

**SMT Scharf AG**  
**Annual financial report 2022**

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Certificate of the independent auditor

## Balance sheet as of December 31, 2022

Assets (in EUR)	31/12/2022	31/12/2021
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>	<b>4,527,257.64</b>	<b>3,370,737.93</b>
Intangible assets	4,527,257.64	3,370,737.93
<b>II. Property, plant and equipment</b>	<b>2,964.94</b>	<b>8,697.78</b>
Factory and office equipment	2,964.94	8,697.78
<b>III. Financial assets</b>	<b>20,736,091.30</b>	<b>24,411,192.41</b>
1. Interests in affiliated companies	12,437,171.64	16,270,376.80
2. Loans to affiliated companies	7,581,574.82	7,446,390.41
3. Participating interests	<b>1.00</b>	<b>1.00</b>
4. Other loans	717,343.84	694,424.20
	<b>25,266,313.88</b>	<b>27,790,628.12</b>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>	<b>19,019,804.62</b>	<b>15,526,915.48</b>
1. Receivables due from affiliated companies	17,829,334.97	14,472,534.44
2. Receivables from associated companies	212,351.20	0.00
3. Other assets	978,118.45	1,054,381.04
<b>II. Cash and cash equivalents</b>	<b>238,365.49</b>	<b>518,182.24</b>
	<b>19,258,170.11</b>	<b>16,045,097.72</b>
<b>C. Prepayments and accrued income</b>	<b>51,780.55</b>	<b>47,090.15</b>
<b>D. Deferred tax assets</b>	<b>0.00</b>	<b>314,316.78</b>
<b>Total assets</b>	<b>44,576,264.54</b>	<b>44,197,132.77</b>

Equity and liabilities (in EUR)	31/12/2022	31/12/2021
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	<b>5,471,979.00</b>	<b>5,471,979.00</b>
Total nominal value	5,521,456.00	5,521,456.00
Nominal value of treasury shares (Conditional capital: EUR 462,000.00; previous year: EUR 462,000.00)	-49,477.00	-49,477.00
<b>II. Share premium</b>	<b>24,609,036.26</b>	<b>24,474,299.14</b>
<b>III. Retained earnings</b>	<b>103,093.70</b>	<b>103,093.70</b>
1. Statutory reserve	1,648.70	1,648.70
2. Other retained earnings	101,445.00	101,445.00
<b>IV. Unappropriated net loss / profit</b>	<b>961,072.26</b>	<b>4,010,677.32</b>
	<b>31,145,181.22</b>	<b>34,060,049.16</b>
<b>B. Provisions</b>		
1. Pension provisions	187,479.00	193,152.00
2. Tax provisions	2,043,585.64	358,396.26
3. Other provisions	760,947.39	1,131,935.17
	<b>2,992,012.03</b>	<b>1,683,483.43</b>
<b>C. Liabilities</b>		
1. Liabilities to to banks	4,438,822.04	3,936,818.29
2. Trade payables	334,419.01	282,911.11
3. Liabilities to affiliated companies	1,037,524.59	1,135,346.27
4. Other liabilities of which from tax: EUR 24,424.03 (previous year: EUR 31,628.39)	4,408,415.65	3,098,524.51
	<b>10,219,181.29</b>	<b>8,453,600.18</b>
<b>D. Deferred tax liabilities</b>	<b>219,890.00</b>	<b>0.00</b>
<b>Total equity and liabilities</b>	<b>44,576,264.54</b>	<b>44,197,132.77</b>

## Income statement for the fiscal year from January 1 to December 31, 2022

EUR	2022	2021
1. Revenue	1,645,167.83	955,774.73
2. Other own work capitalised	200,400.00	252,652.00
3. Other operating income of which from currency translation: EUR 57,400.18 (previous year: EUR 195,928.08)	672,617.93	1,873,471.45
4. Personnel expenses		
a) Wages and salaries	-1,372,746.08	-1,606,895.62
b) Social security contributions of which for pensions: EUR 39,087.33 (previous year: EUR 39,006.72)	-118,352.49	-138,421.99
5. Depreciation, amortisation, and impairment losses	-1,005,878.24	-6,512.37
6. Other operating expenses of which from currency translation: EUR 151,497.57 (previous year: EUR 30,848.98)	-3,698,706.04	-2,977,626.42
7. Income from participating interests of which from affiliated companies: EUR 1,052,859.54 (previous year: EUR 983,004.94)	1,052,859.54	983,004.94
8. Income from profit transfer agreements of which from affiliated companies: EUR 9,977,258.04 (previous year: 5,041,774.29)	9,977,258.04	5,041,774.29
9. Other interest and similar income of which from affiliated companies: EUR 620,556.50 (previous year: EUR 423,915.22)	641,764.48	447,212.85
10. Depreciation on financial assets	-8,097,433.88	-508,674.92
11. Other interest and similar expenses	-295,894.59	-241,509.11
12. Taxes on income	-2,649,807.09	-13,901.32
<b>13. Earnings after tax</b>	<b>-3,048,750.58</b>	<b>4,060,348.51</b>
14. Other taxes	-854.48	-592.52
<b>15. Net loss/income for the year</b>	<b>-3,049,605.06</b>	<b>4,059,755.99</b>
16. Profit/loss carried forward from the previous year	4,010,677.32	-49,078.67
<b>17. Unappropriated net income/loss</b>	<b>961,072.26</b>	<b>4,010,677.32</b>

# Notes to the financial statements for the 2022 fiscal year

## Accounting and valuation policies

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

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

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

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

The following specific accounting policies are applied:

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

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

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

Bank balances are carried at nominal value.

Prepaid expenses relate to expenditures prior to the balance sheet date that represent expenses for a certain time after that date. The item is released on a straight-line basis in accordance with the time required.

Deferred taxes are calculated for temporary differences between the carrying amounts of assets, liabilities and prepaid expenses in the financial statements and the tax base. Deferred taxes are calculated on the basis of the current income tax rate of 32.1 % of SMT Scharf AG, Hamm and include trade tax and corporation tax. Any resulting tax burden would be recognised in the balance sheet as deferred tax liability. In the fiscal year there was a total deferred tax liability which was posted.

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

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

Own shares were openly deducted from the subscribed capital with their arithmetical share of the nominal capital.

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

Pension provisions were measured in accordance with recognised actuarial principles applying the projected unit credit method and based on the "Richttafeln 2018G" mortality tables. Calculations applied the average market interest rate for the last ten years (the Bundesbank rate of interest), which amounts to 1.78 % per annum as of December 31, 2022, assuming a remaining 15-year term. The calculation imputes a pension increase rate of 1.0 % per annum. The difference pursuant to Section 253 (6) HGB amounts to EUR 7 thousand as of December 31, 2022, which is subject to the block on being paid out as a distribution.

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

Liabilities are recognised at their settlement amount.

## Notes to the balance sheet

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

<b>Purchase costs</b>	<b>01/01/2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>31/12/2022</b>
<b>I. intangible assets</b>	<b>3,370,737.93</b>	<b>1,272,601.71</b>	<b>0.00</b>	<b>4,643,339.64</b>
Other equipment, factory and office equipment	52,293.03	0.00	0.00	52,293.03
<b>II. Property, plant and equipment</b>	<b>52,293.03</b>	<b>0.00</b>	<b>0.00</b>	<b>52,293.03</b>
1. Interests in affiliated companies	18,123,914.60	0.00	0.00	18,123,914.60
2. Loans to affiliated companies	7,446,390.41	5,041,774.29	642,361.16	11,845,803.54
3. Participating interests	508,675.92	0.00	0.00	508,675.92
4. Other loans	694,424.20	22,919.64	0.00	717,343.84
<b>III. Financial assets</b>	<b>26,773,405.13</b>	<b>5,064,693.93</b>	<b>642,361.16</b>	<b>31,195,737.90</b>
<b>Total</b>	<b>30,196,436.09</b>	<b>6,337,295.64</b>	<b>642,361.16</b>	<b>35,891,370.57</b>

<b>Depreciation, amortisation and impairment losses</b>	<b>01/01/2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>31/12/2022</b>
<b>I. intangible assets</b>	<b>0.00</b>	<b>116,082.00</b>	<b>0.00</b>	<b>116,082.00</b>
Other equipment, factory and office equipment	43,595.25	5,732.84	0.00	49,328.09
<b>II. Property, plant and equipment</b>	<b>43,595.25</b>	<b>5,732.84</b>	<b>0.00</b>	<b>49,328.09</b>
1. Interests in affiliated companies	1,853,537.80	3,833,205.16	0.00	5,686,742.96
2. Loans to affiliated companies	0.00	4,264,228.72	0.00	4,264,228.72
3. Participating interests	508,674.92	0.00	0.00	508,674.92

4. Other loans	0.00	0.00	0.00	0.00
<b>III. Financial assets</b>	<b>2,362,212.72</b>	<b>8,097,433.88</b>	<b>0.00</b>	<b>10,459,646.60</b>
<b>Total</b>	<b>2,405,807.97</b>	<b>8,219,248.72</b>	<b>0.00</b>	<b>10,625,056.69</b>

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

Receivables from affiliated companies include, in particular, receivables from loans to Group companies, from Group allocations, and receivables from profit and loss transfer agreements with SMT Scharf GmbH. Other assets include VAT receivables of EUR 978 thousand (previous year: EUR 925 thousand). The remaining term of all receivables is less than one year.

As of 31 December 2022, SMT Scharf AG has recognised deferred tax liabilities of EUR 220 thousand. In the previous year, there were deferred tax assets due to existing tax loss carryforwards. The tax loss carryforwards in the previous year amounted to EUR 1,802 thousand for corporation tax and EUR 1,762 thousand for trade tax. They were used up in the reporting year. As a result of the existing tax group between SMT Scharf AG and SMT Scharf GmbH, temporary differences between the two companies were included when calculating deferred taxes as of the balance sheet date. The deferred tax liabilities mainly result from taxable temporary differences from the capitalisation of development costs (deferred taxes of EUR 695 thousand), which are offset by deferred tax assets mainly from deductible temporary differences from pension provisions (EUR 389 thousand). As in the previous year, the valuation is carried out at the tax rate for corporation and trade tax of 32.1% applicable for the financial year.

The subscribed capital of SMT Scharf AG increased 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 again increased by EUR 901,456.00 from EUR 4,620,000.00 to EUR 5,521,456.00 due to the issue of new shares.

The Annual General Meeting of SMT Scharf AG on May 17, 2022 passed a resolution to convert the no-par-value bearer shares into no-par-value registered shares and to make the necessary amendments to the articles of incorporation. The corresponding amendments to the articles of incorporation were entered in the company's commercial register at Hamm District Court (commercial register sheet number 5845) on June 10, 2022 and thereby became effective.

The company's share capital of EUR 5,521,456.00 is now divided into 5,521,456 registered ordinary shares (no-par-value shares), each with a notional interest in the share capital of EUR 1.00.

The last trading day of the bearer shares was August 10, 2022. Since August 15, 2022, the company's shares have been traded as no-par-value registered shares under the new ISIN DE000A3DRAE2. The depositary conversion to registered shares was realised on August 12, 2022 after the stock market close.

As a consequence, as of the December 31, 2022 reporting date, 5,521,456 ordinary bearer shares of SMT Scharf AG were in issue 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 2021 Annual General Meeting approved an authorisation to issue convertible bonds and to create of a corresponding Conditional Capital 2021/II. In order to continue to provide the company with a high degree of flexibility to raise debt funding and to strengthen its equity base, appropriate resolutions were proposed to the 2022 Annual General Meeting to make full use of the legally permissible framework by replacing both the authorisation to issue convertible bonds and the corresponding conditional capital.

The Managing Board was authorised by the 2022 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 16, 2027 for a total nominal amount of up to EUR 57,250,000.00 and to grant the holders or creditors of bonds conversion or warrant rights (including with conversion or subscription obligations) to no-par-value registered shares in the company with a pro rata amount of the share capital of up to EUR 2,298,728.00 in total in accordance with the terms and conditions of the convertible bonds or bonds with warrants.

The share capital was conditionally increased by up to EUR 2,298,728.00 by issuing up to 2,298,728 new no-par-value registered shares (Conditional Capital 2022). The conditional capital increase serves to service bonds issued on the basis of the authorisation resolution of the Annual General Meeting on May 17, 2022. The new shares are dividend-entitled from the beginning of the fiscal year in which they are created; to the legally permissible extent, the Managing Board may, with the consent of the Supervisory Board, determine the dividend-entitlement of new shares thereby created, including, in derogation of Section 60 (2) of the German Stock Corporation Act (AktG), for a fiscal year that has already elapsed. Pursuant to the resolution of the Annual General Meeting, the existing Authorised Capital 2018 was cancelled in this context.

The company held 49,477 treasury shares as of December 31, 2022, equivalent to 0.90 % of the share capital. The treasury shares can be utilised for all of the purposes stated in the authorisation resolution.

The annual financial statements of SMT Scharf AG, which are prepared in accordance with the principles of the German Commercial Code (HGB), disclose an unappropriated net profit of EUR 961 thousand. The Managing and Supervisory boards will propose to the Ordinary AGM to be held on May 23, 2023, that it carries this unappropriated net profit forward to a new account.



Provisions reported the following changes in the fiscal year:

<b>EUR thousand</b>	<b>Pension provisions</b>	<b>Tax provisions</b>	<b>Other Personnel provisions</b>	<b>Miscellaneous Other provisions</b>
Balance 01/01/2022	193	358	506	626
Reversals of discounting	4	0	0	
Consumption	0	95	458	590
Additions	3	1,780	426	312
Reversals	13	0	48	13
Balance 31/12/2022	187	2,043	426	335

The remaining terms of the liabilities are as follows:

<b>EUR thousand</b>	<b>up to 1 year</b>	<b>1-5 years</b>	<b>more than 5 years</b>	<b>Total</b>
Liabilities to banks	3,482	957	0	4,439
Trade payables	334	0	0	334
Liabilities to affiliated companies	1,038	0	0	1,038
Other liabilities	900	3,508	0	4,408
Total	5,754	4,465	0	10,219

In the previous 2021 year, the remaining terms of the liabilities were as follows:

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

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

## Notes to the income statement

Revenue of EUR 1,645 thousand arises from costs charged on within the Group.

Other operating income mainly includes income from the passing on of costs from the ERP project amounting to EUR 321 thousand, other costs to subsidiaries amounting to EUR 91 thousand, exchange rate gains of EUR 57 thousand, and income from the release of provisions of EUR 61 thousand.

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

## Other disclosures

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

Period from January 1 to December 31, 2022:

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	Management consultant	(no positions held at other companies)

The Supervisory Board members receive fixed and variable remuneration for each fiscal year plus reimbursement of their out-of-pocket expenses, as well as meeting fees of EUR 1 thousand per Supervisory Board meeting, with the Supervisory Board Chair receiving twice the meeting fee per meeting. The fixed remuneration totals EUR 18 thousand, and the Chair receives twice this amount. In addition, each member of the Supervisory Board receives variable remuneration in the form of a share in the consolidated net income, calculated as follows: the annual performance-related remuneration corresponds to an amount calculated by multiplying a bonus factor of 0.4 % (or 0.8 % for the Supervisory Board Chair) by the residual profit. The consolidated net income of the SMT Scharf Group less interest on equity is regarded as the residual profit, whereby the interest rate corresponds to the applicable base interest rate plus 2 percentage points. The consolidated net result is determined on the basis of the IFRS consolidated financial statements for the fiscal year in question, which have been audited by the auditor and approved by the Supervisory Board. If a member of the Supervisory Board can prove on the day before the Annual General Meeting that approves the appropriation of profits that he or she holds shares in the company cumulatively in the amount of one third (the purchase price being the decisive factor to this extent) of the respective fixed remuneration per year of his or her membership in the Supervisory Board, the bonus factor for the (basic) member of the Supervisory Board providing proof of investment increases to 0.8 % and for the Supervisory Board Chair to 1.6 %. The variable remuneration amounts to a maximum of EUR 9 thousand (without personal investment) or EUR 12 thousand (with personal investment) per ordinary member of the Supervisory Board and EUR 18 thousand (without personal investment) or EUR 24 thousand (with personal investment) for the Supervisory Board Chair.

Remuneration is paid pro rata if members leave the Supervisory Board during the course of the fiscal year. For the 2022 fiscal year, EUR 144 thousand (previous year: EUR 148 thousand) in remuneration for the Supervisory Board was expensed.

No remuneration exists for former members of the Supervisory Board or their surviving dependents. No advances, loans or contingent liabilities exist in favour of members of the Supervisory Board. Prof. Dr. Louis Velthuis, Chairman of the Supervisory Board, held a total of 7,170 shares in the company as of December 31, 2022 (previous year: 6,000 shares). Dr. Vorsteher held 3,162 shares (previous year: 1,600 shares) and Ms. Gattineau 2,103 shares (previous year: 1,760 shares).

## Managing Board

Managing Board members receive remuneration comprising a fixed basic annual salary and an annual performance-related bonus, plus reimbursement of their out-of-pocket expenses. In addition, the members of the Managing Board are entitled to a certain number of bonus shares if they meet certain conditions. Pension commitments of EUR 158 thousand exist for former Managing Board members (previous year: EUR 206 thousand). Pension commitments of EUR 2 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 2022 fiscal year, the total remuneration granted to the Managing Board amounted to EUR 995 thousand (previous year: EUR 1,126 thousand).

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

1. Revenue growth: the annual bonus payable of 0.2 % (Theiss) and 0.15 % (Embert) is based on revenue in a range between EUR 50 million and EUR 80 million as reported on the basis of the IFRS consolidated financial statements for the respective fiscal year, and as audited by the auditor and approved by the Supervisory Board.
2. Residual profit: bonus payable annually in the amount of 3 % (Theiss) and 2.25 % (Embert) of the reported residual profit. Residual profit is the SMT Scharf Group's consolidated profit excluding OCI (other comprehensive income) less interest payments in relation to equity capital, with the interest rate being set at 1.5 %.
3. Share price performance: this is paid after three years during the five-year appointment period, and after five years. The basis for the bonus is the share price appreciation in the first three or last two years of the appointment period. This is included in the provision as of the fiscal year-end, but has not yet been paid out to the Managing Board members.
4. The members of the Managing Board are entitled to one bonus share for each share that they have acquired by February 28, 2019, and that they have held for at least five years and without interruption until December 31, 2023. The number of shares is limited; of Mr. Theiss' share portfolio 24,496 shares are entitled, and of Mr. Embert's share portfolio 14,000 shares. The stock market price on the grant date of September 3, 2018 was decisive for the valuation of the additional remuneration. This amounted to EUR 17.50 and remains constant for the period over which the remuneration expense is distributed. The resultant total remuneration expense of EUR 673,680 is distributed pro rata temporis over the January 1, 2019 to December 31, 2023 period. This led to expenses of EUR 134,735 in the 2022 fiscal year (Theiss EUR 85,735, Embert EUR 49,000). The booking is applied against the share premium account. The market price on the balance sheet date is EUR 11.86. 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, 2022, Hans Joachim

Theiss, Managing Board Chairman (CEO), held a total of 29,459 shares (previous year: 24,651), and Wolfgang Embert 16,731 shares (previous year: 14,000).

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

The company has assumed secondary liability to banks for EUR 17 million of its subsidiaries' credit lines. The Managing Board gauges the risk of utilisation as low thanks to the subsidiaries' creditworthiness.

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

	<b>31/12/2022</b>	<b>31/12/2021</b>
up to 1 year	8	42
1 - 5 years	17	3

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

SMT Scharf AG had an average of 5 employees during the year under review.

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

	<b>Interest held</b>	<b>Equity (IFRS) 31/12/2022</b>	<b>Profit/loss (IFRS) 2022</b>
SMT Scharf GmbH, Hamm, Germany	100 % ****	51,121,701.04	15,961,687.83
Ser Elektronik GmbH, Möhnesee, Germany	51 %	1,367,255.76	333,391.79
SMT Scharf Polska Sp. z o.o., Tychy, Poland	100 %	6,079,703.20	765,977.83
SMT Scharf Africa (Pty.) Ltd., Gauteng, South Africa	70 %	3,145,915.66	392,884.21
SMT Scharf Sudamerica SpA, Santiago, Chile	100 %	-575,767.72	-86,986.57
RDH Mining Equipment, Alban Ontario, Canada	100 %	-3,381,141.58	-303,868.25
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 % *	13,281,505.95	759,386.19
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 % **	521,285.40	141,770.35
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 % **	840,368.83	-315,745.71
Scharf Mining Machinery (Xuzhou) Ltd, Xuzhou, China	100 %	10,315,138.04	2,536,242.69

\* of which 1.25 % indirectly through SMT Scharf GmbH

\*\* indirectly through SMT Scharf GmbH

\*\*\* indirectly through OOO SMT Scharf

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

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

## **Events after the balance sheet date**

In February 2022, the war between Ukraine and Russia broke out, which led to sanctions being imposed by the European Union (EU). A further intensification of the sanction situation has already been realised in the course of 2023 (10th Sanction Directive of 25 February 2023) and is still 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, flanked by corresponding sanction measures by the EU, could burden SMT Scharf's business activities in the current fiscal year. In particular, the war could lead to business activities in Russia being further hampered. The exact effects and risks could not be conclusively assessed as of the date when these financial statements were prepared.

Hamm, March 31, 2023

The Managing Board

Hans Joachim Theiss

Wolfgang Embert

## **Certificate of the independent auditor**

To SMT Scharf AG, Hamm

### *Audit Opinion*

We have audited the annual financial statements of SMT Scharf AG, Hamm, comprising the balance sheet as of December 31, 2022 and the income statement for the fiscal year from January 1 to December 31, 2022 as well as the notes to the financial statements, including a description of the accounting policies.

In our opinion, based on the findings of our audit, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and of its financial performance for the fiscal year from January 1 to December 31, 2022 in accordance with German principles of proper accounting.

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the propriety of the annual financial statements.

### *Basis for the audit opinion*

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those standards is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with German commercial and professional law and have fulfilled our other German audit obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the entity's ability to continue as a going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

### *Auditor's Responsibility for the Audit of the Financial Statements*

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement is higher in the case of noncompliance than in the case of inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company not to be able to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Cologne, April 5, 2023

Rödl & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

sgd. Fischer	sgd. Broda
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)