

6-MONTH REPORT 2017

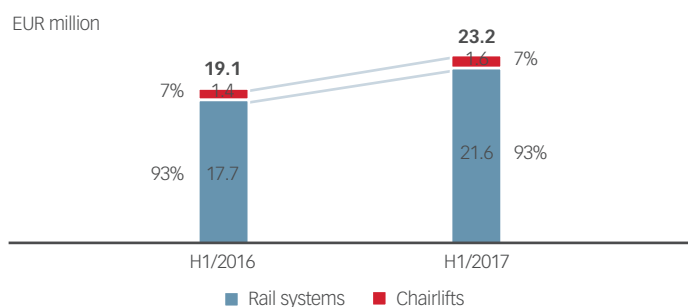
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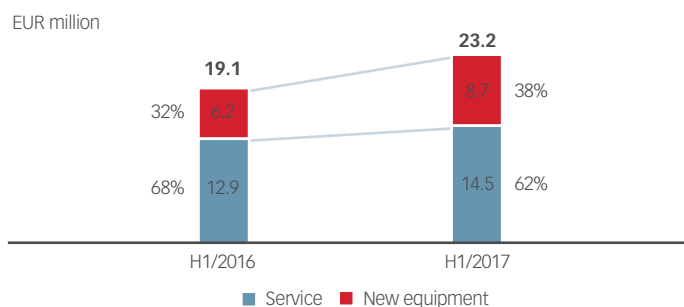
SUMMARY OF KEY DATA

		2015	2016	H1/2016	H1/2017
Revenue	EUR thousand	50,303	42,565	19,087	23,157
Total operating revenue	EUR thousand	50,016	42,241	19,251	24,769
EBIT	EUR thousand	2,263	2,473	1,529	1,160
EBIT margin on total operating revenue	in %	4.5	5.9	7.9	4.7
Group net profit/loss	EUR thousand	1,472	1,873	1,606	819
Equity	EUR thousand	37,025	39,297	37,705	39,285
Equity ratio	in %	63.2	66.1	67.2	67.2
FTE (full-time equivalents)	on the reporting date	281	308	294	308

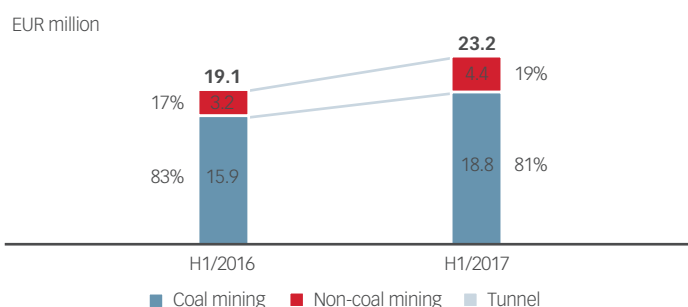
Revenue by product



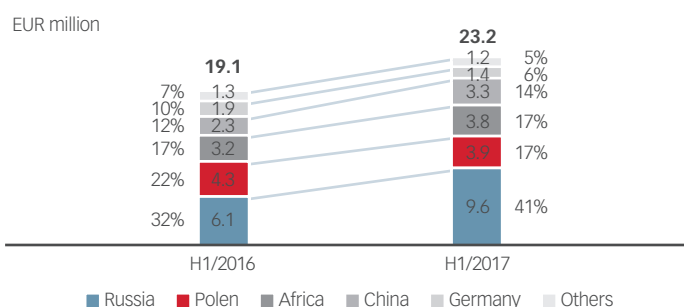
Revenue by type



Revenue by segment



Revenue by region





Management team of SMT Scharf AG

LETTER TO SHAREHOLDERS

Dear shareholders,

The order book and revenue positions of SMT Scharf have performed in a decidedly positive manner during the course of the current fiscal year. In the first six months of the year, consolidated revenue increased by 21.3% year-on-year to reach EUR 23.2 million (H1/2016: EUR 19.1 million). The order book position as of the end of the first half of the year prompts us to expect that trend to continue. As anticipated, the commodity price recovery now observable for around a year has led the mining equipment market to pick up. Large mine operators and mining groups are increasingly relinquishing their previously hesitant stance, and are beginning to address their “investment backlog” based on aggressive price expectations, investing in new production systems and modern infrastructure. This is driving a marked recovery in the order book situation in mining markets worldwide. As one of the globally leading providers of underground transportation solutions and logistics systems, and with our proven expertise, SMT Scharf is benefiting to the full from this uptrend. In light of this situation, not only our service business but also our new systems business has reported tangible growth during the first half of 2017, where we are now harvesting the fruits of the localisation strategy we have implemented over the past years, which locates us directly next to our customers in our important target markets. With our recently formed subsidiary in Chile, SMT Scharf is now also correspondingly present in Latin American markets. This company is currently focusing on positioning itself in the market and establishing network contacts, so significant new orders from this region are anticipated within the near future. Local presence enables SMT Scharf to respond directly to the demand pickup and changes in customer requirements. The market environment nevertheless remains difficult generally, and is characterised by a highly competitive pricing pressure. In all relevant markets it is evident that customers are proving to be extremely price sensitive when awarding orders. We have very consciously taken this strong pricing pressure into account when accepting new orders, in order to not only maintain market shares but tangibly expand them. SMT Scharf has also invested in new markets such as South America, and in new products such as in Non-Coal and Tunnel, in order to lay the foundations for its future growth. As a consequence of this market-expanding strategy, the result from operating activities (EBIT) during the first six months of the current fiscal year has reduced compared with the prior-year period. It reached EUR 1.2 million (H1/2016: EUR 1.5 million). At segment level, however, the Non-Coal business has successfully improved its EBIT to EUR 0.5 million (H1/2016: EUR 0.4 million). In terms of core markets, Russia has been the most important growth driver during the course of the year to date, where revenue increased by 56.5% compared with the corresponding equivalent-period figure of EUR 9.6 million (H1/2016: EUR 6.1 million). With a revenue share now at 41.4%, Russia – whose economy has largely overcome its recession – has expanded its position as the most important individual market for SMT Scharf. China, too, has addressed its growth weakness, with revenue reporting a considerable increase off a low base. The situation in the country nevertheless remains fragile, as the consolidation among mine operators that the government is advancing is creating uncertainty among the decision-makers responsible for investments, and planned objects are being postponed. The International Monetary Fund (IMF) forecasts that the world economy will pick up, however. The prospects are thereby good that China will return to its previous growth, especially in the mining industry.

The energy required by the world’s second biggest economy will increase further as a consequence, and with it also demand for modern and highly efficient production systems and equipment.

Given this, the Managing Board anticipates that the revenue trend during the second half of the year will be similarly positive to during the first six months of the year. In consequence, we now expect consolidated revenue for the current fiscal year above the previous range of EUR 40 million to EUR 44 million and EBIT within the planned range of EUR 2.2 million to EUR 3.0 million.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence that you invest in us, and we would be delighted were you to accompany us further into the future.

Kind regards

Hans Joachim Theiß

Rolf Ferdinand Oberhaus

Wolfgang Embert

MANAGEMENT REPORT (UNAUDITED)

Basis of the Group

Business model

The SMT Scharf Group ("SMT Scharf") develops, manufactures and services transportation equipment and logistics systems for underground mining and tunnel construction. The business profile of SMT Scharf can be described on the basis of the following criteria:

- **Business areas:** Captivated railway systems deployed in underground mines are the company's main product. These are technically capable of transporting personnel and materials up to 45 tons on gradients of up to 35 degrees. Chairlifts for mining applications comprise an ancillary product. The product range also includes the development and installation of rail, ventilation and cable management systems, including for energy supplies for transportation equipment and, in particular, mining machinery. Here, SMT Scharf is also increasingly active in the non-coalmining sector. The tunnel logistics business area is currently being established. It promises potential to generate additional sales over the coming years and is to be expanded to form a further business pillar.
- **Type of business:** The production and installation of new equipment forms the core of the operating activities. To these are added downstream services such as replacement parts, maintenance and repairs. The share of sales revenue has averaged around 50 percent over the past years – with a recently significantly rising trend due to mine operators' reticence to invest in new equipment. SMT Scharf occasionally acts as a railway operator in response to customer demand.
- **Customer groups:** SMT Scharf products are utilised mainly in hard coal mining (the Coalmining segment), as well as increasingly in producing gold, platinum, copper, nickel and salts, referred to as hard rock mining (aggregated within the Non-Coalmining segment). Tunnel construction companies are to be added in the future (Tunnel segment).
- **Regions:** SMT Scharf markets its products through its own subsidiaries located in the world's most important mining countries, including mainly the export markets in Russia, Poland, China and South Africa. The German domestic mining market plays only a subordinate role today.

Corporate strategy

SMT Scharf has been pursuing a strategic orientation to three areas of activity since mid-2015. To this end, the Managing Board team has defined an extensive **list of measures** that are being consistently addressed and implemented. The **three strategic areas of activity** are:

- **Organic growth** through expanding the hard rock area, tapping new geographic markets and setting up and establishing tunnel logistics as a third business area.
- **External growth** through takeovers and partnerships by which the core positioning of SMT Scharf is to be advanced and secured. The first takeovers and strategic partnerships have already been concluded or agreed.
- **Operative excellence**, to make SMT Scharf even better overall above and beyond progress achieved over past quarters, and to strengthen productivity, profitability and market position. For this purpose, potential optimisations in the interplay of international sites and development process management are being identified and leveraged. The targeted analysis of specific markets and customer requirements helps SMT Scharf become even more competitive in this context.

With this set of measures, the Managing Board team is progressing its strategy of further developing the company to become a **system supplier of logistics solutions**, while at the same time positioning it in **adjacent markets** (through the core positioning in the mining supply market). The aim is to thereby tap additional sales revenue potential and make sales trends less dependent on cyclical business in traditional mining.

SMT Scharf responded with a **CSI program** to the pronounced phase of weakness in the mining sector, a phase that is now ending. This program comprised – on a summarised basis – short-term cost cuts (C) accompanied at the same time by a strengthening of sales (S) and innovative capability (I). Positive value contributions have become increasingly evident over the past fiscal years in this connection, enabling SMT Scharf to reach its target of a marked **improvement in results**. Contributions in this context will also include the **localisation strategy** that makes recourse to the competences of the foreign subsidiaries located directly in customers' home markets. The current introduction of standard **Enterprise Resource Planning** (ERP) system should help to further boost the efficiency of international collaboration within the Group, improve processes, and identify optimisation potentials at an early stage in future. The company plans to launch the strategic measures during the course of 2017 and implement them prospectively by 2019.

Steering system

SMT Scharf AG steers its business applying financial and non-financial performance indicators whose trends exert a positive influence on 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.

Financial and non-financial performance indicators as well as current forward planning are presented in the following tables. The medium-term targets reflect the background assumption that the market environment continues to normalise, especially on the basis of a further increase in raw materials prices.

Financial performance indicators:

Key indicator	Calculation method	Target (medium-term)
Key income statement figures		
Consolidated sales revenue growth (organic and inorganic)	$(\text{Group revenue in reporting year} / \text{Group revenue in previous year}) - 1$	>5 %
Tunnel revenue share	Tunnel segment revenue / Group revenue	10 %
EBIT margin	Earnings before interest and tax (EBIT) / Group revenue	>10 %
Cost of materials ratio	Cost of materials / total operating revenue	<50 %
Key balance sheet indicators		
Net working capital	$\text{Year-average current assets} - \text{Year-average liquid assets} - \text{Year-average current liabilities}$	EUR 20 million
Equity ratio (on reporting date)	Equity / total assets	35-40 %
Key efficiency figures		
Net working capital intensity	Net working capital / Group revenue	<50 %
Days of sales outstanding	$\frac{\text{Number of days in reporting year} *}{\text{Year-average trade receivables} / \text{Group revenue}}$	<150 days

Non-financial performance indicators:

Key indicator	Calculation method	Target (medium-term)
Employee numbers		
Employee turnover	$\frac{\text{Employees leaving the company (FTE)}}{\text{Year-average number of employees (FTE)}}$	<10 %
Sickness rate	$\frac{\text{Number of work days lost due to sickness}}{\text{Planned working days}}$	5 %

Employees

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). SMT Scharf Group employed 308 members of staff (full-time employees) as of 30 June 2017, including 2 trainees. The Group employed 294 individuals as of the previous year's reporting date (including 1 trainee). SMT Scharf also draws on temporary help staff to flexibly boost production capacity.

Reflecting change in the structure of demand for SMT products, the localisation strategy led to hiring at the foreign companies. Especially in Russia, additional qualified staff were hired 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 87 as of June 30, 2016, to 81 FTE as of the reporting date.

	H1/2016	H1/2017
Total employees	294	308
Employees in Germany	87	81
Employees abroad	207	227
Proportion of female employees (%)	18	16

Research and development

The establishment of local expertise centres with growing vertical range of manufacture has occurred successfully, especially in Poland, Russia and China. Synergy generation through further site networking is being implemented efficiently (ERP system).

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. The international project teams communicate using state-of-the-art means, although also personally through regular visits by the national departmental directors. At the same time, local production and a global supplier network cater for delivery times in line with customers' needs. Innovative modular machine design is helping to optimise costs through the targeted utilisation of as many identical components as possible, and will be included in series production by the end of the year.

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. The partnership with the Sandvik Group underscores this.

Based on the company's experience and its own expertise in monorail transportation systems for tunnel construction as well as for the mining of other natural resources, SMT Scharf is further advancing the development of innovative applications and transportation technologies beyond underground coal mining.

During the first half of 2017, the SMT Scharf Group did not recognise on its balance sheet any development projects for research and development that meet IAS 38 criteria. Expenses for research and development amounted to EUR 1.2 million during the first six months of 2017 (H1/2016: EUR 1.3 million).

Economic and business report

Economic and business environment

Macroeconomic environment: Global economic growth will accelerate both this and next year, according to forecasts published by the International Monetary Fund (IMF): following 3.1% growth in 2016, the global economy is set to expand by 3.5% in the current year and by 3.6% in 2018. By way of contrast with its forecasts for many other emerging economic regions, the IMF has expressly upgraded its figures for China and Russia. Accordingly, the Chinese economy will lose a lot less of its growth dynamism in the current year than feared, which the IMF attributes mainly to unexpectedly strong supportive measures from the government. In Russia, by contrast, indications are gathering that the economic low point has been traversed and that the pickup in oil prices is lending stability to the upturn. In Poland, too, the uptrend continues with an increasing dynamic. The growth rate there lies significantly above the Eurozone's level. The course of the year to date in South Africa indicates that economic growth is accelerating from a low level. The four aforementioned countries represent the most important sales markets of SMT Scharf. The customers there together usually account for more than 75% of Group sales revenues.

GDP growth in the most important sales markets* (in %)	2016
World	3.2
China	6.7
Poland**	2.8
Russia	-0.2
South Africa	0.3

Source: *IMF World Economic Outlook Update, July 2017; **IMF World Economic Outlook, April 2017

Exchange rate changes in the most important sales markets* (in %)	2016	H1/2017
Yuan Renminbi (China)/Euro	+4	+6
Zloty (Poland)/Euro	+3	-4
Rouble (Russia)/Euro	-20	+5
Rand (South Africa)/Euro	-15	+3

*Source: European Central Bank, Statistical Data Warehouse (monthly average exchange rates)

Sector trends: Prices of the most important energy raw materials and metals stabilised or trended sideways during the reporting period. In particular, the gold price has even appreciated since the start of the year. As a consequence, the recovery phase in raw materials prices observable since early 2016 has continued and become more robust – also in light of the pickup in economic growth and positive prospects for the world economy. This forms a stable foundation for a sustained recovery in the mining sector worldwide and in its supplier sectors, which are expected to have passed their cyclical low point. With some limitations, this is true for the coal sector of importance to SMT Scharf. Following a sharp increase in 2016, the coal prices recently consolidated, trading in a range between USD 55 and USD 50 (in relation to a tonne of hard coal). Thanks to economic conditions, a number of factors suggest that this trend is continuing and the prices will hold their current level or even appreciate slightly further. Based on this development, it is now anticipated that demand from operators of coalmines worldwide will recover and rapidly address the investment backlog that has accumulated over many years. This forecast also looks likely to materialise insofar as China has advanced the consolidation of its domestic mining sector over the past months, including closing many small and unprofitable mines.

Also in the assessment of the Specialist Mining Equipment Association of the German Engineering Federation (VDMA), the recovery in raw materials prices will bring German mining machinery manufacturers to the start of a recovery phase. Sector demand is also being stimulated by the fact that digitalisation and Industry 4.0 are also increasingly making inroads into the mining industry, among other factors. Innovative technologies enable far-reaching automation and autonomous management of mining and transportation systems, saving costs and creating great incentives for mine operators to invest.

SMT Scharf sees major growth potential in its newly founded Tunnel segment: according to data from the International Tunnelling and Underground Space Association (ITA), the worldwide tunnel construction market is worth around USD 90 billion per year (based on 2013 data), with a total of 4,500 to 4,700 kilometres of tunnels being constructed annually. Asia is reporting the fastest growth in this context, with annual tunnel construction having jumped fivefold between 2000 and 2013 (measured in kilometres) and with 75 percent of the tunnels being constructed in China. In summary, the impact of the coalmining business cycle on the business trends of SMT Scharf is mitigated by diversification by products, deployment regions and customer groups.

Financial position and performance

Within an intensively competitive market environment, the SMT Scharf Group reported a significant increase in its revenue during the first half of 2017 compared with the first half of 2016. Consolidated revenue reached EUR 23.2 million (H1/2016: EUR 19.1 million), equivalent to a 21.3% rise compared with the previous year's level, in a direct comparison. This reflects the pickup in the business dynamic during the period under review. While revenue in the first quarter was down 6.7% year-on-year, in the second quarter of the year it was 63.2% above the level of the directly comparable figure. In terms of the full half-year, the growth relates to both the service and the new systems business. Results during the reporting period performed in an opposite manner. This is primarily attributable to the aggressive price demands made by many mine operators – SMT Scharf's main customer group.

The Rail Systems product area accounted for EUR 21.6 million of revenue in the reporting period, with its share of total revenue thereby remaining almost unchanged at 93.1% (H1/2016: EUR 17.7 million or 92.9%). The Chairlifts business accounted for EUR 1.6 million of revenue, or 6.9% of total revenue (H1/2016: EUR 1.4 million or 7.1%).

Business of EUR 8.7 million with new systems was considerably above the corresponding prior-year period (H1/2016: EUR 6.2 million), representing a 37.5% share of consolidated revenue (H1/2016: 32.2%). At the same time, business with services and replacement parts grew to EUR 14.5 million in the first half of 2017, accounting for a 62.5% share of total revenue (H1/2016: EUR 12.9 million or 67.8%).

On an operating segment basis, EUR 18.8 million was attributable to the Coal segment, which aggregates business with operators of hard coal mines. As a consequence, its share of total consolidated revenue reduced to 81.0% (H1/2016: 83.2% or EUR 15.9 million). An amount of EUR 4.4 million was generated in the Non-Coal segment, representing 19.0% share of total (H1/2016: EUR 3.2 million or 16.8%).

Among country markets, Russia expanded its position as SMT Scharf's most important market with a 41.4% revenue share. The demand pickup evident there in the first quarter continued throughout the second quarter. With 56.5% year-on-year growth to EUR 9.6 million (H1/2016: EUR 6.1 million), Russia was the fastest growing market in SMT Scharf's portfolio of countries. In the second largest foreign market, Poland, revenue diminished by 10.3% to EUR 3.9 million (H1/2016: EUR 4.3 million). Africa performed well, by contrast, where the stabilisation of the political situation in South Africa and an uptrend in commodity prices catered for a demand recovery. Here, revenue of EUR 3.8 million was 17.4% above the comparable prior-year period (H1/2016: EUR 3.2 million). The recovery in China, where revenue rose to EUR 3.3 million (H1/2016: EUR 2.3 million), derives to a considerable extent from the consolidation among mine operators that the government continues to advance. Although the market situation remains strained, indications are gathering that the investment backlog that has accumulated over many years is beginning to unwind and that mining companies are starting to award orders again for new systems to a significant extent. Customers are proving to be very price sensitive in this context. New orders were not reported in South America in the period under review, as the newly founded sales subsidiary in Chile is not yet in the acquisition phase. The share of the business in Germany continued its downtrend to a level of EUR 1.4 million, as expected (H1/2016: EUR 1.9 million). The relative share of the domestic market reduced to 5.8% during the first half of 2017 as a consequence (H1/2016: 9.9%).

Revenue by region

EUR thousand	H1/2016	H1/2017	Change	Share of total revenue
Russia	6,105	9,557	56.5%	41.4%
Poland	4,293	3,851	-10.3%	16.6%
Africa	3,201	3,760	17.4%	16.2%
China	2,269	3,307	45.7%	14.3%
Germany	1,888	1,348	-28.6%	5.8%
Australia/Asia excluding China	784	506	35.4%	2.2%
Rest of Europe	470	774	64.7%	3.3%
America	77	54	-29.8%	0.2%
Total revenue	19,087	23,157	21.3%	100.0%

Due to work having already started on new orders, changes in inventories amounted to EUR 1.6 million (H1/2016: EUR 0.2 million), with **total operating revenue** (defined as the sum of revenue and changes in inventories) thereby reporting a 28.7% increase to EUR 24.8 million (H1/2016: EUR 19.3 million).

Other operating income during the first half of 2017 was up by 12.6% year-on-year to EUR 1.8 million (H1/2016: EUR 1.6 million). **Other operating expenses** of EUR 5.0 million include, in particular, EUR 1.4 million of currency losses. To these were added EUR 0.9 million of expenses for third-party services. Overall, other operating expenses were 25.1% above the previous year's corresponding figure (H1/2016: EUR 4.0 million).

The **cost of materials** of EUR 13.4 million was 51.4% higher than the previous year's level overall (H1/2016: EUR 8.9 million). This reflects the good performance by the new systems business, especially in the Rail Systems area, where, although more new orders were processed in unit terms, prices nevertheless also reduced. The cost of materials ratio (in relation to total operating revenue) consequently rose to 54.2% (H1/2016: 46.0%).

Personnel expenses amounted to EUR 6.4 million, representing a 12.1% year-on-year increase (H1/2016: EUR 5.7 million). Due to the relatively higher total operating revenue, the personal expense ratio decreased to 25.8% (H1/2016: 29.6%). **Depreciation, amortisation and impairment losses** relating to non-current assets amounted to EUR 0.6 million, down 21.0% year-on-year (H1/2016: EUR 0.8 million). The first half of 2016 still included depreciation for a building that was sold in the second half of the year.

The rise in revenue volume – along with, at the same time, increasing pressure on sales prices in SMT Scharf’s important core markets – led to a reduction in the result from operating activities (**EBIT**) to EUR 1.2 million in the first six months of 2017 (H1/2016: EUR 1.5 million). At segment level, EBIT in the Non-Coal business improved to EUR 0.5 million (H1/2016: EUR 0.4 million), while in the Coal segment it reduced to EUR 0.8 million (H1/2016: EUR 1.1 million). In this context, the Group’s **net financial result** of EUR 0.03 million was considerably below the previous year’s level (H1/2016: EUR 0.4 million). Influencing factors in this context include a loss on the shares held in the Chinese Xinsha joint venture.

Lower earnings from operating activities fed through to a decreased level of **income taxes** of EUR 0.3 million (H1/2016: EUR 0.4 million). Due to the aforementioned effects, SMT Scharf reported a significant year-on-year reduction in its consolidated net result to EUR 0.8 million during the first six months of 2017 (H1/2016: EUR 1.6 million). Based on a higher average number of shares in issue compared with the prior-year period of 4,150,523 shares in issue, earnings per share amounted to EUR 0.20 during the period under review (H1/2016: EUR 0.39).

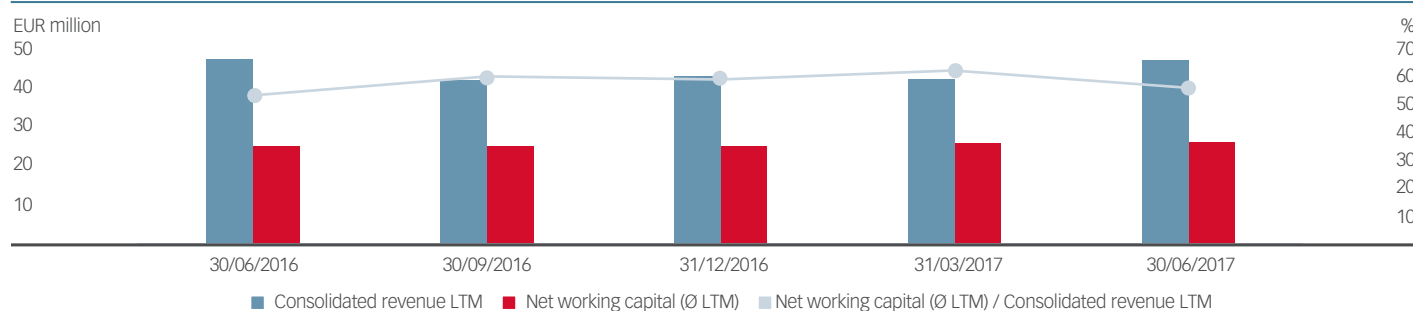
The **order book position** of SMT Scharf stood at EUR 15.7 million as of June 30, 2017 (June 30, 2016: EUR 10.2 million). **New order intake** during the first six months of 2017 amounted to EUR 23.1 million (H1/2016: EUR 18.0 million).

Compared with the end of 2016, **total assets** reported a slight increase of 1.6% to EUR 58.4 million as of June 30, 2017 (December 31, 2016: EUR 59.4 million). The receivables position was reduced to EUR 2.5 million as part of the further development of receivables management. Overall, the value of **other current receivables and assets** remained almost unchanged at EUR 45.3 million as of June 30, 2017 (December 31, 2016: EUR 45.6 million), while **other current provisions** were also at the level as of the 2016 fiscal year-end at EUR 5.2 million (December 31, 2016: EUR 5.1 million). **Non-current assets** stood at EUR 13.1 million as of June 30, 2017, down compared with their level as of the 2016 year-end (December 31, 2016: EUR 13.8 million).

The **equity** of SMT Scharf AG of EUR 39.3 million on the June 30, 2017 balance sheet date was at the same level as at December 31, 2016 (EUR 39.3 million). The equity ratio increased further above its high starting level to reach 67.2% by June 30, 2017 (December 31, 2016: 66.1%). Net working capital amounted to EUR 26.6 million on June 30, 2017, up 6.7% compared with its level at the start of the new financial year (December 31, 2016: EUR 25.0 million).

Average **net working capital** for the last twelve months (LTM) was posted at EUR 25.9 million as of June 30, 2017 (calculated from quarterly figures). The rolling consolidated revenue for the past twelve months amounted to EUR 46.6 million as of the balance sheet date, equivalent to a net working capital intensity of 55.6% and representing the second lowest value for the last five quarters. SMT Scharf is aiming to further reduce this important key ratio.

Net Working Capital (Ø LTM) / Consolidated revenue LTM



Comparison of the actual financial position and performance with the forecast: In the forecast report included in its 2016 annual report, SMT Scharf expected that the market for mining equipment would experience a trend turnaround in 2017. At the same time, the Managing Board anticipated consolidated revenue of at least between EUR 40 million and EUR 44 million for the 2017 fiscal year and EBIT between EUR 2.2 million and in excess of EUR 3.0 million. No significant revenues are yet expected for the newly founded Tunnel segment in 2017.

The actual figures achieved in the first half of 2017 confirmed this expectation:

- Actual consolidated revenue EUR 23.2 million was ahead of the proportional forecast of EUR 20 million to EUR 22.0 million.
- The objective of reporting improved EBIT results was not reached. At EUR 1.2 million, it was below the previous year’s proportional level. The EBIT margin (on total operating revenue) of 4.7% as of the June 30, 2017 reporting date was not only below the previous year’s proportion level, and also below the target level of at least 5.0%.
- Consolidated net income of EUR 0.8 million for the first half of the year was below the corresponding previous year’s level of EUR 1.6 million. The company failed to reach its target as a consequence.
- The equity ratio of 67.2% as of the June 30, 2017 reporting date reflected an improvement compared with 66.1% as of the 2016 fiscal year-end. The company was aiming for an equity ratio at the previous year’s level.
- The personnel expense ratio reduced year-on-year thanks to the revenue growth and the comparatively only minor increase in the workforce at the subsidiaries.

Overall statement on the company's business position

The SMT Scharf Group grew its sales revenue in the period under review. By contrast, trends in results were affected by the continued challenging pricing situation in SMT Scharf's important core markets. This pricing situation exerted a particularly strong impact given the strategic decision to defend and further expand market shares. The Group nevertheless continues to operate profitably despite difficult market conditions continuing. Successes from the previous years' restructuring and the sustained implementation of the measures to achieve operating excellence also contributed in this context. Both the EBIT margin and the consolidated net result are significantly positive. The company assumes a "robust" replacement parts and service business in the future thanks to the good market penetration that has been achieved and the increase in market shares.

The company's net assets and financing position have improved further thanks to the continued good profitability: the equity ratio amounts to 67.2%, and borrowing remains low. Good chances consequently exist that the SMT Scharf Group can outperform in the mining sector upturn that is increasingly becoming evident.

Events after the balance sheet date

Following the end of the first six months of 2017, no further events occurred that have a significant effect on the company's financial position and performance.

Outlook

As of mid-July 2017, the International Monetary Fund (IMF) forecast the following GDP growth rates in SMT Scharf's target markets:

GDP growth in the most important sales markets* (in %)	2016	2017 (e)
World	3.2	3.5
China	6.7	6.7
Poland**	2.8	3.4
Russia	-0.2	1.4
South Africa	0.3	1.0

Source: *IMF World Economic Outlook Update, July 2017; **IMF World Economic Outlook, April 2017

China, Russia, Poland and South Africa will remain SMT Scharf's core markets for the foreseeable future. For 2017, growth ahead of the level for the world economy is expected especially for Russia. For China, it is anticipated that its economic expansion will accelerate over the course of the year after the cooling off phase over the past months. It is pleasing that growth in South Africa is forecast to return to its previous level. The IMF makes its forecasts on the basis of greater political risks relating to free trade.

For the second half of the year, a similarly positive revenue trend as in the first six months of 2017 is expected, whereby the original full-year revenue target is likely to be exceeded. The Managing Board of SMT Scharf AG now anticipates consolidated revenue for the current 2017 fiscal year above the previous range of EUR 40 million to EUR 44 million and EBIT within the planned range of EUR 2.2 million to EUR 3.0 million.

Despite the currently difficult sector environment, the management expects the global mining equipment market to improve medium- to long-term, and the investment backlog to unwind, especially among Chinese mine operators that have to optimise their infrastructure. Commodity production will increase due to the further pickup in global economic growth. The phase of weaker growth in emerging economies can be regarded as having passed. Long-term, the prosperity and incomes of emerging economies' middle classes will grow dynamically, accompanied by sustainable growth in demand for energy. International Energy Agency (IEA) experts nevertheless forecast for 2040 a significant increase in the share that renewable energies will contribute to achieve the international climate targets agreed in Paris. Although demand for coal remains by far the greatest in China in absolute figures in this context, it will decline there too. Coal is expected to account for a less than 45% share of China's energy mix by 2040.

In order to diversify to a greater extent and further reduce dependency on coal mine operators, SMT Scharf will endeavour to ensure that its business with non-coal mine operators as well as tunnel logistics 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.

Report on opportunities and risks

The opportunities and risks associated with the future development of the SMT Scharf Group are discussed in detail in the Group management report for the fiscal year 2016. No additional opportunities or risks exist affecting the prospective development and performance over the remaining months of the fiscal year.

Hamm, 14 August 2017

SMT Scharf AG
The Managing Board

IFRS HALF-YEAR FINANCIAL STATEMENTS (UNAUDITED)

Consolidated balance sheet

EUR thousand	30/06/2017	30/12/2016
Assets		
Intangible assets	1,342	1,373
Property, plant and equipment	4,111	4,657
Equity accounted investments	3,485	3,743
Deferred tax assets	3,035	3,259
Other non-current non-financial assets	1,119	733
Non-current assets	13,092	13,764
Inventories	15,417	13,009
Trade receivables	20,845	23,374
Other current non-financial assets	3,221	2,203
Other current non-financial assets	425	425
Cash and cash equivalents	5,434	6,638
Current assets	45,342	45,648
Total assets	58,434	59,412
EUR thousand	30/06/2017	31/12/2016
Equity and liabilities		
Subscribed share capital	4,151	4,151
Share premium	11,642	11,642
Profit brought forward	27,570	26,751
Other reserves	-4,078	-3,247
Equity	39,285	39,297
Provisions for pensions	3,599	3,591
Other non-current provisions	322	349
Non-current financial liabilities	1,173	1,313
Non-current provisions and liabilities	5,094	5,348
Current income tax	1,173	1,441
Other current provisions	5,170	5,107
Deferred tax liabilities	94	96
Advance payments received	667	476
Trade payables	3,129	4,058
Current financial liabilities	2,721	2,183
Other current non-financial liabilities	1,101	1,501
Current provisions and liabilities	14,055	14,767
Total assets	58,434	59,412

Consolidated statement of comprehensive income

EUR thousand	Q2 / 2017	Q2 / 2016	H1 / 2017	H1 / 2016
Revenue	12,551	7,691	23,157	19,087
Changes in inventories	570	412	1,612	164
Total operating revenue	13,121	8,103	24,769	19,251
Other operating income	1,184	278	1,808	1,605
Cost of materials	7,452	3,742	13,424	8,865
Personnel expenses	3,285	2,774	6,396	5,703
Depreciation, amortisation and impairment losses	308	363	615	778
Other operating expenses	2,916	1,451	4,982	3,981
Profit/loss from operating activities (EBIT)	344	51	1,160	1,529
Result from equity accounted investments	-60	162	-14	474
Interest income	56	34	95	50
Interest expenses	34	20	49	74
Financial result	-38	176	32	450
Profit/loss before tax	306	227	1,192	1,979
Income taxes	313	0	373	373
Consolidated net profit/loss	-7	227	819	1,606
Other comprehensive income items recycled later to profit or loss				
Currency translation of foreign subsidiaries	-1,221	190	-587	234
Share of other comprehensive income attributable to equity accounted investments	-191	73	-244	-481
Other comprehensive income	-1,412	263	-831	-247
Total comprehensive income	-1,419	490	-12	1,359
Earnings per share	0.00	0.05	0.20	0.39
Undiluted (basic)	0.00	0.05	0.20	0.39
Diluted	0.00	0.05	0.20	0.39
Average number of shares	4,150,523	4,140,523	4,150,523	4,140,523

Consolidated cash flow statement

EUR thousand	H1 / 2017	H1 / 2016
Consolidated net profit	819	1,606
- Result from equity accounted investments	14	-474
+ Depreciation and amortisation of non-current assets	615	778
+/- Increase/decrease in provisions	44	-1,216
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	-1,604	-116
+/- Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	-288	-1,159
-/+ Gain/loss on disposal of non-current assets	10	44
+/- Interest expenses/interest income	-46	24
+/- Income tax expense	344	87
-/+ Income tax payments	-825	-951
Cash flow from operating activities	-917	-1,377
+ Cash inflows from disposal of property, plant and equipment	197	0
- Capital expenditure on property, plant and equipment	-189	-504
- Capital expenditure on intangible assets	8	0
+ Interest received	88	7
Cash flow from investing activities	104	497
- Cash outflows to repay borrowings	-140	-165
- Interest paid	-58	-32
Cash flow from financing activities	-198	-197
Net change in cash and cash equivalents	-1,011	-1,077
Changes in cash and cash equivalents due to changes in exchange rates and Group composition	-374	161
Cash and cash equivalents at start of period	4,098	4,708
Cash and cash equivalents at end of period	2,713	3,792

Note 9 provides information about the cash flow statement

Consolidated statement of changes in equity

EUR thousand	Subscribed share capital	Share premium	Profit / loss carried forward	Other reserves Currency translation difference	Total equity
Balance on 01/01/2017	4,151	11,642	26,751	-3,247	39,297
Consolidated net profit/loss			819		819
Other comprehensive income				-831	-831
Currency difference from translation of foreign financial statements				-587	-587
Share of other comprehensive income attributable to equity accounted investments				-244	-244
Total comprehensive income	0	0	819	-831	-12
Balance on 30/06/2017	4,151	11,642	27,570	-4,078	39,285
Balance on 01/01/2016	4,141	11,615	24,413	-3,823	36,346
Adjustments as per IAS 8			679		679
Balance on 01/01/2016 (after adjustment)	4,141	11,615	25,092	-3,823	37,025
Consolidated net profit/loss			1,606		1,606
Other comprehensive income				-247	-247
Currency difference from translation of foreign financial statements				234	234
Share of other comprehensive income attributable to equity accounted investments				-481	-481
Total comprehensive income	0	0	1,606	-247	1,359
Balance on 30/06/2016	4,141	11,615	26,698	-4,070	38,384

NOTES

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. The company is registered in the commercial register in Hamm under commercial register sheet number 5845. SMT Scharf AG is the management holding company for the companies in the SMT Scharf Group. All 4,200,000 shares of SMT Scharf AG are listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The purpose of the companies in the SMT Scharf Group is to plan, produce, sell, install and maintain machinery and equipment that transports people, equipment and materials. The Group companies’ further purpose is to hold participating interests in other entities.

General remarks on reporting

Pursuant to Section 37w (2) of the German Securities Trading Act (WpHG), this half-year financial report as of June 30, 2017 for the SMT Scharf Group comprises condensed interim consolidated financial statements and an interim Group management report. The condensed interim consolidated financial statements were prepared according to the regulations of International Financial Reporting Standards (IFRS), as applicable in the EU, for interim reporting (IAS 34). The applied accounting policies as well as the calculation methods are in accordance with those that have been applied in the IFRS consolidated financial statements as of December 31, 2016, with the exception of the modifications presented below. Income taxes were deferred on the basis of the tax rate expected for the full year. The interim Group management report was prepared in compliance with the applicable regulations of the German Securities Trading Act (WpHG). The half-year financial report was not subjected to an auditor’s review.

The interim financial statements give a true and fair view of the financial position and performance of the SMT Scharf Group for the period under review. These condensed interim consolidated financial statements do not include all disclosures that IFRS requires for consolidated financial statements, and should consequently be read in combination with the Group financial report for the financial year ending December 31, 2016, which provides a basis for these interim financial statements. Moreover, as regards significant modifications and business transactions up until June 30, 2017, please refer to the interim management report contained in this document.

The interim financial statements are presented in Euros. Unless otherwise indicated, all amounts are stated and rounded to thousands of Euros (EUR thousands).

New standards and interpretations

No accounting standards exist that require mandatory application for the first time from 1 January 2017. Please refer to the 2016 annual report for detailed information about standards to be applied in the future.

Currency translatio

The exchange rates of the most important currencies report the following changes:

1 EURO =	Closing rate		Average rate	
	30/06/2017	31/12/2016	2017	2016
Polish Zloty	4.2259	4.4103	4.2685	4.3632
South African Rand	14.9200	14.4570	14.31	16.2645
Chinese Renminbi Yuan	7.7385	7.3202	7.4418	7.3522
Russian Ruble	67.5449	64.3000	62.7349	74.1446

Consolidated group

The consolidated group reports the following changes during the period under review.

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

	Interest
SMT Scharf GmbH, Hamm, Germany	100 %
SMT Scharf Saar GmbH i.L., Neunkirchen, Germany	100 %
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %
Sareco Engineering (Pty) Ltd., Germiston, South Africa	100 %
SMT Scharf Africa (Pty) Ltd., Germiston, South Africa	100 %
Scharf Mining Machinery (Xuzhou) Co. Ltd., Xuzhou, China	100 %
TOW SMT Scharf Ukraine, Donetsk, Ukraine	100 %
SMT Scharf Sudamérica SpA, Santiago, Chile	100 %
OOO SMT Scharf, Novokuznetsk, Russian Federation *	100 %
OOO SMT Scharf Service, Novokuznetsk, Russian Federation **	100 %
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China ***	100 %
Shandong Xinsha Monorail Co. Ltd., Xintai, China ****	50 %

* of which 1.25% indirectly through SMT Scharf GmbH

** indirectly through OOO SMT Scharf

*** indirectly through SMT Scharf GmbH

**** equity accounted as 50% interest

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

	Q2/2017	Q2/2016	H1/2017	H1/2016
New equipment	5,115	1,808	8,705	6,147
Spare parts/service/other	7,495	5,883	14,452	12,940
Total	12,610	7,691	23,157	19,087
Germany	481	902	1,348	1,888
Other countries	12,129	6,789	21,809	17,199
Total	12,610	7,691	23,157	19,087

(2) Income taxes

Income taxes are composed of the following items:

	Q2/2017	Q2/2016	H1/2017	H1/2016
Current tax expense	118	119	344	530
Deferred taxes	193	-119	28	-157
Total	311	0	373	373

(3) Segment report

In line with IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this, external segment reporting is performed on the basis of the Group's internal organisation 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 segments' business performance, and is the chief operating decision maker in the meaning of IFRS 8.

As already presented for the first time in the Group financial report for the 2016 financial year, SMT Scharf AG reports on two operating segments, which are managed independently by segment boards by types of products and services, brands, sales channels and customer profiles. The previous year's figures were restated accordingly. Intersegment revenues and inputs are of minor significance, and are not reported separately.

(EUR thousand)	Coalmining		Non-coalmining		Tunnel logistics		Not allocated		SMT Scharf Group	
	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016
Revenue	18,829	15,885	4,328	3,201	-	-	-	-	23,157	19,087
Operating result (EBIT)	793	1,115	521	414	(154)	-	-	-	1,160	1,529
Profit/loss from equity accounted companies	(14)	474	-	-	-	-	-	-	(14)	474
Segment assets	51,000	49,029	4,247	4,443	152	-	3,035	2,643	58,434	56,115
Segment liabilities	17,799	17,075	1,171	532	86	-	94	803	19,150	18,410
Segment investments	175	504	6	-	-	-	-	-	181	504
Interests in equity accounted investments	3,485	3,760	-	-	-	-	-	-	3,485	3,760
Depreciation and amortisation	581	745	33	33	1	-	-	-	615	778
FTEs	275	262	31	32	2	-	-	-	308	294

Notes to the balance sheet

(4) Current assets

Securities as of June 30, 2017 include a hardship and social fund amounting to TEUR 425 (December 31, 2016: TEUR 425). This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH as well as this company's works council.

(5) Non-current assets

The SMT Scharf Group leases internally developed monorail hanging railways as a lessor. These are recognised as leased assets under property, plant and equipment. The company was leasing 6 items as of June 30, 2017.

During the first six months of 2017, no expenses were capitalised as development costs for projects that fulfil the requirements of IAS 38.

(6) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity.

As of June 30, 2017, a total of 4,150,523 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.

No dividends were paid in the first six months of 2017, as in the prior-year period.

As already in comparable periods, the company has refrained from recognising actuarial gains and losses for materiality reasons. Further changes to equity are presented in the consolidated statement of changes in equity.

The correction pursuant to IAS 8 for the 2015 financial year in the consolidated financial statements for the financial year ending December 31, 2016 led to a corresponding adjustment to equity as of January 1, 2016. For further details, please refer to the consolidated financial statements as of December 31, 2016.

Other disclosures

(7) Contingent liabilities and other financial commitments

At the end of the fiscal year under review, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 284 thousand (December 31, 2016: EUR 184 thousand).

Other financial liabilities exist that relate, in particular, to rental and lease agreements for cars and photocopiers. The leases have terms of up to five years and in some cases include extension options and escalation clauses. In 2017, the rental and lease agreements resulted in payments totalling EUR 483 thousand being recognised in other operating expenses during the first half of 2016 (previous year: EUR 254 thousand). The total nominal amount of the future minimum lease payments under operating leases and rental agreements is composed as follows:

	30/06/2017	31/12/2016
Due within one year	356	390
Due in one to five years	1,185	1,417
Due after more than five years	0	0

(8) Other disclosures about financial instruments

The measurement categories of significance for the Group include loans and receivables (LaR) and financial liabilities at amortised cost (FLAC). The following table presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments, and reconciles these with the corresponding balance sheet items. For the measurement of the financial assets and liabilities, please refer to the notes in the consolidated financial statements as of December 31, 2016.

Fair values table

30/06/2017

Balance sheet item	IAS 39 category	Carrying amount	Fair value
Non-current financial asset	LaR	0	0
Trade receivables	LaR	20,845	20,845
Other financial assets	LaR	425	425
Non-current financial liabilities	FLAC	1,173	1,176
Trade payables	FLAC	3,129	3,129
Current financial liabilities	FLAC	2,721	2,721
Total	LaR	28,293	28,296

30/12/2016

Balance sheet item	IAS 39 category	Carrying amount	Fair value
Non-current financial asset	LaR	0	0
Trade receivables	LaR	23,374	23,374
Other financial assets	LaR	425	425
Non-current financial liabilities	FLAC	1,313	1,376
Trade payables	FLAC	4,058	4,058
Current financial liabilities	FLAC	2,183	2,183
Total	LaR	31,353	31,416

Please see the 2016 annual report for information on the financial risks of the SMT Scharf Group's business. Besides this, no substantial changes occurred from January to June 2017.

(9) 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:

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. Marketable securities and current financial liabilities are not included.

(10) Supervisory and Managing Boards

During the period under review, the members of the Supervisory Board of SMT Scharf AG were:

- Michael Reich, Melbourne, VIC, Australia, CEO DSI Underground (Chairman)
- Dr. Dirk Vorsteher, Werne, management consultant, (Deputy Chairman)
- Dorothea Gattineau, Herdecke, business executive

The members of the Managing Board of SMT Scharf AG in the reporting period were:

- Hans Joachim Theiss (Chairman/CEO)
- Wolfgang Embert
- Rolf Ferdinand Oberhaus

As of June 30, 2017, Mr. Reich held 6,000 shares in the company, and Mr. Theiss held 10,000 shares in the company.

(11) Related party disclosures

For the SMT Scharf Group, the Managing and Supervisory boards and companies under joint management by the SMT Scharf Group are regarded as related companies and parties pursuant to IAS 24. No significant new types of transactions with related companies and parties were realised in 2017. In the period from January 1 to June 30, 2017, revenue of TEUR 586 (previous year: TEUR 454) was realised with companies under joint management. Above and beyond this, compensation for the Managing and Supervisory boards is expensed.

(12) Estimates

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. No adjustments arose due to the modified estimates or assumptions.

(13) Events after the balance sheet date

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

Responsibility statement

We assure that, to the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial reporting on the consolidated half-year financial statements gives a true and fair view of the Group's financial position and performance, and the interim Group management report presents the Group's business including its results and the Group's position such as to provide a true and fair view, and describes the major opportunities and risks pertaining to Group's anticipated growth and development in the remaining part of the fiscal year.

Hans Joachim Theiss

Rolf Ferdinand Oberhaus

Wolfgang Embert

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