SMT SCHARF AG

ANNUAL REPORT 2014

Eight-year comparison of key financials

		2007	2008	2009	2010	2011	2012	2013	2014
Income statement data (without Dosco)									
Revenue	TEUR	51,206	49,739	53,262	50,607	68,378	76,648	63,251	47,820
Revenue share from outside Germany	%	64	75	84	89	88	89	91	87
Operating output	TEUR	51,069	49,809	51,056	51,271	72,330	75,646	63,263	45,681
EBIT	TEUR	7,453	7,489	7,585	9,581	12,524	12,858	6,590	-1,511
EBIT margin	%	14.6	15.0	14.9	18.7	17.3	17.0	10.4	-3.3
Net income	TEUR	5,976	5,343	5,073	8,006*	10,658*	9,842	5,537	-1,082

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

		2007	2008	2009	2010	2011	2012	2013	2014
Balance sheet data									
Total assets	TEUR	44,256	55,410	44,789	67,185*	81,861*	77,798*	61,097	60,480
Equity	TEUR	22,730	24,226	23,044	31,055*	40,879*	43,333*	39,381	36,869
Equity ratio	%	51	44	51	46*	50*	56*	64	61
Cash and cash equivalents and securities	TEUR	12,307	17,138	14,992	12,750	11,222	13,192	10,566	6,647

* incl. Dosco (all other figures without Dosco)

		2007	2008	2009	2010	2011	2012	2013	2014
Personnel data (without Dosco)									
Average number of employees		252	249	228	218	229	252	296	284
Share of employees outside Germany	%	15	24	31	39	43	50	59	63
Share data									
Earnings per share	EUR	1.53	1.27	1.23	2.03	2.60	2.82	0.77	-0.26
Dividend	EUR	0.70	0.85	0.70	0.85	0.95	0.98	0.25	0.00

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 (CAGR 2012-2017: 8.6%). Increasingly inaccessible raw materials 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 around 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

Content

Letter to SHAREHOLDERS

01

Dear shareholders,

The mining industry has been in an uninterrupted cyclical downturn since 2011. As almost all commodity prices have fallen considerably on the global market, our customers' propensity to invest has dropped to a level that we last observed on the mining equipment market in 1999. The supercycle of high commodity prices that lasted from 2001 until 2011 – with a brief setback in 2008 – thereby came to a definitive end.

We have met our forecasts for 2014. We believe that the downturn has now reached a certain floor, which prompts us to anticipate that our sales revenue in 2015 will be equivalent to that in 2014, and to already expect an improvement in earnings. It is difficult, however, to see any upturn before the end of 2016. For this reason, we launched a series of stringent measures at SMT Scharf under the title of „CSI – Costs, Sales, Innovation" in order to reduce costs, without impinging on the company's intrinsic value and technical expertise. On the contrary: to supplement these measures, we set up a development program that will replace practically all of our current products with both improvements and new versions by the end of 2016. In this context we have also hired – and will continue to hire – new engineers both in Germany and abroad. In parallel, our sales function has analysed our customer potential systematically, identifying precisely where further strength was needed – for example, through preparing further joint ventures in China, where close relationships are extremely important. Consequently, we are optimally equipped and prepared for the next upturn with a combination of new products, a streamlined structure and an effective sales function.

We have also defined our „hard rock" segment, which today comprises 12 % of our sales revenue, as a strategic business area – along with our long established coal mining clientele („black coal"). Accordingly, we will report separately on these two segments from here on. While we do not anticipate any great leaps in revenue in this context over the next two to three years, we have some irons in the fire – which could mean that this segment develops into a pillar that rivals that of coal over the medium to long term.

Given all our cautious optimism, however, we would also like to refer to the risks that bear down on our prospects: China is our most important sales market, accounting for one third of our sales, with more than 140 rail systems out of a total of 600 worldwide, and the source of most of our growth upside potential, without the expectation of political and economic stability there our business model could run into danger. Russia remains our second most important market, accounting for 22 % of our total revenue. Although we identify considerably less growth potential there than in China, long-term market access to our installed base of 166 rail systems is very important: We hope that the EU sanctions following the Ukraine crisis will not spill over into the coal mining industry, but will remain restricted to the oil, gas and banking sectors. The massive loss of value in the exchange rate of the rouble, however, is already proving very painful.

In response to a wish expressed by many shareholders, we have decided to acquire treasury shares in the secondary market place through a share repurchase program, instead of paying a dividend from the parent company's net profit.

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

Yours sincerely

Heinrich Schulze-Buxloh
Christian Dreyer

REPORT of the SUPERVISORY BOARD

02

Report of the Supervisory Board for the 2014 fiscal year

In the 2014 fiscal year, the Supervisory Board of SMT Scharf AG conscientiously performed the tasks required of it by law and the articles of incorporation and supervised and consulted with the Managing Board continuously. The Supervisory Board received regular, up-to-the-minute, comprehensive written and verbal reports from the Managing Board about business growth and development at SMT Scharf AG and the Group companies, the company's strategic orientation, as well as strategy implementation status. Between meetings, the Managing Board also informed the Supervisory Board of plans of particular importance or urgency. When resolutions were passed, the approval requirements for certain transactions as defined in the Managing Board's rules of business procedure were adhered to.

At the six regular meetings on March 19 (Hamm), on May 7 (Hamm), on June 11 (Hamm), on July 24 (Tychy/Poland), on October 8 (Hamm) and on December 12, 2014 (Xuzhou/China), the Supervisory Board consulted on all questions of relevance for the company. In advance of these meetings, the Managing Board of SMT Scharf AG regularly informed the Supervisory Board about the Group's current business position by way of written reports. Given the tangible downturn in business during the course of the year under review, topics in this context included the related reasons, as well as the measures forming part of the CSI („costs + sales + innovation") program that the Managing Board had already implemented on the basis of its research into the related causes.
Given the localisation strategy, the Supervisory Board held in-depth discussions about developments on the most important sales markets of SMT Scharf AG, such as China, Russia and Poland, in particular. This included, and continues to include, analysis and discussion of the effects of political tension between Russia and Ukraine on the Group's business, although these developments have had no significant effect on business to date. In order to intensify personal contacts with the local management teams, the Supervisory Board held its regular meetings on July 24 at the Polish branch in Tychy, and on December 12 in Xuzhou/China.

► At the meeting on March 19, the Supervisory Board received a presentation and explanation of the 2013 annual financial statements from the auditors from RSM Verhülsdonk GmbH (formerly Verhülsdonk & Partner GmbH). This included detailed coverage of the management report, the report on opportunities and risks as an element of the management report, as well as the outlook for the 2014 fiscal year. Both the 2013 separate financial statements and the 2013 consolidated financial statements were approved unanimously. In addition, the Supervisory Board concurred with the Managing Board's suggestion to propose to the Annual General Meeting that it approve the payment of a dividend of EUR 0.25 per share, and to confirm RSM Verhülsdonk GmbH as the auditors of the separate and consolidated financial statements for 2014, and passed the corresponding resolutions.

► As a result of proposals and elections by the company shareholders, new appointments were made to the Supervisory Board at the Annual General Meeting on May 7. Since then, Mr. Michael Reich has acted as Supervisory Board Chairman, Mr. Hans-Joachim Theiss has acted as his Deputy, while Dr. Dirk Vorsteher comprises the Supervisory Board's third member. In line with the requirements of the German Corporate Governance Code, the Supervisory Board is structured so that its members possess the knowledge, capabilities and professional experience overall to fulfil their tasks proficiently. Michael Reich and Dr. Dirk Vorsteher have held managerial positions for many years within the mining industry – including internationally – and consequently contribute a wealth and depth of knowledge about the sector's conditions and circumstances. Hans-Joachim Theiss rounds out the Supervisory Board's expertise with his knowledge of the accounting area. Given its few members, the Supervisory Board has continued to refrain from forming committees.

► The first meeting of the newly formed Supervisory Board on June 11 consulted about the restructuring plan for the main plant in Hamm, as well as about sales initiatives to penetrate core sales markets to a greater degree, as well as the tapping of new markets as part of the CSI program.

► At the meeting held on July 24 in Tychy/Poland, this was discussed in greater detail in the light of the business situation and prospects of the Polish branch. Intensifying personal contacts with the management levels of the national companies enables the effects of the localisation strategy on the Group's future organisational structure to be identified, and to be integrated into the strategic orientation of SMT Scharf AG.

► As part of the meeting on October 8, the Managing Board presented budget planning for the 2015 fiscal year. This planning was approved on December 12. At this meeting, the Supervisory Board also extended the Managing Board contract with Mr. Heinrich Schulze-Buxloh by a further year until December 31, 2015. In addition, the statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the „Government Commission German Corporate Governance Code" in its version of June 24, 2014, was discussed with the Managing Board, and approved. This statement has been made available to all stakeholder groups at www.smtscharf.com. The members of the Supervisory Board fulfilled and continue to fulfil the independence criteria, excluding any conflicts of interest, as stipulated by the German Corporate Governance Code.

► The Supervisory Board's last meeting in 2014 was held on December 12 in Xuzhou/China. A report presented by the Managing Director of Scharf Mining Machinery (Beijing) Co., Ltd. allowed the Supervisory Board to gain a comprehensive insight into the market, organisation, targets, strategies, and opportunities and risks for SMT Scharf in China.

The separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2014 fiscal year, which were prepared by the Managing Board, were audited by RSM Verhülsdonk GmbH, Düsseldorf, and issued with unqualified auditors' opinions. As part of statutory requirements, SMT Scharf Group's risk management system and internal control system, as well as the data system, were also covered by the audit. At its meeting on March 4, 2015, also attended by the auditor, the Supervisory Board reviewed the separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2014 fiscal year. After a thorough discussion and based on its own review, the Supervisory Board concurs with the results of the audit of the separate financial statements and consolidated financial statements by the auditor, and raises no objections against either the separate or the consolidated financial statements. The Supervisory Board expressly approves the separate financial statements and separate management report, as well as the consolidated financial statements and Group management report, prepared by the Managing Board for the 2014 fiscal year. The corresponding financial statements have been adopted as a consequence.

On March 4, 2015, the Managing Board passed a resolution to purchase treasury shares through a stock repurchase program on the secondary market in a volume of up to EUR 2.5 million. For this reason, the Supervisory Board, together with the Managing Board, has refrained from proposing the payment of a dividend, as the cash that will accrue to shareholders by way of the share repur chase will replace the dividend.

The Supervisory Board would like to thank the members of the Managing Board, the members of the Supervisory Board who stepped down last year, and all of the company's employees for their dedication and commitment during the past fiscal year. The Supervisory Board would like to wish the new Managing Board and our employees every success in meeting the challenges of the new fiscal year.

Hamm, March 4, 2015

Michael Reich

The MANAGEMENT

03

The management of SMT Scharf AG

The success of SMT Scharf is the result of committed employees in Germany and abroad on the one hand, as well as trust-based collaboration between the Group parent company in Germany and the international subsidiaries on the other. Therefore, in its operating business, the Managing Board of SMT Scharf AG works closely with its most senior management level staff. In this process, the company benefits from all of its employees' many years of experience, whether in mining, or in the technical or commercial areas. In the course of regular meetings this collective know-how is deployed in order to foster positive company developments and growth.

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
OOO SMT Scharf Russia, Russia

4 **Eduard Gneiding**
Managing Director
OOO 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

Missing in the picture:

Mark van Ede
Managing Director
ZA Sareco, South Africa

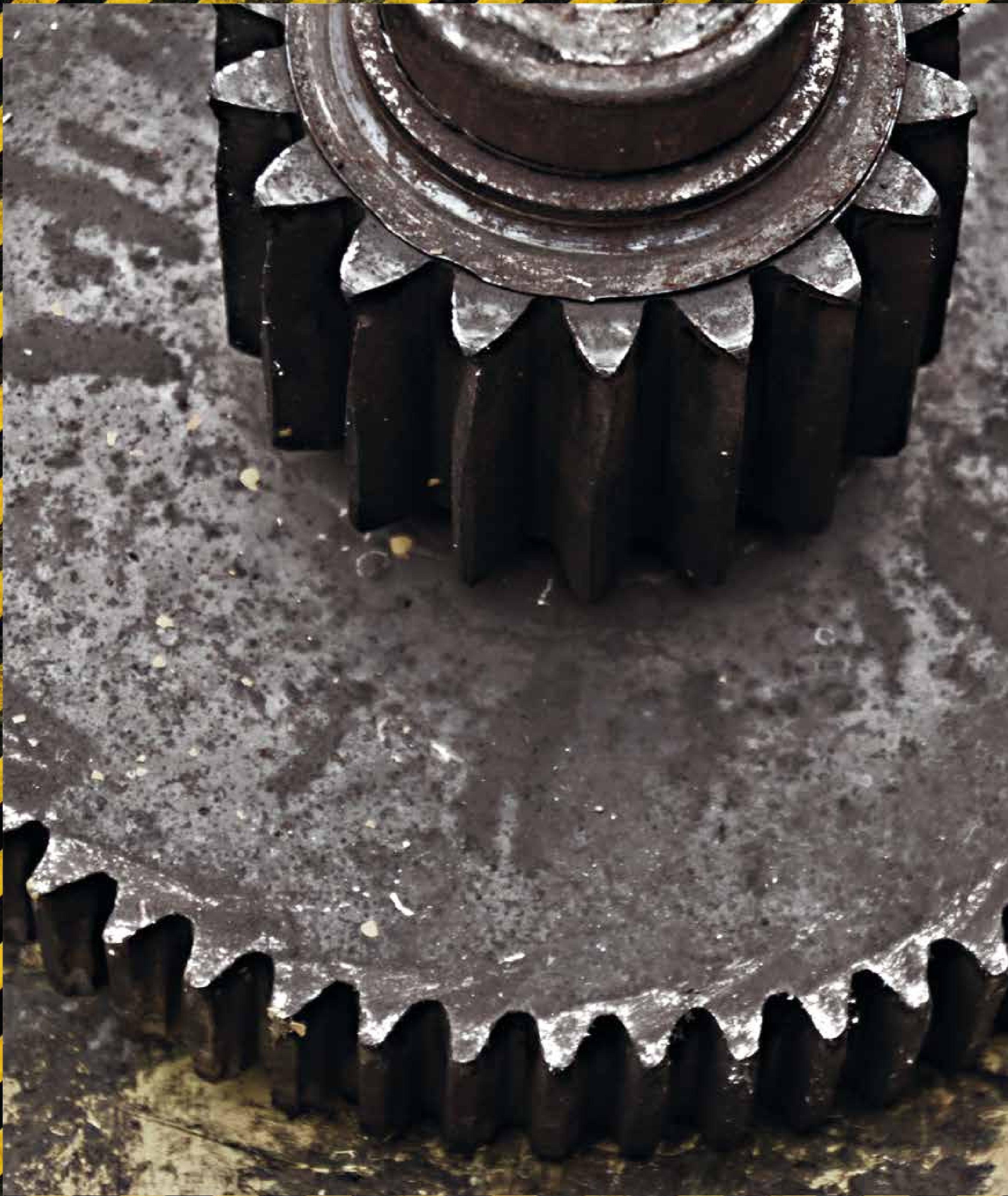
Igor Masalskyi
Managing Director
SMT Scharf Ukraine, Ukraine

Reinhold Jung
Managing Director
SMT Scharf Saar, Germany

Eric Addison
Managing Director
SMT Scharf Africa + Sareco, South Africa

SMT SCHARF
Market environment

04



Market environment

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SMT SCHARF
MARKET ENVIRONMENT

For over 40 years, SMT Scharf has ranked as a leading provider of transportation solutions for workers, equipment and materials in underground mining. The company focuses on monorail hanging railways and floor-mounted railways, and also offers chairlifts.

This transmission gear transmits forces of up to 20kN (2 tons)

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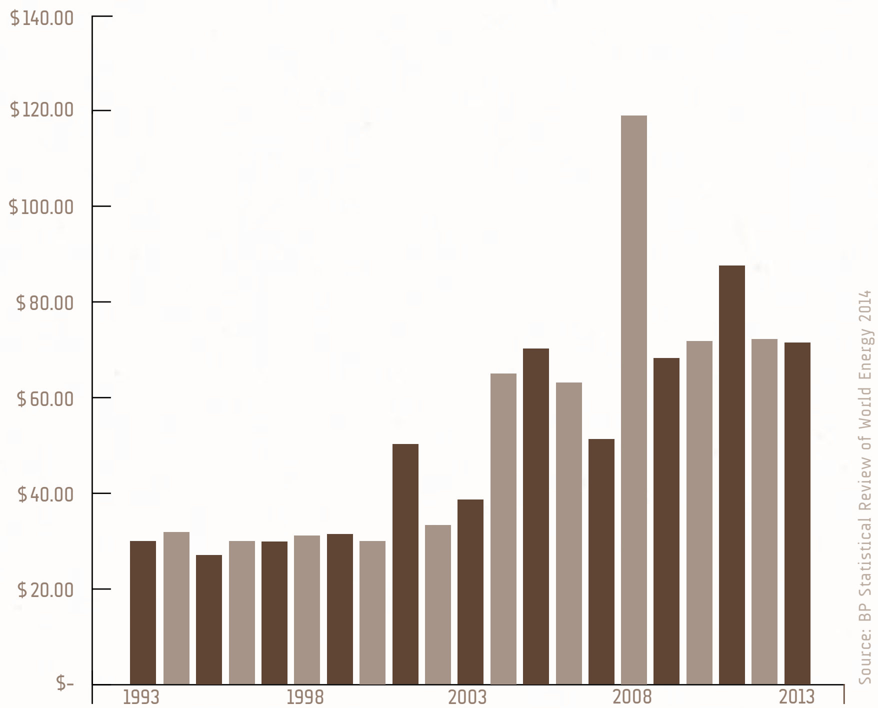
SMT Scharf is at home in most of the world's important mining regions, and is oriented to international customer markets – especially China and other emerging economies – with the localisation strategy that it has developed since 2012. The core of this long-term strategy is to create development and production capacities abroad in order to move closer to customers. Research & development, project management, marketing and strategic purchasing remain in Germany.

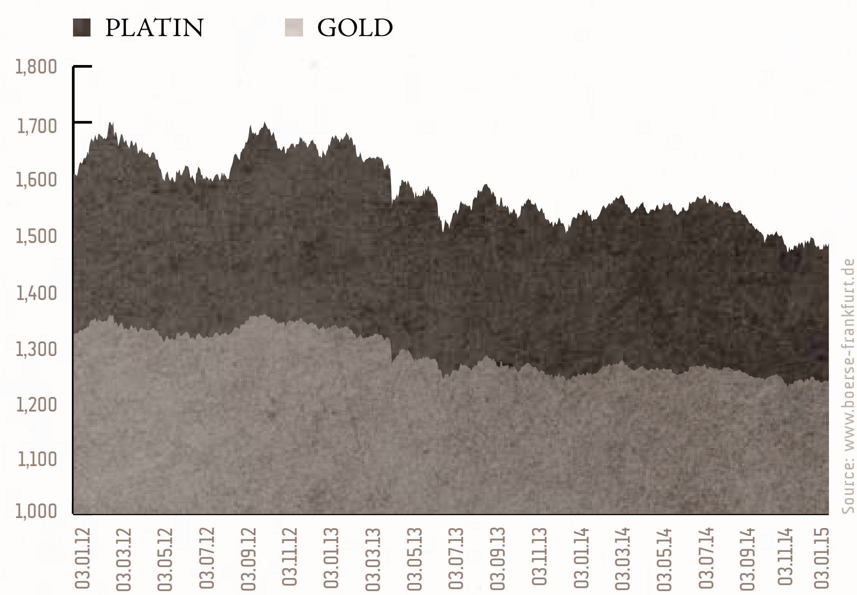
Along with its core business of underground coal mining, SMT Scharf is focusing increasingly on business with mining operations in the hard rock area. In this strategic business area, SMT Scharf develops transportation solutions for operators of gold, platinum, nickel and copper mines.

Safety is the utmost priority in mining: SMT Scharf's products convincingly incorporate robust technology, are easy to use and maintain, and boost working process safety to a maximum.

PRICE US BENCHMARK COAL (1 TON)



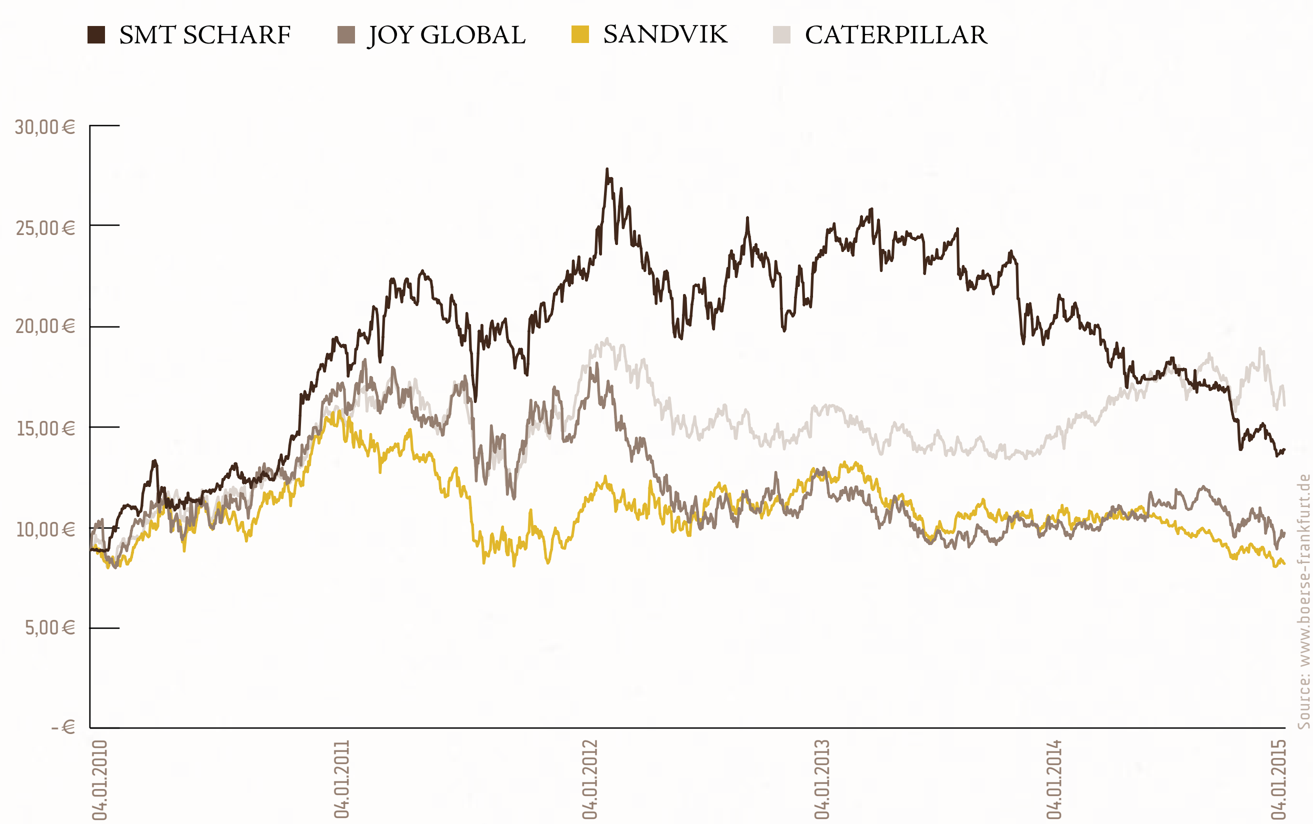
PRICE FOR GOLD (1 TROY OUNCE) UND PLATINUM (1 TROY OUNCE)



THE GLOBAL MINING EQUIPMENT MARKET

The global mining equipment market was worth USD 90 billion in 2012, and is set to grow to USD 135 billion by 2017, according to estimates produced by research firm Freedonia. By then, the share of demand from the Asia-Pacific region will amount to around two thirds (source: Freedonia Group 2014). From our viewpoint, however, we expect that this level will be reached a few years later due to the current mining sector downturn.

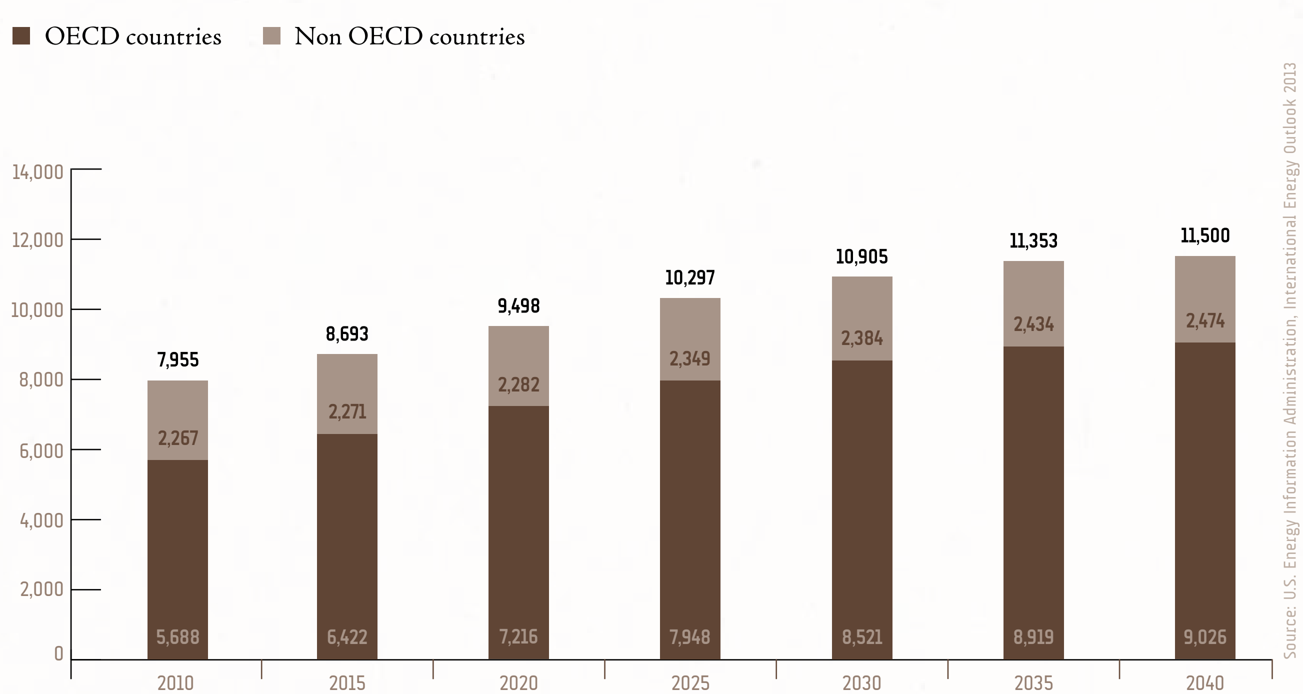
The business of mining equipment suppliers is very cyclical, and mainly follows commodity price trends with a delay due to the time entailed in processing existing order books. International commodity prices are strongly correlated: a decline in the price of important raw materials such as coal, gold and platinum feeds through to overcapacities and a reticence to invest. Since an approximately ten-year boom in commodity prices ended in 2011, mine operators' investment spend has also been declining. This entails contraction in business volumes for SMT Scharf AG and its competitors. The company believes that a floor was reached in 2014, which is why SMT Scharf is positioning itself strategically for the next upturn, when the backlog of investment for the remaining mine operators is set to unwind. SMT Scharf does not anticipate that the upturn will occur before 2016, however, and perhaps also not until significantly later.



COAL MINING

88 % of SMT Scharf's products are shipped to underground coal mines. Coal mining in Western Europe has been in decline for many years. The mining of hard coal in Germany will come to a permanent end by 2018. For this reason, from its base in the Ruhr region, SMT Scharf's business has increasingly internationalized itself over the past ten years. In 2014, 14 % of its revenue derived from Germany, and entirely from its service and spare parts business for existing rail systems in this context.

The major emerging economies hold the relevant markets for new systems business, above all China. In line with tremendous growth rates, the demand for energy has constantly increased. In this context, coal has played a key role as an energy source over the past years. In China, more than 10,000 coal mines are not yet equipped with monorails. The localization of sales and assembly functions towards the customer markets plays a critical role in tapping this market with its enormous growth potential. Research conducted by SMT Scharf suggests that the 20 largest mine operators will generate around half of China's production volume of approaching 4 billion tons per year. SMT has already realised a notable level of installations at four of these companies that all still offer major expansion potential. Therefore, the task for the coming years is to acquire the remaining operators as strategic partners and customers. In its energy forecast for the next 25 years the U.S. Energy Information Administration anticipates further global coal production growth – while at a moderate rate – with relative production volumes shifting further toward non-OECD countries.



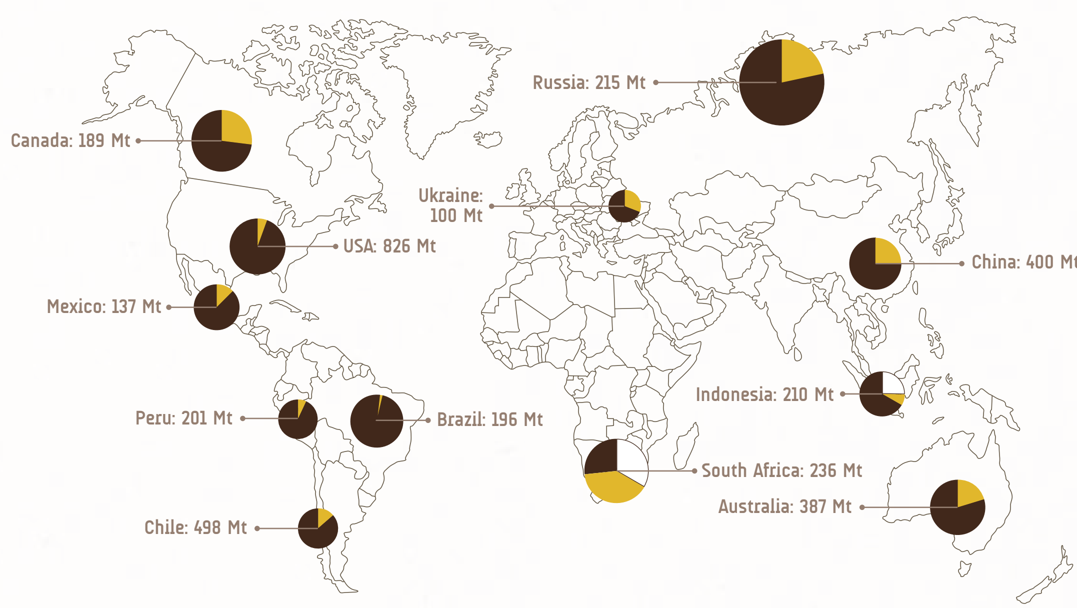
HARD ROCK MINING

12 % of SMT Scharf's products are shipped to customers that operate mines in the hard rock area. This includes the production of ores that include metals such as gold, platinum, copper and nickel. Here, too, the company supplies exclusively to underground mines. In contrast to coal mines, no expensive explosion protection is required, thereby allowing electric locomotives to substitute diesel locomotives.

Hard rock mining is very varied, and distributed among many regions globally: the world's largest platinum deposits are situated in South Africa, for example, and copper deposits are to be found in countries ranging from Australia and China to Poland. The renewable energy sector, which is becoming increasingly important internationally, comprises one of the drivers of demand for industrial metals and steels, according to experts at the Freedonia Group. Operators of biogas systems, solar collectors and cells, and wind power plants, require many of the substances that can be produced in hard rock mining. The electronics industry also has to make recourse to mining – mobile telephones, for example, include 41 different raw materials that can be manufactured only from mining products.

SMT Scharf has defined hard rock mining as a strategic business area that is to grow to become a second pillar within the Group, despite its current subordinate role, thereby securing opportunities through diversification. The impact of the mining cycle can also be mitigated somewhat through further customer groups. As hard rock sites that can be tapped easily are being increasingly exhausted, the trend in ore mining is also heading underground – thereby opening up a further growth market for SMT Scharf products to stand beside coal.

GLOBAL ORE PRODUCTION



Source: Raw Materials Data, Stockholm; Atlas Copco

■ open pit mining ■ underground mining □ other


TUPY

Product areas

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SMT SCHARF
MARKET ENVIRONMENT

SMT Scharf is a leading supplier of captivated railway systems and chairlifts for underground mining with high market shares in all target markets. In terms of reliability, quality and safety the products of SMT Scharf are unsurpassed.

This air motor provides 6 kW of engine power for our shunting trolleys

04/2

UNDERGROUND TRANSPORT SYSTEMS

Captivated railway systems for underground mining represent SMT Scharf's main product. A differentiation is made between monorail hanging railways that are suspended on a single hanging rail with a double-T-profile (monorail), and floor-mounted railways that travel on a rail track lying at floor level (duorail). These railway systems are designed for the special requirements of transporting materials and personnel underground, where horizontal stretches of considerable length, with sharp differences of height in between, have to be traversed. They can transport loads of up to 48 tons on stretches with gradients of up to 35 degrees. Hanging railway systems are particularly easy to install. In contrast with vehicles with rubber tyres, and floor-mounted railway systems, their deployment is unhindered by material lying on the ground. Chairlifts are an extremely economical solution for transporting personnel underground, and comprise an important ancillary product from SMT Scharf. They are distinguished by their excellent capability to handle very curvy routes, as well as by their compact design.

INNOVATION AND SAFETY

The mining equipment sector faces constant innovation pressure, as deposits worldwide are becoming increasingly inaccessible as a result of advancing excavation. Transport system technology is undergoing constant further development: as a globally operating engineering company, SMT Scharf cooperates with leading institutes and engineering offices, consistently contributing new ideas that deliver efficiency gains in the mining area.

Pioneering spirit, innovative capacity and constant further development have ranked as central issues since the company was founded in 1951: SMT Scharf's products have placed their stamp on the world market, and have often been copied, although they have never been outperformed in terms of reliability and quality. In some countries, the term „Scharf" has even entered the vocabulary and serves as generic term for monorails.

SMT Scharf transport solutions are distinguished by their expandability: whether monorail or duorail – all elements fit together, and can be adapted and added to at any time. The system comprises communication and sensor technology, safety systems, lifting solutions and more, and can be integrated into almost all components. SMT Scharf's system solution consists of tried and tested modules.

Safety takes top priority in this context: technologies such as automatic safety brakes for emergencies ensure that miners are protected, and that working processes are safe. Explosion protection is the basic precondition for deploying products in underground mining, as the risk of lethal methane gas or coal dust explosions always exists underground („firedamp explosions"). Here, too, SMT Scharf products comply with the highest international safety standards.

SMT Scharf in China.

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SMT SCHARF
MARKET ENVIRONMENT

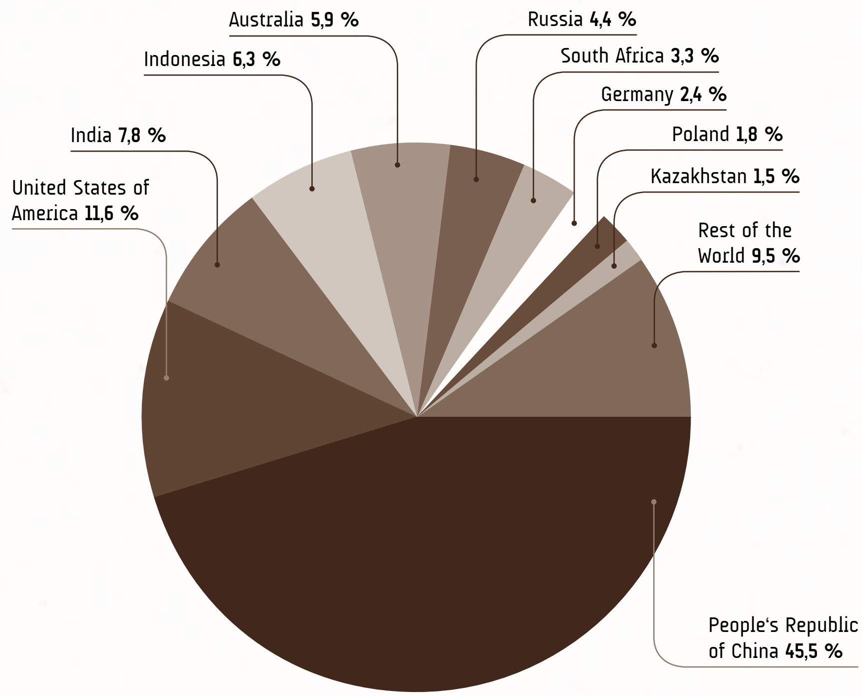
One of our sliding roller bearings: It spun for about six years in abrasive surroundings

The Middle Kingdom has already ranked as the mining sector's growth engine for the past ten years, and represents the most important market of the future for SMT Scharf's products. Of almost 600 Scharf rail systems that are operational worldwide, more than 140 are located in China. The respective market share in this area in China stands at around 50 %, according to research conducted

The Chinese market holds unbelievable potential for the sale of new transport equipment, especially in coal mining: and not just because almost half the coal produced world derived from China in 2013 (at almost 4 billion tons), but also due to the fact that virtually all coal deposits in China are located underground – in contrast to other countries such as the USA or India – and are consequently predestined for the deployment of SMT Scharf's transport systems.

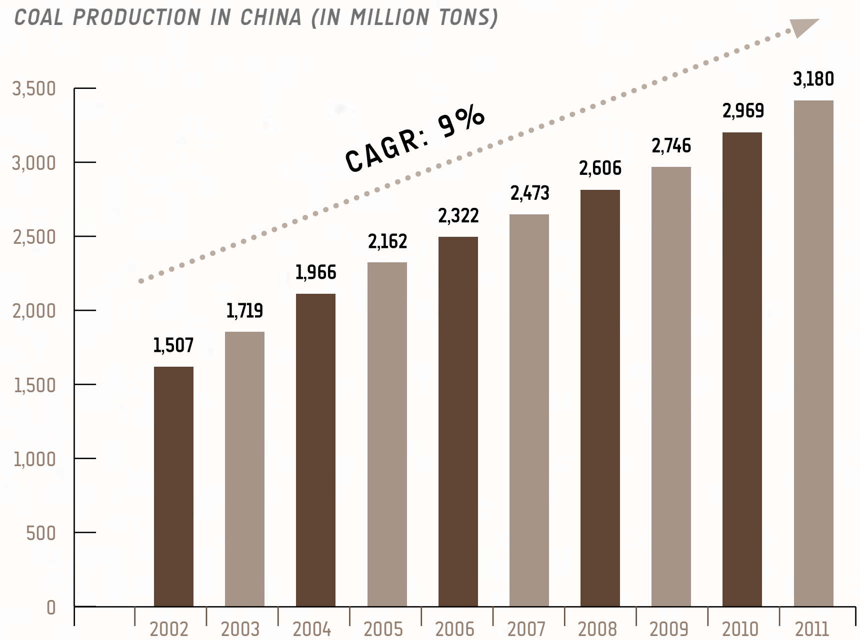
Coal has been the fossil fuel that has enjoyed the strongest demand over the past years, driven by Chinese economic growth. Chinese coal production has increased dynamically over the last years, in line with the country's rising gross domestic product, and has been slowed only by advancing regenerative energy generation harnessing water, solar or wind energy. The U.S. Energy Information Administration estimates that the share of coal produced in emerging economies outside the OECD will rise to around 8.5 billion tons by 2030 (source: U.S. Energy Information Administration, International Energy Outlook 2013).

LARGEST COAL PRODUCING COUNTRIES 2013



Source: International Energy Agency, Key World Energy Statistics 2014

COAL PRODUCTION IN CHINA (IN MILLION TONS)



Source: www.stats.gov.cn

SMT Scharf is currently present in China through two wholly-owned subsidiaries and a 50 % joint venture with a Chinese partner. The Beijing centre is responsible for sales and marketing. Technology and production are located at the subsidiary in Xuzhou, which, like the joint venture in Xintai, is situated in the north-eastern region of Shandong.

Source: Company research, CIA: The World Factbook

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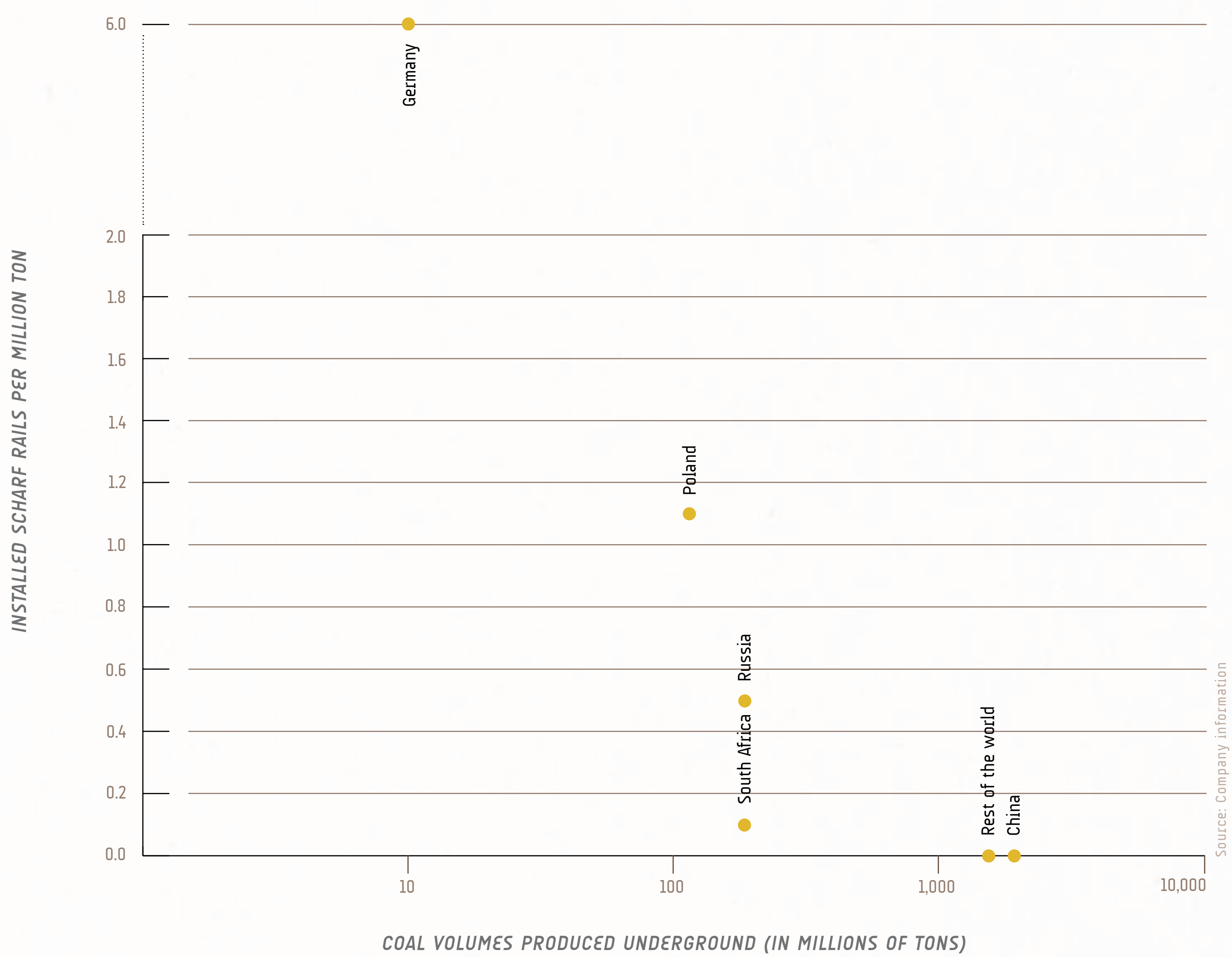
In the course of the SMT Scharf localisation strategy, the international sites in China have also gained importance. Newly hired engineers are undergoing intensive training in order to implement developments more efficiently and maintain close customer proximity. The sales function has also carefully analysed customer potential. SMT Scharf aims to deepen its relationships with Chinese partners in the future through further joint ventures. SMT Scharf is thereby positioning itself well in order to benefit from growing demand from China, and is preparing itself for future competition from local providers, for which market entry barriers are still very high, also due to high safety requirements, among other factors. „Made in Germany" will continue to help to ensure that SMT Scharf products retain their leading position in the face of international competition thanks to their reliability, safety, flexibility and efficiency.

Compared with Poland, for example, where a total of around 75 million tons of coal were produced underground in 2014, and currently approximately 600 monorail hanging railways from various manufacturers are in operation – thereof 143 from SMT Scharf – very great sales potential still exists in China due to large coal production volumes, and where only around 220 rail systems are currently in operation – thereof 141 from SMT Scharf.

	Installed Scharf monorails (as of: December 19, 2014)	Coal volumes produced underground and open cast in 2014 (estimated, in millions of tons)	Of which, proportion of coal produced underground (estimated, %)
Russia	166	350	70 %
Poland	143	130	60 %
China	137	3,600	90 %
Germany	60	10	100 %
South Africa	31	350	40 %
Rest of the world	66	2,850	35 %
Total	**572**	**7,290**	**65 %**

Source: Company information


INSTALLED SCHARF RAILS PER MILLION TON
6.0
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
Germany
Poland
Russia
South Africa
Rest of the world
China
10
100
1,000
10,000
COAL VOLUMES PRODUCED UNDERGROUND (IN MILLIONS OF TONS)
Souce: Company information

Share information

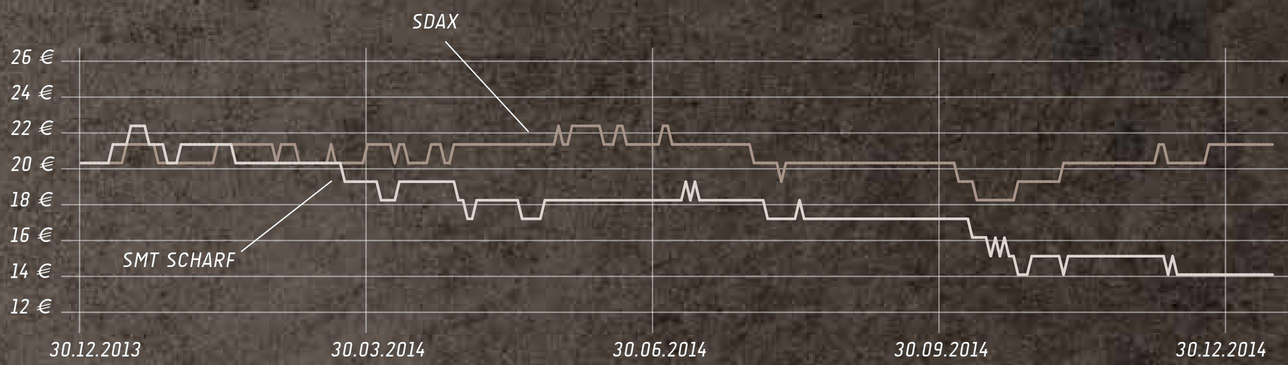
04/4

SMT SCHARF
MARKET INVIRONMENT

Several of these chains lift underground expansion shields of up to 48 tons

The price of the SMT Scharf share reported a marked downtrend over the course of 2014. On the basis of the previous year's closing price of EUR 19.54, the share price registered an approximately 29 % decline to EUR 13.81. As a consequence, the SMT Scharf share significantly underperformed the SDAX Performance Index, which can be regarded as its comparable index (appreciation of around 6 %).

SHARE PRICE PERFORMANCE



Share price data 2014 (XETRA)

Previous year's closing price	19.54 EUR
Highest price (January 17, 2014)	21.70 EUR
Lowest price (December 17, 2014)	13.67 EUR
Closing price (December 31, 2014)	13.81 EUR

The share price has been stable at a level of around EUR 14 since the start of 2015 (last price on February 20: EUR 14.65). A daily average of 5,741 shares was traded through Xetra and the Frankfurt Stock Exchange during 2014, compared with around the 9,400 shares per day in 2013.

Key data

German Securities Code (WKN)	575198
ISIN	DE0005751986
Ticker symbol	S4A
Trading segment	Prime Standard (Regulated Market)
Number of shares	4,200,000
Initial listing	April 11, 2007

SHAREHOLDER STRUCTURE

A total of 78.05 % of the shares of SMT Scharf AG comprise its free float, according to the Deutsche Börse definition. Based on voting rights notifications submitted to the company pursuant to the German Securities Trading Act (WpHG), the following shareholder structure was derived as of February 20, 2015:

Shareholder pool: Shareholder Value Beteiligungen AG/Share Value Stiftung/Christiane Weispfenning	10.16 %	426,809 shares
Axxion S.A.	5.57 %	233,896 shares
BNY Mellon Service Kapitalanlage-Gesellschaft mbH	5.14 %	216,055 shares
Overseas Asset Management (Cayman), LTD	4.01 %	168,434 shares
First Eagle Investment Management, LLC	3.01 %	126,353 shares

The treasury stock position amounted to 1.08 % (45,150 shares) in the 2014 fiscal year, as in the previous year. As part of the share repurchase program approved by the Managing Board on March 4, 2015, utilisation is made of the authorisation of the Managing Board by the Annual General Meeting on April 14, 2010, to repurchase the company's own shares until April 13, 2015. CEO Christian Dreyer held a total of 3,300 shares through Dreyer Ventures & Management GmbH, Salzburg, as of February 28, 2015, and Managing Board member Heinrich Schulze-Buxloh holds a total of 6,000 shares.

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IR ACTIVITIES

When the company went public in 2007, SMT Scharf AG opted for Deutsche Börse's segment with the most stringent regulations: the Prime Standard. 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 unscheduled publications about business trends.

In addition, SMT Scharf's CEO participated at the German Equity Forum in Frankfurt in November 2014, 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 also held a presentation at the Munich Capital Market Conference in December 2014. The Managing Board takes the opportunity at roadshows and 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.smt-scharf.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 2013 fiscal year was held on May 7, 2014 in Hamm. Around half of the voting-entitled share capital was represented. The AGM approved nine out of ten agenda items by more than 70 % in each case. Given the weak investment climate on the global mining equipment market, the payment of a year-on-year markedly lower dividend of EUR 0.25 per share was approved. The discharge of the Managing and Supervisory boards, and the election of the auditor for the 2014 fiscal year, also stood on the agenda.

In response to a request submitted by shareholders Shareholder Value Beteiligungen AG, Frankfurt am Main, and Share Value Stiftung, Frankfurt am Main, the AGM agenda was supplemented to include the recall from office of the Supervisory Board members elected by the AGM, and new Supervisory Board elections. The AGM elected Mr. Michael Reich, Mr. Hans Joachim Theiss, and Dr. Dirk Vorsteher to the Supervisory Board. Mr. Michael Reich was appointed Supervisory Board Chairman. Acting Supervisory Board members Dr. Dirk Markus, Dr. Rolf-Dieter Kempis and Dr. Harald Fett stepped down from office at the end of the AGM on May 7, 2014. A resolution concerning the authorisation to issue convertible bonds and/or bonds with warrants or participation rights was renewed and prolonged until May 6, 2019. The investor relations area of SMT Scharf's website provides more details about the voting results.

Content

GROUP MANAGEMENT REPORT
for the 2014 fiscal year

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BUSINESS MODEL AND GROUP STRUCTURE

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

► PRODUCT AREAS
The main products comprise captivated railway systems that are deployed worldwide primarily in hard coal mines, as well as in underground mines for gold, platinum, copper and nickel (so-called „hard rock mining"), among other metals and precious metals. A total of 93 % of the Group's revenues were attributable to monorail hanging railways („monorails") and floor-mounted railways in the year under review. Monorail hanging railways transport material and personnel with payloads of up to 45 tons and on gradients of up to 35 degrees. The chairlifts product area accounted for 7 % of revenue in the reporting year.

► TYPE OF BUSINESS
Along with supplying new systems, SMT Scharf also offers its customers services in the area of spare parts/repairs/service/other. The business with new plants, systems and installations on the one hand, and the business with spare parts and services, on the other, have each comprised an average of around half of sales revenue over the past years. Since 2013, SMT Scharf has also acted as a rail systems operator.

► CUSTOMER GROUPS
SMT Scharf's customers derive, firstly, from the coal mining, industry, with which 88 % of revenue was generated in the year under review. SMT Scharf recorded 12 % of its revenue from customers from the hard rock mining sector.

► REGIONS
Geographical sales markets are segmented according to the regions of Russia, Poland, China, Germany, Africa, America, Other Europe, and Australia/Asia excluding China (based on revenue contribution). A total of 86 % of revenue was generated outside Germany in the year under review. The SMT Scharf Group distributes its products through its own companies in China, Poland, Russia, South Africa and Ukraine, as well as through commercial representations worldwide. The company generates the predominant proportion of its sales revenue in growing foreign markets such as Russia, China, Poland and South Africa.

Ownership interests within the SMT Scharf Group

SMT SCHARF AG
- 100 % SMT SCHARF GmbH
  - 100 % SCHARF Mining Machinery (Beijing) Co., Ltd.
  - 100 % SMT SCHARF International OÜ, Estland
  - 50 %* Shandong XinSha Monorail Co. Ltd.
  - 1.25 % OOO SMT SCHARF Russia
- 100 % SMT SCHARF Polska Sp.z.o.o
- 100 % SARECO Engineering (Pty) Ltd.
- 100 % SMT SCHARF Saar GmbH
- 100 % SMT SCHARF Africa (Pty) Ltd.
- 100 % TOW SMT SCHARF Ukraina
- 100 % Scharf Mining Machinery (Xuzhou) Co., Ltd.
- 98.75 % OOO SMT SCHARF Russia
  - 100 % OOO SMT SCHARF Service

* Further 50 %: Shandong Liye Equipment Co. Ltd.

CORPORATE OBJECTIVES AND STRATEGY

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

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

In order to be able to achieve these ambitious growth and earnings targets in the medium term, SMT Scharf is pursuing a localisation strategy, and further expanding expertise at subsidiaries located close to mining customers. When completed, this process should deliver a corporate culture characterised by German engineering thinking, with its central development function located at the Group headquarters in Hamm, as well as subsidiaries in all important mining countries for SMT Scharf – largely with their own competences and expertise. The central technologies, systems and quality benchmarks for all corporate areas – research & development, project management, marketing, and strategic purchasing – are to be provided from Germany. In the sales countries, full operating locations are to grow out of today's sales and service branches, which will also be independently responsible for customer-specific adaptation developments including local production and registration.

SMT Scharf is countering the current mining industry crisis with its CSI programme: Through cost reductions (C) accompanied by a bolstering of sales (S) and innovative capacity (I), this short-term SMT Scharf Group programme supplements its long-term localisation strategy. Along with its cost-cutting effects, this programme secures the Group's long-term competitiveness in order to benefit from it in the next boom phase.

▸ With cost-savings as the most important aspect of the CSI program, the 2015 breakeven point will be reduced from currently around EUR 45 million to EUR 35 million of SMT Scharf Group annual revenue. To this end, personnel costs have been reduced primarily in the falling German market.

▸ In order to strengthen marketing and sales, all coal mines in the core markets of China and Russia are currently being allocated as part of the programme to five different categories according to their potential for SMT Scharf products. Defined action plans exist for each category and each mine.

▸ Finally, the SMT Scharf Group is strengthening its innovative capacity. A total of 35 development projects have been defined for customers on the basis of new product ideas, which are to be implemented gradually. Engineering expertise and capacities are being built up close to foreign customers – especially in China and Poland.

Above and beyond the long-term localisation strategy and the short-term CSI programme, an important goal at SMT Scharf AG remains the establishment of hard rock mining as a second pillar of business. Already today, around 40 of our 600 railway systems are at work worldwide in platinum, gold and copper mines, rather than in coal mines.

STEERING SYSTEM

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

▶ Key financial steering figures: The following table shows the key indicators deployed in corporate steering, and how they are calculated:

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

Profit from operating activities (EBIT) is the main steering metric at the subsidiaries, with a further metric comprising the cost of materials ratio. With regard to sales, the respective market share of SMT Scharf on the total global market, or in target markets, plays a role.

EMPLOYEES

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). SMT Scharf Group employed 272 staff (full-time employees) as of December 31, 2014, including 9 trainees. The Group employed 299 individuals as of the previous year's reporting date (including 13 trainees). SMT Scharf also draws on temporary help staff to flexibly boost production capacity.

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Given the global economic situation, the number of employees at foreign locations fell slightly from 176 to 172 in the 2014 fiscal year. The number of employees grew in the future-oriented markets of China and Poland. In total, the percentage of Group employees outside Germany increased to 63 % (previous year: 59 %).

Female employees account for 16 % of the total workforce (43 FTE; previous year: 15 %, 45 FTE). Female managers comprise 11 % of all managers within the SMT Scharf Group (previous year: 12 %).

Negotiations with the works council were underway during the second half of 2014 for a further reduction to around 55 to 65 employees by the end of 2015 at the Hamm site. These negotiations have failed, and have transitioned to arbitration proceedings. One-off costs of around EUR 2.3 million have been incurred as a result of the reduction in personal capacities, mainly due to the social plan that is required, which is to be implemented during the first half of 2015 as part of arbitration proceedings. All of the expenses can be met from the existing liquidity.

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 589 thousand at the fiscal year-end (previous year: EUR 666 thousand).

SMT Scharf Group employees	2014	2013
Total employees	272	299
Employees in Germany	100	123
Employees abroad	172	176
Female employees	43	45
Male employees	229	254

RESEARCH AND DEVELOPMENT

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

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

Through internationally planned projects and further developments of the existing product range, the SMT Scharf Group aims to reduce development times, in order to respond on a targeted basis to speculative demand on local markets. Product revisions focused on cost optimisation have also been launched.

The SMT Scharf Group invested about 4.7 % of its 2014 revenues in research and development, slightly higher than the previous year (4.0 %). This figure includes order-related development work and approvals, as well as own work capitalized. SMT Scharf‘s R&D investments are consequently on par with the average in the German engineering industry.

MACROECONOMIC ENVIRONMENT

The global economy grew by 3.3 % in 2014, at the same rate as in the previous year, according to data from the International Monetary Fund (IMF). China and Russia, the most important sales markets for SMT Scharf AG, proved to be weaker than in 2013, while growth in Poland accelerated:

GDP growth in the most important sales markets for SMT Scharf AG * (in %)	2014	2013
World	3.3	3.3
China	7.4	7.8
Poland	3.0	1.7
Rusia	0.6	1.3
South Africa	1.4	2.2

*Source: IWF World Economic Outlook 2014/15

As SMT Scharf still produced most of its new systems in Germany in the year under review – despite the implementation of its localisation strategy – exchange rate changes continue to play an important role in the company's sales markets. Given the Ukraine crisis, the Russian Rouble suffered an unusually sharp loss in value (Euro purchasing power increase of 60 % year-on-year). The Polish Zloty also depreciated slightly. In other words, SMT Scharf's products have become significantly more expensive in these countries when valued in terms of their national currencies. The Chinese Yuan Renminbi, by contrast, appreciated against the Euro as the Euro fell. The South African Rand stabilised after its previous year's collapse.

Exchange rate changes in the most important sales markets for SMT Scharf AG* (in %)	2014	2013
Yuan Renminbi (China)/Euro	-10	+2
Zloty (Poland)/Euro	+3	+2
Rubel (Russia)/Euro	+60	+12
Rand (South Africa)/Euro	-4	+30

*Source: ECB, year-on-year change

SECTOR TRENDS

Demand for mining equipment fell further in the year under review, given declining commodity prices and a persistent reticence to invest among mine operations due to overcapacities. After some significant overinvestment by mine operators 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. Some raw materials prices have reported sharp falls since early 2011. The coal sector, which is important for SMT Scharf, has been particularly affected. The price for coking coal delivered from Australia and the USA has fallen from 320 USD/t in 2011 to 120 USD/t by mid-2014, according to the IHS McCloskey Coal Report. For this reason, the mining industry is holding back with new capital expenditures, and preferring to concentrate on replacement investments.

The collapse in sales in the mining equipment industry due to this global reluctance to invest in mines also placed a burden on German mining machine manufacturers. The specialist mining equipment sub-group of the German Engineering Federation (VDMA) estimates that its sales fell by 33 % in the 2014 business year. The 34 % export fall proved sharper than the setback in domestic business (-20%). The throttling of production fed through to short time working at around half of the industry's companies. Job losses also proved unavoidable.

The slowdown in Chinese economic growth and consequently in demand from one of the world's largest buyers of raw materials played an important role in the lower level of investments realised by the global mining industry. In addition, the Chinese government put plans in place in 2014 to reduce coal's share of primary energy requirements to 62 %, and to give preference to both renewable and alternative fossil fuel sources.

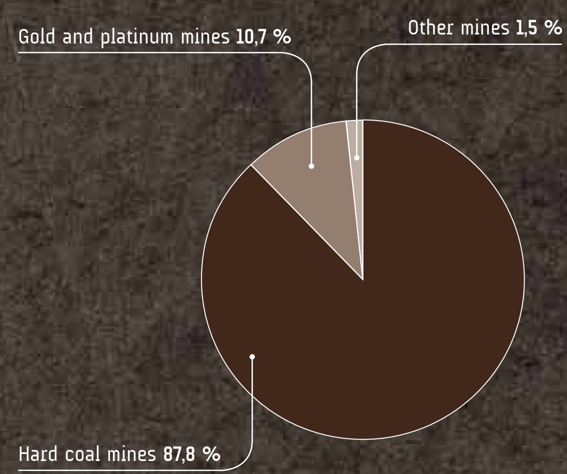
BUSINESS TRENDS

Given weak demand for mining equipment, the SMT Scharf Group's revenue fell by 24.4 % to EUR 47.8 million in the year under review. SMT Scharf nevertheless outperformed the market in this context: German mine equipment manufacturers' sales were down by 33 % in 2014, according to data from the VDMA.

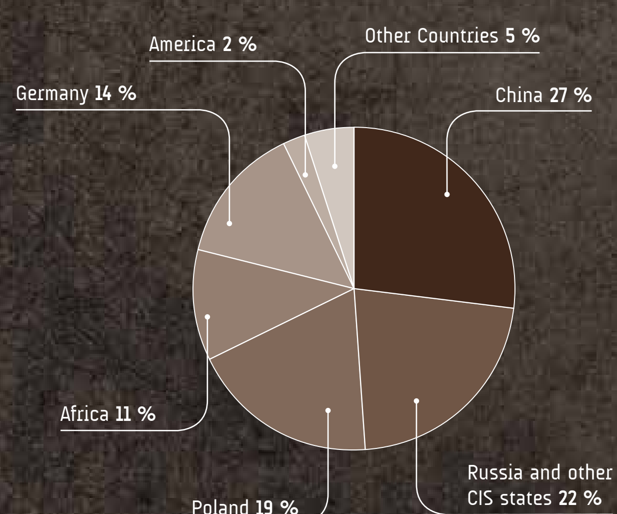
SMT Scharf generating 86 % of its revenue abroad in the reporting year (previous year: 91 %). China remained its most important market, accounting for 27 % of revenue, or EUR 13.1 million (previous year: 29 % or EUR 18.4 million). This was followed by Russia and other CIS states (22 %, EUR 10.6 million), and then Poland (19 %, EUR 9.2 million) and Africa (11 %, EUR 5.1 million). In absolute figures, sales revenues fell in all regions, except Germany. Germany accounted for a total of 14 % of revenue, or EUR 6.5 million.

Compared with the previous year, and as expected, a slight shift occurred in 2014 between the spare parts and service business, the one hand, and business with new equipment, on the other: the spare parts business gained importance with a 54 % revenue share (previous year: 49 %), with the new systems business now accounting for just 46 % of revenue (previous year: 51 %).

Revenue by customer groups (2014)



Revenue by region (2014)

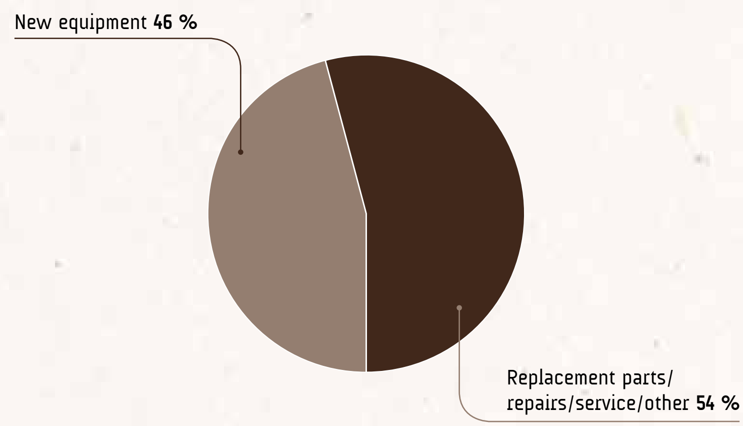


This distribution varies greatly when regarding individual sales markets, however: in America, the new systems business accounted for 81 % of revenue, some 95 % in Australia and Asia, and a total of 51 % in Russia. Only in Germany (93 %) and Poland (71 %), was the spare parts and service business stronger than the new equipment business. Most of total revenue was attributable to the railways product, while chairlifts accounted for just 7 % of revenue.

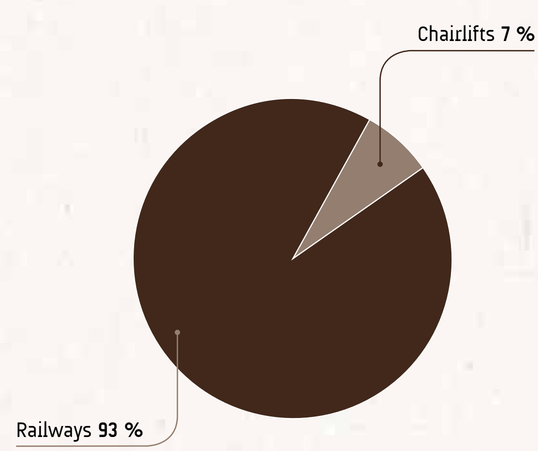
The order book position of the SMT Scharf Group stood at EUR 14.8 million as of December 31, 2014 (previous year: EUR 16.1 million). New order intake amounted to EUR 46.6 million in the year under review (previous year: EUR 61.0 million).

The attempt to generate additional revenue since 2013 with a new operator model has not proved particularly successful: the core of the idea was to rent railway operations, including personnel, to customers, instead of selling the respective systems and equipment. The calculation behind it – in other words, to provide just operating financing to a mine that was currently unable to access funds for major purchases – has not proved viable as the current position of many mines means that they are unable to realise even small-scale payments. For this reason, we are no longer giving any

Revenue by business type (2014)



Revenue by product (2014)



particular emphasis to this model, although we do offer it where explicit demand exists.

The pilot project for Chilean mining group Codelco, where we have been involved since 2013, is developing very promisingly, albeit with a little delay compared with the original time plan. 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 developed especially for Codelco play a critical role in this new conveying system. If these speciality railways prove themselves, it is conceivable that they might be utilised not only in further shafts within the same mining operation, but in numerous other underground mines worldwide where block caving is undertaken. This mining procedure is utilised in ore mines in Chile, the USA, Australia, South Africa, Indonesia and Mongolia – especially for the mining of copper ore as well as diamond, gold and silver mining.

Under the motto of „CSI – Costs, Sales, Innovation", SMT Scharf has set up an extensive programme to position itself well for the period following the end of the mining sector's downturn. The Group pushed ahead vigorously with this programme in the year under review. The section entitled „Corporate objectives and strategy" in this report presents further details about this programme.

FINANCIAL POSITION AND PERFORMANCE

▸ RESULTS OF OPERATIONS:
As expected, the consolidated revenue of the SMT Scharf Group fell by 24.4 % to EUR 47.8 million in the 2014 fiscal year within a decidedly weak market environment (previous year: EUR 63.3 million). Operating output (consolidated revenue plus changes in inventories and work in progress) was down to EUR 45.7 million given the reduction in finished products and work in progress (EUR -2.1 million, previous year: EUR 63.4 million). Factors for the increase in other operating income to EUR 4.6 million (previous year: EUR 2.2 million) included reversals of provisions and currency exchange rate gains.

▸ The cost of materials was reduced faster than the rate of decrease in revenue, falling by 30.8 % to EUR 22.3 million (previous year: EUR 32.2 million), with the costs of materials ratio (in relation to total operating revenue) being cut further to 48.8 % (previous year: 50.8 %). One-off costs of around EUR 2.3 million were incurred in the year under review for the social plan in the context of workforce reduction. Despite the fall in the average number of employees, personnel expenses rose to EUR 15.1 million as a consequence of the plan (previous year: EUR 13.7 million). The personal expense ratio of 33.2 % was almost 12 percentage points higher than in the previous year (21.6 %).

▸ While depreciation and amortisation fell to EUR 1.5 million (previous year: EUR 1.7 million), other operating expenses rose to EUR 12.9 million (previous year: EUR 11.4 million). This increase arises mainly from higher level of exchange rate losses, and sales and marketing costs. This was offset by a reduction in travel and maintenance costs, as well as expenses for third-party services.

In EUR millions	2014	2013	Change
Revenue	47.8	63.3	-24.4 %
Total operating revenue	45.7	63.4	-27.9 %
EBIT	-1.5	6.6	-122.9 %
EBIT margin	-3.3 %	10.4 %	-
Profit/loss on discontinued operations	0.0	-2.3	-100 %
Consolidated net profit/loss	-1.1	3.2	-133.6 %
Earnings per share	-0.26 EUR	0.77 EUR	-133.8 %

Overall, the SMT Scharf Group generated an operating loss (EBIT) of EUR -1.3 million in the year under review (previous year: EUR 6.6 million). The EBIT margin (in relation to total operating revenue) stood at -3.3 % (previous year: 10.4 %).

The Group incurred a loss before tax of EUR -0.7 million (previous year: profit before tax of EUR 7.4 million). The EUR 0.4 million tax expense in the reporting year was significantly lower than in the previous year (EUR 1.9 million). Of this, EUR 0.9 million was attributable to expenses for taxes on income (previous year: EUR 2.1 million). Deferred tax income of EUR 0.5 million was also generated (previous year: EUR 0.2 million). The tax rate for the German companies, including SMT Scharf AG, continued to amount to 32.1 %.

In the previous year, the Group incurred a EUR -2.3 million loss on the discontinued operations of Dosco, compared with a zero outcome under this line item in the year under review. Overall, SMT Scharf AG incurred a consolidated net loss of EUR -1.1 million, a fall of EUR 4.3 million compared with the previous year's net profit of EUR 3.2 million. This corresponds to a loss per share of EUR -0.26 (previous year: profit per share of EUR 0.77).

▸ NET ASSETS:
The total assets of the SMT Scharf Group fell to EUR 60.5 million as of December 31, 2014 (previous year: EUR 61.1 million).

▸ On the assets side of the balance sheet, non-current assets increased to EUR 15.6 million (previous year: EUR 13.4 million). Property, plant and equipment rose to EUR 6.7 million (previous year: EUR 6.0 million) given the addition of office and operating equipment. Compared with the previous year's balance sheet date, deferred tax assets increased to EUR 2.6 million (previous year: EUR 2.1 million).

▸ Current assets continued to comprise the largest proportion on the assets side. Inventories fell to EUR 14.1 million (previous year: EUR 18.2 million), while trade receivables were up to EUR 22.4 million (previous year: EUR 16.9 million). In this context, days of sales outstanding – one of our financial indicators – shows the number of days that elapse between invoicing date and payment date. This metric increased from 95 days to 171 days due to extended payment targets. Liquidity amounted to EUR 6.6 million as of December 31, 2014 (previous year: EUR 10.6 million).

In EUR millions	2014	2013
Total assets	60.5	61.1
Equity	36.9	39.4
Equity ratio	61.0 %	64.5 %
Non-current and current provisions and liabilities	23.4	21.7
Non-current assets	15.6	13.4
Current assets	44.9	47.7

Despite the consolidated net loss that was incurred, the equity ratio of the SMT Scharf Group remained at a very high level of 61.0 % as of December 31, 2014 (previous year: 64.5 %).

► Non-current provisions and liabilities amounted to EUR 7.1 million as of the balance sheet date (previous year: EUR 8.2 million). Most of the other non-current provisions were released in the year under review, especially as a result of the settlement of the legal dispute with Bematec; they amounted to EUR 0.4 million as of December 31 (previous year: EUR 2.2 million). Offsetting this, the pension provision increased, as planned, to EUR 3.2 million (previous year: EUR 2.9 million), and non-current financial liabilities arising from a KfW loan as part of the ERP innovation programme rose to EUR 2.4 million (previous year: EUR 1.8 million).

► Current provisions and liabilities stood at EUR 16.5 million as of the balance sheet date (previous year: EUR 13.5 million), reflecting a EUR 3.0 million year-on-year increase. Due to higher pension provisions, current provisions rose to EUR 7.5 million (previous year: EUR 5.0 million), and trade payables amounted to EUR 3.5 million (previous year: EUR 2.1 million). Current financial liabilities were reduced to EUR 3.0 million, by contrast (previous year: EUR 4.5 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 capital 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 Supervisory Board assent, the Managing Board can utilise this authorised capital to increase the subscribed capital of SMT Scharf AG until April 12, 2016. Shareholders' subscription rights can be excluded in this context. In addition, conditional capital exists to issue additional ordinary shares up to a total of 2,100,000. The conditional capital increase will be implemented only 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 May 6, 2019, exercise their conversion or subscription rights, or if the holders that are required 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 May 6, 2019, 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 treasury shares of up to 10 % of the respective current share capital by April 13, 2015. Within the scope of the previous authorisation, the company acquired a total of 359,996 treasury shares (8.6 % of the subscribed share capital) in the 2009 fiscal year. The company still held 45,150 of these shares (equivalent to 1.1 % of the share capital) at the end of the year under review – unchanged compared with the previous year-end.

The company is subject to general statutory restrictions on voting rights, in particular resulting from the German Stock Corporation Act (AktG) and the German Securities Trading Act (WpHG). The Managing Board is not aware of any restrictions on voting rights above and beyond the aforementioned, 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.

The interest of the shareholders that held interests in SMT Scharf AG before the IPO fell below the 10 % voting rights threshold in January 2010, and these shareholders exited the shareholder base fully in February 2010. Since then, only the overall pool arising from Shareholder Value Beteiligungen AG/Share Value Stiftung/Christiane Weispfenning exceeds 10 % of the voting rights, whether directly or indirectly.

No shares exist with extraordinary rights that grant the holders controlling powers. The company is not aware of any interests held by employees who do not exercise their controlling rights directly . The Supervisory Board can implement changes to the articles of in corporation that affect only their wording. Otherwise, changes to the articles of incorporation require a resolution by the General Meeting in the meaning of Sections 133 and 179 of the German Stock Corporation Act (AktG), whereby pursuant to article 17 of the articles of incorporation, resolutions by the General Meeting are to be passed with a simple majority of votes cast, unless mandatory statutory requirements exist 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 amendments to the articles of incorporation.

Pursuant to article 8 of the articles of incorporation, the company's Managing Board comprises one or several members, including in the event that the share capital exceeds EUR 3,000 thousand, whereby the Supervisory Board determines the number of members of the Managing Board, and can appoint a Chair (CEO) as well as a Deputy Chair (Deputy CEO) of the Managing Board, and also deputy Managing Board members. In all other respects, the statutory regulations apply to the appointment and discharge of Managing Board members. 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:

Given the net loss that was incurred for the year, the SMT Scharf Group generated cash flows from operating activities of just EUR 0.9 million in the year under review (previous year: cash inflow of EUR 3.6 million). Cash flows from investing activities amounted to EUR 2.6 million (previous year: EUR 4.3 million). In the previous year, this item included EUR 1.5 million (net) of effects from the deconsolidation of Dosco. Cash flows from financing activities improved to EUR -1.9 million given the reduction in the dividend (previous year: EUR -3.2 million). In total, the cash and cash equivalents position reduced from EUR 9.9 million as of the previous year's balance sheet date to EUR 6.1 million on December 31, 2014.

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

- In the outlook contained in its 2013 annual report, SMT Scharf anticipated that revenue, total operating revenue and EBIT in 2014 would report similar percentage falls to the previous year, and that the consolidated net result would improve slightly. SMT Scharf forecast an unchanged level for the key indicators of equity ratio, cost of materials ratio, personnel expense ratio, EBT margin, and days of sales outstanding in relation to receivables due from customers.

Given the continued weak market situation following the publication of the results for the first quarter of 2014, the Managing Board reduced its revenue forecast to EUR 45 million, which corresponds to a sharper percentage decline than in 2013. When the results for the first half of 2014 were published, the Managing Board cut its forecast for EBIT to EUR -1 million, and its forecast for the consolidated net result to EUR -2 million. The decision to set up a social plan as part of further personnel reductions in Germany prompted this adjustment. This social plan incurred EUR 2.3 million of one-off costs in the year under review. The actual results correspond to these expectations:

- Actual consolidated revenue EUR 47.8 million was ahead of the EUR 45 million forecast.

- EBIT of EUR -1.5 million came in a little lower than the last forecast level of EUR -1 million, by contrast. For this reason, the EBT margin fell more than predicted.

- The consolidated net loss of EUR -1.1 million was slightly better than expected (EUR -2 million).

- As anticipated, the equity ratio of 61.0 % was approximately at the previous year's level (64.5 %).

- Given the one-off costs for the social plan, the personal expense ratio rose considerably, in contrast to expectations at the start of the year.

- Offsetting this, the cost of materials ratio was at similar level to the previous year, despite a slight reduction.

- Days of sales outstanding in relation to customer receivables were up from 95 days to 171 days, due to increasingly long-term financing offerings.

OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

Given weak demand for mining equipment, the SMT Scharf Group's revenue fell markedly in the year under review, as expected. Both EBIT and the consolidated net result also reduced as a consequence of the company's restructuring. At the same time, with its CSI programme, the SMT Scharf has launched an extensive campaign in order to return to profitability by the end of 2015.

Irrespective of this, the company's asset backing and financial position remains stable: the equity ratio stands at 61.0 %, and finance debt is low. As a consequence, the SMT Scharf Group remains well positioned to meet the challenges in the coming business years.

Report on events after the balance sheet date

Following the end of the 2014 fiscal year, no further events occurred that have a significant effect on the financial position and performance.

Report on risks and opportunities; Outlook

RISK REPORT/RISK MANAGEMENT

The SMT Scharf Group's risk management system (RMS) is fully integrated into the company's planning, steering and controlling processes. It forms a central component of value-oriented corporate management as a consequence, and serves the targeted securing of both existing and future success and profitability potentials. The risk management system aims to identify opportunities and risks at an early stage, gauge their impact, and launch suitable preventative and security measures, including monitoring such activities.

► In-house regulations are in place for the Group's risk management system. These are set out in its risk management guidelines and implemented in its management and monitoring process. Key elements in this process include strategic and operational forecasting, the preparation of weekly, monthly and quarterly reports for the Managing Board, and preparing for investment decisions. Periodic reporting is utilised throughout the Group to communicate ongoing opportunities and risks, and to manage the company's profitability. Risks that arise short-term are communicated directly and immediately to relevant departments, irrespective of normal reporting paths. In this context, the organisational units comprise the first link in the chain when it comes to assuming responsibility for risks, and these units are responsible for the early identification, management and communication of the respective risks. Risk management officers in the organisational units are responsible for coordinating the risk measures and ensuring that risks are communicated to the relevant higher level. Regular weekly and monthly reporting and quarterly reporting form the basis for the auditors' annual confirmation that the SMT Scharf Group has installed a compliant risk monitoring system.

► The internal controlling system (ICS) forms an integral component of risk management at SMT Scharf. Its primary objectives are to ensure that all transactions are accurately recorded in the company's reporting system, and to prevent any deviations from internal and external regulations. In terms of external financial accounting and reporting, this primarily entails ensuring that financial statements conform to applicable accounting standards. To this end, the internal controlling system and risk management function are organised in line with accounting units. Standard accounting regulations are in place within the SMT Scharf Group (accounting guidelines, for example). Compliance with these guidelines is monitored constantly. In some cases, recourse is made to external specialists to manage specific accounting risks, such as in the case of actuarial valuations.

CORPORATE RISKS

The SMT Scharf Group is subject to a number of risks that are inherent to the Group companies' business activities. In accordance with German Accounting Standards (DRS) 20, such risks are aggregated into categories of the same risk types in order to make the risk report clearer, and to provide better overview. SMT Scharf differentiates between sector and associated risks, operating risks, financial risks, and other risks. The section entitled „Other disclosures" in the notes to the IFRS consolidated financial statements for the 2014 fiscal year includes detailed disclosures about financial risk management.

Risk classes and types of SMT Scharf Group

SECTOR AND ASSOCIATED 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 monitoring these underlying conditions, and by anticipating market trends. A general recession or a downturn in demand among individual customer groups could have a negative impact on SMT Scharf's business. In addition, political continuity and stability in mine ownership play a role in many countries. A change of government or a change in mine 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.

▸ 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 utilises were built with materials containing asbestos. These materials are monitored regularly, and the Group ensures appropriate disposal during any conversion work.

OPERATING 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 to divergences from planned results internally, and can disrupt agreements made with customers or suppliers. SMT Scharf reduces such risks by utilising guidelines for project and quality management, product safety, occupational health and safety, and environmental protection. Downtime production lines losses are covered by operational disruption insurance.

▶ PURCHASING RISKS

Negative trends 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 them more cost-effective.

▶ PERSONNEL RISKS

The success and profitability of the SMT Scharf Group also depends on its ability to retain highly qualified specialist and managerial staff, and to recruit further suitable employees, especially as part of hiring abroad. Wage rises and increases in incidental personnel expenses can lead to cost growth that SMT Scharf is unable to pass on through higher prices. SMT Scharf reduces such risks through production rationalisation measures.

FINANCIAL RISKS

▶ LIQUIDITY RISKS

SMT Scharf operates a centralised liquidity management function. This system ensures that the funds required to finance its ongoing operating business, and current and future investments at all Group companies, are available on time, and in local currency. Despite a negative operating cash flow, no liquidity risks exist as a result of existing bank balances and lines of credit and guarantee credit. 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 exposed to currency and default risks through its business activities. The Group counters such risks by deploying appropriate hedging instruments. Selected foreign currency items are hedged using currency forward transactions, for example. The risk of higher product prices on foreign markets due to the strong Euro is also mitigated by the increasing proportion of parts purchased abroad. The workforce at SMT Scharf AG is already 64 % employed and located in customer countries outside the Eurozone, thereby minimising the risk of higher personnel costs due to exchange rate effects.

▶ CREDIT RISKS

Counterparty risks are limited by concluding documentary credits and by individual customer credit limits, for example. Interest-rate risks are presently of minor importance. No other risks arising from the deployment of financial instruments currently exist.

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 manage such risks in a controlled manner. SMT Scharf has also taken out insurance cover for physical damages, product liability and other risks, to protect itself from any potential losses.

▸ IT RISKS
Handling information and the secure use of IT systems is described in detail in the Group's guidelines and regulations. SMT Scharf utilises state-of-the-art technical protection to ensure the highest possible 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 – whether individually or in combination with each other – have any impact on the SMT Scharf Group that could jeopardise it as a going concern. No absolute certainty exists, however, that all relevant risks can be identified and controlled.

REPORT ON OPPORTUNITIES

▸ MORE DYNAMIC GLOBAL ECONOMY
The downturn in the global economy, in our view, has reached a certain bottom formation. A recovery is hardly to be expected before the end of 2016. In both emerging and industrial economies manufacturing industry will only need more raw materials and energy in the medium term. Commodity prices should rebound in the medium term as a consequence, making production profitable again for mining operators. Delayed or cancelled investments in mining infrastructure will benefit from a catch-up effect over the next boom phase. This could entail growing revenues for SMT Scharf.

▸ CHINA
After the mining boom in China is in the economic downturn, signaled already at the end of 2011, we think the downward trend is stopped now and expect a stable revenue in 2015 on the existing low level. A reduction in the Chinese government's growth targets in recent years has also prompted the mining industry to delay investments in its mines, or to close mines entirely. In the medium term, however, mines will again produce more coal and other raw materials in order to support the Chinese economy's high rate of expansion, despite the fact that growth plans have been reduced slightly. SMT Scharf is well positioned to benefit from rising demand in China.

▸ INVESTMENT BACKLOG AT MINES
Mine operators around the world have delayed or cancelled investments in their mines over recent years. This is due to low commodity prices – in turn reflecting many factors – that make investments infeasible, as well as the global economy's phase of weakness that has brought with it low demand for raw materials and energy. Mining groups also neglected to focus on their mines' productivity during the past ten years' boom phase. This has created an investment backlog that must be addressed over the coming years. In the short term, the global economy will also regain momentum, and demand for coal and other raw materials

will rise, so that mining operators will consequently also need to invest again in mining equipment, and in SMT Scharf products.

▸ LOCALISATION STRATEGY

To strengthen its subsidiaries in its important foreign markets, SMT Scharf continues its localisation strategy. In future, planning and components purchasing will largely be conducted locally. The production, sales and service processes are also to be expanded at the foreign companies. This facilitates both better adaptation of products to country-specific requirements and customer wishes, and a reduction of production and transportation costs, as well as manufacturing times. As a result of the measures that have been launched on the cost side, SMT Scharf is also becoming even more competitive by focusing increasingly in Germany on the development area at the level of the SMT Scharf AG holding company, and by outsourcing a greater share of production to locations abroad.

▸ OPPORTUNITIES ARISING FROM GEOLOGICAL PROPERTIES OF RAW MATERIALS DEPOSITS

In the medium term, raw materials reserves worldwide will be found only in increasingly inaccessible deposits. The incentive for the mining industry to deploy SMT Scharf products will become ever greater as a result. Along with greater cost-efficiency, these products offer the benefit of being especially developed for demanding conditions, and they have proved themselves in the already-mature German hard coal mining industry.

▸ OPPORTUNITIES THROUGH DIVERSIFICATION

Besides the localisation strategy in the coal mining area, hard rock mining is to be established as a second pillar of business at SMT Scharf. The share of rail systems in platinum, gold and copper mines, as well as the sales revenue contribution from this business, is set to grow further. The cyclical impact of coal mining – to which SMT Scharf is as exposed as other mining equipment manufacturers – is mitigated somewhat through a diversification of customer groups. SMT Scharf has defined the hard rock mining segment as a strategic business area, which can grow into a business pillar that is equal to that of coal in the medium to long term.

OUTLOOK

▸ MACROECONOMIC TRENDS

According to its latest figures published in January 2015, the International Monetary Fund (IMF) forecasts stronger year-on-year growth in global gross domestic product of 3.5 % for 2015. The IMF sees growth slowing to 6.8 % in China in 2015, and economic output falling by -3.0 % in Russia due to the geopolitical situation. GDP growth of 2.1 % is forecast for South Africa, and stable growth of 3.0 % for Poland. Although the IMF forecast regards low commodity prices as boosting global economic growth, such growth will nevertheless continue to be burdened by weak investments, especially in industrialised economies.

▸ SECTOR TRENDS

In the medium term, especially Chinese mines need to catch up with the past decades' investment backlog, and invest in their infrastructure. Chinese mine operators will not only invest in productivity and automation over the coming years, but also in safety measures, according to Deloitte.

Experts at the International Energy Agency (IEA) see coal's share in global energy supplies accounting for around 25 % by 2040. Demand for coal is forecast to grow by 15 % worldwide by 2040 accordingly. Two thirds of this total demand is nevertheless anticipated to arise over the next ten years. Chinese demand for coal will reach its high point at around half of global consumption. Although the currently low coal prices have put manufacturers worldwide under pressure to reduce costs, prices should nevertheless rise sufficiently to attract new investors, given demand growth and the closure of expensive production capacities.

Experts at the Freedonia Group expect strong demand growth in the metals mining equipment area due to worldwide growing demand for steel and aluminium. The industrial metals that are needed for future renewable energies for utilisation in biogas systems, solar collectors and cells, as well as wind power plants, are gained from ores extracted from hard rock mines.

▸ FUTURE CORPORATE TRENDS

China, Russia, Poland and South Africa will remain the SMT Scharf Group's core markets for the foreseeable future. SMT Scharf also plans to its 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 one company on the respective market. Local partners will be included in this process if required – as is the case for the new joint venture in China.

The business of SMT Scharf AG is subject to sharp cyclical fluctuations that make specific forecasting difficult. The company anticipates that its 2015 sales revenue will be at a similar level to its 2014 revenue forecast of EUR 45 million. SMT Scharf might also generate a positive result of between EUR 2 million and EUR 3 million. The costs of materials ratio is expected to remain stable. The implementation of the restructuring in Germany will result in a reduction in the personnel expense ratio; overheads should also drop slightly due to the austerity measures. The equity ratio is expected to decline slightly.

▸ OVERALL STATEMENT ABOUT FUTURE TRENDS:

In the medium term, the company's management has great confidence that the climate in the mining market will improve again, and that mine operators will return to committing more substantial investments. Although raw materials production will rise slowly due to global economic growth and the increasingly higher prosperity enjoyed in many emerging and developing economies, such growth will nevertheless be continuous.

DECLARATION ACCORDING TO SECTION 161 GERMAN SECURITIES LAW (AKTIENGESETZ):

The current corporate governance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) is available on the SMT Scharf Group's website (www.smtscharf.com) within the „Other publications" area.

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 compostion 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.

COMPENSATION SCHEMES FOR THE MANAGING AND SUPERVISORY BOARDS

The Supervisory Board's compensation scheme was last supplemented by way of a resolution by the Annual General Meeting on April 17, 2013, based on SMT Scharf AG's articles of incorporation effective from January 1, 2010. The members of the Supervisory Board receive fixed and variable compensation for each fiscal year plus reimbursement of out-of-pocket expenses, as well as meeting fees of EUR 1 thousand per Supervisory Board meeting. Variable compensation is based on consolidated net profit for the period, and limited in terms of amount.

The Supervisory Board is responsible for decisions on the Managing Board's compensation. Managing Board members receive compensation comprising a fixed basic annual salary and an annual bonus. The basic salary is paid monthly and, in part, quarterly in arrears. Members also receive non-cash benefits from private use of company cars, life insurance cover, and reimbursement of out-of-pocket expenses. The amount of annual bonus is partially 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. The greater proportion of the bonuses is measured on the basis of consolidated net earnings for the year, however. Compensation is to be reviewed at regular intervals to ensure that it is in line with the market, and is appropriate. Pension obligations exist only for members of the Managing Board arising from the conversion of salary components for previous fiscal years. The company regulations for the conversion of salaries up to and including the 2007 fiscal year provide for a fixed upper age limit of 65 years, and 6.0 % interest on converted salary components. The age limit has been adjusted to annual changes in Germany's statutory pensionable age from 2008 on, with interest now set at 4.5 %. No agreements exist for compensation in the event of an acquisition offer. The above regulations for the compensation of members of the Managing Board have been agreed in the members' employment contracts. The contract of Mr. Schulze-Buxloh runs until December 2015, and both parties can terminate it only with significant justification. Mr. Dreyer's contract runs until April 2016. In this case, too, the contract can be terminated by either party only with significant justification.

No compensation exists for former members of the Managing or Supervisory boards or their survivors, nor do any pension obligations exist for this group of individuals.

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

Hamm, March 2, 2015

The Managing Board

Christian Dreyer *Heinrich Schulze-Buxloh*

Content

CONSOLIDATED FINANCIAL STATEMENTS

06

Consolidated balance sheet as of December 31, 2014

In EUR	Note	31/12/2014	31/12/2013
Assets			
Inventories		14,061,563.23	18,243,692.69
Trade receivables	(8)	22,430,342.85	16,894,576.88
Other current receivables/assets		1,749,073.56	2,039,838.65
Cash and cash equivalents	(9)	6,646,975.76	10,565,729.98
Current assets		44,887,955.40	47,743,838.20
Intangible assets	(7)	2,932,437.57	2,919,739.03
Property, plant and equipment	(7)	6,713,043.27	6,027,327.68
Financial assets		3,391,527.74	2,306,551.92
Deferred tax assets	(6)	2,552,801.19	2,097,641.46
Other non-current assets		1,781.25	1,716.25
Non-current assets		15,591,591.02	13,352,976.34
Total assets		60,479,546.42	61,096,814.54

In EUR	Note	31/12/2014	31/12/2013
Equity and liabilities			
Current income tax		762,164.54	595,826.23
Other current provisions	(12)	7,530,891.43	5,012,206.00
Advance payments received	(13)	438,674.14	634,034.89
Trade payables	(13)	3,501,977.22	2,070,766.00
Current financial liabilities		3,000,000.00	4,500,000.00
Other current liabilities	(13)	1,245,600.00	701,497.67
Current provisions and liabilities		16,479,307.33	13,514,330.79
Provisions for pensions	(11)	3,188,417.00	2,865,239.00
Other non-current provisions	(12)	363,708.04	2,246,748.42
Deferred tax liabilities	(6)	1,191,477.91	1,273,376.80
Non-current financial liabilities	(13)	2,387,750.00	1,816,000.00
Non-current provisions and liabilities		7,131,352.95	8,201,364.22
Subscribed capital		4,154,850.00	4,154,850.00
Share premium		11,815,350.90	11,815,350.90
Profit brought forward		23,722,635.13	26,044,669.07
Currency translation difference		-2,823,949.89	-2,633,750.44
Equity	(10)	36,868,886.14	39,381,119.53
Total assets		60,479,546.42	61,096,814.54

Consolidated statement of comprehensive income from January 1 to December 31, 2014

In EUR	Note	2014	2013
Revenue	(1)	47,819,996.53	63,250,744.73
Changes in inventories		-2,138,594.12	111,871.55
Total operating revenue (100 %)		45,681,402.41	63,362,616.28
Other operating income	(2)	4,641,734.96	2,249,860.60
Cost of materials		22,275,564.93	32,213,973.21
Personnel expenses	(3)	15,148,762.77	13,670,782.37
Depreciation, amortisation and impairment losses		1,468,197.39	1,730,762.18
Other operating expenses	(4)	12,941,427.64	11,407,132.16
Profit/loss from operating activities (EBIT)		-1,510,815.36	6,589,826.96
Income from participating interests	(5)	799,845.35	928,999.30
Interest income		114,530.61	141,028.30
Interest expenses		109,755.69	264,205.04
Financial result		804,620.27	805,822.56
Profit/loss before tax		-706,195.09	7,395,649.52
Income taxes	(6)	375,514.27	1,858,750.62
Profit/loss from continuing operations		-1,081,709.36	5,536,898.90
Profit/loss on discontinued operations		0.00	-2,322,251.92
Net profit/loss		-1,081,709.36	3,214,646.98
Currency difference from translation of foreign financial statements		-190,199.45	-3,086,248.06
Recognition of actuarial gains/losses		-296,925.00	-92,678.00
Deferred taxes on recognised actuarial gains and losses		95,312.92	29,749.64
Total comprehensive income		-1,473,520.89	65,470.56
Earnings per share *			
Basic		-0.26	0.77
Diluted		-0.26	0.77

* *Consolidated net income divided by an average number of 4,154,850 issued shares (previous year: 4,154,173)*

Consolidated cash flow statement from January 1 to December 31, 2014

In EUR	2014	2013
Net profit/loss	-1,081,709.36	3,214,646.98
Deconsolidation loss		777,806.30
Profit/loss from participating interests	-799,845.35	-928,999.30
Dividend income from participating interests	0.00	111,000.00
Depreciation and amortisation of non-current assets	1,468,197.39	1,836,355.03
Other non-cash expenses		250,000.00
Gains/losses on disposal of intangible assets and property, plant and equipment	189,200.63	94,795.15
Changes in current assets, provisions and liabilities		
- Provisions	661,898.05	654,002.13
- Taxes	-275,407.39	-511,996.29
- Inventories	4,182,129.46	-3,817,292.47
- Receivables and other assets	-5,245,065.88	5,251,685.88
- Liabilities	1,779,952.80	-3,291,078.90
Net cash flows from operating activities	879,350.35	3,640,924.51
Investments in intangible assets and property, plant and equipment	-2,556,626.35	-2,722,645.79
Cash inflows and outflows due to corporate disposals/acquisitions	0.00	1,459,956.50
Cash and cash equivalents sold	0.00	-3,023,364.91
Net cash flows used in investing activities	-2,556,626.35	-4,286,054.20
Sale of treasury shares	0.00	54,187.50
Change in hardship and social funds	77,733.63	
Dividend disbursement	-1,038,712.50	-4,071,753.00
Repayment of/proceeds from financial liabilities	-928,250.00	789,413.54
Net cash flows used in investing activities	-1,889,228.87	-3,228,151.96
Effect of changes in exchange rates and group composition	-274,515.72	-2,061,680.38
Change in net financial position	-3,841,020.59	-5,934,962.03
Net financial position – start of period	9,899,358.34	15,834,320.37
Net financial position – end of period	6,058,337.75	9,899,358.34

Consolidated statement of changes in equity from January 1 to December 31, 2014

In EUR	Subscribed capital	Share premium	Profit brought forward	Currency translation difference	Total equity
Balance on 01/01/2014	4,154,850.00	11,815,350.90	26,044,669.07	-2,633,750.44	39,381,119.53
Dividend disbursement			-1,038,712.50		-1,038,712.50
Sale of treasury shares					
Net profit/loss			-1,081,709.36		-1,081,709.36
Currency difference on translation of foreign financial statements				-190,199.45	-190,199.45
Recognition of actuarial gains/losses			-296,925.00		-296,925.00
Deferred taxes on recognised actuarial gains and losses			95,312.92		95,312.92
Total comprehensive income			-1,283,321.44	-190,199.45	-1,473,520.89
Balance on 31/12/2014	4,154,850.00	11,815,350.90	23,722,635.13	-2,823,949.89	36,868,886.14
Balance on 01/01/2013	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 treasury shares	2,125.00	52,062.50			54,187.50
Net profit/loss			3,214,646.98		3,214,646.98
Currency difference on translation of foreign financial statements				-3,086,248.06	-3,086,248.06
Recognition of actuarial gains/losses			-92,678.00		-92,678.00
Deferred taxes on recognised actuarial gains and losses			29,749.64		29,749.64
Total comprehensive income			3,151,718.62	-3,086,248.06	65,470.56
Balance on 31/12/2013	4,154,850.00	11,815,350.90	26,044,669.07	-2,633,750.44	39,381,119.53

Notes to the IFRS consolidated financial statements for the 2014 fiscal year

INFORMATION ABOUT SMT SCHARF AG AND THE SMT SCHARF GROUP

SMT Scharf AG, Römerstrasse 104, 59075 Hamm, Germany (hereinafter also referred to as the „company") was formed on May 31, 2000, according to German law. It is the management holding company for the companies in 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 that transports people, equipment and materials. The Group companies' further purpose is to hold participating interests in other entities. The consolidated financial statements include SMT Scharf AG and the following subsidiaries:

	Interest	Equity (IFRS) 31/12/2014	Profit/loss (IFRS) 2014
SMT Scharf GmbH, Hamm, Germany	100 %	16,923	431
SMT Scharf Saar GmbH, Neunkirchen, Germany	100 %	383	18
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %	6,180	1,444
Sareco Engineering (Pty.) Ltd., Kya Sands, South Africa	100 %	1,543	-60
SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa	100 %	1,056	-1,350
Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China	100 %	2,400	-15
TOW SMT Scharf Ukrainia, Donetsk, Ukraine	100%	-238	-369
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 % *	1,452	-313
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 % ***	-92	3
SMT Scharf International OÜ, Tallinn, Estonia	100 % **	1,150	-52
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 % **	3,644	681

* of which 1.25 % indirectly through SMT Scharf GmbH
** indirectly through SMT Scharf GmbH
*** indirectly through OOO SMT Scharf

The principal activities of the subsidiaries are the manufacturing, repair and saleof machinery and equipment of any kind and the trade in them. Global Mining Services was deconsolidated with small amounts of results, as the company was liquidated.

INFORMATION ON JOINT VENTURES

SMT Scharf AG holds a 50 % stake in Shandong Xinsha Monorail Co. Ltd., Xintai/China. Principal business is the manufacturing, repair and sale of machinery and equipment of any kind and the trade in them. SMT Scharf AG classifies this company as a joint venture under IFRS 11, as she and her partner company have rights to the assets together. Joint ventures are recorded at the time of the time of the acquisition cost and subsequently measured using the equity method.

The summary of the financial information is given below. In accordance with IFRS, the comprehensive financial information corresponds to the amounts in the prepared financial statements of the joint venture.

EUR thousand	31/12/2014	31/12/2013
Non-current assets	186	150
Current assets	15,180	11,907
Non-current provisions and liabilities	0	0
Current provisions and liabilities	8,583	7,447

The assets and liabilities listed above amount to the following:

EUR thousand	31/12/2014	31/12/2013
Cash and cash equivalents	549	1.437
Current financial liabilities	1,991	3,235
Non-current financial liabilities	0	0

EUR thousand	31/12/2014	31/12/2013
Revenues	12,105	15,504
Profit from continuing operations	1,600	1,939
Total comprehensive income	1,600	1,939
Dividend received from the joint venture	0	110

In the income listed above the following are included:

EUR thousand	31/12/2014	31/12/2013
Depreciation and amortisation	35	30
Interest income	0	0
Interest expenses	326	583
Income taxes	110	474

Reconciliation of the displayed summarized financial information on the book value of the shares in the joint venture in the consolidated financial statements:

EUR thousand	31/12/2014	31/12/2013
Net assets of the joint venture	6,783	4,610
Participation rate	50 %	50 %
Book value of shares	3,392	2,305

INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

As SMT Scharf AG is admitted to the regulated market, it prepares its consolidated financial statements according to IFRS. SMT Scharf Group's consolidated financial statements as of December 31, 2014, 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 European Union 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 German Commercial Code (HGB) have been complied with.

The following accounting standards SMT Scharf has applied for the first time in 2014 – where relevant:

- IFRS 10 „Consolidated Financial Statements“, IFRS 11 „Joint Arrangements“, IFRS 12 „Disclosure of Interests in Other Entities“
- Amendments to IAS 36
- Amendments to IAS 39

Apart from additional disclosure requirements there has been no relevant effect on the consolidated financial statements of SMT Scharf AG.
The following standards newly issued or revised by the IASB and interpretations were not yet mandatory in these financial statements and SMT Scharf has not applied them on a voluntary basis, they are not yet adopted in the EU at the moment.

- IFRIC 21 „Levies“
- Changes in the context of the Annual Improvements Projects 2011-2013
- Changes in the context of the Annual Improvements Projects 2010-2012
- Changes to IAS 19
- IFRS 14 „Regulatory Deferral Accounts“
- Amendments to IFRS 11 „Joint Arrangements“
- Changes to IAS 16 and IAS 38
- IFRS 15 „Revenue from Contracts with Customers“
- Changes to IAS 16 und IAS 41
- IFRS 9 „Financial Instruments“
- Changes to IAS 27
- Changes in the context of the Annual Improvements Projects 2012-2014
- Changes to IAS 1
- Changes to IFRS 10, 12 und IAS 28

SMT Scharf AG is reviewing all of these standards' potential future impact on the consolidated financial statements. The consolidated financial statements have been prepared in Euros. Unless otherwise stated, all amounts in the notes are stated in thousands of Euros, and have been rounded if necessary.
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 Group-wide standard definition of useful lives, impairment testing for assets, capitalisation of deferred taxes, measurement of pension obligations and other provisions, the gauging of legal risks, and fair value measurement. Estimates made by the company are based on historical amounts and other assumptions 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 4, 2015, before being released for publication.

CONSOLIDATION PRINCIPLES

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

As a rule, capital for the companies in 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 fair value. If these companies were not formed by the Group itself, and if a positive difference exists between the acquisition cost and the proportionate revalued equity of the subsidiary, the difference is carried as goodwill and tested regularly for impairment. Any remaining negative difference is recognised 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. Deferred taxes are recognised if consolidation steps have an effect on earnings.

CURRENCY TRANSLATION

The separate 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 consequently 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 consolidation scope are translated applying the rate of exchange on the respective date. The remaining items are translated at the annual average rate of exchange. Year-on-year differences in the currency translation of balance sheet items are carried directly to equity. The exchange rates for the key currencies were:

	Closing rate		Average rate	
1 Euro =	31/12/2014	31/12/2013	2014	2013
Polish Zloty	4.2732	4.1543	4.1843	4.1975
South African Rand	14.0353	14.5660	14.4037	12.8330
Chinese Renminbi Yuan	7.5358	8.3491	8.1857	8.1646
Russian Roubel	72.3370	45.3246	50.9518	42.3370

ACCOUNTING AND VALUATION POLICIES

The statement of comprehensive income is prepared applying the nature of expense method.

Revenue from the sale of equipment and spare parts is recognised when ownership and risk transfer 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 recognised 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, on a monthly basis, as a rule. Revenue is reported net of discounts, rebates and other price reductions.

Revenue and expenses from construction contracts in 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 reported under trade receivables. Changes to contracts, subsequent claims or performance bonuses 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 reported up to the amount of the costs incurred. Order-based costs are reported 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 reported directly as expenses.

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

Interest income is reported pro rata applying the effective interest method. Financing costs are not capitalised but are instead recognised immediately as expenses.

Research and development costs that do not meet the IAS 38 capitalisation criteria are expensed immediately.

The goodwill reported at 31 December 2014, which is allocated to a cash generating unit (CGU) is accounted for at cost and tested for impairment in principal annually and as well if there are signs of a possible impairment. The recoverable amount of CGU is principally based on value in use of the discounted cash flow method. Here, the planned after-tax cash flow is used from the five-year period plan of the CGU that was generated bottom-up and approved by the Board of SMT Scharf AG. Cash flow beyond the five-year period is generally determined as the average of the five-year period. A growth rate used to extrapolate the five-year average is not considered. To calculate the present value, an interest rate of 13.0 % is assumed. During the year under review a goodwill impairment charge of EUR 107 thousand (previous year: EUR 0) was recognized in the income statement under depreciation.

Assuming that the criteria of IAS 38 are met, purchased intangible assets are recognised at cost, and amortised straight-line depending on their useful life over a period of between three and six years. All acquired intangible assets have a limited useful life.

Separate internally generated intangible assets are capitalised as soon as IAS 38 criteria 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 capitalised. The capitalised assets are amortised straight-line from the date that they are available for disposal (marketability) over the anticipated product life cycle of six to eight years. All capitalised 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. 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 recognised as expenses to the extent that these are not subject to mandatory capitalisation. Intangible assets and property, plant and equipment are subjected to regular impairment testing based on cash-generating units. Government grants are recognised if sufficient certainty exists that such subsidies will be granted, and that the company fulfils the conditions with which they are linked. Such grants were not received in 2014.

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 lease period. The SMT Scharf Group has also 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 ownership remain with SMT Scharf. These leased assets are capitalised as office and operating equipment under property, plant and equipment. Lease payments for these operating leases are recognised as revenue over the lease period.

Other financial assets are classified on the basis of accounting and valuation according to IAS 39. As of December 31, 2014, the SMT Scharf Group had assets in the originated loans and receivables category.

The extended loans and receivables are measured at amortised cost applying 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 default is highly probable. General credit risk is taken into account by way of write-downs for the stock of receivables which have not been adjusted through individual write-downs – these are based on past experience, as a rule. Receivables denominated in foreign currencies are translated applying the closing rate of exchange, and any resultant 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 subject to only minor value fluctuations. These items are measured at amortised cost.

Inventories are measured at the lower of cost or net realisable value. Pursuant 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. Purchase costs are measured applying the average cost method. Net realisable value corresponds to the selling price in the ordinary course of business, less estimated costs of completion and costs necessary to realise sale. As of December 31, 2014, write-downs of inventories to their lower net realisable value totalled EUR 3,266 thousand (previous year: EUR 3,321 thousand).

Deferred and current taxes are measured 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 realisable tax loss carryforwards. Calculations are based on the tax rates that apply in the respective country on the expected date of realisation, as passed by law on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that the associated tax receivables will be used. Tax loss carryforwards are included in tax deferrals only if it is probable that these will be realised.

Provisions for pensions are measured applying the projected unit credit method. In this context, the future obligations are measured based on the benefit entitlements proportionately acquired by the balance sheet date. Measurement entails assumptions being made regarding the future development of specific parameters that affect the future benefit amount. The calculation is based on actuarial reports that apply biometric principles. Actuarial gains and losses are offset in full with equity. As a result, no amortisation of actuarial gains and losses is recognised in profit or loss.

The other provisions are formed for all identifiable risks and uncertain liabilities, if it is probable that such risks will materialise 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 recognised as a separate asset if the refund is as good as certain to be paid. Expenses for the formation of provisions are reported in the consolidated statement of comprehensive income after deduction of the refund.

Other provisions are measured in line with IAS 37 applying 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 present value is measured by discounting.

The amount of the provision for warranties is measured applying the warranty expense that was incurred 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 services that are still to be rendered, in the amount of the production costs that are yet to be incurred, as a rule.

Financial liabilities are carried at cost on initial recognition. 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 amortised cost applying the effective interest method. Liabilities in foreign currencies are translated by applying the closing rate of exchange, and any resultant exchange rate differences are carried under other operating income or expense.

NOTES TO THE INCOME STATEMENT

❶ REVENUE

Revenue is composed of the following items:

	2014	2013
Sale of new equipment	22,054	32,430
Spare parts/service/other	25,766	30,821
Total	**47,820**	**63,251**

Revenue by region was as follows:

	2014	2013
China	13,089	18,366
Russia and other CIS states	10,643	13,527
Poland	9,158	11,611
Germany	6,473	5,993
Africa	5,091	9,749
America	929	1,410
Other countries	2,437	2,595
Total	**47,820**	**63,251**

❷ OTHER OPERATING INCOME

Other operating income is composed of the following items:

	2014	2013
Miscellaneous other operating income	2,164	1,202
Exchange rate gains	1,504	397
Release of provisions	974	651
Total	**4,642**	**2,250**

3 PERSONNEL EXPENSES

Personnel expenses are composed of the following items:

	2014	2013
Wages and salaries	13,235	11,551
Social security and pension contributions	1,914	2,120
Total	**15,149**	**13,671**

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

	2014	2013
Employees	284	296
of whom trainees	10	12

4 OTHER OPERATING EXPENSES

Other operating expenses are composed of the following items:

	2014	2013
Exchange rate losses	2,871	1,095
Special direct cost of sales	2,584	1,954
Third-party services	1,493	2,502
Travel expenses	995	1,259
Rent and leases	521	601
Maintenance costs	279	620
Advertising	215	310
Contributions/fees	204	238
Miscellaneous other operating expenses	3,779	2,828
Total	**12,941**	**11,407**

Miscellaneous other operating expenses mostly comprise additions to provisions, expenses for cleaning and disposal, impairment losses applied to receivables, energy costs, insurance and telecommunications. The auditors' fees, including its network societies' fees incurred during the fiscal year, are carried under third-party services. These are composed as follows:

	2014	2013
Audit	125	124
Tax consulting	19	25
Other services	10	26
Total	**154**	**175**

5 INCOME FROM PARTICIPATING INTERESTS

The income from participating interests results from the net profit generated by Chinese company Shandong Xinsha Monorail Co. Ltd., Xintai (previous year: EUR 929 thousand).

6 INCOME TAXES

Income taxes are composed of the following items:

	2014	2013
Current tax expense	873	2,074
of which relating to the fiscal year under review	873	2,074
Deferred taxes	-497	-215
of which: creation or reversal of temporary differences	-497	-215
Total	**376**	**1,859**

Deferred taxes are measured based on the tax rates that apply, or are expected to apply, according to the current legal situation on the balance sheet date, or on the date when they are realised. 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:

	31/12/2014	31/12/2013
Deferred tax assets		
Pension provisions	360	265
Miscellaneous assets and liabilities	1,312	1,253
Loss carried forward	1,196	799
Netting with deferred tax liabilities	-315	-220
	2,553	2,098
Deferred tax liabilities		
Intangible assets	559	260
Property, plant and equipment	830	981
Miscellaneous assets and liabilities	117	252
Netting with deferred tax assets	-315	-220
	1,191	1,273

Deferred tax assets and liabilities totalling EUR 315 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 220 thousand). Consolidation effects resulted in deferred tax assets of EUR 667 thousand (previous year: EUR 604 thousand) (included in „miscellaneous assets and liabilities"). As of December 31, 2014, deferred tax assets were carried for tax loss carryforwards in the amount of EUR 1,196 thousand (previous year: EUR 799 thousand). According to the current legal situation, no temporal or amount-based restrictions relate to these loss carryforwards.

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 attributable to the following factors:

	2014	2013
Earnings before income taxes	-706	7,396
Imputed tax expense	-227	2,375
International tax rate differences	225	-283
Non-tax-effective income from associates	-244	-283
Amortization of deferred tax assets	322	0
Other differences	300	50
Reported income tax expense	**376**	**1,859**

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 are presented in the statement of changes in non-current assets: Statement of changes in non-current assets from January 1 to December 31, 2014

		Initial balance 01/01/2014	Currency translation	Addition	Disposal	Reclassification	Closing balance 31/12/2014
Goodwill	Gross	1,186	41	0	0	0	1,227
	Impairments	0	0	107	0	0	107
	Net	1,186	41	-107	0	0	1,120
Purchased intangible assets	Gross	616	6	6	5	0	623
	Impairments	510	5	44	5	0	554
	Net	106	1	-38	0	0	69
Own work capitalised (development costs)	Gross	3,054	0	316	0	0	3,370
	Impairments	1,426	0	201	0	0	1,627
	Net	1,628	0	115	0	0	1,743
Intangible assets	Gross	4,856	47	322	5	0	5,220
	Impairments	1,936	5	352	5	0	2,288
	Net	2,920	42	-30	0	0	2,932
Land and buildings	Gross	12,116	1	435	0	0	12,552
	Impairments	8,294	-1	303	0	0	8,596
	Net	3,822	2	132	0	0	3,956
of which leased to third parties	Gross	1,385	0	0	0	0	1,385
	Impairments	896	0	34	0	0	930
	Net	489	0	-34	0	0	455
Technical equipment and machinery	Gross	2,761	-7	130	1,273	0	1.611
	Impairments	2,539	-5	95	1,235	0	1,394
	Net	222	-2	35	38	0	217
Fixtures and fittings	Gross	8,026	-592	1,669	705	0	8,398
	Impairments	6,089	-346	709	554	0	5,898
	Net	1,937	-246	960	151	0	2,500
Advance payments rendered	Gross	46	5	0	0	0	51
	Impairments	0	2	9	0	0	11
	Net	46	3	-9	0	0	40
Property, plant and equipment	Gross	22,949	-593	2,234	1,978	0	22,612
	Impairments	16,922	-350	1,116	1,789	0	15,899
	Net	6,027	-243	1,118	189	0	6,713

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

		Initial balance 01/01/2013	Currency translation	Addition	Disposal	Disposal of Dosco	Reclassification	Reversal of impairment	Closing balance 31/12/2013
Goodwill	Gross	1,514	328	0	0	0	0	0	1,186
	Impairments	0	0	0	0	0	0	0	0
	Net	1,514	328	0	0	0	0	0	1,186
Purchased intangible assets	Gross	1,367	90	27	16	672	0	0	616
	Impairments	697	44	75	16	202	0	0	510
	Net	670	48	-48	0	470	0	0	106
Own work capitalised (development costs)	Gross	2,276	0	778	0	0	0	0	3,054
	Impairments	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
	Impairments	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
	Impairments	8,235	16	269	0	194	0	0	8,294
	Net	6,228	77	-269	0	2,060	0	0	3,822
of which leased to third parties	Gross	1,385	0	0	0	0	0	0	1,385
	Impairments	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
	Impairments	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
	Impairments	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 rendered	Gross	0	0	46	0	0	0	0	46
	Impairments	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
	Impairments	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

The production costs of intangible assets that must be capitalised pursuant to IAS 38 are initially expensed (especially personnel expenses) according to the nature of expense format, and then eliminated in the relevant period. The amortisation of internally generated intangible assets is carried as amortisation expense. In 2014, development costs totalling EUR 316 thousand were capitalised for a project that meets the criteria of IAS 38. SMT Scharf Group leases internally developed drive systems as a lessor. On the balance sheet date, seven leased items were carried as leased assets in the statement of changes in non-current 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 rendered once the risk has been transferred.

9 SECURITIES AND CASH AND CASH EQUIVALENTS

SMT Scharf has acquired units in a money market-like fund to secure funding for early retirement schemes. The fund has an indefinite term and is subject to only minor value fluctuations. The units are measured at their fair value on the balance sheet date. Of the securities and cash and cash equivalents, EUR 589 thousand are attributable 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 SMT Scharf Group's equity are shown in the statement of changes in equity. The subscribed capital has totalled EUR 4,200 thousand since the capital increase in April 2007. The share premium account 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 of December 31, 2014, 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 EUR 1 per share. All shares have been fully paid in and grant the holders the same rights. The Managing Board, with Supervisory Board assent, can increase the subscribed capital on one or several occasions until April 12, 2016, by up to EUR 2,100 thousand against cash or non-cash capital contributions (Authorised Capital). Shareholders' subscription rights can be excluded in this context.

In addition, conditional capital existed to issue EUR 2,100 thousand of additional ordinary shares. The conditional capital increase could be implemented only 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 were issued by the company prior to April 22, 2014, exercised their conversion or subscription rights, or if the holders that were required 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, fulfilled their conversion obligation. At present, no such securities are issued.

The Shareholders' General Meeting on April 14, 2010 authorised the company's Managing Board until April 13, 2015, to acquire treasury shares equivalent to up to 10 % of the then current share capital. This purchase can also occur through deploying equity derivatives. In addition, the resolution includes the further conditions for the purchase and sale of treasury shares.

Treasury shares were neither acquired nor sold in the 2014 fiscal year. The company still held 45,150 treasury shares on December 31, 2014, equivalent to 1.1 % of the share capital. The treasury shares can be utilised for all of the purposes stated in the authorisation resolution.

The annual financial statements of SMT Scharf AG, which are prepared in accordance with the principles of the German Commercial Code (HGB), include a net loss for the period of EUR -496 thousand. The Managing and Supervisory boards will propose to the Ordinary Annual General Meeting that is to be held on April 22, 2015, to carry forward this net loss to the new account.

11 PROVISIONS FOR PENSIONS

The SMT Scharf Group's German companies have defined-benefit commitments for old-age, invalidity and surviving dependent benefits in its employee pension scheme. The pension commitments result from various employer-financed direct commitments and from salary conversions based on a company agreement. In addition, indirect pension commitments exist according to the articles of association of the benefit fund of DBT e.V. No plan assets exist.

The amount of the pension commitment (defined benefit obligation) was calculated applying actuarial methods. In addition to the assumptions on life expectancies according to the 2005 G mortality tables, the following assumptions were applied:

in % p. a.	31/12/2014	31/12/2013
Qualifying trend	2.0	2.0
Rate of pension increases	1.0	2.0
Discount rate (DBO)	2.40	3.50

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

	2014	2013
Defined benefit obligation on Jan. 1	2,865	2,698
Current service cost	60	97
Interest cost	95	102
Pension payments and transfers	-129	-125
Actuarial gains/losses	297	93
Defined benefit obligation on Dec. 31	3,188	2,865

A -0.5 % change in the interest rate would result in an increase of EUR 219 thousand. A 0.5 % increase in the interest rate would feed through to a EUR 198 thousand reduction in the pension obligation. Both sensitivity calculations were performed while retaining all other assumptions unchanged.

12 OTHER PROVISIONS

The other current provisions are all due within one year. They are attributable to personnel, sales and other areas. Provisions for personnel relate, in particular, to performance-related remuneration for employees and overtime pay. Provisions in the sales and marketing area relate, in particular, to warranty and follow-up costs. The costs in this regard were estimated on a project-by-project basis apply prudent commercial judgement. 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 predicted reliably, 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 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 2014 can be seen in the following statement of changes in provisions.

Consolidated statement of changes in other provisions from January 1 to December 31, 2014

	Initial balance 01/01/2014	Currency translation	Transfers	Consumption	Additions	Reversals	Closing balance 31/12/2014
Personnel	1,782	-13	-3	1,649	4,075	357	3,835
Sales and marketing	1,662	6	0	506	677	524	1,315
Miscellaneous	1,568	21	86	1,118	2,038	214	2,381
Other current provisions	5,012	14	83	3,273	6,790	1,095	7,531
Other non-current provisions	2,247	0	-83	1,835	293	258	364

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

	Initial balance 01/01/2013	Disposal Dosco	Currency translation	Consumption	Additions	Reversals	Closing balance 31/12/2013
Personnel	1,884	-120	-43	1,917	2,036	58	1,782
Sales and marketing	1,625	-222	-16	368	1,014	371	1,662
Miscellaneous	1,475	-247	-19	1,017	1,577	201	1,568
Other current provisions	4,984	-589	-78	3,302	4,627	630	5,012
Other non-current provisions	2,186	0	0	97	178	21	2,246

13 LIABILITIES

As was the case in the previous year, none of the trade payables, advance payments received and other current liabilities have a term of more than one year. No liabilities exist that are secured by rights of lien; a land charge has been registered as collateral for the utilisation of the KfW loan arising from the ERP innovation programme.

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 accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.
The cash flows from investing and financing activities are identified directly, in other words, these are related to payments. In contrast, the cash flow from operating activities is derived indirectly from the net profit/loss for the period. The cash flow from operating activities includes the following receipts and payments:

	2014	2013
Interest received	81	121
Interest paid	112	259
Income taxes paid	517	3,145

The net financial position in the cash flow statement comprises all of the cash and cash equivalents carried on the balance sheet, in other words, cash on hand and bank balances, to the extent that these are available within three months (from the date of acquisition) without any notable fluctuations in value, as well as marketable securities less the hardship and social funds.

	31/12/2014	31/12/2013
Cash and cash equivalents	6,647	10,565
./. Hardship and social funds	-589	-666
Net financial position	6,058	9,899

OTHER DISCLOSURES

14 OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

At the end of the fiscal year under review, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 523 thousand (previous year: EUR 994 thousand).
Other financial liabilities exist that relate, in particular, to rental and lease agreements for cars and photocopiers. The agreements have terms of up to five years, and in some cases include extension options and escalation clauses. In 2014, the rental and lease agreements resulted in payments totalling EUR 521 thousand being recognised in other operating expenses

(previous year: EUR 425 thousand). The total nominal amount of the future minimum lease payments under operating leases and rental agreements is composed as follows:

	31/12/2014	31/12/2013
Due within one year	548	359
Due in one to five years	1,119	792
Due after more than five years	6	0
Total	1,673	1,151

⓯ FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities is discussed in the section on accounting and valuation methods. SMT Scharf Group did not hold any held-to-maturity or available-for-sale financial instruments in either 2014 or 2013. No regroupings were implemented.

The fair values of the financial assets and liabilities were measured by applying the following hierarchy: If available, 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 recognised valuation models based on DCF analyses and current market transactions and traders' listings for similar instruments. Fair value does not differ from carrying amount in any category of financial assets and liabilities of the SMT Scharf Group.

⓰ CAPITAL RISK MANAGEMENT

The company's management manages SMT Scharf Group's capital (equity and liabilities) with the aim of maintaining financial flexibility so as to achieve the Group's growth targets while at the same time optimising 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 under review:

	31/12/2014		31/12/2013	
	in EUR (thousand)	in %	in EUR (thousand)	in %
Equity	36,869	61.0	39,381	64.5
Non-current provisions and liabilities	7,131	11.8	8,201	13.4
Current provisions and liabilities	16,479	27.2	13,514	22.1

17 FINANCIAL RISK MANAGEMENT

The Managing Board of SMT Scharf AG manages the purchase and sale of financial assets and liabilities, and monitors associated financial risks. The details of implementing financial risk management are as follows:

▸ 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 has access to credit lines. The undrawn amount totalled EUR 6,000 thousand on the balance sheet date (previous year: EUR 4,500 thousand). The Group also has access to guarantee credit lines. The management expects that the Group will be able to fulfil its other financial liabilities from its cash flow from operating activities, and from the proceeds from maturing financial assets.

▸ CREDIT RISKS:

The maximum risk of default is represented by the carrying amount of the financial assets, less impairment losses, as recognised in the consolidated financial statements. This amounts to EUR 24,179 thousand (previous year: EUR 18,934 thousand).

The Group engages in business only with creditworthy parties, if necessary obtaining collateral to minimise any default risk. 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.

Trade receivables exist that are due from a large number of customers distributed over various regions.
No uniform payment conditions exist within the Group, as agreements for equipment orders are concluded individually. SMT Scharf writes receivables off if payment 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 EUR 1,133 thousand (previous year: EUR 778 thousand). No write-downs have been formed for trade receivables in the amount of EUR 9,817 thousand (previous year: EUR 2,230 thousand) 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 holds no 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 such risks by deploying suitable hedging and management instruments. Management is realised by constantly monitoring cash flow, and monthly reporting to Group management. Exchange rate risks are limited insofar as the Group mostly issues its invoices in Euros or in local currency. Exchange rate hedges are concluded for major transactions.
The Group is not exposed to any major interest-rate risks at present as it borrows at fixed interest rates. An assumed increase or decrease in market interest rates by +/- 200 basis points at the reporting date would have an impact on earnings before taxes of +/- EUR 60 thousand.

⓲ SEGMENT REPORTING

Under IFRS 8, the identification of reportable operating segments is based on the „management approach". Accordingly, external segment reporting is based on the internal organization and management structure as well as the internal financial reporting to the "chief operating decision maker". In the SMT Scharf Group the Management Board of the SMT Scharf AG is responsible for assessing and controlling the success of the segments and is considered the supreme governing body in accordance with IFRS 8.

Notwithstanding the former reporting SMT Scharf AG has two operating segments which are managed according to the nature of the brands, offered products and services, distribution channels and customer profiles by responsible segment bodies. The previous year's figures have been adjusted accordingly. The segments comprise the activities in the areas of hard rock mining and coal mining. Sales and intermediate between the segments are of minor importance and are not reported separately.

The measurement principles for segment reporting are based on the IFRS adopted in the consolidated financial statements. SMT Scharf AG assesses the performance of the segments using earnings before interest and other financial income, which consist of the operating profit (EBIT) plus income from equity accounted investments.

Segment assets and liabilities include all assets and liabilities that are attributable to the segments and their positive and negative results determine the operating result. Segment assets include in particular intangible assets, property, plant and equipment, inventories, trade receivables and other payables, and significant provisions. Segment investments include additions to intangible assets and tangible assets. As far as companies that are included in the consolidated financial statements using the equity method are directly attributable to a segment their share of the profit or loss and the carrying amount is reported.

	Hardrock segment		Coal segment		not assigned		Group	
EUR thousand	2014	2013	2014	2013	2014	2013	2014	2013
Revenues	6,018	11,063	41,802	52,188	-	-	47,820	63,251
Operating income (EBIT)	(-1,808)	1,991	297	4,599	-	-	(1,511)	6,590
Income from equity-accounted investments	-	-	800	929	-	-	800	929
Earnings before interest income and other financial income	(1,808)	1,991	1,097	5,528	-	-	(711)	7,519
Segment assets	3,456	5,592	54,471	53,407	2,553	2,098	60,480	61,097
Segment liabilities	156	153	22,263	20,289	1,191	1,273	23,610	21,715
Segment investitions	38	57	2,196	1,840	-	-	2,234	1,897
Shares in equity-accounted companies	-	-	3,391	2,305	-	-	3,391	2,305
Scheduled amortization	92	95	1,376	1,636	-	-	1,468	1,731
FTE (average)	26	31	258	265	-	-	284	296

The following table presents a reconciliation of the steering figure earnings before interest profit and other financial profit to earnings before and after tax:

EUR thousand	2014	2013
Earnings before interest profit and other financial profit	-711	7,519
Interest profit	5	-123
Earnings before taxes	**-706**	**7,396**
Income taxes	376	1,859
Profit from discontinued operations	0	-2,322
Earnings after taxes	**-1,082**	**3,215**

The non-current assets and net revenue of SMT Scharf are divided by region. The allocation of non-current assets to the regions is according to the location of the assets. Non-current assets included intangible assets, tangible assets, investments in equity accounted investments and other long-term assets. The allocation of the net revenue is according to the respective customer site and is explained under the notes to the profit and loss account.

Of the non-current assets that include intangible assets and tangible assets TEUR 6,037 (previous year: TEUR 6,093) are in Germany and TEUR 3,608 (previous year: TEUR 2,854) in other countries.

19 SUPERVISORY BOARD

The members of the Supervisory Board of SMT Scharf AG during the fiscal year under review comprised:
Period from January 1, 2014 until May 7, 2014:

Dr. Dirk Markus, London (Chairman)	CEO of Aurelius AG	Berentzen-Gruppe AG, Haselünne, Supervisory Board member Compagnie de Gestion et des Prêts S.A., Saran (France), Supervisory Board member LOTUS AG, Grünwald, Supervisory Board Member (until February 9, 2014); Managing Board member (from February 10, 2014) SKW-Stahl Metallurgie Holding AG, Unterneukirchen, Supervisory Board member
Dr.-Ing. Rolf-Dieter Kempis, Waldenburg (Deputy Chairman)	Management consultant	(no positions held at other companies)
Dr. Harald Fett, Monheim	Management consultant	Pflegezeit AG, Hamburg, Supervisory Board chairman

A new Supervisory Board member was elected at the Supervisory Board meeting on May 7, 2014:

Dipl.-Ing. Michael Reich, Hamm (Chairman)	Management consultant	DSI International Luxemburg, S.a r.l., Supervisory Board Chairman. OOO DSI Techno, Supervisory Board Chairman (Mr. Reich holds as a 10% interest in russian company OOO (GmbH) RocBolt Resins Pty Ltd (Sydney), Supervisory Board member BBM Mining Pty Ltd (Melbourne), Director
Dipl.-Kfm. Hans Joachim Theiss, Busek (Deputy Chairman)	Management consultant	(no positions held at other companies)
Dr. Dipl.-Ing. Dirk Vorsteher, Werne	Management consultant	(no positions held at other companies)

The members of the Supervisory Board receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses and a meeting fee of EUR 1 thousand for every board meeting. The fixed remuneration totals EUR 15 thousand, and 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 EUR 10 thousand per person and year. Remuneration is paid pro rata if members leave the Supervisory Board during the course of the fiscal year. The following remuneration and out-of-pocket expenses were recognised as expenses for the 2014 fiscal year:

	Markus	Kempis	Fett	Reich	Theiss	Vorsteher
Fixed remuneration	8	5	5	15	10	10
Variable remuneration	0	0	0	0	0	0
Expenses	9	1	0	0	0	0
Meeting fees	5	5	3	7	7	7
Total	**22**	**11**	**8**	**22**	**17**	**17**

No remuneration was paid to former members of the Supervisory Board or their survivors, and no pension obligations exist for this group of individuals. No advances, loans, or contingent liabilities exist in favour of members of the Supervisory Board. As of December 31, 2014, the Supervisory Board members did not hold any shares of the company.

20 MANAGING BOARD

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

Managing Board members 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 recognised as expenses for the 2014 fiscal year:

	Dreyer	Schulze-Buxloh
Basic remuneration	120	200
Bonus	0	120
Long-term royalty	0	150
Additional benefits	11	7
Total	**131**	**477**

SMT Scharf AG has pension obligations and other obligations from the conversion of salary components for previous fiscal years of EUR 223 thousand for Mr. Schulze-Buxloh. Share-based payments, commitments to make payments in the event that the employment relationship ends, and agreements for compensation in the event of a takeover bid do not exist. On December 31, 2014, Mr. Dreyer held no shares in the company, and Mr. Schulze-Buxloh held 6,000 shares.

No remuneration exists for former members of the Managing Board or their surviving dependents. No advances, loans or contingent liabilities exist in favour of members of the Managing Board.

21 RELATED PARTIES

In 2014, services totalling less than EUR 110 thousand were purchased on arm's length terms from related parties as defined by IAS 24. No services were provided to related parties.

22 EVENTS AFTER THE BALANCE SHEET DATE

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

Hamm, March 2, 2015
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, 2014, provide a true and fair view of the Group's financial position and performance, and the Group management report for the 2014 fiscal year presents the Group's business including its results and the Group's position such as to provide a true and fair view, and describes the major opportunities and risks pertaining to Group's anticipated growth and development.

Hamm, March 2, 2015

The Managing Board

Christian Dreyer *Heinrich Schulze-Buxloh*

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, 2014 to December 31, 2014. The preparation of the IFRS consolidated financial statements and the Group management report in accordance with 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 the financial position and performance 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 Group's business activities, and economic and legal environment, 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 manage-ment, 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 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 Group's financial position and performance. 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 pertaining to future growth and development.

Duesseldorf, March 2, 2015

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Michael Hüchtebrock
Certified Public Auditor

Christian Weyers
Certified Public Auditor

FINANCIAL CALENDAR 2015

22 April 2015	Annual general meeting
18 Mai 2015	Publication of the financial report for the 1st quarter 2015
17 August 2015	Publication of the financial report for the 2nd quarter 2015
16 November 2015	Publication of the financial report for the 3rd quarter 2015
31 December 2015	End of the fiscal year

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LEGAL NOTICE

This annual report contains forward-looking 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 the SMT Scharf Group are published in Geman 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.

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