SCHARF

ANNUAL REPORT 2021

SEVEN-YEAR COMPARISON OF KEY FINANCIALS

		2015	2016	2017	2018	2019	2020	2021
Income statement data								
Revenue	TEUR	50,303	42,565	52,131	70,795	75,395	50,180	85,870
Revenue share outside Germany	%	90	92	95	98	97	96	97
Operating output	TEUR	50,016	42,241	53,114	71,028	74,837	56,331	85,317
EBIT	TEUR	2,263	2,473	4,554	5,304	6,822	–8,130	11,240
EBIT margin	%	4,6	5,9	8,6	7,5	9,1	–14,4	13,1
Net income	TEUR	1,472	1,873	3,982	4,633	5,739	–8,054	12,582
Balance sheet data								
Total assets	TEUR	58,629	59,412	72,267	83,120	95,835	83,543	121,288
Equity	TEUR	37,025	39,297	48,709	51,533	60,577	48,453	71,700
Equity ratio	%	63	66	67	62	63	58	59
Cash and cash equivalents	TEUR	5,197	6,638	12,886	5,410	5,230	4,402	9,512
Personnel Data								
Average number of employees		280	298	312	389	427	418	420
Share of employees outside Germany	%	69	72	73	74	70	69	67
Share data								
Earnings per share	EUR	0.36	0.45	0.94	1.01	1.20	–1.79	2.29
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00

CONTENTS


SCHARF
4WD

TO OUR SHAREHOLDERS

INTERVIEW WITH THE MANAGING BOARD

How did business perform in 2021 against the backdrop of the ongoing pandemic?

Hans Joachim Theiss: Business trends in 2021 also continued to be influenced by the economic repercussions of the coronavirus pandemic. Especially in important foreign markets, business activities remained limited. Despite these challenging conditions, we succeeded in exceeding our most recently issued full-year revenue and earnings forecast for 2021. Consolidated revenue reached EUR 85.9 million and our operating result amounted to EUR 11.2 million, which resulted in an EBIT margin of 13.1 %, above our medium-term guidance of over 10.0 %. It was pleasing to see that business with both new equipment and after-sales picked up again in key sales markets. In the third quarter, we also reached an important milestone by becoming the first European company to receive approval for China III machines. This had a corresponding positive effect on revenue and earnings in the third and fourth quarters of 2021.

Talking about China III – what growth prospects does Chinese market offer?

Wolfgang Embert: China is currently the world's largest coal producer and is consequently a very important foreign market for SMT Scharf. Existing mines there are constantly being upgraded and new high-tech mines are being built. The government's declared intention is to equip both old and new mines with efficient, safe transport technology that is optimised for the needs of employees. As SMT Scharf, we can supply corresponding modern and specific transport technology. With our completely revised DZK3500 machine generation, we also comply with the more stringent China III emissions directive, which came into force in 2021. In the third quarter of 2021, we were the first European supplier to receive approval for China III machines and have already delivered some machines to China. The optimised engine not only complies with the China III emissions directive, but also impresses with 15 % more drive power. We expect China III to continue to make a positive contribution to our revenue growth in the current 2022 fiscal year.

What progress have you made in your initiatives to make the business less dependent on coal?

Hans Joachim Theiss: We have a clear focus on further expanding our business activities outside of coal mining. In 2021, we concentrated on advancing the development and production of electric vehicles in the Mineral Mining segment. This is also happening especially at our site in South Africa, where we moved into a larger production facility in Johannesburg last year. Firstly, the new site serves as a regional manufacturing and support centre for our Group's monorail and chairlift products, thereby strengthening our position in the African mining sector. And secondly, it enables us to meet demand for underground electric vehicles and manufacture them for mining customers from all over the world. Here it is pleasing to note that we delivered the first prototypes of electric-powered load, haul, dump machines (LHDs) and medium-duty underground trucks to Polymetal International in 2021 as part of our strategic partnership.

Wolfgang Embert: Similarly, we are also pressing forward with initiatives in the tunnels area to expand the tunnel logistics business for major construction sites in order to form a further sustainable pillar for our business. As part of the significant Snowy Mountain 2.0 state energy project in Australia, SMT Scharf has received an order for the Tunnel Logistics segment. This year we will provide a specific transport solution for rail-bound passenger and ambulance transportation in the tunnel for this project. Particularly in large underground infrastructure projects, we can ideally contribute our core competencies – which is an important strategic direction that we intend to continue to pursue actively.

The Managing Board of SMT Scharf AG

Increasing digitalisation is also a major issue in the mining industry. How is SMT Scharf addressing this trend?

Wolfgang Embert: Technological change and digitalisation entail the opportunity for SMT Scharf to further evolve its existing product portfolio by developing innovations. Given the ongoing digitalisation of mines, SMT Scharf is intensively developing solutions for lower-emission, more intelligent logistics systems for underground transport technology that communicate with their environment. A major efficiency advantage of our machines derives from preventive maintenance, for example. This includes the wireless transmission of operating data. For example, the evaluation of operating data makes it possible to plan and perform maintenance measures in line with requirements, and to optimise the stocking of consumables and spare parts. Through continuous product maintenance within the Group and the development of sustainable solution concepts, our products thereby deliver a high level of value for customers. We are making underground work more efficient and improving miners' working conditions. This is yet another incentive for us to contribute to the modernisation of mines worldwide with innovative mining technology "made in Germany".

Disruptions to global supply chains are evident against the backdrop of the pandemic. How is SMT Scharf adjusting to this situation?

Hans Joachim Theiss: The instability of supply chains became painfully apparent during the pandemic. This jeopardises supply security along global supply chains. We're working to respond appropriately to these challenges. Within the SMT Scharf Group, we have initiated change processes to counteract the growing vulnerability of supply chains. Before the pandemic, transport played a rather minor role, both in terms of value creation and as a cost factor. This has now changed significantly: factory closures, lockdowns in many countries around the world, demand for tradable goods, disruptions to logistics networks and capacity constraints have caused freight costs to rise sharply and delivery times to lengthen noticeably.

Wolfgang Embert: We have identified rail transport and air freight, in conjunction with longer-term master agreements with logistics companies, as helpful instruments to counter bottlenecks in the transport sector. In particular, the shortage of semiconductors has also emerged as a factor that poses a threat to the functioning of our value chains – precisely because they are traded intensively and are consequently considered risk factors for global demand. The reason for this is the high demand for semiconductors arising from the extensive requirements for microelectronics as part of advancing digitalization. However, besides the sometimes dramatic price increases for electronic components, it's the frequent lack of availability of precisely these components that can affect the ability to deliver products. We try to manage the tight situation on the procurement market as best as possible for SMT Scharf with a multiple-source strategy, inventory management and also the early development of an alternative design.

What are your expectations for the 2022 fiscal year?

Hans Joachim Theiss: In principle, we believe that SMT Scharf is well positioned as a specialist in the niche to be able to benefit sustainably from the megatrends in mining. These megatrends are spurring demand for transport and logistics solutions that are individual and more modern. Consequently, we expect attractive long-term growth opportunities in our business areas, not least due to urban development worldwide, high demand for economically strategic raw materials as well as electromobility. Short-term, however, we identify major risks for our business emerging from the coronavirus pandemic, increasingly disrupted supply chains and geopolitical tensions in Eastern Europe. It's not yet possible to foresee the extent to which the Ukraine crisis will affect our business activities in Russia in particular, and our business activities as a whole. SMT Scharf is exposed to greater exchange rate risks due to the Ukraine crisis and a resultant rise in the price of our goods. In order to reduce financial risk to a large extent, we are constantly working to minimise negative currency effects and to achieve better payment terms, such as by way of advance payments for machines that have not yet been sold, and by shortening payment terms for existing orders.

MEMBERS OF THE MANAGING BOARD

Dipl.-Kfm. Hans Joachim Theiss

Chief Executive Officer

Compliance, Finance & Controlling, Strategic Corporate Development, M&A, Investor Relations, IT and Sales (New Business)

Dipl.-Ing. Wolfgang Embert

Managing Board member

HR, Product Development, Production Areas, Engineering and Sales (Order Processing, Service & After Sales)

MEMBERS OF THE SUPERVISORY BOARD

Univ.-Prof. Dr. Louis Velthuis

Chairman

Mainz, Chair of Controlling at Johannes Gutenberg University Mainz

Supervisory Board member at Intershop Communications AG

Dr. Dipl.-Ing. Dirk Vorsteher

Werne, management consultant

No positions held at other companies

Dipl.-Volkswirtin Dorothea Gattineau

Wuppertal, Head of Finance

No positions held at other companies

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 verbal 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 convened for seven regular 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 thanks all of the members of the Managing Board and all of the 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

FOCUS ON TRANSPORTATION SOLUTIONS FOR OUR CUSTOMERS IN MINING AND TUNNEL CONSTRUCTION

As an integrated system supplier, SMT Scharf offers transport solutions for underground mining personnel, equipment and materials. We are a German specialist engineering company at home in its core customers' domestic markets. Our products and services are world-class. We are the global market and technology leader in rail systems and chairlifts for underground mining. Our captivated railway systems as well as our other high-performance vehicles are deployed all over the world, primarily in hard coal mines as well as in mines for gold, platinum and other metals.

The technical performance data for our core product, the monorail, are unmatched worldwide. This rail system – which hangs from a single track and is deployed in both coal mines and mineral mines – is easy to install and can transport loads of up to 48 tons on routes as well as handle gradients of up to 35 degrees. Trained personnel can set up such a track network quickly and inexpensively. Our electrical expertise also enables us to meet market demand for electrically operated railway systems and rubber-tyred vehicles, and to expand our range of products and services in the future for further areas of demand. To expand this business area, we are pressing ahead with the development and production of underground electric vehicles as part of strategic partnerships.

The SMT Scharf Group has its own subsidiaries in leading mining nations worldwide. These include the important foreign markets of China, Russia, Poland and South Africa. We also have a subsidiary in Canada as well as a sales office in Chile, through which we manage our activities in the South American market.

SPECIAL MACHINERY MANUFACTURER WITH GLOBAL PRESENCE

Headquarters

Subsidiaries

Joint Ventures

Sales Regions

STABLE FOUNDATION AND STRATEGIC FARSIGHTEDNESS

COAL MINING

SMT Scharf sells most of its products to operators of underground hard coal mines worldwide. In longwall mining, materials are mined in horizontal walls of considerable length – in the associated routes, SMT Scharf's transport solutions are used most frequently. With its international positioning, SMT Scharf focuses on the major producing countries around the world, where further high-tech mines are being created. The energy demand of large emerging economies will still need to be covered by coal for the foreseeable future. As a consequence, demand from mining companies for these products that are important to them will continue in the coming decades.

Poland remains the most important European market, where a high proportion of longwall mining is particularly attractive for SMT Scharf. In addition to Russia, especially China is an important market for our rail systems and services. According to our own research, the largest number of installed railroads is located in China. Due to its enormous size, the country offers attractive sales potential, as increasing investments in EMS technology are being realised. South Africa offers a bridgehead to sub-Saharan Africa. As the market leader for chairlifts in hard rock mining (mineral mining), SMT Scharf is working to further expand its business in Africa.

MINERAL MINING

The production of metals such as gold, platinum, copper, nickel and other raw materials such as salts is aggregated within the Mineral Mining segment. Here, too, we deliver exclusively to underground mine operators. A growing market for SMT Scharf's underground products exists thanks to two factors. Firstly, deposits that are easy to develop are increasingly being exhausted, and, secondly, new high-tech mines are being created that require specific transport solutions.

In contrast to coal mines, however, no elaborate explosion protection is required when mining metals. The fact that, as a consequence, electric drives can replace diesel engines more easily represents a key advantage. Hard rock mining is diverse and globally distributed. The largest platinum deposits in the world are located in South Africa. Russia is regarded as a leading producer country of nickel. Many copper mines are located in South America's Andean states and in Australia. In other words, beyond coal, a number of opportunities exist for our company to expand business with mine operators: by tapping new geographic markets that are less relevant to coal mining, we can reduce our dependence on the investment cycles of coal mine operators. Moreover, the company places a strategic focus on expanding the development and sale of electric-powered transport solutions.

TUNNEL LOGISTICS

SMT Scharf is working on expanding its business with tunnel logistics for large-scale construction sites to form a second business pillar, and on offering demand-based solutions based on SMT Scharf technology in this market. Thanks to our core competencies, we also consider ourselves well positioned in this business area to provide adequate support to external partners in large-scale projects. In 2022, we are supporting the Australian government's major energy project, Snowy Mountain 2,0, where SMT Scharf will provide a specific transport solution for rail-based passenger and emergency transport in tunnels.

We also aim to further stabilise our revenue growth over the coming years and reduce our exposure to business cycles by expanding the tunnel segment. While mine operators – as our customers in both our other segments – depend on the mega-cycles of raw materials prices, infrastructure demand involving the construction of subway tunnels, for example, is independent of such cycles. Rather, global demographic trends and the increasing density of conurbations are key drivers for tunnel construction. At the same time, many industrialised nations have a great need to renew their infrastructure for optimisation purposes.

OTHER INDUSTRIES

The Other Industries segment mainly comprises the business activities of the subsidiary ser elektronik GmbH, whose revenues outside the underground mining area are reported in this segment. As a specialist company, ser elektronik focuses on the development and production of customer-specific embedded and intelligent systems. ser elektronik's products are deployed in a wide variety of industries such as the food manufacturing industry, traffic engineering and intralogistics as well as in international mining. The range of services here includes the development, project planning and production of customer-specific electronic controls, including associated peripherals. This also includes specific power supplies as well as battery management solutions.

ATTRACTIVE GROWTH OPPORTUNITIES IN UNDERGROUND MINING

ENERGY REVOLUTION

In the European Union (EU), the Green Deal brings climate protection, ecology and sustainability into the focus of political action. The declared objective is to reduce net greenhouse gas emissions in the EU to zero by 2050. In Germany, however, a setback occurred in 2021, with renewables accounting for 40.5 percent of total electricity generation, down from 43.6 percent in 2020. At the same time, coal increased its share of electricity generation by almost one fifth to 27.8 percent due to high gas prices. Overall, the growing importance of renewable energies is exerting a positive effect on demand for lithium, cobalt and rare earths, which will provide further impetus for mining.

URBAN PLANNING TRENDS

Increasing urbanisation requires an expansion of infrastructure networks. The UN expects there to be a total of 41 megacities by 2030, each with more than ten million inhabitants. Demand for transport and traffic routes entails not only expanding infrastructure within megacities but also their connections with each other. Tunnel projects, such as in China and India, are becoming increasingly important in this context.

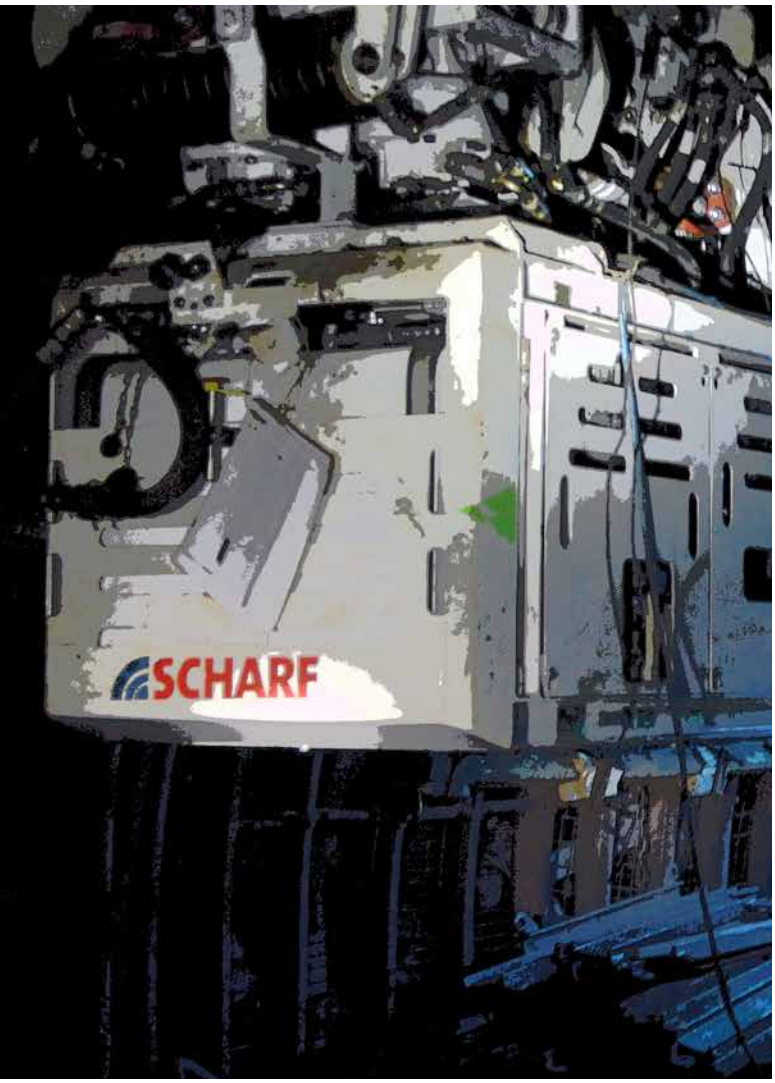
GLOBAL ECONOMIC GROWTH

Despite the COVID-19 pandemic, global economic growth picked up tangibly in 2021. Global economic output is also expected to increase further in 2022. As a consequence, demand for energy is rising worldwide. An expansion of around one third is expected by 2030. For this reason, coal will remain an important energy source for the foreseeable future. Similarly, growth is boosting raw materials production, with the mining sector benefiting accordingly. For example, the global mining equipment market was worth USD 26,9 billion in 2021 and is expected to reach a level of USD 33.1 billion by 2027, according to a study. This corresponds to a CAGR of 3.5 % over the 2022 to 2027 period.

ELECTROMOBILITY

Rising demand for electric vehicles in road traffic is a further driver for the mining of economically strategic raw materials such as lithium, cobalt and rare earth metals. Demand for electric vehicles is also increasing in underground mining. In addition to lower emissions, this leads to 15 % lower maintenance and repair costs on average compared with vehicles powered by internal combustion engines.

GROWTH STRATEGY



The recovery of the global economy has also enabled the worldwide market for mining equipment to pick up again. At the same time, we are of the view that attractive growth opportunities for SMT Scharf continue to exist in the Chinese market, including from the new regulation for engines in China (China III) that became effective in 2021. This new regulation is forcing Chinese mine operators to replace machines that do not meet the new China III standard. SMT Scharf was the first European supplier to have received approval for the new generation of machines, which were developed at an early stage and now meet the more stringent standards.

Our leading market ranking, strategic positioning and innovative strength are enabling us to implement our growth strategy with success. In addition to our new equipment business, the business from service and maintenance also makes a major contribution to profitable growth, which gives our company a level of robustness – also in difficult market conditions.

Thanks to internal strategic measures as well as takeovers and partnerships, we are moving ourselves into a position to benefit from growth opportunities to an above-average extent. We are focusing on the development and production of electrically powered vehicles.

VISION:
EXPANDED PRODUCT RANGE IN UNDERGROUND LOGISTICS

ORGANIC GROWTH

We will further expand our business in coal and mineral mining, tap new geographic markets and increasingly extend our product range. In the coming years, tunnel logistics will also be established as a further business area.

EXTERNAL GROWTH

We are always actively on the lookout for opportunities to gain access to expertise in adjacent business areas – also beyond our core positioning. In principle, both acquisitions and further strategic partnerships are possible in this context.

OPERATIONAL EXCELLENCE

We aim to become even better in operational terms. We identify potential in the interaction of our international locations, in managing the value chain across all functions such as purchasing, development and assembly, as well as through the targeted analysis of specific markets and customer requirements.

CORE COMPETENCIES

Stable core business with sound margins and growth opportunities

Evolved expertise in machine engineering with maximal customer focus

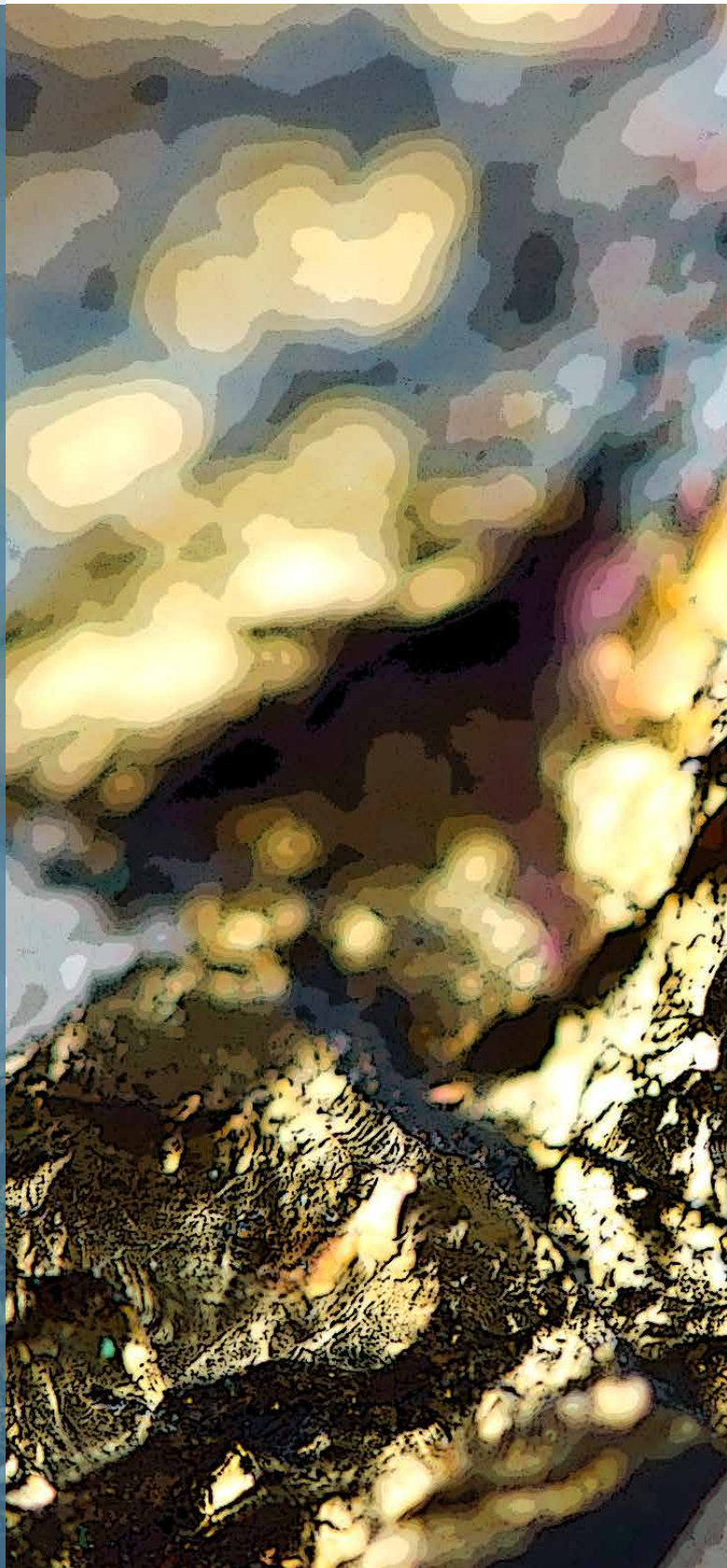
Management expertise in the mining industry

APPROVAL OF CHINA III MACHINES

With the DZK3500, SMT Scharf has created a completely revised generation of machines for the Chinese market and received final approval for it in the third quarter of 2021. An optimised engine with an intelligent engine management system as well as 15 % higher drive power forms core of the DZK3500. As a consequence, SMT Scharf was the first European supplier to comply with the China III emissions directive, which has been in force since the beginning of 2021. This opens up attractive growth opportunities in the Chinese market, even though domestic competitors are increasingly positioning themselves in this area. For series production, the company has planned corresponding production capacities at individual locations in order to meet the expected demand. China is the world's largest coal producer. Furthermore, new high-tech mines are constantly being built there. With its large number of hard coal mines, China thereby remains a market offering great potential for SMT Scharf, which specialises in individual transport solutions deploying state-of-the-art technology.

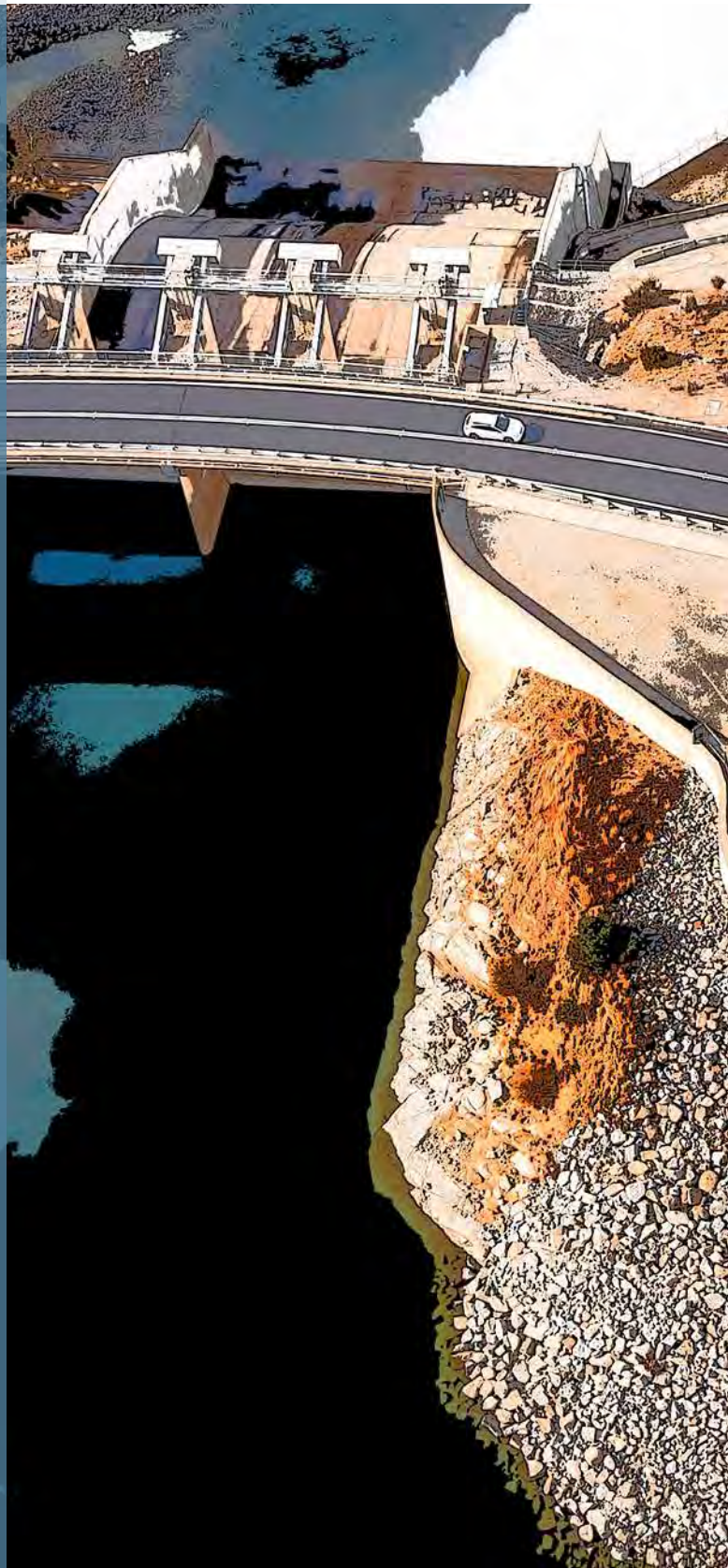
UNDERGROUND ELECTRIC VEHICLES FOR POLYMETAL INTERNATIONAL

The development of electric-powered commercial vehicles is an important future topic for SMT Scharf. The company successfully demonstrated its electrical expertise in the context of its first order for Polymetal International and produced electric-powered loaders and medium-duty underground trucks as prototypes for this Russian company. These were delivered to the customer in the second half of 2021. The vehicles ordered will be deployed for underground gold mining in Russia and will be tested there as a basis for further vehicle deliveries of the same type. As the use of electric vehicles are capable of significantly reducing pollutants in underground mining, they play a major role in improving working conditions underground. These electric transport systems significantly reduce the impact of heat, particulate matter, noise, and pollutants such as NOx and CO_2. They are locally emission-free, thereby reducing the need for fresh air, in other words, the cost-intensive supply of fresh air and cooling underground. With its innovative electric-powered transport solutions, SMT Scharf is able to help mine operators in improving working conditions underground.



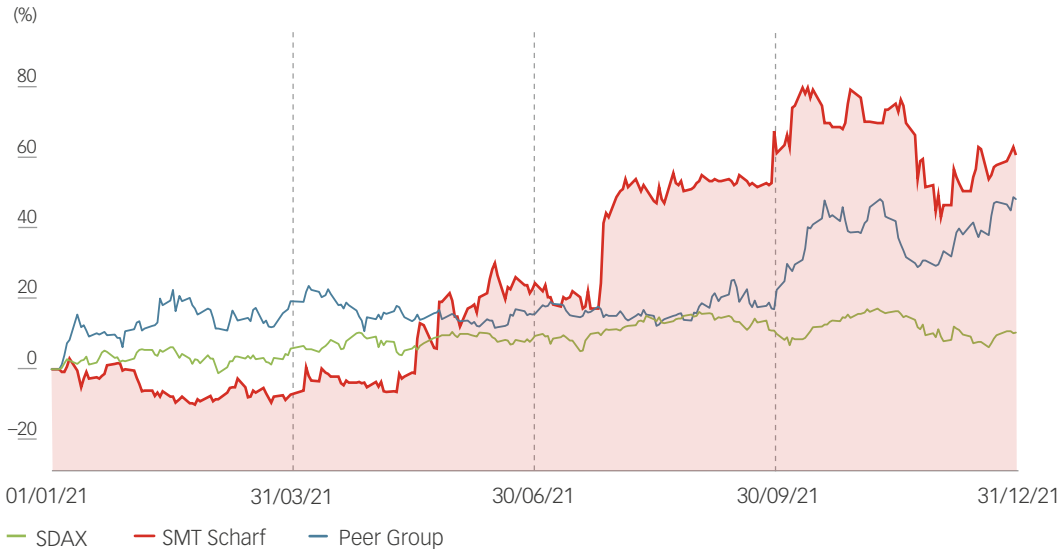
TUNNEL LOGISTICS FOR SNOWY MOUNTAIN 2,0 GREEN ENERGY PROJECT

As part of the Snowy Mountain 2.0 government project in Australia, SMT Scharf's Tunnel Logistics segment received an order worth EUR 2.3 million in 2021. SMT Scharf will develop a specific transport solution for rail-based passenger and emergency transport in tunnels for this purpose. Delivery is scheduled for the first half of 2022. SMT Scharf is continuously working on expanding its Tunnel Logistics business for large-scale construction sites to form a further business pillar, and thereby further diversify its business. Based on our core competencies in underground logistics, we are also able to offer solutions tailored to the requirements of the tunnel. The Snowy Mountain 2,0 project entails the expansion of the so-called Snowy Mountains Hydroelectric Scheme. The hydroelectric plant was commissioned in 1974 and supplies electricity and drinking water to the Australian capital Canberra in New South Wales. As Australia's most significant green energy project, it is set to become the world's largest pumped storage power station once expanded. The aim is to create a generation capacity of 350 GWh, or 175 hours of energy storage, to supply approximately 500,000 homes during peak demand. A further 27 kilometres of tunnels are to be built for this purpose.



INFORMATION ABOUT THE SHARE

Share price performance 2021



Share price performance 2021

Following 2020, a year marked by coronavirus, SMT Scharf's shares started 2021 at a level of EUR 8.68, against a backdrop of significant turbulence in equity markets. The share price initially remained stable at the beginning of the year. It touched its low for the year of EUR 7.95 on February 24, 2021, and at first lagged the performance of the SDAX and its peer group (weighted portfolio of Epiroc and Famur). Meanwhile, progress with vaccination campaigns generated a new sense euphoria on financial markets. From mid-May onwards, SMT Scharf's shares recorded a noticeable upturn, posting disproportionately high gains compared with the SDAX over the course of 2021. The share finally reached a high of EUR 15.90 on October 13, 2021. At the end of the year, falling prices were observed given the new coronavirus variant omicron, as well as rising inflation. SMT Scharf's shares also registered an interim downtrend from the end of November, but then closed the year at a price of EUR 14.20. Compared with the beginning of the year, the share has consequently reported a considerable price appreciation of around 61 %. SMT Scharf's shares thereby staged a significant recovery in 2021, although the pandemic continued to dominate stock markets. The peer group underperformed SMT with a price gain of around 47 % in 2021. The SDAX small-cap index closed the year up by around 10 %.

Share price data for 2021 (XETRA)	
Closing price 2020	EUR 8.68
High for the year (October 13, 2021)	EUR 15.90
Low for the year (February 24, 2021)	EUR 7.95
Closing price 2021	EUR 14.20

SMT Scharf's share price decreased by 22.89 % since the start of 2022, from EUR 14.20 to EUR 10.95 (basis: Xetra closing prices, as of February 28, 2022).

In 2021, an average of 43,556 shares were traded on the Xetra trading platform of the Frankfurt Stock Exchange.

Key data	
German Securities Identification Code (WKN)	575198
ISIN	DE0005751986
Ticker symbol	S4A
Trading segment	access (Regulated Unofficial Market of the Munich Stock Exchange)
Number of shares	5,521,456 no par bearer shares
Paying agent	Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt/Main
Initial listing	April 11, 2007

Investor relations activities

SMT Scharf AG attaches great importance to transparency, openness and reliability in its interaction with all capital market participants. Investors were regularly informed about current business trends through detailed financial information in German and English in the form of quarterly, half-yearly and annual reports as well as through the timely publication of press releases and ad hoc announcements.

CEO Hans Joachim Theiss participated in selected investor conferences in the 2021 fiscal year and responded in detail to questions from institutional investors and analysts in the context of numerous one-on-one meetings and presentations. The conferences included the:

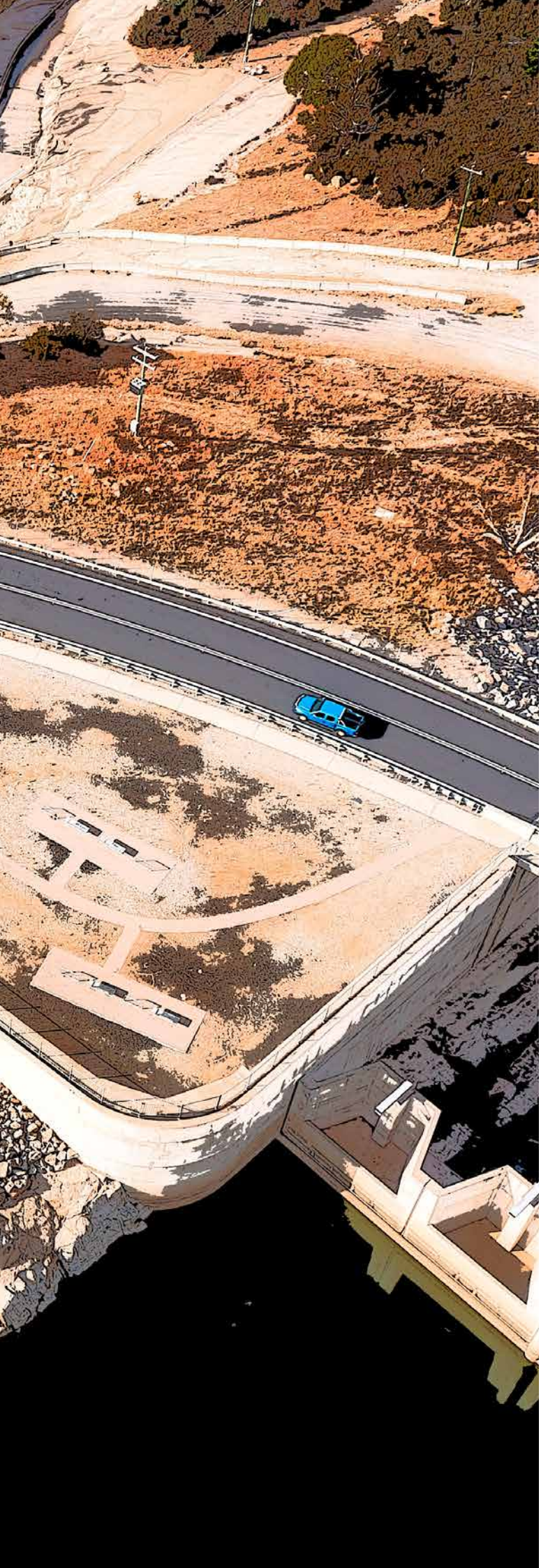
- Montega's Hamburg Investor Day,
- the Platow Euro Finance Small Cap Conference,
- the Baader Small-Cap Day,
- the virtual German Equity Forum, and
- the Munich Capital Markets Conference.

Over the course of the year, the Managing Board also took the opportunity to provide continuous information about the development and performance of SMT Scharf AG in discussions with investors, analysts and financial journalists.

Detailed information about the company and its share is available in the investor relations section of the company's website at www.smtscharf.com. Such information includes financial reports from previous years, corporate announcements and other publications, among other documents.

Annual General Meeting 2021

SMT Scharf AG successfully held its Annual General Meeting on May 27, 2021. On the basis of the act passed by the legislator to mitigate the consequences of the COVID-19 pandemic (Act on Measures in Corporate, Cooperative, Association, Foundation and Home Ownership Law to Combat the Effects of the COVID-19 Pandemic [C19-AuswBekG]), this AGM was held as a virtual AGM. The presence of the represented share capital amounted to around 53.7%. All agenda items, including the ratification of the actions of the members of the Managing Board for the 2020 fiscal year and Conditional Capital 2021/II, were approved by large majorities. As part of the AGM, the Managing Board reported on the operative and strategic development of SMT Scharf AG in the 2020 fiscal year, which was characterised to a significant extent by the effects of the coronavirus pandemic as well as strategic measures. The high order book position, which reflected the pending status of the China III approval until the third quarter, highlighted attractive growth opportunities in mining markets worldwide. Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, were reappointed as the auditor for the 2021 fiscal year. The voting results for the respective agenda items are available online at www.smtscharf.com in the Investor Relations section.



CSR REPORT 2021

CSR REPORT 2021

1. Foreword of the Managing Board

Dear Ladies and Gentlemen,
Dear shareholders,

we develop and distribute products that enhance the safety and well-being of people working in underground mining in environments that have historically been, and in parts of the world still are, beset with high health risks for workers. Not least thanks to our products, these workplaces have become and continue to become significantly safer and less stressful for the persons working in underground mining. We take this product responsibility very seriously. In order to continuously improve the safety of our products, we are always consistently engaged in further developments.

In addition to the safety of our products, we also focus on their functionality and durability. We are concerned with materials and their processing as well as with alternative drive options, which we adapt to the difficult conditions underground. In this way, our innovative transport and logistics solutions contribute to efficient and modern working methods and the reduction of exhaust gases underground, and relieve miners by moving heavy loads with the help of our intelligent transport machines.

Values such as fairness, tolerance and respect guide our entrepreneurial thinking and actions. As an internationally active company, we ensure that human rights are fully respected and, above all, that we reject forced labour in any form. We conscientiously ensure that children and young people are not exploited either in our company or by our suppliers and customers.

But all this is merely the starting point: SMT Scharf has set itself the goal of incorporating ESG criteria even more strongly than before into our growth and acquisition strategy in future, thereby focusing on ESG-compliant corporate development. To this end, we perceive the formulation of a sustainability strategy as the next logical step. This sustainability report marks the initial step: In the following, we provide information not only about current environmental indicators at our German production site in Hamm, but also about the positive impact of our innovative products – both on the environment and on the working conditions and health of people in underground mining.

Since energy generation from coal is associated with heavy burdens on the environment, our special focus in the coming years will be on the continuous expansion of our business fields outside of coal mining. Consequently, we are working towards generating about 35 % of our turnover in the mineral mining segment and about 5 % in the tunnel logistics segment in 5 years' time. In 10 years, on the other hand, the revenue share accounted for by coal mining is expected to stand at only 50 %, while the other 50 % will be distributed among the non-coal segments (approx 40 % Mineral mining and approx. 10 % tunnel logistics).

Nevertheless, coal mining, currently accounting for around 80 % of the SMT Scharf Group's revenues, will remain our main business segment in the coming years. Against this background, we are aware of our responsibility to ensure occupational safety to a major extent in companies and for their employees who are active in the extraction of fossil fuels. Therefore, we will maintain the production of transport solutions for the coal market, but no longer invest primarily in their development. Rather, our initiatives are aimed at making our business increasingly independent of coal.

We are pleased to present our responsible actions in the individual areas in greater details in this first sustainability report and wish you enjoyable reading.

Hamm, March 29, 2022

Your Managing Board

2. Sustainability strategy

Business model

The SMT Scharf Group ("SMT Scharf") develops, manufactures and services transportation equipment and logistics systems for underground mining and tunnel construction. The main product comprises captivated railway systems that are deployed worldwide primarily in hard coal mines and in the mining of gold, platinum and other ores underground. There, they transport material and personnel up to a payload of 48 tonnes on routes with gradients of up to 30 degrees. In addition, SMT Scharf supplies the mining industry with chairlifts.

Since 2018, rubber-tyred diesel and electric vehicles for mining and tunnelling, including loaders, scissor lifts or underground trucks, have completed SMT Scharf's diverse portfolio. As part of the further diversification of the business, the delivery range was successfully expanded to include electronic components and controls for mining and other industries.

In total, the SMT Scharf Group has its own companies in seven countries as well as global commercial agencies. SMT Scharf generates a large share of its revenues in growing foreign markets such as China, Russia, Poland and South Africa.

Key sustainability issues

In order to identify our relevant sustainability issues, we conducted a document analysis in an initial step. This document analysis evaluated the impact of major trends on our business. The focus was on capital market-oriented and industry-specific requirements.

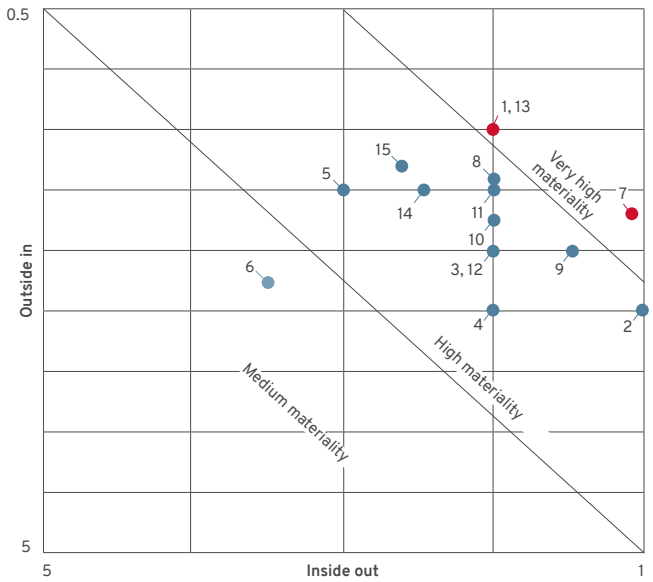
With regard to the analysis we have distinguished two perspectives:

- Significance of the field of action from the perspective of external sources (outside-in)
- Evaluation of the effects of the field of action on the company from the management's point of view (inside-out)

A 5-point scale was used as a rating scale (1 = very important to 5 = unimportant).

A total of 176 fields of action were classified, whereby 112 fields of action proving to be of little or no relevance. The remaining 64 fields of action were clustered into 15 thematic areas and summarised in a materiality matrix after their final, scaled assessment.

Materiality Matrix



Very high materiality
- 1 Climate Change
- 7 Diversity
- 13 Sustainable procurement

High materiality
- 2 High Product quality
- 3 Energy Efficiency
- 4 Waste Management
- 5 Anti-corruption
- 8 Occupational Safety & health protection
- 9 Recruitment and retention of talent
- 10 Fair pay, collective bargaining agreements
- 11 Stakeholder Engagement
- 12 Work-Life balance, family-friendly employer
- 14 Compliance
- 15 Independent Supervisory Board

Medium materiality
- 6 Integrity

Inside out: Materiality by SMT Scharf
Outside in: Materiality by Analysis of Standard- and Indexproviders

The topics of climate change, diversity and the sustainable sourcing of resources proved to be highly essential. The topics from the areas of product responsibility, environmental responsibility, employer responsibility and governance were also rated as being of high, essential importance.

The results of the document analysis provide an important foundation for the further development of our sustainability strategy in 2022 and provide us with guidance for this first report.

3. Our responsibility towards the environment

Energy and water consumption and waste generation

We are placing an emphasis on using energy efficiently and anchoring this goal within our future sustainability strategy. Energy management audits in accordance with DIN EN 16247 are already taking place every four years, most recently in 2021. In doing so, we systematically collect information on our existing energy consumption profile with the aim of identifying opportunities for economic energy savings and quantifying them. Efficient energy management throughout the company makes it possible to reduce climate-damaging greenhouse gases in order to make a long-term and sustainable contribution to climate protection – a key area of action for us.

At SMT Scharf GmbH's Hamm site, we were able to reduce our electricity consumption to 380,037 kWh in 2021 compared to 418,858 kWh in 2020. This corresponds to a reduction of 9.3 %. Our gas consumption also reduced markedly from 310,009 kWh in 2020 to 291,750 kWh in 2021. This corresponds to a decrease of 5.9 %. The lower electricity and gas consumption is due, on the one hand, to the increased use of mobile working by employees against the background of the pandemic. On the other hand, the administrative location in Alfred-Fischer-Weg in Hamm was dissolved in mid-2020 and the administration was reunited in Römerstraße in Hamm.

At present, SMT Scharf is not sourcing electricity from renewable energies. We are, however, currently examining to what extent and in what time frame a changeover is possible for our Hamm location.

Another component in reducing our energy consumption is the energy-efficient design of the office buildings we use. Since we rent the offices, our options are limited to optimising lighting and air conditioning. As an initial step, we have started to gradually convert our lighting to energy-efficient LED lamps.

Waste management and the proper disposal of recyclables and waste are performed in accordance with legal regulations. The principle of the best possible separation of recyclable materials applies to disposal. In order to minimise waste, we audit our operational waste streams. Waste wood makes up a large part of our waste (2021: 53.0t, 2020: 34.1t) and steel scrap (2021: 20.3t, 2020: 24.7t). The waste is separated and disposed of properly. In this way we ensure that recycling is possible. The volume of solid waste amounted to 106.4 t in the past business year and thereby increased slightly against the background of the growth achieved (2020: 91.2 t). The amount of liquid waste was reduced to 0 (2020: 2160 l oil-water mixture). As waste reduction is a key topic of our future sustainability strategy, we will work to reduce the amount of waste or increase the share of recyclable materials.

As our production is characterised by very low water consumption, there is little potential for savings in this respect. Nevertheless, our goal is to achieve efficiency in water consumption as well. This has enabled us to reduce our water consumption to 677 m^3 in 2021 from 758 m^3 in 2020.

Quality management systems are designed to monitor and examine the quality of processes and procedures in an organisation and to guarantee potential for continuous improvement. This not only improves product quality, but also increases production efficiency, which in turn saves resources. In this context we undergo mulitiple certifications:

- SMT Scharf uses an ISO 9001 certified quality management system to monitor, examine and improve system, process and product quality.
- In addition, the company is certified according to ISO 3834 and EN 1090, which cover welding in series production, one-off production, repair and assembly and metal construction work respectively.
- Moreover, as a manufacturer of explosion-protected equipment, SMT Scharf has a quality management system in place that is certified in accordance with the ATEX directive.

Planned introduction of a group-wide enterprise resource planning system

In 2018, we decided to introduce an enterprise resource planning system. The intelligent ERP programmes enable the storage of and access to relevant business data in one central location and assist in planning, controlling and managing all resources in our company in a timely and appropriate manner. In the coming years, international cooperation within the Group is to be made more efficient, while reducing the dependence on external service providers. The aim is to process the topics of authorisations, forms, documents and evaluations in-house and thereby save the high costs of external service providers. In 2021, we made preparations for the Group-wide rollout. In the next step, we will begin implementation at the German locations in 2022. To this end, we have already provided the IT with a new structuure and capabilities, in order to ensure basic support after the go-live.

Product safety and quality

In order to ensure efficient operations, personnel, materials and other loads must be transported quickly and safely - regardless of difficult general conditions. These essentially include changing steep gradients, low thickness ranges, restricted scope for movement or dust. To master these challenges, safe and high-quality products are needed.

SMT Scharf specialises in this area and offers customised solutions for all areas of underground mining. To this end, we are developing low-emission, intelligent drive systems that communicate with their environment. This has the advantage of improving the air quality underground and significantly minimising the CO_2 impact of our products. In addition, this technology has a positive impact on energy requirements. By providing increasingly low-emission engines with intelligent management systems – as in the case of the newly developed DZK3500 engine for the Chinese mining industry, for example – considerable savings can be achieved in numerous cases.

Battery-electric light vehicles, loaders (so-called LHDs) or medium-duty trucks are proving to be particularly energy-efficient. This is due to the fact that emission-free transport solutions and the reduced heat radiation contribute to significantly lower demand for cooling and fresh air. Depending on the mine and geological situation, this so-called ventilation can amount to up to 30 % of the total energy demand. Savings in ventilation requirements thus contribute efficiently to reducing energy consumption and the associated costs.

SMT LEV

Generating energy from waste with the battery-electric transport vehicle

Our LEV is a battery-electric powered light transport vehicle that can be used primarily in underground mines and offers the same emission advantages and therefore cost advantages as our electric monorail EMTS. This vehicle is currently being deployed in South Africa, Chile, Canada and, in the future, Guatemala. The application in Guatemala on a sugar plantation deserves special attention, as here, energy is generated from the waste produced during sugar production, which is used to operate the battery-electric all-terrain vehicle. In this way, the CO_2 footprint in the sugar industry is reduced.

In order to meet the rising environmental demands, SMT Scharf is continuing to ambitiously drive the electrification of its product portfolio forward. Our liquid-cooled batteries ranked among the safest solutions that can be used underground for battery electric vehicles (LEV). In the last 2 years, thanks to electrification, we have already been able to increase the share of machines without direct exhaust emissions from 0 % to 5 %. By 2030, we are aiming for a 50 % share of revenues from electrified products as the demand for electrified products will have increased accordingly by then. In an intermediate step, we are defining a target of 20 % to be achieved in the next 5 years. This objective is based on the assumption that the products in the mineral mining sector will develop in this direction earlier than those in the coal mining sector, even if they are associated with higher costs in terms of acquisition. One example of our conversion to electric drive is our Electric Monorail Transport System (EMTS), which has been deployed for many years in South Africa in ore mining, primarily in platinum mining.

Our captivated railway products and systems are characterised by derailment safety regardless of the drive form. In all underground applications of our monorail overhead conveyor (EMS) portfolio, this technology has a particular safety advantage thanks to its captivated derailment safety. The working spaces underground are restricted and tight, while emergency escape options are not available to the same extent as they would exist above ground. Offering a multitude of safety features, our transport solutions help mining companies in providing safe underground workplaces for their employees. Moreover, the electric drives are significantly quieter than diesel drives and thereby also contribute directly to improving the working environment of the miners by avoiding or reducing noise emissions.

Snowy Mountain 2.0

How our electric transport solutions are contributing to the generation of green electricity

As part of the government's Snowy Hydro 2.0 energy project, which involves expanding the existing hydropower plant to supply electricity and drinking water to the Australian capital Canberra, SMT Scharf is providing a customised monorail system (EMS) to transport workers to a tunnel boring machine. As Australia's most significant green energy project, it is set to become the world's largest pumped storage power plant after expansion. In this context, another 27 kilometres of tunnels are to be built. In addition, we are building a rescue vehicle for the project, which can also be used with EHB technology to transport any injured persons out of the tunnel. This represents an enormous gain in comfort and above all safety for the workers underground. In addition, the use of the electric-powered transport solutions reduces pollutant emissions in the tunnel.

Also due to safety considerations, we have decided that "downsizing" the combustion engines is not a suitable course to reducing the fuel consumption of our vehicles, as downsized engines become significantly hotter and consequently no longer meet the explosion protection requirements for underground transport systems. Our portfolio offers machines with different outputs so that our customers can purchase the appropriate output class for their application.

We are also continuously testing the use of alternative, sustainable materials. Unfortunately, developments in the "green" steel area are not yet ready for the market. We will, however, continue to follow the developments and assess as to what extent there are possible applications for us here.

When selecting the materials and their processing, we primarily consider the durability and long service life our products as a key concern. Sustainability starts with the quality of the product, because a product with a long life cycle and functional design generates less waste.

Since our machines feature modular design and consist of assemblies and components that can be dismantled, they can be easily kept operational during general overhauls or repairs and adapted to current regulations. Our products also achieve top values in terms of Total Costs of Ownership (TCO), as external market studies have proved. TCO and the long service life of the products are therefore decisive criteria in purchasing decisions.

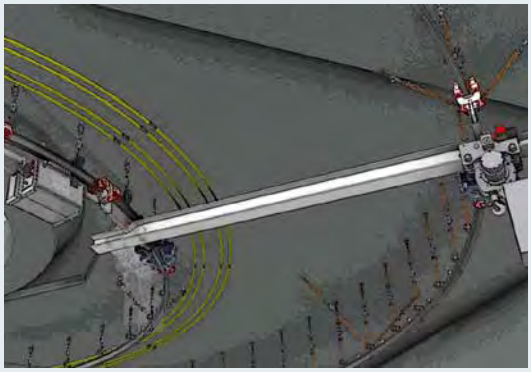
Regulatory framework conditions

Sustainability standards are becoming increasingly strict in the mining markets around the world in which SMT Scharf operates. We welcome this development and are prepared and committed to setting standards with our products. This enabled us to meet the strict China-III-Standards, which stipulate stricter exhaust emission standards for machines in the mining industry. With the DZK3500, we have created a completely revised machine generation for the Chinese market, featuring an optimised motor with an intelligent management system and a 15 % higher drive power. In addition, we are continuously developing and refining our diesel engines and their exhaust gas purification systems. In this way, concepts are already being drawn up to be able to react early and proactively to further changes in the legal situation within the framework of China IV.

With our products and solutions, we are also making an efficient contribution to the decommissioning of nuclear power plants in Germany and consquently to the fulfilment of politically pursued goals.

Crane system for the dismantling the Isar II nuclear power plant

In the tunnel logistics segment, we are regularly commissioned with plant engineering projects in special machine construction (so-called Designed to Order (DTO) projects). SMT Scharf is currently involved in a DTO project to dismantle the Isar II nuclear power plant. For this purpose, we built a special crane system based on components of our EHB technology to lift heavy concrete parts of the nuclear reactor's bio-shield. At this juncture, we are contributing to the accomplishment of a task of the century and help the people working there to safely handle a demanding task with our technology.



Transport and logistics

Changes in our transport and logistics systems also contribute to a sustainable environment. With our suppliers, we pay attention to compliance with environmental standards, taking into account various selection criteria. These include ATEX conformity, welding certificates, as well as successfully passed audits by our quality assurance and self-questionnaires.

In order to reduce logistics costs, we are increasingly switching from global sourcing to local sourcing. Efficient logistics not only cuts overall costs, but also greenhouse gas emissions.

We are taking action at our headquarters in Hamm. We decided to put our fleet of company cars to the test bench. Our catalogue of criteria covers the entire environmental balance of the vehicles, from zero emissions to battery life, production and their final disposal. Whether a fully electric company fleet is the best solution is still being examined in greater detail. There are currently 5 hybrid cars in our company fleet. In addition, we have a keen eye on keeping exhaust emissions low in our employee vehicles as well. The construction of fast-charging stations for e-cars at our German headquarters is in the planning stage and the corresponding power lines are already being put in place.

Delivery chains

SMT Scharf draws on an extensive network of supplier companies from 20 countries, whereby suppliers from Germany account for more than three quarters of the total value of the performance and services. China (5.26 %), Great Britain (4.25 %), Switzerland (3.79 %) and Italy (2.83 %) are the next largest supplier countries. The ESG risks of the supplier source countries, for example with regard to water scarcity, are low overall. Among the countries of origin of the most important supplier companies, only China shows a higher risk with regard to the human rights situation there. In the future, ESG criteria will become even more important in supply contracts and will be increasingly taken into account.

4. Our responsibility towards employees

Key figures on our employees

In addition to reducing our ecological footprint, the responsible treatment of our employees also forms the foundation of our future sustainability strategy. A large part of our material topics therefore concern our responsibility as an employer. In the following, we provide information about the key personnel figures of our company, about our offers to promote the health of our employees, as well as further training and career advancement opportunities.

SMT Scharf GmbH perceives clear advantages in a diverse workforce and believes that a complementary interaction of employees with different personal and professional backgrounds as well as diversity in terms of internationality, age and gender enriches the company and helps it to develop. Accordingly, we pay attention to a corporate culture that enables equal opportunities regardless of gender, age, origin, sexual orientation, disability or other discriminatory characteristics.

As of 31 December 2021, the SMT Scharf Group had 422 employees. The staff turnover rate in 2020 stood at 1.74 %, slightly below the previous year's figure of 2.12 %. In 2021, the turnover rate, taking age-related departures into account, was 3.3 %. In this context, 28 new employees were hired in 2021 of the past year in view of the good order situation, more than twice as many as in the previous year (13). Of these, 25 were men and 3 women. Most new hires were in the Africa region (10) followed by Germany (7), China (6), Poland (3) and Russia (2).

The company was able to increase its percentage of women from 18.63 % in 2019 to 19.44 % in 2020. With regard to the year 2021, the share of women stood at 17.3 %. In terms of the supervisory board, the company has committed to a 33 % share of women since 2016 and already meets this target.

SMT Scharf GmbH complies with the statutory requirements with regard to the quota of severely disabled employees of 5 %. The proportion of employees with severe disabilities was recorded at 3.74 % in 2021, compared to 5.86 % in the previous and thus was below the legal requirements in reporting period with regard to the quota of severely disabled employees of 5 %.

Health and safety at work

The health and general well-being of our employees are, in our view, a basic prerequisite for successful corporate development. In the following, we provide information on the days lost due to illness, occupational accidents and company health promotion offers.

The number of days lost due to illness at the Hamm site in the 2021 financial year amounted to 1,673 days. In the previous two years, SMT Scharf in Hamm recorded 1,109 (2019) and 1,573 (2020) days of sick leave. The sharp increase in days lost in 2020 of around 42 % compared to 2019 is due in particular to the Corona pandemic.

SMT Scharf records both reportable and non-reportable occupational accidents on a split basis. There were no fatal accidents at the company in 2020 and 2021. Regularly updated workplace risk assessments should help to continue to prevent occupational accidents.

At our Hamm location, an occupational safety committee takes care of health and safety issues for employees. The committee is chaired by an occupational safety specialist and includes an additional five safety officers.

Sport and health promotion

At company headquarters, SMT Scharf has set up ergonomic workstations with height-adjustable office desks and individually adaptable office chairs for its administrative staff. In production and assembly, the height of the workbenches can be individually adjusted to the employees. In addition, the workplaces at our foreign locations meet the highest standards for employee health and occupational safety and are equipped accordingly.

At its main location in Hamm, SMT Scharf offers its employees flexible working hours and the option of mobile working so as to ensure work-life balance. Employees are informed about the working models at SMT Scharf via the intranet and via the division managers.

Employee engagement and further training

SMT Scharf GmbH has set up a company suggestion scheme to integrate its employees in shaping and designing business processes. The ISO 9001 certified quality management also includes the CIP (Continuous Improvement Process) basic principle. The company suggestion scheme is actively used by the employees. All in all, a total of 10 operational improvement proposals were submitted in 2021.

SMT Scharf GmbH promotes the further training of its employees and decides on internal promotions depending on the situation. A structured promotion plan has not yet been established at the main location in Hamm.

In 2021, SMT Scharf GmbH spent a total of 512 hours distributed over 64 days on employee training. Some 19.2 % of SMT Scharf GmbH's 125 employees took part in the training courses. In the previous year, the number of training hours amounted to 416, with 17.2 % of staff participating in the training offerings. In 2019, the year before the Corona pandemic outbreak, the number of training hours was significantly higher at 1,064 hours. These were distributed among 61 employees or 60.0 % of the 109 employees. Accordingly, the total cost of training held declined from EUR 56,756.00 to EUR 19,851.00 from 2019 to 2020. in 2021, the costs increased again to 29,808.00 EUR due to the number of training hours held. SMT Scharf strives to provide its employees with targeted further training and is also making them individual offers this year in order to promote these aims and objectives.

Collective agreement

Most of our employees in Germany are employed on the basis of the IG Metall collective agreement. As of the reporting date, the proportion of non-tariff employees at the Hamm site was recorded at 12 %.

Integration of People of Colour in South Africa

Broad-Based Black Economic Empowerment (B-BBEE) is a certification against discrimination that aims to strengthen the inclusion of previously disadvantaged citizens in South Africa in the

country's economy. Every company with an annual turnover of more than 5 million rand (equivalent to 350,000 euros) must apply for B-BBEE certification. In order to be awarded a contract in public tenders or to be eligible for government subsidies, companies must have the corresponding B-BBEE status. SMT Scharf operates B-BBEE-compliant and thereby contributes to enabling economic prospects for discriminated population groups in South Africa.

6. Governance and compliance

Code of Conduct and Compliance

Based on our corporate purpose and values, our Code of Conduct defines the standards of our actions. The Code of Conduct is available online at www.smtscharf.com/company/code-of-conduct/?lang=e It provides guidance and value orientation for our employees, describes the voluntary and legally required measures that SMT Scharf takes to ensure ethical and lawful business conduct as well as the personal integrity and sense of responsibility of all employees and to strengthen team spirit. In addition, the Code of Conduct instructs us on how to do things correctly and properly, helping us to protect our clients, employees, suppliers and our own reputation.

SMT Scharf GmbH has included the code of conduct for its employees in its works agreement. To date, signing and complying with the "Code of Conduct" has not yet been obligatory for suppliers.

If employees become aware of facts that give rise to suspicion of unlawful conduct and lack of organisational integrity, we encourage our employees to report this accordingly. In order to keep the barriers to this low, we have developed and implemented a Whistleblower system.

Our Compliance Management System (CMS) is designed to identify and prevent potential breaches of rules in a timely manner. The CMS is instrumental in uniformly defining appropriate responses to compliance issues for all group companies and in communicating these issues. Therefore, we have appointed an independent compliance officer. SMT Scharf GmbH's current Compliance Officer is Dr Philip Seel from the law firm Streitbörger in Hamm, who has held the position since January 23, 2018. As part of his mandate, he advises the Managing Board on all compliance-related issues insofar as these relate to German law. This includes legal advice on the compliance management system and its components (including their further development) as well as on specific legal issues relating to the topic. In addition, he is available as a contact person for whistleblowers who can contact him – also anonymously.

Stakeholder dialogue

Our stakeholder dialogue currently focuses on capital market players. SMT Scharf AG's Managing Board maintains a dialogue with shareholders and players on the capital market as part of talks and participation in investor conferences. The content pertains to the classification of the company's development and expectations that are placed on our company in financial and non-financial terms. The Executive Board attaches great importance to a regular exchange with investors and participated in 5 analyst and investor conferences in 2021. In order to ensure transparency in this regard, we also inform the general public about our company and current product range on our corporate website smtscharf.com and via our own social media channels.

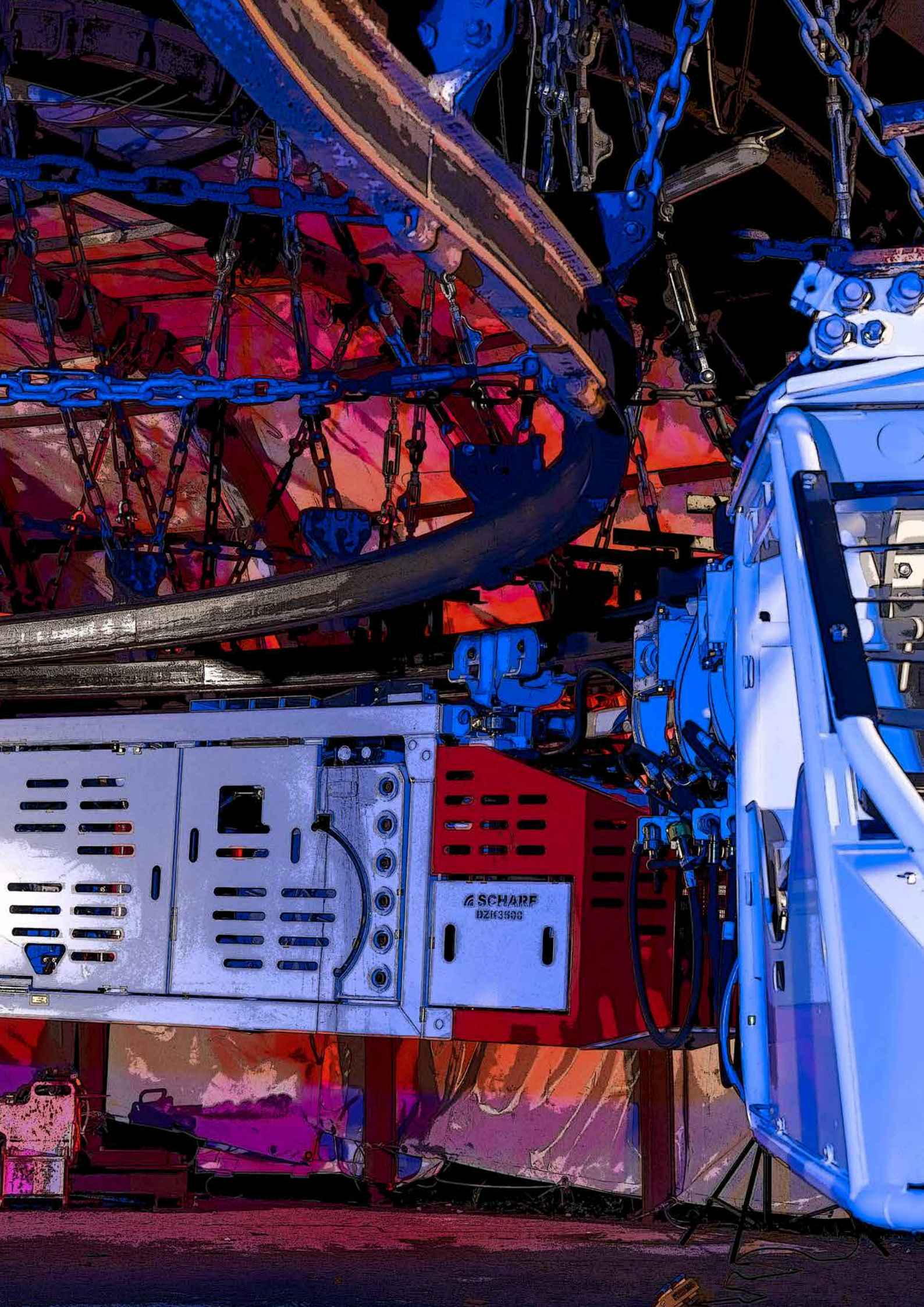
SMT Scharf plans to expand the stakeholder dialogue to include other stakeholder groups in order to gain further insights for a future sustainability strategy.

Fair competition

SMT Scharf respects the principles of fair competition and integrity in public administration. We are aware of the fundamental importance of these values for the functioning of our company and the national economy as a whole. Consequently, SMT Scharf does not tolerate corruption in any form. As in the previous year, no cases of corruption are known for 2021. As a preventative measure, SMT Scharf held training on the organisation's anti-corruption policy and procedures as part of the 2018 sales and management meeting.

Tax payments made

Stakeholders are increasingly demanding appropriate and commensurate tax payments from companies in the countries in which they operate, and they are also increasingly judging this as part of social responsibility. The Global Reporting Initiative has already included the disclosure of tax data in its standard for 2021, and the EU will probably also require companies to disclose certain tax data as from the 2024 financial year onwards. SMT Scharf is aware of its social responsibility in this regard and strives to make appropriate and commensurate tax payments. Consequently, we withhold and pay wage taxes and indirect taxes such as VAT. In 2021, we paid TEUR 880 in income taxes. We are committed to moderate and sustainable tax structuring and do not engage in the tax-motivated relocation of assets or economic activities abroad and reject any structures based on a tax avoidance strategy or aggressive tax planning.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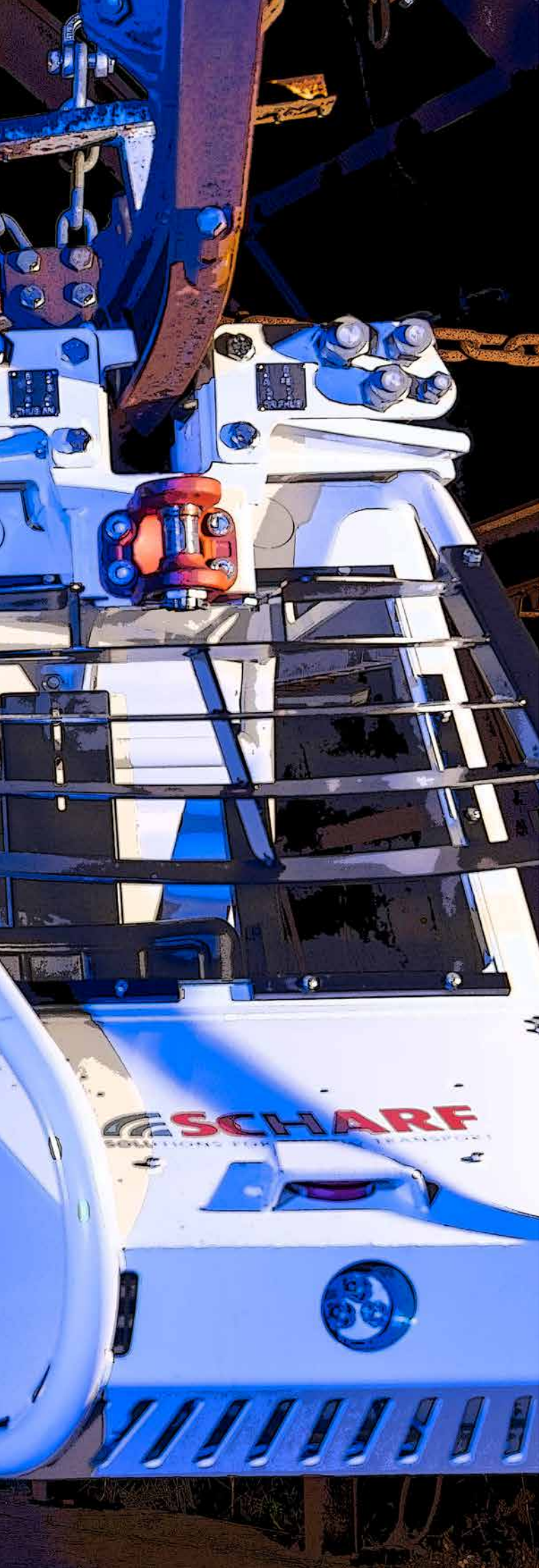


GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE 2021 FISCAL YEAR

Basis of the Group

Business model and Group structure

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 coming years.

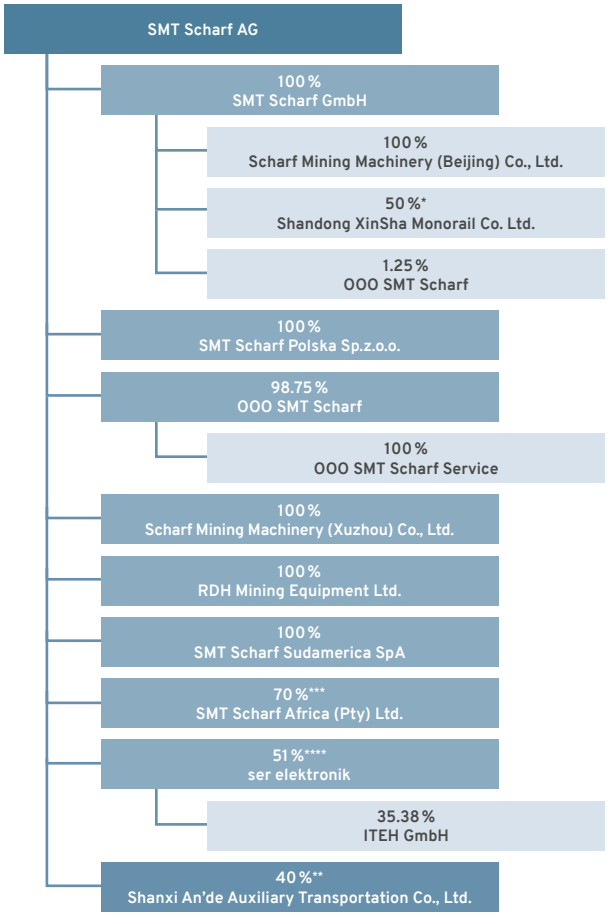
  SMT Scharf can draw on in-house expertise in electronics and controls via its subsidiary ser elektronik GmbH, Möhnesee. The systems – which are integrated into SMT Scharf's transport solutions for coal and mineral mining – are manufactured in-house. In addition, ser elektronik develops customer-specific 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 offering includes the provision of spare parts, maintenance, repairs or maintenance 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.

Ownership interests within the SMT Scharf Group



* Further 50 %: Shandong Liye Equipment Co. Ltd.
** A further 51 % held by Shanxi Lu'an Coal Technology Equipment Co., Ltd., and a further 9 % held by Shanxi Lu'an Haitong Industry & Trade Co., Ltd.
*** A further 30 % since August 8, 2019: AERO AFRICA LEASING (Pty.) Ltd.
**** A further 49 % since April 3, 2019: Ferdinand Eickhoff, Möhnesee

Corporate objectives and strategy

SMT Scharf pursues a strategy based on three areas of activity. To this end, the Managing Board team has defined an extensive list of measures that are being consistently addressed and implemented.

The three strategic areas of activity are:

- Organic growth: Development and launch of new products in the area of underground logistics in coal mining and, with increasing importance, in mineral mining, development of new geographical markets, and development and establishment of tunnel logistics as a third business area. To this is added the business with electronic control systems and components in the Other Industries segment.

- External growth: Takeovers and partnerships aimed at promoting and securing SMT Scharf's core positioning. Takeovers, strategic partnerships and joint ventures have already been brought to completion and established. Here, SMT Scharf AG is paying particular attention to expanding its business activities outside coal.

- Operational excellence: SMT Scharf is constantly working to improve its productivity, profitability and market position. Part of SMT Scharf's permanent strategy is to leverage optimisation potential more effectively through the interplay of international locations as well as in the management of development processes. The targeted analysis of specific markets and customer requirements helps SMT Scharf further enhance its competitiveness in this context.

The Managing Board team deploys these strategies to advance its measures in order to further develop the company into a system supplier of logistics solutions, while at the same time positioning it in adjacent markets (through the core positioning in the mining supply market). The aim of this approach is to tap additional sales revenue potential and make sales trends less dependent on the traditionally cyclical business in mining, which remains SMT Scharf's core market.

One strategic focus is the introduction of a uniform Group-wide Enterprise Resource Planning system (ERP system), which has been approved. Implementation at the German sites will begin in 2022, before the ERP system is rolled out to the foreign sites in 2023. The full implementation of the ERP system is scheduled for completion in 2023. The aim is to better coordinate process steps, improve planning quality and further enhance efficiency in relation to international cooperation within the Group. At the same time, the new ERP system will open up the possibility of identifying and realising optimisation potentials at an early stage in the future.

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 includes an analysis of actual outcomes, a budget/actual analysis, and year-on-year comparisons. SMT Scharf undertakes further specific analyses where required.

Financial and non-financial performance indicators as well as current forward planning are presented in the following tables. The medium-term targets reflect the background assumption that the market environment continues to normalise, especially on the basis of 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)	$\left(\frac{\text{Consolidated revenue in reporting year}}{\text{Consolidated revenue in previous year}}\right) - 1$	> 5 %
Tunnel revenue share	$\frac{\text{Tunnel segment revenue}}{\text{Consolidated revenue}}$	> 10 %
EBIT margin	$\frac{\text{Earnings before interest and tax (EBIT)}}{\text{Total operating revenue}}$	> 10 %
Cost of materials ratio	$\frac{\text{Cost of materials}}{\text{Total operating revenue}}$	~ 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 (on the reporting date)	$\frac{\text{Equity}}{\text{Total assets}}$	≥ 30 %
Key efficiency figures		
Net working capital intensity	$\frac{\text{Net working capital}}{\text{Consolidated revenue}}$	< 50 %
Days of sales outstanding	Number of days in reporting year × $\left(\frac{\text{annual average trade receivables}}{\text{Consolidated revenue}}\right)$	< 150 days

Non-financial performance indicators:

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

In the year under review, the goals set were partially improved compared to the previous year. Nonetheless, potential for improvement continues to exist in many performance indicators. From the company's perspective, the key financial performance indicators are consolidated revenue growth and the EBIT margin.

Employees

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). As of December 31, 2021, the SMT Scharf Group employed 422 staff (FTEs), including ten trainees at the Hamm location. The Group had a workforce of 410 FTEs in the previous year (including nine trainees). In order to manage production capacity flexibly, SMT Scharf also draws on short-term and temporary staff in accordance with the three-layer model. In the event of sustainable growth, these temporary workers are then taken on accordingly in the respectively higher layer.

In light of the continued international demand structure, SMT Scharf is focusing on selectively increasing production capacity and consequently staffing levels at its foreign companies. To this end, additional qualified staff members were hired in key target markets in the reporting period to enable the expansion of our local technical expertise in terms of service and development, as well as production.

In Germany, SMT Scharf further expanded its personnel capacities so that the number of employees as of December 31, 2021 stood at 139 FTEs (previous year: 133 FTEs). Moreover, in order to cover higher demand in production, temporary workers were increasingly hired, particularly in Germany.

SMT Scharf Group employees:

	2021	2020
Total employees	422	410
Employees in Germany	139	133
Employees abroad	283	277
Female employees	73	68
Male employees	349	342

The number of employees at foreign locations decreased by 6 FTEs to 283 FTEs in the 2021 fiscal year. However, due to the increased total number of employees, the proportion of employees working outside Germany decreased to 67% in the reporting period (previous year: 69%).Employee turnover stood at 5,7 % in the year under review (previous year: 1,2 %), in line with the medium-term target of < 10 %. The sickness rate among the workforce in 2021 amounted to 6,2 % (previous year: 5,4 %) – including due to the effect of coronavirus.

Research and development

SMT Scharf continues to focus on establishing local expertise centres with increasing vertical range of manufacture, particularly in Poland and China. Given the coronavirus pandemic and associated interim restrictions at the sites in China, South Africa and Canada, it remained the case that no significant activities occurred in this regard in the 2021 fiscal year. The creation of synergies through further networking of the locations is a future-related topic for SMT Scharf and is to be additionally advanced by the approved introduction of a uniform ERP system and uniform development systems worldwide. A supporting pillar here is the switch of design and production to a modular system, which has already been implemented and which holds out the prospect of significant efficiency enhancements both in production planning and, in the future, in assembly and acceptance.

In 2021, a continued focus was on launching series production of the DZK3500, a completely revised generation of machines. At its core is a new engine with an intelligent engine management system that meets or exceeds the new China III emissions directive, which has been mandatory for mining companies in China since 2021. The engine also offers a 15 % higher drive power. As a consequence of the high demand that is anticipated, SMT Scharf is planning corresponding production capacity at its individual locations to successfully launch series production. SMT Scharf received final approval for China III machines from the Chinese regulatory authority in the third quarter of 2021.

The DZ 66 Vario diesel trolley developed at SMT Scharf Polska, which was specially designed for the specific requirements of the Polish mining industry, was successfully put into operation. This machine type enables SMT Scharf to occupy a new market segment in Polish mining.

In addition, SMT Scharf has already delivered to the end-customer new bottom flange rack and pinion low-power drives, including new rack and pinion rails and rail connections developed for this purpose. An adaptation is planned in the medium term for the use of larger rack and pinion drives.

In light of the ongoing digitalisation of mines, SMT Scharf is intensively developing solutions for lower-emission, more intelligent drive systems for underground transport technology, which communicate with their environment. Ongoing product support within the SMT Scharf Group and the development of sustainable solution concepts contribute to enhanced benefits for customers. One example is the wireless transmission of operating data, the evaluation of which makes it possible, for example, to plan and perform maintenance measures in line with requirements, or to optimise the stocking of consumables and spare parts.

Meanwhile, the strategic partnership agreed with Polymetal International to develop underground electric vehicles is bearing fruit. As part of the first order worth a seven-digit amount, SMT Scharf produced electric-powered drive loaders as well as medium-duty underground trucks as prototypes for Polymetal, and delivered them to schedule in 2021. The vehicles ordered will be deployed for underground gold mining in Russia and will be tested there as a basis for further vehicle deliveries of the same type. We aim to develop further electric commercial vehicles in the future. These vehicles are designed and manufactured at the site in Johannesburg, South Africa.

Expenses for research and development amounted to EUR 1.98 million in the 2021 fiscal year (2020: EUR 2.67 million). The share of development costs in overall research and development costs stood at EUR 916 thousand (2020: EUR 632 thousand), while write-downs on capitalised development costs amounted to EUR 94 thousand (2020: EUR 198 thousand) in the reporting period.

Economic and business report

Macroeconomic environment

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 increased by around 30 %. China benefited from the rapid recovery of the global economy and higher demand from abroad.

Russia's economy registered 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 wave of coronavirus. 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. For 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 just 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 of SMT Scharf AG**

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 partial relocation of production and purchasing processes to the company's sales markets. Most new plants 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 deploying 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
Rubel (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.

Sector trends

Prices for energy-related raw materials, especially coal and natural gas, rose sharply in the reporting period. Record coal prices reflected strong demand, low stock levels, extreme weather that has curtailed production, and supply chain issues, according to Reuters. As a consequence, China significantly boosted output volumes, leading prices to fall by the end of the year.

Natural gas prices also rose sharply in the second half of the year due to higher demand and a lack of supply, although this trend eased towards the end of the year. Extreme weather conditions had increased demand. Base metal prices rose across the board. Precious metal prices decreased after a rise in the first half of the year. The price of coal, which is relevant for SMT Scharf, showed a clear upward trend in 2021, rising from USD 70 to around USD 138 (based on one tonne of hard coal). The S&P GSCI Energy and Metal Index, which is important for the sector, rose by 59 %.

According to estimates by the Mining Association of the German Engineering Federation (VDMA), the new order intake of German mining technology companies in 2021 increased by 75 % compared to the previous year (as of September). Sales decreased by 18 % year-on-year to EUR 2.8 billion (as of September), according to the VDMA. However, the sector anticipates that business recovered further towards the end of the year to record a moderate decrease in sales of 5 to 10 %. The slower recovery in sales also reflects the long-term nature of mining projects.

A survey by PriceWaterhouseCoopers of German mechanical and plant engineering companies revealed that shortly before the end of 2021, an average of 89.5 % of the companies' production capacities were being utilised. Half of the plants were operating at capacity. This is twice as many companies as at the same time last year. Overall, the sector expects sales to increase by 4.4 % in 2022, although higher production costs could depress profits.

In principal, SMT Scharf believes that it is well positioned to continue to benefit from demand for equipment from coal mine operators as well as projects investing in new conveyor systems, including the replacement of existing systems with modern conveyor and transport systems. The OECD expects global demand for raw materials to almost double by 2060, which should exert a sustained positive effect on the mining supply industry's business. The VDMA expects higher demand especially from companies focusing on the extraction of raw materials utilised in alternative forms of energy generation. Lithium for batteries and accumulators as well as copper for use in electrical conduction and heat exchanger, for example, are among the raw materials in demand.

The mining supply industry is also forecast to benefit from higher demand for mineral fertilisers for agricultural production. As a consequence, the global mining equipment market is forecast to grow from USD 70 billion in 2020 to USD 90 billion in 2027, representing a CAGR of 5 % (2021 –2027). More stringent legislation and environmental regulations are expected to slow growth. In contrast, the VDMA emphasises that only state-of-the-art mining technology can ensure the supply of raw materials needed for climate protection and digitalisation.

SMT Scharf also believes that positive growth prospects exist in the tunnel segment: the International Tunnelling and Underground Space Association (ITA) is retaining its positive forecast for the coming years. Accordingly, the worldwide tunnel construction market is worth around EUR 86 billion per year (as of 2016), which corresponds to an increase of 23 % compared to 2013. Since 2013, an average of 5,200 km of tunnels have been built per year worldwide. The Asian market is reporting the fastest growth due to increasing urbanisation. The ITA forecasts that China, for instance, with annual economic output worth EUR 37 billion, will represent around 50 % of the tunnel construction market in the next decade. Further growth regions include Southeast Asia and the Middle East. The study indicates that the European market is developing steadily at rates of between EUR 10 million and EUR 12 million per year. Strong demand is being further driven by ongoing development in many cities and the linking of urban centres. SMT Scharf bases its business model on several pillars through its diversification by product, region, customer group and regional market. This approach serves to mitigate the impact of the coal mining business cycle on SMT Scharf's business growth and development.

Business trends

The macroeconomic recovery in 2021 is also reflected in the SMT Scharf Group's business growth. From the second quarter onwards, the Group reported significant year-on-year revenue growth in each quarter. Over the year as a whole, SMT Scharf generated consolidated revenue of EUR 85.9 million in the 2021 fiscal year (2020: EUR 50.2 million). The 71.1 % revenue growth is particularly attributable to growth in the Chinese market and especially to catch-up effects deriving from the approval of the new China III machines. As a consequence, with the approval relating to deliveries already completed in the third and fourth quarters of 2021, revenue totalling EUR 28.1 million was recognised on a subsequent basis. In addition, China drastically increased production volumes as a consequence of a sharp rise in coal prices, which also had a positive impact on demand for mining equipment.

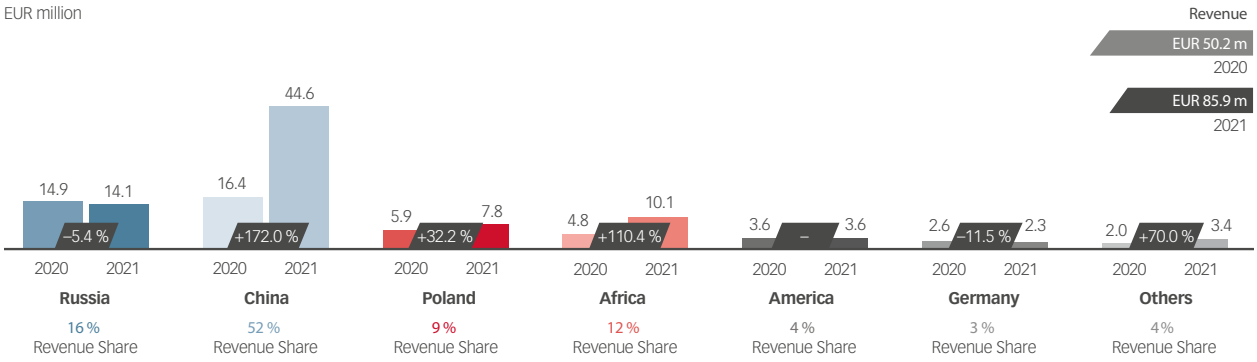
In the 2021 fiscal year, EBIT amounted to EUR 11.2 million, following an operating result of EUR 8.1 million in the previous year due to the pandemic and one-off effects. EBIT increased significantly in the second half of 2021, in particular, with the receipt of approval for China III machines in the third and fourth quarters also having an impact in this context.

In parallel with the resurgence of business on the Chinese market, business on the coal market also picked up significantly in the reporting period. In addition to the aforementioned effects from the approval of the China III machines, SMT Scharf's coal business benefited from the revival of the global economy and the associated increase in global demand for energy. Furthermore, coal logistics facilities that had been successfully established and close customer relationships with local mine operators, which also rely on SMT Scharf's expertise to maintain their machines, also contributed to the company's success on the coal market.

SMT Scharf generated more than 97 % of its revenue abroad in the reporting year (2020: 95 %). China again expanded its role as the most important foreign market with a share of 51.9 %, or EUR 44.6 million (2020: 32.7 % or EUR 16.4 million). Demand for modern mining equipment, which had been subdued as a consequence of the pandemic, picked up again significantly in the reporting year. As expected, the new China III regulation, which will require Chinese mining companies to upgrade their underground mining fleets from the beginning of 2021, had a positive repercussions on revenue and earnings.

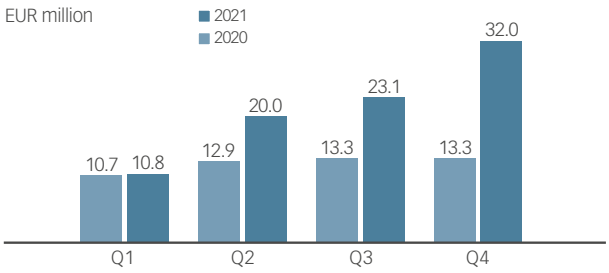
Russia (and CIS) follows as the second most important market with a share of 16.4 %, equivalent to EUR 14.1 million (2020: 29.7 % or EUR 14.9 million). Africa replaced Poland as SMT Scharf's third-largest market during the year under review. The African continent accounted for 11.8 % or EUR 10.1 million of consolidated revenue (2020: 9.6 % or EUR 4.8 million) and thereby recorded

Revenue by region



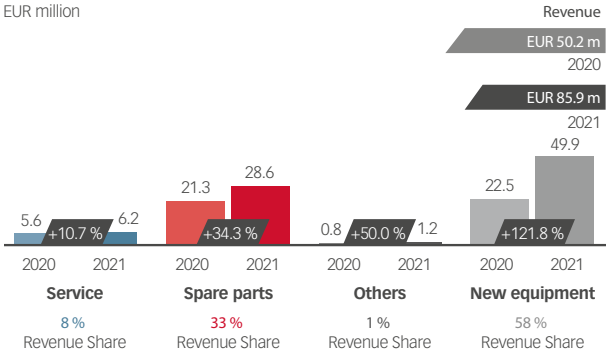
In the final quarter of 2021, SMT Scharf extended its third-quarter performance and reported further revenue growth to a level of EUR 32.0 million (Q4/2020: EUR 13.3 million). The company thereby also exceeded the figure from the final quarter of the pre-crisis 2019 year (EUR 25.7 million).

Group revenue quarter-by-quarter



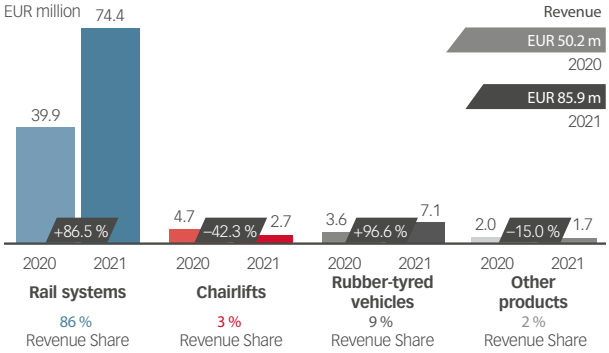
the strongest growth of all SMT Scharf's target markets after China. In Poland, revenue grew to EUR 7.8 million (2020: EUR 5.9 million), with the share of total revenue reducing to 9.1 % (2020: 11.8 %) due to stronger growth in other markets. The American market, where the SMT Scharf Group is primarily present in the mineral mining sector with its monorails and its portfolio of rubber-tyred vehicles, ranks fifth. In America, the Group generated revenue of EUR 3.6 million in 2021, as in the previous year, with the share of total Group revenue decreasing to 4.2 % (2020: 6.5 %) in view of the general revenue growth. The share of revenue remaining in Germany reduced to 2.7 %, or EUR 2.3 million (2020: 5.2 % or EUR 2.6 million).

Revenue by type of business



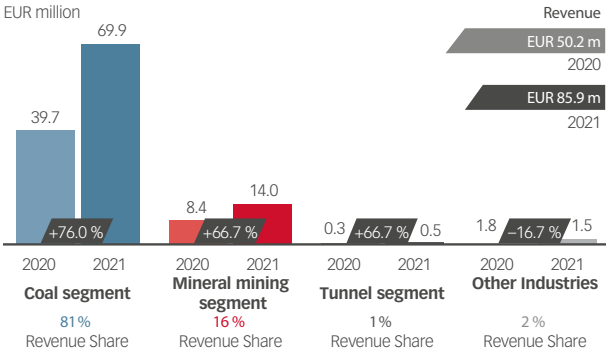
Revenue in the new equipment business recorded significant growth in 2021. This was largely due to the improved market sentiment following the 2020 coronavirus year, particularly in China, the most important foreign market. At 58.1 %, the share of revenue in the new equipment business again clearly exceeded the 50 percent level (2020: 44.8 %). Spare parts and service business accounted for 40.5 % of total revenue, which was significantly higher year-on-year (2020: 53.6 %). In absolute terms, however, revenue in the after-sales business rose by around one third to EUR 34.8 million (2020: EUR 26.9 million).

Revenue share by product



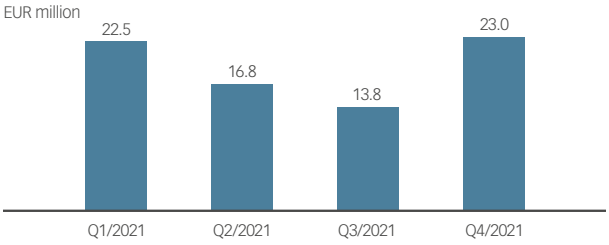
At 86.6 %, the major share of total revenue was again attributable to the rail systems product (2020: 80.5 %), while SMT Scharf generated just 3.2 % of its revenue in its chairlifts business (2020: 10.4 %). Rubber-tyred vehicles accounted for the second-largest share of total revenue at 9.2 % (2020: 7.0 %). Other products accounted for 2.0 % of revenue in 2021 (4.0 % in 2020).

Revenue share by segment



SMT Scharf continued to generate the largest share of its consolidated revenue in the Coal segment. Here, the company recorded revenue of EUR 69.9 million, which corresponds to a share of revenue of 81.4 % (2020: 79.1 % or EUR 39.7 million). The share of revenue accounted for by the Mineral Mining segment increased to EUR 14.0 million, or 16.3 % (2020: EUR 8.4 million or 16.7 %). In the Tunnel segment, revenue rose to EUR 0.5 million. This segment thereby contributed 0.6 % of total revenue (2020: EUR 0.3 million, or 0.6 %). In the fourth segment, Other Industries, which includes the business of the subsidiary ser elektronik, revenue of EUR 1.5 million was generated in the 2021 fiscal year; accordingly, the segment contributes 1.8 % to total Group revenue (2020: EUR 1.8 million or 2.6 %).

New order intake



New order intake amounted to EUR 76.1 million in the 2021 reporting year (2020: EUR 61.9 million). The SMT Scharf Group's order book position totalled EUR 26.9 million as of December 31, 2021, which is significantly lower than the figure as of the previous year's reporting date (December 31, 2020: EUR 36.6 million). This was due, in particular, to the revenue realised from the deliveries of China III machines, which was recognised subsequently at the end of the third and fourth quarters. The continued solid order book position provides a good basis for the new business year 2022.

Financial position and performance

Results of operations

The SMT Scharf Group generated consolidated revenue of EUR 85.9 million in the 2021 fiscal year (2020: EUR 50.2 million). This corresponds to a significant increase in revenue of 71.1 %. Total operating revenue (consolidated revenue plus changes in inventories) improved to EUR 85.3 million (2020: EUR 56.3 million). Other operating income increased to EUR 8.8 million (2020: EUR 4.2 million), mainly due to exchange rate gains, capitalization of ERP costs and the reversal of the liability to the former RDH shareholders. Miscellaneous other operating income mainly comprised the reversals of previously formed specific valuation allowances and rental income.

Given the significantly higher total operating revenue, the cost of materials rose by 35.6 % to EUR 47.2 million in the reporting period (2020: EUR 34.8 million). Despite this, the cost of materials ratio (as a percentage of total operating revenue) decreased year-on-year to 55.3 % (2020: 61.8 %). Personnel expenses in the year under review was up by 8.9 % to EUR 18.4 million (2020: EUR 16.9 million). As a consequence, the ratio of personnel expenses to total operating revenue was significantly lower than in the previous year at 21.6 % (2020: 30.0 %).

Accumulated depreciation and amortisation reached EUR 2.6 million (2020: EUR 6.7 million). This significant year-on-year decrease is mainly due to the fact that impairment losses were incurred in the 2020 fiscal year as part of the business policy realignment and the restructuring of the Canadian subsidiary RDH, as well as impairment losses relating to three development projects.

Other operating expenses increased by 41.7 % to EUR 14.6 million (2020: EUR 10.3 million). This was mainly due to the recognition of a provision for penalty fees as well as exchange rate losses and special direct selling expenses.

Overall, exchange rate gains and exchange rate losses led to a positive net result of EUR 3.5 million in the 2021 fiscal year (2020: EUR –1.7 million).

Results of operations

EUR million	2021	2020	Change
Revenue	85.9	50.2	71.1 %
Total operating revenue	85.3	56.3	51.5 %
EBIT	11.2	–8.1	238.3 %
EBIT margin (in %)	13.1	–14.4	191.0 %
Consolidated net profit	12.5	–8.1	254.3 %
Earnings per share undiluted (in EUR)	2.29	–1.79	227.9 %

In the 2021 fiscal year, the SMT Scharf Group significantly boosted its operating result (EBIT) from EUR 8.1 million in the previous year to EUR 11.2 million. The noteworthy increase in earnings is mainly attributable to two factors. Firstly, SMT Scharf recorded strong growth in new equipment business and a recovery in after-sales business. Secondly, impairment losses totalling EUR 6.6 million had a significant negative effect on EBIT in the previous year. Accordingly, the EBIT margin (in relation to total operating revenue) was positive again at 13.1 % (2020: –14.4 %).

Due to higher income from participating interests, the financial result amounted to EUR 2.9 million, compared with EUR 1.4 million in the previous year. In addition, the net interest result deteriorated to EUR 0.8 million (2020: EUR –0.6 million) due to significantly lower interest income and a slight increase in interest expenses in the reporting period.

On balance, the Group generated a profit before tax of EUR 14.1 million (2020: EUR –6.7 million). The tax expense of EUR 1.5 million in the reporting year was above the previous year's level (2020: EUR 1.3 million). Of this amount, EUR 1.7 million comprised current tax expenses (2020: EUR 1.0 million), and EUR –0.2 million deferred tax (2020: EUR 0.3 million). The Group tax rate amounted to 32.1 % (2020: 32.1 %). In total, SMT Scharf AG recorded Group net income of EUR 12.5 million, significantly above the previous year's result (2020: EUR –8.1 million). This corresponds to earnings per share of EUR 2.29 (2020: EUR –1.79).

Net assets

The total assets of the SMT Scharf Group amounted to EUR 121.3 million as of December 31, 2021 (December 31, 2020: EUR 83.5 million). On the assets side of the balance sheet, non-current assets stood at EUR 32.1 million (December 31, 2020: EUR 25.5 million). The amount recognised for property, plant and equipment decreased mainly due to disposals in the area of operating and office equipment. As a consequence, property, plant and equipment reduced to EUR 7.6 million as of the reporting date (December 31, 2020: EUR 9.1 million). Intangible assets, firstly, increased to EUR 7.0 million (December 31, 2020: EUR 4.4 million), largely due to the capitalisation of costs for the introduction of the new ERP system. Compared with the previous year's balance sheet date, deferred tax assets rose to EUR 3.4 million (December 31, 2020: EUR 2.8 million).

At EUR 89.1 million (December 31, 2020: EUR 58.1 million), current assets accounted for the largest share of assets. As a consequence, inventories amounted to a total of EUR 32.9 million as of the reporting date (December 31, 2020: EUR 29.5 million). This is due to the continued high levels of new order intake and order book position. Trade receivables increased significantly to EUR 41.9 million as of the reporting date (December 31, 2020: EUR 19.3 million). This exceptionally strong rise is due to the receipt of approval for the China III machines in the third quarter and a correspondingly high number of deliveries in the year under review. In relation to consolidated revenue of EUR 85.9 million in the 2021 fiscal year (2020: EUR 50.2 million), average trade receivables outstanding of EUR 27.2 million (2020: EUR 21.5 million) and a 365-day year (2020: 365 days), days of sales outstanding reduced to 115 days (2020: 156 days). The receivables portfolio, which mainly consists of receivables due from Chinese customers, has been reduced in relation to Group sales, as planned. The payment schedules concluded with major customers in previous years were adhered to as agreed. Cash and cash equivalents amounted to EUR 9.5 million as of December 31, 2021 (December 31, 2020: EUR 4.4 million) and have thereby more than doubled.

In view of the significant increase in total assets and the extraordinarily strong rise in equity, the equity ratio as of the balance sheet date amounted to 59.1 %, up 1.1 percentage points on the previous year (December 31, 2020: 58.0 %). This reflects, firstly, the Group net income and, secondly, exchange rate changes in the context of currency translation. Non-current provisions and liabilities increased slightly to EUR 11.5 million as of the balance sheet date (December 31, 2020: EUR 11.0 million). As of the reporting date, non-current financial liabilities decreased by EUR 1.3 million to EUR 1.8 million due to the repayment of investment loans (December 31, 2020: EUR 3.1 million). Pension provisions also reduced slightly to EUR 3.1 million (December 31, 2020: EUR 3.4 million).

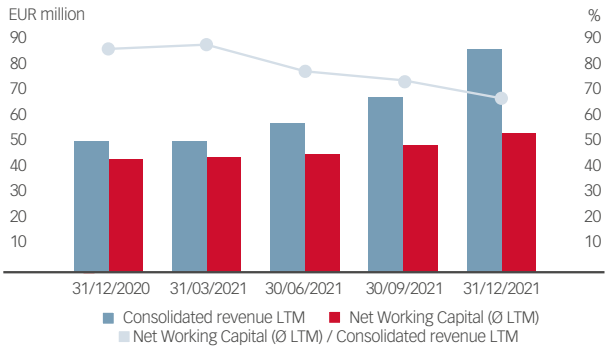
Current provisions and liabilities rose to EUR 38.1 million as of the balance sheet date (December 31, 2020: EUR 24.1 million). This corresponds to a significant increase of EUR 14.0 million compared with the previous year's reporting date, mainly deriving from the increase in sales provisions. In addition, trade payables were up slightly to EUR 5.0 million as of the reporting date (December 31, 2020: EUR 4.9 million). Current financial liabilities, by contrast, increased to EUR 17.2 million (December 31, 2020: EUR 10.3 million), mainly due to greater utilisation of bank lines. Moreover, current provisions of EUR 10.6 million were significantly higher than the previous year's level (December 31, 2020: EUR 3.3 million). The reason for this is the formation of sales provisions due to the delayed approval in China.

Net assets

in Mio. EUR	31/12/2021	31/12/2020
Total assets	121.3	83.5
Equity	71.7	48.5
Equity ratio (in %)	59.1	58.0
Non-current and current provisions and liabilities	49.6	35.1
Non-current assets	32.2	25.5
Current assets	89.1	58.1
Days of sales outstanding	115	156
Net working* capital on the balance sheet date	58.6	39.8
Net working* capital – year-average	53.6	43.4
Net working* capital intensity	62.5	86.4

* Calculation of net working capital: current assets – liquid assets – current liabilities (excluding current financial liabilities)

Net working capital



(LTM: last twelve months, rolling 12-months basis)

Equity and particular legal relationships

The subscribed capital of SMT Scharf AG advanced from EUR 3.0 million to EUR 4.2 million against cash capital contributions as part of the IPO in April 2007. As part of the share capital increase completed in November 2017 with partial utilisation of Authorised Capital 2016, the share capital of SMT Scharf AG rose further by EUR 420,000.00, from EUR 4,200,000.00 to EUR 4,620,000.00, against cash capital contributions and under exclusion of shareholders' subscription rights. As part of a further capital increase from authorised capital against cash capital contributions in June 2021, the share capital of SMT Scharf AG increased again by EUR 901,456.00, from EUR 4,620,000.00 to EUR 5,521,456.00, as a consequence of the issue of new shares. Consequently, as of the December 31, 2021 balance sheet date, a total of 5,521,456 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. 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 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, especially deriving 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 derive 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 deriving 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 affecting solely 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 consequence of an acquisition offer.

Financial position

SMT Scharf AG mainly performs the central steering of financial management for the SMT Scharf Group. The Group's financial management comprises the management of cash and liquidity, the hedging of interest, currency and raw materials price risks, Group financing, the issuing of guarantees and letters of comfort, and communicating with rating agencies. We manage process centrally, which enables us to work efficiently and successfully control risks.

The main task is to minimise financial risks and capital costs and thereby maintain the Group's sustainable financial stability and flexibility. The Group's financial strategy is based on the principles and objectives of financial management, and takes into consideration not only shareholders' interests but also debt capital providers' claims. A high level of continuity and predictability for investors aims to maintain financial flexibility and low capital costs for the SMT Scharf Group.

The SMT Scharf Group's financial position comprises all of the cash and cash equivalents carried on the balance sheet, in other words, cash on hand and bank balances, to the extent that these are available within three months (from the date of acquisition) without any notable fluctuations in value, as well as marketable securities less current financial liabilities and less the hardship and social funds. Committed credit lines of EUR 4.9 million exist, but have not been utilised.

Given the positive result of EUR 12.5 million in 2021, the SMT Scharf Group reported cash flows from operating activities of EUR –5.5 million in the year under review (2020: EUR 2.8 million). The cash flow from operating activities mainly arises from the increase in receivables, the change in provisions and the higher level of income from equity accounted investments. Cash flow from investing activities amounted to EUR –2.9 million (2020: EUR –2.8 million) and is mainly attributable to payments for investments in intangible assets and in property, plant and equipment.

Cash flow from financing activities amounted to EUR 6.6 million for the 2021 reporting period (2020: EUR 2.0 million), which was mainly due to the capital increase and outflows from the repayment of financial loans. In total, the cash and cash equivalents position reduced from EUR –4.1 million on December 31, 2020 to EUR 5.9 million on December 31, 2021.

Comparison of the actual financial position and performance with the forecast

In the forecast report of the 2020 Annual Report, the Managing Board of SMT Scharf AG conservatively forecast consolidated revenue in a range between EUR 65 million and EUR 70 million and EBIT in a range between EUR 2.5 million and EUR 3.0 million for the 2021 fiscal year. The Managing Board made this consolidated forecast on the basis of the facts available at the time when this report was published in March 2021.

In light of significant revenue and earnings growth in the first half of 2021, SMT Scharf raised its previous revenue and earnings forecast in July 2021 and at that time expected consolidated revenue in a range between EUR 72 million and EUR 77 million and EBIT in a range between EUR 5 million and EUR 6 million for the 2021 fiscal year.

Finally, at the end of September 2021, SMT Scharf further upgraded its forecast for the 2021 fiscal year. This was due to the positive effects on revenue and earnings from the China III approval received in the third quarter and the associated improved growth prospects for the final quarter of 2021. The Managing Board now expects consolidated revenue in a range between EUR 75 million and EUR 80 million and EBIT in a range between EUR 9 million and EUR 11 million for 2021.

The actual figures at the end of the fiscal year were recorded as follows:

- With actual consolidated revenue of EUR 85.9 million, SMT Scharf significantly exceeded the revenue guidance of EUR 75 million to EUR 80 million, which adjusted further upwards in September 2021.

- Most recently, in September 2021, the Managing Board expected EBIT for the 2021 fiscal year to settle in a range between EUR 9 million and EUR 11 million. With EBIT of EUR 11.2 million, SMT Scharf thereby slightly exceeded its forecast expectations.

The expectations regarding the cost of materials ratio, net working capital and the equity ratio could not be met in part:

- The cost of materials ratio (as a percentage of total operating revenue) decreased to 55.3 % (2020: 61.8 %) given the strong revenue growth. This lies below the previous year's level forecast for 2021, but still above the medium-term target value of 50 %, which SMT Scharf approached again in the past fiscal year.

- At EUR 58.6 million (2020: EUR 38.8 million), net working capital was significantly higher than in the previous year, so that the medium-term targets were not met. Net working capital intensity in relation to the significantly increased Group revenue decreased by a tangible 23.9 percentage points to 62.5 % in the reporting period. As a consequence, the target of a slight improvement in net working capital intensity in 2021 was clearly achieved.

- The equity ratio rose slightly to 59.1 % as of the reporting date due to the significant increase in equity. As a consequence, the expectation of an equity ratio at the previous year's level was more than met.

Overall statement on the company's business position

The SMT Scharf Group recorded significant year-on-year revenue growth in the 2021 fiscal year, although the effects of the coronavirus pandemic and associated disruptions to global supply chains continued to hamper business activities. The overall recovery in demand on the global mining equipment market and positive effects from the approval of the China III machines in the third and fourth quarters gave business a noticeable boost. With an EBIT margin of 13.1 % in 2021 (2020: –14.4 %), the SMT Scharf Group succeeded in significantly exceeding its medium-term target of 10.0 % in the reporting period. The company's asset and financing positions continue to be robust. The equity ratio amounted to 59.1 % as of the reporting date. Although financial debt has risen, it remains at a comparatively low level in relation to the revenue volume and total assets. As a consequence, the SMT Scharf Group commands a solid financial structure, allowing it to continue its strategy of both organic and inorganic growth. As part of initiatives in the non-coal business segments, SMT Scharf further diversified its business – such as in the Tunnel Logistics segment with the order placed for the Snowy Mountain 2.0 green energy project in Australia. Despite continued challenging market conditions, SMT Scharf believes that it is well positioned overall to benefit to a disproportionate extent from growth opportunities in the mining sector.

Risk and opportunities report and outlook

Risk report

Risk management

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 Group-wide 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 are 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 within 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.

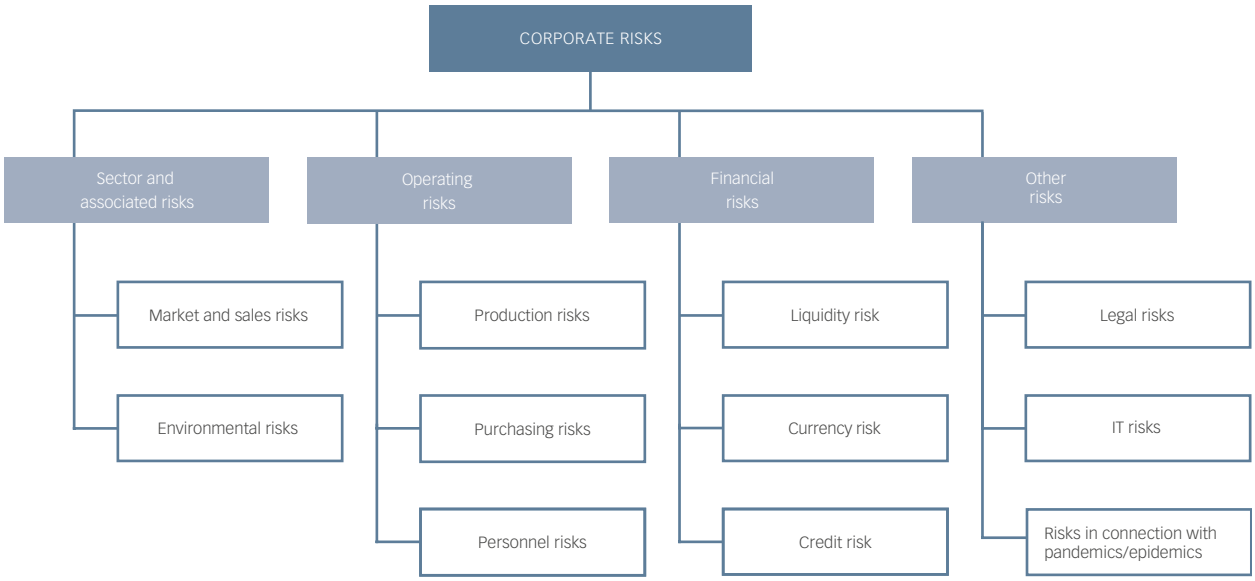
Corporate risks

SMT Scharf is subject to a number of risks arising from the Group companies' business activities. To make the risk report clearer and provide better overview, it allocates the risks to different categories, where they are presented in summarised form. SMT Scharf differentiates between sector and associated risks, operating risks, financial risks, and other risks. The section entitled "Other disclosures" in the notes to the IFRS consolidated financial statements for the 2021 fiscal year includes detailed disclosures about financial risk management.

Environmental and sector risks

Market and sales risks

SMT Scharf AG and its subsidiaries operate worldwide. They are exposed to different political, legal and economic conditions. SMT Scharf counters the resultant risks by carefully monitoring the environment, and anticipating market trends as far as possible. For the Chinese market, SMT Scharf took early action given more stringent emission standards for engines (China III) from 2021, and developed a completely revised generation of machines in the form of the DZK3500. SMT Scharf received approval for the new China III machines from the Chinese regulatory authority in the third quarter of 2021. At the same time, competition in the Chinese market has increased in response to the Chinese government's new five-year program, as more local suppliers are entering the market and receiving special support.



In macroeconomic terms, a recession or downturn in demand among individual customer groups could exert a negative effect on SMT Scharf's business. Given the Ukraine crisis and the far-reaching sanctions imposed by Western countries on Russia, a risk exists in March 2022 of a severe recession in Russia according to the IMF. This leads to the risk that the SMT Scharf Group's business activities in Russia could be significantly impaired. In this context, a risk exists that deliveries of our products to Russia may no longer be possible and that existing orders may only be executed in part or not at all. In addition, political continuity and stability in mine ownership play a role in many countries. A change of government or a change in mines' ownership structures could lead to staffing changes at SMT Scharf customers. This can result in significant delays with projects. SMT Scharf counters this risk by constantly monitoring the market and further diversifying its business by entering new markets.

Environmental risks
The SMT Scharf Group is not aware of any environmental objections or impacts at its facilities. Some of the buildings that SMT Scharf utilises were built with materials that contain asbestos. These materials are monitored regularly, and the Group ensures appropriate disposal during any conversion work.

Operating risks

Production risks
As an industrial company, SMT Scharf is exposed to the risk of disruptions to operations, delays to suppliers' deliveries, quality problems and unanticipated technical difficulties. These can lead to divergences from planned results internally, and can disrupt agreements made with customers or suppliers. Internal guidelines for project and quality management, product safety, occupational health and safety, and environmental protection are aimed at helping to reduce such risks. As a consequence, the SMT Scharf Group commands a solid financial structure, allowing it to continue its strategy of both organic and inorganic growth.

Purchasing risks
Negative trends in material and energy prices, and problems with deliveries of pre-products, constitute potential purchasing risks. In this context, risks arise from the ongoing coronavirus pandemic and associated disruptions to global supply chains. In addition, the Ukraine crisis has had a negative impact on the general procurement situation since the end of February 2022. According to the IMF, world trade has weakened since then, and food and energy prices have risen significantly. As a consequence of the pandemic, the shortage of semiconductors, in particular, is proving to pose a risk to the functioning of our value chains. In addition to the sometimes dramatic price increases for electronic components, it is the frequent lack of availability of precisely these components that can affect the ability to deliver products. SMT Scharf counters such risks through entering into the longest-possible relationships with suppliers, and through tapping alternative suppliers worldwide as part of a multiple source strategy. SMT Scharf can also counter procurement risks by developing an alternative design at an early stage. In addition, the designs of our own products are continuously revised with the aim of making them more cost-effective.

Personnel risks
SMT Scharf's business success 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.

Financial risks/liquidity risks

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.

Currency risks
SMT Scharf is exposed to currency and default risks through its business activities. The Group counters such risks by deploying appropriate hedging instruments. 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. Given the Ukraine crisis, SMT Scharf sees itself exposed to increased exchange rate risks and a resultant increase in the price of our products in spring 2022. With regard to its business in Russia, SMT Scharf is consequently continuously reviewing its payment transactions and working to improve payment terms in such a way that financial risks are reduced to a minimum. In addition, 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.

Credit risks
Counterparty risks are limited by deploying documentary credits and by individual customer credit limits, among other measures. Interest-rate risks are presently of minor importance. No other risks arising from the deployment of financial instruments exist at present.

Other risks

Legal risks
SMT Scharf is subject to standard liability risks, which result, in particular, from product liability, as well as patent law, tax law, competition law, and environmental law. A concept with high quality and security standards exists to manage such risks in a controlled manner. SMT Scharf has also taken out insurance cover for physical damages, product liability and other risks, to protect itself from any potential losses.

IT risks
Clear guidelines provide detailed regulations on handling information as well as the secure utilisation of information systems. SMT Scharf deploys up-to-date and application-specific technical protection in order to ensure the highest possible data security.

Risks in connection with pandemics/epidemics
The SMT Scharf Group operates internationally and is represented in key mining markets worldwide. In this context, a pandemic/epidemic could have a negative effect on the processing of business in affected regions. As a consequence, further policy measures to contain the COVID-19 pandemic could mean that business activities in key foreign markets can only be implemented to a limited extent or, in the worst case, a renewed shutdown could bring business activities to a complete standstill. Similarly, the further spread of coronavirus could have a negative effect on employee health and availability for work. This could have the overall effect of impairing the SMT Scharf Group's financial position and performance.

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)

— Coal price 2021 (Source: finanzen.net)

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

— S&P GSCI Energy & Metals 2021 (Source: spglobal.com)

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. Deploying 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-tyred 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 has proven battery and electrical expertise and can 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 been held since 2019, also contributes to the further diversification and development of 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 sales revenue 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

At the beginning of 2022, the global economy is in a weaker position 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 affecting 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.

As of 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

* IWF World Economic Outlook Update, Januar 2022;
** IWF World Economic Outlook, Oktober 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 cut 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 well positioned in its 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 increases 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.

Medium- to long-term, the management expects an improvement in the worldwide market for mining equipment. In China, in particular, it is clear that more modern mines are being commissioned, and mine operators are optimising their infrastructures and investing in innovative transport logistics. This trend is being further accelerated by more stringent regulation for underground mining machinery. Over the coming years, the management expects rising demand for electric vehicles for deployment in underground mining. In this context, SMT Scharf regards itself as well positioned to leverage future growth opportunities thanks to its battery and electrical expertise. SMT Scharf's expertise as an integrated system supplier also enables the Group to retrofit electric vehicles for coal mining purposes.

Commodity production will grow thanks to the long-term sustainable expansion of the global economy. For example, global coal demand increased by 4.5 % in 2021, spurred by rising gas prices in the USA and Europe as well as greater economic activity in China, according to the International Energy Agency (IEA). Accordingly, little evidence exists that global coal consumption will decrease significantly over the coming years, with rising demand in some Asian economies offsetting reductions elsewhere. China and India already account for 65 % of global coal demand. Further long-term prosperity growth in these emerging countries will continue to significantly boost coal consumption. Global economic growth is leading to a sustained increase in energy demand worldwide. Experts at IEA forecast a significant expansion by 2040 in the share that renewable energies will contribute in order to achieve the international climate targets agreed in Paris. At the same time, this will drive demand for economically strategic raw materials such as lithium, cobalt and rare earths, which will boost mining.

In addition, demand for coal in China remains the largest volume by far in terms of absolute figures, although it is also decreasing further. Coal is expected to account for around 35 % share of China's energy mix by 2040. In order to diversify further and to further reduce its dependency on coal mine operators, SMT Scharf will work towards further expanding its activities in business segments outside coal. As part of its corporate strategy, the company will continue to focus in the future on operative excellence, as well as on both external growth and organic growth, in order to further strengthen SMT Scharf's market position.

Hamm, March 29, 2022

The Managing Board

Hans Joachim Theiss Wolfgang Embert

IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2021

EUR	Note	31/12/2021	31/12/2020
Assets			
Intangible assets	(9)	6,981,761.86	4,417,436.18
Property, plant and equipment	(9)	7,559,352.03	9,103,955.99
Loans	(10)	694,424.20	636,579.30
Equity accounted investments	(11)	13,418,328.74	8,543,230.97
Other investments		7,039.97	7,039.97
Deferred tax assets	(8)	3,367,153.42	2,750,778.93
Non-current lease receivables	(23)	116,495.41	15,991.52
Other non-current non-financial assets	(14)	5,117.99	9,154.24
Non-current assets		**32,149,673.62**	**25,484,167.10**
Inventories	(12)	32,943,301.23	29,533,834.62
Trade receivables	(13)	41,896,837.30	19,342,403.09
Contract assets	(13)	382,293.95	1,030,780.18
Current lease receivables	(23)	163,346.29	547,255.87
Other current non-financial assets	(14)	4,193,404.99	3,052,053.61
Other current non-financial assets in connection with employees' pension entitlements	(15)	47,137.16	150,806.55
Cash and cash equivalents	(16)	9,511,699.02	4,401,912.03
Current assets		**89,138,019.94**	**58,059,045.95**
Total assets		**121,287,693.56**	**83,543,213.05**

EUR	Note	31/12/2021	31/12/2020
Equity and liabilities			
Subscribed share capital		5,471,979.00	4,570,523.00
Capital reserve		24,027,533.16	16,866,909.32
Revenue reserves		45,258,681.19	32,564,048.38
Other reserves		−4,507,261.67	−6,975,958.38
Non-controlling interests		1,448,866.25	1,427,397.78
Equity	**(17)**	**71,699,797.93**	**48,452,920.10**
Provisions for pensions	(18)	3,066,980.88	3,392,926.64
Other non-current provisions	(19)	235,061.95	197,178.17
Deferred tax liabilities	(8)	901,514.17	505,124.46
Contract liabilities		259,096.00	3,230.85
Leasing liabilities	(23)	2,202,870.90	2,375,831.87
Non-current financial liabilities	(24)	1,844,223.90	3,099,367.34
Other non-current financial liabilities	(20)	2,992,871.09	1,453,994.65
Non-current provisions and liabilities		**11,502,618.89**	**11,027,653.98**
Current income tax	(8)	1,173,661.74	108,932.84
Other current provisions	(19)	10,572,014.04	3,298,939.94
Contract liabilities	(20)	1,619,056.79	1,478,993.58
Trade payables	(20)	5,013,567.59	4,870,956.54
Leasing liabilities	(23)	593,152.51	790,110.66
Current financial liabilities (cash and cash equivalents)	(21)	15,433,256.88	8,529,775.66
Current financial liabilities (not cash and cash equivalents)	(24)	1,717,820.39	1,780,269.63
Other current non-financial liabilities	(20)	1,962,746.80	3,204,660.12
Current provisions and liabilities		**38,085,276.74**	**24,062,638.97**
Total assets		**121,287,693.56**	**83,543,213.05**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO DECEMBER 31, 2021

EUR	Note	31/12/2021	31/12/2020
Revenue	(1)	85,870,037.81	50,179,818.31
Changes in inventories		−553,080.05	6,151,150.70
Total operating revenue (100 %)		85,316,957.76	56,330,969.01
Other operating income	(2)	8,760,262.39	4,199,815.87
Cost of materials	(3)	47,168,376.48	34,788,926.13
Personnel expenses	(4)	18,397,358.04	16,911,162.12
Depreciation, amortisation and impairment losses	(5)	2,647,366.69	6,685,055.03
Other operating expenses	(6)	14,624,403.01	10,275,966.50
Profit/loss from operating activities (EBIT)		**11,239,715.93**	**−8,130,324.90**
Result from equity accounted investments	(7)	3,637,334.83	2,040,308.72
Interest income	(24)	152,667.60	256,629.83
Interest expenses	(24)	934,630.43	895,952.05
Financial result		**2,855,372.00**	**1,400,986.50**
Profit/loss before tax		**14,095,087.93**	**−6,729,338.41**
Income taxes	(8)	1,513,458.06	1,324,968.24
Consolidated net profit/loss		**12,581,629.87**	**−8,054,306.65**
of which attributable to shareholders of SMT Scharf AG		12,556,266.87	−8,167,764.50
of which attributable to non-controlling interests		25,363.00	113,457.85

Other comprehensive income items recycled later to profit or loss:			
Currency differences from translation of foreign financial statements		1,227,040.24	−3,880,786.17
AShare of other comprehensive income attributable to equity accounted investments		1,237,761.94	−241,499.98
Other comprehensive income items not recycled later to profit or loss:			
Actuarial gains/losses	(18)	203,779.00	−10,942.00
Deferred taxes	(8)	−65,413.06	3,512.38
Other comprehensive income		**2,603,168.12**	**−4,129,715.77**
of which, share of other comprehensive income attributable to shareholders of SMT Scharf AG		2,607,062.65	−3,957,234.91
of which, share of other comprehensive income attributable to non-controlling interests		−3,894.53	−172,480.86
Total comprehensive income		**15,184,797.99**	**−12,184,022.40**
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG		15,163,329.52	−12,124,999.39
of which, share of total comprehensive income attributable to non-controlling interests		21,468.47	−59,023.01
Earnings per share *			
Undiluted (basic)		2.46	−1.79
Diluted		2.45	−1.77

* Consolidated net income divided by an average number of 5,096,376.08 issued shares (previous year: 4,570,523) attributable to shareholders from SMT Scharf AG. The calculation of diluted earnings per share in 2021 also includes the denominator for the potential bonus shares of 38,496 from the Managing Board's share-based remuneration. See section 29 for details.

CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2021

EUR	2021	2020
Consolidated net profit/loss	12,581,629.87	−8,054,306.65
− Income from equity accounted investments	−3,637,334.83	−2,040,308.72
+ Depreciation and amortisation of non-current assets	2,647,366.69	6,685,055.03
± Gain/loss on disposal of non-current assets	−131,783.87	220,381.96
± Increase/decrease in provisions	7,189,833.32	−1,508,570.26
± Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	−24,939,865.85	6,525,089.23
± Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	−763,849.55	−287,730.00
± Other non-cash expenses/income	134,737.12	134,737.14
+ Income taxes	1,513,458.06	1,324,968.24
+ Financial expenses	781,962.83	639,322.21
− Income taxes paid	−880,123.07	−848,399.94
Cash flow from operating activities	**−5,503,969.27**	**2,790,238.23**
+ Cash inflows from disposal of property, plant and equipment	1,064,208.35	95,970.92
− Capital expenditure on property, plant and equipment	−1,379,043.16	−1,473,130.39
− Capital expenditure on intangible assets	−2,757,005.75	−1,763,915.75
+ Cash inflows from the repayment of loans	0.00	75,477.77
+ Interest received	152,361.33	250,535.88
Cash flow from investing activities	**−2,919,479.23**	**−2,815,061.57**
+ Cash inflow from capital increase	7,927,342.72	0.00
+ Cash inflow from the drawing down of loans	489,007.62	0.00
− Cash outflow for the repayment of leasing liabilities	−566,750.99	−681,636.71
+ Cash inflow from sale-and-leaseback agreements	1,530,282.42	1,538,451.45
− Cash outflow for the repayment of loans	−1,886,677.56	−1,869,208.74
− Interest paid	−912,391.08	−882,573.01
− Cash outflow to non-controlling shareholders	0.00	−74,413.67
Cash flow from financing activities	**6,580,813.13**	**−1,969,380.68**
Net change in cash and cash equivalents	**−1,842,635.37**	**−1,994,204.02**
Changes in cash and cash equivalents due to effects from exchange rates and consolidated Group	48,941.14	−235,628.66
Cash and cash equivalents at start of period	−4,127,863.63	−1,898,030.95
Cash and cash equivalents at end of period	**−5,921,557.86**	**−4,127,863.63**

For details see (21) notes to the cash flow statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO DECEMBER 31, 2021

			Revenue reserves	
EUR	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves
Balance on January 1, 2021	**4,570,523.00**	**16,866,909.32**	**−334,709.87**	**32,898,758.25**
Cash capital increase from authorised capital	901,456.00	7,025,886.72	–	
Consolidated net profit/loss	–	–	–	12,556,266.87
Currency difference from translating results from foreign annual financial statements	–	–	–	–
Share of other comprehensive income attributable to equity accounted investments	–	–	–	–
Recognition of actuarial gains/losses	–	–	203,779.00	–
Deferred taxes on recognised actuarial gains/losses	–	–	−65,413.06	–
Comprehensive income	–	–	138,365.94	12,556,266.87
Increase in equity due to shares to be issued	–	134,737.12	–	–
Balance on December 31, 2021	**5,471,979.00**	**24,027,533.16**	**−196,343.93**	**45,455,025.12**

Other reserves Currency translation difference	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total Equity
−6,975,958.38	**47,025,522.32**	**1,427,397.78**	**48,452,920.10**
–	7,927,342.72	–	7,927,342.72
–	12,556,266.87	25,363.00	12,581,629.87
1,230,934.77	1,230,937.77	−3,894.53	1,227,040.24
1,237,761.94	1,237,761.94	–	1,237,761.94
–	203,779.00	–	203,779.00
–	−65,413.06	–	−65,413.06
2,468,696.71	15,163,329.52	21,468.47	15,184,797.99
–	134,737.12	–	134,737.12
−4,507,261.67	**70,250,931.68**	**1,448,866.25**	**71,699,797.93**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO DECEMBER 31, 2020

			Revenue reserves	
EUR	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves
Balance on January 1, 2020	**4,570,523.00**	**16,732,172.20**	**−327,280.25**	**41,066,522.73**
Consolidated net profit/loss	–	–	–	−8,167,764.48
Currency difference from translating results from foreign annual financial statements	–	–	–	–
Share of other comprehensive income attributable to equity accounted investments	–	–	–	–
Recognition of actuarial gains/losses	–	–	−10,942.00	–
Deferred taxes on recognised actuarial gains/losses	–	–	3,512.38	–
Comprehensive income	–	–	−7,429.62	−8,167,764.48
Changes in the scope of consolidation	–	–	–	–
Increase in equity due to shares to be issued	–	134,737.12	–	–
Balance on December 31, 2020	**4,570,523.00**	**16,866,909.32**	**−334,709.87**	**32,898,758.25**

Other reserves Currency translation difference	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total equity
−3,026,153.09	**59,015,784.59**	**1,560,834.46**	**60,576,619.05**
–	−8,167,764.48	113,457.85	−8,054,306.63
−3,708,305.31	−3,708,305.31	−172,480.86	−3,880,786.17
−241,499.98	−241,499.98	–	−241,499.98
–	−10,942.00	–	−10,942.00
–	3,512.38	–	3,512.38
−3,949,805.29	−12,124,999.39	−59,023.01	−12,184,022.40
–	–	−74,413.67	−74,413.67
–	134,737.12	–	134,737.12
−6,975,958.38	**47,025,522.32**	**1,427,397.78**	**48,452,920.10**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2021 FISCAL YEAR

Information about SMT Scharf AG and the SMT Scharf Group

SMT Scharf AG, Römerstrasse 104, 59075 Hamm, Germany (hereinafter also referred to as the "company") was formed on May 31, 2000, under German law. It is the management holding company for the companies in the SMT Scharf Group. All 4,620,000 shares of SMT Scharf AG are available for trading on the Munich Stock Exchange in the over-the-counter market of the m:access quality segment. The purpose of the companies in the SMT Scharf Group is to plan, produce, sell, install and maintain machinery and equipment to transport people, equipment and material and to hold participating interests. SMT Scharf AG has it registered offices in Hamm and is entered into the commercial register at the District Court of Hamm under commercial register sheet number 5845.

Information about the consolidated financial statements

SMT Scharf AG voluntarily prepares its consolidated financial statements in accordance with IFRS pursuant to Section 315e (3) of the German Commercial Code (HGB). The consolidated financial statements, comprising balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity, and supplementary disclosures in the notes to the financial statements of the SMT Scharf Group as of December 31, 2021, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) valid as of the reporting date and as applied in the EU. The term IFRS also includes the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that continue to be valid. In addition, the requirements of Section 315e of the German Commercial Code (HGB) have been complied with.

The consolidated financial statements have been prepared in Euros. Unless otherwise indicated, all amounts in the notes to the financial statements are stated and rounded to thousands of Euros (EUR thousand).

The IFRS consolidated financial statements were examined by the Supervisory Board of SMT Scharf AG and approved by the Supervisory Board on March 29, 2022, and subsequently released for publication.

a) New and revised standards and interpretations requiring first-time in the fiscal year under review

In the fiscal year under review, no new or revised standards or interpretations were to be applied since January 1, 2021 that had a material effect for the SMT Group in relation to the notes to the consolidated financial statements or the presentation in the consolidated financial statements.

Although the following standards or amendments have been applicable since January 1, 2021, they had no effect, or no material effect, on the SMT Scharf Group:

Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" – Phase 2
The IASB introduces amendments to IFRS 9, IAS 39 and IFRS 7, which provide certain reliefs in connection with the IBOR reform. The amendments relate to the problems affecting financial reporting in the periods prior to the replacement of an existing interest rate benchmark with an alternative interest rate. This amendment is to be applied since January 1, 2021. EU endorsement was issued on January 13, 2021. These amendments have no effects on the Group.

Amendments to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021
(Amendment to IFRS 16:46A IFRS 16:46B)
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16), which provides lessees with practical expedients for accounting for rent concessions that occur as a direct consequence of Covid-19 by introducing a practical exemption in IFRS 16. This practical expediency enables a lessee to elect not to assess whether a Covid-19 conditional lease concession comprises a lease modification. A lessee that exercises this option is to account for any change in lease payments deriving from the Covid-19-related lease incentive in the same manner as it would account for the change using IFRS 16 if it were not a lease modification. The practical expedient relief applies only to lease concessions that occur as a direct consequence of Covid-19 and only if all of the following conditions are met: a) the change in lease payments leads to a change in lease consideration that is substantially equal to or less than the lease consideration immediately before the change; b) a reduction in lease payments affects only payments that were originally due (after the now-extended period) on or before June 30, 2021 (a lease concession satisfies this condition if it leads to reduced lease

payments on or before June 30, 2021 and increased lease payments extending beyond June 30, 2021); and c) no substantial change occurs in other terms of the lease. In March 2021, the IASB issued "Covid-19-Related Rent Concessions beyond 30 June 2021: Amendment to IFRS 16", extending the applicability of the rules to lease payments up to and including June 30, 2022. EU endorsement was issued on August 30, 2021. These amendments have no effects on the Group.

b) Standards and interpretations not applied (published but not yet requiring mandatory application, or partly not yet to be applied in the EU)

IFRS 17 "Insurance Contracts"
IFRS 17 includes rules on the accounting treatment of insurance contracts. It replaces the regulations under IFRS 4 Insurance Contracts. This standard is to be applied to fiscal years commencing from January 1, 2023. EU endorsement was issued on November 19, 2021. These amendments have no effects on the Group.

Amendments to IFRS 4 Insurance Contracts – Extension of IFRS 9
The amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" provide for an extension of the period for the temporary exemption from IFRS 9 for certain insurance companies, so that the insurance companies concerned are subject to a temporary exemption from the application of IAS 39 for financial years beginning before January 1, 2023. This leads to an extension that is analogous to the extension of the date of first-time application of the new IFRS 17. The amendments were published on June 25, 2020. EU endorsement was issued on December 15, 2020. These amendments have no effects on the Group.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 address situations in which a sale or contribution of assets occurs between an investor and its associate or joint venture. Specifically, the amendments provide that gains or losses arising from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is equity accounted are recognised in profit or loss of the parent only to the extent of the non-affiliated investors' interest in that associate or joint venture. Similarly, gains and losses arising from the fair value remeasurement of interests in a former subsidiary (which has become an associate or a joint venture that is equity accounted) are recognised in profit or loss of the former parent only to the extent of the unrelated investors' interest in the new associate or joint venture. The IASB has not yet determined the effective date of the amendments; however, earlier application of the amendments is permitted. The application of these amendments can have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement is still outstanding.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current on the balance sheet, and not the amount or timing of recognition of assets, liabilities, income and expenses, or the disclosures made about such items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that exist at the end of the reporting period, specify that the classification is not affected by expectations concerning whether an entity will exercise its right to defer settlement of a liability, explain that rights exist when obligations are settled at the end of the reporting period, and introduce a definition of "settlement" to clarify that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments will be applied retrospectively to fiscal years commencing on or after January 1, 2023. EU endorsement is still outstanding. These amendments will prospectively have immaterial effects on the Group.

Amendments to IFRS 3 – Reference to the Conceptual Framework
The amendments update IFRS 3 so that it references the 2018 Conceptual Framework rather than the 1989 Framework. In addition, IFRS 3 introduces a requirement that an acquirer apply IAS 37 to obligations that lie within the scope of IAS 37 in order to determine whether a present obligation exists as of the acquisition date as a consequence of past events. For a levy that would fall within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 in order to determine whether the obligating event that originates a liability to pay the levy has occurred as of the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2022. Early application is permitted under certain conditions. The application of these amendments may have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement was issued on June 28, 2021.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
The amendments prohibit the deduction, from the cost of purchase or production, of proceeds from the sale of items produced before the asset is available for use, in other words, proceeds generated while the asset is being brought to the location and condition necessary for it to be capable of operating in the manner intended by the management. Consequently, an entity recognises such revenue and related costs in profit or loss. The company measures the cost of such items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of testing whether an asset is "functioning properly". IAS 16 now specifies this as an assessment

of whether the technical and physical performance of the asset is such that it can be utilised for the production or supply of goods or the rendering of services, for rental to third parties or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements are to disclose the amounts of revenue and costs included in profit or loss that relate to items produced that are not a result of a company's ordinary activities, and which item(s) in the statement of comprehensive income include(s) such revenue and costs. The amendments are to be applied retroactively, as a matter of principle. The amendments are effective for fiscal years commencing on or after January 1, 2022, with early adoption permitted. The application of these amendments may have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement was issued on June 28, 2021.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that "contract performance costs" comprise "costs that relate directly to the contract". Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples include direct labour costs and costs of materials) and an allocation of other costs that relate directly to fulfilling the contract (examples include the allocation of depreciation expense for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which a company has not yet fulfilled all obligations at the beginning of the annual reporting period in which the company first applies the amendments. The comparative figures are not adjusted. The amendments are effective for fiscal years commencing on or after January 1, 2022, with early adoption permitted. The application of these amendments may have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement was issued on June 28, 2021.

Annual Improvements to IFRS Standards 2018–2020

The annual improvements include amendments to four standards. IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment provides additional relief for a subsidiary that becomes a first-time adopter later than the parent company with respect to the accounting for cumulative translation differences. A similar option exists for an associate or joint venture that utilises the exemption contained in IFRS 1:D16(a). The amendment is effective for fiscal years commencing on or after January 1, 2022, with early adoption permitted. The application of these amendments may have an effect on the consolidated financial statements in future periods should such transactions occur.

IFRS 9 Financial Instruments: The amendment clarifies that when applying the "10 percent test" in order to assess whether a financial liability should be derecognised, a company is to include only fees paid or received between the company (the borrower) and the lender, including fees paid or received by either the company or the lender on behalf of the respective other party. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date on which a company first applies the amendment. The amendment is effective for fiscal years commencing on or after January 1, 2022, with early adoption permitted. The application of these amendments may have an effect on the consolidated financial statements in future periods should such transactions occur.

IFRS 16 Leases: The amendment deletes the presentation of reimbursements for leasehold improvements. As the amendment to IFRS 16 only concerns an illustrative example, no effective date is given. The amendments could have an impact on the Group should such transactions occur.

IAS 41 Agriculture The amendment removes the requirement in IAS 41 for companies to exclude cash flows for taxation purposes when measuring fair value. The amendment is effective for fiscal years commencing on or after January 1, 2022, with early adoption permitted. This has no effects on the Group. EU endorsement was issued on June 28, 2021.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
The amendments relate to the requirements in IAS 1 regarding the disclosure of accounting policies. The amendments replace all places of the term "significant accounting policies" with "significant information about accounting policies". Information about accounting policies is material if, together with other information included in a company's financial statements, it could reasonably be expected to influence decisions that the primary users of the financial statements make for general purposes on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that information about accounting policies that relates to immaterial transactions, other events or conditions, is immaterial and need not be disclosed. Information about accounting policies may be material due to the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information that relates to significant transactions, other events or conditions is itself material. The IASB has also developed guidance and examples (IFRS Practice Statement 2) in order to explain and demonstrate the application of the "four-step process" described in IFRS.

The amendments to IAS 1 are effective for fiscal years commencing on or after January 1, 2023, with early adoption permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transitional provisions.

These amendments prospectively have no material effect on the Group. EU endorsement was issued on March 2, 2022.

Amendments to IAS 8 – Definition of Accounting Estimates
The amendments replace the definition of a change in estimates with a definition of estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of change in accounting estimates has been deleted. However, the IASB has retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in an accounting estimate deriving from new information or new developments is not a correction of an error.

- The effect of a change in an input or valuation technique used to develop an accounting estimate is a change in accounting estimate if it is not attributable to the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023, for accounting policy changes and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The amendment may have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement was issued on March 2, 2022.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments introduce a further exception to the exemption from initial recognition. Under the amendments, a company does not apply the exemption from initial recognition to transactions that originate the same taxable and deductible temporary differences.

Depending on the applicable tax law, the same taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination, and affects neither accounting-based nor taxable profit or loss. This may arise, for example, when recognising a lease liability and a right-of-use asset under IFRS 16 at the inception of a lease.

Under the amendments to IAS 12, a company is required to recognise the related deferred tax assets and liabilities, and the recognition of a deferred tax asset is subject to the recoverability criteria in IAS 12.

The IASB also includes an example in IAS 12 that explains how to apply the amendments.

The amendments apply to transactions occurring on or after the beginning of the earliest comparative period. In addition, a company recognises at the beginning of the earliest comparative period:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - right-of-use assets and lease liabilities
  - decommissioning, restoration and similar liabilities and the corresponding portion of the acquisition or production cost of the corresponding asset;
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) as of that date.

The amendments are effective for reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments would lead to an increase in deferred tax assets and liabilities at SMT, the extent of which depends on the scope of new leases entered into from January 1, 2022.

EU endorsement is still outstanding.

Information about subsidiaries

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

	Interest held	Equity (IFRS) 31/12/2021	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) of the German Commercial Code (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.

Information about joint ventures

1. Shandong Xinsha Monorail Co. Ltd., Xintai/China

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

In accordance with IFRS, the summarised financial information is provided below and corresponds to the amounts in the joint venture's financial statements as of December 31, 2021.

EUR thousand	31/12/2021	31/12/2020
Non-current assets	659	493
Current assets	50,501	28,413
Current liabilities	24,326	12,909

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2021	31/12/2020
Cash and cash equivalents	10,179	3,553
Current financial liabilities	22,935	11,367

EUR thousand	31/12/2021	31/12/2020
Revenue	55,560	27,665
Profit from continuing operations	8,547	2,532
Other comprehensive income	25	20
Total comprehensive income	8,572	2,552

The profit listed above includes the following amounts:

EUR thousand	31/12/2021	31/12/2020
Depreciation and amortisation	42	21
Interest expenses	233	135
Income taxes	1,216	450

Deliveries of merchandise worth EUR 4,101 thousand (previous year: EUR 3,271 thousand) were made to the joint venture in the reporting year. No open receivables arise from this as of the balance sheet date (previous year: 0).

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

EUR thousand	31/12/2021	31/12/2020
Net assets of the joint venture	26,835	15,997
Interest held	50 %	50 %
Carrying amount of the interest	**13,418**	**7,998**

2. Shanxi Ande Auxiliary Transportation Co. Ltd., Changzhi, Shanxi Province, China

SMT Scharf AG holds a 40 % interest in Shanxi Ande Auxiliary Transportation Co. Ltd., Changzhi, Shanxi Province, China. The main operating activity is the production, repair and marketing of machinery and equipment of any type, and trading in such assets. SMT Scharf AG also classifies this company as a joint venture in accordance with IFRS 11, since, together with its partner entity, it owns the rights to the net assets. Joint ventures are recognised on the date of addition at cost, and measured subsequently applying the equity method.

As of the reporting date, the investment was written down in full due to the lack of sustainable growth potential.

In accordance with IFRS, the summarised financial information is provided below and corresponds to the amounts in the joint venture's financial statements as of December 31, 2021.

EUR thousand	31/12/2021	31/12/2020
Current assets	2,670	3,746
Current liabilities	1,106	2,405

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2021	31/12/2020
Cash and cash equivalents	32	85
Current financial liabilities	1,106	1,694

EUR thousand	31/12/2021	31/12/2020
Revenue	1,884	2,611
Profit from continuing operations	25	47
Total comprehensive income	25	47

The profit listed above includes the following amounts:

EUR thousand	31/12/2021	31/12/2020
Interest expenses	28	64
Income taxes	3	4

No deliveries of goods to the joint venture were realised in the year under review. No outstanding receivables existed as of the balance sheet date.

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

EUR thousand	31/12/2021	31/12/2020
Net assets of the joint venture	1,585	1,362
Interest held	40 %	40 %
Carrying amount of the interest	**634**	**545**

Consolidation principles

The consolidated financial statements are based on the separate financial statements of the companies in the SMT Scharf Group, which were prepared according to standard Group accounting and valuation methods. The separate financial statements were prepared as of December 31.

Subsidiaries are companies that SMT Scharf AG directly or indirectly controls. The Group obtains control when it can exercise power over the investee, is exposed to fluctuating returns from the investee, and possesses the capability of exercising its power over the investee to affect the level of return from the investee.

Control can also arise in cases where SMT does not hold the majority of the voting rights, if the Group is able to unilaterally determine the significant activities of the investee. All facts and circumstances are taken into consideration when assessing whether control exists. These especially include the purpose and structure of the investee, identifying its significant activities and decisions relating to them, and the relationship of the company's own voting rights in comparison to the scope and distribution of other voting rights, potential voting rights and rights arising from other contractual arrangements. All facts and circumstances subject to the exercising of management discretion must be taken into consideration when assessing whether control exists. No such case arose in the 2021 fiscal year.

SMT examines its assessment of control if indications exist that one or several of the aforementioned control criteria have changed.

Results from subsidiaries acquired or sold during the course of the fiscal year are recognised in the consolidated income statement and in the consolidated statement of comprehensive income with effect of the actual acquisition or disposal date.

As a rule, capital for the companies in SMT Scharf Group is consolidated applying the purchase method pursuant to IFRS 3. This entails carrying acquired assets and liabilities at fair value. If these companies were not formed by the Group itself, and if a positive difference exists between acquisition cost and the subsidiary's proportionate revalued equity, the difference is carried as goodwill and tested regularly for impairment. Any remaining negative difference is recognised in profit or loss after a second assessment. Acquisition-related costs are expensed as incurred. Expenses, income, receivables and liabilities between the fully consolidated companies and intragroup profits from deliveries and services within the Group are eliminated. Deferred taxes are recognised if consolidation steps affect profit or loss.

Changes to the Group's shareholding quotas in subsidiaries which do not lead to a loss of control are recognised as transactions between owners.

Currency translation

The separate statements for the fully consolidated subsidiaries are translated based on the functional currency concept according to IAS 21. The subsidiaries' functional currencies are based on their primary economic environments. As a consequence, this corresponds to the respective national currency. Balance sheet items are translated at the rate of exchange on the balance sheet date; items in the income statement are translated at the average annual rate of exchange. In statements of changes in assets, provisions and equity, the company translates balances at the start and end of fiscal years as well as consolidation scope changes, at the exchange rate on the respective date. The remaining items are translated at the annual average exchange rate. Year-on-year differences in the currency translation of balance sheet items are recognised in equity through other comprehensive income within other reserves.

Foreign-currency transactions are translated into the functional currency applying the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency applying the exchange rate on the reporting date. The foreign currency gains and losses arising from these translations are recognised in the consolidated income statement under "other operating income" or "other operating expenses".

The exchange rates for the key currencies were:

	Closing rate		Average rate	
1 Euro =	31/12/2021	31/12/2020	2021	2020
Polish Zloty	4.5969	4.5597	4.5652	4.4430
South African Rand	18.0625	18.0219	17.4766	18.7655
Chinese Renminbi Yuan	7.1947	8.0225	7.6282	7.8747
Russian Rouble	85.3004	91.4671	87.1527	82.7248
Canadian Dollar	1.4393	1.5633	1.4826	1.5300

Accounting and valuation policies

The recognition, disclosure and measurement principles were applied unchanged from the application to the previous years' annual financial statements, unless indicated otherwise in the following.

The statement of comprehensive income is prepared applying the nature of expense method.

Since January 1, 2018, revenue has been recognised applying the 5-step model of IFRS 15.

Revenue from the sale of new equipment and spare parts is generally recognised when the customer obtains control of the product. Depending on the contractual arrangement, this may be the case when the goods are transferred ex-works or also after acceptance or commissioning. If SMT provides other services of comparatively minor importance in a direct factual and temporal context that, from the customer's perspective, are inseparably linked to the main service, such as training for the customer's employees, these services do not constitute a regularly separable service obligation but rather form part of the main service. The new systems and spare parts are usually standard products and catalogue goods, which are configured according to the customer's wishes.

To the extent that SMT, in addition to supplying new systems whose customer-specific configuration does not extend beyond the usual scope, also provides extensive installation services, which is the case particularly with the construction of chairlifts, revenue is recognised over the period in which the service is provided after contractually agreed milestones have been reached, in deviation from the above principle. If no milestones have been agreed, revenue is recognised according to the stage of completion, on the basis of an output-oriented method, and according to the already delivered and installed parts (units produced or delivered).

In the case of customer-specific orders for which SMT has no alternative use for the product manufactured, but for which a legal claim exists to payment for the services already rendered, revenue is also recognised on a period basis. Revenue is recognised according to the percentage of completion, which is the ratio of the factor input already rendered to the expected total factor input. Where milestones have been agreed for which individual sales prices have been set and the setting of which reflects the progress of the project, separate performance obligations alternatively exist for which the respective agreed revenues can be realised at specific points in time.

SMT also provides services such as maintenance and repairs. If these are ordered by the customer, they are invoiced on an hourly basis. Revenue is recognised on a period basis. The progress of performance is determined on an output basis according to the units produced or delivered, i.e. hours worked.

SMT also offers its customers so-called operator models in which the customer receives a logistics service. In addition to the system, SMT also provides the personnel for its operation and performs the logistics services commissioned by the customer. Invoicing occurs monthly on the basis of the hours actually worked. Revenue is recognised according to the period in which it is generated or delivered, based on output.

In some countries, the SMT Scharf Group offers an extended warranty for new systems, the remuneration for which is already received along with the proceeds from the main product. The attributable revenues are determined on an input basis (cost-to-cost method), initially deferred as a contract liability and only recognised in income over the extended warranty period. No such agreements existed as of December 31, 2021.

SMT does not adjust the amount of the promised consideration for the effects of a significant financing component if, at the inception of the contract, it is expected that the period between the transfer of a promised product or service to the customer and its payment by the customer will not exceed one year. No uniform payment conditions exist within the Group, as agreements for equipment orders are concluded individually. However, customer's payment terms of more than one year after fulfilment of the performance obligation are not agreed.

Contractual assets or contractual liabilities arise from the divergence between revenue recognition and payment by the customer prior to full performance of the service obligation. Unconditional payment claims from contracts with customers constitute trade receivables.

Revenues also include income from rental and leasing transactions. Revenues from rental and leasing transactions derive from operating leasing transactions, and are recognised on a straight-line basis over the term of the contracts. In addition, proceeds are sometimes generated at the end of the contract term.

Income from rental agreements was recognised under accrual basis accounting as other operating income in accordance with the provisions of the underlying agreements. Income from operating leases in the meaning of year IFRS 16 was recognised under accrual basis accounting as revenue in accordance with the provisions of the underlying leases.

Interest income is accrued pro rata temporis applying the effective interest method. Interest income in the amount of the interest portion of the leasing payments received within the period derived from finance leases.

Borrowing costs are not capitalised as per IAS 23, but are instead expensed immediately if the criteria for a qualifying asset in the meaning of IAS 23 are not met.

The EUR 870 thousand of goodwill reported as of December 31, 2021 (previous year: EUR 872 thousand) is allocated to one cash generating unit (CGU): SMT Africa. This is recognised at amortised cost. Goodwill is tested for impairment annually, and also if indications otherwise exist of potential impairment, as a matter of principle. The recoverable amount of this CGU is measured through calculating values in use by applying the discounted cash flow method, as a matter of principle. This approach utilises the planned post-tax cash flow deriving from the five-year planning for the CGU, prepared on a bottom-up basis and approved by the Managing Board of SMT Scharf AG. Cash flows beyond the five-year horizon are calculated on the basis of the average for the five-year period, as a matter of principle. No growth rate is applied to extrapolate the five-year average. Present values for SMT Africa are calculated by discounting, applying an interest rate of 18.8 % (previous year: 18.8 %).

No goodwill impairment charges were recognised in the year under review for SMT Africa.

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

Separate internally generated intangible assets are capitalised as soon as IAS 38 criteria are fulfilled cumulatively. From this date, the development or historical costs that can be directly allocated to the individual intangible assets (mostly personnel expenses), including development-related overheads, are capitalised. The capitalised assets are amortised straight-line from the date from which they are available for disposal (marketability), over the anticipated product life cycle of two to eight years. All capitalised internally generated intangible assets have a limited useful life. If an intangible asset developed in house cannot be capitalised or does not yet exist, the development costs are expensed the period in which they arise.

Research and development costs that do not meet the IAS 38 capitalisation criteria are expensed immediately.

Property, plant and equipment utilised in operations are measured at cost less straight-line depreciation.

Depreciation is based on the following useful lives throughout the entire Group:

	in years
Buildings	10 to 50
Technical equipment and machinery	5 to 20
Technical equipment and machinery – rented	5 to 8
Other office equipment, fixtures and fittings	2 to 13
Other office equipment, fixtures and fittings – rented	4 to 7

Expenses for maintenance and repairs are recognised as expenses to the extent that these are not subject to mandatory capitalisation.

Intangible assets and property, plant and equipment are impairment tested if indications of impairment exist based on cash-generating units.

Government grants are recognised if sufficient certainty exists that such subsidies will be granted, and that the company fulfils the conditions with which they are linked. As in the previous year, such grants were not received in 2021.

As a lessee, the SMT Scharf Group has entered into leases (mostly for cars, office space and office equipment), which are subject to lease accounting in the meaning of IFRS 16. A lease is defined as an agreement or part of an agreement granting the right to utilise an asset for a specified period of time in return for payment. In the case of multi-component contracts, each lease component is accounted for separately. The SMT Scharf Group utilises the option to waive the right to separate non-leasing components.

The SMT Scharf Group recognises a right of use and a lease liability carried under property, plant and equipment on the date when the asset is delivered. The cost of the right of use at the inception of the lease is equal to the amount of the lease liability adjusted for the Group's initial direct costs, an estimate of the cost of dismantling and removing the asset at the end of the lease, and the lease payments made before the inception of the lease, less any incentives. In subsequent periods, the right of use is amortised and tested for impairment. As a rule, amortisation is applied straight-line over the term of the lease. If a transfer of ownership at the end of the lease term has been agreed or if the lease payments taken into consideration assume the exercise of a purchase option, depreciation is applied over the economic life.

The lease liability is measured as the present value of the lease payments to be made during the lease term. The marginal borrowing rate is applied for discounting. In subsequent measurement, discounts applied to carrying amount of the lease liability are reversed applying the interest rate used for discounting, and reduced by the lease payments made.

The lease payments included in the measurement of the lease liability comprise fixed payments (including de facto fixed payments), variable payments linked to an index or (interest) rate, payments expected to be made under residual value guarantees, and payments that will be made with reasonable certainty under purchase options. Penalties for termination are also taken into consideration if the term reflects the fact that the lessee will exercise a termination option, and corresponding penalties have been agreed. Changes in leases and revaluations of lease liabilities are generally recognised directly in equity against the right of use.

The SMT Scharf Group uses the facilitation options relating to current and low value leases. The lease payments associated with the leases are expensed either straight-line basis over the lease term or on another systematic basis.

For detailed information on the assumptions and estimates made in connection with leases, particularly concerning the determination of the lease term and the marginal interest rate on debt, please refer to the comments on accounting estimates and the exercising of discretion.

The approach described here is effective from January 1, 2019, the date of initial application of IFRS 16. At that time, all existing leases from IAS 17 were transferred to the new accounting model in IFRS 16.

The SMT Scharf Group has also concluded leases as a lessor (mostly for diesel trolleys and heavy load units). Leases where the economic ownership has transferred to the lessee as well as operating leases where most of the opportunities and risks that are associated with ownership remain with SMT Scharf exist. In the case of finance leases, a receivable in the amount of the net investment is reported under other receivables. This is reduced proportionally by the lease payments received. The rented leased assets are capitalised as technical equipment and machinery. Lease payments for these operating leases are recognised as revenue over the lease period.

The financial assets are classified on the basis of accounting and valuation according to IFRS 9. Classification depends on the underlying business model and the so-called cash flow criterion, which is considered to be met if the contractual cash flows consist exclusively of interest and principal payments on the outstanding principal amount of the financial instrument. The business model can be either to hold, to sell, or a combination of both. If the cash flow condition is met and the business model consists in holding the financial instrument, the financial asset is recognised at amortised cost. The SMT Scharf Group mostly has financial assets that are allocated to this category. Financial assets also exist that are measured at fair value through profit or loss. This measurement category applies if either the cash flow criterion is not met, or the business model is “for sale”.

Assets in the amortised cost category are measured at amortised cost applying the effective interest method, and are subject to IFRS 9 impairment regulations. The amount of the impairment loss is based on expected credit losses, which are generally recognised in three stages. For financial assets for which no significant increase in default risk has occurred since initial recognition, the impairment loss is measured at the amount of the expected 12-month credit loss (Stage 1). In the event of a significant increase in the default risk, the expected credit loss is calculated for the remaining term of the asset (Stage 2). Past due is considered to be an indication of a significant increase in the risk of default, with additional information based on individual cases. If objective evidence of impairment exists, the underlying assets are allocated to Stage 3 with the consequence that the effective interest rate is based on the net carrying amount instead of the gross carrying amount. Indications of impaired creditworthiness exist particularly if financial difficulties on the part of the debtor become known in conjunction with an increased probability of insolvency.

For receivables deriving from operating leases, for contract assets and for trade receivables, the SMT Scharf Group applies the simplified procedure in accordance with IFRS 9, according to which the amount of the allowance for doubtful accounts is measured from the initial recognition of the receivable on the basis of the expected credit losses over the term of the receivable. In other words, Stage 1 of the recognition of expected credit losses is dispensed with. The SMT Scharf Group does not have any indications that the risk of default would have increased significantly or that impairment is required for any other financial assets subject to IFRS 9 impairment requirements. As the probability of default is also estimated to be correspondingly low, no significant expected credit losses exist for these assets.

The calculation of impairment charges on financial assets that are tested for impairment on the basis of the simplified approach is based primarily on historical experience of credit defaults and current data on overdue payments. Receivables denominated in foreign currencies are translated applying the closing rate of exchange, and any resultant exchange rate differences are carried under other operating income or expense. Where available, recourse is made to internal or external information that indicates that the contractual payments cannot be made in full. If objective evidence of impairment exists, an individualised estimate of expected credit losses is made, taking events that have become known into consideration.

Financial assets are regarded as defaulted and are derecognised if no reasonable expectation of future payment exists.

Financial assets measured at fair value through profit or loss are carried at the value deriving from the current market valuation on the balance sheet date. This corresponds to level 1 of the fair value hierarchy and pertains exclusively to securities.

Liquid assets comprise cash, sight deposits and short-term bank deposits which had a remaining term of up to three months on addition and are subject to only minor value fluctuations. These items are measured at amortised cost.

Inventories are measured at the lower of cost or net realisable value. Pursuant to IAS 2, manufacturing costs are identified as fully absorbed costs (comprising unit costs and reasonable overheads including production-related administrative expenses) applying the standard cost method. Purchase costs are measured applying the average cost method. Net realisable value corresponds to the selling price in the ordinary course of business, less estimated costs of completion and costs necessary to realise sale.

Deferred and current taxes are measured in accordance with IAS 12. Deferred taxes are determined for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, and for realisable tax loss carryforwards. Calculations are based on the tax rates which apply in the respective country on the expected date of realisation, as passed by law on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that the associated tax receivables will be used. Tax loss carryforwards are included in tax deferrals only if it is probable that these will be realised.

Provisions for pensions are measured applying the projected unit credit method. In this context, the future obligations are measured based on the benefit entitlements proportionately acquired by the balance sheet date. Measurement entails assumptions being made regarding the future development of specific parameters that affect the future benefit amount. The calculation is based on actuarial reports that apply biometric principles. Actuarial gains and losses are offset in full against equity. As a consequence, no amortisation of actuarial gains and losses is recognised in profit or loss.

The other provisions are formed for all identifiable risks and uncertain liabilities, if it is probable that such risks will materialise and it is possible to reliably estimate their amount. To the extent that the Group expects at least a partial refund for a provision carried as a liability (as is the case, for example, in insurance policies), the refund is only then recognised as a separate asset if the refund is as good as certain to be paid. Expenses for the formation of provisions are reported in the consolidated statement of comprehensive income after deduction of the refund.

Other provisions are measured in line with IAS 37 applying the best possible estimate of the amount of the liability. If provisions only become due after one year, and if it is possible to reliably estimate the amount or date of the payments, the present value is measured by discounting.

The amount of the provision for warranties is measured applying the warranty expense that was incurred in the past, the warranty period, and the revenues affected by warranties. Individual provisions are formed for known losses. Provisions for other business-related liabilities are measured based on the services that are still to be rendered, in the amount of the production costs that are yet to be incurred, as a rule.

Financial liabilities are carried at cost on initial recognition. This corresponds to the fair value of the compensation received. Transaction costs are also taken into consideration in this respect. All liabilities are measured in subsequent years at amortised cost applying the effective interest method. Liabilities in foreign currencies are translated by applying the closing rate of exchange, and any resultant exchange rate differences are carried under other operating income or expense.

Accounting estimates and the exercising of discretion

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

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

Goodwill

The SMT Group conducts a goodwill impairment test annually, and also whenever indications exist that goodwill might have become impaired. The recoverable amount of the cash-generating units is estimated for this purpose. This recoverable amount corresponds to the higher of fair value less costs of disposal, and value in use. Calculating value in use requires adjustments and estimates to be made in relation to the forecasting and discounting of future cash flows. Although the management assumes that the assumptions applied to calculate the recoverable amount are appropriate, any unforeseen changes to such assumptions could result in an impairment loss that could exert a sustainable negative effect on the company's financial position and performance. The carrying amount of the goodwill of SMT Africa as of the balance sheet date is EUR 870 thousand (previous year: EUR 872 thousand).

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

At every fiscal year-end, the Group reviews the estimated useful lives of its other intangible assets, and of its property, plant and equipment. No modifications were required for such estimates in 2021 and 2020.

Term of lease agreements, amount of minimum lease payments and estimate of the discount rate

The Group determines the expected lease term, the minimum lease payments and the discount rate at the inception of each lease. Discretionary scope arises above all if the term is not clearly defined in the contract but depends on the exercise of termination, extension or purchase options. When determining the terms of leases, the SMT Scharf Group takes into consideration all of the key facts and circumstances that provide an economic incentive to exercise or not exercise options to extend or terminate the lease. The corresponding option periods are only taken into consideration during the term of the lease if sufficient certainty exists that termination options will not be exercised, or renewal options will be exercised. This also has a direct bearing on the amount of the minimum lease payments.

The discount rate represents a further parameter associated with discretion. If not implicitly and identifiably derivable from the respective lease agreement, the interest rate is based on the risk-free interest rate for the respective country in line with the term plus the credit surcharge of SMT Scharf AG of 2.0 %. This surcharge is uniform throughout the Group, as there are no material differences with regard to the credit risk within the Group.

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

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

Impairment of receivables (expected loss)

Models suitable for implementing the regulations of IFRS 9 relating to impairment, in particular for calculating the default rates (expected loss model), were developed. For receivables deriving from leases, trade receivables and contract assets, the SMT Scharf Group applies the simplified procedure in accordance with IFRS 9, according to which the amount of the allowance for doubtful accounts is measured from the initial recognition of the receivable on the basis of the expected credit losses over the term of the receivable. The valuation allowances are mainly determined on the basis of historical experience on loan defaults and current data on overdue receivables.

Taxes on income

On each reporting date, the Group assesses whether the realisability of future tax benefits is sufficiently likely for the recognition of deferred tax assets. This requires management to assess, inter alia, tax benefits deriving from future available tax strategies and future taxable income, as well as to take further positive and negative factors into consideration. The reported deferred tax assets could diminish if the estimates of the planned tax income and tax benefits achievable through available tax strategies are reduced, or if changes to current tax legislation restrict the timeframe or scope of realisability of future tax benefits. A total of EUR 3,367 thousand of deferred taxes were capitalised as of December 31, 2021 (previous year: EUR 2,751 thousand), which were offset by deferred tax liabilities of EUR 902 thousand (previous year: EUR 505 thousand).

Employee benefits

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

Notes to the income statement

(1) Revenue

The revenues shown in the income statement include both revenues from contracts with customers and other revenues that are not within the scope of IFRS 15. Revenues are analysed by product type, service type and geographic region and are presented in the tables below. For an analysis of revenues according to reportable segments, see section (27) on segment reporting. Revenue from contracts with customers in accordance with IFRS 15 is divided between the two segments "Sale of new equipment" and "Spare parts sales and services". Other revenues mainly comprise revenues from rental and leasing transactions (IFRS 16).

As of December 31, 2021, it is expected that future revenues of EUR 26,856 thousand (previous year: EUR 38,386 thousand) from performance obligations not (or not fully) fulfilled at the end of the reporting period will be realised within the next three years.

Revenue is composed of the following items:

EUR thousand	2021	2020
Sale of new equipment	49,855	22,445
Spare parts sales and services	34,848	26,911
Revenue from contracts with customers	84,703	49,356
Other revenue	1,167	823
Total	**85,870**	**50,179**

The following table shows the breakdown by time of realisation for 2021:

	2021		2020	
EUR thousand	Period-related	Date-related	Period-related	Date-related
Sale of new equipment	6,434	43,421	2,565	19,880
Spare parts	4,408	24,239	–	21,310
Services	5,329	872	5,601	–
Other revenue	1,167	0	823	–
Total	**17,338**	**68,532**	**8,989**	**41,190**

Revenue by region was as follows:

EUR thousand	2021	2020
China	44,551	16,437
Russia and other CIS states	14,134	14,873
Poland	7,754	5,857
Germany	2,346	2,639
Africa	10,141	4,773
America	3,584	3,645
Other countries	3,360	1,955
Total	**85,870**	**50,179**

In the reporting period, revenues in the amount of EUR 1,878 thousand (previous year: EUR 933 thousand) were recorded, which were included in the balance of contractual liabilities at the beginning of the period.

(2) Other operating income

Other operating income is composed of the following items:

EUR thousand	2021	2020
Capitalisation of development costs	916	632
Miscellaneous other operating income	427	193
Liabilities to previous shareholders of RDH	772	–
Reversal of specific valuation allowances	471	780
Own work capitalised (ERP)	593	376
State subsidies for personnel costs	578	339
Exchange rate gains	4,554	1,519
Gains on disposals of non-current assets	322	96
Release of provisions	127	265
Total	**8,760**	**4,200**

(3) Cost of materials

The cost of materials is composed of the following items:

EUR thousand	2021	2020
Raw materials, supplies and purchased merchandise	39,858	31,203
Purchased services	7,310	3,586
Total	**47,168**	**34,789**

The cost of materials ratio (as a percentage of total operating revenue) amounted to 55.3 %, which was below the previous year's level (2020: 61.8 %).

(4) Personnel expenses

Personnel expenses are composed of the following items:

EUR thousand	2021	2020
Wages and salaries	15,522	14,201
Social security and pension contributions	2,875	2,710
Total	**18,397**	**16,911**

Expenses for defined contribution pension plans, especially statutory pension insurance, of EUR 119 thousand (previous year: EUR 71 thousand) were recognised during the fiscal year under review.

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

	2021	2020
Employees	420	418
of which trainees	10	9
Total	**420**	**418**

(5) Depreciation, amortisation and impairment losses

EUR thousand	2021	2020
Amortisation and impairment losses applied to intangible assets	190	3,242
Depreciation and impairment losses applied to property, plant and equipment	2,457	3,443
Total	**2,647**	**6,685**

(6) Other operating expenses

Other operating expenses are composed of the following items:

EUR thousand	2021	2020
Valuation allowances applied to receivables	236	922
Exchange rate losses	1,518	3,059
Special direct cost of sales	1,125	617
Third-party services	2,611	2,009
Travel expenses	805	626
Rent and leases	227	236
Maintenance costs	639	535
Advertising	184	46
Contributions/fees	390	303
Energy costs	423	373
Insurance	312	293
Penalty fees	4,333	–
Temporary staff	345	193
Miscellaneous other operating expenses	1,476	1,064
Total	**14,624**	**10,276**

The miscellaneous other operating expenses mostly include additions to provisions, expenses for cleaning and disposal, further training, and telecommunications. The auditors' fees incurred during the fiscal year are carried under third-party services. These are comprised as follows:

EUR thousand	2021	2020
Audit	62	64
Tax advice	12	17
Other services	–	9
Total	**74**	**90**

Tax advisory services relate exclusively to tax declaration services.

(7) Result from equity accounted investments

Income from investments derives from the positive result in 2021 relating to the Chinese company Shandong Xinsha Monorail Co. Ltd, Xintai/China in the amount of EUR 4,246 thousand (previous year: EUR 1,997 thousand), and the Chinese company Shanxi Province, Shanxi Ande Auxiliary Transportation Co. Ltd, Changzhi China in the amount of EUR 25 thousand (previous year: EUR 42 thousand). The impairment of Shanxi Ande Auxiliary Transportation Co. Ltd. in the amount of EUR –634 thousand was also recognised under this item.

(8) Income taxes

Income taxes are composed of the following items:

EUR thousand	2021	2020
Current tax expense	1,683	975
of which relating to the fiscal year under review	1,683	975
Deferred taxes	–170	350
of which creation or reversal of temporary differences	376	–462
of which increase/decrease in loss carryforwards	–546	812
Total	**1,513**	**1,325**

Deferred taxes are measured based on the tax rates that apply, or are expected to apply, according to the current legal situation on the balance sheet date, or on the date when they are realised. The Group's tax rate stood at 32.1 %, as in the previous year. If deferred tax assets or liabilities are carried for foreign companies, these are measured at the tax rates which apply in the corresponding countries.

Deferred taxes result from temporary differences in the following balance sheet items:

EUR thousand	2021	2020
Deferred tax assets		
Pension provisions	435	513
Property, plant and equipment	133	152
Inventories	1,818	2,093
Trade receivables	389	291
Miscellaneous assets	154	43
Other provisions	455	261
Financial liabilities	158	599
Miscellaneous liabilities	496	46
Loss carryforwards	572	26
Offsetting with deferred tax liabilities	−1,243	−1,273
Total	**3,367**	**2,751**
Deferred tax liabilities		
Intangible assets	785	540
Property, plant and equipment	983	1,055
Miscellaneous assets	235	48
Miscellaneous liabilities	142	135
Offsetting with deferred tax assets	−1,243	−1,273
Total	**902**	**505**

Deferred tax assets and liabilities totalling EUR 1,243 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 1,273 thousand). Consolidation effects result in deferred tax assets of EUR 1,179 thousand (previous year: EUR 1,125 thousand) (as in the previous year, included in inventories and trade receivables), and in deferred tax liabilities of EUR 103 thousand (previous year: 123) (mainly included in intangible assets). The deferred tax position relating to actuarial gains and losses recognised in other comprehensive income amounts to EUR 93 thousand (previous year: EUR 158 thousand) and has consequently decreased by EUR 65 thousand. As of December 31, 2021, deferred tax assets were carried for tax loss carryforwards in an amount of EUR 572 thousand (previous year: EUR 26 thousand). There are corporate income tax loss carryforwards in Germany of EUR 1,802 thousand (previous year: EUR 3,957 thousand) and trade tax loss carryforwards of EUR 1,761 thousand (previous year: EUR 3,949 thousand), on which deferred taxes of EUR 285 thousand and EUR 287 thousand (previous year: EUR 29 thousand each) were recognised. In the previous year, no deferred taxes were recognised for the remaining amount. According to the current legal situation in Germany, no timing or amount-based restrictions relate to these loss carryforwards.

As in the previous year, no deferred taxes were capitalised on loss carryforwards in Canada (EUR 7,257 thousand, previous year EUR 6,738 thousand). The loss carryforwards in Canada can be utilised for a period exceeding five years.

On the basis of tax planning, surpluses of deferred tax assets in Germany have been considered fully realisable since this year, and not realisable in Canada. In particular, it is expected in Germany that the loss carryforwards within the existing fiscal unity can be realised in the next five years due to expected earnings surpluses, whereas in the previous year it was still assumed that they could only be partially realised. At present, capitalisation does not appear to be appropriate, as the company is currently undergoing restructuring and its value will not be recoverable until sustained profits are generated.

The difference between the expected income tax expense (calculated using the tax rate applicable to SMT Scharf AG of 32.1 %) and the reported tax expense is attributable to the following factors:

EUR thousand	2021	2020
Profit before income taxes	14,095	−6,729
Imputed tax expense	4,526	−2,161
International tax rate differences	−584	4
Non-tax-effective income from associates	−1,195	−641
Non-tax-effective income from affiliated companies (consolidation)	34	7
Adjustment of deferred taxes on loss carryforwards due to a tax au-dit	–	230
Application of a valuation allowance on deferred tax assets	–	371
Write-up/write-down/subsequent recognition of deferred taxes, including utilization of loss carryforwards for which no deferred taxes were previously recognised	−866	384
Formation (previous year: write-down) of deferred taxes on loss carryforwards	−572	–
Tax expenses/income relating to other periods	–	–
Non-capitalisation of deferred tax assets	114	2,887
Tax effects relating to non-deductible expenses	343	–
Other non-taxable income or tax deductions	−98	201
Other differences	−189	43
Reported income tax expense	**1,513**	**1,325**

Notes to the balance sheet

(9) Intangible assets, property, plant and equipment and leased items

The composition of and changes to intangible assets, property, plant and equipment, and leased assets are presented in the statement of changes in non-current assets:

Statement of changes in non-current assets from January 1 to December 31, 2021

EUR		Opening balance 01/01/2021	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2021
Goodwill	Gross	979,255.24	-2,043.49	-	-	-	-	977,211.75
	Adj.	107,000.00	-	-	-	-	-	107,000.00
	Net	**872,255.24**	**-2,043.49**	**-**	**-**	**-**	**-**	**870,211.75**
Acquired intangible assets	Gross	3,867,520.99	116,172.52	1,841,291.21	19,477.30	-	-	5,805,507.42
	Adj.	1,884,157.00	114,972.66	96,631.97	19,477.30	-	-	2,076,284.34
	Net	**1,983,363.98**	**1,199.86**	**1,744,659.23**	**0.00**	**-**	**-**	**3,729,223.08**
Acquired intangible assets	Gross	4,846,776.23	114,129.03	1,841,291.21	19,477.30	-	-	6,782,719.17
	Adj.	1,991,157.00	114,972.66	96,631.97	19,477.30	-	-	2,183,284.34
	Net	**2,855,619.22**	**-843.63**	**1,744,659.23**	**-**	**-**	**-**	**4,599,434.83**
Own work capitalised	Gross	2,634,623.77	15,373.07	915,714.54	-	-	-	3,565,711.38
	Adj.	1,072,806.80	17,045.23	93,532.40	-	-	-	1,183,384.43
	Net	**1,561,816.97**	**-1,672.16**	**822,182.14**	**-**	**-**	**-**	**2,382,326.95**
Intangible assets	Gross	7,481,400.00	129,502.10	2,757,005.75	19,477.30	-	-	10,348,430.55
	Adj.	3,063,963.80	132,017.89	190,164.38	19,477.30	-	-	3,366,668.77
	Net	**4,417,436.20**	**-2,515.79**	**2,566,841.37**	**-**	**-**	**-**	**6,981,761.78**
Land and buildings	Gross	9,423,607.02	182,045.17	91,872.76	1,272,482.34	-8,867.29	-	8,416,175.31
	Adj.	6,899,584.76	102,903.90	141,833.56	691,529.09	0.00	-	6,452,793.14
	Net	**2,524,022.26**	**79,141.26**	**-49,960.81**	**580,953.25**	**-8,867.29**	**-**	**1,963,382.17**
Land and buildings (IFRS16)	Gross	3,137,802.97	8,106.57	167,462.98	94,516.74	-	-	3,218,855.78
	Adj.	607,364.18	6,867.20	502,659.20	94,516.74	-	2,421.26	1,024,795.09
	Net	**2,530,438.79**	**1,239.37**	**-335,196.21**	**-**	**-**	**-2,421.26**	**2,194,060.69**
Land and buildings	Gross	12,561,409.99	190,151.74	259,335.74	1,366,999.09	-8,867.29	0.00	11,635,031.09
	Adj.	7,506,948.94	109,771.10	644,492.76	786,045.83	-	2,421.26	7,477,588.22
	Net	**5,054,461.05**	**80,380.63**	**-385,157.02**	**580,953.25**	**-8,867.29**	**-2,421.26**	**4,157,442.86**
Technical equipment and machinery	Gross	5,405,559.08	249,969.91	484,973.86	213,033.28	-797,869.85	-	5,129,599.73
	Adj.	3,605,968.32	184,957.81	721,106.33	198,578.65	-387,865.85	-	3,925,587.96
	Net	**1,799,590.76**	**65,012.10**	**-236,132.47**	**14,454.63**	**-410,004.00**	**-**	**1,204,011.77**
of which leased	Gross	797,869.85	-	-	797,869.85	-	-	0.00
	Adj.	323,458.85	-	66,491.00	389,949.85	-	-	0.00
	Net	**474,411.00**	**-**	**-66,491.00**	**407,920.00**	**-**	**-**	**0.00**
Technical equipment and machinery (IFRS16)	Gross	99,856.62	-169.97	-	-	-	-	99,686.65
	Adj.	26,960.43	-74.76	8,763.61	-	-	-	35,649.28
	Net	**72,896.19**	**-95.21**	**-8,763.61**	**-**	**-**	**-**	**64,037.37**

EUR		Opening balance 01/01/2021	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2021
Technical equipment and machinery	Gross	5,505,415.70	249,799.94	484,973.86	213,033.28	–797,869.85	0.00	5,229,286.38
	Adj.	3,632,928.75	184,883.05	729,869.94	198,578.65	–387,865.85	0.00	3,961,237.24
	Net	**1,872,486.95**	**64,916.89**	**–244,896.08**	**14,454.63**	**–410,004.00**	**0.00**	**1,268,049.14**
Office equipment, fixtures and fittings	Gross	8,289,705.26	96,505.19	778,580.64	1,663,085.94	806,737.14	1,428.36	8,309,870.66
	Adj.	6,699,414.71	79,036.47	900,023.25	1,417,443.43	387,865.85	0.00	6,648,896.85
	Net	**1,590,290.55**	**17,468.72**	**–121,442.61**	**245,642.51**	**418,871.29**	**1,428.36**	**1,660,973.81**
of which leased	Gross	2,173,421.27	–17,927.98	–	–	–	–	2,155,493.29
	Adj.	1,512,415.14	–12,344.18	–	–	–	–	1,500,070.96
	Net	**661,006.13**	**–5,583.80**	**–**	**–**	**–**	**–**	**655,422.33**
Office equipment, fixtures and fittings (IFRS 16)	Gross	1,022,727.88	–1,902.71	161,585.58	184,224.68	–	–	998,186.07
	Adj.	436,010.45	–676.47	182,816.36	92,850.49	–	–	525,299.85
	Net	**586,717.44**	**–1,226.25**	**–21,230.78**	**91,374.19**	**–**	**–**	**472,886.22**
Office equipment, fixtures and fittings	Gross	9,312,433.14	94,602.48	940,166.22	1,847,310.62	806,737.14	1,428.36	9,308,056.73
	Adj.	7,135,425.16	78,360.00	1,082,839.61	1,510,293.92	387,865.85	–	7,174,196.70
	Net	**2,177,007.99**	**16,242.48**	**–142,673.39**	**337,016.70**	**418,871.29**	**1,428.36**	**2,133,860.03**
Property, plant and equipment	Gross	27,379,258.83	534,554.16	1,684,475.82	3,427,342.98	–	1,428.36	26,172,374.19
	Adj.	18,275,302.84	373,014.15	2,457,202.31	2,494,918.40	–	2,421.26	18,613,022.17
	Net	**9,103,955.99**	**161,540.01**	**–772,726.50**	**932,424.58**	**–**	**–992.89**	**7,559,352.02**

Statement of changes in non-current assets from January 1 to December 31, 2020

EUR		Opening balance 01/01/2020	Exchange rate difference	Addition	Disposal	Transfer	Impairment	Closing balance 31/12/2020
Goodwill	Gross	1,482,644.43	–126,024.04	–	377,365.15	–	–	979,255.24
	Adj.	107,000.00	–	377,365.15	377,365.15	–	–	107,000.00
	Net	**1,375,644.43**	**–126,024.04**	**–377,365.15**	**–**	**–**	**–**	**872,255.24**
Acquired intangible assets	Gross	2,868,995.19	–104,558.89	1,132,163.80	29,079.11	–	–	3,867,520.99
	Adj.	768,285.89	–51,404.22	190,548.55	29,050.52	–	1,005,777.06	1,884,157.00
	Net	**2,100,709.30**	**–53,154.67**	**941,615.24**	**28.59**	**–**	**–1,005,777.06**	**1,983,363.98**
Acquired intangible assets	Gross	4,351,639.62	–230,582.93	1,132,163.80	406,444.26	–	–	4,846,776.23
	Adj.	875,285.89	–51,404.22	567,913.70	406,415.67	–	1,005,777.06	1,991,157.00
	Net	**3,476,353.73**	**–179,178.71**	**564,250.09**	**28.59**	**–**	**–1,005,777.06**	**2,855,619.22**
Own work capitalised	Gross	6,422,569.32	–21,125.46	631,751.96	4,398,572.04	–	–	2,634,623.77
	Adj.	3,778,851.39	–3,938.59	198,202.43	4,370,021.04	–	1,469,712.62	1,072,806.81
	Net	**2,643,717.93**	**–17,186.87**	**433,549.52**	**28,551.00**	**–**	**–1,469,712.62**	**1,561,816.97**
Intangible assets	Gross	10,774,208.94	–251,708.39	1,763,915.75	4,805,016.30	–	–	7,481,400.00
	Adj.	4,654,137.28	–55,342.82	766,116.13	4,776,436.71	–	2,475,489.68	3,063,963.81
	Net	**6,120,071.66**	**–196,365.57**	**997,799.62**	**28,579.59**	**–**	**–2,475,489.68**	**4,417,436.19**
Land and buildings	Gross	9,374,473.99	–241,750.91	326,189.74	35,305.80	–	–	9,423,607.02
	Adj.	6,262,345.19	–17,702.00	169,204.69	34,182.78	–	519,919.66	6,899,584.76
	Net	**3,112,128.80**	**–224,048.91**	**156,985.05**	**1,123.02**	**–**	**–519,919.66**	**2,524,022.26**
Land and buildings (IFRS16)	Gross	1,529,875.52	–73,361.64	1,911,936.01	230,646.92	–	–	3,137,802.97
	Adj.	413,108.48	–25,953.99	374,332.71	154,123.02	–	–	607,364.18
	Net	**1,116,767.04**	**–47,407.65**	**1,537,603.30**	**76,523.90**	**–**	**–**	**2,530,438.79**
Land and buildings	Gross	10,904,349.51	–315,112.55	2,238,125.75	265,952.72	–	–	12,561,409.99
	Adj.	6,675,453.67	–43,655.99	543,537.40	188,305.80	–	519,919.66	7,506,948.94
	Net	**4,228,895.84**	**–271,456.56**	**1,694,588.35**	**77,646.92**	**–**	**–519,919.66**	**5,054,461.05**
Technical equipment and machinery	Gross	5,437,329.19	–643,961.15	483,266.76	306,651.20	435,575.48	–	5,405,559.08
	Adj.	2,749,011.35	–437,596.29	811,783.04	167,907.44	395,603.54	255,074.12	3,605,968.32
	Net	**2,688,317.84**	**–206,364.85**	**–328,516.28**	**138,743.77**	**39,971.94**	**–255,074.12**	**1,799,590.76**
of which leased	Gross	797,869.85	–	–	–	–	–	797,869.85
	Adj.	221,640.85	–	101,818.00	–	–	–	323,458.85
	Net	**576,229.00**	**–**	**–101,818.00**	**–**	**–**	**–**	**474,411.00**
Technical equipment and machinery (IFRS16)	Gross	136,811.99	–1,024.52	–	–	–35,930.85	–	99,856.62
	Adj.	10,889.91	–461.03	12,490.47	–	4,041.08	–	26,960.43
	Net	**125,922.08**	**–563.48**	**–12,490.47**	**–**	**–39,971.94**	**–**	**72,896.19**

EUR		Opening balance 01/01/2020	Exchange rate difference	Addition	Disposal	Transfer	Impairment	Closing balance 31/12/2020
Technical equipment and machinery	Gross	5,574,141.18	–644,985.66	483,266.76	306,651.20	399,644.63	–	5,505,415.70
	Adj.	2,759,901.26	–438,057.33	824,273.50	167,907.44	399,644.63	255,074.12	3,632,928.75
	Net	**2,814,239.92**	**–206,928.34**	**–341,006.74**	**138,743.77**	**–**	**–255,074.12**	**1,872,486.95**
Office equipment, fixtures and fittings	Gross	9,214,235.67	–487,262.46	562,175.91	429,840.57	–569,603.29	–	8,289,705.26
	Adj.	6,827,512.07	–342,513.43	1,030,897.44	385,276.74	–431,204.64	–	6,699,414.71
	Net	**2,386,723.60**	**–144,749.03**	**–468,721.53**	**44,563.83**	**–138,398.65**	**–**	**1,590,290.55**
of which leased	Gross	2,192,427.52	–146,319.34	292,050.13	164,737.04	–	–	2,173,421.27
	Adj.	991,356.88	–66,554.75	748,537.79	160,924.78	–	–	1,512,415.14
	Net	**1,201,070.64**	**–79,764.59**	**–456,487.66**	**3,812.26**	**–**	**–**	**661,006.13**
Office equipment, fixtures and fittings (IFRS 16)	Gross	542,931.26	–7,372.73	355,352.13	38,141.44	169,958.66	–	1,022,727.88
	Adj.	156,382.20	–792.41	269,747.09	20,886.44	31,560.01	–	436,010.45
	Net	**386,549.06**	**–6,580.32**	**85,605.04**	**17,255.00**	**138,398.65**	**–**	**586,717.44**
Office equipment, fixtures and fittings	Gross	9,757,166.93	–494,635.18	917,528.04	467,982.01	–399,644.63	–	9,312,433.14
	Adj.	6,983,894.27	–343,305.84	1,300,644.53	406,163.18	–399,644.63	–	7,135,425.16
	Net	**2,773,272.66**	**–151,329.35**	**–383,116.49**	**61,818.83**	**–**	**–**	**2,177,007.99**
Property, plant and equipment	Gross	26,248,161.37	–1,457,673.40	3,638,920.55	1,050,149.68	–	–	27,379,258.83
	Adj.	16,419,249.20	–825,019.15	2,668,455.43	762,376.42	–	774,993.78	18,275,302.84
	Net	**9,828,912.17**	**–632,654.24**	**970,465.11**	**287,773.27**	**–**	**–774,993.78**	**9,103,955.99**

Production costs of intangible assets that are to be capitalised pursuant to IAS 38 are initially expensed (especially personnel expenses) according to the nature of expense format, and then eliminated through other income in the relevant period. The amortisation of internally generated intangible assets is carried as amortisation expense. In 2020, development costs for new product developments in the case of drive concepts as well as from the areas of diesel trolleys and emission-free electric cats which met IAS 38 capitalisation criteria were expensed. A total of EUR 916 thousand (previous year: EUR 632 thousand) was capitalised. The sum total of research and development expenses stood at EUR 1,987 thousand in the reporting year (previous year: EUR 2,675 thousand). This includes capitalised costs of EUR 916 thousand (previous year: EUR 632 thousand).

Land and buildings with a carrying amount of EUR 1,777 thousand (previous year: EUR 1,777 thousand) serve as collateral for loans taken out.

On February 5, 2021, the Supervisory Board approved the sale of the land and buildings owned by the RDH subsidiary in Alban. The management team then commissioned a broker to market the properties, the sale of which was completed by the end of 2021.

The property, plant and equipment reported on the balance sheet with a carrying amount of EUR 7,559 thousand (previous year: EUR 9,104 thousand) also includes rights of use under leases. In 2021, new rights of use amounting to EUR 329 thousand were acquired (previous year: EUR 2,267 thousand). The additions mainly related to land and buildings as well as to operating and office equipment.

The following table shows the composition of the rights of use:

EUR		Opening balance 01/01/2021	Exchange rate difference	Addition	Disposal	Write-up	Closing balance 31/12/2021
Land and buildings	Gross	3,137,802.97	8,106.57	167,462.98	94,516.74	–	3,218,855.78
	Adj.	607,364.18	6,867.20	502,659.20	94,516.74	2,421.26	1,024,795.09
	Net	**2,530,438.79**	**1,239.37**	**−335,196.21**	**0.00**	**−2,421.26**	**2,194,060.69**
Technical equipment and machinery	Gross	99,856.62	−169.97	–	–	–	99,686.65
	Adj.	26,960.43	−74.76	8,763.61	–	–	35,649.28
	Net	**72,896.19**	**−95.21**	**−8,763.61**	**–**	**–**	**64,037.37**
Office equipment, fixtures and fittings	Gross	1,022,727.88	−1,902.71	161,585.58	184,224.68	–	998,186.07
	Adj.	436,010.45	−676.47	182,816.36	92,850.49	–	525,299.85
	Net	**586,717.44**	**−1,226.25**	**−21,230.78**	**91,374.19**	**–**	**472,886.22**
Total	**Gross**	**4,260,387.47**	**6,033.89**	**329,048.56**	**278,741.43**	**–**	**4,316,728.50**
	Adj.	**1,070,335.05**	**6,115.98**	**694,239.17**	**187,367.23**	**2,421.26**	**1,585,744.22**
	Net	**3,190,052.42**	**−82.08**	**−365,190.61**	**91,374.19**	**−2,421.26**	**2,730,984.28**

EUR		Anfangsbestand 01,01,2020	Kurs-differenz	Zugang	Abgang	Zu-schreibung	Endbestand 31,12,2020
Land and buildings	Gross	1,529,875.52	−73,361.64	1,911,936.01	230,646.92	–	3,137,802.97
	Adj.	413,108.48	−25,953.99	374,332.71	154,123.02	–	607,364.18
	Net	**1,116,767.04**	**−47,407.65**	**1,537,603.30**	**76,523.90**	**–**	**2,530,438.79**
Technical equipment and machinery	Gross	136,811.99	−1,024.52	–	–	−35,930.85	99,856.62
	Adj.	10,889.91	−461.03	12,490.47	–	4,041.08	26,960.43
	Net	**125,922.08**	**−563.48**	**−12,490.47**	**–**	**−39,971.94**	**72,896.19**
Office equipment, fixtures and fittings	Gross	542,931.26	−7,372.73	355,352.13	38,141.44	169,958.66	1,022,727.88
	Adj.	156,382.20	−792.41	269,747.09	20,886.44	31,560.01	436,010.45
	Net	**386,549.06**	**−6,580.32**	**85,605.04**	**17,255.00**	**138,398.65**	**586,717.44**
Total	**Gross**	**2,209,618.77**	**−81,758.89**	**2,267,288.14**	**268,788.36**	**134,027.81**	**4,260,387.47**
	Adj.	**580,380.59**	**−27,207.44**	**656,570.26**	**175,009.46**	**35,601.10**	**1,070,335.05**
	Net	**1,629,238.18**	**−54,551.45**	**1,610,717.88**	**93,778.90**	**98,426.71**	**3,190,052.42**

The SMT Scharf Group leases internally developed machines and heavy load units as a lessor in the context of finance leases. The carrying amount of lease receivables stands at EUR 163 thousand (previous year: EUR 547 thousand). The decrease compared to the previous year is due to the scheduled expiry of leasing agreements in 2021.

In addition, the SMT Scharf Group leases to a minor extent as a lessor as part of operating leases. As of the balance sheet date, no leased assets amounted were recognised (previous year: EUR 270 thousand).

(10) Loans

Loans include an amount from the sale of a minority interest in SMT Scharf Africa (Pty.) Ltd. as a consequence of the requirements of Broad-Based Black Economic Empowerment (B-BBEE). A loan was issued in the amount of the difference between the sales price achieved and the cash component received (see also section 24).

(11) Equity accounted investments

For equity accounted investments, the company makes reference to the information on joint ventures in the first part of the notes to the consolidated financial statements.

(12) Inventories

Inventories are comprised as follows:

EUR thousand	2021	2020
Raw materials, consumables and supplies	12,304	8,342
Work in progress	10,110	8,464
Finished goods and merchandise	10,529	12,728
Carrying amount	**32,943**	**29,534**

As of December 31, 2021, write-downs of inventories to their lower net realisable value totalled EUR 3,359 thousand (previous year: EUR 3,638 thousand).

EUR thousand	2021	2020
Inventories without impairment	30,474	27,472
Inventories with impairment	2,469	2,062
Carrying amount	**32,943**	**29,534**

(13) Trade receivables

Trade receivables include security deposits in standard industry amounts that have been contractually agreed with customers. These deposits cover the incidental services of SMT Scharf that are to be rendered once the risk has been transferred.

EUR thousand	2021	2020
Carrying amount of trade receivables	41,897	19,342
of which individual valuation allowances	959	1,194

Reconciliation of specific valuation allowances:

EUR thousand	2021	2020
Balance January 1	1,194	1,052
Reversals	471	780
Additions	236	922
Balance December 31	**959**	**1,194**

All specific valuation allowances presented here relate to impairment losses on receivables from contracts with customers.

The trade receivables listed in the table are allocated to the amortised cost (AC) category.

As required by IFRS 9, the SMT Scharf Group has adopted the simplified model of expected credit losses for its trade receivables. For further information on impairment in accordance with IFRS 9, see section 26.

The due dates of trade receivables are as follows:

EUR thousand	2021	2020
Receivables not overdue	37,092	15,768
Value-adjusted overdue receivables	14	1,194
of which due from 90 days	14	411
Overdue receivables not value-adjusted	4,805	2,380
of which due between 1 and 30 days	723	489
of which due from 31 days	4,082	1,891
Trade receivables, total	**41,897**	**19,342**

(14) Other non-financial assets

Other non-financial assets comprise receivables and assets that do not fall within the scope of IFRS 9 and largely include tax receivables and advance payments rendered.

(15) Other current non-financial assets

EUR thousand	2021	2020
Securities	47	151

In the previous year, SMT Scharf held shares in a near-money-market fund in the amount of EUR 121 thousand in order to secure early retirement schemes, which were measured at fair value through profit or loss. As all early retirement scheme arrangements expire at the end of 2020, these shares were sold and the consideration was returned to current liquidity.

(16) Cash and cash equivalents

Cash and cash equivalents comprise cash positions and bank deposits available short term.

(17) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity. Accumulated comprehensive income in the statement of changes in equity amounts to EUR 4,704 thousand (previous year: EUR –7,311 thousand). It comprises actuarial gains and losses of EUR –196 thousand (previous year: EUR –335 thousand) and differences in currency translation of EUR –4,507 thousand (previous year: EUR –6,976). The changes in the individual components are shown in the statement of changes in equity.

In the 2021 reporting year, the average number of shares amounted to 5,096,376 (previous year: 4,570,523).

The capital reserve includes the premium from the capital increases in 2007, 2017 and 2021 less transaction costs, taking tax effects into account. In the reporting year, as in the previous year, an increase of EUR 135 thousand arose due to shares to be issued (see Note 29).

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 changes in the fiscal year under review can be viewed in the statement of changes in equity.

The company held 49,477 treasury shares on 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.

Revenue reserves include actuarial gains and losses including their tax effects and other revenue reserves from the cumulative consolidated net income for the year. Details on the changes in revenue reserves are presented in the statement of changes in equity.

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 Annual General Meeting to be held on May 17, 2022 that this net profit be carried forward to a new account.

(18) Provisions for pensions

The SMT Scharf Group's German companies have defined benefit commitments for post-retirement, invalidity and surviving dependant benefits in its employee pension scheme. The pension commitments derive from various employer-financed direct commitments and from salary conversions based on a company agreement. In addition, indirect pension obligations exist in accordance with the articles of association of Unterstützungskasse der DBT e.V. All pension commitments are funded by provisions. No plan assets exist.

The amount of the pension commitment (defined benefit obligation) was calculated applying actuarial methods. In addition to the assumptions on life expectancies according to the Heubeck Richttafeln 2018 G mortality tables, the following assumptions were applied:

in % p. a.	2021	2020
Qualifying trend	2.0	2.0
Rate of pension increases	1.0	1.0
Discount rate (DBO)	1.15	0.85

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

EUR thousand	2021	2020
Defined benefit obligation on January 1	3,327	3,401
Current service cost	13	1
Interest cost	15	32
Pension payments and transfers	−124	−118
Actuarial gains/losses	−203	11
of which financial assumptions	−126	47
of which experience adjustments	−77	−36
Defined benefit obligation on December 31	**3,028**	**3,327**

A –0.5 % change in the interest rate would result in an increase in the pension obligation of EUR 215 thousand. A 0.5 % increase in the interest rate would lead to a EUR 192 thousand reduction in the pension obligation. Both sensitivity calculations were performed while keeping all other assumptions unchanged.

Sensitivities (IAS 19.145)	DBO 2021	Change 2021	DBO 2020	Change 2020
Actuarial interest rate +0.5 %	2,835	−192	3,103	−224
Actuarial interest rate −0.5 %	3,243	215	3,577	250
Pension trend +0.5 %	3,215	187	3,539	212
Pension trend −0.5 %	2,856	−171	3,133	−194
Life expectancy +1 year	3,217	189	3,537	210

The weighted average term of the defined benefit obligation as of December 31, 2021 is 16.98 years (previous year: 13.72 years). The following payments are due in the current fiscal year and in the next three years:

EUR thousand	
Pension payments 2021	123,957
Expected pension payments 2022	140,757
Expected pension payments 2023	140,494
Expected pension payments 2024	139,084

(19) Other provisions

The other current provisions are all due within one year. They are attributable to personnel, sales and other areas. Provisions for personnel relate, in particular, to performance-related remuneration for employees and overtime pay. Provisions in the sales and marketing area relate, in particular, to warranty and follow-up costs. The costs in this regard were estimated on a project-by-project basis, applying prudent commercial judgement. Miscellaneous other provisions relate, in particular, to uncertain liabilities to suppliers. In addition, they also include provisions for litigation, including the associated costs of proceedings. The results of current and future litigation cannot be predicted reliably, with the consequence that expenses may be incurred in this regard that are not covered by insurance, rights of recourse or other existing provisions, and which could have a material impact on the business and its results. The Managing Board believes that no decisions are to be expected in the currently pending or threatened litigation that could have a material negative impact on SMT Scharf Group's financial position or results of operations.

The other non-current provisions mostly relate to obligations for personnel, in particular for long-term risks from litigation (term until 2023).

The interest effect from the discounting of other non-current provisions amounts to EUR 0 thousand (previous year: EUR 1 thousand).

The changes to other provisions in 2021 can be seen in the following statement of changes in provisions:

Consolidated statement of changes in other provisions from January 1 to December 31, 2021

EUR thousand	Opening balance 01/01/2021	Currency translation	Transfer	Consump-tion	Additions	Reversals	Closing balance 31/12/2021
Personnel area	1,087	69	120	−964	2,005	−15	2,302
Sales area	711	34	–	−706	5,521	−76	5,484
Other areas	1,501	38	−120	−1,484	2,887	−36	2,786
Other current provisions	3,299	141	–	−3,154	10,413	−127	10,572
Other non-current provisions	197	–	–	−6	44	–	235

Consolidated statement of changes in other provisions from January 1 to December 31, 2020

EUR thousand	Opening balance 01/01/2020	Currency translation	Consump-tion	Additions	Reversals	Closing balance 31/12/2020
Personnel area	2,249	−171	−1,828	841	−4	1,087
Sales area	1,166	−29	−332	167	−261	711
Other areas	1,514	−52	−1,180	1,219	–	1,501
Other current provisions	4,929	−252	3,340	2,227	−265	3,299
Other non-current provisions	220	−3	32	12	–	197

(20) Liabilities

As in the previous year, none of the trade payables, advance payments received and other current liabilities have a term of more than one year. Advance payments are unusual in the mining industry and can only be realised in the mineral mining segment.

No liabilities exist that are secured by rights of lien; a land charge has been registered as collateral for the utilisation of the KfW loan arising from the ERP innovation program.

(21) Notes to the cash flow statement

The cash flow statement shows the changes in the SMT Scharf Group's net financial position as a consequence of cash inflows and outflows during the period under review. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.

The cash flows from investing and financing activities are identified directly, in other words, these are related to payments. In contrast, the cash flow from operating activities is derived indirectly from the net profit. The cash flow includes the following receipts and payments:

EUR thousand	2021	2020
Interest received	152	251
Interest paid	912	883
Interest paid on capitalised assets (IFRS 16)	149	53
Income taxes paid	880	848

The net financial position in the cash flow statement comprises all of the cash and cash equivalents carried on the balance sheet, in other words, cash on hand and bank balances, to the extent that these are available within three months (from the date of acquisition) without any notable fluctuations in value, as well as marketable securities less current financial liabilities from overdrafts, to the extent that they form an integral element of Group cash management.

EUR thousand	31/12/2021	31/12/2020
Cash and cash equivalents	9,512	4,402
./. Current financial liabilities (overdrafts)	15,433	8,530
Net financial position	**−5,921**	**−4,128**

The table below shows a reconciliation of the financial liabilities underlying the non-cash changes:

EUR thousand	01/01/2021	Additions from new agreements	Cash flows	Reversals	Reclassifi-cation	Exchange rate differences	31/12/2021
Non-current leasing liabilities	2,376	329	–	–	–387	–115	2,203
Non-current financial liabilities	3,099	–	–51	–	–1,205	1	1,844
Other non-current financial liabilities	1,454	1,733	–398	–	207	–3	2,993
Total non-current financial liabilities	**6,929**	**2,062**	**–449**	**–**	**–1,385**	**–117**	**7,040**
Current leasing liabilities	790	–	–567	–	387	–17	593
Current financial liabilities (cash and cash equivalents)	8,530	12,743	–6,016	–	–	176	15,433
Current financial liabilities (not cash and cash equivalents)	1,780	262	–1,437	–	1,107	6	1,718
Current financial liabilities (purchase price agreement, existing shareholders)	772	–	–	772	–	–	–
Total current financial liabilities	**11,872**	**13,005**	**–8,020**	**772**	**1,494**	**165**	**17,744**
Total financial liabilities	**18,801**	**15,067**	**–8,469**	**772**	**109**	**48**	**24,784**

The reclassifications derive from a reclassification from trade payables.

EUR thousand	01/01/2020	Additions from new agreements	Cash flows	Reversals	Reclassifi-cation	Exchange rate differences	31/12/2020
Non-current leasing liabilities	1,112	2,283	–	–883	–49	–87	2,376
Non-current financial liabilities	4,442	–	–29	–1,313	–1	–	3,099
Other non-current financial liabilities	783	–	1,470	–772	–27	–	1,454
Total non-current financial liabilities	**6,337**	**2,283**	**1,441**	**–2,968**	**–77**	**–87**	**6,929**
Current leasing liabilities	620	–	–681	883	–32	–	790
Current financial liabilities (cash and cash equivalents)	7,128	–	1,520	–	–118	–	8,530
Current financial liabilities (not cash and cash equivalents)	2,366	–	–1,841	1,271	–16	–	1,780
Current financial liabilities (purchase price agreement, existing shareholders)	–	–	–	772	–	–	772
Total current financial liabilities	**10,114**	**–**	**–1,002**	**2,926**	**–166**	**–**	**11,872**
Total financial liabilities	**16,451**	**2,283**	**439**	**–42**	**–243**	**–87**	**18,801**

The reclassifications derive from a reclassification from trade payables.

Other disclosures

(22) Other financial liabilities and contingent liabilities

At the end of the fiscal year under review, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 2,238 thousand (previous year: EUR 69 thousand), as well as a registered land charge on the German operating land. The investment loan of EUR 9 million received in 2018 was secured by a guarantee from SMT Scharf GmbH, Hamm. The investment loan is redeemed by quarterly repayments. The guarantee continues to exist in full.

Furthermore, the company has assumed secondary liability to banks for EUR 28.6 million of its subsidiaries' credit lines.

(23) Leases

The Group is a lessee under leases for cars, office premises and office equipment. The former distinction between operating leases and finance leases no longer applies with the introduction of IFRS 16 as of January 1, 2019.

The leases have terms of up to 24 years and in some cases include extension options and price adjustment clauses (e.g. to adjust to current interest rates). When determining the lease term, the term that appears sufficiently certain under the circumstances of the individual case was selected. Extension conditions as well as any existing tenant fixtures played a role in this context. Measured by the rights of use deriving from the leasing agreements, real estate represents the main group of contracts. Their share in the rights of use as of December 31, 2021 amounts to 80.3 % (previous year: 79.3 %. The real estate contracts have the longest terms (up to 24 years) and in some cases contain extension options and price adjustment clauses. The general remarks apply to the determination of the leasing period. No leases for intangible assets existed on the balance sheet date.

Liabilities of EUR 2,796 thousand deriving from the leases existed as of the reporting date (previous year: EUR 3,166 thousand). They are disclosed separately under leasing liabilities and measured at amortised cost. The carrying amount of the rights of use on the balance sheet date was EUR 2,731 thousand (previous year: EUR 3,190 thousand). For more information on rights of use, see section 9.

As of December 31, 2021, the liabilities from leases are composed as follows:

EUR thousand	Future lease payments	Interest portion	Present value of future leasing instalments
Due within one year	616	14	602
Due in one to five years	1,667	252	1,415
Due after more than five years	1,269	519	750
Total	**3,552**	**785**	**2,767**

The present value of the future lease payments is calculated by discounting the future lease payments by applying the interest rate on the balance sheet date that is equivalent to the term and risk. It differs from the lease liabilities recognised on the balance sheet, which were discounted at the interest rate applicable at the time of initial recognition of the lease.

As of the comparative date of December 31, 2020, the liabilities from leases are composed as follows:

EUR thousand	Future lease payments	Interest portion	Present value of future leasing instalments
Due within one year	807	17	790
Due in one to five years	1,750	262	1,488
Due after more than five years	1,506	669	837
Total	**4,063**	**948**	**3,115**

In 2021, the rental and lease agreements resulted in payments totalling EUR 675 thousand (previous year: EUR 816 thousand). Some of these payments do not represent interest or principal payments, but were expensed instead. The following table shows the expenses for leases that were not included in the measurement of lease liabilities:

EUR thousand	2021	2020
Expenses for current leases	109	76
Expenses for leases for low-value assets	–	–
Variable lease payments recognised as expenses	–	–
Total	**109**	**76**

In connection with the lease liabilities, interest expenses of EUR 142 thousand were recognised in the income statement in 2021 (previous year: EUR 64 thousand).

As of December 31, 2021, the Group was committed to current leases for which the corresponding relief option is exercised. The total commitment at this point in time amounts to EUR 96 thousand (previous year: EUR 3 thousand).

The Group is also a lessor as part of finance and operating leases. In both cases, the assets concerned are drive units. Parking spaces are also rented as part of an operating lease agreement. In the case of finance leases, classification is essentially based on the transfer of ownership criterion and the lease term criterion. In the case of operating leases (drive machines), the leased property can be acquired by purchase after a leasing period by the lessee.

Receivables from finance leases of EUR 212 thousand existed as of the reporting date (previous year: EUR 563 thousand). They are disclosed under lease receivables and measured at amortised cost. These generated interest income of EUR 13 thousand in the reporting year (previous year: EUR 43 thousand). No capital gains arose. The decrease in lease receivables is due to the scheduled expiry of leasing agreements in 2021.

There fair value on the balance sheet date amounted to EUR 212 thousand (previous year: EUR 563 thousand). The following information is provided on receivables from finance leases:

Sum total of future minimum leasing payments (gross investment)

EUR thousand	31/12/2021	31/12/2020
Due within one year	98	558
Due in one to two years (previous year: 1–5 years)	124	16
Due in two to three years	–	–
Due in three to four years	–	–
Due in four to five years	–	–
Due after more than five years	–	–
Total	**222**	**574**

Present value of outstanding minimum lease payments

EUR thousand	31/12/2021	31/12/2020
Due within one year	96	547
Due in one to two years (previous year: 1–5 years)	116	16
Due in two to three years	–	–
Due in three to four years	–	–
Due in four to five years	–	–
Due after more than five years	–	–
Total	**212**	**563**
Unrealised financial income included in the outstanding minimum lease payments	10	11

The total nominal amount of the future minimum lease payments under operating leases where the Group is the lessor is composed as follows by term:

EUR thousand	31/12/2021	31/12/2020
Due within one year	104	306
Due in one to two years (previous year: 1–5 years)	–	105
Due in two to three years	–	–
Due in three to four years	–	–
Due in four to five years	–	–
Due after more than five years	–	–
Total	**104**	**411**

In the 2021 fiscal year, leasing income from rental leases amounting to EUR 344 thousand was realised (previous year: EUR 482 thousand).

(24) Other disclosures about financial instruments

The valuation of financial assets and liabilities is discussed in the section on accounting and valuation methods. No regroupings were implemented.

The fair values of the financial assets and liabilities were measured by applying the following hierarchy: If available, fair value is determined based on listed market prices (level 1). If no such market prices were available, the fair value was determined in accordance with generally recognised valuation models based on DCF analyses, current market transactions, and traders' listings for similar instruments. Securities measured at fair value were measured in accordance with level 1. For the other financial instruments, the carrying value corresponds to an appropriate approximation for fair value.

The fair values are presented in the following table:

Balance sheet 31/12/2021

EUR thousand	IAS 9 category	Carrying amount	Fair value
Loans	AC	694	694
Securities	FVTPL	47	47
Cash and cash equivalents	AC	9,512	9,512
Trade receivables	AC	41,897	41,897
Lease receivables	n. a.	280	280
Non-current financial liabilities	FLAC	1,844	1,844
Trade payables	FLAC	5,014	5,014
Current financial liabilities	FLAC	17,151	17,151
Leasing liabilities	n. a.	2,796	2,796

Balance sheet 31/12/2020

EUR thousand	IAS 9 category	Carrying amount	Fair value
Loans	AC	637	637
Securities	FVTPL	151	151
Cash and cash equivalents	AC	4,402	4,402
Trade receivables	AC	19,342	19,342
Lease receivables	n. a.	563	563
Non-current financial liabilities	FLAC	3,099	3,099
Trade payables	FLAC	4,871	4,871
Current financial liabilities	FLAC	10,310	10,310
Leasing liabilities	n. a.	3,166	3,166

Note: FVTPL = fair value through profit or loss (financial assets at fair value through profit or loss), AC = financial assets at amortised cost, FLAC = financial liabilities at amortised cost

The securities are securities that must be carried forward in the FVTPL category as they are held in a near-money market fund that neither pays fixed interest nor makes scheduled repayments. Income derives purely from the sale of fund units.

As in the previous year, no reclassifications were implemented during the period under review.

Net gains or losses by individual IFRS 9 category:

EUR thousand	2021	2020
Financial assets measured at fair value through profit or loss (FVTPL)	–	–
Financial liabilities measured at amortised cost (AC)	96	–142
Financial liabilities measured at amortised cost (FLAC)	–4	–43
Total	**92**	**–185**

Net gains comprise value allowances and currency translation.

Interest expenses of EUR 935 thousand in the fiscal year under review (previous year: EUR 896 thousand) mainly reflect the overall interest expense calculated in application of the effective interest method for financial instruments measured at amortised cost, leasing liabilities measured at amortised cost, and only to a minor extent accrued interest on provisions. In the previous year, only a small portion was attributable to the compounding of finance lease liabilities.

Interest income of EUR 153 thousand in the year (previous year: EUR 257 thousand) is mainly attributable to total interest income calculated by applying the effective interest method for financial instruments measured at amortised cost.

The contractual cash flows for financial liabilities are as follows:

Balance sheet item 31/12/2021	Carrying amount EUR thousand	Contractually agreed cash flows	Up to 1 year	1–5 years	More than 5 years
Loan	39	quarterly	39	–	–
Loan	413	quarterly	236	177	–
Loan	1,104	quarterly	575	529	–
Loan	630	quarterly	297	333	–
Loan	797	quarterly	296	501	–
Loan	280	quarterly	112	168	–
Loan	11	quarterly	–	11	–
Loan	77	quarterly	–	77	–
Loan	136	quarterly	–	136	–
Total	**3,487**		**1,555**	**1,932**	**–**

Balance sheet item 31/12/2020	Carrying amount EUR thousand	Contractually agreed cash flows	Up to 1 year	1–5 years	More than 5 years
Loan	193	quarterly	155	38	–
Loan	531	quarterly	236	295	–
Loan	1,598	quarterly	376	1,222	–
Loan	824	quarterly	296	528	–
Loan	1,043	quarterly	296	747	–
Loan	392	quarterly	112	280	–
Loan	162	quarterly	–	162	–
Total	**4,743**		**1,471**	**3,272**	**–**

Financial liabilities allocated to cash and cash equivalents are repayable at any time.

As in the previous year, value allowances applied to financial instruments did not exist, with the exception of valuation allowances applied to trade receivables.

(25) Capital management

The company's management manages SMT Scharf Group's capital (equity and liabilities) with the aim of maintaining financial flexibility so as to achieve the Group's growth targets while at the same time optimising financing costs. The overall strategy in this regard is unchanged year-on-year.

Management reviews the company's capital structure regularly on the reporting dates. In doing so, it reviews the capital costs, the collateral provided and the open lines of credit and opportunities for borrowing. The Group has a target equity ratio of above 30 % over the longer term. It is anticipated that this will be maintained during the Group's further expansion. The Group's capital structure changed as follows during the fiscal year under review:

	31/12/2021		31/12/2020	
EUR thousand	EUR thousand	in %	EUR thousand	in %
Equity	71,700	59.1	48,453	58.0
Non-current liabilities	11,503	9.5	11,028	13.2
Current liabilities	38,085	31.4	24,062	28.8
Total assets	**121,288**	**100.0**	**83,543**	**100.0**

(26) Financial risk management

The Managing Board of SMT Scharf AG manages the purchase and sale of financial assets and liabilities, and monitors associated financial risks. The details of implementing financial risk management are as follows:

Liquidity risks: The Group manages its liquidity risks by maintaining sufficient reserves, monitoring and maintaining its credit agreements, as well as forecasting and coordinating its cash inflows and outflows. The Group has access to credit lines. The undrawn amount totalled EUR 4,871 thousand on the balance sheet date (previous year: EUR 18,818 thousand). The Group also has access to guarantee credit lines. The management anticipates that the Group will be able to fulfil its other financial liabilities from its cash flow from operating activities, and from the proceeds from maturing financial assets. In addition, the Group has further funds available from the capital increase for promoting the internal and external growth of the SMT Scharf Group.

For an overview of payment obligations arising from lease liabilities, see section 23. For payment obligations from other financial liabilities, see section 24.

Credit risks: The maximum risk of default is represented by the carrying amount of the financial assets, less impairment losses, as recognised in the consolidated financial statement. It relates to the following balance sheet items: loans, leasing receivables, trade receivables, contract assets, other current non-financial assets in the meaning of employees' pension entitlements and cash and cash equivalents.

Default risk categories: (values in EUR thousand)	Category	2021	2020
Loans	1	694	637
Trade receivables	2	41,897	19,342
Trade receivables to which individual value allowances have been applied	3	1,098	1,194
Contract assets	2	382	1,031
Lease receivables	2	280	563
Other current assets	n/a	47	151
Cash and cash equivalents	n/a	9,512	4,402

Risk management in this area is based on the principle that business relationships are entered into only with creditworthy counterparties, if necessary by obtaining collateral to mitigate default risk. The Group obtains information from independent rating agencies, other available financial information, and its own trade records in order to assess creditworthiness, in particular for key accounts. Credit risks are controlled using limits for each party. These limits are reviewed and approved at least once per year. Open items are also monitored.

From this, conclusions are drawn for the amount of expected loss, which is decisive for the measurement of trade receivables. To the extent that no indications exist that the debtor's credit standing is impaired, the SMT Scharf Group does not believe that it is exposed to any material default risks from a contractual party or group of contractual parties with similar characteristics. Trade receivables exist which are due from a large number of customers distributed over various regions. As a consequence of historically low or non-existent credit defaults, the expected loss for trade receivables without any indication of an impaired credit rating of the debtor on the reporting date is EUR 0 as in the previous year.

In the SMT Scharf Group, contract assets exhibit essentially the same risk characteristics in terms of payment profile, collateral etc. as trade receivables deriving from similar contracts. The SMT Scharf Group consequently concluded that the expected loss rates for trade receivables are an appropriate approximation of the loss rates for contract assets. If, in exceptional cases, this approach is not deemed appropriate, different expected credit losses are calculated for the contractual assets. As in the previous year, the expected loss for contract assets without impaired creditworthiness of the debtor was EUR 0 on the reporting date.

For leasing receivables without indications of a deterioration of the debtor's creditworthiness, the historical default rates are also at a very low level, so that the expected credit losses amount to EUR 0 as in the previous year.

The loans received in 2019 are tested for impairment in accordance with the three-step model under IFRS 9 and are grouped in Level 1 of this model. As the probability of default is considered negligible, no expected credit loss is recognised for these loans. For information on the procedure for determining expected credit losses, see the comments on accounting policies.

If indications exist that the debtor's creditworthiness, such as if financial difficulties in connection with an increased probability of insolvency become known, recoverability is assessed on a case-by-case basis, taking into consideration the specific customer characteristics, with the corresponding assets being allocated to category 3 of the default risk categories. On the balance sheet date, doubtful trade receivables with impaired debtor credit ratings existed in a total amount of EUR 1,098 thousand gross (previous year: EUR 1,194 thousand). The value adjustments on these receivables amount to EUR 1,098 thousand (previous year: EUR 1,194 thousand). In accordance with the fact that the expected credit loss is zero, no valuation allowances were recognised for the other trade receivables in the amount of EUR 4,805 thousand (previous year: EUR 2,380 thousand). This also includes trade receivables that were overdue as of the balance sheet date, as no significant changes in the creditworthiness of the contractual partners were identified and, in line with past experience, payment of the outstanding amounts is expected in the future. The Group does not hold collateral for these open items.

As in the previous year, no contractual assets and leasing receivables impaired debtor credit ratings exist, so that, as in the previous year, no valuation allowances were recognised for these assets. These assets, as well as trade receivables with no impaired creditworthiness of the debtor, are consequently assigned to default risk category 2.

Market risks: Market risks can result from changes to exchange rates (exchange rate risk) or interest rates (interest rate risk). SMT Scharf counters such risks by deploying suitable hedging and management instruments. Management and control is realised by constantly monitoring cash flow, and monthly reporting to Group management. Exchange rate risks are limited insofar as the Group mostly issues its invoices in Euros or in local currency. Otherwise, exchange rate hedges are agreed for significant transactions taking cost benefit aspects into consideration. As of December 31, 2021, two CNY hedges totalling EUR 944 thousand existed (previous year: 0) that are not extensive.

Together with the underlying transaction, these form a valuation unit and are accounted for using hedge accounting (cash flow hedges). The offsetting changes in value of the hedged item and the hedging instrument are not recognised in hedge accounting by applying the "gross hedge presentation method".

As of December 31, 2021, two forward contracts exist relating to the sale of Chinese Yuan for outstanding trade receivables in this currency. The terms of the forward exchange contracts are aligned with the agreed term of the receivables. They end in the first quarter of 2022 and comprise a total volume of EUR 944 thousand (previous year: EUR 0 thousand).

Underlying transaction		Hedged risk			Fair value
Type	EUR	Type	EUR	Hedging instrument	EUR
Trade receivables in CNY	944,000	Change in currency exchange rate	944,000	Forward currency purchase	–95,000

The Group is not exposed to any major interest-rate risks at present as it borrows at fixed interest rates.

(27) Segment reporting

In line with IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this, the external segment reporting is performed based on the Group's internal organisation and management structure as well as the internal financial reporting to the highest management body ("chief operating decision maker"). In the SMT Scharf Group, the Managing Board of SMT Scharf AG is responsible for the assessment and control of the performance of the segments, and is the chief operating decision maker in the meaning of IFRS 8.

The Group reports on four operating segments, which are managed independently by segment boards by types of products and services, brands, sales channels and customer profiles.

The operating segments each combine their respective activities in the areas of Coal Mining, Mineral Mining, Tunnel, and Other Industries.

In the Coal Mining segment, SMT Scharf sells captivated railway systems and chairlifts for underground mining. Transport equipment and logistics systems are deployed in hard coal mines around the world and feature sophisticated explosion protection. The monorail, suspended from a single track and used in mining operations in coal mines, is offered as a core product.

In the Mineral Mining segment, SMT Scharf sells rail systems and high-performance vehicles equipped with rubber wheels to operators of underground mines for the production of metals such as gold, platinum, copper and other raw materials. The company sells customised transport and logistics solutions for hard rock mining which, in contrast to coal mining, does not require special explosion protection.

In the Tunnel segment, SMT Scharf focuses on the tunnel logistics business for large-scale construction sites. The company offers a wide range of vehicles equipped with rubber wheels which can be deployed in the realisation of infrastructure projects in tunnel construction. Intersegment revenues and inputs are of minor significance, and are not reported separately.

The Other Industries segment covers business outside the scope of underground mining and tunnel logistics. With the acquisition of ser elektronik GmbH, SMT Scharf has expanded its portfolio to include expertise in electronics and control systems, which are integrated into SMT Scharf's transport solutions. In addition, ser elektronik develops customer-specific solutions for various sectors, including the food industry and medical technology.

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

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

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

The degree of dependence on key customers is low as SMT Scharf products can be modified for other customers with a minimum amount of effort.

Unallocated assets and liabilities relate to deferred taxes. Unallocated assets and liabilities relate to deferred taxes.

Segmentberichterstattung 31,12,2021

	Coal mining		Mineral mining		Tunnel		Other industries		Not allocated		SMT Scharf Group	
EUR thousand	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	69,852	39,703	14,021	8,376	483	319	1,514	1,782	–	–	85,870	50,180
of which new equipment	40,358	16,747	7,750	3,683	243	250	1,505	1,765	–	–	49,856	22,445
of which spare parts	22,933	17,200	5,553	4,047	152	64	9	–	–	–	28,647	21,311
of which service	5,394	4,933	718	646	89	4	–	17	–	–	6,201	5,600
of which others	1,167	823	–	–	–	–	–	–	–	–	1,167	823
Operating result (EBIT)	9,998	(1,697)	1,066	(6,601)	59	(26)	117	194	–	–	11,240	(8,130)
Earnings from equity accounted companies	3,637	2,040	–	–	–	–	–	–	–	–	3,637	2,040
Segment assets	105,989	69,831	8,889	8,547	1,123	453	1,920	1,961	3,367	2,751	121,330	83,543
Segment liabilities	44,164	19,249	3,136	14,258	431	158	956	919	902	505	49,588	35,090
Segment investments	1,534	3,413	99	1,950	–	–	54	40	–	–	1,687	5,403
of which IFRS 16	312	648	–	1,603	–	–	17	16	–	–	329	2,267
Interests in equity accounted companies	13,418	8,543	–	–	–	–	–	–	–	–	13,418	8,543
Scheduled amortisation	2,116	2,817	398	435	6	24	128	128	–	–	2,648	3,404
Unscheduled amortisation	–	1,497	–	1,784	–	–	–	–	–	–	–	3,281
FTE	347	344	51	45	5	3	19	18	–	–	422	410

Segmentberichterstattung 31,12,2020

	Coal mining		Mineral mining		Tunnel		Other industries		Not allocated		SMT Scharf Group	
EUR thousand	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	39,703	60,591	8,376	11,983	319	891	1,782	1,930	–	–	50,180	75,395
of which new equipment	16,747	32,008	3,683	4,679	250	774	1,765	1,930	–	–	22,445	39,391
of which spare parts	17,200	22,798	4,047	4,063	64	117	–	–	–	–	21,311	26,978
of which service	4,933	4,895	646	3,241	4	–	17	–	–	–	5,600	8,136
of which others	823	890	–	–	–	–	–	–	–	–	823	890
Operating result (EBIT)	(1,697)	7,790	(6,601)	(770)	(26)	(143)	194	(56)	–	–	(8,130)	6,822
Earnings from equity accounted companies	2,040	853	–	–	–	–	–	–	–	–	2,040	853
Segment assets	69,831	75,589	8,547	15,275	453	176	1,961	2,130	2,751	2,665	83,543	95,836
Segment liabilities	19,249	24,856	14,258	8,632	158	61	919	1,115	505	595	35,090	35,259
Segment investments	3,413	4,831	1,950	315	–	20	40	1,482	–	–	5,403	6,648
of which IFRS 16	648	1,115	1,603	88	–	–	16	64	–	–	2,267	1,267
Interests in equity accounted companies	8,543	6,746	–	–	–	–	–	–	–	–	8,543	6,746
Scheduled amortisation	2,817	2,319	435	394	24	33	128	98	–	–	3,404	2,844
Unscheduled amortisation	1,497	–	1,784	–	–	–	–	–	–	–	3,281	–
FTE	365	334	45	77	–	3	–	18	–	–	410	432

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

Of the non-current assets, EUR 8,785 thousand (previous year: EUR 6,789 thousand) are attributable to Germany and EUR 5,756 thousand (previous year: EUR 6,732 thousand) to other countries.

(28) Supervisory Board

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:

Univ.-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	Finance director	(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 compensation in the form of a share in the consolidated net profit, calculated as follows: the annual performance-related compensation 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 profit 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 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 (ordinary) 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 remuneration exists for former members of the Supervisory Board or their surviving dependents. 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).

(29) Managing Board

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.

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 Managing 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 previous year, all of the Managing Board members of SMT Scharf AG received share-based remuneration. Each annual increase in the share price was rewarded with a bonus of a contractually agreed amount for each EUR 1. This was included in the provision at the end of the previous year's report, but was not transferred to the Managing Board.

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 of 0.2 % (Theiss) and 0.15 % (Embert) is based on revenues in the corridor of EUR 50 million to EUR 80 million the growth of revenue in accordance with the IFRS consolidated financial statements for the fiscal year in question, 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 net profit excluding other comprehensive income (OCI), less interest on equity, 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. As of the fiscal year-end, this is included in the provision, 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 September 3, 2018 grant date was decisive for the valuation of the additional compensation. This amounted to EUR 17.50 and remains constant for the period over which the compensation expense is distributed. The resultant total compensation 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 of the share on the balance sheet date amounted to EUR 14.20. The entitlement may vary according to the number of shares held.

The figures 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, Managing 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.

(30) Related party disclosures

Besides the Managing and Supervisory boards of SMT Scharf AG, related parties pursuant to IAS 24 include key management personnel at companies that SMT Scharf AG controls or significantly influences.

Business transactions between the parent company and its subsidiaries which are regarded as related enterprises are eliminated through consolidation and are not explained in these notes to the financial statements. Concerning at equity exchange relationships, reference is made to the explanations on joint ventures.

Along with these business relationships, no transactions occurred in the current fiscal year under review and none occurred in the previous fiscal year. No services were provided to related parties.

For further details on the remuneration of key management personnel, please refer to the information on the Managing and Supervisory boards as only they are defined as such.

(31) Events after the balance sheet date

In February 2022, the war between Ukraine and Russia began. 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. It was not possible to conclusively assess the exact effects and risks as of the date when these financial statements were prepared.

Hamm, March 29, 2022

The Managing Board

Hans Joachim Theiss Wolfgang Embert

RESPONSIBILITY STATEMENT

We assure that, to the best of our knowledge, and in accordance with the applicable reporting principles, the IFRS consolidated financial statements of SMT Scharf AG as of December 31, 2021, give a true and fair view of the Group's financial position and performance, and the Group management report for the 2021 fiscal year presents the Group's business including its results and the Group's position such as to give a true and fair view, and describes the major opportunities and risks pertaining to the Group's anticipated growth and development.

Hamm, March 29, 2022

The Managing Board

Hans Joachim Theiss

Wolfgang Embert

CERTIFICATE OF THE INDEPENDENT AUDITOR

to SMT Scharf AG, Hamm

Short-form audit opinions

We have audited the consolidated financial statements of SMT Scharf AG, Hamm, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of December 31, 2021, the consolidated statement of income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1 to December 31, 2021, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the Group management report of SMT Scharf AG, Hamm, for the fiscal year from January 1 to December 31, 2021. In accordance with German statutory regulations, we have not audited the content of the parts of the Group management report mentioned in the annex.

In our assessment, and based on the knowledge gained from the audit

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) in combination with Section 315e (3) of the German Commercial Code (HGB), and give a true and fair view of the net assets and financial position of the Group 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 these requirements, and

- the attached Group management report provides a suitable understanding of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks relating to future developments. Our audit opinion on the Group management report does not extend to the contents of the components of the Group management report listed in the annex.

Pursuant to Section 322 (3) Clause 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report 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 consolidated financial consolidated management report" of our audit opinion. We are independent of the Group companies in accordance with European law and 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 opinions on the consolidated financial statements and the Group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB in combination with Section 315e (3) HGB, and for the presentation of the Group's financial position and performance in accordance with these requirements. In addition, the legal representatives are responsible for internal controls relevant to the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group'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. Furthermore, they are responsible for financial accounting under the going concern assumption unless an intention exists to liquidate the Group or to discontinue operations, or no realistic alternative exists.

Moreover, the legal representatives are responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks pertaining to future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary in order to prepare a Group management report in accordance with the applicable German legal provisions and to provide sufficient and suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's financial accounting process for preparing the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free of material misstatement, whether intentional or unintentional, and whether the Group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the Group management report.

Sufficient assurance is a high level of assurance, albeit 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 economic decisions of users made on the basis of these consolidated financial statements and the Group management report.

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 intentional or unintentional, in the consolidated financial statements and the Group management report, plan and perform the audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to form the basis of our audit opinions. 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 consolidated financial statements and the precautions and measures relevant to the audit of the Group management report in order to plan audit procedures that are appropriate in the circumstances, albeit not with the aim of expressing an opinion on the effectiveness of such systems.

- 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 Group'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 consolidated financial statements and on the Group management report or, if the information is inappropriate, to modify our respective 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 Group no longer being able to continue its business activities.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements give a true and fair view of the Group's financial position and performance in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB in combination with Section 315e (3) HGB.

- we obtain sufficient suitable audit evidence for the financial accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- we assess the Group management report's consistency with the consolidated financial statements, its legal conformity, and the view it conveys of the Group's position.

- we perform audit procedures on the forward-looking statements made by management in the Group management report. On the basis of sufficient and suitable audit evidence, we verify, in particular, the significant assumptions on which the legal representatives' forward-looking statements are based and assess the proper derivation of the forward-looking statements from such assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. The significant unavoidable risk exists that future events will differ materially from the forward-looking statements.

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	Broda
Certified Public Auditor	Certified Public Auditor

FINANCIAL CALENDAR

12 May 2022	Publication of the 3-month report 2022
17 May 2022	Annual General Meeting
12 August 2022	Publication of the half-year report 2022
14 November 2022	Publication of the 9-month report 2022

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LEGAL NOTICE

This annual report contains forward-looking statements based on estimates of future trends on the part of the Executive Board. The statements and estimates have been made in view of all information available at present. Should the assumptions underlying such statements and estimates fail to materialize, actual results May differ from current expectations.

This annual report and the information contained therein do not constitute an offer for sale either in Germany or in any other country; nor do they constitute a demand to purchase securities of SMT Scharf AG, in particular if this type of offer or demand is prohibited or not authorized. Potential investors in shares of SMT Scharf AG must obtain information on any such restrictions and adhere to these.

The annual financial reports of SMT Scharf AG and of the SMT Scharf Group are published in Geman and English. In case of discrepancies the German version prevails. The graphics in the section “Group management report” do not form part of the Group management report audited by SMT Scharf AG’s auditors.

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