years and additional company notices (including updates on voting rights holdings, for example).

ANNUAL GENERAL MEETING

The Ordinary Annual General Meeting of SMT Scharf AG for the 2012 fiscal year was held on April 17, 2013 in Hamm. This meeting was attended by 35.6 % of the voting right-entitled share capital. The AGM approved four out of five agenda items by more than 97 % each, and consequently almost unanimously. An increase in the dividend from EUR 0.95 to EUR 0.98 was approved, for example. The discharge of the Managing and Supervisory boards and the election of the auditor for the 2013 fiscal year were also on the agenda. The management's proposal for agenda item number 6 – „Supplement to the compensation rules for Supervisory Board members and amendment to the articles of incorporation“ – was approved by more than 88 % of shareholders voting.

TO OUR SHAREHOLDERS

*Did you know that in many countries
an underground railway system
is a „Scharf“?*

Walsum, GERMANY







Group management report

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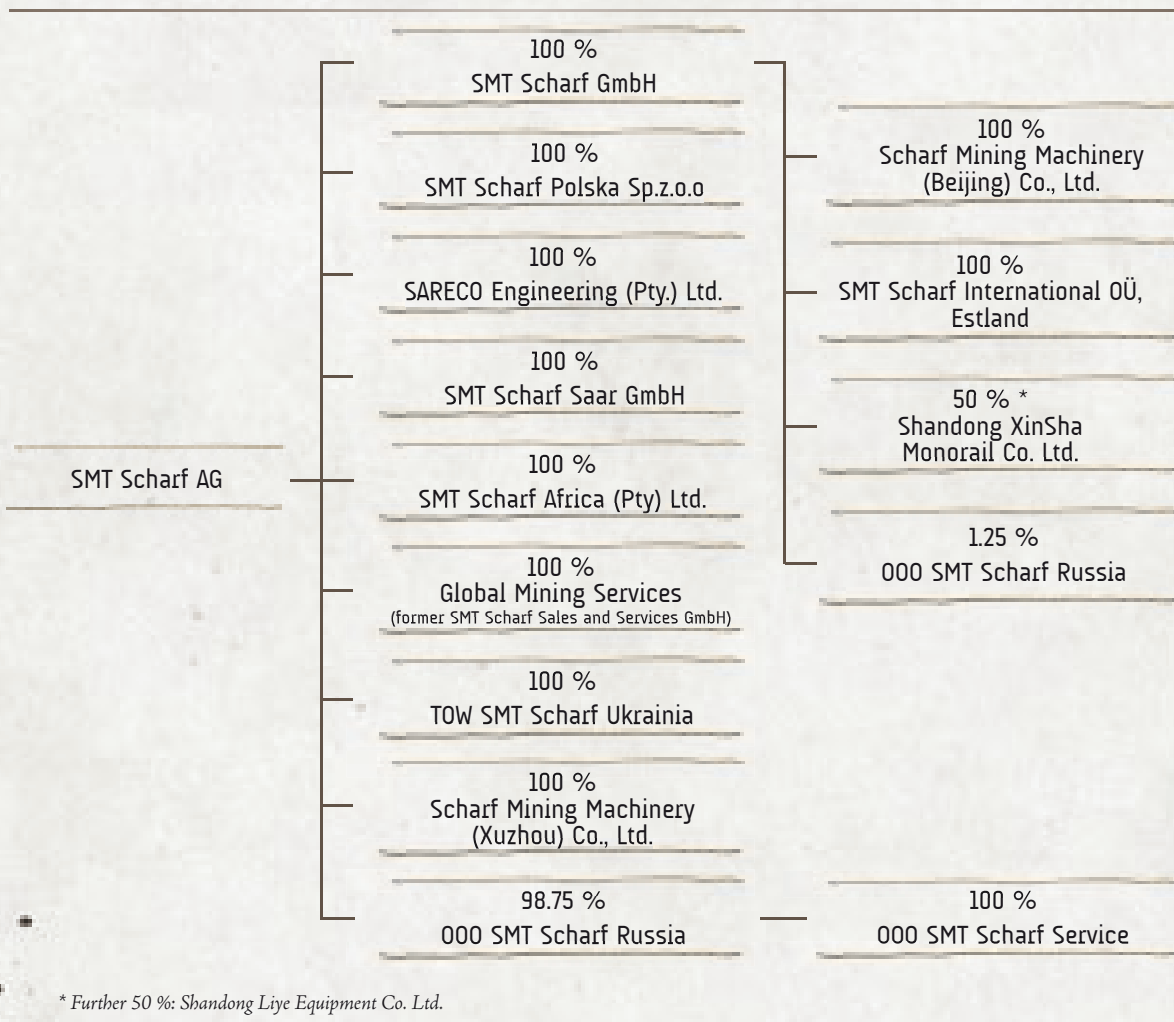
Basis of the Group

BUSINESS MODEL AND GROUP STRUCTURE

The SMT Scharf Group develops, manufactures and services transportation equipment for underground mining. The main products are captivated railway systems that are deployed all over the world, primarily in black 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 2013, the company also started operating railway systems. In addition, the Group supplies the mining sector with chairlifts. The SMT Scharf Group is active with subsidiaries in seven countries, as well as commercial agencies worldwide. SMT Scharf generates the predominant share of its revenue in growing foreign markets such as China, Russia, Poland, and South Africa. Business with replacement parts and repairs contributes around half the revenue.

SMT SCHARF GROUP STRUCTURE





PERSONNEL

Since September 2013, SMT Scharf AG has been calculating the number of its employees in the form of full-time equivalents (FTEs). SMT Scharf Group employed 299 staff (FTEs) as of December 31, 2013, including 13 trainees. In the previous year, the number of employees amounted to 274 individuals (including 14 trainees), excluding staff at the UK companies. SMT Scharf also draws on temporary help staff in order to flexibly boost production capacity. In Germany, SMT Scharf's employment shrank from 130 to 123 FTEs, while employment abroad rose from 144 to 176 FTEs. Consequently, the percentage of Group employees outside Germany has increased to 59 % (previous year: 53 %).

	2013	2012
Total employees	299	274
Employees in Germany	123	130
Employees abroad	176	144
Female employees	45	41
Male employees	254	233

The workforce outside Germany increased due to the growing significance of foreign markets. In line with its localisation strategy, SMT Scharf AG has hired further staff last year especially in the Ukraine (6 FTE; 2012: 0 FTE; the Ukrainian subsidiary has been consolidated using the equity method till January 2013), Poland

(+19 %) and Russia (+69 %). In Russia, the workforce was boosted, as a new rental model is being tested there.

Of the 299 employees, 45 are female. They account for 15 % of the workforce, which is slightly higher than the percentage of female managers to the total number of managers in the SMT Scharf Group (12 %).

At the start of 2006, SMT Scharf set up a hardship and social fund in the amount of EUR 990 thousand as a result of an agreement with the works councils. This fund aims to reduce the impact of redundancies for operational or health reasons or other hardships at SMT Scharf GmbH and SMT Scharf Saar GmbH. In addition, according to the agreement, its funds are to be used to secure funding for early retirement schemes. A commission including both employer and employee representatives will decide on the appropriation of the funds. The hardship and social fund totalled EUR 666 thousand at the end of the fiscal year (previous year: EUR 681 thousand).

A total of 2,125 shares were sold to employees in April 2013 as part of an employee equity participation plan. SMT Scharf AG bought these shares in fiscal year 2009 under the authorization to acquire treasury shares by the General Meeting on April 23, 2009.

CORPORATE MANAGEMENT SYSTEM

At SMT Scharf AG corporate management is performed on the basis of financial and non-financial key indicators whose development affects the company's value in various ways. The financial and non-financial performance indicators are monitored continuously, and are included in monthly reporting to the Managing

Board. Reporting is according to subsidiaries in the form of an analysis of actual values, and of how they diverge from the budget and the previous year's figures. Further specific analyses are performed depending on requirements.

Key financial performance indicators

The following table shows the key indicators deployed in corporate management, and how they are calculated:

Key indicator	Calculation method
Key earnings indicators	
Operating output	Revenue + changes in inventories
Profit from operating activities (EBIT)	-
Cost of materials ratio	Cost of materials/operating output
EBIT margin	EBIT/operating output
Profit/loss before tax (EBT)	-
EBT margin	EBT/operating output
Key balance sheet indicators	
Equity ratio	Equity/total assets
Receivables level	Customer receivables/revenue

Sales and profit from operating activities (EBIT) are the main management metrics at the subsidiaries, with further metrics including the cost of materials ratio. With regard to sales, the respective market share of SMT Scharf AG on the total global market or in target markets plays a role.

Non-financial performance indicators

The number of employees, new order intake and the order book position comprise the non-financial performance indicators of relevance for Group management.

STRATEGY

SMT Scharf is a typical „hidden champion“ of the German medium-sized engineering company sector, with an export share in excess of 90 %. The company's strengths lie in its technical expertise, consistently high quality-standards and an intensively-practised international approach. Only in this way can the company successfully and profitably defend its market leadership in the global marketplace.

Despite the currently difficult setback in overall demand for mining equipment, SMT Scharf retains its general five-year outlook planning developed in 2013 and comprising the following main objectives:

- (1) Concentration on the core „railway systems“ business
- (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 %.

Point (1) has already been implemented through the disposal of the roadheader division, a less attractive area

that faced intense competition. In order to achieve the ambitious medium-term growth and earnings objectives, a large number of operational development programmes have been launched at all Group areas and sites. The primary objective of SMT Scharf AG is to advance the Group's internationalisation. In particular, SMT Scharf AG aims to further expand its competences at its subsidiaries located close to its mining customers (localisation strategy). When finalised, a corporate culture determined by German engineering excellence and the central development department are to be in place at the Group headquarters in Hamm, with highly competent subsidiaries situated in all important mining countries. The central technologies and quality benchmarks for all functions – research & development, project management, marketing, and strategic purchasing – are provided from Germany. In the sales countries, full operating locations are to grow out of today's sales and service branches, which will not only be independently responsible for sales and service, but also for customer-specific adaptation developments including local production and registration.

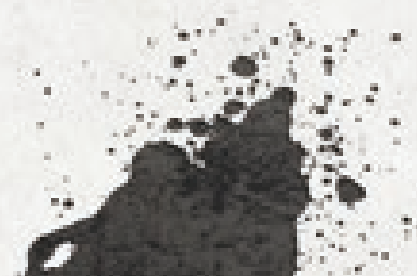
RESEARCH AND DEVELOPMENT

Since design engineers will be entering retirement over the course of the coming years, we have strengthened our engineering and development team in Hamm to include several new junior engineers over the course of the year. This is intended to ensure a smooth transition of know-how.

Staff have also been added to the local engineering and development departments at our sites in Poland, Russia and China in order to more efficiently process developments located close to our customers – part of our localisation strategy. Induction of the new engineers is progressing as expected.

Advancing innovative applications in copper mining, we have developed new transportation technologies based on our monorails – which will go into productive deployment at the customer's mine in 2014.

The SMT Scharf Group invested about 4.0 % of its 2013 revenues in research and development, slightly higher than in the previous year (3.1 %). This figure includes order-related development work and approvals, as well as own work capitalised. SMT Scharf's R&D investments are consequently on par with the average in the German engineering industry.



Economic report

ECONOMIC ENVIRONMENT

Macroeconomic environment

Following somewhat weak economic growth in the first half of 2013, global production gained traction over the rest of the year. Global gross domestic product growth of 2.4 % was nevertheless below the 2.5 % reported in 2012, according to International Monetary Fund (IMF) figures. The decline in production growth in emerging economies was more pronounced than in developed economies. Growth also slowed in 2013 on the most important sales markets for SMT Scharf AG. In Poland, GDP growth in 2013 amounted to 1.3 % (2012: 1.9 %), in China to 7.7 % (2012: 7.7 %), in Russia to 1.5 % (2012: 3.4 %) and in South Africa to 1.8 % (2012: 2.5 %), according to IMF statistics.

Despite its localisation strategy, most new systems and plants at SMT Scharf AG continue to be produced in Germany. For this reason, changes to the exchange rates for the company's main sales markets continue to be important. With the Polish Zloty (-2 %) and the Chinese Yuan Renminbi (-2 %), the exchange rates for two important target countries remained more or less stable in the period under review (source: European Central Bank (ECB) data). The sharp depreciation of the Russian Ruble (-12 %) and South African Rand (-30 %) nevertheless meant that SMT Scharf's products have become significantly more expensive in these countries when converted into local currency. The company also had to absorb currency losses on outstanding project and customer receivables.

Sector trends

Demand on the mining equipment market decreased continuously last year. This weakness reflects a significant drop in commodity prices and a new wave of investment reticence among mining operations. After some significant overinvestment in the course of the past ten years, and the fact that returns on capital have become unattractive, the focus of the mining industry has now made a strong shift towards capital efficiency.

Approximately USD 110 billion of worldwide mining investments in 2013 will be -21 % lower year-on-year, according to sector estimates from PricewaterhouseCoopers. Impairment losses amounting to USD 75 billion (Deloitte) that the mining industry has had to digest between September 2011 and September 2013 reflect the sector's weak trend. This downturn also affects German manufacturers of mining equipment. New order intake received by German mining equipment manufacturers was down sector-wide between January and September 2013, sliding by -39 % year-on-year, according to estimates produced by the mining equipment specialists association of the German Engineering Federation (VDMA). Sector companies are primarily confronted by lower export demand (-40 %), while new orders received from Germany were down by only -24 %. For this reason, and partly due to some residual orders, 2013 sales revenues will at best stagnate at their 2012 level. With regard to 2014, the German Engineering Federation even sees the sector reporting sales revenue down by a low double-digit percentage figure.

In addition, the Chinese economy continues to report strong growth, but is no longer as dynamic as in previous years. Due to the PRC's immense hunger for commodities and energy, this also affects mining equipment investments. Moreover, the Chinese government has also announced that it will reduce coal's share in its energy mix from 70 % in 2013 to 65 % in 2017, according to a study drawn up by consultants at Deloitte. A total of 44 % of global coal was produced in China in 2014, and the country is set to account for 52 % of global coal production by 2030. It is also the world's largest producer of gold, and ranks at third place in worldwide iron ore production.

Medium-term, however, especially Chinese mines need to catch up with the past decades' investment backlog, including in infrastructure investments. Directors at major mining groups assume that demand in China and emerging economies will continue over the medium term. In their International Energy Outlook 2013, experts at the US Energy Information Administration forecast that global coal production will rise by around 1.3 % per annum between 2010 and 2040, growing from 147 billion Btu (British thermal units) to 220 billion Btu. A major shift away from industrial countries (EU, USA) towards expanding economies in Asia is clearly identifiable. Deloitte believes that mining operators will not only focus on boosting productivity through further automation, but also on further expanding safety precautions.

BUSINESS DEVELOPMENT

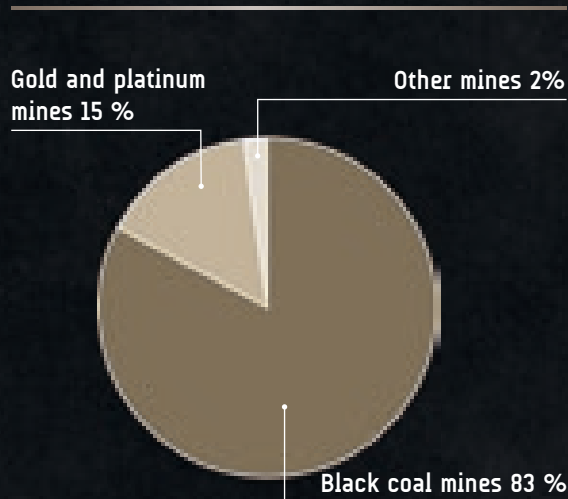
Moderate global economic growth and contracting commodity prices fed through to significantly lower infrastructure investments by mining operators last year. This also affected demand for SMT Scharf's railway systems. As a consequence, revenue was down by -17 % to EUR 63.3 million in the year under review (previous year: EUR 76.6 million).

Of the total Group revenue, 91 % came from countries outside Germany. Once again, China featured as the most important market, accounting for a 29 % or EUR 18.4 million share of total revenue, although this was down a little on the previous year's 33 %. This was followed by Russia and other CIS states (21 %, EUR 13.5 million), Poland (18 %, EUR 11.6 million) and South Africa (15 %, EUR 9.7 million). While demand from America accounted for a significant share of revenue in the previous year (12 %), this percentage plunged to just 2 % in the 2013 fiscal year. This is due to the fact that business in America in previous years came mostly from Dosco's roadheader products. In 2013, SMT Scharf also gained an additional foothold there, with its own products sold to Chile's copper mining industry. In Germany, SMT Scharf's business with Deutsche Steinkohle AG was focused on spare parts and services, as in previous years.

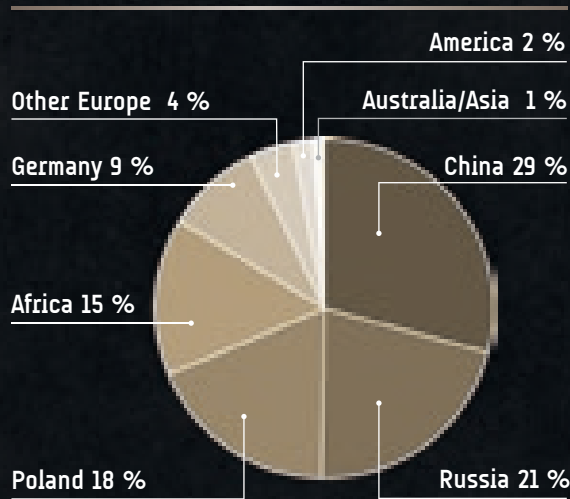
The business with new equipment (EUR 32.4 million, 51 %) and the spare parts and service business (EUR 30.8 million, 49 %) each accounted for about half of revenue. This distribution varies greatly when regarding individual sales markets, however: in America, the new systems business accounted for 90 % of revenue, some

69 % in Australia and Asia, and a total of 67 % in Russia. Only in Germany (98 %) and Poland (56 %), the spare parts and service business was stronger than the new equipment business. Most of total revenue came from railway systems, while chairlifts accounted for just 7 % of revenue.

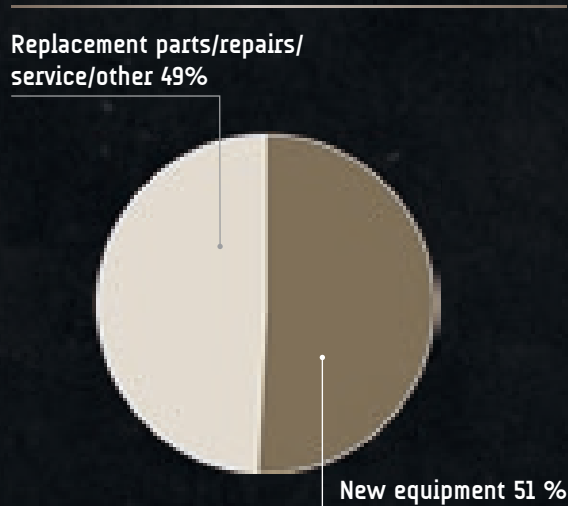
Revenue by customer groups (2013)



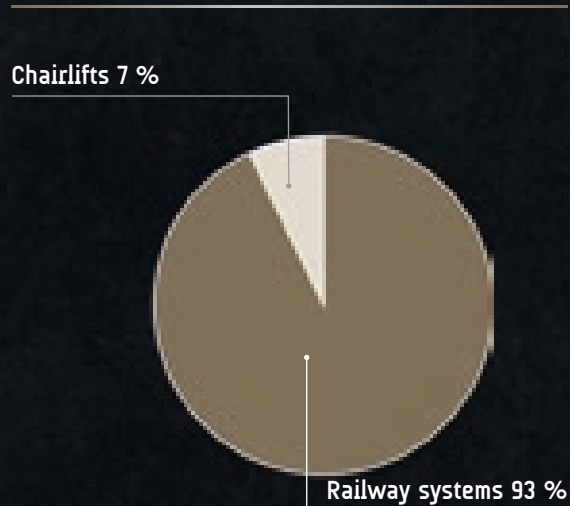
Revenue by region (2013)



Revenue by business type (2013)



Revenue by product (2013)



The total order book position amounted to EUR 16.1 million as of December 31, 2013 (December 31, 2012: EUR 22.4 million). Of the total Group orders, 96 % derived from abroad (previous year: 96 %). New order intake amounted to a total of EUR 61.0 million in 2013 (previous year: EUR 67.3 million). The decline in new order intake in the fourth quarter 2013 was particularly strong – from EUR 22.4 million to EUR 12.8 million (-43 %).

SMT Scharf AG attempted to generate additional revenue with a new operator model in the 2013 fiscal year: the core of the idea is to rent railway systems, including personnel, to customers, instead of selling the respective systems and equipment. The rationale behind this is that mines currently lacking the funds for major purchases mostly still have the resources to finance their ongoing operating activities.

SMT Scharf AG is presently working on a pilot project for Chilean mining group Codelco. The world's largest copper producer has developed a new „continuous mining“ production concept for its Andina underground mine in Chile. This concept should significantly boost output and feed through to lower costs. Four monorails that SMT Scharf has developed especially for Codelco play a critical role in this new conveying system. If these specialty railways prove themselves, it is imaginable that this concept might be expanded not only to further shafts in the same mining operation, but in numerous other underground mines worldwide where the block caving method is used, for example in ore mines in Chile, the USA, Australia, South Africa, Indonesia and Mongolia – especially for copper ore as well as diamond, gold and silver mining.

NET ASSETS, RESULTS OF OPERATIONS AND FINANCIAL POSITION

Results of operations

Given declining investments by mining operators, the SMT Scharf Group generated EUR 63.3 million of revenue in the year under review, down -17.5 % on the previous year's EUR 76.6 million. Operating output (revenue plus changes in inventories) stood at EUR 63.4 million, compared with EUR 75.6 million in the previous year (-16.2 %). Other operating income was up slightly from EUR 1.7 million to EUR 2.2 million due to the release of provisions.

As a result of the lower business volumes, the cost of materials of EUR 32.2 million declined markedly from the previous year's EUR 40.1 million. The cost of materials ratio (cost of materials in relation to operating output) also fell, from 53.0 % in the previous year to 50.8 %. By contrast, the personnel expenses ratio rose to 21.6 % (previous year: 16.7 %) due to hiring in the context of the localisation strategy. Depreciation and amortisation amounted to EUR 1.7 million (previous year: EUR 1.5 million), while other operating expenses stood at EUR 11.4 million (previous year: EUR 10.3 million). This increase is primarily due to currency losses and additions to provisions.

Results of operations

In EUR millions	2013	2012	Change
Revenue	63.3	76.6	-17.5 %
Operating output	63.4	75.6	-16.2 %
EBIT	6.6	12.9	-48.7 %
EBIT margin	10.6 %	17.0 %	-
Profit/loss on discontinued operations	-2.3	1.9	-
Consolidated net income	3.2	11.7	-72.5 %
Earnings per share	EUR 0.77	EUR 2.82	-72.7 %

Due to fixed costs, the SMT Scharf Group generated only EUR 6.6 million of profit from operating activities (EBIT) in the year under review, reflecting a -48.7 % decline from the previous year's EUR 12.9 million. The EBIT margin stood at 10.6 % (previous year: 17.0 %).

The financial result increased to EUR 0.8 million (previous year: EUR 0.2 million) as a consequence of higher income from participating interests and a marked reduction in interest expenses. Net of these items, profit before tax amounted to EUR 7.4 million, down -43.4 % from the previous year's EUR 13.1 million.

Due to the lower tax rate in the foreign subsidiaries, taxes on income in the year under review were markedly

lower at EUR 1.9 million (previous year: EUR 3.2 million). In particular, the foreign subsidiaries reported lower tax rates. The tax rate for the German companies, including SMT Scharf AG, remained unchanged at a level of 32.1 %.

The company incurred a EUR -2.3 million loss on discontinued operations – i.e. Dosco roadheaders – in the year under review (previous year: profit of EUR +1.9 million). Overall, the SMT Scharf AG achieved EUR 3.2 million of consolidated net income, reflecting a -72.5 % year-on-year decline. Earnings per share amounted to EUR 0.77 accordingly (2012: EUR 2.82).

Net assets

The total assets of the SMT Scharf Group amounted to EUR 61.1 million as of December 31, 2013, compared with EUR 77.8 million on the previous year's balance sheet. The comparability of the two last balance sheets is limited, because the deconsolidation of the former subsidiary Dosco Holdings Ltd. did not occur until May 2013. The spin-off of Dosco led through to a EUR 14.0 million reduction in assets, as well as an EUR 11.1 million reduction on the equity and liabilities side.

On the assets side of the balance sheet, non-current assets were down from EUR 17.8 million to EUR 13.4

million – especially due to the disposal of the property in Tuxford, UK and a drop in deferred tax assets. Both is an effect of the deconsolidation of Dosco. Current assets continue to account for most of the assets side of the balance sheet. Two effects, in particular, played a role in this context: Firstly, trade receivables fell to EUR 16.9 million due to the lower revenue (December 31, 2012: EUR 24.0 million). Secondly, cash and cash equivalents dropped by EUR 5.9 million to EUR 10.6 million (December 31, 2012: EUR 16.5 million).

Net assets

In EUR millions	2013	2012
Total assets	61.1	77.8
Equity	39.4	43.3
Equity ratio	64.5 %	55.7 %
Total non-current and current provisions and liabilities	21.7	34.5
Non-current assets	13.4	17.8
Current assets	47.7	60.0

On the equity and liabilities side of the balance sheet, the equity ratio registered a significant increase to 64.5 % (December 31, 2012: 55.7 %), despite higher currency conversion differences and a reduction of profit carried forward.

Non-current provisions and liabilities were particularly affected by a reduction in the pension provision due to

the deconsolidation of Dosco. The pension provisions stood at EUR 2.9 million as of December 31, 2013 (December 31, 2012: EUR 11.2 million). By contrast, non-current financial liabilities increased to EUR 1.8 million due to the drawing down of a KfW loan from the ERP innovation programme (December 31, 2012: EUR 0.5 million).

Current provisions and liabilities were down by EUR 6.0 million to EUR 13.5 million (December 31, 2012: EUR 19.5 million), primarily reflecting a reduction in trade payables to EUR 2.1 million (December 31, 2012: EUR 6.0 million) and in financial debt to EUR 4.5 million (December 31, 2012: EUR 5.0 million).

Equity and particular legal relationships

SMT Scharf AG's subscribed capital was increased from EUR 4,200 thousand to EUR 3,000 thousand against cash contributions as part of the IPO in April 2007. Since that date, it comprises 4,200,000 no-par value bearer shares, each with a notional interest of EUR 1 in the subscribed capital. Authorised capital also exists to issue a total of up to 2,100,000 further ordinary shares. With the approval of the Supervisory Board, the Managing Board can utilise this authorised capital to increase SMT Scharf AG's subscribed capital until April 12, 2016. Shareholders' subscription rights can be excluded during this process. In addition, conditional capital exists to issue additional ordinary shares up to a total of 2,100,000. The conditional capital increase will only be implemented to the extent that either the holders of convertible bonds and/or bonds with warrants and/or profit-participation certificates with conversion or subscription rights that are issued by the company prior to April 22, 2014, exercise their conversion or subscription rights, or if the holders that have to convert convertible bonds and/or bonds with warrants and/or profit-participation certificates with conversion or subscription rights that are issued by the company prior to April 22, 2014, fulfil their conversion obligation. At present, no such securities have been issued. The General Meeting on April 14, 2010 authorised the company's Managing Board to acquire own shares of up to 10 % of the respective current share capital by April 13, 2015. Within the framework of the

previous authorisation, the company acquired a total of 359,996 own shares (8.6 % of the subscribed share capital) in the 2009 fiscal year. The company still held 47,275 of these shares at the start of the year under review (1.1 % of the share capital). This amount fell to 45,150 shares (1.1 % of the share capital) during the year under review as a result of the issue of shares to employees.

The company is subject to the general statutory restrictions on voting rights, in particular resulting from the Aktiengesetz (German Public Limited Companies Act) and the Wertpapier-handelsgesetz (German Securities Trading Act). The Managing Board is not aware of any restrictions on voting rights that go beyond the above, including any restrictions that could result from agreements between shareholders. In addition, the Managing Board is not aware of any restrictions relating to the transfer of the company's shares, including any restrictions resulting from agreements between shareholders.

All of the shareholders that held interests in SMT Scharf AG before the IPO fell below the 10 % voting rights threshold in January 2010, and withdrew fully from the shareholder base in February 2010. No new participating interests have been reported to SMT Scharf AG since then that directly or indirectly exceed 10% of the voting rights.

There are no shares with extraordinary rights that grant the holders controlling powers. The company is not aware of any equity interests held by employees who do not exercise their controlling rights directly. The Supervisory Board can make changes to the articles of incorporation that affect only the wording. Otherwise, changes to the articles of incorporation require a

resolution by the General Meeting within the meaning of Sections 133, 179 of the German securities act (Aktiengesetz). According to Article 17 of the articles of incorporation, resolutions by the General Meeting must be passed with a simple majority of votes cast, unless there are compulsory statutory requirements to the contrary, and, to the extent that the law prescribes a capital majority in addition to the majority of votes cast, with a simple majority of the share capital represented when the resolution is passed; this also applies to resolutions on changes to the articles of incorporation.

According to Article 8 of the articles of incorporation, the company's Managing Board comprises one or several members, also when and if the share capital exceeds TEUR 3,000. The Supervisory Board determines the number of members of the Managing Board and can appoint a Chairman as well as a Deputy Chairman of the Managing Board and also deputy members of the Managing Board. In all other respects, the statutory regulations apply to the appointment and discharge of members of the Managing Board. The company has not concluded any key agreements that are subject to the condition of a change in control as a result of an acquisition offer.

Financial position

Despite the lower net income for the year, the cash inflow from operating activities amounted to EUR 3.6 million in the fiscal year under review (previous year:

EUR 6.2 million). As a result of the deconsolidation of Dosco and a higher level investments, the cash outflow from investing activities amounted to EUR 4.3 million (previous year: EUR 1.6 million). By contrast, cash flow from financing activities was largely unchanged at EUR -3.2 million (previous year: EUR -3.3 million), mainly reflecting the dividend payment in 2013. In total, the cash and cash equivalents position fell from EUR 15.8 million on the previous year's balance sheet date to EUR 9.9 million on December 31, 2013.

At EUR 2.7 million, SMT Scharf AG invested significantly more than in previous years (2012: EUR 1.3 million, 2011: EUR 0.9 million). Of this amount, EUR 0.8 million was attributable to capitalised development projects, and a further EUR 1.1 million to capitalised railway systems that are being leased to customers.

Overall statement on the company's financial position

Given restrained demand for mining equipment, the revenue of the SMT Scharf Group in the year under review was lower than in the previous year. The Group continued to generate a profit at the EBIT and post-tax levels. Irrespective of this, the company's financial position remains stable: the equity ratio reported a marked increase to 64.5 %. Consequently, the SMT Scharf Group remains well positioned.

Report on events after the balance sheet date

Following the end of the 2013 fiscal year, no further events occurred which have a significant effect on the results of operations, net assets or financial position.



Forecast, report on opportunities and risks

FORECAST

Macroeconomic trends

After the global economy only slowly recovered momentum over the course of last year, the International Monetary Fund (IMF) forecasts that the world economy will expand by 3.1 % in 2014 (previous year: 2.4 %). GDP growth in 2014 is set to accelerate significantly in the most important sales markets for SMT Scharf AG, according to IMF forecasts. Economic output is forecast to grow by 2.0 % in Russia (previous year: 1.5 %), by 2.4 % in Poland (previous year: 1.3 %), and by 2.8 % in South Africa (previous year: 1.8 %). Global trade, too, is expected to recover tangibly in 2014 with a 4.5 % growth rate (previous year: 2.7 %). Only China is set to expect somewhat weaker but still very solid growth of 7.5 % in 2013.

Sector trends

From today's perspective, it is probable that demand for commodities and investments by mines will return to a growth course over the medium term. Countries such as China, Russia, the Ukraine, and South Africa will enjoy rising growth levels and exhibit increasing demand for energy, steel and other metals. Nevertheless, uncertainties exist. The Chinese government, for example, has announced that it intends to limit the increase of its domestic coal consumption. Market experts (Freedonia Group) were forecasting a medium-term annual growth rate of 8.6 % for global investments in mining technology over the 2012 to 2017 period. Short-term demand for mining equipment is nevertheless set to decrease, mainly reflecting low commodity prices and more reticent Chinese growth plans.

Future corporate trends

China, Russia, Poland, and South Africa will continue to rank as the most important markets for the SMT Scharf Group. The company also plans to increase its involvement and investment in other regional markets. Further investments in setting up international sales and service structures are required to enable SMT Scharf to increase its revenues further over the medium term. To this end, the foreign companies on the main markets of the SMT Scharf Group are to be strengthened accordingly – with the aim of covering local production, quality control and spare parts sales and service with a local operation in each of the respective markets. Local partners will be included in this process if required – as is the case with the joint venture in China.

The business of SMT Scharf AG is subject to sharp cyclical fluctuations that makes specific forecasting difficult. The company anticipates that its 2014 sales revenue, total operating output and EBIT will register a similar percentage decline to that in 2013. Consolidated net income should improve somewhat due to the discontinuation of extraordinary items, such as the sale of the investment in Dosco. It is difficult to forecast currency effects, which proved very unfavourable in 2013. Here, we anticipate a similar expense effect, as the Rouble and Rand currencies are still under pressure to depreciate. The equity ratio should remain at the same level. We anticipate little change in the cost of materials ratio, as with the EBT margin. The level of customer receivables in relation to revenues should remain at around the previous year's level.

We expect the personal expense ratio to be similar to that in 2013. New order intake and the order book position should stabilise at a low level over the course of the coming year.

Overall statement about future trends

The Managing Board of SMT Scharf AG expects significant revenue and earnings growth in the medium term. This is due to the increasingly positive global economic growth trend, combined with the continuous increase in demand for commodities, as well as the fact that mine operators need to unlock their current investment backlog situation in order to boost their productivity. Short-term revenue growth trends will be similarly negative as in the preceeding year 2013, due to the current investment restrictions for mining equipment world wide.

RISK REPORT

RISK MANAGEMENT

The risk management system of the SMT Scharf Group is fully integrated into the company's planning, management and controlling processes. This means that it forms a central component of our value-oriented company management, and it serves to specifically secure existing and future potentials for success and profitability. The risk management system aims to identify opportunities and risks at an early stage, to estimate their impact, and to launch suitable preventive and safety activities, including monitoring these activities.

In-house regulations are in place for the Group's risk management system. These are set out in our risk

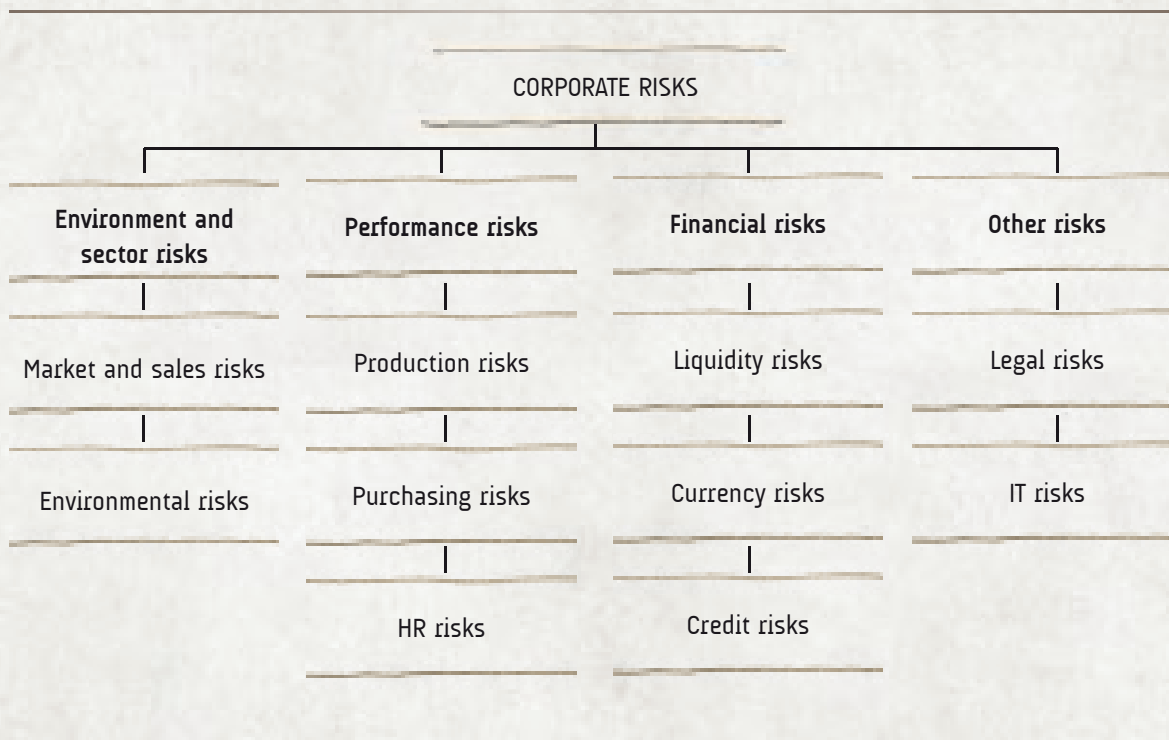
management guidelines and are implemented in our management and monitoring process. Key elements of this process include strategic and operational forecasting, preparing weekly, monthly and quarterly reports and preparing investment decisions. Periodic reporting is used throughout the Group to communicate ongoing opportunities and risks and to control the company's success. In addition, risks that arise at short notice are communicated directly to the relevant management members, irrespective of the standard reporting channels. The principle followed is that the organisational units are the first link in the chain when it comes to taking responsibility for risks, and these units are responsible for the early identification, control and communication of the respective risks. Risk management officers in the organisational units are responsible for coordinating the respective activities and ensuring that risks are communicated to the relevant higher level.

The internal controlling system forms an integral component of risk management at SMT Scharf. Its primary objectives are to ensure that all transactions are accurately mapped in the company's reporting, and to prevent any deviations from internal and external regulations. In terms of external financial accounting and reporting, this means that the financial statements must conform to the relevant applicable accounting standards. To this effect, the internal controlling system and risk management is organised in line with the accounting units. Uniform accounting regulations are in place within the SMT Scharf Group, in other words, accounting guidelines, compliance with which is constantly monitored. In some cases, recourse is made to external specialists to manage specific accounting risks, such as in the case of actuarial valuations.

RISKS

The SMT Scharf Group is subject to a number of risks that are inherent to the Group companies' business activities.

Risks concerning SMT Scharf AG



Environment and sector risks

Market and sales risks

The SMT Scharf Group operates worldwide and is consequently subject to various political, social, legal and economic underlying conditions. The Group counters the resultant risks by carefully observing these underlying conditions and by anticipating market trends. SMT Scharf counters competition from low-wage countries that pursue aggressive pricing policies

through greater regional diversification and by improving its cost position and its service offerings.

A general recession – as was the case in 2008/2009 – or a downturn in demand among individual customer groups could have a negative impact on SMT Scharf's business. In addition, in many countries political continuity and stability in mine ownership play a role. A change of government or a change in mines' ownership structures could result in staffing changes at

mines that feed through to substantial project delays. SMT Scharf counters such risks by permanently monitoring the market and by tapping new markets.

The tapping of new energy sources, such as shale gas and shale oil, can also reduce black coal's competitiveness. Since SMT Scharf AG generates most of its revenue in black coal mines, a drop in demand would have considerable consequences.

Environmental risks

The SMT Scharf Group is not aware of any environmental objections or impacts at its facilities. Some of the buildings that SMT Scharf uses were built with materials that contain asbestos. These materials are monitored regularly and the Group ensures appropriate disposal during any conversion work.

Performance risks

Production risks

As an industrial company, SMT Scharf is subject to the risk of disruptions to operations, delays to suppliers' deliveries, quality problems and unanticipated technical difficulties. These can lead internally to divergences from planned results, and can disrupt agreements made with customers or suppliers. Guidelines for project and quality management, product safety and health and safety at work as well as for environmental protection should effectively reduce these risks. Downtime production lines losses are kept within limits by operational disruption insurance.

Purchasing risks

Negative developments in material and energy prices, and problems with deliveries of pre-products, constitute

potential purchasing risks. SMT Scharf counters such risks through entering into the longest-possible relationships with suppliers, and through tapping alternative suppliers worldwide. In addition, SMT Scharf constantly overhauls its designs with the aim of making these more cost-effective.

HR risks

The success and profitability of the SMT Scharf Group also depends on its ability to loyalise technicians and managers to the Group, and to recruit further appropriate staff – especially at its new locations. Wage increases and increases in incidental personnel expenses can lead to cost increases that SMT Scharf is not able to pass on in its prices. SMT Scharf aims to reduce such risks through constant production rationalisation efforts.

Financial risks

Liquidity risks

SMT Scharf operates a semi-centralised cash management system. This system ensures that the funds required to finance its ongoing operating business and current and future investments in all of the Group companies are available on time and in local currency. No liquidity risks currently exist as a result of positive operating cash flow, existing bank balances, and lines of credit and guarantee credit lines. SMT Scharf invests cash and cash equivalents so that they are available short-term and generate relatively secure returns. Cash deposits are held with several banks in order to minimise counterparty default risk.

Currency risks

SMT Scharf is significantly exposed to currency risks due to the internationality of its business activities. The Group seeks to counter such risks by deploying appropriate hedging instruments where suitable. For example, selected foreign currency items are hedged using currency forward transactions, or currency risks are priced into our sales offers. The risk of higher product prices on foreign markets due to the strong Euro is partly mitigated by the increasing proportion of parts purchased abroad, which – although accounting for around 25 % when calculated on a direct basis – is significantly higher – at an estimated 40 % – when calculated on both a direct and indirect basis together (many German suppliers themselves procure pre-products abroad). Already today, 59 % of SMT Scharf's workforce are employed outside the Eurozone in mining countries, thereby reducing the risk of higher personnel costs due to exchange rate effects.

Credit risks

SMT Scharf can be exposed to customer defaults. These counterparty risks are limited, for example, by demanding letters of credit, and by individual customer credit limits. Interest-rate risks are presently of minor importance. There are currently no other risks arising from the deployment of financial instruments.

Other risks

Legal risks

SMT Scharf is subject to standard liability risks, which result in particular from product liability, as well as patent law, tax law, competition law, and environmental law. The Group has developed a concept with high quality and security standards to deal with these risks in a controlled manner. SMT Scharf has entered into some insurance policies – where possible and affordable – for physical damages, product liability and other risks to protect itself from related potential losses.

IT risks

Dealing with information and the secure use of IT systems is described in detail in the Group's guidelines and regulations. SMT Scharf uses state-of-the-art technical protection to ensure the necessary data security.

SUMMARISING PRESENTATION OF RISK POSITION

An overall assessment of the company's risk position has shown that the identified risks, taking into account the measures taken and planned, do not – either individually or in combination with each other – have any impact on the SMT Scharf Group that could jeopardise it as a going concern. There is, however, no absolute certainty that all relevant risks can be identified and controlled.

REPORT ON OPPORTUNITIES

More dynamic global economy

The global economy is slowly gathering momentum. Manufacturing industry in both emerging and industrial economies will need more commodities and energy. Commodity prices will rebound as a consequence, making production more profitable again for mining operators. Delayed or cancelled investments in mining infrastructure will benefit from a catch-up effect. This could result in growing business for SMT Scharf.

China

China has been the engine of the mining sector over the past years. High demand for commodities and energy for the Chinese economy has driven the entire sector's growth. A reduction in the Chinese government's growth targets in recent years has also meant that the mining industry world wide has delayed investments in its mines, or has closed mines completely. In the medium term, however, we expect mines to start increasing their production of coal and other commodities again in order to support the Chinese economy's high growth level, despite the fact that growth plans have been reduced slightly. SMT Scharf is well positioned in China to benefit from rising demand.

Investment backlog at mines

Around the world, mining operators have delayed or cancelled investments in their mines over recent years. This was due to low commodity prices that make investments unfeasible, as well as the global economy's phase of weakness that brought with it a lower demand for commodities and energy. Moreover, mining groups had also neglected to focus on their mines' productivity

during the past ten years' boom phase. The recent investment delays are creating an investment backlog that will need to be tackled over the following years. In the medium term, the global economy can also be expected to regain momentum, and demand for coal and other commodities will rise, so that mining operators will consequently need to start investing more in mining equipment, and in SMT Scharf products, again.

Localisation strategy

SMT Scharf aims to strengthen its subsidiaries in its important foreign markets. To this end, planning and procurement purchasing is to be largely conducted on a local basis in the future. The production, sales and service capabilities are also to be expanded in the foreign companies. This enables both better adaptation of products to country-specific requirements and to customer wishes, and the reduction of production and transportation costs, and manufacturing times. As a result of the programmes that have been launched, SMT Scharf hopes to become more competitive on the cost side.

Opportunities arising from geological properties of commodity deposits

In the medium term, commodities extraction worldwide will have to move into depths increasingly difficult to access. Therefore, the rationale to deploy SMT Scharf products will become continuously stronger. Along with greater cost-efficiency, these products offer the benefits of being especially developed for demanding conditions, and have already proven themselves in the mature German black coal mining industry.

Corporate governance report

Declaration according to Section 161 German securities law (Aktiengesetz)

The Managing and Supervisory Boards issued their most recent declaration according to Section 161 Aktiengesetz on December 9, 2013. It is as follows (translated from German):

The Managing and Supervisory Boards of SMT Scharf AG declare that they have corresponded and will continue to correspond to the recommendations of the „German Corporate Governance Code Government Commission“ in the Code’s version dated May 13, 2013 with the following exceptions.

- The Supervisory Board has not formed any committees, as it comprises three members. This number of members appears reasonable given the company’s size.
- At present there is no succession planning for members of the Managing Board. It is intended to develop a longer term succession planning.
- Diversity was not a stand-alone criterion for membership of the Managing Board. This may also be the case in future as the Managing Board only has two members.
- At present there is no upper age limit for members of the Managing and Supervisory Boards. This complies the German law on equal opportunities.
- The employment contracts for the members of the Managing Board do not limit payments upon early termination to two years’ remuneration. Until now, such a limit appears to be dispensable since the employment contracts only have terms of three years.”

Working approach of the Managing and Supervisory Boards

SMT Scharf AG’s executive bodies see their central task in managing the company in a responsible and value-oriented manner. The following principles apply in this regard:

The Supervisory Board has three members, elected by the General Meeting as shareholder representatives. The Supervisory Board does not include any former members of the Managing Board. It has not formed any committees. The Supervisory Board advises the Managing Board and supervises its management of the business. It deals with business growth, medium-term forecasts and further development of the company’s strategy. It adopts the annual financial statements and the consolidated financial statements taking into account the auditors’ reports. In addition it appoints and dismisses members of the Managing Board. Select transactions by the Managing Board, which are listed in its by-laws, require prior approval from the Supervisory Board. The Supervisory Board can make changes to the articles of incorporation that only affect the wording. The members of the Supervisory Board are obliged to disclose any conflicts of interest to the Supervisory Board. There were no conflicts of interest for the members of SMT Scharf AG’s Supervisory Board during the year under review.

The Supervisory Board strives to achieve greater diversity in its composition over the period to 2018. This is intended to relate to three aspects in particular: Different professional and industry backgrounds of members shall foster different points of view in internal

discussions. An international composition shall reflect the international activity of the Group. An appropriate share of female members is particularly desirable. Progress was made with the first two of these objectives in the new elections in 2011 and 2012.

In order to ensure the auditor's independence, the Supervisory Board requires an annual statement from the auditor on any possible reasons for exclusion or bias. When issuing the audit mandate, it is agreed that the auditor would inform the Supervisory Board without delay of any possible reasons for exclusion or bias that arise during the audit, of all findings that arise during the audit which material for the Supervisory Board's tasks, and all findings that would conflict with the Declaration regarding the German Corporate Governance Code issued by the Managing and Supervisory Boards. No such facts or reasons for exclusion or bias were ascertained.

SMT Scharf AG's Managing Board comprises two members and has one Chairman (CEO). It has not formed any committees. The Managing Board's members are jointly responsible for managing the company's business, based on by-laws issued by the Supervisory Board. The Managing Board determines the entrepreneurial targets, the company policy and the

Group's organisational structure. The Managing Board informs the Supervisory Board on a regular basis, in due time and in depth of all issues of planning, business development and risk management that are relevant for the company. Transactions that require approval from the Supervisory Board are presented to the Supervisory Board in due time. The members of the Managing Board are obliged to disclose conflicts of interest to the Supervisory Board without delay, and to only take on additional activities, in particular Supervisory Board mandates in non-Group companies, with the Supervisory Board's permission. During the past fiscal year there were no conflicts of interest for members of SMT Scharf AG's Managing Board.

The Managing Board regularly provides shareholders, all other participants of the capital market and the media with up-to-date information on the company's business development. The regular financial reporting dates are summarised in the financial calendar. The financial reports, the financial calendar and the ad hoc disclosures are available online at www.smtscharf.com.

Remuneration systems for the Managing and Supervisory Boards

The Supervisory Board's remuneration was last redefined by way of a resolution by the General Meeting on April 14, 2010, based on SMT Scharf AG's articles of incorporation, with effect from January 1, 2010. The members of the Supervisory Board receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses. The variable remuneration is based on consolidated net income for the period and is limited in terms of amount. The Supervisory Board members' periods of office run until the end of the General Meeting which resolves ratification for fiscal year 2015 (Dr. Markus, Dr. Kempis) and fiscal year 2016 (Dr. Fett) respectively.

The Supervisory Board is responsible for decisions on the Managing Board's remuneration. Members of the Managing Board receive remuneration comprising a fixed basic annual salary and an annual bonus. The basic salary is paid monthly and, in part, quarterly in arrears. The members also receive non-cash remuneration from the private use of their company cars, life insurance coverage and the reimbursement of out-of-pocket expenses. The amount of the annual bonus is based on the extent to which specific personal targets have been reached. These targets are agreed at the start of each year based on the company's forecasts for the respective fiscal year. Remuneration is to be reviewed at regular intervals to ensure that it is in line with the market and is reasonable. There are only pension obligations for members of the Managing Board from the conversion of salary components for previous fiscal years. The

company regulations for the conversion of salaries up to and including fiscal year 2007 provide for a fixed upper age limit of 65 years and 6.0 % interest on the converted salary components. The age limit has been adjusted to the annual changes in Germany's statutory pensionable age from 2008 on, with interest now set to 4.5 %. There are no agreements for compensation in the event of an acquisition offer. The above regulations for the remuneration of members of the Managing Board have been agreed in the Board members' employment contracts. Mr. Schulze-Buxloh's employment contract runs until December 2014. Both parties are entitled to terminate it early only for relevant reasons. Mr. Dreyer's employment contract has run until April 2013 and has been renewed for three years until April 2016 by the Supervisory Board. Both parties are entitled to terminate it early only for relevant reasons.

There is no remuneration for former members of the Managing or Supervisory Boards or their survivors, nor are there any pension obligations for this group of people.

Details on the remuneration and shareholdings of individual members of the Supervisory and Managing Boards can be found in the notes to the consolidated financial statements.







Consolidated financial statements

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Consolidated balance sheet as of December 31, 2013

in EUR	Notes	31.12.2013	31.12.2012
Assets			
Inventories		18,243,692.69	17,969,847.93
Trade receivables	(8)	16,894,576.88	24,003,032.37
Other current receivables / assets		2,039,838.65	1,550,839.50
Cash and cash equivalents	(9)	10,565,729.98	16,515,482.01
Current assets		47,743,838.20	60,039,201.81
Intangible assets	(7)	2,919,739.03	3,306,192.29
Property, plant and equipment	(7)	6,027,327.68	8,354,727.35
Financial assets		2,306,551.92	1,939,259.69
Deferred tax assets	(6)	2,097,641.46	4,096,794.47
Other non-current assets		1,716.25	62,277.20
Non-current assets		13,352,976.34	17,759,251.00
Total equity and liabilities		61,096,814.54	77,798,452.81



in EUR	Notes	31.12.2013	31.12.2012
Equity and liabilities			
Current income tax		595,826.23	802,135.65
Other current provisions	(12)	5,012,206.00	4,983,964.05
Advance payments received	(13)	634,034.89	1,280,934.24
Trade payables	(13)	2,070,766.00	6,012,009.82
Current financial liabilities		4,500,000.00	4,989,186.46
Other current liabilities	(13)	701,497.67	1,432,897.40
Current provisions and liabilities		13,514,330.79	19,501,127.62
Provisions for pensions	(11)	2,865,239.00	11,184,845.00
Other non-current provisions	(12)	2,246,748.42	2,186,439.10
Deferred tax liabilities	(6)	1,273,376.80	1,055,426.33
Non-current financial liabilities	(13)	1,816,000.00	537,400.00
Non-current provisions and liabilities		8,201,364.22	14,964,110.43
Subscribed capital		4,154,850.00	4,152,725.00
Share premium		11,815,350.90	11,763,288.40
Profit brought forward		26,044,669.07	26,964,703.45
Currency translation difference		-2,633,750.44	452,497.62
Equity	(10)	39,381,119.53	43,333,214.47
Total equity and liabilities		61,096,814.54	77,798,452.81

Consolidated statement of comprehensive income from January 1 to December 31, 2013

In EUR	Anhang	31.12.2013	31.12.2012
Revenue	(1)	63,250,744.73	76,647,930.32
Changes in inventories		111,871.55	-1,001,612.87
Operating income 100%		63,362,616.28	75,646,317.45
Other operating income	(2)	2,249,860.60	1,712,067.06
Cost of materials		32,213,973.21	40,098,263.83
Personnel expenses	(3)	13,670,782.37	12,627,839.83
Depreciation and amortization		1,730,762.18	1,503,913.18
Other operating expenses	(4)	11,407,132.16	10,270,310.06
Profit from operating activities (EBIT)		6,589,826.96	12,858,057.61
Income from participating interests	(5)	928,999.30	670,666.81
Interest income		141,028.30	112,565.01
Interest expenses		264,205.04	573,483.22
Financial result		805,822.56	209,748.60
Profit before tax		7,395,649.52	13,067,806.21
Income taxes	(6)	1,858,750.62	3,225,384.51
Profit from continued operations		5,536,898.90	9,842,421.70
Profit from discontinued operation		-2,322,251.92	1,870,741.56
Net income		3,214,646.98	11,713,163.26
Currency difference from translation of foreign financial statements		-3,086,248.06	197,379.24
Recognized actuarial gains and losses		-92,678.00	-3,939,255.00
Deferred taxes on recognized actuarial gains and losses		29,749.64	900,784.86
Comprehensive income		69,470.56	8,872,072.36
Earnings per share*			
Basic		0.77	2.82
Diluted		0.77	2.82

* Consolidated net income divided by an average number of 4,154,173 issued shares (previous year: 4,151,910)



Consolidated cash flow statement from January 1 to December 31, 2013

In EUR	31.12.2013	31.12.2012
Net income	3,214,646.98	11,713,163.26
Deconsolidation loss	777,806.30	0.00
Income from equity participation	-928,999.30	-670,666.81
Dividend income from equity participation	111,000.00	0.00
Depreciation and amortization of non-current assets	1,836,355.03	1,998,792.31
Other non-cash expenses	250,000.00	0.00
Gain / loss on the disposal of intangible assets and property, plant and equipment	94,795.15	150,811.82
Changes in current assets, provisions and liabilities		
- Provisions	654,002.13	-2,005,030.86
- Taxes	-511,996.29	-2,358,173.06
- Inventories	-3,817,292.47	6,653,016.32
- Receivables and other assets	5,251,685.88	690,743.97
- Liabilities	-3,291,078.90	-9,974,257.23
Net cash flows from operating activities	3,640,924.51	6,198,399.72
Investments in intangible assets and property, plant and equipment	-2,722,645.79	-1,603,013.32
Corporate acquisitions	1,459,956.50	0.00
Acquired cash and cash equivalents	-3,023,364.91	0.00
Net cash flows used in investing activities	-4,286,054.20	-1,603,013.32
Sale / acquisition of own shares	54,187.50	77,312.00
Dividend disbursement	-4,071,753.00	-3,945,088.75
Repayment of / proceeds from financial liabilities	789,413.54	572,644.60
Net cash flows from / used in financing activities	-3,228,151.96	-3,295,132.15
Effect of changes in exchange rates and group composition	-2,061,680.38	443,145.26
Change in net financial position	-5,934,962.03	1,743,399.51
Net financial position – start of period	15,834,320.37	14,090,920.86
Net financial position – end of period	9,899,358.34	15,834,320.37

Consolidated statement of changes in equity from January 1 to December 31, 2013

In EUR	Subscribed Capital	Share premium	Profit brought forward	Currency translation difference	Total equity
Balance at Jan 1, 2013	4,152,725.00	11,763,288.40	26,964,703.45	452,497.62	43,333,214.47
Dividend disbursement			-4,071,753.00		-4,071,753.00
Sale of own shares	2,215.00	52,062.50			54,187.50
Group net income			3,214,646.98		3,214,646.98
Currency difference from translation of foreign financial statements				-3,086,248.06	-3,086,248.06
Recognized actuarial gains and losses			-92,678.00		-92,678.00
Deferred taxes on recognized actuarial gains and losses			29,749.64		29,749.64
Comprehensive income	0.00	0.00	3,151,718.62	-3,086,248.06	65,470.56
Balance at Dec 31, 2013	4,154,850.00	11,815,350.90	26,044,669.07	-2,633,750.44	39,381,119.53
Balance at Jan 1, 2012 after Restatement	4,149,525.00	11,689,176.40	22,375,099.08	115,118.38	38,328,918.86
Dividend disbursement			-3,945,088.75		-3,945,088.75
Sale of own shares	3,200.00	74,112.00			77,312.00
Group net income			11,713,163.26		11,713,163.26
Currency difference from translation of foreign financial statements				197,379.24	197,379.24
Recognized actuarial gains and losses			-4,121,255.00	182,000.00	-3,939,255.00
Deferred taxes on recognized actuarial gains and losses			942,784.86	-42,000.00	900,784.86
Comprehensive income			8,534,693.12	337,379.24	8,872,072.36
Balance at Dec 31, 2012	4,152,725.00	11,763,288.40	26,964,703.45	452,497.62	43,333,214.47

Notes to the consolidated financial statements for 2013 fiscal year

INFORMATION ON SMT SCHARF AG AND THE SMT SCHARF GROUP

SMT Scharf AG, Roemerstrasse 104, 59075 Hamm, Germany (hereinafter also referred to as the „company“) was formed on May 31, 2000, according to German law. It is the management holding company for the companies in the SMT Scharf Group. All 4,200,000 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 to transport people, equipment and material and to hold participating interests.

The consolidated financial statements include SMT Scharf AG and the following subsidiaries:

	Interest	Equity (IFRS) 31.12.2013	Earnings (IFRS) 2013
SMT Scharf GmbH, Hamm, Germany	100%	16,789	3,252
SMT Scharf Saar GmbH, Neunkirchen, Germany	100%	364	79
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100%	6,708	2,180
Sareco Engineering (Pty.) Ltd., Brakpan, South Africa	100%	2,043	389
SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa	100%	2,351	197
Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China	100 %	732	-12
TOW SMT Scharf Ukraina, Donetsk, Ukraine	100 %	439	44
000 SMT Scharf, Novokuznetsk, Russian Federation	100% *	2,670	-99
000 SMT Scharf Service, Novokuznetsk, Russian Federation	100 % ***	-149	-160
Global Mining Services GmbH, Hamm, Germany	100%	9	-6
SMT Scharf International OÜ, Tallinn, Estonia	100% **	1,402	-0.5
Scharf Mining Machinery (Beijing) Co. Ltd., Beijing, China	100% **	2,622	358
Shandong Xinsha Monorail Co. Ltd., Xintai, China	50% **	2,305	970

* of which 1.25% indirectly via SMT Scharf GmbH

** indirectly via SMT Scharf GmbH

*** indirectly via 000 SMT Scharf

The 50% participating interests in Shandong Xinsha Monorail Co. Ltd. are consolidated using the equity method. Their key balance sheet data for 2013 are as follows:

	Assets	Liabilities	Revenue
Shandong Xinsha Monorail Co. Ltd., Xintai, China	12,057	7,447	15,504

On January 11, 2013, SMT Scharf GmbH acquired the remaining 50 % of the shares in TOW SMT Scharf Ukraine for a purchase price of EUR 40 thousand. This company has no longer been accounted for in the consolidated financial statements using the equity method since this date, but has been fully consolidated instead. The total consideration to acquire control consequently also included the equity valuation of EUR 98 thousand that was reported under financial assets until the acquisition date.

The fair values of the acquired assets and liabilities are as follows as of the acquisition date:

	Fair values
Assets	
Other current receivables/assets	7
Cash and cash equivalents	62
Non-current assets	29
Total	98
Equity and liabilities	
Equity	98
Total	98

On May 7, 2013 the English subsidiaries Dosco Holdings Ltd., Dosco Overseas Engineering Ltd., Hollybank Engineering Co. Ltd. As well as OOO Dosco have been sold and thus have no longer been fully consolidated.

The Russian company OOO SMT Scharf Service was founded as a leasing and service company on July 1, 2013. SMT Scharf Group aims to use this company as a platform to offer its customers complete packages for leased railways.

By contract of association as of October 23, 2013 SMT Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China has been founded. The company has an initial capital of USD 3 million of which EUR 750 thousand have been placed on deposit as of December 31, 2013.



DISCONTINUED OPERATIONS

Sale of the Roadheader Technology segment

On May 7, 2013, the company concluded a sales agreement for the disposal of the Dosco Holdings Ltd. subsidiary, which, together with its subsidiaries, represented the Roadheader Technology segment. The sales proceeds amounted to EUR 2,000,000.

This disposal is in line with the Managing Board's strategy of concentrating the Group's business activities on its core Captivated Transport Systems business. The sales transaction was concluded on May 7, 2013, when control over the Roadheader Technology segment transferred to the purchaser.

Analysis of results from discontinued operations

The results attributable to the discontinued Roadheader Technology segment, which is included in the annual financial statements, are set out below. The comparable information relating to the results and the cash flows of the discontinued operations were adjusted in order to take into account the segments classified as discontinued in the current year.

	31.12.2013	31.12.2012
Revenue	1,369	28,715
Other income	463	325
Expenses	-3,427	-26,535
Profit/loss before tax	-1,595	2,505
Attributable income tax expense	203	-634
Loss on the disposal of operations (including TEUR 53 of foreign currency translation differences recycled to the income statement from the foreign currency translation reserve)	-930	0
Net profit/loss for the year from discontinued operations	-2,322	1,871

Assets and liabilities disposed of due to loss of control:

Current assets

Cash and cash equivalents	3,085
Trade receivables	1,310
Inventories	3,544
Other current receivables/assets	373

Non-current assets

Intangible assets	469
Property, plant and equipment	2,538
Deferred tax assets	2,666

Current liabilities

Current provisions	-490
Trade payables	-1,518
Other current liabilities	-510

Non-current liabilities

Provisions for pensions	-8,476
Deferred tax liabilities	-114
Net assets sold	2,877

The consideration received amounted to EUR 2,000,000.00, of which EUR 1,500,000.00 was received in the form of cash and cash equivalents.

The disposal loss from the sale of subsidiaries amounts to:

Consideration received	2,000
Net assets relinquished	-2,877
Cumulative foreign currency translation differences recycled from equity loss of control	-53
Disposal loss	-930

The disposal loss is included in the profit/loss from discontinued operations.

The net cash outflow from the disposal of subsidiaries amounts to:

Disposal price settled in cash and cash equivalents	1,500
less: cash and cash equivalents relinquished with the disposal	-3,085
Net cash outflow	-1,585

The cash flows from discontinued operations that are included in the cash flow statement are as follows:

Net cash flow from operating activities	-217	-3,169
Net cash flow from investing activities	-21	-102
Net cash flow from financing activities	0	0
Total net cash flows	-238	-3,271

As a listed company, SMT Scharf AG has to issue a declaration within the meaning of Section 161 Aktiengesetz as to the extent to which it corresponds to the recommendations of the „German Corporate Governance Code Government Commission“. The Managing and Supervisory Boards issued this declaration on December 9, 2013. It has been made accessible to shareholders at www.smtscharf.com.

INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

As SMT Scharf AG is admitted to the regulated market, it prepares its consolidated financial statements according to IFRS. The SMT Scharf Group's consolidated financial statements as of December 31, 2013, have been prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as these are to be applied in the EU on the balance sheet

date. The term IFRS also includes the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that are still valid. In addition, the requirements of Section 315a of the Handelsgesetzbuch (German Commercial Code) have been taken into account.

The following IAS / IFRS / IFRIC and amendments to these standards have been applied to in 2013 – if relevant:

- Amendments to IAS 1 (Presentation of Financial Statements)
- Amendments to IAS 12 (Income Taxes)
- Amendments to IAS 19 (Employee benefits)
- Amendments to IAS 32 and IFRS 7
- IFRS 1 (Severe hyperinflation and removal of fixed dates for first-time adopters)
- Amendment to IFRS 1 (Government Loans)
- IFRS 13 (Fair Value Measurement)
- IFRIC interpretation 20 (Stripping Costs in the Production Phase of a Surface Mine)
- Amendment in the context of the „annual improvements project 2009-2011

With exception of IAS 19 the new standards, which have been applied to, did not have any effect on the consolidated financial statement of SMT Scharf AG

The following newly published or revised standards or interpretations from the IASB, which did not have to be mandatorily applied in these statements, were not

voluntarily applied by SMT Scharf AG; the EU adoption has in some cases not yet been made:

- ♦ Amendment to IAS 19 (Employee Benefits)
- ♦ Amendments to IAS 36
- ♦ Amendments to IAS 39
- ♦ IFRS 9 (Financial Instruments, published)
- ♦ IFRS 10 (Consolidated Financial Statements)
- ♦ IFRS 11 (Joint Arrangements)
- ♦ IFRS 12 (Disclosure of Interests in Other Entities)
- ♦ Amendments to IFRS 27 (Separate Financial Statements)
- ♦ Amendments to IAS 28 (Investments in Associates and Joint Ventures)
- ♦ IFRIC 21
- ♦ Amendments as part of the "Annual improvements project 2009-2011" (EU adoption pending)

The possible future impact on the consolidated financial statements for all of these standards is being reviewed by SMT Scharf AG.

The consolidated financial statements have been prepared in Euros. If not otherwise stated, all amounts in the notes are stated in thousands of Euros (TEUR) and have been rounded if necessary.

The preparation of the consolidated financial statements necessitates certain assumptions and estimates. These relate to the recognition and measurement of assets and liabilities, income and expenses, and the extent of contingent liabilities. The assumptions and estimates mostly relate to the group-wide uniform definition of useful lives, the impairment testing for assets, the capitalization of deferred taxes, measuring benefit obligations and other provisions, estimating legal risks as well as determining fair values. Estimates made by the

company are based on historical amounts and other assumptions are considered to be appropriate in the particular circumstances. The actual amounts may differ from the estimates. The estimates and assumptions made are subject to constant review and adjusted accordingly.

The Supervisory Board is expected to approve the IFRS consolidated financial statements on March 19, 2014 and these are then expected to be released for publication.

CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on the single-entity financial statements of the companies in the SMT Scharf Group, which were prepared according to uniform group accounting and valuation methods. The single-entity financial statements were prepared as of December 31.

As a rule, capital for the companies in the SMT Scharf Group is consolidated according to the purchase method pursuant to IFRS 3. In so doing, the acquired assets and liabilities are carried at their fair values. If these companies were not formed by the Group itself, and if there is a positive difference between the acquisition costs and the proportionate newly valued equity of the subsidiary, this is carried as goodwill and subjected to regular impairment testing. Any remaining negative difference is recognized in income after a second assessment. Expenses, income, receivables and liabilities between the fully consolidated companies and intragroup profits from deliveries and services within the group are eliminated. If consolidation steps have an effect on earnings deferred taxes are recognized.

CURRENCY TRANSLATION

The single-entity statements for the fully consolidated subsidiaries are translated based on the functional currency concept according to IAS 21. The functional currency for the subsidiaries is based on the primary economic environment and thus corresponds to the respective local currency. Balance sheet items are translated at the rate of exchange on the balance sheet date; items in the income statement are translated at the average annual rate of exchange. In the statements of

changes in assets, provisions and equity, the balances at the start and end of the fiscal year and changes to the group of consolidated companies are translated using the rate of exchange on the respective date. The other items are translated at the annual average rate of exchange. Differences in the currency translation of balance sheet items compared to the previous year are taken directly to equity.

The exchange rates for the key currencies were:

1 EURO =	Closing rate		Average rate	
	31.12.2013	31.12.2012	2013	2012
Polish Zloty	4,1543	4,0740	4,1975	4,1847
South African Rand	14,5660	11,1727	12,8330	10,5511
Chinese Renminbi Yuan	8,3491	8,2207	8,1646	8,1052
Russian Ruble	45,3246	40,3295	42,3370	39,9262

ACCOUNTING AND VALUATION POLICIES

Die Gesamtergebnisrechnung wird zur Ermittlung des The statement of comprehensive income is prepared using the nature of expense method.

Revenue from the sale of equipment and spare parts is recorded when ownership and risk are transferred to the customer to the extent that a price has been agreed or can be determined and it is probable that this will be paid. Revenue from services is recorded when the services have been provided, a price has been agreed or can be determined, and it is probable that this will be paid. In the case of master agreements for services, the services provided are invoiced regularly, as a rule on a monthly basis. Revenue is disclosed net of discounts, rebates and other price reductions.

Revenue and expenses from construction contracts within the meaning of IAS 11 are carried according to their percentage of completion. The percentage of completion is given by the ratio of the order-based costs incurred through to the reporting date to the total estimated order-based costs on the reporting date (cost-to-cost method). The costs relating to the construction contract incurred by the respective date plus the proportionate profits resulting from the degree of completion achieved are recorded under trade receivables. Changes to contracts, subsequent claims or performance premiums are taken into account to the extent that these have already been bindingly agreed with the customer. If the result of a construction contract cannot be reliably estimated, the revenues that are likely to be achieved are recorded up to the amount of the costs incurred. Order-based costs are recorded in

the period in which they are incurred. If it can be foreseen that the total costs from the contract will exceed the income from the contract, the anticipated losses are recorded directly as expenses.

Income from rental agreements is recorded on an accrual basis in accordance with the provisions of the underlying agreements as other operating income. Income from operating leases within the meaning of IAS 17 is recorded as revenues on an accrual basis in accordance with the provisions of the underlying leases.

Interest income is recorded on a pro-rata basis taking the effective interest method into account.

Financing costs are not capitalized but are recognized immediately as expenses.

Research and development costs that do not fulfill the criteria for capitalization from IAS 38 are recorded immediately as expenses.

Goodwill is carried at acquisition cost and is subjected to an impairment test both on an annual basis and if there are signs of possible impairment. The test is performed using a DCF calculation with a 5-year horizon. No value is set for perpetuity. Present values are calculated by discounting with an interest rate of 7.75%.

Acquired intangible assets are carried at cost according to IAS 38 and are amortized using the straight line method in line with their useful lives over a period of three to six years. All acquired intangible assets have a limited useful life.

Separate internally generated intangible assets are capitalized as soon as the carrying requirements stipulated by IAS 38 are cumulatively fulfilled. From this date, the development or historical costs that can be directly allocated to the individual intangible assets (mostly personnel expenses) including development-related overheads are capitalized. The capitalized assets are amortized from the date that they are available for disposal (marketability) using the straight line method over the anticipated product life cycle of six to eight years. All capitalized internally generated intangible assets have a limited useful life.

Property, plant and equipment used in operations are measured at cost less scheduled straight-line depreciation. Scheduled depreciation is based on the following useful lives throughout the entire group:

	in years
Buildings	10 to 50
Technical equipment and machinery	5 to 20
Other office equipment, fixtures and fittings	2 to 13

Expenses for maintenance and repairs are recorded as expenses to the extent that these are not subject to mandatory capitalization.

The intangible assets and property, plant and equipment are subjected to regular impairment testing based on

cash generating units. Write-downs for activated development cost totaling 461 TEUR were performed within the meaning of IAS 36 in the previous year.

Public subsidies are recorded if there is sufficient certainty that the subsidies will be granted and that the company fulfils the conditions with which these are linked. In 2013, such subsidies have not been recorded.

The SMT Scharf Group has concluded leases as a lessee (mostly for cars and photocopiers). According to IAS 17 these are to be classified as operating leases as most of the opportunities and risks that are associated with the ownership remain with the lessor. Lease payments for these operating leases are carried as other operating expenses over the period of the lease. In addition, the SMT Scharf Group has concluded leases as a lessor (mostly for DZ 1500 and DZ 1800 diesel cats). According to IAS 17 these are to be classified as operating leases as most of the opportunities and risks that are associated with the ownership remain with SMT Scharf. These leased assets are capitalized under property, plant and equipment as office and operating equipment. Lease payments for these operating leases are carried as revenue over the period of the lease.

Other financial assets are classified according to IAS 39 for accounting and valuation. As of December 31, 2013, the SMT Scharf Group had assets in the extended loans and receivables category.

The extended loans and receivables are measured at amortized cost using the effective interest method. All of the SMT Scharf Group's loans and receivables bear interest at standard market rates. As a rule, loans and receivables are originated at their nominal values.

Individual write-downs are formed for receivables for which a default is highly probable. The general credit risk is taken into account by way of write-downs for the stock of receivables which have not been adjusted via individual write-downs – as a rule these are based on past experience. Receivables in foreign currencies are converted using the closing rate of exchange and any resulting exchange rate differences are carried under other operating income or expense.

Cash and cash equivalents comprises cash, demand deposits and current balances with banks which have a residual term of up to three months and which are only subject to minor fluctuations in value. These are measured at amortized cost.

Inventories are measured at the lower of cost or their net realizable value. According to IAS 2, manufacturing costs are identified as fully absorbed costs (comprising unit costs and reasonable overheads including production-related administrative expenses) according to the standard cost method, acquisition costs are identified using the average cost method. The net realizable value corresponds to the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. As at December 31, 2013 write-downs of inventories to their lower net realizable value totaled 3,321 TEUR (previous year: 3,669 TEUR).

Deferred and current taxes are calculated in accordance with IAS 12. Deferred taxes are determined for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, and for realizable tax losses carried forward. Calculations are based on the tax rates that apply in the respective country on the expected date of realization, as they are passed by law on the balance sheet date. Deferred tax assets are only carried to the extent that it is probable that the associated recoverable taxes will be used. Tax losses carried forward are included in tax deferrals only if it is probable that these will be realized.

Provisions for pensions are measured using the projected unit credit method. In so doing, the future obligations are measured based on the benefit entitlements proportionately acquired by the balance sheet date. During measurement, assumptions are made regarding the future development of specific parameters which will impact the future benefit amount. The calculation is based on actuarial expert opinion taking into account biometric principles. The actuarial gains and losses are fully offset against equity. As a result no amortization of actuarial gains and losses is recognized, which has effect on earnings.

The other provisions are formed for all recognizable risks and uncertain liabilities if it is probable that these will occur and it is possible to reliably estimate their amount. To the extent that the group expects at least a

partial refund for a provision carried as a liability (as is the case, for example, in insurance policies), the refund is only then recorded as a separate asset if the refund is as good as secure. Expenses for the formation of provisions are disclosed in the consolidated statement of comprehensive income after deduction of the refund.

Other provisions are measured in line with IAS 37 using the best possible estimate of the amount of the liability. If provisions only become due after one year and if it is possible to reliably estimate the amount or date of the payments, the cash value is identified by discounting.

The amount of the provision for warranties is identified using the warranty expense which resulted in the past, the warranty period, and the revenues affected by warranties. Individual provisions are formed for known losses. Provisions for other business-related liabilities are measured based on the performance still to be provided, as a rule in the amount of the production costs still to be incurred.

Financial liabilities are carried at cost at their first inclusion. This corresponds to the fair value of the compensation received. Transaction costs are also taken into account in this regard. All liabilities are measured in subsequent years at amortized cost using the effective interest method. Liabilities in foreign currencies are converted using the closing rate of exchange and any resulting exchange rate differences are carried under other operating income or expense.



NOTES TO THE INCOME STATEMENT

(1) Revenue

Revenue is composed of the following items:

	2013	2012
Sale of new equipment	32,430	42,135
Spare parts / service / other	30,821	34,513
Total	63,251	76,648

Revenue by region was as follows:

	2013	2012
China	18,366	26,462
Russia and other CIS states	13,527	16,431
America	1,410	1,138
Poland	11,611	11,158
Africa	9,749	10,382
Germany	5,993	8,018
Other countries	2,595	3,059
Total	63,251	76,648

(2) Other operating income

Other operating income is composed of the following items:

	2013	2012
Reversal of provisions	651	380
Exchange rate gains	397	864
Miscellaneous other operating income	1,202	468
Total	2,250	1,712

(3) Personnel expenses

Personnel expenses are composed of the following items:

	2013	2012
Wages and salaries	11,551	10,489
Social security and pension contributions	2,120	2,139
Total	13,671	12,628

The average number of employees in the SMT Scharf Group totaled:

	2013	2012
Employees	296	239
Apprentices	12	14
Total	296	239

(4) Other operating expenses

Other operating expenses are composed of the following items:

	2013	2012
Special direct cost of sales	1,954	2,294
Travel expenses	1,259	1,152
Third-party services	2,502	1,724
Exchange rate losses	1,095	551
Rent and leases	601	515
Contributions / fees	238	392
Maintenance costs	620	411
Advertising	310	199
Miscellaneous other operating expenses	2,828	3,032
Total	11,407	10,270

The miscellaneous other operating expenses mostly include additions to provisions, expenses for cleaning and disposal, insurance and telecommunications. The

auditors' including his network societies' fees incurred during the fiscal year are carried under third-party services. These are broken down as follows:

	2013	2012
Audit	124	125
Tax consulting	25	14
Other services	26	20
Total	175	159

(5) Income from participating interests

The income from participating interests results from the positive result of the Chinese company Shandong Xinsha Monorail Co. Ltd., Xintai (previous year: 671 TEUR).

(6) Income taxes

Income taxes are composed of the following items:

	2013	2012
Current tax expense	2,074	4,000
Thereof relating to the fiscal year	2,074	3,828
Thereof relating to prior periods	0	172
Deferred taxes	-215	-775
Thereof creation or reversal of temporary differences	-215	-775
Total	1,859	3,225

Deferred taxes are identified based on the tax rates which apply or are expected to apply according to the current legal situation on the balance sheet date or the date they are realized. The group's tax rate amounted to

32.1%, as in the previous year. If deferred tax assets or liabilities are carried for foreign companies, these are measured at the tax rates that apply in the corresponding countries.

Deferred taxes result from temporary differences in the following balance sheet items:

	31.12.2013	31.12.2012
Deferred tax assets		
Pension provisions	265	1,952
Other assets and liabilities	1,253	634
Deferred tax liabilities		
Intangible assets	260	314
Property, plant and equipment	981	749
Other assets and liabilities	252	363

Deferred tax assets and liabilities totaling 220 TEUR were netted as they relate to future charges or reductions for the same tax payer to the same tax authority (previous year: 371 TEUR). Consolidation effects resulted in deferred tax assets of 604 TEUR (previous year: 427 TEUR) (included in "other assets" and "other equity and liabilities"). As of December 31, 2013, deferred tax assets were carried for tax losses carried forward in the amount of 799 TEUR (previous

year: 1,882 TEUR). According to the current legal situation, there are no temporal or amount-based restrictions on carrying these losses forward.

The difference between the expected income tax expense (calculated using the tax rate applicable to SMT Scharf AG of 32.1%) and the reported tax expense is due to the following factors:

	2013	2012
Profit before income taxes	7,400	13,068
Imputed tax expense	2,375	4,195
International tax rate differences	-283	-789
Tax effectless income from affiliated companies	-283	-204
Other differences	50	-23
Reported income tax expense	1,859	3,225

The dividend disbursement proposed by the Managing and Supervisory Boards for fiscal year 2013 will

neither lead to a reduction nor an increase in income taxes for the SMT Scharf Group.

NOTES TO THE BALANCE SHEET

(7) Intangible assets, property, plant and equipment and leased items

The composition of and changes to intangible assets,

property, plant and equipment and leased assets can be found in the statement of changes in non-current assets:

Statement of changes in non-current assets from January 1 to December 31, 2013

		Initial balance 01.01.2013	Currency translation	Additions	Disposals	Disposals Dosco	Reclas- sifica- tion	Apprecia- tion	Closing balance 31.12.2013
Goodwill	Gross	1,514	328	0	0	0	0	0	1,186
	D / A	0	0	0	0	0	0	0	0
	Net	1,514	328	0	0	0	0	0	1,186
Acquired intangible assets	Gross	1,367	90	27	16	672	0	0	616
	D / A	697	44	75	16	202	0	0	510
	Net	670	48	-48	0	470	0	0	106
Own work capitalized (development costs)	Gross	2,276	0	778	0	0	0	0	3,054
	D / A	1,153	0	273	0	0	0	0	1,426
	Net	1,123	0	505	0	0	0	0	1,628
Intangible assets	Gross	5,157	419	805	16	672	0	0	4,856
	D / A	1,850	44	348	16	202	0	0	1,936
	Net	3,307	376	457	0	470	0	0	2,920
Land and buildings	Gross	14,463	93	0	0	2,254	0	0	12,116
	D / A	8,235	16	269	0	194	0	0	8,294
	Net	6,228	77	-269	0	2,060	0	0	3,822
Thereof leased to third parties	Gross	1,385	0	0	0	0	0	0	1,385
	D / A	869	27	0	0	0	0	0	896
	Net	516	-27	0	0	0	0	0	489
Technical equipment and machinery	Gross	5,295	142	52	26	2,395	-23	0	2,761
	D / A	4,797	114	131	25	2,227	-23	0	2,539
	Net	498	28	-79	1	168	0	0	222
Fixtures and fittings	Gross	8,478	179	1,799	1,434	661	23	0	8,026
	D / A	6,849	139	1,069	1,341	351	23	-21	6,089
	Net	1,629	40	730	93	310	0	21	1,937
Advance payments made	Gross	0	0	46	0	0	0	0	46
	D / A	0	0	0	0	0	0	0	0
	Net	0	0	46	0	0	0	0	46
Property, plant and equipment	Gross	28,236	414	1,897	1,460	5,310	0	0	22,949
	D / A	19,881	269	1,469	1,366	2,772	0	-21	16,922
	Net	8,355	145	428	94	2,538	0	21	6,027



**Statement of changes in non-current assets from
January 1 to December 31, 2012**

		Initial balance 01.01.2012	Currency translation	Additions from initial consolidation	Additions	Disposals	Closing balance 31.12.2012
Goodwill	Gross	1,606	-92	0	0	0	1,514
	D / A	0	0	0	0	0	0
	Net	1,606	-92	0	0	0	1,514
Acquired intangible assets	Gross	1,337	1	30	1	0	1,367
	D / A	591	-4	111	1	0	697
	Net	746	5	-81	0	0	670
Own work capitalized (development costs)	Gross	2,318	-1	419	460	0	2,276
	D / A	879	-1	735	460	0	1,153
	Net	1,439	0	-316	0	0	1,123
Intangible assets	Gross	5,261	-92	449	461	0	5,157
	D / A	1,470	-5	846	461	0	1,850
	Net	3,791	-87	-397	0	0	3,307
Land and buildings	Gross	14,369	55	1	0	38	14,463
	D / A	7,865	2	335	0	33	8,235
	Net	6,504	53	-334	0	5	6,228
Thereof leased to third parties	Gross	1,385	0	0	0	0	1,385
	D / A	841	28	0	0	0	869
	Net	544	-28	0	0	0	516
Technical equipment and machinery	Gross	5,122	64	29	38	118	5,295
	D / A	4,507	52	276	36	-2	4,797
	Net	615	12	-247	2	120	498
Fixtures and fittings	Gross	8,532	159	1,078	1,273	-18	8,478
	D / A	7,304	139	542	1,123	-13	6,849
	Net	1,228	20	536	150	-5	1,629
Advance payments made	Gross	72	2	46	0	-120	0
	D / A	0	0	0	0	0	0
	Net	72	2	46	0	-120	0
Property, plant and equipment	Gross	28,095	280	1,154	1,311	18	28,236
	D / A	19,676	193	1,153	1,159	18	19,881
	Net	8,419	87	1	152	0	8,355

The production costs of intangible assets that must be capitalized according to IAS 38 are initially expensed (in particular, personnel expenses) according to the nature of expense format, and then eliminated in the relevant period. The amortization for the internally generated intangible assets is carried as amortization expense. In 2013, development costs totaling 778 TEUR were capitalized for a project which fulfils the requirements of IAS 38.

The SMT Scharf Group leases internally developed drive systems as a lessor. On the balance sheet date, seven leased items were carried in the statement of changes in non-current assets as leased assets.

(8) Receivables and other assets

Trade receivables include security deposits in standard industry amounts that have been contractually agreed with the customers. These deposits cover SMT Scharf's incidental services that are to be provided once the risk has been transferred.

(9) Securities and cash and cash equivalents

SMT Scharf has acquired units in a near-money market fund to secure funding for early retirement schemes. The fund has an indefinite term and is only subject to minor price fluctuations. The units are measured at their fair value on the balance sheet date. Of the securities and cash and cash equivalents, 666 TEUR are due to a hardship and social fund. This fund is managed in trust by a commission which includes both employer and employee representatives.

(10) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity. The subscribed capital has totaled 4,200 TEUR since the

capital increase in April 2007. The share premium includes the premium from the capital increase less the transaction costs taking tax factors into account and additions from the sale and transfer of own shares.

As at December 31, 2013, 4,154,850 ordinary bearer shares of SMT Scharf AG have been issued in the form of no-par value shares with a notional value of 1 EUR per share. All shares have been fully paid in and grant the holders the same rights. The Managing Board can increase the subscribed capital on one or several occasions with the approval of the Supervisory Board by up to 2,100 TEUR against cash or non-cash contributions until April 12, 2016 (authorized capital). Shareholders' subscription rights can be excluded during this process.

In addition, there is conditional capital of up to 2,100 TEUR to issue additional ordinary shares. The conditional capital increase will only be implemented to the extent that either the holders of convertible bonds and / or bonds with warrants and / or profit-participation certificates with conversion or subscription rights that are issued by the company prior to April 22, 2014, use their conversion or subscription rights, or if the holders that have to convert convertible bonds and / or bonds with warrants and / or profit-participation certificates with conversion or subscription rights that are issued by the company prior to April 22, 2014, fulfill their conversion obligation. At present, no such securities have been issued.

The General Meeting on April 14, 2010 authorized the company's Managing Board to acquire own shares of up to 10% of the then current share capital until April 13, 2015. This acquisition may also be performed

using equity derivatives. In addition, the resolution includes the further conditions for the purchase and sale of own shares. No treasury shares were acquired in the 2013 fiscal year. Of the treasury shares acquired in the reporting period, the company sold 2,125 to employees as part of an employee equity participation plan. The company still held 45,150 own shares on December 31, 2013, or 1.1% of the share capital. The own shares can be used for all purposes set out in the authorization resolution.

SMT Scharf AG's annual financial statements, which are prepared in accordance with the principles of the Handelsgesetzbuch, include net retained profits of 1,516 TEUR. The Managing and Supervisory Boards will propose to the ordinary General Meeting, which is to be held on May 7, 2014, to pay a dividend of 0.25 EUR per share for fiscal year 2013 from these net retained profits. This will result in a total dividend of 1,039 TEUR, payable in 2014, based on the shares in circulation on today's date (excluding treasury shares). The remaining amount of 477 TEUR will be carried forward to new account.

(11) Provisions for pensions

The SMT Scharf Group's German companies have defined-benefit commitments to old-age, invalidity and survivors' pensions for their employees. The pension commitments result from various employer-financed direct commitments and from salary conversions based on a company agreement. In addition, there are indirect pension commitments according to the articles of association of the benefit fund of DBT e.V. All pension commitments are financed with provisions. There are no plan assets.

The amount of the pension commitments (projected unit credit of the benefit commitment or „defined benefit obligation“) was calculated using actuarial methods. In addition to the assumptions on life expectancies according to the 2005 G mortality tables, the following assumptions were used:

in % p. a.	31.12.2013	31.12.2012
Rate of benefit increases	2.0	2.0
Rate of pension increases	2.0	2.0
Discount rate (DB0)	3.50	3.90

The current service cost and interest expense are recorded in personnel expenses. The defined benefit obligation changed as follows:

	2013	2012
Defined benefit obligation		
on Jan, 1	2,698	2,891
Current service cost	97	59
Interest cost	102	120
Pension payments and transfers	-125	-752
Actuarial gains / losses	93	380
Defined benefit obligation		
on Dec, 31	2,865	2,698

A 0.5% change in the interest rate would result in an increase of EUR 100 thousand. A 0.5% increase in the interest rate would feed through to a EUR 91 thousand reduction in the pension obligation. Both sensitivity calculations were performed while retaining all other assumptions unchanged.

As of December 31, 2012, defined benefit commitments existed for old-age, invalidity and survivors pensions at the UK companies in the SMT Scharf Group from the Dosco Overseas Engineering (1973) Pension & Life Assurance Scheme. The scheme has plan assets that cover the majority of the obligations.

These pension obligations were also calculated using actuarial methods. In addition to the assumptions on life expectancies according to the PC[M/F]A00 mortality tables, the following assumptions were applied as of December 31, 2012:

in % p. a.	31.12.2012
Qualifying trend	3.0
Rate of pension increases	2.5 – 3.0
Discount rate (DBO)	4.2
Return on plan assets	6.0

The DBO of EUR 68,453 thousand that was calculated on the basis of these assumptions as of December 31, 2012 was offset with plan assets of EUR 59,964 thousand, resulting in the recognition on the balance sheet of an amount of EUR 8,489 thousand as of December 31, 2012. The plan assets comprise mainly equities, bonds and real estate.

(12) Other provisions

The other current provisions are all due within one year. They are due to personnel, sales and other areas. Provisions for personnel relate, in particular, to performance-related remuneration for employees and payments for overtime work and restructuring measures. Sales provisions relate, in particular, to warranty and follow-on costs. The costs in this regard were estimated on a project-by-project basis using prudent commercial judgment. The miscellaneous other provisions relate, in particular, to uncertain liabilities to suppliers. In addition, they also include provisions for litigation, including the associated costs of proceedings. The results of current and future litigation cannot be reliably predicted, with the result that expenses may be incurred in this regard that are not covered by insurance, rights of recourse or other existing provisions, and which could have a material impact on the company and its results. The Managing Board believes that no decisions are to be expected in the currently pending or threatened litigation that could have a material negative impact on the SMT Scharf Group's financial position or results of operations.

The other non-current provisions mostly relate to obligations for personnel, in particular for early retirement agreements and to long-term risks from litigation.

The changes to other provisions in 2013 can be seen in the following statement of changes in provisions.

Consolidated statement of changes in other provisions from January 1 to December 31, 2013

	Initial balance 01.01.2013	Disposal Dosco	Currency translation	Usage	Additions	Reversals	Closing balance 31.12.2013
Personnel	1,884	-120	-43	3,302	2,036	58	1,782
Sales	1,625	-222	-16	1,917	1,014	371	1,662
Miscellaneous	1,475	-247	-19	368	1,577	201	1,568
Other current provisions	4,984	-589	-78	1,017	4,627	630	5,012
Other non-current provisions	2,186	0	0	97	178	21	2,247

Consolidated statement of changes in other provisions from January 1 to December 31, 2012

	Initial balance 01.01.2012	Currency translation	Transfers	Usage	Additions	Reversals	Closing balance 31.12.2012
Personnel	1,785	2	0	1,787	1,978	94	1,884
Sales	2,125	19	0	988	635	166	1,625
Miscellaneous	2,098	19	0	1,706	1,174	110	1,475
Other current provisions	6,008	40	0	4,481	3,787	370	4,984
Other non-current provisions	2,302	6	0	249	381	254	2,186

(13) Liabilities

As was the case in the previous year, none of the trade payables, advance payments received and other current liabilities has a term of more than one year.

The mezzanine financing which is structured as a profit-participation certificate has been returned in April 2013. There are no liabilities secured by liens; for the availment of the KfW-loan from the ERP innovations program a land charge was registered as security.

NOTES TO THE 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 line with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.

The cash flows from investing and financing activities are identified directly, i.e., these are payment related. In contrast, the cash flow from operating activities is calculated indirectly from the earnings for the period. The cash flow from operating activities includes the following receipts and payments:

	2013	2012
Interest received	121	146
Interest paid	259	549
Income taxes paid	3,145	3,590

The net financial position in the cash flow statement comprises all of the cash and cash equivalents carried on the balance sheet, i.e., cash in 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, as well as marketable securities less current financial liabilities and less the hardship and social funds.

	31.12.2013	31.12.2012
Cash and cash equivalents	10,566	16,515
./. Hardship and social funds	-666	-681
Net financial position	9,899	15,834

OTHER DISCLOSURES

(14) Other financial liabilities and contingent liabilities

At the end of the fiscal year there were contingent liabilities from advance payment and warranty guarantees with a total value of 994 TEUR (previous year: 2,207 TEUR).

There are other financial liabilities in particular from rental and lease agreements for cars and photocopiers. The agreements have maturities of up to five years and in some cases include extension options and escalation clauses. In 2013, the rental and lease agreements resulted in payments totaling 425 TEUR being recognized in other operating expenses (previous year: 449 TEUR). The total nominal amount of the future minimum lease payments under operating leases and rental agreements is broken down by maturity as follows:

	31.12.2013	31.12.2012
Due within one year	359	161
Due in one to five years	792	578
Due after more than five years	0	0
Total	1,151	739

(15) Fair values of financial assets and liabilities

The valuation of financial assets and liabilities is discussed in the section on accounting and valuation methods. The SMT Scharf Group did not have any held-to-maturity or available-for-sale financial instruments in either 2013 or 2012. No regrouping was performed.

The fair values of the financial assets and liabilities were ascertained using the following hierarchy: If available, the fair value is determined based on listed market prices. If no such market prices are available, the fair value is determined in accordance with generally recognized valuation models based on DCF analyses and current market transactions and traders' listings for similar instruments. For its in the financial year 2013 returned mezzanine financing, an interest rate applicable to comparable bonds for SMEs which applied at December 31, 2013 was used.

In no category of financial assets and liabilities of the SMT Scharf Group no fair value differs from the book value.

(16) Capital risk management

Management controls the SMT Scharf Group's capital (equity plus liabilities) with the aim of maintaining financial flexibility so as to achieve the Group's growth targets while simultaneously optimizing financing costs. The overall strategy in this regard is unchanged year-on-year.

Management reviews the company's capital structure regularly upon the reporting dates, In doing so, it reviews the capital costs, the collateral provided and the open lines of credit and opportunities for borrowing. The Group has a target equity ratio of above 30% over the longer term. It is anticipated that

this will be maintained during the Group's further expansion. The Group's capital structure changed as follows during the fiscal year:

	31.12.2013		31.12.2012	
	in TEUR	in %	in TEUR	in %
Equity	39,381	64.5	43,333	55.7
Non-current liabilities	8,201	13.4	14,964	19.3
Current liabilities	13,514	22.1	19,501	25.0

(17) Financial risk management

SMT Scharf AG's Managing Board controls the purchase and sale of financial assets and liabilities and monitors the associated financial risks. This was as follows in detail:

Liquidity risks

The Group manages its liquidity risks by maintaining sufficient reserves, monitoring and maintaining its credit agreements as well as forecasting and coordinating its cash inflows and outflows. The Group can use lines of credit. The total unused amount totaled 4,500 TEUR on the balance sheet date (previous year: 6,000 TEUR). The group also has guarantee credit lines available. Management expects that the Group will be able to fulfill its other financial liabilities from its cash flow from operating activities and the proceeds from maturing financial assets.

Credit risks

The maximum risk of default is the carrying amount of the financial assets disclosed in the consolidated financial statements, less write-downs. This totals 18,934 TEUR (previous year: 25,554 TEUR).

The Group only engages in business with creditworthy parties, if necessary after obtaining collateral to minimize any risk of default. The Group obtains information from independent rating agencies, other available financial information and its own trade notes to assess creditworthiness, in particular for key accounts. Credit risks are controlled using limits for each party. These limits are reviewed and approved at least once per year. Open items are also monitored. The SMT Scharf Group does not believe that it is subject to any major risks of default from a party or group of parties to a contract with similar

characteristics. There are trade receivables from a large number of customers spread over various regions.

There are no uniform payment conditions within the group, as individual agreements are concluded for equipment orders. SMT Scharf writes receivables off if targets are substantially exceeded. This approach is based on past experience which shows that, as a rule, no payment can be expected from receivables that are more than six months overdue. Doubtful receivables were written down in the amount of 778 TEUR (previous year: 614 TEUR). No write-downs have been formed for trade receivables in the amount of 2,230 TEUR (previous year: 3,669 TEUR) that were overdue on the balance sheet date, as no material change was ascertained in the contractual party's creditworthiness, and it is expected that the outstanding amounts will be paid. The Group does not have any collateral for these unpaid items.

Market risks

Market risks can result from changes to exchange rates (exchange rate risk) or interest rates (interest rate risk). SMT Scharf combats these risks by using suitable hedges and control instruments. These are managed by constantly monitoring the cash flow and by monthly reporting to the Group's management. Exchange rate risks are limited in that the Group mostly issues its invoices in Euros or in local currency. Exchange rate hedges are concluded for major transactions. The group is currently not subject to any major interest rate risks as it borrows at fixed interest rates.

(18) Supervisory Board

The members of the Supervisory Board of SMT Scharf AG in the fiscal year were:

Dr. Dirk Markus, London (Chairman)	CEO of Aurelius AG	Aurelius Beteiligungsberatungs AG, Munich, Chairman of the Supervisory Board Berentzen-Gruppe AG, Haselünne, Member of the Supervisory Board Compagnie de Gestion et des Prêts S.A., Saran (France), Member of the Board Lotus AG, Grünwald, Chairman of the Supervisory Board SKW-Stahl Metallurgie Holding AG, Unterneukirchen, Member of the Supervisory Board
Dr.-Ing. Rolf-Dieter Kempis, Waldenburg (Deputy Chairman)	Management consultant	(no other mandates)
Dr. Harald Fett, Monheim	Management consultant	Pflegezeit AG, Hamburg, Chairman of the Supervisory Board

The members of the Supervisory Board receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses. The fixed remuneration totals 15 TEUR, the Chairman receives one and a half times this amount. The variable remuneration is based on the consolidated net income

for the period and is limited to 10 TEUR per person and year. Remuneration is paid on a pro-rata basis if members leave the Supervisory Board during the year. The following remuneration and out-of-pocket expenses were recognized as expenses for fiscal year 2013:

	Dr. Markus	Dr. Kempis	Dr. Fett
Fixed remuneration	23	15	15
Variable remuneration	10	10	10
Expenses	1	1	2
Total	34	26	27

There is no remuneration for former members of the Supervisory Board or their survivors, nor are there any pension obligations for this group of people. There are no advances, loans, or contingent liabilities in favour of

members of the Supervisory Board. As of December 31, 2013 the members of the Supervisory Board held 1,000 shares of the company.

(19) Managing Board

During the fiscal year, SMT Scharf AG's Managing Board comprised Mr. Christian Dreyer (CEO) and Mr. Heinrich Schulze-Buxloh. Mr. Schulze-Buxloh is Chairman of the Supervisory Board of SMT Scharf Polska Sp. z o. o.

Members of the Managing Board receive remuneration comprising a fixed basic annual salary and an annual performance-related bonus, plus reimbursement of their out-of-pocket expenses. The bonus for a fiscal year is set and becomes due in the following fiscal year in each case; a provision is formed in this regard at the end of the fiscal year. The following remuneration and out-of-pocket expenses were recognized as expenses in fiscal year 2013:

	Dreyer	Schulze-Buxloh
Basic remuneration	120	200
Bonus	64	90
Additional payments	10	8
Total	194	298

SMT Scharf AG has pension obligations and other obligations from the conversion of salary components for previous fiscal years of 200 TEUR for Mr. Schulze-Buxloh. There are no share-based payments, no commitments to make payments in the event that the employment relationship ends, and no agreements for compensation in the event of a takeover bid. On

December 31, 2013, Mr. Dreyer did not hold any shares of the company, and Mr. Schulze-Buxloh held 6,000 shares,

There is no remuneration for former members of the Managing Board or their survivors.

There are no advances, loans or contingent liabilities in favor of members of the Managing Board.

(20) Related party transactions

In 2013, services totaling less than 131 TEUR were purchased at arm's length conditions from related parties as defined by IAS 24. No services were provided to related parties.

(21) Events after the balance sheet date

No events of special importance (have) occurred after the reporting period.

Hamm, March 12, 2014

The Managing Board

Christian Dreyer

Heinrich Schulze-Buxloh

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, SMT Scharf AG's consolidated financial statements as of December 31, 2013, provide a true and fair view of the group's assets, liabilities, financial position and results of operations, and the group management report for fiscal year 2013 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.

Hamm, March 12, 2014

Christian Dreyer Heinrich Schulze-Buxloh

Auditors' report and opinion

We have audited the IFRS consolidated financial statements, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the financial statements as well as the group management report of SMT Scharf AG for the fiscal year from January 1, 2012 to December 31, 2013. The preparation of the IFRS consolidated financial statements and the group management report in accordance with the IFRS whose application is mandatory in the European Union (EU) and with the additionally applicable financial-accounting provisions of Section 315a (1) of the HGB (German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit in accordance with Section 317 of the HGB (German Commercial Code), observing the generally accepted German auditing principles promulgated by the IDW (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the IFRS consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the IFRS consolidated financial statements and the group

management report are examined primarily on a test basis within the framework of the audit. The audit also includes evaluating the annual financial statements of the consolidated companies and the scope of consolidation, assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the IFRS consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the IFRS consolidated financial statements comply with the IFRS whose application is mandatory in the EU and with the additionally applicable financial-accounting provisions of Section 315a (1) HGB, and, with due regard to these standards, give a true and fair view of the net assets, financial position and results of operations of the group. The group management report is consistent with the IFRS consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 12, 2014

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Michael Hüchtebrock
Auditor

Christian Weyers
Auditor



Financial calendar 2014

07.05.2014	Annual general meeting
15.05.2014	Publication of the financial report for the 1st quarter 2014
14.08.2014	Publication of the financial report for the 2nd quarter 2014
13.11.2014	Publication of the financial report for the 3rd quarter 2014
31. Dezember	End of the fiscal year

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Legal Notice

This annual report contains future-related statements based on estimates of future trends on the part of the Executive Board. The statements and estimates have been made in view of all information available at present. Should the assumptions underlying such statements and estimates fail to materialize, actual results may differ from current expectations.

This annual report and the information contained therein do not constitute an offer for sale either in Germany or in any other country, nor do they constitute a demand to purchase securities of SMT Scharf AG, in particular if this type of offer or demand is prohibited or not authorized. Potential investors in shares of SMT Scharf AG must obtain information on any such restrictions and adhere to these. The annual financial reports of SMT Scharf AG and of SMT Scharf Group are published in German and English. In case of discrepancies the German version prevails. The graphics in the section "Group management report" do not form part of the Group management report audited by SMT Scharf AG's auditors.

Layout and Preproduction: Gimona X Werbeagentur, Salzburg

Artdirection: Peter Distler

Text and Editing: cometis AG

Photos: Marc Haader, F1online digitale Bildagentur, SMT Scharf

Printing and Finishing: Rizner.at

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