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**9-MONTH REPORT**  
**01 JAN - 30 SEP 2013**

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## Summary of key data

in TEUR	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	Change
Revenue	46,565	54,777	-15.0 %
Operating output	47,577	54,803	-13.2 %
Profit from operating activities (EBIT)	5,082	10,567	-51.9 %
EBIT margin	10.7 %	19.3 %	
Profit/loss on discontinued operations	-1,963	1,681	
Net income	2,242	10,567	-78.8 %
Order book as of September 30	19,927	17,714	+12.5 %
Order intake	48,233	44,941	+7.3 %
FTE (full-time employee) as of balance sheet date	301	248	+21.4 %

## Introduction by the Managing Board

Dear Sir or Madam, dear shareholders,

The third quarter of 2013 was unsatisfactory in several aspects. The weak trend on the market for mining equipment worsened further, with sentiment clouding further. Our mining customers' reticence is not only due to continued low commodity prices, especially for coal, but also attributable to the problems created by the fact that the global economy is experiencing only a slow recovery, as well as the weaker economic growth in China. In addition, high-level statements are proving unsettling for the coal industry: US President Obama has announced a statutory initiative to reduce CO<sub>2</sub> emissions that is directed mainly at coal-fired power plants. Given the high level of air pollution, the Chinese government has announced identical plans. Although we hold the view that the coal industry will benefit from these challenges medium-term, as it is only under pressure that efficiency will be boosted and emissions cut – which lies in all our interests – these trends are nevertheless exerting a massive short-term dampening effect on our mining customers' propensity to realise capital investments.

Accordingly, during the first nine months of 2013, our revenue was down 15 % year-on-year to EUR 46.6 million. Our earnings decreased even faster due to our still considerable proportion of fixed costs. In addition, and in particular, charges arising from the formation of provisions connected with a mine explosion in Russia and the establishment of development and production capacities in China fed through overall to 52 % lower EBIT (EUR 5.1 million). As a consequence of the deconsolidation of our former subsidiary Dosco Holdings Ltd., and the resultant loss incurred on discontinued operations, at the bottom line our consolidated net income of EUR 2.2 million reflected an 79 % year-on-year decrease.

In total, a slightly improved service business failed to offset the sharp drop in business entailing new systems. In particular, business on our most important markets of China and Russia proved weak, while demand from Poland – our third most important sales market – was strong. Only our order book position as of September 30, 2013 offers slight ground for hope: at EUR 19.9 million it is some 13 % ahead of the previous year's level. Our new order intake was also up by 7 % to EUR 48.2 million.

As a consequence, we are already regarding 2013 as a year of transition, and anticipate very weak, although still positive, net results for the year. Moreover, it is currently somewhat questionable as to whether we will propose a dividend during the current year. Due to the present market weakness, we aim to drive ahead to an even greater extent with our localisation strategy: within our structures oriented to engineering and assembly we are continuing to consistently hire technically qualified staff at our subsidiary firms in China, Russia and Poland. The aim is to strengthen specialist expertise at our sites located close to customers, and to serve them significantly better and faster when the next upturn arrives. During the transition phase, however, investments in the qualifications and expertise of our technical personnel are required. Such investments do not deliver immediate returns, but instead place a temporary burden on earnings.

Above and beyond this, we are not only working on new products but also on new operator models. For example, in Russia we have founded a wholly-owned subsidiary as a leasing and service company. Here we aim to test an expanded business model where we not only sell Scharf railways to our customers but also lease them as complete packages and operate them ourselves. Unfortunately, two of the four railways that we leased first have been shut down after just two weeks as a result of the aforementioned mining accident. Such explosions occur very infrequently in Russia – on average only around every two to three years. We will not let this discourage us, however, and we continue to pursue this option as planned.

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

Yours sincerely

Christian Dreyer

Heinrich Schulze-Buxloh

## Management report

### Macroeconomic environment

Strong investment activity trends in international mining, especially in hard coal mines, forms the basis for the SMT Scharf Group's business success. In turn, such investments are the consequence of global demand for raw materials. Coal production continued to grow in all of the SMT Scharf Group's target markets in 2012, except Germany and Poland. Asian markets, especially China, proved to be the prime growth-drivers. A total of 44 % of global coal was produced in China in 2010, and the country is set to account for 52 % of global coal production by 2030. It is also the world's largest producer of gold, and ranks third in iron ore production worldwide. In their International Energy Outlook 2013, experts at the US Energy Information Administration forecast that global coal production will grow by around 1.3 % per annum between 2010 and 2040, growing from 147 billion BTU to 220 billion BTU. A strong shift away from industrial countries (EU, USA) towards expanding economies in Asia is clearly identifiable in this context.

Short-term, the approximately USD 110 billion of mining investments in 2013 will be around 21 % lower year-on-year, according to sector estimates from PricewaterhouseCoopers. Medium-term, however, Chinese mines, in particular, need to catch up with the past decades' investment backlog, and are investing in infrastructure, for example. Directors at major mining groups assume that demand in China and emerging economies will continue over the medium term. Boosting productivity, which was partly neglected in recent years due to the mining market boom, will also form the focus in this context. This neglect has not only resulted in our mining customers' operating costs rising faster than in other sectors, but also in decreasing margins.

As a consequence, growth in international mining, rising productivity pressure and increasingly inaccessible raw materials sites mean that deploying SMT Scharf products is becoming ever more attractive for mining operators. These products were developed especially for more difficult conditions in already-mature German coal mining, and can make a major contribution to improving efficiency and productivity.

Following a weak start to 2013, the global economy gathered some momentum during the second quarter, according to the German Institute for the World Economy (DIW). Dynamics shifted slightly back to the industrial countries in this context. Primarily the USA delivered robust growth, while the Eurozone recovered slowly. One reason that is given for emerging economies' weaker growth is the fact that their export-led growth models have reached their limits. World trade is set to advance by 2.1 % over the course of the year. Economic researchers also see global economic output rising by 2.1 % over the course of the full 2013 year, compared with 2.4 % last year. Economic dynamics on the target markets of SMT Scharf AG is positive in 2013, but comparatively weak. In Poland, gross domestic product is forecast to grow by 1.2 % (2012: 1.9 %), in Russia by 1.7 % (2012: 3.5 %), and in China by 7.5 % (2012: 7.8 %). The Chinese government itself is a little more cautious, anticipating around 7 % GDP growth in its 2013 Five-Year Plan.

### Business report

The only slow resumption of global economic growth and the related reticence to invest in mining equipment continued to feed through to lower revenue during the third quarter of 2013, as in the third quarter of 2012. Revenue generated between January 1 and September

30 fell from EUR 54.8 million in 2012 to EUR 46.6 million this year accordingly. The export share remained consistently high at 88.9 % (EUR 41.4 million).

Year-on-year, the revenue decline was strongest on our most important markets of China at -32 % (EUR 11.9 million; revenue share: 26 %) and Russia at -21 % (EUR 10.8 million; revenue share: 23 %). In America, our business has been determined by demand for DOSCO products in previous times. Now, SMT Scharf has gained ground there with its own products. Demand in Poland reported significant growth (+25 %, EUR 9.3 million, revenue share: 20 %) and – at a low level – on the European markets. A look at the distribution by segment shows that major share of the revenue of 92.7 % is attributable to the captivated transport systems segment, while chairlifts accounted for just 7.3 % of revenue.

The 31 % drop in business with new systems (EUR 21.8 million) is the reason for the decline in revenue, with the service business even reporting a slight increase of 7 % to EUR 24.7 million, by contrast. Systems sales contracted sharply especially in China, Russia and Australia in this context, while they were up sharply in Poland and the rest of Europe, and rose slightly in Africa. Revenue from the spare parts, repair and service business registered a continuous increase in Russia and China, although declines were recorded on other sales markets.

The total Group order book position stood at EUR 19.9 million as of September 30, 2013, representing 13 % growth compared with September 30, 2012 (EUR 17.7 million excluding Dosco). New order intake was also up, by 7 % to EUR 48.2 million.

On September 23, 2013, a mine explosion occurred at the Kolmogorovskaya mine (Kuzbass Region in Siberia, Russia), where two sets of trains worth a total of around EUR 1 million were affected. The SMT Scharf Group owns these trains, and currently leases them to the mine. It is thought that the rail systems are in good condition since they were not deployed on the mine floor where the explosion occurred. The related recovery and repair expenses are still unclear since the area is cordoned off and is not expected to be opened again until March 2014. Insurance cover was not entered into, as such accidents either cannot be insured against or can only be insured against at very high cost, and are typically uninsured accordingly. Given these circumstances, the Managing Board of SMT Scharf AG decided on October 2, 2013 to provision an amount of EUR 400 thousand through profit or loss for losses, repairs and legal costs. Consequential losses arising from liability, for example, are not anticipated.

## **Research and development**

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

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

Transport techniques newly developed for copper mining applications in China have been delivered on schedule. The installation at the customer has been shifted to the beginning of 2014.

## **Personnel**

SMT Scharf Group employed 301 staff (full-time employees) as of September 2013, including 13 trainees. In the previous year, the number of employees amounted to 248 individuals (including 13 trainees), excluding staff at the UK companies. SMT Scharf also employs temporary help staff in order to flexibly boost production capacity. The number of employees at foreign locations rose from 128 to 176. The higher number of personnel outside Germany reflects foreign markets' growing significance. Especially in China, Poland and Russia, we have boosted our staff numbers in line with our localisation strategy. In Russia, we have made major additions to our personnel base in order to develop our underground operator models for our customers there.

## **Net assets, financial position and results of operations**

The total consolidated assets of the SMT Scharf Group amounted to EUR 62.0 million as of the September 30, 2013 balance sheet date. It is impossible to make direct comparisons with the December 31, 2012 balance sheet since the deconsolidation of the Dosco Holdings Ltd. subsidiary did not incur until May this year. The spin-off of Dosco fed through to a EUR 14 million reduction in assets, and an EUR 11 million reduction on the equity and liabilities side. The equity ratio rose to 62.8 % compared with 55.7 % as of December 31, 2012. Due to the mining explosion in Russia, the company decided to form EUR 400 thousand of provisions for losses, repairs and legal costs, which are reported among other current provisions.

Weaker demand for mining equipment in the core business fed through to lower revenue of EUR 46.6 million during the first nine months of 2013 (9M/2012: EUR 54.8 million). Changes in inventories of EUR 1.0 million were markedly ahead of the previous year's EUR 26 thousand due to orders that have been processed but not yet delivered. This results in total operating output of EUR 47.6 million (9M/2012: EUR 54.8 million). While other operating income of EUR 1.0 million (primarily work performed by the enterprise and capitalised of EUR 482 thousand, compared with EUR 307 thousand in the previous year) was down only slightly (9M/2012: EUR 1.1 million), the cost of materials decreased significantly year-on-year from EUR 28.9 million to EUR 24.0 million. This represents a 50.4 % cost of materials ratio compared with 52.8 % in the prior-year period. Personnel expenses registered a considerable increase from EUR 8.6 million to EUR 9.8 million due to hiring on foreign markets, especially in Russia and China. The personnel expense ratio rose from 15.6 % to 20.7 %. At EUR 942 thousand, depreciation and amortisation fell compared with the first nine months of 2012 (EUR 1.3 million). Other operating expenses comprise mainly third-party services, special specific sales costs, currency exchange-rate losses and additions to provisions, which also include provisions connected with the mine explosion in Russia. The balance of other expenses and income (excluding depreciation and amortisation) was up from 10.1 % to 16.2 % of total operating revenue. Overall, the SMT Scharf Group consequently generated EUR 5.1 million of profit from operating activities (EBIT) during the January to September 2013 months (9M/2012: EUR 10.6 million). The corresponding EBIT margin stands at 10.7 %, compared with 19.3 % in the same period of the previous year.

Interest expenses reported a significant decrease as a consequence of the redemption of the mezzanine financing at a comparatively high interest-rate level. Given a similar level of interest income and higher income from participating interests (which rose from EUR 949 thousand to EUR 990 thousand), the financial result improved accordingly from EUR 588 thousand to EUR 879 thousand. This resulted in profit before tax of EUR 6.0 million,

compared with EUR 11.2 million in the prior-year reporting period. After deducting EUR 1.8 million of corporation taxes on income (9M/2012: EUR 2.3 million) and the EUR -2.0 million extraordinary loss incurred on discontinued operations (9M/2012: EUR 1.7 million), SMT Scharf AG generated EUR 2.2 million of consolidated net income in its core business. This represents an 78.8 % decline compared with the EUR 10.6 million generated during the first nine months of 2012. Earnings per share fell to EUR 0.54, compared with EUR 2.55 a year previously.

Liquid assets amounted to EUR 8.9 million on September 30, 2013, compared with EUR 13.4 million at the end of 2012 (both figures adjusted for Dosco).

SMT Scharf realised EUR 1.1 million of capital investments during the first nine months. Of this amount, EUR 482 thousand was attributable to current development projects that require capitalisation pursuant to IAS 38.

## **Risk Report**

The opportunities and risks associated with the future development of SMT Scharf Group are discussed in detail in the Group management report for the fiscal year 2012.

## **Report on events after the balance sheet date**

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

## **Outlook**

We continue to assume that the economic environment for the mining industry will not brighten before mid-2014 or early 2015. We do not expect positive surprises for the fourth quarter of 2013, but instead an approximately linear continuation of the course of the year to date. We currently anticipate full-year revenue of below EUR 70 million (previous year: EUR 77 million, excluding Dosco). Accordingly, we already regard 2013 as a year of transition, and anticipate very weak, although still positive, net results for the year. For this reason, it is currently somewhat questionable whether we will propose a dividend for the current year at the Annual General Meeting scheduled for May 7, 2014.

The Managing Board is nevertheless convinced that it can raise Group revenue and earnings on average over the coming years. Our new localisation strategy forms a further basis for successful medium-term business growth in this context. As a decisive aspect, it includes boosting competences at our subsidiaries close to our mining customers. Central technologies and quality benchmarks are being set for all functions in Germany in this context. Such requirements span the development department, production and through to the finance and accounting function. On our sales markets, fully-fledged operating sites are to be developed from today's pure sales and service branches. These will then be responsible not only for sales and service, but also for customer-specific adjustment developments, including local production and registration. Consequently, we are on the right path.

Hamm, November 11, 2013



SMT Scharf AG  
The Managing Board

## IFRS interim financial statements (unaudited)

### Consolidated balance sheet

(in TEUR)	Notes	30.09.2013 (core business)	30.09.2012 (including Dosco)	31.12.2012 (including Dosco)
<b>Assets</b>				
Inventories		21,816	21,512	17,970
Trade receivables		14,143	25,583	24,003
Other current receivables/assets		3,227	1,697	1,551
Cash and cash equivalents		8,884	14,816	16,515
<b>Current assets</b>	(4)	<b>48,070</b>	<b>63,608</b>	<b>60,039</b>
Intangible assets		2,781	3,353	3,306
Property, plant and equipment		6,443	8,487	8,355
Participating interests		2,451	2,243	1,939
Deferred tax assets		2,093	2,856	4,097
Other non-current receivables / assets		121	158	62
<b>Non-current assets</b>	(5)	<b>13,889</b>	<b>17,097</b>	<b>17,759</b>
<b>Total equity and liabilities</b>		<b>61,959</b>	<b>80,705</b>	<b>77,798</b>
<b>Equity and liabilities</b>				
Current income tax		0	2,193	802
Other current provisions		5,452	5,707	4,984
Advance payments received		2,496	1,623	1,281
Trade payables		2,529	7,942	6,012
Current financial liabilities		4,000	0	4,989
Other current liabilities		774	1,186	1,433
<b>Current provisions and liabilities</b>	(6)	<b>15,251</b>	<b>18,651</b>	<b>19,501</b>
Provisions for pensions		2,714	4,668	11,185
Other non-current provisions		2,473	2,252	2,186
Deferred tax liabilities		1,077	1,291	1,055
Non-current financial liabilities		1,513	5,527	538
<b>Non-current provisions and liabilities</b>	(6)	<b>7,777</b>	<b>13,738</b>	<b>14,964</b>
Subscribed capital		4,155	4,153	4,153
Share premium		11,815	11,763	11,763
Profit brought forward		25,131	31,452	26,965
Currency translation difference		-2,170	948	452
<b>Equity</b>	(7)	<b>38,931</b>	<b>48,316</b>	<b>43,333</b>
<b>Total equity and liabilities</b>		<b>61,959</b>	<b>80,705</b>	<b>77,798</b>

## Consolidated statement of comprehensive income

(in TEUR)	Notes	01.07.2013- 30.09.2013	01.07.2012- 30.09.2012	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012
Revenue	(1)	14,617	18,517	46,565	54,777
Changes in inventories		-3,068	959	1,012	26
Operating output (100 %)		11,549	19,476	47,577	54,803
Other operating income		144	256	1,005	1,134
Cost of materials		6,499	11,221	23,983	28,913
Personnel expenses		2,880	2,734	9,839	8,551
Depreciation and amortisation		319	295	942	1,263
Other operating expenses		3,008	1,828	8,736	6,643
<b>Profit from operating activities (EBIT)</b>		<b>-1,013</b>	<b>3,654</b>	<b>5,082</b>	<b>10,567</b>
Income from participating interests		389	284	990	949
Interest income		37	39	108	91
Interest expenses		33	164	219	452
<b>Financial result</b>		<b>393</b>	<b>159</b>	<b>879</b>	<b>588</b>
<b>Profit from ordinary activities</b>		<b>-620</b>	<b>3,813</b>	<b>5,961</b>	<b>11,155</b>
Income taxes	(2)	146	582	1,756	2,269
<b>Profit from discontinued operations</b>		<b>0</b>	<b>1,439</b>	<b>-1,963</b>	<b>1,681</b>
<b>Net income</b>		<b>-7,66</b>	<b>4,670</b>	<b>2,242</b>	<b>10,567</b>
Currency differences from translation of foreign financial statements		-1,183	118	-2,623	739
<b>Comprehensive income</b>		<b>-1,949</b>	<b>4,788</b>	<b>-381</b>	<b>11,306</b>
<b>Earnings per share (in EUR)</b>		<b>-0.18</b>	<b>1.13</b>	<b>0.54</b>	<b>2.55</b>
Basic		-0.18	1.13	0.54	2.55
Diluted		-0.18	1.13	0.54	2.55
Average number of shares		4,154,850	4,152,725	4,154,173	4,151,090

## Consolidated cash flow statement

(in TEUR)	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012
Net income	2,242	10,567
Deconsolidation loss	778	0
Income from equity participation	-990	-950
Dividends received from equity participation	111	0
Depreciation and amortisation	1,048	1,479
Gain / loss from disposals of non-current assets	63	97
Changes in assets, provisions and liabilities		
- Provisions	1.262	-335
- Taxes	-1.330	-1,161
- Inventories	-7.389	3,111
- Receivables / other assets	6.948	-1,131
- Liabilities	-899	-7,950
<b>Net cash flows from / used in operating activities</b>	<b>1,843</b>	<b>3,727</b>
Investments in non-current assets	-2.087	-1,065
Payments from acquisitions	-40	0
Payment received from sale of Dosco	1.500	0
Acquired/realised cash and cash equivalents	-3.023	0
<b>Net cash flows used in investing activities</b>	<b>-3.650</b>	<b>-1,065</b>
Sale of treasury shares	54	77
Dividend disbursement	-4.076	-3,945
Repayment of / proceeds from financial liabilities	-14	573
<b>Net cash flows from / used in financing activities</b>	<b>-4.036</b>	<b>-3,295</b>
Effect of changes in exchange rates and group composition	-1.788	677
<b>Change in net financial position*</b>	<b>-7.631</b>	<b>44</b>
Net financial position – start of period	15.834	14,091
Net financial position – end of period	8.203	14,135

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

## Consolidated statement of changes in equity

(in TEUR)	Subscribed capital	Share premium	Profit brought forward	Currency translation differences	Equity
<b>Balance at January 1, 2013</b>	<b>4,153</b>	<b>11,763</b>	<b>26,965</b>	<b>452</b>	<b>43,333</b>
Dividend disbursement			-4,076		-4,076
Sale of own shares	2	52			54
Net income			2,242		2,242
Other changes				-2,622	-2,622
Comprehensive income	0	0	2,242	-2,622	-380
<b>Balance at September 30, 2013</b>	<b>4,155</b>	<b>11,815</b>	<b>25,131</b>	<b>-2,170</b>	<b>38,931</b>
<b>Balance at January 1, 2012</b>	<b>4,150</b>	<b>11,689</b>	<b>24,830</b>	<b>210</b>	<b>40,879</b>
Dividend disbursement			-3,945		-3,945
Sale of own shares	3	74			77
Net income			10,567		10,567
Other changes				738	738
Comprehensive income			10,567	738	11,305
<b>Balance at September 30, 2012</b>	<b>4,153</b>	<b>11,763</b>	<b>31,452</b>	<b>948</b>	<b>48,316</b>

## Notes

### **Methods**

This financial report of SMT Scharf Group as of September 30, 2013 was prepared in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the Interpretations (IFRIC) issued by the International Accounting Standards Board. The accounting policies used and the information included comply with IAS 34 (Interim Financial Reporting). The accounting and valuation policies and the calculation methods applied are the same as those used in the IFRS consolidated financial statements as at December 31, 2012, which were audited by the Group's auditors.

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

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

### **Consolidated group**

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

SMT Scharf GmbH, Hamm

SMT Scharf Polska Sp. z o. o., Tychy, Poland

Global Mining Services GmbH, Hamm

SMT Scharf Africa (Pty.) Ltd., Kya Sands, South Africa

SMT Scharf International OÜ, Tallinn, Estonia

Scharf Mining Machinery (Beijing) Co. Ltd., Beijing, China

OOO SMT Scharf, Novokuznetsk, Russian Federation

OOO SMT Scharf Service, Novokuznetsk, Russian Federation (since July 1, 2013)

Sareco Engineering (Pty.) Ltd., Brakpan, South Africa

Dosco Holdings Ltd., Tuxford, United Kingdom (until May 7, 2013)

Dosco Overseas Engineering Ltd., Tuxford, United Kingdom (until May 7, 2013)

Hollybank Engineering Co. Ltd., Tuxford, United Kingdom (until May 7, 2013)

OOO Dosco, Novokuznetsk, Russian Federation (until May 7, 2013)

SMT Scharf Saar GmbH, Neunkirchen

Shandong Xinsha Monorail Co. Ltd., Xintai, China

TOW SMT Scharf Ukraine, Donetsk, Ukraine

SMT Scharf Far East Holdings Ltd., Hong Kong, China

As 50 % participating interests, Shandong Xinsha Monorail Co. Ltd. is consolidated using the equity method.

On January 11, 2013, SMT Scharf GmbH acquired the remaining 50 % of the shares in TOW SMT Scharf Ukraine for a purchase price of EUR 40 thousand. This company has no longer been accounted for in the consolidated financial statements using the equity method since this date, but has been fully consolidated instead. The total consideration to acquire control consequently also included the equity valuation of EUR 98 thousand that was reported under financial assets until the acquisition date. This company, whose business purpose is to develop the Ukrainian market, contributed EUR 194 thousand to SMT Scharf Group revenue, and EUR 69 thousand to Group EBIT.

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

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

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

### ***Discontinued operations***

#### **Sale of the Roadheader Technology segment**

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

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

#### **Analysis of results from discontinued operations**

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

	30.06.2013	30.06.2012
Revenue	1,369	13,331
Other income	463	376
Expenses	-3,068	-13,378
Profit/loss before tax	-1,236	330
Attributable income tax expense	203	-88
Loss on the disposal of operations (including TEUR 53 of foreign currency translation differences recycled to the income statement from the foreign currency translation reserve)	-930	0
Net profit/loss for the year from discontinued operations	-1,963	242

Assets and liabilities disposed of due to loss of control:

<u>Current assets</u>	
Cash and cash equivalents	3,085
Trade receivables	1,310
Inventories	3,544
Other current receivables/assets	373
<u>Non-current assets</u>	
Intangible assets	469
Property, plant and equipment	2,538
Deferred tax assets	2,666
<u>Current liabilities</u>	
Current provisions	-490
Trade payables	-1,518
Other current liabilities	-510
<u>Non-current liabilities</u>	
Provisions for pensions	-8,476
Deferred tax liabilities	-114
Net assets sold	2,877

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

The disposal loss from the sale of subsidiaries amounts to:

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

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

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

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

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

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



## **Notes to the income statement**

### **(1) Revenue**

Revenue is composed of the following items:

	<b>01.07.2013- 30.09.2013</b>	<b>01.07.2012- 30.09.2012</b>	<b>01.01.2013- 30.09.2013</b>	<b>01.01.2012- 30.09.2012</b>
New equipment	7,015	10,702	21,828	31,683
Spare parts/service/other	7,602	7,815	24,737	23,094
<b>Total</b>	<b>14,617</b>	<b>18,517</b>	<b>46,565</b>	<b>54,777</b>
Germany	1,803	2,416	5,162	6,435
Other countries	12,814	16,101	41,403	48,342
<b>Total</b>	<b>14,617</b>	<b>18,517</b>	<b>46,565</b>	<b>54,777</b>

### **(2) Income taxes**

Income taxes are composed of the following items:

	<b>01.07.2013- 30.09.2013</b>	<b>01.07.2012- 30.09.2012</b>	<b>01.01.2013- 30.09.2013</b>	<b>01.01.2012- 30.09.2012</b>
Current tax expense	530	734	2,147	2,637
Deferred taxes	-384	-152	-391	-368
<b>Total</b>	<b>146</b>	<b>582</b>	<b>1,756</b>	<b>2,269</b>

### **(3) Segment reporting**

SMT Scharf Group now operates exclusively in the captivated transport systems segment following the disposal on May 7, 2013, of the Dosco Group, which had previously formed the roadheader technology segment. The products and services offered in this segment are similar in terms of production and sales processes, and in terms of type of customer. As the main decision-maker in terms of decisions concerning the distribution of resources, the Managing Board has analysed and assessed the profitability of the activities of SMT Scharf Group, as well as exclusively at the overall Group level. Following the sale of the Dosco Group, all SMT Scharf Group business activities considered together consequently form one operating segment in the meaning of IFRS 8.

## **Notes to the balance sheet**

### **(4) Current assets**

Securities and cash and cash equivalents as of September 30, 2013 include a hardship and social fund amounting to EUR 681 thousand. This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH and SMT Scharf Saar GmbH as well as these two companies' works councils.

## **(5) Non-current assets**

SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recorded as leased assets under property, plant and equipment. There were nine leased items as of September 30, 2013.

From January to September 2013, EUR 482 thousand were capitalized as development expenses for projects that fulfil the requirements of IAS 38.

## **(6) Liabilities**

The mezzanine financing taken out in 2006 is reported as a current financial liability as of the balance sheet date. This runs until April 2013 and has been returned as scheduled. There are no liabilities secured by liens.

## **(7) Equity**

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

On September 30, 2013, 4,200,000 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par value shares with a notional interest of EUR 1 each. Of this total, SMT Scharf AG held 45,150 treasury shares. No stock options have been granted to members of the Supervisory or Managing Boards or employees of the company. A total of 2,125 shares were sold to employees in 2013 as part of an employee equity participation plan. These were transferred end of March.

In April 2013, the Ordinary General Meeting passed a resolution to distribute a dividend of EUR 0.98 per share for the 2012 fiscal year.

## ***Other disclosures***

### **(8) Contingent liabilities and other financial commitments**

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

There are other financial liabilities in particular from rental and lease agreements for buildings, cars and photocopiers. The agreements have maturities of up to five years and in some cases include extension options and escalation clauses. In the period under review, payments amounting to EUR 368 thousand were recognised under other operating expenses. The nominal amount of the future minimum lease payments (core business) from rental agreements and operating leases that cannot be terminated is as follows (by due date):

	<b>30.09.2013</b>	<b>30.09.2012</b>	<b>31.12.2012</b>
Due within one year	260	225	161
Due in one to five years	417	193	578

## **(9) Supervisory and Managing Boards**

During the period under review, the members of SMT Scharf AG's Supervisory Board were:  
Dr. Dirk Markus, Feldafing, CEO of Aurelius AG, (Chairman),  
Dr. Rolf-Dieter Kempis, Waldenburg, management consultant (Deputy Chairman),  
Dr. Harald Fett, Monheim, management consultant (from April 25, 2012).

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

As of September 30, 2013, Christian Dreyer did not hold any shares of the company, and Mr. Schulze-Buxloh held 6,000 shares. The members of the Supervisory Board held 1,000 shares.

## **(10) Related party disclosures**

Services with a value of EUR 33 thousand were procured on normal market terms from related parties as defined by IAS 24. No services were provided to related parties.

## **(11) Financial instruments and financial risks**

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

Please see the 2012 group financial report for information on the financial risks of SMT Scharf Group's business. No substantial changes occurred over and above this from January to September 2013.

### **Imprint**

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