SOLUTIONS FOR MINING TRANSPORT

ANNUAL REPORT 2015

EIGHT-YEAR COMPARISON OF KEY FINANCES

		2008	2009	2010	2011	2012	2013	2014	2015
Income statement data (without Dosco)									
Revenue	TEUR	49,739	53,262	50,607	68,378	76,648	63,251	47,820	50,303
Revenue share from outside Germany	%	75	84	89	88	89	91	87	90
Operating output	TEUR	49,809	51,056	51,271	72,330	75,646	63,263	45,681	49,990
EBIT	TEUR	7,489	7,585	9,581	12,524	12,858	6,590	–1,511	1,583
EBIT margin	%	15.0	14.9	18.7	17.3	17.0	10.4	–3.3	3.2
Net income	TEUR	5,343	5,073	8,006*	10,658*	9,842	5,537	–1,082	792

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

		2008	2009	2010	2011	2012	2013	2014	2015
Balance sheet data									
Total assets	TEUR	55,410	44,789	67,185*	81,861*	77,798*	61,097	60,480	57,950
Equity	TEUR	24,226	23,044	31,055*	40,879*	43,333*	39,381	36,869	36,346
Equity ratio	%	44	51	46*	50*	56*	64	61	63
Cash and cash equivalents and securities	TEUR	17,138	14,992	12,750	11,222	13,192	10,566	6,647	5,197

* incl. Dosco (all other figures without Dosco)

		2008	2009	2010	2011	2012	2013	2014	2015
Personnel data									
Average number of employees	FTE	249	228	218	229	252	296	284	280
Share of employees outside Germany	%	24	31	39	43	50	59	63	69
Share data									
Earnings per share	EUR	1.27	1.23	2.03	2.60	2.82	0.77	–0.26	0.19
Dividend	EUR	0.85	0.70	0.85	0.95	0.98	0.25	0.00	0.00

CONTENTS

TO OUR SHAREHOLDERS

The new management team of SMT Scharf AG

LETTER TO SHAREHOLDERS

Dear ladies and gentlemen,
Dear shareholders,

SMT Scharf has more than held its own ground in a persistently weak industry environment. The price of coal, as well as that of all other energetic raw materials and industrial metals, continued its downtrend in recent months. In view of this market development, and due to surplus capacities, the global operators of coal mines reduced their capital expenditure to virtually zero. SMT Scharf nevertheless succeeded in raising its revenues in 2015 to above the EUR 50 million threshold, while delivering a positive net result. The targets have therefore been clearly and gratifyingly exceeded, despite the risk provisioning measures implemented at mid-year.

Revenues in the fiscal year ended were once again driven primarily by the foreign markets, led by Russia and Africa. China and Poland also contributed a large proportion of the consolidated revenues but, seen from the standpoint of the full year, had entered a decline. In China, demand faltered, above all in the fourth quarter, in the context of the structural challenges confronting the country's growth model. The most recent data suggest a slowdown in the growth of China's economy that has meanwhile ascended to the world's second largest. A number of economists and banks have repeatedly published negative forecast scenarios in recent months, concluding that growth in China is set to decline permanently. In our opinion, these concerns are unsubstantiated. A temporary lull in momentum is a necessary and sensible development for an economy that is undergoing a transition from a former developing country to a modern industrial nation. China will continue to require a great deal of energy in the foreseeable future. Coal as a source of energy will play an important role, as before. Moreover, hundreds of coal-fired power plants are due to go online in Asia in the coming years, while in China many technically obsolete coal mines will be closed at the same time. As an equipment supplier, SMT Scharf is poised to benefit from this trend.

The company is well positioned on the world's most important mining markets and is underpinned by sound foundations in a cyclical market environment. We intend to reap above-average benefit from the next upswing in the mining sector. An extensive list of strategic measures is to make a major contribution to this goal, backed by the new Executive Board consisting of three members since July 2015, who will forge ahead with their implementation. Along with optimizing operations, the focus has been placed on a series of projects and initiatives that are already yielding the first signs of visible success. Among other aspects, this includes the detailed analysis of individual specific markets for the purpose of identifying new opportunities, with the insights gained used to develop sales initiatives designed to boost revenues. The streamlining of development processes is aimed at eliminating redundancies and at creating additional capacities that can be drawn on to develop new functions associated with the core product. The company's multinational production system is to be optimized in order to enhance the efficiency of production methods at the individual locations, while improving the international cooperation within the Group.

The measures implemented are intended above all to strengthen and further develop the company's operational excellence. This goal is an integral component of our long-term strategy of holistically and systematically serving our customers' needs beyond our core products and of extending SMT Scharf's range of products and services in the mining logistics business. This vision is to be realized not only through enhancing operational excellence, but also through organic growth, particularly by expanding the hard rock segment that meanwhile generates almost one fifth of SNT Scharf's revenues. Based on external growth – the vision's third component – the company's core positioning is to be promoted and operationally improved in the context of the strategic partnerships and acquisitions. These measures form the basis of our future entrepreneurial success.

May we thank you as our valued investor, business partner and customer for the trust you have placed in us. We look forward to our future cooperation.

Kind regards,

Hans Joachim Theiss Rolf F. Oberhaus Wolfgang Embert

MEMBERS OF THE MANAGING BOARD

Hans Joachim Theiss

Chief Executive Officer

Finance, Controlling, Strategic Corporate Development, M&A, Investor Relations

Wolfgang Embert

Managing Board member

Product Development, Production Areas, Engineering

Rolf Ferdinand Oberhaus

Managing Board member

Sales & Marketing, Market Development

MEMBERS OF THE SUPERVISORY BOARD

Michael Reich

Supervisory Board Chairman

Melbourne, CEO DSI Underground

Positions held at other companies:

- DSI International Luxemburg S.a.r.l. (Supervisory Board member),
- OOO DSI Techno (10 % shareholding)
- RocBolt Resins Pty Ltd (Supervisory Board member)
- Reich Group Pty Ltd (50 % der Anteile) Director
- EDVIRT Australia Pty Ltd (Reich Group holds 60 % of EDVIRT)
  Chairman of the Board

Dirk Vorsteher

Werne, management consultant

No positions held at other companies

Dorothea Gattineau

Herdecke, business manager

No positions held at other companies

SUPERVISORY BOARD REPORT FOR THE 2015 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, approval requirements for certain transactions as defined in the Managing Board's rules of business procedure were upheld.

At six regular meetings on March 4, April 22, June 17, July 23, October 15 and December 16, 2015, all of which were held in Hamm, and at one passing of resolutions by way of telephone conference on August 11, 2015, the Supervisory Board consulted concerning 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 continued difficult sector environment in the year under review, topics covered in this context included reasons for ongoing demand weakness on the global mining equipment market, and progress and initial results achieved with the CSI program being advanced by the Managing Board. Further important subjects covered by discussions between the Supervisory and Managing boards included retaining cost leadership and bolstering the Group's innovative strength.

The Supervisory Board noted in this connection that growing successes were already becoming visible in the 2015 fiscal year from the measures launched as part of the program. Given this, and the continued positive trend, the Supervisory Board regards the company as well positioned for a coming cyclical upturn in the sector.

The realignment of the Group's management team was concluded with the appointment of Mr. Rolf Oberhaus to the Managing Board. The new structure, comprising a three-man Managing Board team, more clearly structures and allocates Group responsibilities.

The three Managing Board areas of "Chair & Finance", "Production & Technology" and "Sales & Marketing" replace the old structure, where a two-man Managing Board headed up SMT Scharf AG, and two managing directors headed up SMT Scharf GmbH.

In light of the localisation strategy that SMT Scharf AG has launched, the Supervisory Board conducted a more in-depth discussion of trends on the important sales markets of China and South Africa. This discussion also included consultations about potentials for strategic partnerships and opportunities for sector consolidation. The higher level of risk positioning that was proposed by the new Managing Board in the second half of the year, and its effects on business results, were also discussed continuously.

- At the meeting on March 4, 2015, the Supervisory Board had the auditor present and explain the 2014 annual financial statements. 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 2015 fiscal year. Both the separate financial statements and consolidated financial statements for 2014 were approved unanimously. In addition, the Supervisory Board concurred with the Managing Board's suggestion to not distribute a dividend for the 2014 fiscal year given the share repurchase program that was launched, and to confirm RSM Verhülsdonk GmbH as the auditors of the separate and consolidated financial statements for 2015, passing corresponding resolutions.
- At the June 17 meeting, the Supervisory Board consulted concerning Mr. Christian Dreyer's stepping-down from the Managing Board. This resignation was noted unanimously, and Mr. Dreyer was recalled from office as a Managing Board member with effect as of June 30. The Supervisory Board unanimously appointed Mr. Wolfgang Embert to be a new Managing Board member as of July 1, 2015. During the course of this meeting, Mr. Hans Joachim Theiss stepped down as Deputy Supervisory Board Chairman and Supervisory Board member as of July 15, and stated that he would be available to switch to the role of Chief Executive Officer of SMT Scharf AG from July 16, 2015. The Supervisory Board thanked Mr. Theiss for his work to date, and unanimously approved proposing Mrs. Dorothea Gattineau to be his court-appointed successor.
- At the July 23 meeting, the new Managing Board, now consisting of Mr. Joachim Theiss, Mr. Wolfgang Embert and Mr. Schulze-Buxloh, provided the Supervisory Board with a detailed report on the current business situation and an outlook for the second half of the fiscal year. This particularly included the business situation in China and South Africa, both of which represent core markets for SMT Scharf AG. The Managing Board also submitted to the Supervisory Board

a list of impairment losses totalling EUR 2.5 million relating to current assets and inventories, which were classified as necessary from a risk perspective. These particularly included valuation allowances applied to outstanding receivables and inventories, as well as extraordinary write-downs. The Managing Board took this opportunity to explain individual items in detail. In addition, the Supervisory Board unanimously approved appointing Mr. Rolf Oberhaus to be a new Managing Board member from January 1, 2016. Mr. Oberhaus's appointment occurs as part of successor arrangements for Mr. Schulze-Buxloh, who stepped down from the Managing Board at the 2015 year-end for age reasons.

- At the passing of resolutions by telephone conference on August 11, the Supervisory Board was required to repeat the resolutions from the July 23 meeting, and finally pass them with legal effect. This was needed because the original passing of resolutions was ineffective, as the legally effective appointment of Mrs. Dorothea Gattineau had not yet occurred as of that date. The appointment occurred as of July 31, 2015, when the district court resolution dated July 29, 2015, became effective, thereby allowing the resolutions of the preceding Supervisory Board meeting to be passed with effect.

- As part of the October 21 meeting, the Management Board delivered an in-depth report to the Supervisory Board about the current business situation and outlook for the fourth quarter of the fiscal year. They consulted concerning the accounting effects of the risk provisioning measures that were implemented. In this connection, the Supervisory Board members had themselves be informed about net working capital trends over the past three years, and the buildup of receivables and inventories.

- The last Supervisory Board meeting of 2015 on December 16 was held at the same location as all of the previous meetings, the company's headquarters in Hamm. The Managing Board took this opportunity to provide the Supervisory Board with a report on the business position of the almost completed fiscal year, and an outlook for 2016, especially expectations relating to SMT Scharf's core markets. Discussions primarily covered the sector's business and economic environment, which remains difficult due to continued low raw materials prices, thereby slowing mine operators' readiness to invest. The Managing and Supervisory boards assume that no fundamental change to this situation will occur in 2016. For this reason, a greater focus is to be placed on the management of costs and liquidity within the company. The Managing Board will provide continuous reports on this topic during the new fiscal year.

The separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2015 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, 2016, 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 2015 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 of the consolidated financial statements by the auditor, and raises no objections against either the separate or 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 2015 fiscal year. The corresponding financial statements have been adopted as a consequence.

The Supervisory Board, together with the Managing Board, refrains from proposing a dividend payment for the 2015 fiscal year given the continued strain in the market situation, the company's strategic further development, and consolidation in the sector.

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

Hamm, March 4, 2016

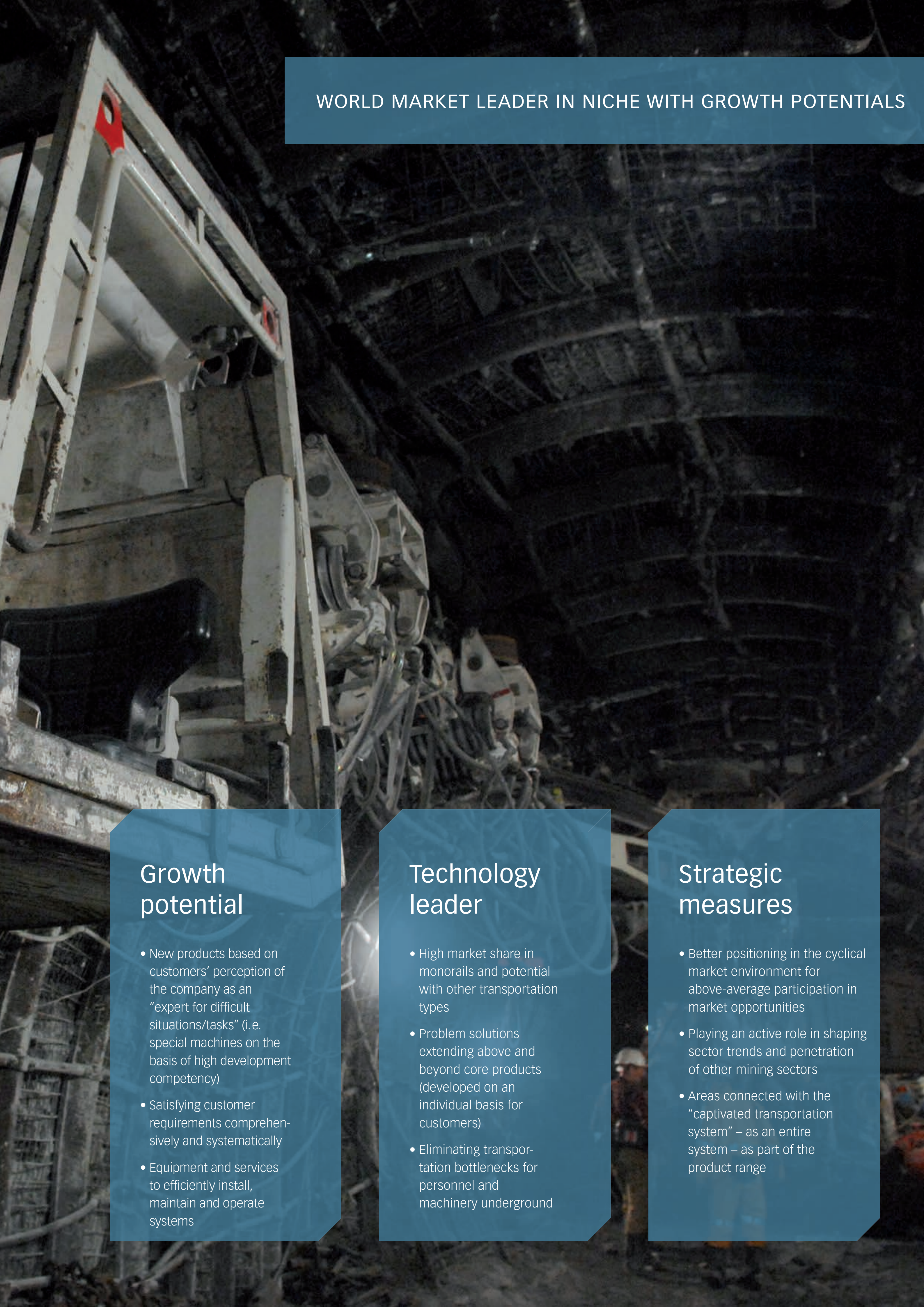
Michael Reich

Specialist in transportation conditions in underground mining

As a specialist engineering firm, SMT Scharf has already been offering transportation solutions for personnel, equipment and materials in underground mining for more than 40 years, and ranks among the world leaders in this area. We are the global market and technology leader in rail systems and chairlifts. The captivated railway system – also referred to as a "monorail", as depicted here – comprises our core product. Monorails are deployed in coal mines, as well as in so-called "hardrock" mines. This rail system, which hangs from a single track, is easy to install, and can transport loads of up to 48 tons on gradients of up to 35 degrees.

SMT Scharf stands on a solid foundation as a result of its high market share in the most important mining countries, and a stable business within a cyclical market environment. Around half of its consolidated sales revenue derives from its after-sales business. The Group's international orientation, proximity to customers, and capital strength meet market requirements.

Strategic measures are bringing us to a position that allows us to participate to an above-average extent in the next mining upturn. We will continue in this context to combine our historical engineering expertise with the greatest possible orientation to customers, in order to expand our product range in the mining logistics area. The new Managing Board team has been working on the related strategic foundations since July 2015.



WORLD MARKET LEADER IN NICHE WITH GROWTH POTENTIALS

Growth potential

- New products based on customers' perception of the company as an "expert for difficult situations/tasks" (i.e. special machines on the basis of high development competency)
- Satisfying customer requirements comprehensively and systematically
- Equipment and services to efficiently install, maintain and operate systems

Technology leader

- High market share in monorails and potential with other transportation types
- Problem solutions extending above and beyond core products (developed on an individual basis for customers)
- Eliminating transportation bottlenecks for personnel and machinery underground

Strategic measures

- Better positioning in the cyclical market environment for above-average participation in market opportunities
- Playing an active role in shaping sector trends and penetration of other mining sectors
- Areas connected with the "captivated transportation system" – as an entire system – as part of the product range

Unrivalled in reliability, quality and safety

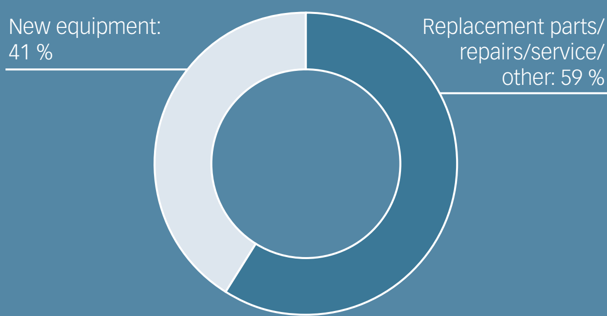
Global market demand for underground transportation equipment is closely connected with trends in international commodity price levels. Above and beyond this, mining equipment manufacturers are under constant pressure to innovate, as deposits worldwide are becoming increasingly inaccessible as a result of being mined to an ever greater depth and extent. Globally, we cooperate with leading local organisations, and as an innovation leader aim to deliver regular efficiency enhancements with our new ideas.

Through advancing localisation and the optimisation of our multinational production system, our locations work hand-in-hand across all value steps. While development input continues to be created at the company's traditional site in Germany, especially final assembly is increasingly occurring at the local subsidiaries. Our international sales and marketing teams cooperate closely with our local partners. This also enables modifications to be implemented efficiently according to customer wishes and in line with local regulations.

Construction → Purchasing → Assembly → Sales and logistics → After sales

INNOVATIVE STRENGTH AND CONSTANT FURTHER DEVELOPMENT OF PRODUCTS

SMT Scharf's product and service range is distinguished by reliability and expandability. Top safety standards in the explosion protection area are also ensured. Through maintenance, repair and replacement parts, recurring revenues are generated in the after-sales services area over the complete product lifecycle of our transport systems. We cater in this way for continuously high customer satisfaction and safety, and engaging with our customers in constant dialogue. This approach gives us valuable ideas for new developments, helping to make our customers even more productive.



Global coal production (million tonnes)

Coal mining

Globally, most SMT Scharf products continue to be deployed in underground hard coal mines. A differentiation is made in this context between the room-and-pillar method, which is suitable for flat-lying seams with soft rock structure, and longwall mining, where material is mined in horizontal longwall faces of considerable length. SMT rail systems are deployed most frequently in such longwall faces.

While the domestic market in Germany has lost its importance due to the stop on mining by 2018, major producer countries in other parts of the world have increasingly come into focus. SMT Scharf has advanced its internationalisation on a targeted basis over the past years, so that around 90 percent of the company's sales revenues are now generated on foreign markets. Demand for energy from major emerging economies will drive demand over the coming decades in this context.

The most important European market today is Poland, which we regard as particularly attractive given its above-average economic growth on a European comparison, combined with a high longwall share. The most important markets for our rail systems and services besides this are Russia, where the largest number of installed rail systems are located, and China, which offers us the greatest sales potential due to its enormous size. In South Africa, which forms a bridgehead for sub-Saharan countries, we are market leader in chairlifts, and expect our rail business to grow.

STRONG CAPITAL BACKING, AND ALSO PROFITABLE IN A DIFFICULT ENVIRONMENT

Global ore production (i.e. gold, platinum, copper, nickel), million tonnes

Source: Raw Materials Group 2012, Stockholm

Hardrock mining

We refer to the mining of metals such as gold, platinum, copper and nickel as hardrock mining. In this area, too, we supply exclusively to underground mines. As easily tapped deposits in the hardrock mining area are also becoming increasingly exhausted, we identify a growing market for SMT Scharf products that are deployed underground. In contrast to coal mines, no expensive explosion protection is required in the mining of metals, thereby allowing electric locomotives to replace diesel locomotives.

Hardrock mining is very varied and distributed among many regions: the world's largest platinum deposits are situated in South Africa, nickel is mined primarily in Russia, and copper mines are located in South American Andean countries, or in Australia for example. We identify a number of opportunities in expanding business with hardrock mine operators to form a second pillar for our business: we are partly tapping new geographic markets that are less relevant in coalmining, and can reduce dependency on coal mine operators' investment cycles. Here, we aim to grow further organically.

NEW WORLD REGIONS COME INTO FOCUS

VISION:
Expanded product range in the mining logistics area

External growth

- "Buy and build" within the niche
- Expand core positioning (from transportation machine to transportation system including installation, operation and maintenance)

Organic growth

- Hardrock mining as second business pillar
- Tap new geographic markets
- Expand product range

Operational excellence

- Efficiency improvements on site
- Streamline development processes
- Optimise multinational production system

Core competences

- Stable core business with solid margin and growth opportunities
- Established engineering expertise with greatest possible customer orientation
- Management expertise in mining sectors

Launching a controlled campaign

Our core expertise as an engineering firm with its long traditions lies in our deep understanding of our market's requirements. We are precisely familiar with the needs of our customers, and are in regular contact with them. Given the currently difficult market environment, we see ourselves as being well positioned to operate profitably also given weaker demand for new systems. Our high level of service orientation helps us in this context.

We would like to further develop the company beyond this state: we have the vision of an expanded product range in the mining logistics area, and aim to be perceived increasingly as a systems supplier.

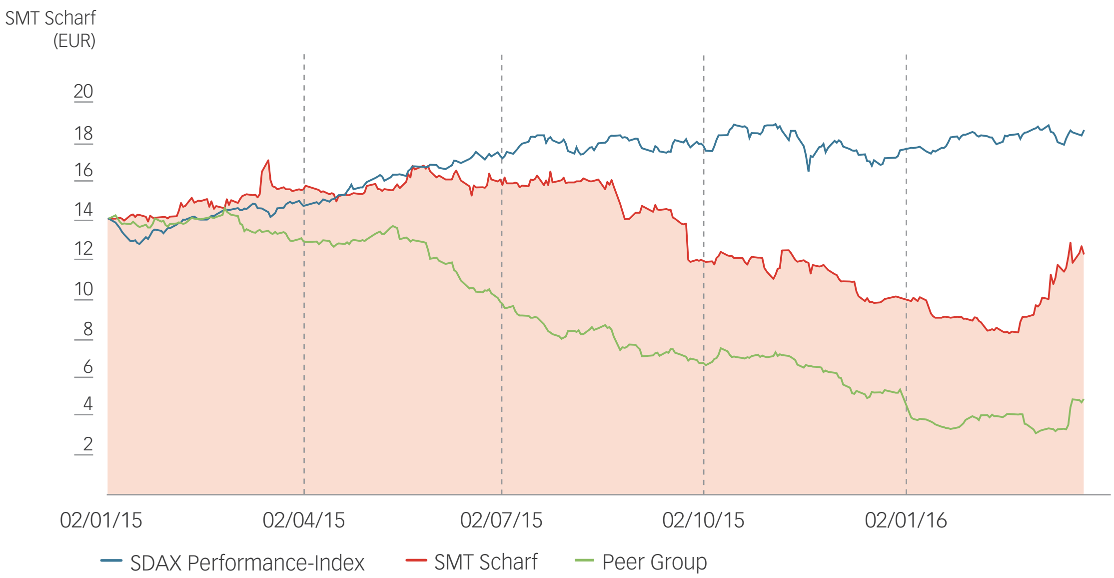
For this purpose, we have adopted a series of strategic measures that can be divided roughly into three areas:

- Firstly, for example, we aim to grow further organically by further expanding our second business pillar of hardrock, tapping new geographic markets, and increasingly expanding our product palette.
- Secondly, we would like to enhance our core positioning through external growth. We also identify opportunities to develop the company positively in the context of strategic partnerships.
- Thirdly, we aim to become even better operatively – in the interplay of our international locations, in the management of our development processes, and through targeted analysis of specific markets and customer requirements.

We would like to participate to an above-average extent in the next upturn – these measures form the foundation of our future business success.

SHARE INFORMATION

Share price performance 2015



Share price performance

The price of the SMT Scharf share registered a marked downtrend over the course of 2015, as in the previous year. Based on the previous year's closing price (EUR 13.81 on December 30, 2014), the share price reported an approximately 28 % decline to EUR 9.97 as of December 30, 2015. The SMT Scharf share consequently traded in a counterdirection to the SDAX Performance Index, which can be regarded as a comparable index and which registered a markedly positive trend (appreciation of 27 %). The SMT Scharf share outperformed comparable international listed mining supply industry companies (equally weighted peergroup portfolio consisting of Famur, Kopex and Joy Global: fall of –49 %).

Share price data 2015 (XETRA)

Previous year's closing price	EUR 13.81
Highest price (March 16, 2015)	EUR 16.98
Lowest price (December 18, 2015)	EUR 9.71
Closing price (December 31, 2015)	EUR 9.97

At the beginning of the year 2016, the share price was at the same level as in December 2015, but then increased again (latest share price as of March 23, 2016: EUR 12.23).

A daily average of 4,491 shares were traded over the Xetra trading platform and the Frankfurt Stock Exchange during 2015, compared with 5,741 shares per day in 2014.

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 72.55 % of the shares of SMT Scharf AG comprise its free float, according to the Deutsche Börse definition. This includes all interests below 5 % except treasury shares. 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 11, 2016:

Shareholder pool: Shareholder Value Beteiligungen AG/Share Value Stiftung/Christiane Weispfenning	10.16 %	426,809 shares
Axxion S.A.	5.57 %	233,896 shares
Overseas Asset Management (Cayman), Ltd	5.15 %	216,460 shares
BNY Mellon Service Kapital-anlage-Gesellschaft mbH	5.14 %	216,055 shares
First Eagle Investment Management, LLC	3.59 %	150,749 shares

The treasury stock position amounted to 1.08 % (45,150 shares) at the start of the 2015 fiscal year, as in the previous year. As a result of the share repurchase program that the Managing Board approved on March 4, 2015, a total of 14,327 shares were tendered at a price of EUR 15.00. This increased the treasury stock position to 1.42 % after April 13, 2015 (59,477 shares).

Former Deputy Supervisory Board Chairman Hans Joachim Theiss, who was appointed CEO of SMT Scharf AG on July 16, 2015, held a total of 10,000 shares as of December 31, 2015, and his predecessor Christian Dreyer did no longer hold any shares. Heinrich Schulze-Buxloh who stepped down from the Managing Board at the end of the 2015 fiscal year, held a total of 6,000 shares as of December 31, 2015. Michael Reich, Supervisory Board Chairman, held a total of 6,000 shares.

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 sets great store by 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 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 2015, 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 2015. The Managing Board continuously takes the opportunity to report on the company's development in discussions during the course of the year with investors, analysts and financial journalists.

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

Annual General Meeting

The Ordinary Annual General Meeting of SMT Scharf AG for the 2014 fiscal year was held on April 22, 2015 in Hamm. This meeting was attended by 41.98 % of the voting right-entitled share capital. The AGM approved all five agenda items by more than 90 % in each case, including the discharge of the members of the Managing and Supervisory boards for the 2014 fiscal year, and the election of the auditor. The company refrained from paying a dividend due to the weak investment climate on the global market for mining equipment.

The investor relations area of SMT Scharf's website provides more details about the voting results.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

Basis of the Group

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:

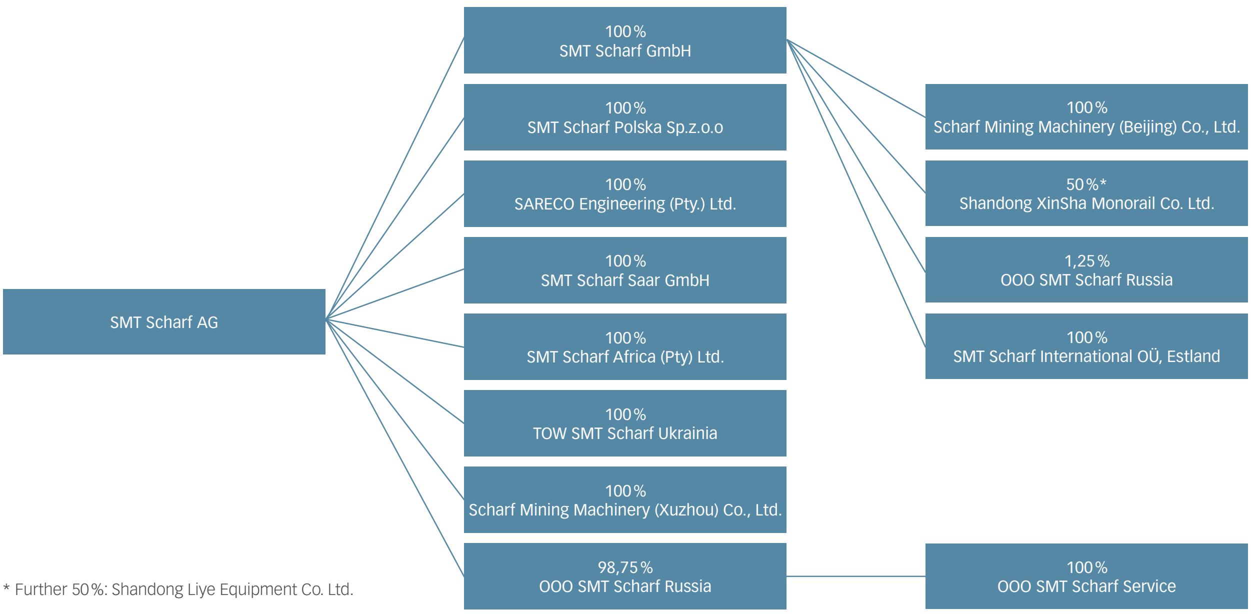
Product areas: The main products comprise captivated railway systems that are deployed worldwide primarily in hard coal mines, as well as in underground mines for gold, platinum, copper and nickel (so-called "hard rock mining"), among other metals and precious metals. A total of 91 % of the Group's revenues 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 9 % 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, 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 82 % of revenue was generated in the year under review. SMT Scharf generated 18 % of its revenue from customers from the hard rock mining sector.

Regions: The geographic sales markets are divided (by revenue contribution) into the four largest regions of Russia / CIS, China, Poland, and Africa, which together account for 77 % of total sales revenue, with other markets accounting for the rest (23 %). A total of 90 % of revenue was generated outside Germany in the year under review. The SMT Shaft Group distributes its products through its own companies in China, Poland, Russia, South Africa and Ukraine, as well as through commercial representations worldwide.

Ownership interests within the SMT Scharf Group



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

Corporate objectives and strategy

Through a localisation strategy, SMT Scharf has further expanded competences at subsidiaries situated close to mining customers, reallocating value steps between international locations. This process is largely completed, although it will be implemented further. When completed, this process should deliver a corporate culture characterised by German engineering thinking, central development management located at 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.

The localisation strategy was also supplemented by the CSI program for short-term restructuring: the Group's long-term competitiveness is improved by through cost reductions (C) accompanied by a strengthening of sales (S) and innovation (I).

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 business pillar.

Given the continued weak environment for mining equipment manufacturers, an extensive list of measures in three strategic areas was defined and advanced from July 2015 on. Areas of activity can be defined as "organic growth", "external growth" and "operational excellence":

- Implementing market analyses as part of strategic foundation work: ongoing strategic programs have been advanced, intensified in part, and supplemented by additional initiatives.
- Optimisation of the company's multinational production system: the aim is to critically review production methods at individual sites and improve their international cooperation.
- Detailed analysis of individual, specific markets in order to identify new opportunities and develop revenue-supporting sales initiatives on this basis: these initiatives were communicated to customers during the fourth quarter in a targeted manner. The first campaign successes will be achieved potentially during the first quarter of 2016.
- Streamlining of development processes in order to eliminate double work: this has generated additional capacities for the development of new functions and applications relating to core products.
- Sounding the market for strategic partnerships: initial discussions have already started with suitable partners.

Through these strategic measures, SMT Scharf aims to achieve a better positioning in the next mining upturn, and participate in market opportunities to an above-average extent. This approach pursues the objective of an expanded range of products and services in the mining logistics area, and the target of being perceived on the market as a system supplier.

Steering system

SMT Scharf AG steers its business applying financial and non-financial performance indicators whose trends influence positively 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	Calculation method
Key earnings indicators	
Total operating revenue (100 %)	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
Key balance sheet indicators	
Equity ratio	Equity/total assets
Net working capital intensity (from Q3/15)	(Current assets – liquid assets – current liabilities)/ sales 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 281 staff (full-time employees) as of December 31, 2015, including 5 trainees. The Group employed 272 individuals as of the previous year's reporting date (including 9 trainees). SMT Scharf also draws on temporary help staff to flexibly boost production capacity.

The localisation structure that has arisen as a consequence of a change in the demand structure for SMT products led the number of employees in Germany to fall continuously over the past years, whereas production capacities at the foreign companies were added to gradually. Especially in China, additional qualified staff were hired in order to make it possible to expand our local technical expertise in terms of service and development, as well as production. The number of employees in Germany reduced from 100 as of December 31, 2014, to 88 FTE as of the reporting date.

SMT Scharf Group employees

	2015	2014
Employees, total	281	272
Employees in Germany	88	100
Employees abroad	193	172
Female employees	47	43
Male employees	234	229

The number of employees at foreign sites increased by 21 FTEs to 193 FTEs in the 2015 fiscal year. The proportion of staff employed abroad grew to 69 % as a consequence (previous year: 63 %). Hiring was strongest in the target markets of Russia (+10 FTEs) and Poland (+5 FTEs).

Research and development

The localisation strategy in Poland, Russia and China is being pursued with consistency, and is being coordinated closely with the headquarters in Germany. The continuous establishment of local centres of expertise with growing vertical depth of manufacturing is currently underway successfully. Synergy generation through further site networking is being implemented efficiently.

International project teams are enabling important further developments and innovations to the existing product range to be accelerated, and be improved in line with respective local market demand through targeted coordination with customers. At the same time, local manufacturing and a global network of suppliers enables shorter delivery times. Innovative, modular machine construction contributes to cost optimisation through having as many identical components as possible.

For innovative applications beyond underground coal mining, new transportation technologies can be developed based on our experience with monorail hanging railways for tunnelling and the exploitation of further mineral resources.

In 2015, the SMT Scharf Group did not invest in research and development projects that meet IAS 38 criteria.

Economic and business report

Macroeconomic environment

The global economy grew by 3.1 % in 2015, thereby a little more slowly than in the previous year, according to data from the International Monetary Fund (IMF). China and especially Russia, the most important sales markets for SMT Scharf AG, proved to be weaker than in 2014, while growth in Poland accelerated further:

*BGDP growth in the most important sales markets for SMT Scharf AG**

in %	2015	2014
World	3.1	3.3
China	6.9	7.4
Poland	3.5	3.0
Russia	–3.7	0.6
South Africa	1.3	1.4

*Source: IWF World Economic Outlook Update, January 2016

Having advanced its localisation strategy, SMT Scharf was less dependent on currency exchange rate changes in the company's sales markets in the year under review. Most new plants are still built in Germany, however. Although their share of total revenue has fallen in both absolute and relative terms as a result of general demand weakness in the sector, currency exchange rate changes continue to play a role. Both the South African Rand and the Russian Rouble depreciated in the year under review due to falling raw materials prices (boosting the Euro's purchasing power by 20 % and 12 % year-on-year respectively). 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 performed positively, by contrast, appreciating against the Euro.

*Exchange rate changes in the most important sales markets for SMT Scharf AG**

in %	2015	2014
Yuan Renminbi (China) / Euro	–6	–10
Zloty (Poland) / Euro	+/–0	+3
Rubel (Russia) / Euro	+12	+60
Rand (South Africa) / Euro	+20	–4

*Source: ECB, change over course of year

Sector trends

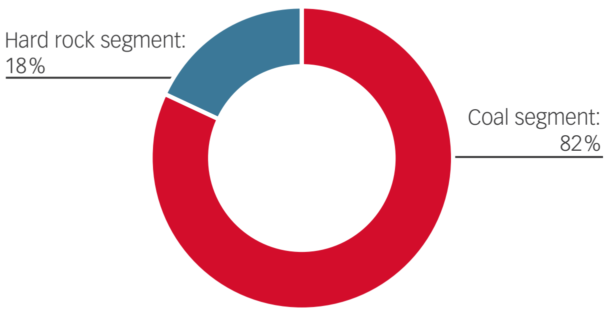
Prices of the most important energy raw materials and metals fell during the reporting period. The downtrend in raw materials prices that has been observable since early 2011 continued as a consequence. The coal sector, which is important for SMT Scharf, was particularly affected in this context. Coal prices on the world market have fallen by 17 % over the past twelve months. The decline amounts to 35 % over the past five years. In this difficult environment, and also as a consequence of overcapacity is, operators of coal mines worldwide are no longer able to invest accordingly. Even essential maintenance investments are implemented only with a delay. Overall, however, demand for service and repair services is rising accordingly.

According to the Specialist Mining Equipment Association of the German Engineering Federation (VDMA), global economic trends and a reluctance to realise investments in mine operations will feed through to a further setback for the German mine equipment manufacturers this year. Given the cyclical downturn in the sector, the VDMA anticipates that the sector will report a further fall in sales revenue in the upper single-digit percentage range over the full year. Along with a continued low level of commodity prices, the unexpectedly sharp slowdown in economic growth in China is also a contributing factor in this context. Falling 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.

Business trends

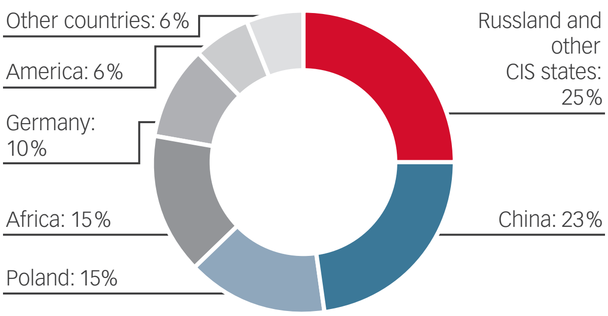
Despite generally weak demand for mining equipment, the SMT Scharf Group grew its sales revenue by 5.2 % to EUR 50.3 million in the year under review. SMT Scharf thereby outperformed within a difficult market environment: German mine equipment manufacturers' sales reported a reduction in the single-digit percentage range in 2015, according to data from the VDMA.

Revenue by segment (2015)



SMT Scharf generating 89% of its revenue abroad in the reporting year (previous year: 84%). Russia and other CIS states advanced to become the most important market with a share of 24.9%, or EUR 12.5 million (previous year: 22%, EUR 10.6 million). China followed with a 22.5% share, or EUR 11.3 million. Due to the low coal price, many minds in the country were closed or shut down temporarily. Some purchases from foreign manufacturers and suppliers have reduced to zero accordingly. As SMT Scharf produces locally in the country, however, new business was transacted. Following at almost equal third and fourth rankings are Poland (15.2%, EUR 7.7 million) and Africa (14.7%, EUR 7.4 million). These countries report very different trends, however. The coal market in Poland is in general decline, as in Russia. Due to its good reputation and market position, SMT Scharf continued to transact new business within this difficult environment, however. The above average revenue share in South Africa is due to the fact that SMT Scharf is mainly present in the hard rock segment in this market, which is not affected by the fall in the coal price. Pleasing momentum was also evident in terms of new business in the second half of the year. SMT Scharf reported its relatively strongest growth on the American market. Major new customers were acquired there in Chile and Mexico. This markets share reported both relative and absolute growth to 6.4%, or EUR 3.2 million. Sales revenue remaining in Germany was almost unchanged at EUR 5.3 million, or 10%.

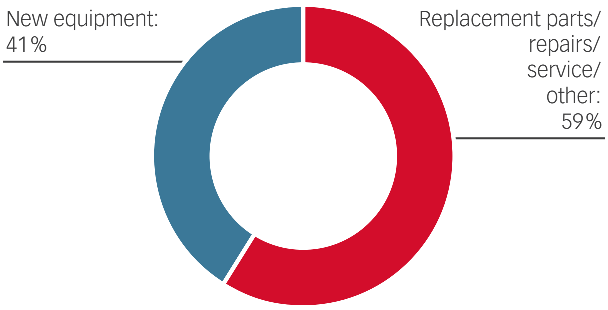
Revenue by region (2015)



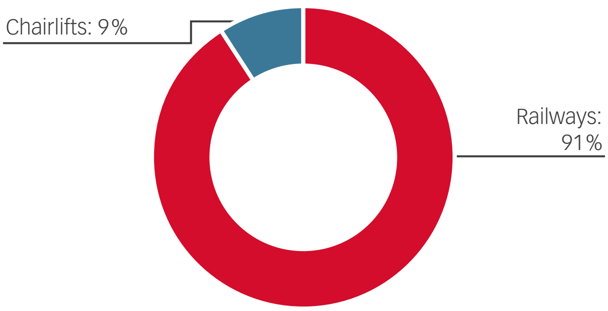
In 2015, the ratio between the replacement parts and service businesses, on the one hand, and the new equipment business, on the other, reported a further shift – the replacement parts business with a 59% share of revenue gained importance (previous year: 54%), thereby contributing significantly more than half of total revenue. In the short term, this shift has occurred as a response to the general market trend and the sector environment. Medium-term, however, a new service campaign is to be launched to boost Scharf's after-sales share worldwide. Compared with this, the proportion of business generated with new plants fell further in the reporting period to a level of just 41% of total business (previous year: 46%).

Most of total revenue was attributable to the railways product, while chairlifts accounted for just 9% of revenue.

Revenue by business type (2015)



Revenue by product (2015)



The order book position of the SMT Scharf Group stood at EUR 11.3 million as of December 31, 2015 (previous year: EUR14.8 million). New order intake amounted to EUR 46.8 million in the year under review (previous year: EUR 46.6 million).

Financial position and performance

Results of operations

Contrary to expectations, the consolidated revenue of the SMT Scharf Group grew by 5.2 % to EUR 50.3 million in the 2015 fiscal year within a market environment that remains weak (previous year: EUR 47.8 million). Given this, total operating revenue (consolidated revenue plus changes in inventories and work in progress) increased to EUR 50.0 million despite a slight reduction (EUR –0.3 million) in the finished products and work in progress position (previous year: EUR 45.7 million). Primarily currency exchange rate gains and the release of a part of the restructuring provision were mainly responsible for the increase in other operating income to EUR 5.1 million in the reporting period (previous year: EUR 4.6 million).

The cost of materials reported a rate of increase faster than the top line, rising by 23.9 % to EUR 27.6 million (previous year: EUR 22.3 million), with the cost of materials ratio (in relation to total operating revenue) increasing to 55.2 % (previous year: 48.8 %). Given the conclusion of restructuring measures recognised under personnel expenses in the previous year, personnel expenses fell to EUR 12.1 million in the year under review (previous year: EUR 15.1 million). The personal expense ratio of 24.1 % was almost 10 percentage points lower than in the previous year (33.2 %).

While depreciation and amortisation increased year-on-year to EUR 1.9 million (previous year: EUR 1.5 million), other operating expenses fell to EUR 12.0 million (previous year: EUR 12.9 million).

Results of operations

EUR millions	**2015**	**2014**	**Change**
Revenue	50.3	47.8	5.2 %
Total operating revenue	50.0	45.7	9.4 %
EBIT	1.6	–1.5	
EBIT margin (in %)	3.2	–3.3	
Consolidated net profit/loss	0.8	–1.1	
Earnings/loss per share (in EUR)	0.19	–0.26	

Overall, the SMT Scharf Group generated an operating profit (EBIT) of EUR 1.6 million in the year under review (previous year: operating loss of EUR –1.5 million). The EBIT margin (in relation to total operating revenue) stood at 3.2 % (previous year: –3.3 %). The net financial result fell by 61.5 % year-on-year, reflecting higher interest expenses of EUR 0.2 million, more than doubling year-on-year (previous year: EUR 0.1 million). One reason for this was that in China SMT Scharf utilised a bill guarantee line as a cash line, on which higher interest was incurred. The reduction in income from participating interests to EUR 0.45 million (previous year: EUR 0.8 million) derives from the fact that the Chinese participating interest achieved lower year-on-year earnings.

The Group generated a profit before tax of EUR 1.9 million (previous year: loss before tax of EUR –0.7 million). The tax expense increased to EUR 1.1 million in the year under review as a result of the positive earnings trend (previous year: EUR 0.4 million). Of this, EUR 1.4 million was attributable to expenses for taxes on income (previous year: EUR 0.9 million). Deferred tax income of EUR 0.3 million was also generated (previous year: EUR 0.5 million). The tax rate for the German companies, including SMT Scharf AG, continued to amount to 32.1 %.

Overall, SMT Scharf AG could achieve a positive change of EUR 1.9 million compared with the previous year's net loss of EUR –1.1 million with a consolidated net profit of EUR 0.8 million. This corresponds to earnings per share of EUR 0.19 (previous year: loss per share of EUR –0.26).

Net assets

The total assets of the SMT Scharf Group fell to EUR 57.9 million as of December 31, 2015 (previous year: EUR 60.5 million).

On the assets side of the balance sheet, non-current assets decreased to EUR 14.3 million (previous year: EUR 15.6 million). Property, plant and equipment fell to EUR 5.2 million (previous year: EUR 6.7 million) given depreciation and disposals of office and operating equipment. Compared with the previous year's balance sheet date, deferred tax assets decreased slightly to EUR 2.5 million (previous year: EUR 2.6 million).

Current assets continued to comprise the largest proportion on the assets side. Inventories fell to EUR 13.0 million (previous year: EUR 14.1 million), while trade receivables were up to EUR 23.9 million (previous year: EUR 22.4 million) despite impairment losses. Liquid assets stood at EUR 5.2 million as of December 31, 2015 (previous year: EUR 6.6 million).

Net assets

EUR millions	**2015**	**2014**
Total assets	57.9	60.5
Equity	36.3	36.9
Equity ratio (in %)	62.7	61.0
Non-current and current provisions and liabilities	21.6	23.6
Non-current assets	14.3	15.6
Current assets	43.6	44.9

Due to the consolidated net profit generated by the Group and a lower level of total assets, the equity ratio of the SMT Scharf Group registered a slight increase to 62.7% (previous year: 61.0%). As of December 31, 2015, it thereby reflects a further slight improvement compared with the previous year.

Non-current provisions and liabilities amounted to EUR 6.3 million as of the balance sheet date (previous year: EUR 7.1 million). Non-current financial liabilities were reduced to EUR 2.0 million in the reporting year (previous year: EUR 2.4 million). Offsetting this, the pension provision increased to EUR 3.3 million, as planned (previous year: EUR 3.2 million).

Current provisions and liabilities were also reduced. These stood at EUR 15.0 million as of the balance sheet date (previous year: EUR 16.5 million), reflecting a EUR 1.5 million year-on-year decrease. Due to the partial release of the restructuring provision, current provisions fell to EUR 6.1 million (previous year: EUR 7.5 million), and trade payables amounted to EUR 4.2 million (previous year: EUR 3.5 million). Current financial liabilities were reduced to EUR 2.8 million, by contrast (previous year: EUR 3.0 million).

Equity and particular legal relationships:

The subscribed capital of SMT Scharf AG 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. A total of 14,327 treasury shares were purchased as part of the share repurchase programme in the 2015 fiscal year. The company still held a total of 59,477 of these shares at the end of the year under review (1.4% of the share capital).

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 incorporation 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, 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 profit that was generated for the year, the SMT Scharf Group reported cash flows from operating activities of EUR 0.6 million in the year under review (previous year: cash inflow of EUR 0.9 million). Cash flows from investing activities amounted to EUR 0.5 million (previous year: EUR 2.6 million). Cash flows from financing activities improved to

EUR –0.6 million given the the fact that no dividend payout occurred (previous year: EUR –1.9 million). In total, the net financial position fell from EUR 6.1 million on the previous year's balance sheet date to EUR 4.7 million on December 31, 2015.

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

In the forecast included in the 2014 annual report, SMT Scharf initially anticipated EUR 45 million of consolidated revenue for 2015, with an improved EBIT result of EUR 2 million to EUR 3 million, a fall in the personal expense ratio and a reduction in the equity ratio. The 2015 forecast was adjusted after publishing the H1 2015 results, reflecting a reassessment of the risk situation by the new Managing Board. The new forecast continues to anticipate EUR 45 million of consolidated sales revenue, but only a breakeven result at EBIT level.

The actual figures at the fiscal year-end were ahead of expectations:

- Actual consolidated revenue EUR 50.3 million was ahead of the EUR 45 million forecast.
- The target of achieving EBIT breakeven (EUR +/– 0 million) was clearly exceeded at EUR 1.6 million. The EBIT margin was consequently also better than forecast.
- Accordingly, consolidated net income of EUR 0.8 million was also better than anticipated.
- Pleasingly, the equity ratio of 62.7 % reflected a tangible improvement on the previous year's 61.0 %.
- Due to the expensing of restructuring measures in the personnel area in the previous year, the personal expense ratio has evidently returned toward its long-standing level.
- By contrast, the cost of materials ratio was higher year-on-year due to increased write-downs on inventories.

Overall statement on the company's business position

Counter to the worldwide fall in demand from mining equipment, the SMT Scharf Group grew its sales revenue in the year under review. First successes with restructuring measures launched as part of the CSI program are already visible, enabling the company to generate positive EBIT and consolidated net income.

The company's financial position has stabilised further, despite impairment losses applied at the end of the first half of the year: the equity ratio stands at 62.7 %, and financial debt remains low. As a consequence, the SMT Scharf Group remains well positioned to meet the challenges in the coming business years.

Events after the balance sheet date

Following the end of the 2015 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

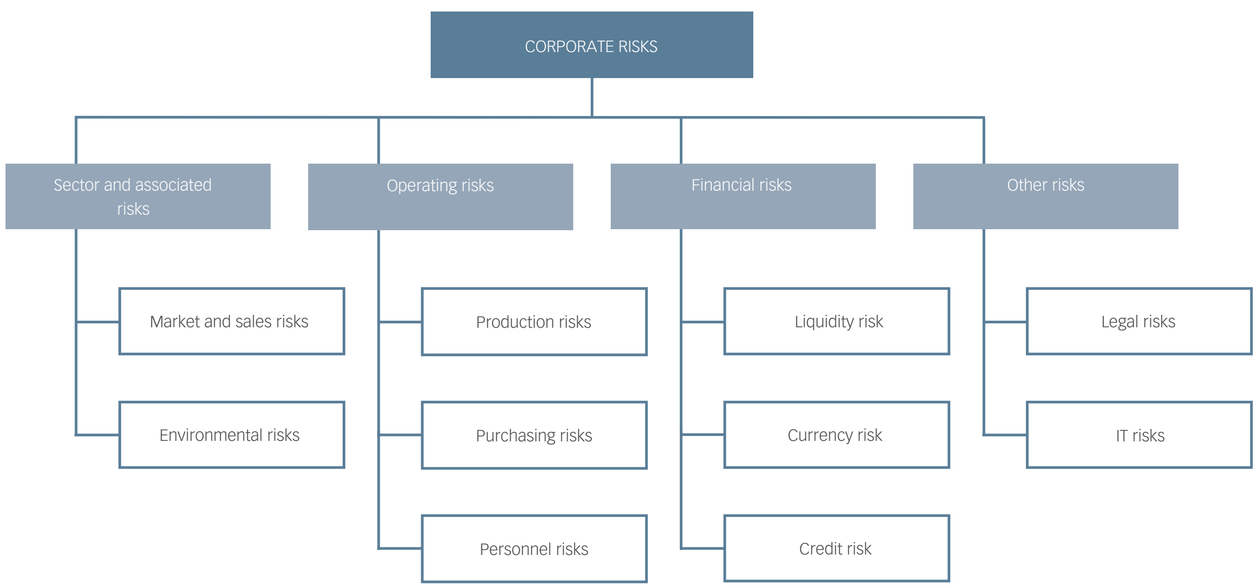
The SMT Scharf Group risk management system (RMS) is fully integrated into the company's planning, steering and controlling processes. As a consequence, it forms a central component of value-oriented corporate management, and serves the targeted securing of both existing and future success and profitability potentials. The risk management system aims to identify opportunities and risks at an early stage, to gauge their impact, and to launch suitable preventative and security activities, including monitoring these 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 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, 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 is 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. 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 2015 fiscal year includes detailed disclosures about financial risk management.



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 observing 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, in many countries political continuity and stability in mine ownership play a role. A change of government or a change in mines' ownership structures could result in staffing changes at mines that feed through to substantial project delays. SMT Scharf counters such risks by permanently monitoring the market and by tapping new markets.

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 that contain 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 these more cost-effective.

Personnel risks

The success 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 increases and increases in incidental personnel expenses can lead to cost increases that SMT Scharf is unable to pass on through 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 in all of the Group companies are available on time, and in local currency. Because of the currently positive cash flow from operating activities, no liquidity risks exist. Sufficient bank deposits, as well as credit and bill guarantee lines, are available. SMT Scharf invests free liquid funds so that they are available short-term and generate relatively secure returns. SMT Scharf works together with several banks in order to limit counterparty risks.

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 f.e. hedged using currency forward transactions, if considered necessary, taking cost-benefit considerations. The risk of higher product prices on foreign markets due to a strong Euro is also weakened by a rising foreign proportion of purchased components. The workforce of SMT Scharf AG is already 51% employed outside the Eurozone in customer countries, 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.

Summarised presentation of risk position

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

Report on opportunities

Strategic measures

Through strategic measures, SMT Scharf aims to position itself in its relevant market for global mining equipment to enable it to participate to an above-average extent in market opportunities in the next upturn. Along with improving the operating business (e.g. development processes, sales activities, multinational collaboration within the Group), any opportunities that might arise from sector consolidation are also to be exploited (external growth). SMT Scharf aims to expand its own core positioning (from transportation machine to transportation system including installation, operation and maintenance) Organic growth is to be generated through tapping new geographic markets, further penetration into hard rock mining, and an expansion of the product range.

World economy

In both emerging and industrial economies, manufacturing industry will not require a greater extent of raw materials and energy until the medium term. Commodity prices should rebound 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

Despite current challenges in the Chinese market, SMT Scharf assumes that the mines will return to producing greater volumes of coal and other raw materials in the medium term, in order to provide the high level of resources that the Chinese economy continues to need even during slower growth periods. 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 created an investment backlog that needs to 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

SMT Scharf continues to pursue its localisation strategy, in order to thereby strengthen its subsidiaries in its important foreign markets. Planning and components purchasing are to largely occur locally in the future. 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. The measures on the cost side that have already been launched are already making SMT Scharf more competitive.

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 already proved themselves in the already-mature German hard coal mining industry.

Opportunities through diversification

Besides the strategy of localisation 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 that can grow into a business pillar that is equal to that of coal in the medium to long term.

Outlook

In early 2016, the International Monetary Fund (IMF) forecasts the following GDP growth rates in SMT Scharf's target markets:

*GDP growth in the most important sales markets for SMT Scharf AG**

in %	**2016e**	**2015**
World	3.4	3.1
China	6.3	6.9
Poland	3.5	3.5
Russia	–1.0	–3.7
South Africa	0.7	1.3

*Source: IWF World Economic Outlook Update, January 2016

China, Russia, Poland and South Africa will remain the SMT Scharf's core markets for the foreseeable future. Although economic prospects for the most important European target market of Poland remain positive, the climate of the global economy has clearly deteriorated over the past months. Conditions for the world's economy will also remain difficult in 2016, according to IMF forecasts. This particularly effects the other core markets of SMT Scharf – China, Russia and South Africa.

Despite these negative effects from the world economy, the management assumes that markets will form a bottom in 2016, and consequently continue to plan conservatively with consolidated revenue of up to EUR 45 million. SMT Scharf also assumes a positive and in comparison to last year slightly higher EBIT margin of an amount of approximately 4.1 %. The personal expense ratio in 2016 will increase slightly compared with 2015 due to hiring at subsidiaries, with the equity ratio prospectively remaining at the existing level.

This forecast already takes into account the further slowdown in China's growth tempo, with numerous state-led mine shutdowns. Given the prospective continued low level of raw materials prices, and without the withdrawal of Western sanctions, the economic output of the Russian Federation will prospectively fall further in 2016, although presumably not as sharply as in 2015. The dynamism of structural change in China and the New Year turnaround in the US interest-rate trend (and consequent divergence from European currency policy) are making it more difficult for the IMF to forecast world economic growth.

Despite the currently difficult sector environment, the management expects that the global mining equipment market will improve medium- to long-term, and that the investment backlog will unwind, especially among Chinese mine operators that need to optimise their infrastructure. Production of raw materials will grow on the basis of the long-term sustainable growth of the global economy, despite its temporary weakness. Emerging economies' growth weakness can also be seen as temporary. Prosperity in such emerging economies will continue to grow in the long term, accompanied by stable energy demand growth worldwide. Despite a growing share of renewable energies, experts at the International Energy Agency (IEA) predict that fossil fuels will comprise the predominant proportion of global energy production in 2040, and see demand for coal growing by 15 % up to 2040.

In order to diversify more and further reduce dependency on coal mine operators, SMT Scharf will endeavour to ensure that its hard rock business develops into a second business pillar in the medium to long term. Beyond this, strategic measures in three areas (operational excellence, external growth, organic growth) should contribute to an improved positioning for SMT Scharf. This should enable the company to participate to an above-average extent in market opportunities in the next sector upturn.

Corporate governance declaration

Declaration pursuant to Section 161 of the German Stock Corporation Act (AktG)

The current 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:

The boards of SMT Scharf AG see their central task as managing the company in a responsible and value-oriented manner. The following principles apply in this regard:

The Supervisory Board has three members, elected as shareholder representatives by the General Meeting of Shareholders. The Supervisory Board does not include any former Managing Board members. It has not formed any committees. The Supervisory Board advises and consults with the Managing Board, and supervises its management of the business. It concerns itself with business development and growth, medium-term forecasts, and the further development of the company's strategy. It adopts the annual separate and consolidated financial statements, taking the auditors' reports into account. It also appoints and dismisses the members of the Managing Board. Selected Managing Board transactions as listed in its rules of business procedure require prior Supervisory Board approval. The Supervisory Board can implement changes to the articles of incorporation that affect only their wording. The members of the Supervisory Board are obliged to disclose any conflicts of interest to the Supervisory Board. No conflicts of interest existed in relation to Supervisory Board members of SMT Scharf AG during the year under review.

The Supervisory Board is endeavouring to achieve greater diversity in its composition over the period up to 2018. Such diversity should relate to three characteristics in particular. Different backgrounds in terms of specialist, technical and sector experience and qualifications should promote diversity of perspective in internal discussion. An international makeup to the Supervisory Board should reflect the Group's international activities. Appropriate appointments of female members are expressly sought. Progress was already achieved in these sub-areas in the recent new elections.

In order to ensure the auditor's independence, the Supervisory Board obtains a declaration from the auditor in relation to any existing reasons for exclusion or bias. When issuing the audit mandate, it is agreed that the auditor will inform the Supervisory Board without delay of any possible reasons for exclusion or bias that arise during the audit, of all findings that are material for the Supervisory Board's tasks that result during the audit, and all findings that result in the declaration on the German Corporate Governance Code as issued by the Managing and Supervisory boards being incorrect. No such facts or reasons for exclusion or bias were ascertained.

The Managing Board of SMT Scharf AG comprises three members and has one Chairman. It has not formed any committees. The Managing Board's members are jointly responsible for managing the company's business, based on rules of business procedure as issued by the Supervisory Board. The Managing Board determines business targets, the company's policy and the Group's organisation. The Managing Board informs the Supervisory Board regularly, promptly and comprehensively about all questions of relevance for the company relating to planning, business development and risk management. Transactions requiring Supervisory Board approval are submitted in good time to the Supervisory Board. The Managing Board members are obligated to disclose conflicts of interest to the Supervisory Board without delay, and to only assume additional activities, especially supervisory board mandates at companies outside the Group, with Supervisory Board approval. No conflicts of interest existed in relation to the Managing Board members of SMT Scharf AG during the fiscal year elapsed.

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

Remuneration systems for the Managing and Supervisory boards

The Supervisory Board's remuneration scheme was last supplemented by way of a resolution by the Annual General Meeting on April 17, 2013, based on the articles of incorporation of SMT Scharf AG. The members of the Supervisory Board receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses, as well as meeting fees of EUR 1 thousand per Supervisory Board meeting. The variable remuneration is based on the consolidated net profit for the period, and is limited in terms of amount. The recall from office of the elected Supervisory Board members (Dr. Dirk Markus, Dr. Rolf-Dieter Kempis and Dr. Harald Fett) comprised a further point at the AGM in May 2014. Mr. Michael Reich, Mr. Hans Joachim Theiss and Dr. Dirk Vorsteher were newly appointed in the subsequent re-election. The Supervisory Board members' periods of office run until the end of the General Meeting that passes a resolution concerning discharge for the 2018 fiscal year. Mr. Theiss switched to the Managing Board of SMT Scharf AG on July 16, 2015. On July 31, 2015, Mrs. Dorothea Gattineau succeeded him as Supervisory Board member.

The Supervisory Board is responsible for decisions on the Managing Board's remuneration. Managing Board members receive remuneration comprising a fixed basic annual salary and an annual bonus. The basic salary is paid monthly and, in part, quarterly in arrears. The members also receive non-cash benefits from private use of company cars, life insurance cover, and reimbursement of out-of-pocket expenses. The amount of the annual bonus is based partly 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 main proportion of the bonuses is measured on the basis of the consolidated net earnings for the year, however. In addition, the contracts of the new Board members inlcude a variable remuneration component depending on the share price development. Here, a price increase per one Euro is paid with a specific, contractually agreed amount. Remuneration 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 remuneration of members of the Managing Board have been agreed in the Board members' employment contracts.

Mr. Schulze-Buxloh's contract runs until December 2015. Mr. Dreyer his contractually bound to SMT Scharf AG until April 2016. Mr. Embert has also been a Managing Board member since July 1, 2015. His contract runs until December 2018. All of the aforementioned contracts can be terminated by either party only for a material reason. Mr. Oberhaus succeeded Mr. Schulze-Buxloh as a Managing Board member on January 1, 2016.

No remuneration exists for former members of the Managing or Supervisory boards or their survivors. A pension obligation exists for one member of the Supervisory Board.

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

Hamm, March 2, 2016

The Managing Board

Hans Joachim Theiss   Rolf F. Oberhaus   Wolfgang Embert


SCHARF
SCHLEG

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2015

EUR	Note	31/12/2015	31/12/2014
Assets			
Inventories		12,986,000.04	14,061,563.23
Trade receivables	(8)	23,882,324.98	22,430,342.85
Other current receivables/assets		1,550,807.93	1,749,073.56
Cash and cash equivalents	(9)	5,196,858.77	6,646,975.76
Current assets		**43,615,991.72**	**44,887,955.40**
Intangible assets	(7)	2,304,996.08	2,932,437.57
Property, plant and equipment	(7)	5,161,873.19	6,713,043.27
Financial assets		3,766,893.18	3,391,527.74
Deferred tax assets	(6)	2,455,309.38	2,552,801.19
Other non-current assets		644,776.90	1,781.25
Non-current assets		**14,333,848.73**	**15,591,591.02**
Total assets		**57,949,840.45**	**60,479,546.42**

EUR	Note	31/12/2015	31/12/2014
Equity and liabilities			
Current income tax		390,469.97	762,164.54
Other current provisions	(12)	6,113,481.36	7,530,891.43
Advance payments received	(13)	232,412.58	438,674.14
Trade payables	(13)	4,217,503.00	3,501,977.22
Current financial liabilities	(13)	2,807,242.95	3,000,000.00
Other current liabilities		1,311,174.94	1,245,600.00
Current provisions and liabilities		**15,072,284.80**	**16,479,307.33**
Provisions for pensions	(11)	3,289,432.00	3,188,417.00
Other non-current provisions	(12)	383,600.07	363,708.04
Deferred tax liabilities	(6)	800,552.40	1,191,477.91
Non-current financial liabilities	(13)	2,058,402.00	2,387,750.00
Non-current provisions and liabilities		**6,531,986.47**	**7,131,352.95**
Subscribed share capital		4,140,523.00	4,154,850.00
Share premium		11,614,772.90	11,815,350.90
Profit brought forward		24,413,537.06	23,722,635.13
Currency translation difference		–3,823,263.78	–2,823,949.89
Equity	(10)	**36,345,569.18**	**36,868,886.14**
Total assets		**57,949,840.45**	**60,479,546.42**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO DECEMBER 31, 2015

EUR	Note	2015	2014
Revenue	(1)	50,302,634.38	47,819,996.53
Changes in inventories		–313,508.33	–2,138,594.12
Total operating revenue (100 %)		49,989,126.05	45,681,402.41
Other operating income	(2)	5,148,369.53	4,641,734.96
Cost of materials		27,587,885.52	22,275,564.93
Personnel expenses	(3)	12,055,541.33	15,148,762.77
Depreciation, amortisation and impairment losses		1,861,078.46	1,468,197.39
Other operating expenses	(4)	12,049,751.91	12,941,427.64
Profit/loss from operating activities (EBIT)		**1,583,238.36**	**–1,510,815.36**
Income from participating interests	(5)	449,390.64	799,845.35
Interest income		89,422.30	114,530.61
Interest expenses		228,848.08	109,755.69
Financial result		**309,964.86**	**804,620.27**
Profit/loss before tax		**1,893,203.22**	**–706,195.09**
Income taxes	(6)	1,100,886.52	375,514.27
Consolidated net profit/loss		**792,316.70**	**–1,081,709.36**
Currency difference from translation of foreign financial statements		–999,313.89	–190,199.45
Recognition of actuarial gains/losses		–149,359.00	–296,925.00
Deferred taxes on recognised actuarial gains and losses		47,944.23	95,312.92
Total comprehensive income		**–308,411.96**	**–1,473,520.89**
Earnings per share *			
Basic		0.19	–0.26
Diluted		0.19	–0.26

* Consolidated net income divided by an average number of 4,143,820 issued shares (previous year: 4,154,850)

CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2015

EUR	2015	2014
Consolidated net profit/loss	792,316.70	–1,081,709.36
Profit/loss from participating interests	–449,390.64	–799,845.35
Dividend income from participating interests	159,201.00	0
Depreciation and amortisation of non-current assets	1,861,078.46	1,468,197.39
Gains/losses on disposal of intangible assets and property, plant and equipment	562,747.66	189,200.63
Changes in current assets, provisions and liabilities		
Provisions	–1,445,862.04	661,898.05
Taxes	–1,617,184.04	–275,407.39
Inventories	1,075,563.19	4,182,129.46
Receivables and other assets	–1,896,712.15	–5,245,065.88
Liabilities	574,839.16	1,779,952.80
Net cash flows from operating activities	**616,597.30**	**879,350.35**
Investments in intangible assets and property, plant and equipment	–471,322.02	–2,556,626.35
Net cash flows used in investing activities	**–471,322.02**	**–2,556,626.35**
Sale/repurchase of treasury shares	–214,905.00	0
Change in hardship and social funds	99,724.79	77,733.63
Dividend disbursement	0	–1,038,712.50
Repayment of/proceeds from financial liabilities	–522,105.05	–928,250.00
Net cash flows used in investing activities	**–637,285.26**	**–1,889,228.87**
Effect of changes in exchange rates and group composition	–858,382.22	–274,515.72
Change in net financial position	**–1,350,392.20**	**–3,841,020.59**
Net financial position at start of period	6,058,124.12	9,899,358.34
Net financial position at end of period	4,707,731.92	6,058,337.75

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO DECEMBER 31, 2015

in EUR	Subscribed share capital	Share premium	Profit brought forward	Currency translation difference	Total equity
Balance on 01/01/2015	**4,154,850.00**	**11,815,350.90**	**23,722,635.13**	**–2,823,949.89**	**36,868,886.14**
Purchase of treasury shares	–14,327.00	–200,578.00			–214,905.00
Consolidated net profit/loss			792,316.70		792,316.70
Currency difference on translation of foreign financial statements				–999,313.89	–999,313.89
Recognition of actuarial gains/losses			–149,359.00		–149,359.00
Deferred taxes on recognised actuarial gains and losses			47,944.23		47,944.23
Total comprehensive income			690,901.93	–999,313.89	–308,411.96
Balance on 31/12/2015	**4,140,523.00**	**11,614,772.90**	**24,413,537.06**	**–3,823,263.78**	**36,345,569.18**
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					
Consolidated 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	0,00	0,00	–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**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2015 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, under German law. SMT Scharf AG 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.

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, 2015, have been prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable 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.

Where relevant, SMT Scharf AG applied the following accounting regulations in 2015 for the first time:

- IFRIC 21 "Levies"
- Amendments to IFRS 3, IFRS 13 and IAS 40 as part of the 2011-2013 Annual Improvement Project

The amendments had no significant effects on the consolidated financial statements of SMT Scharf AG.

The following newly published or revised standards or interpretations from the IASB, which did not have to be mandatorily applied in these statements, were not applied voluntarily by SMT Scharf AG; EU adoption has not yet occurred in some cases:

- Amendments as part of the 2010–2012 Annual Improvement Project
- Amendments to IAS 19 "Employee Contributions"
- IFRS 14 "Regulatory Deferral Accounts"
- Additions to IFRS 11 "Joint Arrangements"
- Amendments to IAS 16 and IAS 38
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IAS 16 and IAS 41 "Bearer Plants"
- IFRS 9 "Financial Instruments"
- Amendments to IAS 27 "Equity Method in Separate Financial Statements"
- Amendments to IFRS 10, IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments as part of the 2012–2014 Annual Improvement Project
- Amendments to IAS 1 "Disclosure Initiative"
- Amendments to IFRS 10, 12 and IAS 28 ("Consolidation Exception")
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 7 "Disclosure Initiative"
- IFRS 16 "Leases"

SMT Scharf AG is reviewing all of these standards' potential future effects 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.

The Supervisory Board is expected to approve the IFRS consolidated financial statements on March 4, 2016, before release for publication.

Information about subsidiaries

Along with SMT Scharf AG, the consolidated financial statements include all subsidiaries over which it exercises control:

in TEUR	Interest	Equity (IFRS) 31/12/2015	Profit/loss (IFRS) 2015
SMT Scharf GmbH, Hamm, Germany	100 %	17,636	815
SMT Scharf Saar GmbH, Neunkirchen, Germany	100 %	322	40
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %	6,057	821
Sareco Engineering (Pty.) Ltd., Germiston, South Africa	100 %	1,633	425
SMT Scharf Africa (Pty.) Ltd., Germiston, South Africa	100 %	951	92
Scharf Mining Machinery (Xuzhou) Ltd, Xuzhou, China	100 %	2,890	333
TOW SMT Scharf Ukrainia, Donetsk, Ukraine	100 %	–208	–37
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 %*	1,891	1,402
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 %***	–183	–119
SMT Scharf International OÜ, Tallinn, Estonia	100 %**	904	–52
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 %**	1,677	–2,239

* of which 1.25 % indirectly through SMT Scharf GmbH

** indirectly through SMT Scharf GmbH

*** indirectly through OOO SMT Scharf

The main operating activity of all subsidiaries is the production, repair and marketing of machinery and equipment of any type, and trading with such assets.

Information about joint ventures

Through SMT Scharf GmbH, SMT Scharf AG holds a 50 % interest in Shandong Xinsha Monorail Co. Ltd, Xintai/China. The main operating activity is the production, repair and marketing of machinery and equipment of any type, and trading with such assets. SMT Scharf AG classifies this company as a joint venture in accordance with IFRS 11, as together with its partner entity it owns the rights to the net assets. Joint ventures are recognised on the date of addition at cost, and measured subsequently applying the equity method.

Summarised financial information is presented below. In accordance with IFRS, the summarised financial information corresponds to the amounts in the joint venture’s financial statements.

EUR thousand	31/12/2015	31/12/2014
Non-current assets	60	186
Current assets	17,164	15,180
Non-current liabilities	0	0
Current liabilities	9,690	8,583

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2015	31/12/2014
Cash and cash equivalents	1,164	549
Current financial liabilities	1,133	1,991
Non-current financial liabilities	0	0

EUR thousand	31/12/2015	31/12/2014
Revenue	12,175	12,105
Profit from continuing operations	899	1,600
Comprehensive income	899	1,600
Dividend received from joint venture	177	0

The profit listed above includes the following amounts:

EUR thousand	31/12/2015	31/12/2014
Depreciation and amortisation	9	35
Interest income	0	0
Interest expenses	214	326
Income taxes	23	110

Reconciliation between the summarised financial information and the carrying amounts of the interest in the joint venture as recognised in the consolidated financial statements:

EUR thousand	31/12/2015	31/12/2014
Net assets of the joint venture	7,534	6,783
Interest held	50%	50%
Carrying amount of the interest	**3,767**	**3,392**

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 applying the purchase method pursuant to IFRS 3. This entails carrying acquired assets and liabilities at fair value. If these companies were not formed by the Group itself, and if a positive difference exists between acquisition cost and the subsidiary's proportionate revalued equity, the difference is carried as goodwill and tested regularly for impairment. Any remaining negative difference is recognised in profit or loss 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 affect profit or loss.

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 statements of changes in assets, provisions and equity, the company translates balances at the start and end of fiscal years, and consolidation scope changes, at the exchange rate on the respective date. The remaining items are translated at the annual average exchange rate. 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 =	**31/12/2015**	**31/12/2014**	**2015**	**2014**
Polish Zloty	4.2639	4.2732	4.1841	4.1843
South African Rand	16.9530	14.0353	14.1723	14.4037
Chinese Renminbi Yuan	7.0608	7.5358	6.9733	8.1857
Russian Rouble	80.6736	72.3370	68.072	50.9518

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 the price 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 recognised under trade receivables. Changes to contracts, subsequent claims or performance bonuses are taken into account to the extent that these have already been agreed on a binding basis with the customer. If the result of a construction contract cannot be reliably estimated, the revenues that are likely to be achieved are recognised up to the level of costs incurred. Order-based costs are recognised 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 recognised under accrual basis accounting as other operating income in accordance with the provisions of the underlying agreements. Income from operating leases in the meaning of IAS 17 is recognised under accrual basis accounting as revenue in accordance with the provisions of the underlying leases.

Interest income is accrued pro rata temporis 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 on December 31, 2015 that is allocated to a cash-generating unit (CGU) is recognised at cost, and tested annually for impairment, as a matter of principle, as well as otherwise when indications of potential impairment exist. The recoverable amount of this CGU is measured through calculating values in use by applying the discounted cash flow method, as a matter of principle. This approach utilises the planned after tax cash flow deriving from the five-year planning for the CGU, prepared on a bottom-up basis and approved by the Managing Board of SMT Scharf AG. Cash flows beyond the five-year horizon are calculated on the basis of the average for the five-year period, as a matter of principle. No growth rate is applied to extrapolate the five-year average. Present values are calculated by discounting, applying an interest rate of 8.0 %. A goodwill impairment loss of EUR 0 thousand was recognised in the impairment loss line of the statement of comprehensive income in the year under review (previous year: EUR 107 thousand).

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

Separate internally generated intangible assets are capitalised as soon as IAS 38 criteria are fulfilled cumulatively. 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 utilised in operations is measured at cost less 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 impairment tested regularly 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 2015.

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, 2015, 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 reflected 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) applying 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, 2015, write-downs of inventories to their lower net realisable value totalled EUR 5,464 thousand (previous year: EUR 3,266 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.

Accounting estimates and the exercising of discretion

The preparation of the consolidated financial statements requires the making of assumptions and utilisation of accounting estimates that relate to the recognition and measurement of assets and liabilities, income and expenses, and the extent of contingent liabilities. Estimates made by the company are based on historical amounts and other assumptions considered appropriate in the particular circumstances. Actual amounts may differ from estimates. The estimates and assumptions made are subject to constant review and adjusted accordingly.

The main estimates and related assumptions, as well as uncertainties connected with the selected accounting policies, as listed below, are critical to an understanding of the risks underlying the financial reporting, as well as the effects that such estimates, assumptions and uncertainties could have on the consolidated financial statements:

Goodwill

The SMT Scharf Group conducts a goodwill impairment test annually, and also whenever indications exist that goodwill might have become impaired. The recoverable amount of the cash-generating units is estimated for this purpose. This recoverable amount corresponds to the higher of fair value less costs of disposal, and value in use. Calculating value in use requires adjustments and estimates to be made in relation to the forecasting and discounting of future cash flows. Although the management assumes that the assumptions applied to calculate the recoverable amount are appropriate, any unforeseen changes to such assumptions could result in an impairment loss that could exert a sustainable negative effect on the company's financial position and performance. The carrying amount of the goodwill amounts to EUR 927 thousand as of the balance sheet date.

Useful lives of other intangible assets, and of property, plant and equipment

At every fiscal year-end, the Group reviews the estimated useful lives of its other intangible assets, and of its property, plant and equipment. No modifications were required for such estimates in 2015 and 2014.

Impairment testing of other intangible assets, and of property, plant and equipment

On each balance sheet date, the Group is required to estimate whether any indication exists that the carrying amount of an item reported under other intangible assets, or of property, plant and equipment, might have become impaired. In such cases, the recoverable amount of the respective asset is estimated. The recoverable amount corresponds to the higher of fair value less costs of disposal, and value in use. To calculate value in use, the discounted future cash flows of the respective asset are calculated. Estimating discounted future cash flows includes significant assumptions, including especially those relating to future sales prices and sales volumes, costs, and discounting rates. Although the management assumes that the estimates of the relevant expected useful lives, assumptions relating to economic conditions and trends in sectors where the Group operates, and estimates of the discounted future cash flows, are appropriate, a modification of the analysis might be necessitated by a change to the assumptions or circumstances. If the trends identified by the management reverse in the future, or if the assumptions and estimates prove to be erroneous, additional impairment losses, or reversals of impairment losses, might be required.

Taxes on income

On each reporting date, the Group assesses whether the realisability of future tax benefits is sufficiently likely for the recognition of deferred tax assets. This requires the management to assess, inter alia, tax benefits deriving from future available tax strategies and future taxable income, as well as to take further positive and negative factors into account. The reported deferred tax assets could diminish if the estimates of the planned tax income and tax benefits achievable through available tax strategies are reduced, or if changes to current tax legislation restrict the timeframe or scope of realisability of future tax benefits. A total of EUR 2,455 thousand of deferred taxes were capitalised as of December 31, 2015, which were offset by deferred tax liabilities of EUR 801 thousand.

Employee benefits

Pensions and similar obligations are measured according to actuarial valuations. Such valuations are based on statistical and other factors in order to thereby anticipate future events. These factors include, among others, actuarial assumptions such as discount rates, expected salary increases and mortality rates. Such actuarial assumptions can differ considerably from actual developments due to changes in market and economic conditions, consequently resulting in a significant change to pension and similar obligations, as well as related future expense.

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

	2015	2014
Sale of new equipment	20,402	22,054
Spare parts / service / other	29,901	25,766
Total	**50,303**	**47,820**

Revenue by region was as follows:

	2015	2014
China	11,327	13,089
Russia and other CIS states	12,544	10,643
Poland	7,663	9,158
Germany	5,263	6,473
Africa	7,391	5,091
America	3,244	929
Other countries	2,871	2,437
Total	**50,303**	**47,820**

(2) Other operating income

Other operating income is composed of the following items:

	2015	2014
Miscellaneous other operating income	741	2,164
Exchange rate gains	2,962	1,504
Release of provisions	1,445	974
Total	**5,148**	**4,642**

(3) Personnel expenses

Personnel expenses are composed of the following items:

	2015	2014
Wages and salaries	10,255	13,235
Social security and pension contributions	1,800	1,914
Total	**12,055**	**15,149**

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

	2015	2014
Employees	280	284
of whom trainees	6	10
Total	**280**	**284**

(4) Other operating expenses

Other operating expenses are composed of the following items:

	2015	2014
Impairment losses applied to receivables,	1,877	192
Exchange rate losses	2,142	2,871
Special direct cost of sales	1,579	2,584
Third-party services	1,356	1,493
Travel expenses	1,092	995
Rent and leases	717	521
Maintenance costs	403	279
Advertising	170	215
Contributions/fees	163	204
Miscellaneous other operating expenses	2,551	3,587
Total	**12,050**	**12,941**

Miscellaneous other operating expenses mostly comprise additions to provisions, expenses for cleaning and disposal, 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:

	2015	2014
Audit	138	125
Tax consulting	16	19
Other services	5	10
Total	**159**	**154**

(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 800 thousand).

(6) Income taxes

Income taxes are composed of the following items:

	2015	2014
Current tax expense	1,412	873
of which relating to the fiscal year under review	1,034	873
Deferred taxes	–311	–497
of which: creation or reversal of temporary differences	–311	–497
Total	**1,101**	**376**

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:

	2015	2014
Deferred tax assets		
Pension provisions	372	360
Miscellaneous assets and liabilities	1,013	1,312
Loss carryforwards	1,374	1,196
Offsetting with deferred tax liabilities	–304	–315
Total	**2,455**	**2,553**
Deferred tax liabilities		
Intangible assets	427	559
Property, plant and equipment	627	830
Miscellaneous assets and liabilities	51	117
Offsetting with deferred tax assets	–304	–315
Total	**801**	**1.191**

Deferred tax assets and liabilities totalling EUR 304 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 315 thousand). Consolidation effects resulted in deferred tax assets of EUR 752 thousand (previous year: EUR 667 thousand) (included in "miscellaneous assets and liabilities"). As of December 31, 2015, deferred tax assets were carried for tax loss carryforwards in the amount of EUR 1,374 thousand (previous year: EUR 1,196 thousand). According to the current legal situation, no timing 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:

	2015	2014
Profit/loss before income taxes	1,893	–706
Imputed tax expense	608	–227
International tax rate differences	–314	225
Non-tax-effective income from associates	–137	–244
Write-off of deferred tax relating to loss carryforwards	367	322
Non-capitalization of deferred taxes on losses	69	0
Tax for prior years	289	0
Other differences	219	300
Reported income tax expense	1,101	376

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, 2015

		Initial balance 01/01/2015	Currency translation	Addition	Disposal	Reclassification	Closing balance 31/12/2015
Goodwill	Gross	1,227	–193	0	0	0	1.034
	Impairments	107	0	0	0	0	107
	Net	1,120	–193	0	0	0	927
Purchased intangible assets	Gross	623	–39	30	0	0	614
	Impairments	554	–32	44	0	0	566
	Net	69	–7	–14	0	0	48
Own work capitalised (development costs)	Gross	3,370	0	0	0	0	3.370
	Impairments	1,627	0	413	0	0	2.040
	Net	1,743	0	–413	0	0	1.330
Intangible assets	**Gross**	**5,220**	**–232**	**30**	**0**	**0**	**5,018**
	Impairment losses	**2,288**	**–32**	**457**	**0**	**0**	**2,713**
	Net	**2,932**	**–200**	**–427**	**0**	**0**	**2,305**
Land and buildings	Gross	12,552	–33	7	0	0	12,526
	Impairment losses	8,596	–11	525	0	0	9,110
	Net	3,956	–22	–518	0	0	3,416
of which leased to third parties	Gross	1,385	0	0	0	0	1,385
	Impairment losses	930	0	44	0	0	974
	Net	455	0	–44	0	0	411
Technical equipment and machinery	Gross	1,611	–33	58	43	0	1,593
	Impairment losses	1,394	–30	85	43	0	1,406
	Net	217	–3	–27	0	0	187
Fixtures and fittings	Brutto	8,398	–106	373	729	0	7,936
	Wertb.	5,898	–103	783	166	0	6,412
	Netto	2,500	–3	–410	563	0	1,524
Advance payments rendered	Brutto	51	3	3	0	0	57
	Wertb.	11	0	11	0	0	22
	Netto	40	3	–8	0	0	35
Property, plant and equipment	**Brutto**	**22,612**	**–169**	**441**	**772**	**0**	**22,112**
	Wertb.	**15,899**	**–144**	**1.404**	**209**	**0**	**16,950**
	Netto	**6,713**	**–25**	**–963**	**563**	**0**	**5,162**

Statement of changes in non-current assets from January 1 to December 31, 2014

		Initial balance 01/01/2014	Currency translation	Addition	Disposal	Reclass-ification	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**
	Impairment losses	**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
	Impairment losses	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
	Impairment losses	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
	Impairment losses	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
	Impairment losses	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**
	Impairment losses	**16,922**	**–350**	**1,116**	**1,789**	**0**	**15,899**
	Net	**6,027**	**–243**	**1,118**	**189**	**0**	**6,713**

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. Depreciation, amortisation and impairment losses for the fiscal year under review of EUR 1,861 thousand include EUR 220 thousand of impairment losses pursuant to IAS 36 applied to land and buildings at the SMT Scharf Saar GmbH site in Neunkirchen. In 2015, no development costs that meet the criteria of IAS 38 were capitalised for projects.

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.

	2015	2014
Trade receivables	26,892	23,563
Specific valuation allowances	3,010	1,133
Carrying amount	23,882	22,430

The trade receivables listed in the table are allocated to the loans & receivables category, and measured at amortised cost.

Specific valuation allowances are applied to trade receivables to reflect related default risk, where required. Indications of impairment to receivables include unreceived payments and information about changes to customers' creditworthiness. No significant concentration of credit risk exists due to the diversification of the customer base.

(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 489 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, 2015, a total of 4,140,523 ordinary bearer shares of SMT Scharf AG have been issued in the form of no par value shares with a notional value of EUR 1 per share. All shares have been fully paid in and grant the holders the same rights. 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 up to 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 were issued by the company prior to April 22, 2014, fulfilled their conversion obligation. In order to continue to enable the company to issue such financial instruments, the authorisation was reformulated at the last AGM and extended until May 6, 2019. At present, no such securities have been 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. In the 2015 fiscal year, 14,327 treasury shares were repurchased during a share repurchase programme. The company held 59,447 treasury shares on December 31, 2015, equivalent to 1.4% 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), report a net loss of EUR 531 thousand. The Managing and Supervisory boards will propose to the Ordinary AGM to be held on April 20, 2016 that it carries this net retained profit forward to a new account.

(11) Provisions for pensions

The SMT Scharf Group's German companies have defined benefit commitments for post-retirement, invalidity and surviving dependant 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. All pension commitments are financed with provisions. 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.	31/12/2015	31/12/2014
Qualifying trend	2.0	2.0
Rate of pension increases	1.0	1.0
Discount rate (DBO)	2.20	2.40

The current service cost and interest expense are reported under personnel expenses. The defined benefit obligation reports the following changes:

	2015	2014
Defined benefit obligation on January 1	3,188	2,865
Current service cost	22	60
Interest cost	73	95
Pension payments and transfers	-143	-129
Actuarial gains / losses	149	297
Defined benefit obligation on December 31	3,289	3,188

A –0.5 % change in the interest rate would result in an increase of EUR 226 thousand. A 0.5 % increase in the interest rate would feed through to a EUR 214 thousand reduction in the pension obligation. Both sensitivity calculations were performed while keeping 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 2015 can be seen in the following statement of changes in provisions.

Consolidated statement of changes in other provisions from January 1 to December 31, 2015

	Initial balance 01/01/2015	Currency translation	Transfers	Consump-tion	Additions	Reversals	Closing balance 31/12/2015
Personnel	3,835	6	0	1,589	1,254	993	2,513
Sales and marketing	1,315	23	0	425	755	246	1,404
Miscellaneous	2,381	46	0	1,004	935	162	2,197
Other current provisions	7,531	76	0	3,018	2,944	1,419	6,114
Other non-current provisions	364	0	0	182	228	26	384

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

	Initial balance 01/01/2014	Currency translation	Transfers	Consump-tion	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

(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:

	2015	2014
Interest received	55	81
Interest paid	171	112
Income taxes paid	1,082	517

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 current financial liabilities and less the hardship and social funds.

	31/12/2015	31/12/2014
Cash and cash equivalents	5,197	6,647
./. Hardship and social funds	–489	–589
Net financial position	4,708	6,058

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 20 thousand (previous year: EUR 523 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 2015, the rental and lease agreements resulted in payments totalling EUR 575 thousand being recognised in other operating expenses (previous year: EUR 521 thousand). The total nominal amount of the future minimum lease payments under operating leases and rental agreements is composed as follows:

	31/12/2015	31/12/2014
Due within one year	408	548
Due in one to five years	1,066	1,119
Due after more than five years	0	6
Total	**1,474**	**1,673**

(15) Fair values of financial assets and liabilities

The valuation of financial assets and liabilities is discussed in the section on accounting and valuation methods. SMT Scharf Group did not hold any held-to-maturity or available-for-sale financial instruments in either 2015 or 2014. 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, 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.

(16) 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 on 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:

	31/12/2015		31/12/2014	
	in EUR thousand	in %	in EUR thousand	in %
Equity	36,346	62.7	36,869	61.0
Non-current liabilities	6,532	11.3	7,131	11.8
Current liabilities	15,072	26.0	16,479	27.2

(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 2,667 thousand on the balance sheet date (previous year: EUR 6,000 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 25,433 thousand (previous year: EUR 24,179 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 exceeded substantially. 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 3,010 thousand (previous year: EUR 1,133 thousand). No write-downs have been formed for trade receivables in the amount of EUR 1,197 thousand (previous year: EUR 9,817 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 counters 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 taking cost-benefit considerations. As of December 31, 2015 there were no exchange rate hedges. The Group is not exposed to any major interest-rate risks at present as it borrows at fixed interest rates. An imputed increase or reduction in the market interest-rate level of +/– 200 basis points on the balance sheet date would have affected earnings before tax by +/– EUR 60 thousand.

(18) Segment reporting

In line with IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this, the external segment reporting is carried out based on the Group's internal organization and management structure as well as the internal financial reporting to the highest management body ("chief operating decision maker"). In the SMT Scharf Group, the Managing Board of SMT Scharf AG is responsible for the measurement and controlling of the business success of the segments, and is the chief operating decision maker within the meaning of IFRS 8.

As in the previous year, SMT Scharf AG reports on two operating segments, which are managed independently by segment-responsible bodies in line with the type of products and services, brands, sales channels and customer profiles. The previous year's figures were restated accordingly.

The two operating segments bundle the respective activities in the Hardrock and Coal areas.

Intersegment revenues and inputs are of minor significance, and are not reported separately.

The measurement principles for segment reporting are based on the IFRS applied in the consolidated financial statements. SMT Scharf AG assesses segment performance utilising earnings before interest and other financial results, which comprises profit from operating activities (EBIT) plus earnings from equity accounted interests.

Segment assets and liabilities comprise all assets and liabilities that can be allocated to the operating segments, and whose positive and negative results determine the operating result. Segment assets especially include intangible assets, property, plant and equipment, inventories, trade receivables and other liabilities, as well as significant provisions. Segment capital expenditure contains additions to intangible assets and to property, plant and equipment.

If a segment can be directly attributed in line with the equity method in the consolidated financial statements, its proportion of the profit and loss for the period and its carrying amount are stated there.

(in EUR thousand)	Hardrock segment 2015	Hardrock segment 2014	Coal segment 2015	Coal segment 2014	Not allocated 2015	Not allocated 2014	Group 2015	Group 2014
Revenue	9,068	6,018	41,235	41,802	-	-	50,303	47,820
Operating result (EBIT)	649	–1,808	934	297	-	-	1,583	–1,511
Earnings from equity accounted companies	-	-	449	800	-	-	449	800
Result before net interest and other net financial result	649	–1,808	1,383	1,097	-	-	2,032	–711
Segment assets	3,463	3,742	52,032	54,185	2,455	2,553	57,950	60,480
Segment liabilities	593	644	20,210	21,775	801	1,191	21,604	23,610
Segment investments	57	38	414	2,196	-	-	471	2,234
Interests in equity accounted companies	-	-	3,767	3,391	-	-	3,767	3,391
Depreciation and amortisation	82	92	1,559	1,376	-	-	1,641	1,468
Impairment	-	-	220	-	-	-	220	-
FTEs	25	26	250	258	-	-	275	284

The following table shows the transfer of the key figure earnings before interest and other financial results into earnings before and after taxes:

EUR thousand	2015	2014
Result before net interest and other net financial result	2,032	–711
Net interest result	–139	5
Profit/loss before tax	**1,893**	**–706**
Income taxes	1,101	376
Profit/loss after tax	**792**	**–1,082**

Non-current assets and external sales are analysed by region at SMT Scharf Group. Non-current assets are allocated to the regions according to the location of the respective asset. Non-current assets include intangible assets, property, plant and equipment, interests in equity accounted companies, and other non-current assets. The allocation of external sales is based on the location of the respective customer, and is presented among the notes to the income statement.

From the non-current assets, which comprise intangible assets and property, plant and equipment, EUR 5,080 thousand (previous year: EUR 6,037 thousand) was attributable to Germany and EUR 2,387 thousand (previous year: EUR 3,608 thousand) to 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, 2015 to December 31, 2015:

Dipl.-Ing. Michael Reich, Melbourne, Australia (Chairman)	CEO DSI Underground (since March 1, 2016, before: Management consultant)	DSI International Luxemburg, S.a.r.l., Supervisory Board Member (since March 1, 2016, before: Supervisory Board Chairman). OOO DSI Techno, Supervisory Board Chairman (Mr. Reich holds a 10 % interest in Russian company OOO (GmbH) RocBolt Resins Pty Ltd (Sydney), Supervisory Board member REICH GROUP Pty Ltd, Director (Mr. Reich holds a 50 % interest) (since March 1, 2016) EDVIRT Australia Pty Ltd, Chairman of the Board (REICH GROUP holds a 60 % interest of EDVIRT) (since March 1, 2016) BBM Mining Pty Ltd (Melbourne), Director (until February 29, 2016)
Dipl.-Kfm. Hans Joachim Theiss, Hamm (Deputy Chairman)	Management consultant	(no positions held at other companies)
Dr. Dipl.-Ing. Dirk Vorsteher, Werne	Management consultant	(no positions held at other companies)
Mr. Theiss switched to the Managing Board of SMT Scharf AG on July 16, 2015. His successor on the Supervisory Board was		
Dipl. Volkswirtin Dorothea Gattineau, Herdecke	Business manager	(no positions held at other companies)

Dr. Vorsteher took over the vacant post of deputy chairman.

The Supervisory Board members receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses, as well as meeting fees of EUR 1 thousand per Supervisory 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 profit for the period, and is limited to EUR 10 thousand per Supervisory Board member per 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 2015 fiscal year:

	Reich	Theiss	Vorsteher	Gattineau
Fixed remuneration	23	8	15	7
Variable remuneration	3	2	3	2
Expenses	2	2	2	1
Meeting fees	6	3	6	3
Total	**34**	**15**	**26**	**13**

No remuneration was paid to former members of the Supervisory Board or their survivors. Pension obligations totaling EUR 247 thousand exist for one member of the Supervsiory Board. No advances, loans, or contingent liabilities exist in favour of members of the Supervisory Board. The Supervisory Board chairman Michael Reich in total held 6,000 shares of the company as of December 31, 2015.

(20) Managing Board

During the fiscal year under review, the Managing Board of SMT Scharf AG comprised Mr. Christian Dreyer (CEO until June 30, 2015), Mr. Hans Joachim Theiss (CEO since July 16, 2015), Mr. Wolfgang Embert (since July 1, 2015) and Mr. Heinrich Schulze-Buxloh (until December 31, 2015). Mr. Rolf Ferdinand Oberhaus is Member of the Member Managing Board effective January 1, 2016.

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 2015 fiscal year:

	Dreyer	Schulze-Buxloh	Theiss	Embert
Basic remuneration	60	200	126	95
Bonus (dt.: Tantieme)	16	120	20	70
Additional benefits	8	7	3	7
Total	**84**	**327**	**149**	**172**

SMT Scharf AG has pension obligations and other obligations from the conversion of salary components for previous fiscal years of EUR 221 thousand. Share-based compensation exist for Mr. Theiss and Mr. Embert. Here each annual share price increase per one euro will be rewarded with a bonus in the amount of the agreed rate. At the year-end, no provision was required for this. On December 31, 2015, former deputy chairperson Hans Joachim Theiss, who was ordered chairman of the board of SMT Scharf AG in July 16, 2015, held 10,000 shares in total. His predecessor Christian Dreyer, did no longer hold any shares. Heinrich Schulze-Buxloh, who left the managing board at the end of the fiscal year 2015, held 6,000 shares on December 31, 2015.

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 2015, services totalling less than EUR 31 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, 2016

The Managing Board

Hans Joachim Theiss Wolfgang Embert Rolf Ferdinand Oberhaus

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of SMT Scharf AG as of December 31, 2015, provide a true and fair view of the Group’s financial position and performance, and the Group management report for the 2015 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

Hans Joachim Theiss Wolfgang Embert Rolf Ferdinand Oberhaus

AUDIT CERTIFICATE

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 to December 31, 2015. 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 management, as well as evaluating the overall presentation of the IFRS consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the IFRS consolidated financial statements comply with 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.

Düsseldorf, March 3, 2016

RSM Verhülsdonk GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rainer Grote	Christian Weyers
Certified Public Auditor	Certified Public Auditor

FINANCIAL CALENDAR

20 April 2016	Annual general meeting
17 May 2016	Publication of the financial report for the 1st quarter 2016
15 August 2016	Publication of the financial report for the 2nd quarter 2016
14 November 2016	Publication of the financial report for the 13rd quarter2016
31 December 2016	End of the fiscal year

INVESTOR RELATIONS CONTACT

cometis AG
Henryk Deter / Maximilian Breuer
Tel: +49 (0) 611 – 205855–22
Fax: +49 (0) 611 – 205855–66
Email: breuer@cometis.de

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.

Photo: Pages 14 – 15: GettyImages, 295706–002

SMT Scharf AG
Römerstraße 104
59075 Hamm
Germany

Telephone: +49 (0) 2381 960 01
Telefax: +49 (0) 2381 960 230

Email: ir@smtscharf.com
www.smtscharf.com