



# 9-MONTH REPORT 2018



## KEY SHARE DATA

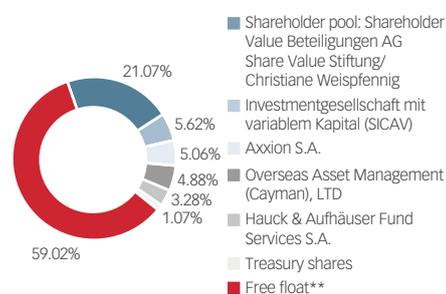
Ticker / ISIN	S4A / DE0005751986
Number of shares (including 49,477 treasury shares)	4,620,000
Closing price (28/09/2018)*	14.80 EUR
Price high/low*	17.70 EUR / 14.80 EUR
Share price performance (LTM on 30/09/2018)	14.6%
SDAX performance (LTM on 30/09/2018)	-1.0%
Peer group-portfolio performance (LTM on 30/09/2018)	-20.0%
Market capitalisation excluding treasury shares (30/09/2018)	67,644 TEUR

\* Closing prices on the Xetra trading system of Deutsche Börse AG

## SHARE PRICE CHART



## SHAREHOLDER STRUCTURE\*



\* Interests held based on number of shares declared in the last-submitted voting rights notification.

\*\* Shareholders with interests below 3 % are included in the free float (exception: Treasury shares).

## FINANCIAL CALENDAR

26/ to 28/11/2018	German Equity Capital Forum 2018
31/12/2018	Fiscal year-end

## LETTER TO SHAREHOLDERS

Dear shareholders,

SMT Scharf AG continued to report a positive business trend in the third quarter. During the first nine months of the current fiscal year, we have increased consolidated revenue by 33.8 % to EUR 47.1 million, compared with EUR 35.2 million in the prior year period. In the third quarter alone, growth even amounted to 57.2 % to reach a level of EUR 18.9 million. This performance shows that we are successfully implementing our strategy and making the right adjustments to our business.

We generated EUR 3.6 million of profit from operating activities (EBIT) during the first nine months of 2018, whereby the third quarter proved significantly weaker with EUR 0.5 million of EBIT. This reduction in EBIT reflects, firstly, the marked increase in cost of materials in line with revenue growth. Both the cost of materials as well as inventories have risen tangibly compared with the previous year's reporting date. Firstly, this is attributable to an increase in orders processed and sales revenue volumes. Secondly, due to factors relating to the reporting date, it includes materials and already processed orders that we will deliver to customers in the future. Furthermore, results were affected by the acquisition of strategic projects, in order to gain further market shares as well as projects for the high-margin after-sales business.

China certainly proved to be a revenue driver in the reporting period. The country has reconfirmed its position as the most important foreign market for SMT Scharf with a share of revenue of 35 percent, amounting to EUR 15.8 million. The growth is chiefly attributable to rising demand for conventional monorail transport systems. Here, we are benefiting from our established coal logistics business in the Chinese market. Basically, we note that many mine operators are interested in innovative underground mining technology and aim to sustainably modernise their plants.

We are monitoring market trends and leveraging our broad expertise in order to further develop transportation concepts based on our core competencies, and to create individual solutions for our customers.

In the Non-Coal segment, which now also includes the newly acquired Canadian mining company RDH Mining Equipment, we grew revenue to EUR 11.5 million in the reporting period. We have already successfully mastered RDH's financial and sales integration, enabling us to include RDH in the consolidation scope as of the second quarter. We have also started with the time consuming technical integration of this company, which will prospectively continue until the end of 2019.

Given the aforementioned developments, we are progressing with confidence through the fourth quarter. For the full 2018 fiscal year, we continue to anticipate consolidated revenue in a range between EUR 58 million and EUR 62 million and EBIT in a range between EUR 4.5 million and EUR 5.5 million.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence you have invested in us, and we would be pleased to continue our cooperation into the future.

Kind regards

Hans Joachim Theiss

Wolfgang Embert

## SUMMARY OF KEY DATA

		2016	2017	9M/2017	9M/2018
Revenue	TEUR	42,565	52,131	35,192	47,056
Total operating revenue	TEUR	42,241	53,114	37,268	49,003
EBIT	TEUR	2,473	4,554	3,932	3,600
EBIT margin on total operating revenue	%	5.9	8.6	10.6	7.35
Group net profit	TEUR	1,873	3,982	3,698	3,751
Equity	TEUR	39,297	48,709	41,780	51,191
Equity ratio	%	66.1	67.0	68.5	60.9
FTEs (fulltime employees)	on the reporting date	308	317	318	389

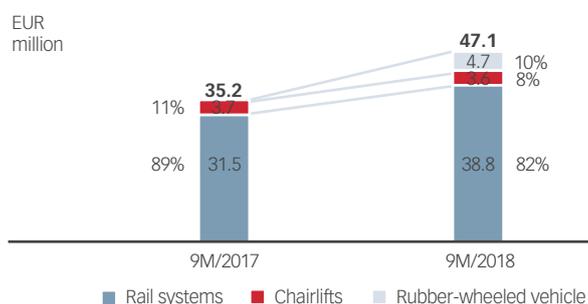
## BUSINESS TRENDS

During the first nine months of the 2018 fiscal year, the SMT Scharf Group reported a significant year-on-year increase in its consolidated revenue of 33.8 % to EUR 47.1 million (9M/2017: EUR 35.2 million). When viewing the third quarter of 2018 in isolation, revenue stood at EUR 18.9 million. As a consequence, it increased at a faster rate of 57.5 % compared with the previous quarter's revenue (Q3/2017: EUR 12.0 million). This revenue growth is attributable to the successful implementation of the strategic measures as well as an overall pickup in demand in important core markets of SMT Scharf, especially in China, although also in Russia and Poland.

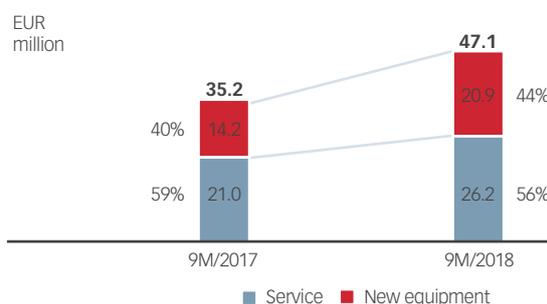
Based on the higher revenue level, the relative significance of foreign business increased further in the reporting period, reflecting the continued revenue decline to EUR 1.3 million in the home market of Germany (9M/2017: EUR 2.0 million). The share of revenue amounted to 97 % accordingly (9M/2017 94 %). The revenue growth in the new systems business mainly reflects the growth in the Rail Systems area. The revenue share in the Rubber Wheeled Vehicles area, which was newly added last February with the acquisition of RDH Mining Equipment, amounted to 10 %. Overall, a 44 % revenue share was attributable to the new systems business in the reporting period thanks to the aforementioned effects (Q3/2017: 40 %). Total operating revenue (consolidated revenue plus changes in inventories and work in progress) in the third quarter of 2018 amounted to EUR 18.8 million (Q3/2017: EUR 12.5 million). In a comparison of the first nine months of year, total operating revenue was 31.5 % higher at EUR 49.0 million (Q3/2017: EUR 37.3 million). Other operating income reduced by 8.1 % year-on-year to EUR 2.9 million during the first nine months of 2018 (9M/2017: EUR 3.1 million). This decrease is mainly attributable to a lower net balance of currency gains. Other operating expenses of EUR 7.6 million were 8.6 % above the corresponding previous-year level (9M/2017: EUR 7.0 million).

In terms of the first nine months of the current fiscal year, the cost of materials has risen by 42.3 % to EUR 28.3 million, in line with the strong revenue growth (9M/2017: EUR 19.9 million). The cost of materials ratio (in relation to total operating revenue) stood at 57.7 % accordingly (9M/2017: 53.3 %). By contrast, personnel expenses amounted to EUR 11.3 million, representing a 29.9 % year-on-year increase (9M/2017: EUR 8.7 million). The personnel expense ratio (based on total operating revenue) stood at 23.1 % accordingly, which represents an almost unchanged level (9M/2017: 23.3 %). During the first nine months of 2018, SMT Scharf achieved EBIT of EUR 3.6 million, which is down by 8.4 % compared with the previous year's level (9M/2017: EUR 3.9 million). This reduction in EBIT reflects, firstly, the marked increase in cost of materials in line with revenue growth. Furthermore, results were affected by the acquisition of strategic projects, in order to gain further market shares as well as projects for the high-margin after-sales business. By contrast, the consolidated financial result on a nine-month view of EUR 0.6 million was significantly higher than in the previous year (9M/2017: EUR 0.3 million). This reflected correspondingly higher profits from subsidiaries. As of the September 30, 2018 reporting date for the period, the number of employees rose to 389 (prior-year period: 318). This increase is due not only to hiring at the Group headquarters in Hamm, but also the consolidation of the subsidiary RDH Mining Equipment, which was acquired in the first quarter of 2018.

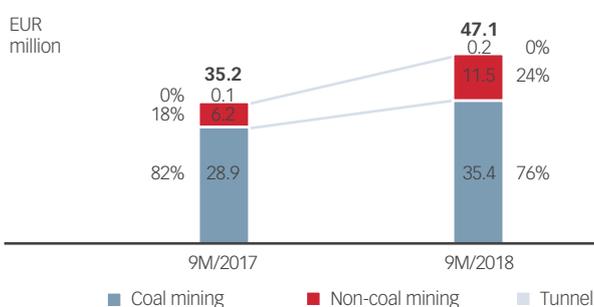
## Revenue by product



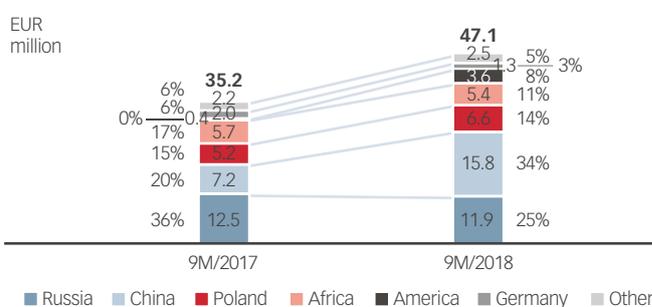
## Revenue by type



## Revenue by segment



## Revenue by region



## ECONOMIC AND BUSINESS REPORT

### Group revenue



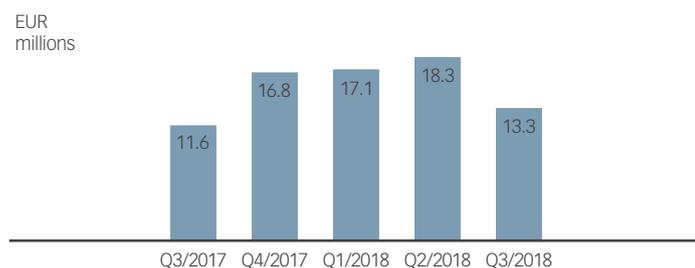
- Year-on-year increase in consolidated revenue of 57.2 % in the third quarter of 2018 to EUR 18,924 thousand, with a 33.8 % rise in the third a nine-month period to EUR 47,056 thousand
- Last twelve months' (LTM) rolling consolidated revenue of EUR 63,994 million as of September 30, 2018 reporting date

### Operating result (EBIT)



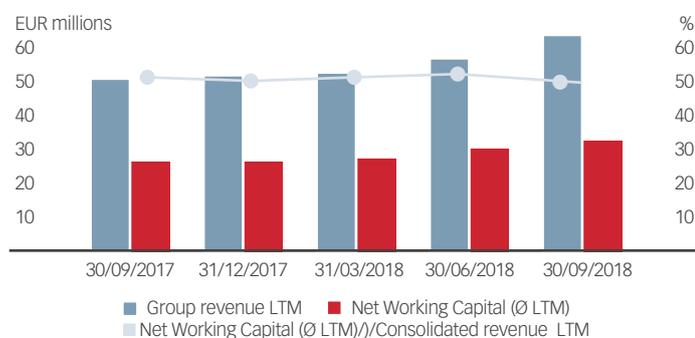
- EBIT of TEUR 549 in third quarter of 2018 (Q3/2017 EUR 2,772 thousand), and continued positive at EUR 3,600 thousand after nine months of 2018
- EBIT margin (in relation to total operating revenue) at 2.9 % in the third quarter of 2018 (Q3/2017: 22.2 %), and at 7.4 % after first nine months of 2018 (9M/2017 10.6 %)
- Last twelve months' (LTM) rolling EBIT of EUR 4.3 million as of the September 30, 2018 reporting date

## New order intake



- New order intake up 14.7 % year-on-year in third quarter of 2018, with a 40.5 % rise in the nine-month period to EUR 48,787 thousand (9M/2017 EUR 34,731 thousand)
- Order book position as of September 30, 2018 at EUR 16,954 thousand (September 30, 2017: EUR 15,339 thousand)

## Net Working Capital (Ø LTM) / Consolidated revenue LTM



- Net working capital defined as the sum of inventories, trade receivables and other assets, less current provisions, trade payables, current bank borrowings and other liabilities and advance payments as of the respective reporting date
- Average net working capital of EUR 32,709 thousand for the last twelve months as of the September 30, 2018 reporting date (LTM, calculated from quarterly figures) in relationship to the last twelve months' until the September 30, 2018 balance sheet date (LTM) rolling consolidated revenue as of the reporting date of EUR 63,994 thousand, equivalent to net working capital intensity of 51.1 %.

## OUTLOOK

For the year's remaining fourth quarter, the Managing Board expects a continuation of the positive revenue and earnings trends of the first nine months of 2018. For the 2018 fiscal year, the Managing Board anticipates consolidated revenue in a range between EUR 58 million and EUR 62 million. Furthermore, it continues to forecast 2018 EBIT in a range between EUR 4.5 million and EUR 5.5 million.

## IFRS NINE-MONTH FINANCIAL STATEMENTS

EUR thousand	30/09/2018	30/09/2017	31/12/2017
<b>Assets</b>			
Intangible assets	4,824	1,938	3,051
Property, plant and equipment	6,458	4,836	5,397
Equity accounted investments	5,235	3,690	4,127
Deferred tax assets	3,495	3,236	3,092
Non-current lease receivables	614	741	580
Other non-current non-financial assets	45	87	86
<b>Non-current assets</b>	<b>20,671</b>	<b>14,528</b>	<b>16,333</b>
Inventories	31,902	17,175	15,100
Trade receivables	20,656	20,194	24,654
Current lease receivables	807	970	1,011
Other current non-financial assets	2,748	2,133	1,906
Other current non-financial assets	328	425	377
Cash and cash equivalents	6,751	5,543	12,886
<b>Current assets</b>	<b>63,192</b>	<b>46,440</b>	<b>55,934</b>
<b>Total assets</b>	<b>83,863</b>	<b>60,968</b>	<b>72,267</b>

EUR thousand	30/09/2018	30/09/2017	31/12/2017
<b>Equity and liabilities</b>			
Subscribed share capital	4,571	4,151	4,571
Share premium	16,597	11,642	16,597
Profit brought forward	34,304	30,449	30,552
Other reserves	-4,280	-4,462	-3,011
<b>Equity</b>	<b>51,191</b>	<b>41,780</b>	<b>48,709</b>
Provisions for pensions	3,341	3,602	3,285
Other non-current provisions	254	309	318
Deferred tax liabilities	818	-22	452
Advance payments received	0	0	248
Lease liabilities	146	0	198
Non-current financial liabilities	8,850	1,103	1,489
<b>Non-current provisions and liabilities</b>	<b>13,409</b>	<b>4,992</b>	<b>5,990</b>
Current income tax	0	1,336	1,104
Other current provisions	4,455	3,903	4,221
Advance payments received	910	582	407
Trade payables	5,918	4,288	5,410
Lease liabilities	92	103	72
Current financial liabilities	7,198	3,104	5,045
Other current non-financial liabilities	690	14,093	1,307
<b>Current provisions and liabilities</b>	<b>19,263</b>	<b>14,196</b>	<b>17,568</b>
<b>Total assets</b>	<b>83,863</b>	<b>60,968</b>	<b>72,267</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Q3/2018	Q3/2017	9M/2018	9M/2017
Revenue	18,924	12,035	47,056	35,192
Changes in inventories	-147	464	1,947	2,076
Total operating revenue	18,777	12,499	49,003	37,268
Other operating income	491	1,306	2,861	3,114
Cost of materials	12,024	6,431	28,262	19,855
Personnel expenses	3,513	2,297	11,298	8,693
Depreciation, amortisation and impairment losses	391	293	1,096	908
Other operating expenses	2,791	2,012	7,608	6,994
<b>Profit from operating activities (EBIT)</b>	<b>549</b>	<b>2,772</b>	<b>3,600</b>	<b>3,932</b>
Result from equity accounted investments	194	219	720	205
Interest income	58	60	196	155
Interest expenses	155	35	340	84
<b>Financial result</b>	<b>97</b>	<b>244</b>	<b>576</b>	<b>276</b>
<b>Profit before tax</b>	<b>646</b>	<b>3,016</b>	<b>4,176</b>	<b>4,208</b>
Income taxes	-16	137	425	510
<b>Group net profit</b>	<b>662</b>	<b>2,879</b>	<b>3,751</b>	<b>3,698</b>
Other comprehensive income items recycled later to profit or loss				
Currency difference from translation of foreign subsidiaries	-735	-358	-1,148	-945
Share of other comprehensive income attributable to equity accounted investments	61	-26	-121	-270
Other comprehensive income	-674	-384	-1,269	-1,215
<b>Total comprehensive income</b>	<b>-12</b>	<b>2,495</b>	<b>2,482</b>	<b>2,483</b>
<b>Earnings per share</b>				
Undiluted (basic)	0,14	0,69	0,82	0,89
Diluted	0,14	0,69	0,82	0,89
Average number of shares	4,570,523	4,150,523	4,570,523	4,150,523

## CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	9M/2018	9M/2017
Consolidated net profit	3,751	3,698
– Result from equity accounted investments	-720	-205
+ Depreciation and amortisation of non-current assets	1,096	908
+/- Increase/decrease in provisions	185	-1,233
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	-7,986	-3,829
+/- Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	-1,851	915
-/+ Gain/loss on disposal of non-current assets	0	10
+/- Interest expenses / interest income	143	-71
+/- Income tax expense	425	886
-/+ Income tax payments	-1,940	-854
<b>Cash flow from operating activities</b>	<b>-6,897</b>	<b>225</b>
+ Cash inflows from disposal of property, plant and equipment	0	291
– Cash outflows for additions to the consolidation scope	-4,580	0
– Cash outflows from investments in financial assets	-508	0
– Capital expenditure on property, plant and equipment	-923	-1,212
– Capital expenditure on intangible assets	-633	-602
+ Interest received	129	148
<b>Cash flow from investing activities</b>	<b>-6,515</b>	<b>-1,375</b>
+ Cash inflows from the drawing down of loans	8,001	0
– Cash outflows to repay borrowings	-713	0
– Cash outflows for finance lease liabilities	-379	0
– Interest paid	-425	-117
<b>Cash flow from financing activities</b>	<b>6,484</b>	<b>-327</b>
<b>Net change in cash and cash equivalents</b>	<b>-6,928</b>	<b>-1,477</b>
Changes in cash and cash equivalents due to changes in exchange rates and Group composition	-389	-607
Cash and cash equivalents at start of period	7,841	4,098
<b>Cash and cash equivalents at end of period</b>	<b>524</b>	<b>2,014</b>

## SELECTED NOTES TO THE FINANCIAL STATEMENTS

Inventories are composed as follows:

EUR thousand	30/09/2018	31/12/2017
Raw materials, consumables and supplies	18,857	3,049
Work in progress	10,353	9,628
Finished goods and merchandise	2,692	4,498
Carrying amount	31,902	17,175

### Segment report

The business of the SMT Scharf Group is divided into three operating segments. 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	
	9M/2018	9M/2017	9M/2018	9M/2017	9M/2018	9M/2017	9M/2018	9M/2017	9M/2018	9M/2017
Revenue	35,386	28,922	11,426	6,216	243	54	-	-	47,056	35,192
Operating result (EBIT)	3,234	3,266	458	854	(92)	(188)	-	-	3,600	3,932
Earnings from equity accounted investments	720	205	-	-	-	-	-	-	720	205
Segment assets	69,547	53,085	10,820	4,485	204	163	3,495	3,236	84,066	60,969
Segment liabilities	26,946	18,158	5,055	1,004	56	48	818	(22)	32,875	19,188
Segment investments	1,392	1,696	2,528	13	-	2	-	-	3,920	1,711
Interests in equity accounted investments	5,235	3,690	-	-	-	-	-	-	5,235	3,690
Depreciation and amortisation	977	862	112	45	7	1	-	-	1,096	908
FTEs	306	284	80	31	3	3	-	-	389	318

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## IMPRINT

### Imprint

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### Concept, editing, layout & typesetting

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The Report of the third quarter is also available in English. In case of differences the German version prevails. The digital version of the Annual Report and the Interim Reports can be downloaded at [www.smtscharf.com](http://www.smtscharf.com) in the category "Investor Relations / Publications".