

SMT Scharf AG

Annual financial report 2021

Contents

Management report

Annual financial statements

Balance sheet

Income statement

Notes to the consolidated financial statements

Report of the Supervisory Board

Certificate of the independent auditor

Management report for the 2021 fiscal year

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

- **Business areas:** The SMT Scharf Group's core product continues to comprise captivated railway systems that are deployed in underground mining. These systems are technically capable of transporting personnel and materials up to 45 tonnes on gradients of up to 35 degrees. As an ancillary product, SMT Scharf offers chairlifts for the mining industry. The product range also includes the development and installation of open-air rail and cable management systems, including for energy supplies to machines, for example. In addition, SMT Scharf has a portfolio of rubber-tyred vehicles and is positioning itself as an integrated system provider in the area of underground logistics. The establishment of the Tunnel Logistics business segment also forms part of this process. This additional pillar promises additional sales potential in the upcoming years.
SMT Scharf commands in-house electronics and controls expertise via its subsidiary ser elektronik GmbH, Möhnese. The systems – which are integrated into SMT Scharf's transport solutions for coal and mineral mining – are manufactured in-house. In addition, ser elektronik develops customer-specific solutions for various industries, including the food industry and medical technology. Business outside the scope of underground mining and tunnel logistics is reported within the Other Industries segment.
- **Type of business:** The production and installation of new equipment forms the core of the operating activities. SMT Scharf also concentrates on downstream services. The offerings include the provision of spare parts, maintenance, repairs or maintenance and servicing work. SMT Scharf occasionally acts as a railway operator in response to customer demand.
- **Customer groups:** SMT Scharf products are deployed mainly in hard coal mining (the Coal Mining segment), as well as increasingly in producing gold, platinum, copper, nickel and salts (aggregated within the Mineral Mining segment). In the Tunnel Logistics business segment, companies from the tunnel construction sector represent a relevant customer group. Through the business of ser elektronik, companies from various sectors in the Other Industries segment also include potential customer groups that require electronic control systems for their machines.
- **Regions:** SMT Scharf sells its own products in its main markets through subsidiaries located in the world's most important mining nations. These include especially the foreign markets in Russia, Poland, China and South Africa. In addition, SMT Scharf also operates in South America with its own sales subsidiary in Chile and in North America via a further subsidiary in North America. The Group's subsidiary ser elektronik also supplies customers in Switzerland, some of which were not previously part of the SMT Scharf Group's sales regions. The German domestic mining market plays only a minor role nowadays. In smaller markets, SMT Scharf works together with dealers or agents.

The International Monetary Fund (IMF) estimates that global economic growth amounted to 5.9 % in 2021 (2020: -3.1 %). As a consequence, the economy recovered faster than expected from the record-breaking slump in 2020. Policies to combat the coronavirus pandemic had led to a global recession in 2020.

The economic recovery in 2021 was slowed by renewed virus outbreaks and supply bottlenecks. While industrialised nations' economies are expected to have largely recovered by 2024, the IMF forecasts that economic growth in developing and emerging countries, excluding China, will fall 5.5 % short of pre-pandemic estimates. In particular, the spread of new virus variants is causing great uncertainty about how quickly the pandemic can be overcome.

With a forecast growth rate of 8.1 % for 2021, China recovered comparatively quickly from the consequences of the coronavirus pandemic. Owing to its zero Covid policy, China recorded significantly fewer coronavirus cases in 2021, which had a positive impact on the economy. The labour market and private consumption recovered and gradually reached pre-crisis levels. International trade in goods trended upwards by around 30 %. China benefited from the rapid recovery of the global economy and higher demand from abroad.

Russia's economy staged a significant recovery in 2021, growing by 4.5 %, and is expected to expand by 2.8 % in 2022. Investment activity and private spending posted dynamic growth, particularly in the first half of the year. However, capacity bottlenecks and supply disruptions dampened the rate of economic expansion. Industrial production recorded strong growth at the end of the year despite a renewed coronavirus wave. The rapid increase in the prices of oil, natural gas and other raw materials favoured the rapid recovery of the Russian economy. Political conflicts and sanctions, by contrast, are increasingly complicating economic relations and leading to uncertainty.

Poland's GDP is forecast to exceed pre-pandemic levels by as early as the first half of 2021. With regard to 2021 as a whole, the IMF expects economic growth of 5.1 %, driven by a recovery in private consumption and higher exports. The disbursement of EU funds contributed significantly to growth.

In South Africa, strong exports and increased consumer spending by private households resulted in dynamic economic growth of 4.6 % in 2021. Consumer spending growth was boosted by state benefits, but weakened when the unemployment rate reached record levels towards the end of the year. Social unrest in July led to a downturn in economic growth in South Africa. Meanwhile, the novel virus variant omicron is delaying the recovery of the tourism industry. Looking ahead, the economy is forecast to flatten out, with the IMF forecasting growth of a mere 1.9 % for 2022.

The four aforementioned countries represent SMT Scharf's most important sales markets. Together, the customers that are situated there regularly account for more than 85 % of Group sales.

GDP growth in the most important sales markets* (in %)	2021	2020
World	5.9	-3.5
China	8.1	2.3
Poland**	5.1	-2.7
Russia	4.5	-3.0
South Africa	4.6	-6.4

*IMF World Economic Outlook Update, January 2022; **IMF World Economic Outlook, October 2021

SMT Scharf limits the impact of foreign exchange risks through the partial relocation of production and purchasing processes to the company's sales markets. Most new plants and systems are still built in Germany, however. In addition, SMT Scharf has adapted its organisation to these influences and reduced the costs incurred by exchange rate effects in the reporting period by using hedging transactions. By contrast with the previous year, which saw strong pandemic-related fluctuations in currencies, the four key currencies for SMT Scharf AG were stable in 2021.

Exchange rate changes in the most important sales markets of SMT Scharf AG* (in %)	2021	2020
Yuan Renminbi (China) / Euro	+9.5	+2.6
Zloty (Poland) / Euro	-1.0	+7.1
Rouble (Russia) / Euro	+5.6	+30.7
Rand (South Africa) / Euro	-0.1	+14.2

*Source: European Central Bank, change during the year

As in the previous year, the Euro continued to appreciate against the Chinese Renminbi. With an increase of 9.5 %, the European currency gained significantly more purchasing power than in 2020. The Polish Zloty appreciated by 1.09 % against the Euro after having lost purchasing power in 2020. The Rouble's sharp depreciation in the previous year slowed in 2021, but it nevertheless fell by 5.6 % against the Euro. The South African Rand also fluctuated less than in the previous year and appreciated by 0.14 % against the Euro.

Management and control 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 and in discussions with the Supervisory Board. Reporting is by subsidiary, and comprises 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 stable or a further uptrend in raw materials prices.

Financial performance indicators:

Key indicator	Calculation method	Target (medium-term, 3–5 years)
Key income statement figures		
Consolidated revenue growth (organic and inorganic)	(Consolidated revenue in reporting year / Consolidated revenue in previous year) - 1	>5 %
Tunnel revenue share	Tunnel segment revenue / Consolidated revenue	>10 %
EBIT margin	Earnings before interest and tax (EBIT) / Total operating revenue	>10 %
Cost of materials ratio	Cost of materials / Total operating revenue	~50 %
Key balance sheet indicators		
Net working capital	Annual average current assets - Annual average liquid assets - Annual average current liabilities (excluding current financial liabilities)	EUR 20 million
Equity ratio	Total assets	>=30 %

(on the reporting date)

Key efficiency figures

Net working capital intensity	Net working capital / Consolidated revenue	<50 %
Days of sales outstanding	Number of days in reporting year * (annual average trade receivables / Consolidated revenue)	<150 days

Non-financial performance indicators:

Key indicator	Calculation method	Target (medium-term, 3- 5 years)
Employee numbers		
Employee turnover	Employee-related departures (FTEs) / Annual average number of employees (FTEs)	<10 %
Sickness rate	Number of workdays lost due to sickness / Budgeted working days	5 %

Supervisory Board:

At the Ordinary Annual General Meeting in May 2021, which was held in virtual form, all items on the agenda were approved by a large majority. The Management and Supervisory boards were discharged for the 2020 fiscal year by a large majority at the AGM.

Personnel:

SMT Scharf AG does not have its own operating business. It is the management holding company for companies in SMT Scharf Group. In the year under review, the Managing Board of SMT Scharf AG had two members and one Chair (CEO). In addition to the two members of the Managing Board, five other employment relationships exist (previous year: 5).

Net assets, results of operations and financial position

Equity and particular legal relationships

On December 31, 2021, 5,471,979 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par value shares with a notional value of EUR 1 per share (previous year: 4,570,523). All shares have been fully paid in and grant the holders the same rights.

The company's Managing Board and, to the extent that Managing Board members are beneficiaries, the Supervisory Board were authorised by the 2021 Annual General Meeting until May 26, 2026 ("Purchase Period") to grant to members of the company's Managing Board, members of the management of subsidiaries, the company's employees and the subsidiaries' employees a total of up to 462,000 options for a total of up to 462,000 shares of the company with full dividend entitlement for the financial year current when the option is exercised.

The company's share capital was also conditionally increased by up to EUR 462,000.00 by issuing up to 462,000 new no-par value bearer shares (Conditional Capital 2021). Conditional Capital 2021 serves to secure subscription rights from stock options that can be issued by the company until May 26, 2026 on the basis of the authorisation granted by the company's Annual General Meeting on May 27, 2021. Conditional Capital 2021 serves to secure subscription

rights from stock options that can be issued by the company until May 26, 2026 on the basis of the authorisation granted by the company's Annual General Meeting on May 27, 2021.

Furthermore, the Managing Board was authorised by the 2021 Annual General Meeting, with the approval of the Supervisory Board, to issue bearer convertible bonds and/or bonds with warrants or profit participation rights (collectively "bonds") with or without a limited term against cash and/or non-cash capital contributions on one or more occasions until May 26, 2026 for a total nominal amount of up to EUR 46,200,000.00 and to grant the holders or creditors of bonds conversion or warrant rights (including with conversion or subscription obligations) to no-par value bearer shares in the company with a pro rata amount of the share capital of up to EUR 1,848,000.00 in total in accordance with the terms and conditions of the convertible bonds or bonds with warrants.

The company still held a total of 49,477 of these shares as of the end of the year under review (0.90 % of the share capital).

The company is subject to general statutory restrictions on voting rights, in particular resulting from the German Stock Corporation Act (AktG) and the German Securities Trading Act (WpHG). The Managing Board is not aware of any restrictions on voting rights above and beyond the aforementioned, including any restrictions that could arise from agreements between shareholders. In addition, the Managing Board is not aware of any restrictions relating to the transfer of the company's shares, including any restrictions resulting from agreements between shareholders.

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

Pursuant to section 8 of the articles of incorporation, the company's Managing Board comprises one or several members, including in the event that the share capital exceeds EUR 3.0 million, whereby the Supervisory Board determines the number of members of the Managing Board, and can appoint a Chair (CEO) as well as a Deputy Chair (Deputy CEO) of the Managing Board, and also deputy Managing Board members. In all other respects, the statutory regulations apply to the appointment and discharge of Managing Board members. The company has not concluded any key agreements that are subject to the condition of a change in control as a result of an acquisition offer.

Pursuant to section 8 of the articles of incorporation, the company's Managing Board comprises one or several members, including in the event that the share capital exceeds EUR 3.0 million, whereby the Supervisory Board determines the number of members of the Managing Board, and can appoint a Chair (CEO) as well as a Deputy Chair (Deputy CEO) of the Managing Board, and also deputy Managing Board members. In all other respects, the statutory regulations apply to the appointment and discharge of Managing Board members. The company has not concluded any key agreements that are subject to the condition of a change in control as a result of an acquisition offer.

Net assets:

The subscribed share capital of SMT Scharf AG amounts to EUR 5,521 thousand. At the end of the reporting period, EUR 49 thousand was attributable to treasury shares, as a consequence of which the amount carried on the balance sheet stood at EUR 5,472 thousand. To this is added the share premium account in an amount of EUR 24,474 thousand. Equity, including the net profit for the year, as well as treasury shares amounts to EUR 34,060 thousand as of December 31, 2021 (previous year: EUR 21,879 thousand). This corresponds to 77 % of total assets (previous year: 63 %). Assets primarily comprise participating interests in, and receivables due from, companies in the SMT Scharf Group. On the liabilities side, liabilities to banks amount to EUR 3,937 thousand. The decrease from EUR 6,048 thousand to EUR 3,937 thousand is mainly due to loan repayments. The increase in other provisions reflects lower personnel provisions owing to the higher level of personnel provisions owing to the current earnings situation.

Results of operations:

SMT Scharf AG achieved earnings of EUR 4,060 thousand in 2021 (previous year: loss of EUR -4,888 thousand).

Financial position:

Cash and cash equivalents rose to EUR 518 thousand (previous year: EUR 1 thousand). The company's financial management aims to secure financial flexibility and achieve capital cost optimisation. The company was able to meet its financial obligations at all times.

The company has assumed secondary liability to banks for EUR 29 million of its subsidiaries' credit lines. The risk of a claim is considered to be very low.

SMT Scharf's stable asset and financial situation means that it is well positioned to face further challenges in the coming fiscal years.

Risk report

SMT Scharf operates a **risk management system (RMS)** that is fully integrated into the company's planning, management and control processes. As a consequence, the RMS forms a central element of value-oriented corporate management, and serves to secure existing and future success and profitability potentials in a targeted manner. The risk management system is aimed at the early identification of opportunities and risks for the purpose of initiating appropriate precautionary and securing measures without delay which are then subject to ongoing monitoring.

Risk management is based mainly on internal regulations set out in the form of guidelines and implemented in the process of corporate management and supervision. Key elements in this process include strategic and operational forecasting, the preparation of weekly, monthly and quarterly reports for the Managing Board, and preparing for investment decisions. Ongoing reporting serves the purpose of business performance management Groupwide as well as ongoing monitoring and communication about opportunities and risks. Risks arising short-term are communicated immediately and by direct routes to those organisational units responsible for the early identification, management and communication of the respective risks. Risk management officers within these organisational units have the task of coordinating the risk measures and ensuring risk communication to the relevant higher levels.

The **Internal Controlling System (ICS)** forms an integral element of risk management at SMT Scharf. The main objective of the ICS is to ensure that all business transactions are accurately reflected in the reporting. This is intended to prevent deviations from internal or external regulations. In terms of external financial accounting and reporting, this primarily entails ensuring financial statements conform to applicable accounting standards. To this end, the internal controlling system and risk management function is organised in line with accounting units. Standard financial accounting regulations are applied within the SMT Scharf Group, and compliance with these regulations is monitored on an ongoing basis. In some cases, recourse is made to external specialists to manage specific accounting risks, such as in the case of actuarial valuations.

A **Compliance Management System (CMS)** has been successfully installed in the company. This is intended to detect and prevent potential rule violations in good time. The CMS is instrumental in uniformly defining appropriate responses to compliance issues for all group companies and of communicating these issues. SMT Scharf has appointed an external compliance officer to monitor compliance management within the Group.

The **primary risks** for SMT Scharf AG relate to changes in the underlying legal framework in the countries where it operates through its subsidiaries. Capital controls, changes in disposal rights for equity interests or tax law can negatively affect the possibility to control the companies in SMT Scharf Group. Changes of government, changes in mine ownership structures or other factors can have a major impact on subsidiaries' earnings. The Managing Board counters these risks by constantly monitoring the markets and their underlying political conditions. SMT Scharf AG currently only deploys financial instruments to invest liquid funds on a short-term basis and to hedge against exchange-rate risks; as a result no material risks from the deployment of financial instruments exist.

SMT Scharf's business success and performance depends partly on the extent to which the company is able to retain highly qualified technical and managerial staff, and acquire further suitable employees – especially given further hiring in foreign markets. Wage increases and increases in incidental personnel expenses can lead to cost increases which SMT Scharf is unable to pass on through prices. SMT Scharf reduces such risks through production rationalisation measures.

SMT Scharf manages internal liquidity through central liquidity management. This system ensures that the funds required to finance its ongoing operating business and current and future investments in all of the Group companies are available on time, and in local currency. Given

positive operating cash flow, no liquidity risks exist, as sufficient existing bank deposits as well as lending and guarantee lines are available. SMT Scharf invests free liquid funds so they are available short-term and generate relatively secure returns. Working together with several banks aims to limit default risks.

SMT Scharf is exposed to currency and default risks through its business activities. The Group counters such risks by deploying appropriate hedging instruments. This includes deploying forward currency transactions and options for the purpose of hedging open positions denominated in foreign currencies. The risk of higher product prices on foreign markets due to a strong Euro is weakened by a rising foreign proportion of purchased components. A total of 67.1 % of the workforce of SMT Scharf was employed outside the Eurozone as of the December 31, 2021 reporting date, thereby reducing the risk of higher personnel costs due to exchange rate effects.

Report on opportunities

Positive effects of strategic measures

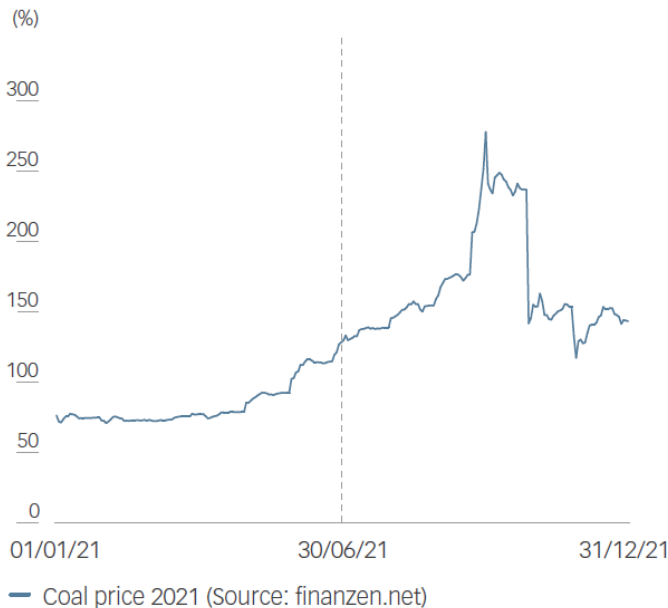
The extensive list of measures contained in the three strategic action areas of “Organic Growth”, “External Growth” and “Operative Excellence” aims to make SMT Scharf even more productive and more competitive overall. It enables SMT Scharf to benefit from the growth opportunities in the mining industry. SMT Scharf is tapping new markets and customer groups through further developing the company to become a system supplier of logistics solutions in underground mining and for tunnel construction sites. In addition to its core business, SMT Scharf continuously examines the extent to which the company can enter new application areas outside mining with emission-free transport solutions. As electrically powered vehicles have a significantly better net ecological impact than combustion vehicles, they are increasingly becoming the focus in many sectors and deployment areas. This can lead to additional revenue potential.

Global economic growth and energy prices

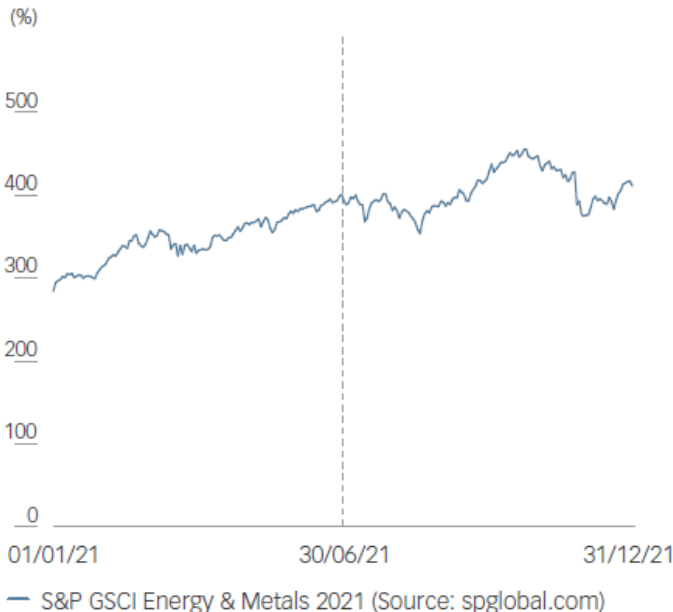
In the medium term, the growth that is forecast for the global economy will further boost demand for relevant raw materials and energy. Following the end of the last supercycle and subsequent trough, commodity prices returned to elevated levels in 2021, although the price of coal levelled off again at the end of 2021. SMT Scharf expects commodity prices to remain at an elevated level, leading to incentives for mining. It is also expected that mining companies will now proceed again with investments in mine infrastructure that were initially postponed or cancelled in light of the pandemic. This should have a correspondingly positive effect on demand for mining equipment in the medium and long term, and thereby lead to good growth prospects for the SMT Scharf Group. In the short term, geopolitical tensions in Eastern Europe could have a negative impact on global economic growth and correspondingly dampen activity in the global mining equipment market.

Following a significant increase in global economic output in 2021, positive growth is also expected in 2022. However, due to geopolitical tensions in Eastern Europe, global economic growth could deteriorate noticeably in 2022, with the result that the IMF has already announced a reduction in the global growth forecast for April.

Coal price 2021 (in US dollars)



S&P GSCI Energy & Metals 2021 (in US dollars)



Rising demand for raw materials worldwide

The ongoing negative effects as a result of the COVID-19 pandemic have meant that the willingness to invest in the mining equipment market was still subdued in 2021. SMT Scharf expects that as restrictions in the mining markets are increasingly eased, mining groups will once again invest more in modern infrastructure. In principle, the emerging markets in particular are ensuring rising demand for raw materials. This in turn is boosting demand for coal and other raw materials, so that mine operators have incentives to invest more in new facilities.

Higher demand on local markets

SMT Scharf expects that Chinese mines will continue to extract more coal and other raw materials in 2022 in order to meet the domestic economy's high demand for resources in line with renewed growth. Similarly, SMT Scharf expects that the more stringent standards for machinery in underground mining (China III) which came into force in 2021 will further stimulate demand growth as Chinese mine operators are forced to convert their fleets. Although the increase in worldwide demand for coal will slow, it will continue to rise in absolute terms. China will remain the world's largest consumer of coal in 2035 according to forecasts by BP. Around a half of global consumption is attributable to China. At the same time, the share of demand from India will almost double by this date. Along with oil and gas, coal will remain for the foreseeable future one of the most important energy sources despite the increasing use of regenerative energies. All three energy types together will cover around 75 % of global energy supplies in 2035, according to estimates. Against the backdrop of the high energy requirements in China, SMT Scharf can assume that the market potential is particularly high due to the China III exhaust gas standard.

Trend towards Mining 4.0

Against the backdrop of dynamically advancing digitalisation, operators of mines and production sites worldwide are becoming increasingly interested in innovations in all areas of mining equipment and technology, as well as in optimising the efficiency of their processes and organisational structures. Automation and data management form the focus for mining companies. One trend in underground mining is the integration of machines into mine operators' networks. Mining companies wish to have information about drivers, oil levels and underground temperatures. This direct data transfer will help to improve maintenance and work processes in underground mining in the future. SMT Scharf identifies attractive growth prospects in Mining 4.0 thanks to its expertise in electrical engineering, control, measurement technology, electrification and data management.

More complex geological locations of raw materials deposits

In the medium term, mining raw materials deposits worldwide will occur in increasingly inaccessible locations. This gives the mining industry a growing incentive to deploy SMT Scharf products. Along with greater cost-efficiency, such products offer the benefit of being especially developed for demanding underground conditions, and have already proved themselves in the German hard coal mining industry.

Diversification advanced

SMT Scharf is pursuing the objective of expanding its business in the mineral mining segment, which is to grow to form a segment equivalent to that of the coal segment in the medium to long term. The deployment of rail transportation and logistics systems in platinum, gold and copper mines will increase, and consequently exert a positive effect on the sales revenue contribution from this business. SMT Scharf is moving closer to its customers in this segment by expanding its sales in new global regions such as the Andes, by setting up new subsidiaries, or by expanding its sales network in the African market via local commercial agents. Above and beyond this, salt deposits also offer opportunities to deploy SMT Scharf products.

Attractive growth opportunities in the coming years will also arise from electric-powered rubber-tired vehicles. Electric vehicles require significantly less maintenance than vehicles with combustion engines, and thereby contribute to cost savings long-term. They are still much more expensive to buy than diesel vehicles, so mine operators are carefully considering converting to vehicles with electric drive systems. In principle, SMT Scharf commands proven battery and electrical expertise and is able to meet demand for electrically powered drive systems. In this respect, new growth opportunities also arise from the strategic partnership concluded with Polymetal International to develop underground electric vehicles.

The partnership with Polymetal International has begun to bear fruit. As part of an order, the first electric-powered loaders and medium-duty underground trucks were produced as prototypes for Polymetal in 2021 and delivered in the second half of the year. In the future, further growth potential may derive from the development of additional electric-powered commercial vehicles. The extent to which cooperation with Russian mining companies can be continued in the future is questionable in view of the Ukraine crisis and the sanctions imposed on Russia as of the beginning of March 2022.

The investment in ser elektronik, which has existed since 2019, also contributes to the further diversification and development of the business. Firstly, it strengthens the company's expertise in electromobility. In electric vehicles, thanks to ser elektronik's specific expertise, SMT Scharf can also supplement its electronic controls with its own battery management systems tailored to customer requirements. SMT Scharf can thereby also offer optimised batteries to mining operators, and provide advice on operating concepts for the machines. In addition, ser elektronik implements electronic control systems for sectors outside the mining industry, such as the food manufacturing sector. This will generate further growth opportunities for SMT Scharf in the future.

Moreover, the new tunnel logistics segment promises the potential for significant revenues in the medium term, and the opportunity of becoming less dependent on the raw materials price cycle, as demand for infrastructure is driven by other factors, such as growing population density in conurbation centres worldwide.

Summary of the opportunities and risk position

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

Outlook

The global economy is in a weaker position at the beginning of 2022 than previously forecast. As the new Covid-19 variant omicron spreads, several countries have reimposed restrictions on movement. Rising energy prices and supply disruptions have led to higher than expected inflation, particularly in the USA and in many emerging and developing countries. The continued contraction of China's real estate sector and the slower-than-expected recovery in private consumption have also curbed growth prospects. In its World Economic Outlook of January 2022, the IMF forecasts global growth of 4.4 % for the current 2022 year, which is then expected to weaken again somewhat to 3.8 % in 2023. This estimate does not yet reflect the economic impact of the war in Ukraine. Nevertheless, the IMF has already announced its intention to downgrade its global growth forecast for April due to the Ukraine crisis and the risk of a severe recession in Russia.

According to preliminary IMF data, the war in Ukraine that erupted in late February has triggered a wave of refugees of more than one million people to neighbouring European countries. Unprecedented sanctions have been imposed on Russia, which will have a significant bearing on the global economy as well as on financial markets, thereby also impacting on other countries. As of the beginning of March, the IMF consequently considers the economic consequences to be serious. Energy and commodity prices have risen rapidly, adding to inflationary pressures caused by supply chain disruptions and recovery from the Covid-19 pandemic. According to the IMF, the crisis will lead to complex political compromises and further complicate the political landscape.

Against the backdrop of political changes in the world, there could be a renaissance for energy sources such as hard coal, which could offer sales opportunities for SMT Scharf.

At the start of 2022, the IMF forecasts the following GDP growth rates in SMT Scharf's target markets:

GDP growth in the most important sales markets for SMT Scharf AG* (in %)	2022e	2021
World	4.4	5.9
China	4.8	8.1
Poland**	5.1	5.1
Russia	3.0	4.5
South Africa	1.9	4.6

Sources: *IMF World Economic Outlook Update, January 2022; **IMF World Economic Outlook, October 2021

In particular, Russia's GDP growth rate is likely to be significantly more negative as a consequence of the Ukraine war. In response to economic sanctions, the Rouble plummeted to an all-time low in late February 2022, while the economy could plunge into recession in the coming months. The major rating agencies have lowered the country's long-term ratings into junk territory. Goldman Sachs analysts have downgraded their 2022 GDP growth forecast for Russia from 2 % to -7 %. Russia is expected to remain isolated from the Western world and major global markets for the time being.

In principle, SMT Scharf sees itself as generally well positioned in this niche market to implement tailor-made transport and logistics solutions for its customers worldwide. SMT Scharf is continuing to focus on its core markets of China, Poland, South Africa and America. Positive economic growth is forecast for these key sales markets in 2022, although this could be negatively impacted as a consequence of the Ukraine war. For example, the Managing Board expects that the current fiscal year could again see increased investment activity in the mining industry. In particular, the more stringent China III regulation and approval for the new generation of machines are creating attractive growth prospects in the Chinese market.

Besides this, Russia is one of the SMT Scharf Group's core markets, with economic sanctions against Russia thereby also potentially impacting SMT Scharf's business. As of the beginning of March, the SMT Scharf Group is not directly affected by the sanctions imposed on Russia. At the same time, SMT Scharf is exposed to greater exchange rate risks as a consequence of the Ukraine crisis and a resultant increase in the price of our products. In order to largely reduce its financial risk, SMT Scharf is constantly working on minimising negative currency effects and achieving better payment terms, such as by paying in advance for machines that have not yet been sold and shortening payment terms for existing orders.

Given the geopolitical tensions in Eastern Europe and impending recession in Russia, the ongoing coronavirus pandemic and associated continued restrictions on the SMT Scharf Group's business activities worldwide, as well as increasingly disrupted global supply chains and significant rises in procurement prices, we believe that significant factors of uncertainty exist for our business in March 2022 that make planning difficult. At present, the economic impact of these factors on SMT Scharf's business activities cannot be quantified conclusively.

For this reason, for the time being the Managing Board of SMT Scharf AG is refraining from issuing guidance for the current 2022 fiscal year until sufficient visibility exists and valid statements about further business growth can be made.

Hamm, March 29, 2022

The Managing Board

Hans Joachim Theiss

Wolfgang Embert

Balance sheet as of December 31, 2021

Assets (in EUR)	31/12/2021	31/12/2020
A. Non-current assets		
I. Intangible assets	3,370,737.93	1,568,497.00
Advance payments rendered for intangible assets	3,370,737.93	1,568,497.00
II. Property, plant and equipment	8,697.78	20,497.17
Factory and office equipment	8,697.78	20,497.17
III. Financial assets	24,411,192.41	27,994,671.62
1. Interests in affiliated companies	16,270,376.80	16,270,376.80
2. Loans to affiliated companies	7,446,390.41	10,579,039.60
3. Participating interests	1.00	508,675.92
4. Other loans	694,424.20	636,579.30
	27,790,628.12	29,583,665.79
B. Current assets		
I. Receivables and other assets	15,526,915.48	5,127,737.75
1. Receivables due from affiliated companies	14,472,534.44	4,151,871.06
2. Other assets	1,054,381.04	975,866.69
II. Cash and cash equivalents	518,182.24	1,485.43
	16,045,097.72	5,129,223.18
C. Prepayments and accrued income	47,090.15	70,428.97
D. Deferred tax assets	314,316.78	0.00
Total assets	44,197,132.77	34,783,317.94

Equity and liabilities (in EUR)	31/12/2021	31/12/2020
A. Equity		
I. Subscribed capital	5,471,979.00	4,570,523.00
Total nominal value	5,521,456.00	4,620,000.00
Nominal value of treasury shares	-49,477.00	-49,477.00
(Conditional capital: 462,000.00; previous year: 462,000.00)		
II. Share premium	24,474,299.14	17,254,118.98
III. Retained earnings	103,093.70	103,093.70
1. Statutory reserve	1,648.70	1,648.70
2. Other retained earnings	101,445.00	101,445.00
IV. Unappropriated net loss / profit	4,010,677.32	-49,078.68
	34,060,049.16	21,878,657.01
B. Provisions		
1. Pension provisions	193,152.00	191,452.00
2. Tax provisions	358,396.26	106,656.16
3. Other provisions	1,131,935.17	378,512.63
	1,683,483.43	676,620.79
C. Liabilities		
1. Liabilities to banks	3,936,818.29	6,048,135.60
2. Trade payables	282,911.11	90,676.37
3. Liabilities to affiliated companies	1,135,346.27	3,749,073.98
4. Other liabilities of which from tax: 31,628.39 (previous year: 25,818.88)	3,098,524.51	2,340,154.19
	8,453,600.18	12,228,040.14
Total equity and liabilities	44,197,132.77	34,783,317.94

Income statement for the fiscal year from January 1 to December 31, 2021

EUR	2021	2020
1. Revenue	955,774.73	697,778.95
2. other own work capitalised	252,652.00	194,800.00
3. other operating income of which from currency translation: EUR 195,928.08 (previous year: EUR 22,839.25)	1,873,471.45	335,510.96
4. Personnel expenses		
a) Wages and salaries	-1,606,895.62	-960,119.46
b) Social security contributions of which for pensions: EUR 39,006.72 (previous year: EUR 39,270.00)	-138,421.99	-130,508.34
5. Depreciation, amortisation and impairment losses	-6,512.37	-9,917.35
6. Other operating expenses of which from currency translation: EUR 30,848.98 (previous year: EUR 91,379.37)	-2,977,626.42	-1,873,346.69
7. Income from participating interests of which from affiliated companies: EUR 983,004.94 (previous year: EUR 1,293,548.43)	983,004.94	1,293,548.43
8. Income from profit transfer agreements of which from affiliated companies: EUR 5,041,774.29 (previous year: 0.00)	5,041,774.29	0.00
9. Expenses from assumption of losses of which from affiliated companies: EUR 0.00 (previous year: EUR 2,896,996.05)	0.00	-2,896,996.05
10. Financial assets: amortisation / impairment	-508,674.92	-1,773,000.00
11. Other interest and similar income of which from affiliated companies: EUR 423,915.22 (previous year: EUR 414,515.06)	447,212.85	451,991.61
12. Other interest and similar expenses	-241,509.11	-189,825.11
14. Earnings after tax	4,060,348.51	-4,886,771.69
15. Other taxes	-592.52	-1,098.00
16. Net income / loss for the year	4,059,755.99	-4,887,869.69
17. Loss / profit carried forward	-49,078.67	4,838,791.01
18. Unappropriated net profit / loss	4,010,677.32	-49,078.68

Notes to the financial statements for the 2021 fiscal year

Accounting and valuation policies

These annual financial statements have been prepared pursuant to the relevant regulations contained in Sections 242 et seq., 264 et seq. of the German Commercial Code (HGB). The company is classified as a small corporation pursuant to Section 267 HGB. SMT Scharf AG has its registered offices in Hamm and is entered into the commercial register at the District Court of Hamm under Number HRB 5845.

The income statement is structured according to the nature of expense method.

Measurement is performed on the basis of German commercial law valuation regulations applicable for incorporated firms, taking into account the going concern assumption. The accounting and valuation policies applied to the previous annual financial statements were retained unchanged.

Figures in the notes to the financial statements are presented in thousands of euros, unless stated otherwise.

The following specific accounting policies are applied:

Intangible assets and property, plant and equipment are measured at cost less amortisation or depreciation based on useful lives of between 3 and 5 years. Impairment losses are applied where required. The assets' amortisation and depreciation rates are determined on the basis of their normal useful operating lives. The straight-line amortisation/depreciation method is applied to the assets in this context.

Interests in affiliated companies as well as participating interests are carried at acquisition cost including incidental acquisition costs, or at fair value, whichever is lower. Loans were recognised at the lower of nominal value or fair value.

Receivables and other assets as well as deposits at banks are recognised at nominal value. Individual valuation allowances are applied to receivables to reflect identifiable risks.

Bank balances are carried at nominal value.

Deferred taxes are calculated for temporal differences between the commercial law and fiscal valuations of assets, liabilities, and deferred and accrued items. Deferred taxes are measured on the basis of the income tax rate of SMT Scharf AG, Hamm, of currently 32.1 %, and includes trade and corporation tax. Any resultant net tax charge would be recognised on the balance sheet as a deferred tax liability. In the fiscal year under review, as in the previous year, a total of one deferred tax asset was recognised. In the previous year, due to a small amount, the corresponding capitalisation option was not exercised.

Prepayments recognised under prepayments and accrued income on the assets side of the balance sheet relate to expenditures before the balance sheet date representing expenses for a particular period after this date. This item is released straight-line in accordance with its consumption over time.

Business transactions denominated in foreign currencies are recognised applying the exchange rate on the origination date. Foreign currency items with a remaining term of more than one year are translated applying the mid foreign currency cash rate on the reporting date, and in accordance with the purchase cost and realisation principle. Given a shorter term, translation is applied at the cash mid rate on the balance sheet date, as a matter of principle.

Treasury shares are presented as a separate item of subscribed share capital, based on their notional interest in the nominal share capital.

Provisions are recognised at the level of the amount required to satisfy the related liability on the basis of prudent commercial judgement.

Pension provisions were measured in accordance with recognised actuarial principles applying the projected unit credit method and based on the "RichttafelIn 2018G" mortality tables. Calculations applied the average market interest rate for the last ten years (the Bundesbank rate of interest), which amounts to 1.87 % per annum as of December 31, 2021, assuming a remaining 15-year term. The calculation imputes a pension increase rate of 1.0 % per annum. The difference pursuant to Section 253 (6) HGB amounts to EUR 11 thousand as of December 31, 2021, which is subject to the block on being paid out as a distribution.

The other provisions take all identifiable risks and contingent liabilities into appropriate account.

Liabilities are recognised at their settlement amount.

Notes to the balance sheet

The schedule of changes in non-current assets is presented below:

	Purchase costs	01/01/2021	Additions	Disposals	31/12/2021
I. Advance payments rendered for intangible assets		1,568,497.00	1,802,240.93	0.00	3,370,737.93
Other equipment, factory and office equipment		60,944.53	0.00	8,651.50	52,293.03
II. Property, plant and equipment		60,944.53	0.00	0.00	52,293.03
1. Interests in affiliated companies		18,123,914.60	0.00	0.00	18,123,914.60
2. Loans to affiliated companies		10,579,039.60	685,460.67	3,818,109.86	7,446,390.41
3. Participating interests		508,675.92	0.00	0.00	508,675.92
4. Other loans		636,579.30	57,844.90	0.00	694,424.20
III. Financial assets		29,848,209.42	743,305.57	3,818,109.86	26,773,405.13
Total		21,507,987.09	2,545,546.50	3,826,761.36	30,196,436.09

	Depreciation, amortisation and impairment losses	01/01/2021	Additions	Disposals	31/12/2021
I. Advance payments rendered for intangible assets		0.00	0.00	0.00	0.00
Other equipment, factory and office equipment		40,447.36	6,512.37	3,364.48	43,595.25
II. Property, plant and equipment		40,447.36	6,512.37	3,364.48	43,595.25
1. Interests in affiliated companies		1,853,537.80	0.00	0.00	1,853,537.80
2. Loans to affiliated companies		0.00	0.00	0.00	0.00
3. Participating interests		0.00	508,674.92	0.00	508,674.92
4. Other loans		0.00	0.00	0.00	0.00
III. Financial assets		1,853,537.80	508,674.92	0.00	2,362,212.72
Total		111,067.81	515,187.29	3,364.48	2,405,807.97

In the fiscal year under review, extraordinary write-downs were applied to financial assets due to temporary impairment.

Receivables from affiliated companies include, in particular, receivables from loans to Group companies, from Group allocations, and receivables from profit and loss transfer agreements with SMT Scharf GmbH. Other assets include VAT receivables of EUR 925 thousand (previous year: EUR 577 thousand).

As of December 31, 2021, SMT Scharf AG has deferred taxes totalling EUR 314 thousand (previous year: EUR 0 thousand). Deferred tax assets at SMT Scharf AG derive almost exclusively from loss carryforwards and temporary differences in relation to pension provisions. Of the existing loss carryforwards (EUR 1,802 thousand or EUR 1,761 thousand for corporation tax or trade tax; previous year: EUR 3,957 thousand and EUR 3,949 thousand respectively), the calculation of deferred taxes includes loss carryforwards that the company expects to utilise in the next five years (EUR 79 thousand; previous year: EUR 3,957 thousand and EUR 3,949 thousand respectively). Deferred tax liabilities at the level of the controlled company SMT Scharf GmbH, Hamm, totalling EUR 278 thousand (previous year: EUR 34 thousand) mostly derive from temporary differences from the capitalisation of development costs (EUR 687 thousand), which are offset by deductible temporary differences, mostly from pension provisions (EUR 325 thousand). As in the previous year, measurement was applied at the 32.1 % tax rate for corporation and trade tax valid for the fiscal year under review. The resultant tax relief of EUR 314 thousand (previous year: EUR 10 thousand) was capitalised.

On December 31, 2021, 5,471,979 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par value shares with a notional value of EUR 1 per share (previous year: 4,570,523). All shares have been fully paid in and grant the holders the same rights.

The company's Managing Board and, to the extent that Managing Board members are beneficiaries, the Supervisory Board were authorised by the 2021 Annual General Meeting until May 26, 2026 ("Purchase Period") to grant to members of the company's Managing Board, members of the management of subsidiaries, the company's employees and the subsidiaries' employees a total of up to 462,000 options for a total of up to 462,000 shares of the company with full dividend entitlement for the financial year current when the option is exercised.

The company's share capital was also conditionally increased by up to EUR 462,000.00 by issuing up to 462,000 new no-par value bearer shares (Conditional Capital 2021). Conditional Capital 2021 serves to secure subscription rights from stock options that can be issued by the company until May 26, 2026 on the basis of the authorisation granted by the company's Annual General Meeting on May 27, 2021.

Furthermore, the Managing Board was authorised by the 2021 Annual General Meeting, with the approval of the Supervisory Board, to issue bearer convertible bonds and/or bonds with warrants or profit participation rights (collectively "bonds") with or without a limited term against cash and/or non-cash capital contributions on one or more occasions until May 26, 2026 for a total nominal amount of up to EUR 46,200,000.00 and to grant the holders or creditors of bonds conversion or warrant rights (including with conversion or subscription obligations) to no-par value bearer shares in the company with a pro rata amount of the share capital of up to EUR 1,848,000.00 in total in accordance with the terms and conditions of the convertible bonds or bonds with warrants.

The company held 49,477 treasury shares as of December 31, 2021, equivalent to 0.90 % of the share capital. The treasury shares can be utilised for all of the purposes stated in the authorisation resolution.

The annual financial statements of SMT Scharf AG, which are prepared in accordance with the principles of the German Commercial Code (HGB), disclose an unappropriated net profit of EUR 4,011 thousand. The Managing and Supervisory boards will propose to the Ordinary AGM to be held on May 17, 2022, that it carries this unappropriated net profit forward to a new account.

Provisions reported the following changes in the fiscal year under review:

EUR thousand	Pension provisions	Tax provisions	Other personnel provisions	Miscellaneous other provisions
Balance 01/01/2021	191	107	0	379
Reversals of discounting	4	0	0	0
Consumption	12	69	0	343
Additions	12	320	506	625
Reversals	2	0	0	35
Balance 31/12/2021	193	358	506	626

The remaining terms of the liabilities are as follows:

EUR thousand	up to 1 year	1-5 years	more than 5 years	Total
Liabilities to banks	2,229	1,708	0	3,937
Trade payables	283	0	0	283
Liabilities to affiliated companies	1,135	0	0	1,135
Other liabilities	194	2,905	0	3,099
Total	3,841	4,613	0	8,454

In the previous 2020 year, the remaining terms of the liabilities were as follows:

EUR thousand	up to 1 year	1-5 years	more than 5 years	Total
Liabilities to banks	2,824	3,224	0	6,048
Trade payables	91	0	0	91
Liabilities to affiliated companies	3,749	0	0	3,749
Other liabilities	911	1,319	110	2,340
Total	7,666	4,543	110	12,228

Liabilities to affiliated companies include current VAT from the existing tax group as well as the costs of the ERP project and overheads charged on. Guarantees and liens on real estate exist.

Notes to the income statement

Revenues of EUR 956 thousand arise from Group cost transfers and the passing on of external consulting costs.

Other operating income mainly includes income from the reversal of the liability to the former shareholders of RDH Mining Equipment in the amount of EUR 671 thousand, the recharging of other costs to subsidiaries in the amount of EUR 524 thousand, as well as EUR 195 thousand in exchange rate gains and EUR 36 thousand in income from the release of provisions.

SMT Scharf AG does not have its own operating business. It is the management holding company for companies in SMT Scharf Group. During the fiscal year under review, the Managing Board of SMT Scharf AG consisted of Mr. Hans Joachim Theiss (Managing Board Chairman / CEO) and Mr. Wolfgang Embert. In addition to the two members of the Managing Board, five other employment relationships exist.

Other disclosures

The members of the Supervisory Board of SMT Scharf AG during the fiscal year under review comprised:

Period from January 1 to December 31, 2021:

Prof. Dr. Louis Velthuis, Mainz (Chairman)	Professor of Controlling at the Johannes Gutenberg University of Mainz, Germany	Intershop Communications AG, member of the Supervisory Board
Dr. Dipl.-Ing. Dirk Vorsteher, Werne (Deputy Chairman)	Management consultant	(no positions held at other companies)
Dipl. Volkswirtin Dorothea Gattineau, Wuppertal	Head of Finance	(no positions held at other companies)

The Supervisory Board members receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses, as well as meeting fees of EUR 1 thousand per Supervisory Board meeting, with the Supervisory Board Chair receiving twice the meeting fee per meeting. The fixed remuneration totals EUR 18 thousand, and the Chair receives twice this amount. In addition, each member of the Supervisory Board receives variable remuneration in the form of a share in the consolidated net profit, calculated as follows: the annual performance-related remuneration corresponds to an amount calculated by multiplying a bonus factor of 0.4 % (or 0.8 % for the Supervisory Board Chair) by the residual profit. The consolidated net income of the SMT Scharf Group less interest on equity is regarded as the residual profit, whereby the interest rate corresponds to the applicable base interest rate plus 2 percentage points. The consolidated net result is determined on the basis of the IFRS consolidated financial statements for the fiscal year in question, which have been audited by the auditor and approved by the Supervisory Board. If a member of the Supervisory Board can prove on the day before the Annual General Meeting that approves the appropriation of profits that he or she holds shares in the company cumulatively in the amount of one third (the purchase price being the decisive factor to this extent) of the respective fixed remuneration per year of his or her membership in the Supervisory Board, the bonus factor for the (basic) member of the Supervisory Board providing proof of investment increases to 0.8 % and for the Supervisory Board Chair to 1.6 %. The variable remuneration amounts to a maximum of EUR 9 thousand (without personal investment) or EUR 12 thousand (with personal investment) per ordinary member of the Supervisory Board and EUR 18 thousand (without personal

investment) or EUR 24 thousand (with personal investment) for the Supervisory Board Chair. Remuneration is paid pro rata if members leave the Supervisory Board during the course of the fiscal year. For the 2021 fiscal year, EUR 148 thousand (previous year: EUR 100 thousand) in remuneration for the Supervisory Board was expensed.

No remuneration exists for former members of the Supervisory Board or their surviving dependents. No advances, loans or contingent liabilities exist in favour of members of the Supervisory Board. Prof. Dr. Louis Velthuis, Chairman of the Supervisory Board, held a total of 7,170 shares in the company as of December 31, 2021 (previous year: 6,000 shares). Dr. Vorsteher held 1,912 shares (previous year: 1,600 shares) and Mrs. Gattineau 2,103 shares (previous year: 1,760 shares).

Managing Board

Managing Board members receive remuneration comprising a fixed basic annual salary and an annual performance-related bonus, plus reimbursement of their out-of-pocket expenses. In addition, the members of the Management Board are entitled to a certain number of bonus shares if they meet certain conditions. Pension commitments of EUR 206 thousand exist for former Managing Board members (previous year: EUR 222 thousand). Pension commitments of EUR 3 thousand exist for current Managing Board members (previous year: EUR 3 thousand). The bonus for a fiscal year is set and becomes due in the following fiscal year in each case; a related provision is formed at the end of the fiscal year. In the 2021 fiscal year, the total remuneration granted to the Managing Board amounted to EUR 843 thousand (previous year: EUR 730 thousand).

In the year under review, the individual components of the variable remuneration for all members of the Managing Board of SMT Scharf AG arise from the following regulations:

1. Revenue growth: the annual bonus payable of 0.2 % (Theiss) and 0.15 % (Embert) is based on revenues in the corridor of EUR 50 million to EUR 80 million in accordance with the IFRS consolidated financial statements for the respective fiscal year, as audited by the auditor and approved by the Supervisory Board.
2. Residual profit: bonus payable annually in the amount of 3 % (Theiss) and 2.25 % (Embert) of the reported residual profit. Residual profit is the SMT Scharf Group's consolidated profit excluding OCI (other comprehensive income) less interest payments in relation to equity capital, with the interest rate being set at 1.5 %.
3. Share price performance: this is paid after three years during the five-year appointment period, and after five years. The basis for the bonus is the share price appreciation in the first three or last two years of the appointment period. This is included in the provision as of the fiscal year-end, but has not yet been paid out to the Managing Board members.
4. The members of the Managing Board are entitled to one bonus share for each share that they have acquired by February 28, 2019, and that they have held for at least five years and without interruption until December 31, 2023. The number of shares is limited; of Mr. Theiss' share portfolio 24,496 shares are entitled, and of Mr. Embert's share portfolio 14,000 shares. The stock market price on the grant date of September 3, 2018 was decisive for the valuation of the additional remuneration. This amounted to EUR 17.50 and remains constant for the period over which the remuneration expense is distributed. The resultant total remuneration expense of EUR 673,680 is distributed pro rata temporis over the January 1, 2019 to December 31, 2023 period. This led to expenses of EUR 134,735 in the 2021 fiscal year (Theiss EUR 85,735, Embert EUR 49,000). The booking is applied against the capital reserve. The market price on the balance sheet date is EUR 14.20. The entitlement may vary according to the number of shares held.

The figures included for basic salary, additional benefits and part of the performance-based bonus tally in terms of the provisioning and accrual amounts. As of December 31, 2021, Hans

Joachim Theiss, Management Board Chairman (CEO), held a total of 29,422 shares (previous year: 24,651), and Wolfgang Embert 16,731 shares (previous year: 14,000).

The remuneration of former members of the Managing Board or their surviving dependants includes pensions in the year under review. No advances, loans or contingent liabilities exist in favour of members of the Managing Board.

The company has assumed secondary liability to banks for EUR 29 million of its subsidiaries' credit lines. The Managing Board gauges the risk of utilisation as low thanks to the subsidiaries' creditworthiness.

Other financial obligations arise from lease and rental contracts in the following amount:

	31/12/2021	31/12/2020
up to 1 year	42	52
1 - 5 years	3	45

Information about the independent auditor is presented in the consolidated financial statements of SMT Scharf AG. For this reason, on the basis of the group exempting clause pursuant to Section 285 No. 17 HGB, the company refrains from publishing this information here. The tax consultancy services provided by the auditor are attributable to tax declaration services.

Along with SMT Scharf AG, the consolidated financial statements include all subsidiaries over which it exercises control. The interests held are as follows:

	Interest held	Equity (IFRS) 31/12/2020	Profit/loss (IFRS) 2021
SMT Scharf GmbH, Hamm, Germany	100 % ****	35,979,931.00	9,026,301.84
Ser Elektronik GmbH, Möhnesee, Germany	51 %	1,033.86.97	-37,284.46
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %	6,484,088.81	820,556.62
SMT Scharf Africa (Pty.) Ltd., Gauteng, South Africa	70 %	2,777,887.69	205,699.91
SMT Scharf Sudamerica SpA, Santiago, Chile	100 %	-466,359.99	-124,961.73
RDH Mining Equipment, Alban Ontario, Canada	100 %	-3,103,234.61	489,756.68
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 % *	11,366,827.94	1,363,349.40
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 % ***	352,669.49	55,157.96
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 % **	1,170,144.57	-471,993.12
Scharf Mining Machinery (Xuzhou) Ltd, Xuzhou, China	100 %	8,055,476.33	2,903,656.65

* of which 1.25 % indirectly through SMT Scharf GmbH

** indirectly through SMT Scharf GmbH

*** indirectly through OOO SMT Scharf

**** exemption pursuant to Section 264 (3) HGB

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

Events after the balance sheet date

In February 2022, the war between Ukraine and Russia broke out. A further escalation of the situation is possible. As part of its growth strategy, the SMT Scharf Group has a global presence in key mining markets. The company believes that developments in Ukraine could burden SMT Scharf's business activities in the current fiscal year. In particular, the war could lead to business activities in Russia being impaired. As of the date when these financial statements were prepared it was not possible to conclusively assess the exact effects and risks.

Hamm, March 29, 2022

The Managing Board

Hans Joachim Theiss

Wolfgang Embert

REPORT OF THE SUPERVISORY BOARD FOR THE 2021 FISCAL YEAR

In the 2021 fiscal year, the Supervisory Board of SMT Scharf AG diligently performed the tasks required of it by law and the company's articles of incorporation. It supervised and consulted with the Managing Board on an ongoing basis. The Supervisory Board received regular, prompt, comprehensive written and oral reports from the Managing Board about the business trends of SMT Scharf AG and its Group companies, the company's strategic orientation, as well as the status of strategy implementation. Between meetings, the Managing Board also informed the Supervisory Board of plans of particular importance or urgency. When resolutions were passed, approval requirements for certain transactions as defined in the Managing Board's bylaws procedure were always upheld.

The Supervisory Board held seven ordinary meetings on February 5, March 26, May 26, July 12 and 13, October 1, October 28, and December 3, 2021. The Supervisory Board meetings on February 5, as well as on March 26 and December 3 were held virtually via video conference due to the epidemic situation. The meeting on July 12 and 13 was held as part of a strategy workshop at a hotel in Werne. The remaining two meetings in October were held at the business premises of SMT Scharf AG in Hamm. The three Supervisory Board members Professor Dr. Louis Velthuis, Dr. Dirk Vorsteher and Dorothea Gattineau attended all meetings in full, with the exception of the third meeting, which Dr. Dirk Vorsteher was unable to attend due to his being ill at the time. At its meetings, the Supervisory Board concerned itself with all matters of relevance for the company. In advance of such meetings, the Managing Board of SMT Scharf AG regularly informed the Supervisory Board about the current business position of the SMT Scharf Group by way of written reports.

Given a sector economy that continued to be affected by the coronavirus pandemic, the situation in the core markets was discussed regularly in the 2021 reporting year as part of strategic discussions, with a focus on China and the approval of new machines in accordance with the China III emissions directive that has been in place since 2021. Moreover, possible strategic options and the company's further development were discussed in depth. By contrast with the particularly challenging 2020 fiscal year, the mining equipment market recovered in 2021. The first half of 2021 was characterised by high order book positions due to fact that the China III approval was still outstanding at this point in time. However, the SMT Scharf Group nevertheless recorded significant year-on-year revenue and earnings growth. Business with both new equipment and after-sales revived, despite the ongoing pandemic. The positive trend continued in the second half of 2021, with growth in the Chinese market making a particular contribution. For example, SMT Scharf received final approval for China III machines in the third quarter. Over the course of the year, the Group's liquidity position was also a regular topic of intensive and constructive discussion between the Managing and Supervisory boards.

The Supervisory and Managing boards regularly exchanged information over the past fiscal year concerning trends in the Group's core sales markets with the aim of further developing structures within the SMT Scharf Group. Given the pandemic and resultant continuing restrictions on the company's business activities worldwide, the Supervisory Board welcomed the Management Board's earnings and liquidity planning as well as the continuation of country-specific risk minimisation measures.

At the meeting on February 5, the Management and Supervisory boards were informed by Rödl & Partner about the current status of the audit of the financial statements for the 2020 fiscal year, after which the Management Board presented an overview of the current business situation. Furthermore, intensive discussions were held concerning current developments in the personnel and production areas. Potential strategic options for SMT Scharf were also discussed. The preparation of the workshop planned for July 2021 formed a further focus of this meeting.

The Supervisory Board held its second meeting in the 2021 fiscal year together with the Managing Board on March 26. The thematic focus of this meeting, which the auditors also

attended, was the discussion and approval of the 2020 financial statements. In addition, the agenda items for the Annual General Meeting were discussed, corresponding resolutions were passed, and various strategy topics were dealt with.

The Supervisory Board held its third meeting in the 2021 fiscal year on May 26. After the first two meetings of the year had been held virtually, this meeting was again held at the premises of SMT Scharf AG given the waning pandemic situation. The Managing Board's report specifically addressed SMT Scharf China's financial position. Important strategic topics included further activities in China and the situation in South America. Finally, the Annual General Meeting was discussed in advance. The meeting also dealt with the resolutions and further discussion relating to the capital increase against cash capital contributions, which was successfully completed on June 17.

The meeting on July 12 and 13 took the form of a workshop in Werne. On the first day of the event, the Managing and Supervisory boards completed an ESG workshop led by cometis AG, thereby continuing discussions concerning a future sustainability strategy for SMT Scharf. The Managing Board then gave the Supervisory Board members an overview of current business trends and challenges. On the second day of the meeting, Ebner & Stolz led a "Strategy Review 2021" workshop. Selected action areas as well as the current situation and further strategy for the Chinese market were discussed subsequently.

For the Supervisory Board meeting on October 1, the Managing and Supervisory boards convened again at the business premises in Hamm. In addition to the Managing Board's report, the liquidity position of SMT Scharf AG formed a key topic at the meeting. Further key focus areas of the meeting included a discussion regarding the further procedure for a potential ESG project as well as budget planning.

At the meeting on October 28, the Managing Board informed the Supervisory Board about the current business situation. The Managing and Supervisory Boards then discussed potential options for the future structure of SMT Scharf AG and the implementation of the 2022 Annual General Meeting. The Managing Board also reported in detail on the visit to the subsidiary in South Africa.

The last Supervisory Board meeting of the 2021 fiscal year was held on December 3. Due to the worsening epidemic situation, the meeting was held as a video conference. After Rödl & Partner reported on the status of the audit of the 2021 financial statements, the Managing Board provided detailed information on the current business situation. The budget for 2022 was then discussed, as well as the risk management system and strategy topics.

The separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2021 fiscal year, which the Managing Board prepared, were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, and issued with unqualified auditors' opinions. As part of statutory requirements, SMT Scharf Group's risk management system and internal control system, as well as its data system, were also covered by the audit. At its meeting on March 29, 2022, also attended by the auditor, the Supervisory Board reviewed the separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2021 fiscal year. After thorough discussion and based on its own review, the Supervisory Board concurs with the results of the audit of the separate and consolidated financial statements by the auditor, and raises no reservations against either the separate or consolidated financial statements. The Supervisory Board expressly approved the separate financial statements and separate management report, as well as the consolidated financial statements and Group management report, prepared by the Managing Board for the 2021 fiscal year on March 29, 2022. The corresponding financial statements have been adopted as a consequence.

Given the continued challenging market situation overall, unchanged risks for the SMT Scharf Group in connection with the pandemic, the war in Ukraine, as well as the company's further strategic development, the Supervisory Board, together with the Managing Board, is refraining from proposing a dividend for the 2021 fiscal year.

The Supervisory Board would like to thank all of the members of the Managing Board and all of our employees for their tireless dedication and commitment during this successful 2021 fiscal year. The Supervisory Board would like to wish the new Managing Board and the company's employees continuing success in meeting the upcoming challenges in the new fiscal year.

Hamm, March 29, 2022

Certificate of the independent auditor

to SMT Scharf AG, Hamm

Short-form audit opinion

We have audited the annual financial statements of SMT Scharf AG, Hamm, comprising the balance sheet as of December 31, 2021, the income statement for the fiscal year from January 1 to December 31, 2021, and the notes to the financial statements, including the presentation of the accounting policies.

In our assessment, and based on the knowledge gained from the audit, the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the Company's net assets and financial position as of December 31, 2021 and of its results of operations for the fiscal year from January 1 to December 31, 2021, in accordance with German generally accepted accounting principles.

Pursuant to Section 322 (3) Clause 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections concerning the correctness of the annual financial statements.

Basis for the audit opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). Our responsibility under these rules and principles is further described in the section "Auditor's responsibility for the audit of the annual financial statements" of our audit opinion. We are independent of the Company in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all material respects with German commercial law applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary in accordance with German generally accepted accounting principles in order to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuing operation of the entity, if relevant. Moreover, they are

responsible for preparing the accounts on the basis of the going concern principle, unless factual or legal circumstances exist that prevent this.

The Supervisory Board is responsible for monitoring the Company's financial accounting process for preparing the annual financial statements.

Auditor's responsibility for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance concerning whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 HGB as well as German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can arise from violations or inaccuracies and are regarded as material if it could reasonably be expected that they will individually or collectively influence the financial decisions of users made on the basis of these annual financial statements.

During the audit, we exercise our professional judgement and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether due to fraud or error, in the annual financial statements, plan and perform the audit procedures in response to such risks, and obtain sufficient and appropriate audit evidence to form the basis of our audit opinion. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, although not with the aim of expressing an opinion on the effectiveness of this system at the Company.
- we assess the appropriateness of accounting and valuation policies applied by the management and the reasonableness of accounting estimates made by management, and related disclosures.
- we draw conclusions concerning the appropriateness of the going-concern accounting policy applied by the legal representatives and, on the basis of the audit evidence obtained, whether any material uncertainty exists in connection with events or circumstances that could cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to express an opinion on the related annual financial statements or, if the information is inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances can, however, result in the Company no longer being able to continue its business activities.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the Company's net assets, financial

position and results of operations in accordance with German generally accepted accounting principles.

Among other matters, we discuss the planned scope and timing of the audit and significant findings of the audit with those individuals responsible for monitoring, including any deficiencies in the internal control system that we identify during our audit.

Cologne, March 29, 2022

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Fischer
Certified Public Auditor

Broda
Certified Public Auditor