SCHARF

ANNUAL REPORT **2022**

More than Monorails

Premium quality transport solutions for people, material and equipment

SEVEN-YEAR COMPARISON OF KEY FINANCIALS

		2016	2017	2018	2019	2020	2021	2022
Income statement data								
Revenue	TEUR	42,565	52,131	70,795	75,395	50,180	85,870	93,714
Revenue share outside Germany	%	92	95	98	97	96	97	97
Operating output	TEUR	42,241	53,114	71,028	74,837	56,331	85,317	95,859
EBIT	TEUR	2,473	4,554	5,304	6,822	–8,130	11,240	14,321
EBIT margin	%	5.9	8.6	7.5	9.1	–14.4	13.1	14.9
Net income	TEUR	1,873	3,982	4,633	5,739	–8,054	12,582	14,803
Balance sheet data								
Total assets	TEUR	59,412	72,267	83,120	95,835	83,543	121,288	131,020
Equity	TEUR	39,297	48,709	51,533	60,577	48,453	71,700	86,984
Equity ratio	%	66	67	62	63	58	59	66
Cash and cash equivalents	TEUR	6,638	12,886	5,410	5,230	4,402	9,512	7,677
Personnel Data								
Average number of employees		298	312	389	427	418	420	419
Share of employees outside Germany	%	72	73	74	70	69	67	67
Share data								
Earnings per share	EUR	0.45	0.94	1.01	1.20	–1.79	2.46	2.75
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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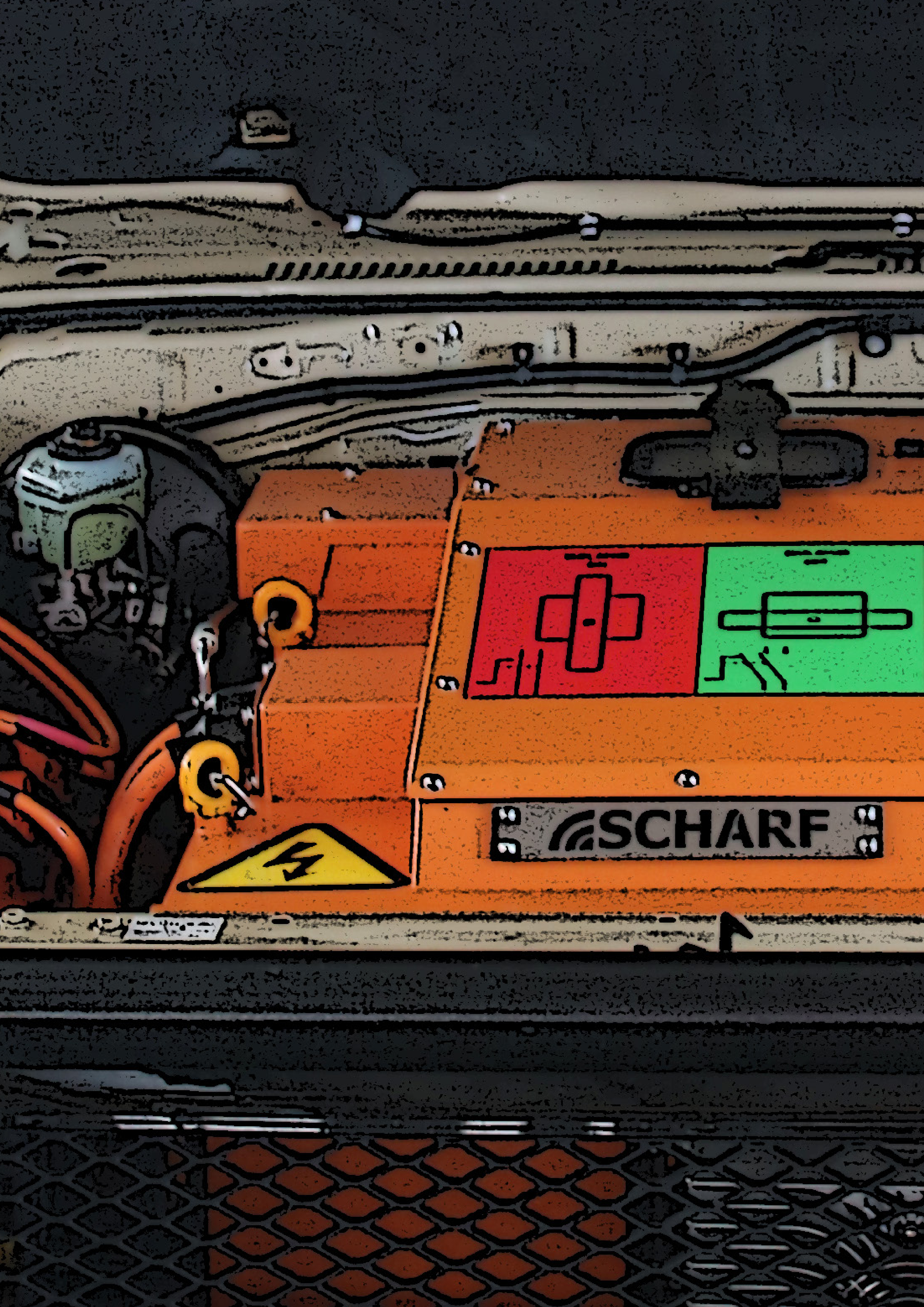
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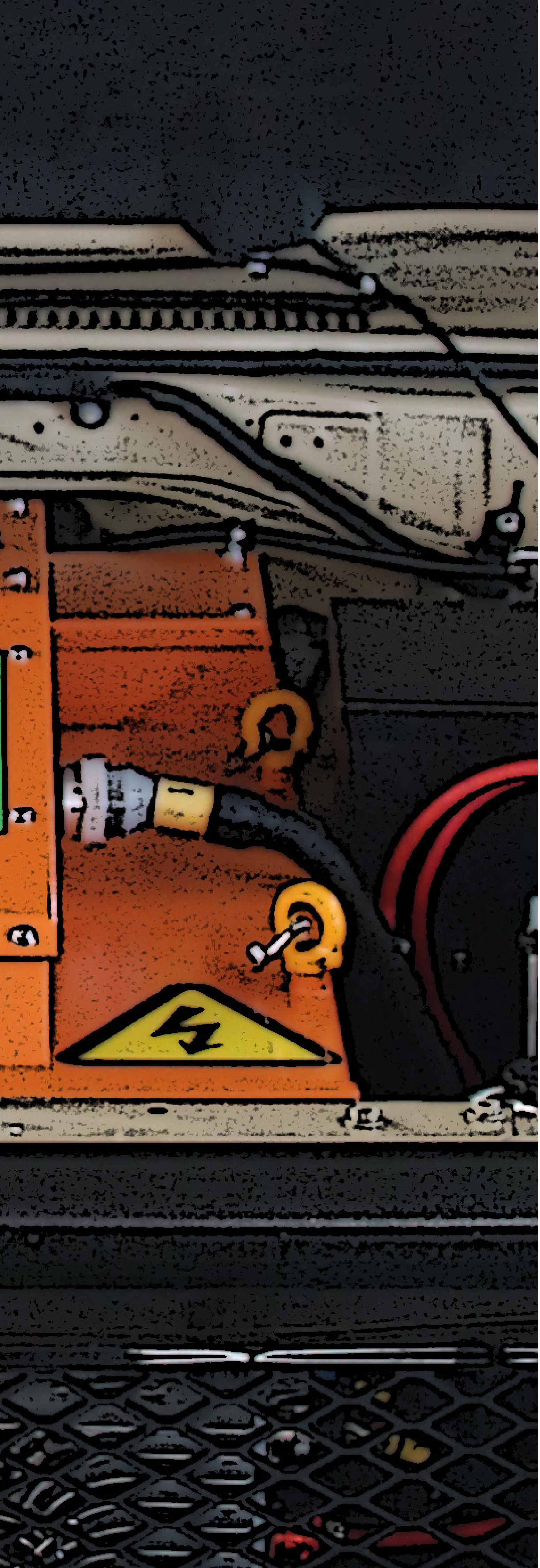


TO OUR SHAREHOLDERS

INTERVIEW WITH THE MANAGING BOARD

How do you assess the business trends in 2022?

Hans Joachim Theiss: SMT Scharf was confronted with a challenging market environment in 2022, which was characterised by significant volatility and ongoing uncertainty against the backdrop of the Russia-Ukraine conflict. Despite these challenging market conditions, our business performed very well. We succeeded in expanding our business in international core markets. With revenue of EUR 93.7 million and an operating result (EBIT) of EUR 14.3 million, we clearly exceeded our original expectations. Our strong new equipment business made a major contribution to this result.

Wolfgang Embert: Conditions for our business varied in the major mining markets around the world. China, for example, posed challenges for the economy as a whole as well as for our local activities due to the lockdowns, travel restrictions and resultant logistics delays. Nevertheless, we succeeded in taking advantage of the positive market sentiment in the local hard coal mining sector. We were able to meet high demand for energy- and emission-efficient machines with our DZK3500, which we developed specifically for this market. In addition, there was also high demand in Russia for the equipment needed for underground mining of raw materials. This also had a positive impact on our revenue and earnings trend in the 2022 fiscal year, although EU sanctions are increasingly restricting business activities there. Overall, we have continuously made great efforts to offset constraints in international supply chains. This also played a crucial role in the company's performance.

What are you doing to keep SMT Scharf on track for success in the current challenging market conditions?

Hans Joachim Theiss: We remain committed to our three-pillar strategy of both organic and inorganic growth as well as initiatives aimed at operational excellence. In 2022, we successfully initiated the implementation of a new ERP system and have already rolled it out at the Hamm site. In the current 2023 fiscal year, we have started to roll this out to our international subsidiaries. This system is gradually helping to improve cooperation within our Group, reduce costs and establish more efficient processes. We are also focusing on further expanding our business in mineral mining and tunneling – in other words, outside coal – as well as on tapping new geographical markets and selectively expanding our product range. And some of our initiatives are aimed at inorganic growth. Here, we are continuously reviewing opportunities on the market and we are open to further acquisitions as well as strategic partnerships. In principle, a wide variety of strategic options are possible, so we are also looking at areas outside the mining sector.

The Managing Board of SMT Scharf AG

Speaking of product range – technological progress is significantly changing the nature of mining. How are you adapting to your customers' changing needs?

Wolfgang Embert: By focusing on a modular product range, we can serve our customers' specific needs in niche areas. As part of the Snowy Mountain 2.0 government energy project in Australia, SMT Scharf provided a specific transport solution for rail-bound passenger and emergency transport in tunnels last year. In these types of large underground infrastructure projects, we are in an ideal position to contribute our core expertise. For the dismantling of the Isar II nuclear power station, we also had to develop an individual solution to help the on-site team handle this demanding task safely. For this project, 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.

Hans Joachim Theiss: We are deploying our core expertise on a targeted basis, especially to advance SMT Scharf's positioning in business areas outside coal mining. So we are making great efforts to electrify the product portfolio, for example by developing a modular battery system for different vehicle types. At our site in South Africa, we're not only conducting research and development in the electrics area but also producing electric-powered commercial vehicles. The advantage for our customers is that SMT Scharf's electric-powered machines enable them to reduce underground emissions and improve conditions for workers. So we expect gradual growth in the trend towards electric vehicles in mineral mining and tunneling.

Wolfgang Embert: This trend benefited us. Last year we further expanded our electrical expertise. First and foremost, we completed the development of our own battery for light electric vehicles, and prototypes have already been successfully tested. The Scharf LEV – short for Light Electrical Vehicle – which has its own new battery has already been deployed in South Africa, Guatemala, Botswana and Canada. A prototype of a battery-powered underground mobile loader with an SMT Scharf battery is planned for 2023. We can also electrify vehicles as part of a general overhaul. We've already successfully implemented this for a customer in the "low profile mining" area.

In view of geopolitical tensions and energy shortages, there's talk of a renaissance of coal. What potential does the coal market still offer to SMT Scharf?

Hans Joachim Theiss: Given the geopolitical tensions and energy shortages you refer to, we have certainly seen coal regain importance recently. We believe that coal will continue to play a significant role over the next 25 years and will remain essential to meet global energy needs for the foreseeable future. Coal consumption will continue to grow for the time being, but its share of the overall energy mix will gradually diminish. Emerging economies such as China will continue to expand their coal mining in order to generate the energy they need for their targeted economic growth. SMT Scharf can benefit from this demand, as highly engineered mines, in particular, are being created, which rely on modern mining technology. At the same time, this will give SMT Scharf time to advance the targeted diversification of its business into non-coal business segments.

What can SMT Scharf's shareholders expect in the 2023 fiscal year?

Wolfgang Embert: Overall, we believe that SMT Scharf continues to be well positioned thanks to its high-performance supply chain management and modular product range for underground transport and logistics. With a bundle of measures, we are continuously working to manage our international supply chains as optimally as possible. This will remain a central task in 2023. Given the continuing tight situation in procurement markets, we are focusing on maintaining high stocks of materials. Here, we rely on a dual-sourcing strategy to make the supply chain more flexible. In principle, we're interested in long-term partnerships with suppliers and we rely on long-term master agreements. As far as the delivery of our machines is concerned, planning the delivery of new equipment and spare parts to our target markets in advance as well as the bundling of transportation activities will remain important.

Hans Joachim Theiss: We expect SMT Scharf's market environment to continue to be characterised by great uncertainty. At the same time, international mining markets continue to offer attractive growth opportunities for our company. Technological progress and more stringent regulation aimed at lower-emission engines are continuing to pressure mining companies worldwide to innovate. SMT Scharf with its established market position benefits from this trend. As far as profitability is concerned, we expect the significant increase in prices for energy, freight or materials will potentially put our earnings under pressure. For 2023, on the basis of the status of the publication of this report, we expect consolidated revenue of EUR 83 million and an operating result (EBIT) of EUR 1.2 million.

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, Management consultant

No positions held at other companies

REPORT OF THE SUPERVISORY BOARD FOR THE 2022 FISCAL YEAR

In the 2022 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 held six ordinary meetings, on February 7, March 29, May 16, July 18, September 23, and December 2, 2022. The Supervisory Board meetings on February 7 and July 18 were held virtually via video conference due to the epidemic situation. The other meetings were held at the business premises of SMT Scharf AG in Hamm. Only Professor Dr. Louis Velthuis joined the meeting on a virtual basis on September 23, 2022. All three Supervisory Board members Professor Dr. Louis Velthuis, Dr. Dirk Vorsteher and Dorothea Gattineau attended all meetings. 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 SMT Scharf Group's current business position by way of written reports.

Given the Russia-Ukraine conflict and the ongoing macroeconomic impact of the coronavirus pandemic, the situation in the core markets – particularly developments in Russia and China – was discussed regularly as part of strategic discussions in the 2022 reporting year. Potential strategic options and the company's further development were also discussed in depth. The SMT Scharf Group recorded significant year-on-year growth in both revenue and earnings in 2022. In particular, the new equipment business recorded an extremely positive trend in 2022, partly thanks to continued high demand for transport solutions in the Chinese market. In addition, the spare parts and service business was stable with revenue at approximately the previous year's level. Given the sanctions imposed by Western countries, business activities in Russia were also closely monitored and discussed. As Russia-based mining companies secured their demand for equipment for underground mining of raw materials at an early stage due to the sanctions, significant revenue growth was achieved in the Russian market in 2022. Over the course of the year, the Group's liquidity position was also a regular topic of intensive and constructive discussion between the Supervisory and Managing boards. In addition, they regularly coordinated concerning the status of the divestiture of the core interest in SMT Scharf AG which the core shareholders were considering.

The Supervisory and Managing boards regularly exchanged information over the past fiscal year about trends in the Group's core sales markets with the aim of further developing structures within the SMT Scharf Group. In view of the Russia-Ukraine conflict and the continuing impact of the pandemic, as well as the resultant ongoing restrictions on the company's business activities and macroeconomic constraints 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 7, the Managing and Supervisory boards were informed by Rödl & Partner about the current status of the audit of the financial statements for the 2021 fiscal year. The Managing Board then presented an overview of the current business situation. Furthermore, intensive discussions were held concerning current developments in the areas of personnel, production and technology as well as sales and the market. Potential strategic options for SMT Scharf were also discussed. Potential options for holding the upcoming Annual General Meeting formed a further focus of this meeting.

The Supervisory Board held its second meeting in the 2022 fiscal year on March 29 together with the Managing Board. The thematic focus of this meeting, which the auditors also attended, was the discussion and approval of both separate and consolidated financial statements for 2021. In addition, the Managing Board reported on the current business situation and selected problem areas as well as on current trends in sales and in the mining markets worldwide that the company addresses. Furthermore, the agenda items for the Annual General Meeting were discussed, corresponding resolutions were passed, and various strategy topics were discussed.

The Supervisory Board held its third meeting in the 2022 fiscal year on May 16 together with the Managing Board. The Managing Board's report specifically addressed the current business situation, particularly in relation to business in Russia. Moreover, various strategic topics and other issues relating to the SMT Scharf Group were discussed. One focus was on preparations for the Annual General Meeting.

At the meeting on July 18, the Managing Board reported on current business trends. In this context, the focus this time was on the business situation in China, especially the spare parts business in China. Furthermore, the Managing and Supervisory boards discussed the situation in the ESG project that had been initiated and agreed on further planning. Moreover, various strategic issues relating to the Russian and Chinese sites were discussed.

The Managing and Supervisory boards held their next meeting on September 23. In addition to a Managing Board report on the company's current situation, participants especially examined business in Russia and China and exchanged views on related strategic issues.

The last Supervisory Board meeting of the 2022 fiscal year was held on December 2. Rödl & Partner reported in detail on the audit plan and current status for the 2022 financial statements. The Managing Board also provided information about the current business situation and jointly discussed the risk management system and current strategic issues. In addition, the budget for 2023 was discussed and current trends in individual business areas were discussed.

The separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2022 fiscal year, which the Managing Board had 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 April 5, 2023, which the auditor also attended, the Supervisory Board reviewed the separate financial statements and the separate management report, as well as the IFRS consolidated financial statements and the Group management report for the 2022 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 the Group management report, prepared by the Managing Board for the 2022 fiscal year, on April 5, 2023. The corresponding financial statements have been adopted as a consequence.

Given the high level of uncertainty in the SMT Scharf Group's environment as well as a market situation that remains challenging overall in connection with the COVID-19 pandemic and the Russia-Ukraine conflict, the Supervisory Board, together with the Managing Board, is refraining from proposing a dividend for the 2022 fiscal year.

The Supervisory Board wishes to thank all of the members of the Managing Board and all of the Group's employees for their tireless dedication and commitment during this successful 2022 fiscal year. The Supervisory Board would like to wish the new Managing Board and the Group's employees continuing success in meeting the upcoming challenges in the new fiscal year.

Hamm, April 5, 2023

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 tonnes 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.

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 operators of underground mines. 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 one of the leading producer countries 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, for example, we supported the major government energy project Snowy Mountain 2.0 in Australia and supplied a specific transport solution for rail-bound passenger and emergency transport.

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 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, electricity generated from renewable energies as a share of consumption increased to 48.3 percent in 2022, up from 42.7 percent in the previous year, according to data from the Federal Network Agency (BNetzA). In addition, generation from soft coal also increased by 5.4 percent last year and from hard coal by 21.4 percent year-on-year. Overall, the growing importance of renewable energies is exerting a positive effect on demand for lithium, cobalt and rare earths, which is providing further impetus for mining.

URBAN PLANNING TRENDS

Increasing urbanisation requires an expansion of infrastructure networks. The UN expects there to be a total of 43 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. This is driving tunnel construction in emerging markets such as China or India.

GLOBAL ECONOMIC GROWTH

Despite the impact of the Russia-Ukraine conflict and global challenges, global economic output is expected to expand by 2.9 % in 2023, according to the International Monetary Fund. As a consequence, demand for energy is rising worldwide. In view of the geopolitical tensions, coal will remain an important energy source for the foreseeable future. Similarly, growth is boosting raw materials production, with the mining sector benefiting accordingly. The global mining equipment market reached a total size of USD 135 billion in 2022 and is expected to register an average annual growth rate of 5.1 % from 2023 to 2027 according to a study.

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

Given the impact of the Russia-Ukraine conflict and global tensions, the global mining equipment market in 2022 was also characterised by high volatility and uncertainty. Despite these difficult conditions, SMT Scharf succeeded in achieving good business growth through targeted strategic measures. SMT Scharf continues to identify attractive growth opportunities in the key mining markets worldwide. These include conventional coal markets such as China, where more stringent regulation is increasing pressure on mining companies to invest in modern mining technology. Moreover, we are concentrating on further penetrating the markets in the business areas outside coal, in other words, hard rock mining and tunneling. In these areas, the use of electric-powered vehicles is becoming increasingly important. With our modular product range and in-house electrical expertise, we are able to serve our customers' specific requirements for lower-emission transport solutions.

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

INFORMATION ABOUT THE SHARE

Share price performance 01/01/2022–28/02/2023

Share price performance 2022

The SMT Scharf share price started 2022 at its high for the year of EUR 14.70 before falling up until the beginning of March due to the macroeconomic effects of the Russia-Ukraine conflict. This challenging market sentiment was also reflected in the performance of both the SDAX index and the peer group (weighted portfolio of Epiroc and Famur) during the first months of 2022. In the following months, the SMT Scharf AG shares recorded a strong upward trend and significantly outperformed the peer group. From mid-August, the first interest rate increase by the European Central Bank led to a clear downward trend in the share price, with the share touching its low for the year of EUR 9.93 on September 9, 2022. The performance of the SDAX bottomed out a short time later, while the performance of the peer group remained at a comparatively high level. SMT Scharf's shares recovered by the end of the year to close the year at a price of EUR 11.60. As a consequence, the SMT Scharf AG share price was down by around 21 % compared with the start of the year. Accordingly, the SDAX small cap index underperformed SMT Scharf with a price loss of around 29 %. The peer group recorded a share price loss of only 12 % over the year as a whole.

Share price data for 2022 (XETRA)	
Closing price 2021	EUR 14.20
High for the year (January 3, 2022)	EUR 14.70
Low for the year (September 9, 2022)	EUR 9.93
Closing price 2022	EUR 11.60

Since the beginning of 2023, SMT Scharf's share price has fallen slightly by – 3.4 % from EUR 11.60 to EUR 11.20 (basis: Xetra closing prices, as of 28 February 2023).

In 2022, an average of 1,515 shares were traded per day on the Frankfurt Stock Exchange's Xetra trading platform.

Key data	
German Securities Identification Code (WKN)	A3DRAE
ISIN	DE000A3DRAE2
Ticker symbol	S4A
Trading segment	m: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.

SMT Scharf's CEO, Hans Joachim Theiss, attended selected investor conferences during the 2022 fiscal year in order to ensure ongoing dialog with capital market participants. At numerous one-on-one meetings as well as at a presentation, CEO Hans Joachim Theiss gave detailed responses to questions from institutional investors and analysts.

These conferences included:

- the PLATOW EURO FINANCE Small Cap Conference
- the Munich Capital Market Conference of GBC AG
- the Equity Forum Spring and Autumn conferences
- Montega's Hamburg Investor Day (HIT) and
- Deutsche Börse's German Equity Forum.

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.

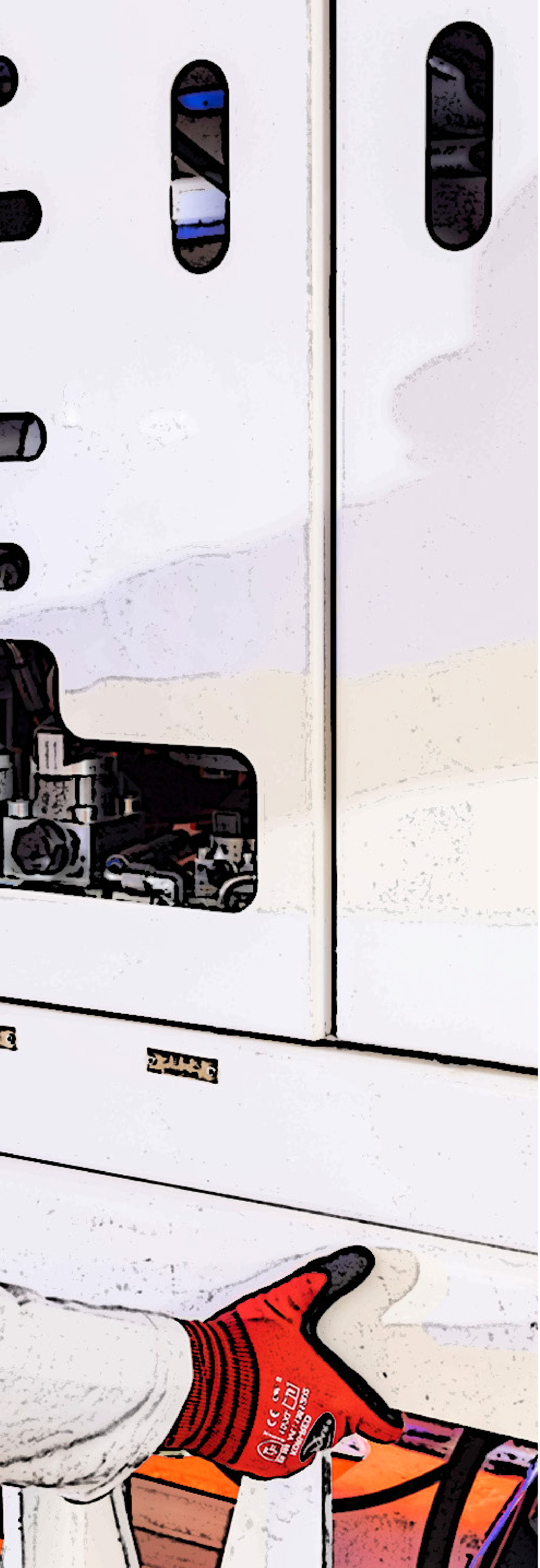
Detailed information about the company and its share is available in the investor relations section of the company's website at www.smtscharf.com. Such information includes financial reports from previous years, corporate announcements and other publications.

Annual General Meeting 2022

SMT Scharf AG successfully held its Annual General Meeting on May 17, 2022. On the basis of the act passed by the legislator to mitigate the consequences of the COVID-19 pandemic (Act on Measures in Corporate, Co-operative, Association, Foundation and Home Ownership Law to Combat the Effects of the COVID-19 Pandemic [C19-AuswBekG]), this AGM was again held as a virtual AGM. The presence of the represented share capital amounted to around 54.3 %. All items on the agenda, including the approval of the actions of the members of the Managing Board for the 2021 fiscal year, the conversion to registered shares, as well as the resolution to cancel both Conditional Capital 2021 / II as well as the 2021 authorisation to issue convertible bonds, were approved by a large majority. Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, were reappointed as the auditor for the 2022 fiscal year.

At the AGM, the Managing Board reported on the operating and strategic development of SMT Scharf AG against the backdrop of the ongoing coronavirus pandemic in the 2021 fiscal year. Business activities remained limited especially in important foreign markets. However, the receipt of approval for China III machines in the third quarter had a positive impact on revenue and earnings, especially towards the end of 2021.

The voting results for the respective agenda items are available online at www.smtscharf. com in the Investor Relations area.



CSR REPORT 2022

CSR REPORT 2022

1. Foreword by the Managing Board

Dear stakeholders,
Dear shareholders,

In the 2022 fiscal year, we successfully expanded our operating business in our core international markets and recorded significant revenue and earnings growth. We recognise that our commercial success goes hand in hand with a responsibility to conduct our business in harmony with the environment and with social concerns. However, we are still at the very beginning of our strategic engagement with the topic of sustainability and published our first sustainability report only last year.

Following the initial examination of the status quo of our sustainability commitment, we identified as a first strategic step our product and production responsibility as an important sphere of action. Our goal is to increasingly integrate ESG criteria into our growth and acquisition strategy. As a manufacturer of transportation equipment for underground mining and tunnel construction sites, we bear a high level of product responsibility, and place the safety and health of the people who use our products at the centre of our business model. Our sustainability report provides a summary of the challenges in the areas of product and production responsibility, occupational health and safety, and fair working conditions, for which we have set initial targets and have taken corresponding action.

Our company is also making a contribution to the fight against climate change by focusing on continuous investment in research and development and maintaining an intensive dialogue with our customers in order to develop, in a positive manner, the topic of electromobility in mining and expand our share of machines without direct exhaust emissions through electrification. We are aware that not only offering innovative solutions but also creating awareness of the benefits of these new products among our customers is of elementary importance. In 2022, we focused on the development of a modular battery system for various vehicle types and successfully tested our own battery for light electric vehicles. This enables us to reduce emissions and to leverage opportunities in our businesses, while continuously developing our products to enhance the safety of workers worldwide and to help improve working conditions.

In order to support environmental protection, we will focus on expanding our business areas outside coal mining in the coming years. We are aiming to generate around 35 % of our revenue from the mineral mining segment and around 5 % from the tunnel logistics segment within five years' time. Within ten years, coal mining is expected to account for only 50 % of our total revenue, with the other 50 % deriving from the non-coal segments (estimated at around 40 % mineral mining and around 10 % tunnel logistics). These targets are undoubtedly ambitious considering, for example, structures and mechanisms that have evolved over decades in the mining industry, which have made the establishment of electrically powered machines very slow. We are aware of our responsibility and will continue to produce transport solutions for the coal market, but will also increasingly invest in sustainable developments such as electromobility for the coal segment. Furthermore, we aim to align our business to become increasingly independent of coal, while continuing to focus on ensuring occupational health and safety for workers at companies involved in fossil fuel extraction.

Our company is not only committed to ESG criteria as part of product stewardship, but also wishes to make a measurable contribution to combating climate change itself. Our defined objective is to measure our Scope 1 and 2 emissions, establish a baseline year, and set reduction or offset targets.

As a company in the mining and tunnelling sector, we face particular challenges when it comes to sustainability. We are aware that we still have a long way to go, but we are determined to make our contribution to sustainable development and to conduct our business operations as responsibly as possible.

Finally, we would like to invite you to accompany us on our path to a more sustainable future and to support us with your feedback. This is the only way to ensure that we are on the right track and can continuously improve. We look forward to a constructive partnership with you.

Hamm, March 31, 2023

Your Managing Board

2. About this CSR report

In the non-financial section of our Annual Report, we report on our sustainability activities and document our progress in achieving our sustainability goals. The following sustainability report covers the period of the past fiscal year from January 1, 2022 to December 31, 2022. Unless otherwise stated, all disclosures in this report relate to the SMT Scharf Group, consisting of our companies in Germany, South Africa, Poland, China, Russia, Canada and Chile.

Overview of SMT Scharf Group companies:

Company	Number of employees (as of December 31, 2022)	Category
SMT Scharf GmbH Hamm	115	Research & development, production, service, distribution
SMT Scharf Polska	54	Research & development, production, service, sales
SMT Scharf Africa	43	Research & development, production, service, sales
SMT Scharf Beijing	5	Service, sales
SMT Scharf Russia	46	Production, service, sales
SMT Scharf AG	6	Management
SMT Scharf Russia Service	75	Contract mining transport
SMT Scharf Xuzhou	46	Research & development, production, service, sales
Südamerica	1	Service, sales
Scharf Canada	11	Production, service, sales
ser elektronik GmbH	19	Research & development, production, service, sales
Total (abs.)	**421**	

Compared to the previous non-financial report for 2021, we have made our report even more transparent and relevant. Among other measures, for the first time we decided to conduct a systematic identification and analysis of our stakeholders as part of our commitment to sustainability. In doing so, we followed the demanding requirements of the Global Reporting Initiative and the AccountAbility standard.

We are also committed to providing reliable, accurate and comparable information. The following exceptions apply: we are unable to fully verify information provided by our suppliers and providers. Some sections of the document contain forward-looking statements. These statements are based on the Managing Board's experience and forecasts and the information available to the Managing Board at the time when the report was prepared. Here, too, no guarantees relating to future results or performance can be made as these statements are subject to uncertainties and risks that lie beyond our control. These include, for example, regulatory changes, future market conditions, or the behaviour of other market participants. Due to these and other factors, it is possible that actual performance and results may differ materially from statements made in this report.

The report is published in both English and German and is available on our corporate website at smtscharf.com within the Investor Relations area.

We wish to continuously improve and develop our sustainability activities. As a consequence, external feedback is very important to us. Accordingly, we welcome comments, questions and suggestions from all our readers and stakeholders on our second Sustainability Report. You can reach us by phone on +49 2381 960212 or by e-mail at ir@smtscharf.com.

Diversity is a high priority for SMT Scharf. For reasons of better readability alone, we use the generic masculine in this report. Female and other gender identities are, of course, explicitly included.

Business model and value creation

SMT Scharf specialises in the development and production of captivated railway systems that are deployed worldwide, primarily in hard coal mines and for mining gold, platinum and other ores underground or in tunnels. These transport systems are specially designed for mining and tunnelling. We offer individual solutions for the transportation of material and workers in underground mine adits and tunnels. In addition to rail systems, the product range also comprises chairlifts as well as rubber-tyred diesel and electric vehicles for mining and tunnelling.

The business model focuses on the sale of transport systems and associated service and maintenance. SMT Scharf's products include locomotives, lifting and transport equipment, rails, switches and controls that our tailored to our customers' specific requirements. In addition, specialised rubber-tyred vehicles and chairlifts are marketed for underground use according to customer-specific requirements.

The company works closely with its customers in order to develop customised solutions that meet the specific requirements of each project. SMT Scharf also offers training and support for its customers so that the transport systems can be operated effectively and safely.

Moreover, SMT Scharf offers service and maintenance contracts to ensure that the systems can be reliably operated and maintained over the long term. This fosters the development of long-term customer relationships and provides a stable revenue source for the company.

With its modular product portfolio, SMT Scharf has positioned itself overall for a niche sector and has built up a successful business model that is tailored to its customers' specific needs. SMT Scharf's established market position and specific high-quality transport solutions enable the company to generate lucrative margins in both the new equipment business as well as the spare parts and service business.

Sustainability challenges arising from the business model

SMT Scharf, as a globally operating company in the mining and tunnelling sector, faces various sustainability challenges. The following are some of the key sustainability challenges facing the company:

1. Environmental impact: SMT Scharf's operations with products in the mining and tunnelling sector can have negative effects on the environment, such as greenhouse gas emissions, the consumption of energy and water, as well as the generation of waste. Through innovative solutions, we have the opportunity to minimise negative impacts on the environment by offering alternative drive options, for example.

2. Resource consumption: SMT Scharf ensures that it utilises efficient and sustainable technologies and processes in order to minimise resource consumption and optimise the use of energy, water and raw materials.

3. Occupational health and safety: The mining and tunnelling sector poses potential health and safety hazards to employees working in such areas. SMT Scharf ensures that it implements effective measures to improve occupational health and safety in order to minimise the risk of occupational accidents and health problems.

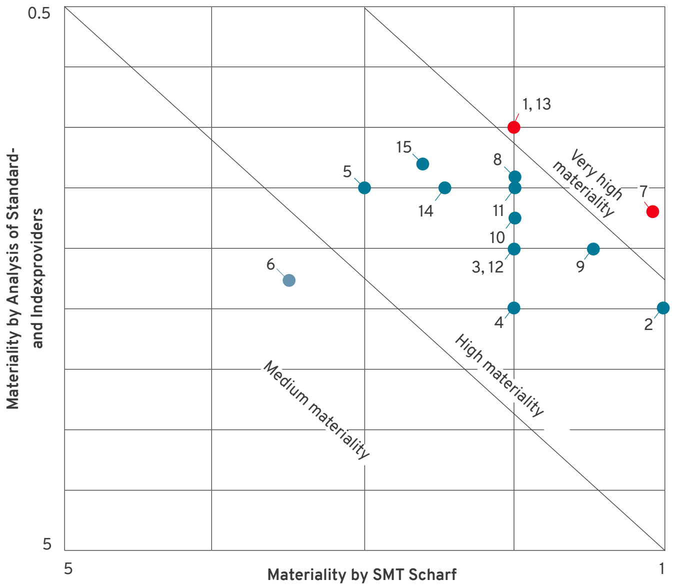
4. Social responsibility: As a global company, SMT Scharf ensures that it respects the rights and needs of the local communities where it operates, and does not jeopardise the livelihood of such communities.

5. Diversity: Diversity, tolerance and inclusion are of great interest to an international company. We believe that a diverse workforce comes with many benefits and is a success factor for SMT Scharf's positive business performance.

6. Supply chain management: As far as possible, SMT Scharf ensures that it maintains a sustainable supply chain in which suppliers apply environmentally compatible practices and assume social responsibility.

Overview of key sustainability issues

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

Point scale:
1 = very important to 5 = unimportant

3. Our responsibility to the environment

Environmental impact due to energy, water consumption and waste generation

We aim to harness energy efficiently in order to further minimise our environmental footprint. Due to our overall energy requirements, we have a great deal of leverage in this context and consequently a great deal of responsibility. Here, we gain in two ways: we protect the environment and we also reduce our costs, as we assume that energy prices and thereby our costs will continue to rise.

Every four years, we conduct DIN EN 16247 energy management audits, most recently in 2021. As part of these audits, we systematically collect information about our existing energy consumption profile and investigate what opportunities for economic energy savings are available to us and how we can quantify them.

The results are clearly visible at our company site in Hamm. Here, we again reduced our electricity consumption in 2022 from 380,037 kWh in 2021 to 362,937 kWh in 2022. This corresponds to a reduction of 4.5 %. We also significantly reduced our gas consumption in Hamm from 291,750 kWh in 2021 to 186,039 kWh in 2022. This corresponds to a reduction of 36.2 %. The significant decrease in gas consumption reflects, firstly, the mild temperatures in Germany in 2022, which led to less demand for heating. Secondly, further heating costs were saved by installing insulation foil on the windows at the company's site in Hamm.

SMT Scharf has been procuring its electricity at its Hamm location entirely from renewable energies since January 1, 2023. The "RenewablePLUS" certificate, which is audited annually by TÜV Rheinland, guarantees that 100 % of the electricity we purchase derives from renewable energy sources. We are also continuously reviewing the extent to which it is also possible at other sites to purchase electricity generated from renewable energies.

As far as our office buildings are concerned, little scope exists to reduce our consumption as all the space we use is rented. For this reason, our possibilities are limited to the optimisation of lighting and air conditioning. Already last year, we started to gradually convert our lighting to energy-efficient LED lamps. As part of this ongoing process, defective, old light sources are being replaced exclusively with LED light sources. Today, around 45 % of the light sources we use are suitably efficient throughout our operations.

Our production is oriented in such a way that very little waste is generated. Nevertheless, waste consumption increased slightly in the past reporting year. This is mainly due to our very good order book position as well as the rising number of employees working on site again.

Waste management and the proper disposal of recyclables and waste are performed in accordance with statutory regulations. The principle of the best possible separation of recyclable materials applies to disposal. In order to minimise waste, we are reviewing our operational waste flows in order to further reduce our waste volumes or increase our share of recyclable materials.

Our water requirements are also comparatively low for a manufacturing company. In this respect, little potential exists for savings. The fact that our water consumption increased from 677 m^3 in 2021 to 682 m^3 in 2022 is primarily due, as with our waste volume, to the fact that our employees are once again increasingly working on site rather than in their home offices.

Introduction of a Group-wide enterprise resource planning system

In 2018, we decided to implement an enterprise resource planning system. The intelligent ERP programmes enable the storage of as well as access to relevant business data in one central location, and assist in planning, controlling and managing all resources in our company in a timely manner and in line with demand. This improves transparency, the flow of information, and communication within the Group. With the help of the ERP system, international cooperation within the Group is to be made more efficient in the coming years and dependence on external service providers is to be reduced. The aim is to process authorisations, forms, documents and evaluations in-house and thereby save the high costs entailed in engaging external service providers.

After preparations were made for the Group-wide rollout in 2021, the system was implemented at the main site in Hamm last year. In the current 2023 fiscal year, work has started on rolling out the ERP system initially to the other German sites and then successively to the foreign sites. The ERP system is also intended to drive research and development activities within the SMT Scharf Group. The implementation of automated transport systems, so-called Smart Driving Functions, for the Chinese market is an example of SMT Scharf's development activities, which are being implemented in close coordination between the development teams in China and Germany. The use of automated transport systems should deliver a tangible enhancement in intralogistics efficiency.

Overall, the ERP system represents an important step towards digitalisation, and the networking of individual divisions forms the basis for SMT Scharf's future as a company with an efficient organisation and automated process flows.

SCHARF 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. It offers the same emission advantages and consequently cost advantages as our electric monorail EMTS. This vehicle was used in South Africa, Guatemala, Botswana and Canada. The deployment 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. This reduces the carbon footprint in the sugar industry.

Product safety, quality and development

Quality management systems are used to review and continuously improve processes and procedures within an organisation. Effective implementation not only enhances product quality, but also improves production efficiency, which can help save resources.

In order to ensure that our processes and procedures meet the highest quality standards, we obtain certification in many areas:

- We are ISO 9001 certified in order to establish a quality management system and continuously review and improve the quality of our systems, processes and products.
- We are certified according to ISO 3834 and EN 1090 in order to ensure the quality of our welding work in series production, individual production, repair and assembly as well as metal construction work.
- As a manufacturer of explosion-proof equipment, we have a quality management system certified according to the ATEX Directive.

In order to ensure efficient operations, personnel, materials and other loads must be transported quickly and safely – regardless of difficult general conditions. These mainly include changing and steep gradients, narrow areas, restricted scope for movement, and dust. Safe and high-quality products are needed in order to master such challenges.

SMT Scharf specialises in this area and offers customised solutions for all areas of underground mining and tunneling. To this end, we are developing low-emission, smart drive systems that communicate with their environment. This offers the advantages of better air quality underground and a significant minimisation of our products' carbon footprint.

Moreover, this technology has a favourable impact on energy consumption – an important advantage in convincing our customers that switching their processes and workflows will be costly and time-consuming. By providing increasingly low-emission engines with smart 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, load haul dumpers (LHDs) and medium-duty trucks are proving to be particularly energy-efficient. This is due to the fact that emission-free transport solutions and reduced heat radiation contribute to significantly less need for cooling and fresh air. Depending on the mine and the geological situation, this "ventilation" accounts for up to 30 % of the total energy requirement. Savings in ventilation requirements thereby make an efficient contribution to reducing energy consumption and associated costs.

In order to meet increasing environmental requirements, our company is continuously driving forward the electrification of its product portfolio. Thanks to our extensive battery and electric expertise, many opportunities exist to reduce emissions.

In the 2022 fiscal year, the focus was also on the electrification of rubber-tyred vehicles and research into lower-emission engines. SMT Scharf is pursuing the goal, through electrification, of continuously increasing the proportion of machines without direct exhaust emissions. Furthermore, we aim to achieve a 50 % share of revenue with electrified products by 2030. As an intermediate step, we have defined a target of 20 % to be achieved within the next five years. However, we are aware that the acceptance of our solutions in the market for electrified machinery in mining is currently still far below the level of conventional diesel-powered products. In addition, approval modalities from regulatory agencies or certification bodies may restrict the use of electrified products. Nevertheless, we are convinced that demand for electrified machines will increase significantly in the future, and we remain committed to further developing our products in line with growing environmental requirements.

SMT Scharf has already further expanded its research and development work in the area of electric-powered vehicles at its location in South Africa. The focus is on the development of a modular battery system for different vehicle types. In 2022, we continued to complete the development of our own battery for light electric vehicles and successfully tested prototypes. The Scharf LEV (short for Light Electrical Vehicle), which has its own, new battery, has already been deployed in South Africa, Guatemala, Botswana and Canada. A prototype of a battery-powered underground mobile loader with an SMT Scharf battery is planned for 2023.

A further example of our conversion to electric drives is our Electric Monorail Transport System (EMTS), which has been deployed for many years in South Africa in ore mining, primarily in platinum mining. Additional opportunities arise from our interest in ser elektronik, a company in which we invested in 2019. Thanks to ser elektronik's expertise, SMT Scharf can contribute its own battery management systems, tailored to customer requirements, to electric vehicles in addition to electronic control systems. SMT Scharf can thereby also offer optimised batteries to mining operators, and provide advice on operating concepts for the machines. Furthermore, ser elektronik implements electronic control systems for sectors outside the mining industry, such as the food manufacturing sector. At the same time, our liquid-cooled batteries rank among the safest solutions that can be deployed underground for battery electric vehicles (LEVs).

Moreover, we contributed to the success of pioneering projects for our customers in 2022 with various developments in the tunnel logistics segment. As part of the Snowy 2.0 Project, a government energy in Australia, we developed and delivered a specific transport solution for rail-bound passenger and emergency transport during tunnel development heading (see info box).

Finally, for the dismantling of a nuclear power plant, we designed a special crane system based on monorail hanging railway technology components to lift heavy concrete parts of the nuclear reactor's bio-shield. The decommissioning of nuclear power plants represents a step toward a sustainable and safe energy era.

Our products in the monorail overhead conveyor (EMS) sector are characterised by derailment safety, regardless of drive form. Work areas underground are cramped and escape possibilities are limited due to the underground mining conditions. This makes it all the more important to prevent accidents from happening in the first place. With their many safety features, our transport solutions help mining companies provide good and safe underground working conditions for their employees. Moreover, the electric drives are significantly quieter than diesel drives and thereby also contribute directly to improving the miners' working environment by avoiding or reducing noise emissions.

Also due to safety considerations, we have decided that "downsizing" combustion engines is not a suitable way of reducing our vehicles' fuel consumption, as downsized engines become significantly hotter and would no longer comply with 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.

In the selection of our materials and processing, we attach great importance to our products' durability and quality. This is because, for us, sustainability starts with product quality, as a product with a long life cycle and functional design generates less waste. We strive to find alternative and sustainable materials for our products. However, developments in the area of "green" steel are not yet ready for the market. We will continue to monitor how this area is developing and whether any potential applications exist for us here in the future.

When constructing our machines, we pay attention to sustainable product design. Our modular concept and the possibility to disassemble units and components enable parts of our machines to be easily repaired and adapted to current regulations at any time. This helps to extend our machines' service life and reduce the environmental impact of unnecessary waste.

We also have the option of electrifying vehicles as part of general overhauls, which can help reduce carbon emissions in underground mining and improve air quality underground.

Snowy 2.0

How our electric transport solutions are contributing to green electricity production

As part of the state Snowy 2.0 energy project, which involves expanding the existing hydropower plant to supply electricity and drinking water to the Australian capital Canberra, SMT Scharf supplied an individual overhead monorail hanging railway system for the transportation of workers to a tunnel boring machine in 2022. As Australia's most significant green energy project, it is set to become the world's largest pumped storage power station after expansion. A further 27 km of tunnels are to be built for this purpose. In addition, we are building a rescue vehicle for the project, which can also be used with overhead monorail hanging railway system 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.

In addition, external market studies have shown that our machines achieve top values in terms of total costs of ownership (TCO). We attach great importance to our products' durability and are convinced that this forms an important aspect of sustainable production. These sustainability efforts not only contribute to the environment, but also provide economic benefits for our customers and for us as a company.

Regulatory framework conditions

Sustainability standards are becoming increasingly stringent in the mining markets around the world where SMT Scharf operates. We welcome this development and are prepared for, and committed to, setting standards with our products. This approach enabled us to meet the stringent China III standards, which stipulate more exacting 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. We are already drawing up concepts to enable us to respond proactively and at an early stage to any further tightening of the legislative situation.

With our products and solutions, we also make an efficient contribution to the decommissioning of nuclear power plants in Germany and thereby to the fulfilment of policy objectives.

Transport and logistics

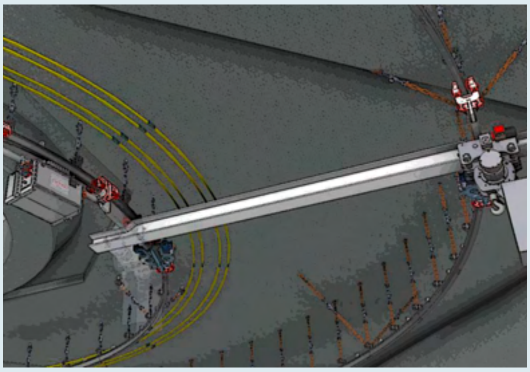
In order to promote a sustainable environment and to be able to manufacture high-quality, safe transport solutions, we ensure that our suppliers comply with safety and quality standards, such as ATEX conformity and welding certificates. In addition, our supplier companies are audited by our quality assurance department and complete questionnaires.

In order to reduce logistics costs, we are increasingly switching from global sourcing to local sourcing – again with a double benefit, as efficient logistics not only reduce overall costs, but also greenhouse gas emissions.

We are taking action at our headquarters in Hamm. We decided to test our fleet of company cars. Our catalogue of criteria covers the vehicles' entire environmental footprint, from zero emissions to battery manufacture, service life and disposal. We are still examining in greater detail whether a fully electric company fleet is the best solution. At present, our company fleet consists of a total of 14 vehicles. Of these, seven vehicles are petrol-powered passenger cars and six vehicles are hybrid cars. One of the petrol-powered cars is scheduled to be replaced by an electric car at the end of 2023. This will bring the number of all-electric cars in our company fleet to two. The share of electric vehicles is to be continuously expanded in the coming years. In addition, we strive to keep exhaust emissions low in our employee vehicles. The construction of fast-charging stations for e-cars at our German headquarters is in the planning stage, and appropriate arrangements have already been made. It is already possible to charge e-cars on site at the Hamm location, an option that is available to all our employees there.

Crane system for the dismantling the Isar I 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.



Supply chain

SMT Scharf makes recourse to an extensive network of supplier companies from various countries. Suppliers from Germany account for almost three quarters of the total value of our work and services (74.50 % of revenues with suppliers). China follows as the next largest supplier origin country at 5.90 %. The other suppliers are mainly from Eastern and Western European countries. The UK leads the way (3.80 %), followed by Switzerland (3.60 %), Italy (2.90 %), the Czech Republic (2.90 %), Spain (2.80 %), Bulgaria (2.10 %) and Belgium, as well as the Netherlands, Austria and Denmark with a combined 0.50 %. Outside Europe, SMT Scharf's supplier network also includes South Africa (0.60 %), the United Arab Emirates (0.30 %) and Australia (0.10 %).

The supplier source countries' ESG risks, such as in relation to water scarcity, are low overall. Among the countries of origin of the most important supplier companies, only China exhibits a higher risk in relation to its human rights situation. In the future, ESG criteria will become even more important in supply contracts and will be increasingly taken into consideration.

4. Our responsibility to employees

Key figures relating to our employees

We consider the responsible treatment of our employees to form an important aspect of our sustainability efforts. We are committed to providing a healthy and safe work environment that ensures the dignity, safety and health of all employees. In the following section, we provide information about key personnel figures for our company, our health promotion offerings, as well as further training and promotion opportunities that we offer to promote our employees' personal and professional development.

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 enrich the company and help 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 December 31, 2022, the SMT Scharf Group employed a total of 421 individuals, including seven trainees at the Hamm location. The number of employees thereby remained almost unchanged compared with the previous year (422 employees). The number of employees in Germany amounts to 140, while 281 individuals are employed abroad. As a consequence, the proportion of employees working abroad amounts to around 67 %, as in the previous year. Including age-related departures in 2022, the employee turnover rate at the Hamm site was 3.3 %, as in the previous year.

In 2022, eleven new employees were hired. Of the eleven new employees, seven were men and four were women. Most of these new hires were in Germany (7), followed by the Africa region (3) and Canada (1).

After the company increased its share of women to 19.44 % in 2020, the share decreased to 17.30 % in 2021. In 2022, SMT Scharf again recorded a slight increase in the proportion of women to 17.34 %. For the Supervisory Board, the company has committed to a 33 % share of women since 2016 and is already meeting this target.

It is important to us to have as balanced an age structure as possible. We are convinced that everyone at SMT Scharf benefits from different generations working together. The largest share at the Hamm site in 2022 was in the 30–50 age group, at 46.28 %. The percentage of those over fifty was 37.19 %, while the percentage of those under thirty was 16.53 %.

The proportion of employees with severe disabilities throughout the Group was 0.7 % in 2022. All employees with severe disabilities work at SMT Scharf GmbH in Hamm. Here, the share in the reporting year amounted to 4.72 % (2021: 3.74 %). As a consequence, SMT Scharf has once again drawn closer to the statutory requirements in relation to the 5 % quota for severely disabled employees.

Number of employees (as of December 31, 2022)

Number of employees	Anzahl	In %
Women	25	20.66
Men	96	79.34
Total (abs.)	**121**	

Number of employees (as of December 31, 2022)

Number of employees	Anzahl	In %
Under 30s	20	16.53
30–50 year olds	56	46.28
Over 50s	45	37.19
Total (abs.)	**121**	

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 section, we provide information about days lost due to illness and occupational accidents, as well as information about our company's health promotion offerings.

The number of days lost due to illness at the Hamm site in the 2022 fiscal year amounted to 2,011 days. In the previous two years, SMT Scharf at its Hamm site recorded 1,573 (2020) and 1,673 (2021) days of sick leave. A total of 174,815 hours were worked by the workforce of SMT Scharf GmbH in 2022.

SMT Scharf records both reportable and non-reportable occupational accidents. No fatal accidents occurred at the company in 2020 and 2022. A total of three reportable work-related injuries occurred in 2022. Regularly updated workplace risk assessments are intended to help keep the accident rate at the lowest possible level. In addition, annual safety training is mandatory at SMT Scharf. The respective division manager provides all employees with job-specific instructions.

At our Hamm location, an occupational safety committee takes care of health and safety issues for employees. This committee is chaired by an occupational safety specialist and includes a further five safety officers. In addition, a number of first aiders (above and beyond the statutory number required) are available. These first aiders receive regular and ongoing training. In 2022, 30 employees participated in first-aid training, entailing 180 hours of training overall.

Sport and health promotion

At the company headquarters, SMT Scharf has set up ergonomic workstations with height-adjustable office desks and individually adaptable office chairs for its administrative staff. In the production and assembly area, the height of workbenches can be individually adjusted to suit employees. Moreover, 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 in order to ensure work-life balance. Employees are informed about the working models at SMT Scharf via the intranet and division managers.

Employee engagement and further training

SMT Scharf GmbH has set up a company suggestion scheme to involve its employees in shaping and designing its business processes. The ISO 9001 certified quality management also includes the CIP (Continuous Improvement Process) as a basic principle. Our employees actively use the company suggestion scheme. A total of nine operational improvement proposals were submitted in 2022, compared with ten in the previous year.

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

In 2022, SMT Scharf GmbH spent a total of 800 hours spread over 100 days on employee training. A total of 38.26 % of 115 employees of SMT Scharf GmbH participated in the training courses. In the previous year, the number of training hours amounted to 512, with 19.2 % of employees participating in training. The number of training hours has thereby increased significantly again compared to 2020 and 2021 fiscal years, which were greatly impacted by the coronavirus pandemic, and are again approaching the levels of the pre-coronavirus year 2019. The total costs for the training courses held also increased significantly in 2022 to around EUR 43,000.00 (previous year: EUR 29,808.00). The average cost per employee in 2022 amounted to EUR 980.00. SMT Scharf endeavours to enable its employees to receive targeted further training and is also making individual offerings to employees in the current year in order to promote such further training.

Training sessions

Training sessions	2019	2020	2021	2022
Number of days	133	52	64	100
Number of hours	1,064	416	512	800
Costs	EUR 56,756.00	EUR 19,851.00	EUR 29,808.00	EUR 43,000.00
Number of employees	61	25	24	44
Total employees (SMT Scharf GmbH)	**109**	**116**	**125**	**115**

Collective bargaining agreement

Most of our employees in Germany are employed on the basis of the IG Metall collective bargaining agreement. As of the reporting date, 10.74 % of employees at the Hamm site were not employed on the basis of this agreement.

Integration of people of colour in South Africa

Broad-Based Black Economic Empowerment (B-BBEE) is an anti-discrimination certification designed to strengthen the inclusion of previously disadvantaged citizens in South Africa's economy. Each company with annual revenue of more than five million rand (equivalent to EUR 350,000) must seek 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 in compliance with B-BBEE and thereby contributes to enabling economic prospects for discriminated population groups in South Africa.

5. Governance and compliance

Code of Conduct and compliance

Based on our corporate purpose and values, our Code of Conduct defines standards for our activities. The Code of Conduct is available online at www.smtscharf.com/company/code-of-conduct/. 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 on the part of all its employees, as well as their personal integrity and sense of responsibility, 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. However, we are examining whether the conditions are right to introduce a binding commitment by suppliers to our Code of Conduct.

In addition to the Code of Conduct, an appropriate risk identification system and a compliance culture practised by the Managing Board and senior executives ("Tone from the Top") are intended to prevent compliance violations. Moreover, the appointment of foreign contacts and the training of foreign subsidiaries are planned for the current fiscal year.

If employees become aware of facts that give rise to suspected unlawful conduct and lack of organisational integrity, we encourage our employees to report such matters accordingly. To keep the related barriers low, we have set up a whistleblower system and plan, with external help, to further professionalise this via a special tool.

Compliance management and whistleblower system

Our Compliance Management System (CMS) is designed to identify and prevent potential compliance violations in a timely manner. In addition, the CMS is instrumental in uniformly defining appropriate responses to compliance issues for all Group companies and in communicating these issues. For this reason, we have appointed an independent compliance officer. The current Compliance Officer of SMT Scharf GmbH is Dr. Philip Seel from the Streitbörger legal practice 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 legal issues as far 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 this topic. In addition, the Compliance Officer and his practice act as an external reporting office in the event of potential compliance violations. Whistleblowers can report suspected violations to the Compliance Officer either by disclosing their name or an anonymous basis.

In principle, employees can report a potential compliance violation to their supervisor, a member of the Managing Board or a managing director, or the external Compliance Officer. Incoming reports are received by the Compliance Officer and checked to determine whether sufficient factual indications of a compliance violation exist. If this is the case, a report is submitted to the Managing Board, unless the Managing Board itself is presumed to be involved. Investigations are then initiated if necessary. Once the investigation has been completed, the Managing Board and, if required, the Supervisory Board, are informed, as well as – upon request and provided that no third-party rights exist to the contrary – the reporting party. In addition to potential event-related discussions as part of fixed, event-unrelated meetings, the Compliance Officer and SMT Scharf's Managing Board are in regular contact.

We do not tolerate any form of unethical behaviour or illegal actions on the part of an employee or other representative of the SMT Scharf Group. In the event of specific compliance violations, SMT Scharf reserves the right to take appropriate measures under both employment and civil law; if necessary, criminal or administrative offences are also to be reported. No reportable compliance violations occurred at SMT Scharf's German Group companies during the year under review.

After SMT Scharf's total litigation expenses had amounted to EUR 38,920.00 and EUR 92,976.00 in 2020 and 2021 respectively, no litigation expenses were incurred in the period under review.

Stakeholder dialogue

We wish to give our stakeholders an even more important role in our work, and meet their expectations and needs more systematically and broadly than before. For this reason, we started by gaining an awareness of who our stakeholders are, and the importance, influence and extent of involvement of each such group.

In order to create a solid basis for our work in the coming years, we have opted for a systematic mapping process in line with the recommendations of the Global Reporting Initiative and the AccountAbility Standard AA1000. The stakeholder groups queried were selected on the basis of a peer group analysis and an initial assessment by the Managing Board. Free text boxes enabled all participants to specify additional groups at all points in the process.

Key people from various areas of the company were involved, including sales, administration, personnel, purchasing, finance, marketing, IT and processes, as well as the Managing Board.

As a consequence, the following groups were identified:

- employees
- customers
- the Supervisory Board
- suppliers
- business partners
- financial institutions
- shareholders
- intergovernmental and civil society organisations and groups
- auditors
- competitors
- regulators/certification bodies
- indigenous and local communities
- NGOs
- policymakers and administrative authorities
- financial analysts
- rating agencies
- media
- applicants
- industry associations
- unions
- universities, colleges, research institutions
- employment agencies

The stakeholder groups were then also prioritised using a mapping tool in order to rank their importance, the extent to which they are affected, their opportunity for influence, as well as potential areas of tension with such groups, and opportunities for insight and impulses from stakeholder groups.

The following groups proved to be relevant in several dimensions and thereby of greatest importance to us:

- employees
- customers
- the Supervisory Board
- suppliers
- financial institutions
- shareholders

Particularly intensive dialogue is important with these groups.

For the further development of our – still nascent – sustainability strategy, we will carefully consider all relevant stakeholder groups according to their importance in the categories of tension, impulses, affectedness and influence.

In 2022, our stakeholder dialogue focused on capital market participants. The Managing Board of SMT Scharf AG holds talks and participates at investor conferences as part of its dialogue with shareholders and capital market participants. In terms of content, the focus is on outlining the company's development, as well as on both financial as well as non-financial expectations relating to our company. The Managing Board attaches great importance to regular communication with investors and participated in five analyst and investor conferences in 2022.

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 economy as a whole. For this reason, SMT Scharf does not tolerate corruption in any form. As in the previous two years, the company is not aware of any cases of corruption in 2022. SMT Scharf has implemented various instruments to minimise corruption risks, including the CMS system, a whistleblower system, and compliance with the Code of Conduct. Training on the organisation's anti-corruption policies and procedures was also held at the 2018 sales and management meeting. SMT Scharf plans to hold such training sessions for sales and management on a regular basis in the future.

Tax payments

For SMT Scharf, appropriate tax payments form part of sustainable corporate governance. We thereby also meet stakeholders' growing demands for a responsible tax strategy. Such stakeholders increasingly demand appropriate tax payments from companies in the countries where they operate, and also increasingly assess this in the context 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 from the 2024 financial year onwards. SMT Scharf is aware of its social responsibility in this context, and endeavours to make appropriate tax payments. As a consequence, we withhold and pay payroll taxes and indirect taxes such as VAT. In 2022, we paid a total of EUR 1.2 million in corporate income taxes (previous year: EUR 0.9 million). We are committed to moderate and sustainable tax structuring and do not engage in any tax-motivated relocation of assets or of economic activities abroad, and we reject any structures based on a tax avoidance strategy or aggressive tax planning.

6. Glossary

ATEX Directive
The ATEX Directive establishes uniform rules applicable throughout the European Union for the sale and commissioning of equipment and protective systems intended for use in potentially explosive atmospheres.

Broad-Based Black Economic Empowerment (B-BBEE)
Broad-Based Black Economic Empowerment (B-BBEE) is an anti-discrimination certification designed to strengthen the inclusion of previously disadvantaged citizens in South Africa's economy. Every company with an annual revenue more than five million rand (equivalent to EUR 350,000) must seek 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.

China standards
With the China III emissions directive, the Chinese government approved more stringent emissions standards for vehicles. These came into force in 2021 and also apply to machines in underground mining.

Carbon dioxide
Carbon dioxide is one of the best-known greenhouse gases, whose sources include the combustion of fossil fuels such as coal and natural gas. Greenhouse gases are measured in a global and standardised framework, the Greenhouse Gas Protocol.

Code of conduct
A code of conduct for employees contains guidelines for responsible and ethically correct behaviour, as well as integrity.

DIN EN 16247
DIN EN 16247 defines the characteristics of an energy audit, and specifies the requirements and corresponding duties within the audit process.

Diversity
Diversity refers to the conscious handling as well as the acceptance and equality of different people in companies, regardless of characteristics such as ethnic origin, skin colour, age, gender, nationality, religion, ideology or sexual orientation.

Renewable energies
Renewable energy refers to types of energy that are considered sustainable resources because they are self-renewing and thereby cannot be depleted as a resource. Examples of renewable energy include wind energy, solar energy and hydropower. These are also grouped under the category "green power," while "grey power" refers to electricity procured from energy sources of unknown origin.

ESG
E = Environment, S = Social, G = Governance. ESG refers to non-financial factors that investors use to screen potential investments. They also refer to the sustainability impacts and contributions of a particular company and the associated risks for the company. Companies are increasingly expected to report on ESG factors.

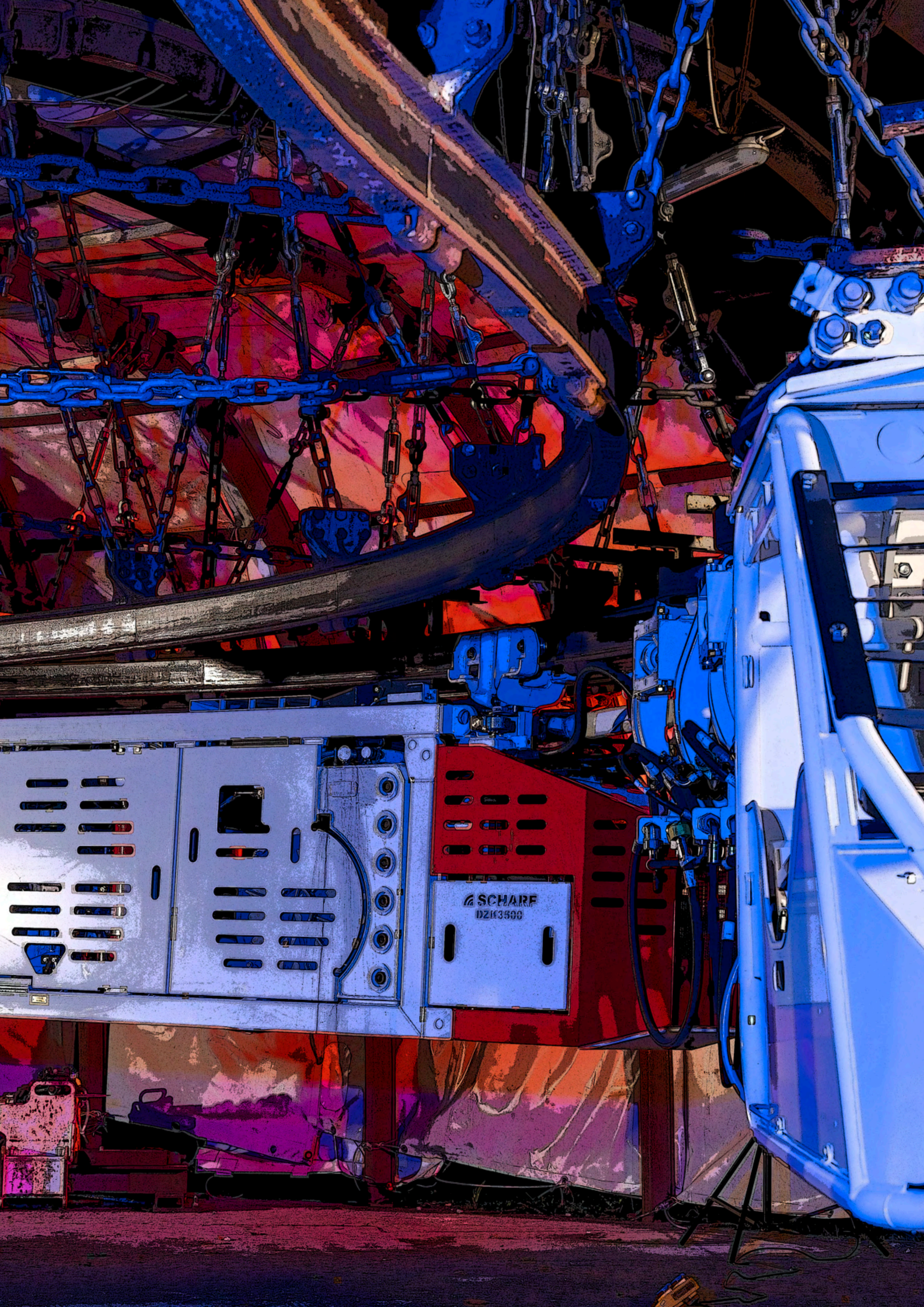
International Organization for Standardization (ISO)
The International Organization for Standardization (ISO) is an international non-governmental organisation founded in 1947 that develops and publishes internationally valid standards. At present, almost 25,000 ISO standards cover a wide range of topics.

Paris Agreement
The Paris Agreement was adopted at the COP21 (Conference of Parties) of the UN Framework Convention on Climate Change in Paris in December 2015 and has been in force since November 2016. Under the Paris Agreement, signatory countries pledge to limit global warming and reduce it to well below 2 °C, ideally even to 1.5 °C above pre-industrial levels.

Stakeholders
In principle, stakeholders comprise all parties (groups or individuals) that are involved in, or affected by, a company's activities, have an interest in them, or can potentially influence them. They are also often referred to as stakeholders or interest groups. Stakeholder mapping can be used to systematically identify relevant stakeholder groups.

Stakeholder dialogue
Dialogue between companies and stakeholders identifies what is important to each party. Specific topics are addressed and examined from different perspectives. The structure of the dialogue itself can take different forms depending on the specific group of people concerned. As a matter of principle, it is important that a company reports transparently and openly on the current situation or development status in the various topic areas, and is genuinely interested in stakeholder feedback. This requires understanding and recognising stakeholder concerns as generally important, and being prepared to address them in a genuine manner. This does not mean that all stakeholder concerns must be taken into consideration. However, key insights should be incorporated into management decision-making.

Whistleblower system
A whistleblower system helps employees and others associated with the company to report misconduct as well as unethical or illegal behaviour in the workplace.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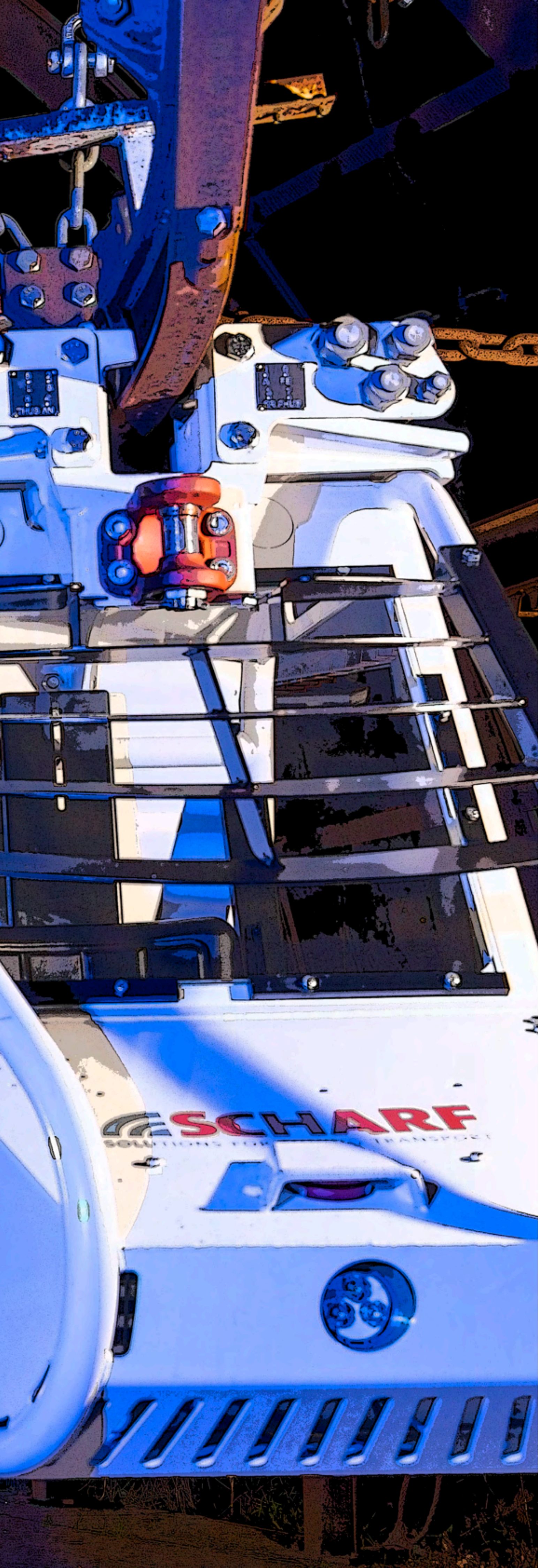


GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE 2022 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 loads of up to 48 tonnes on routes as well as coping with 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-bound 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.

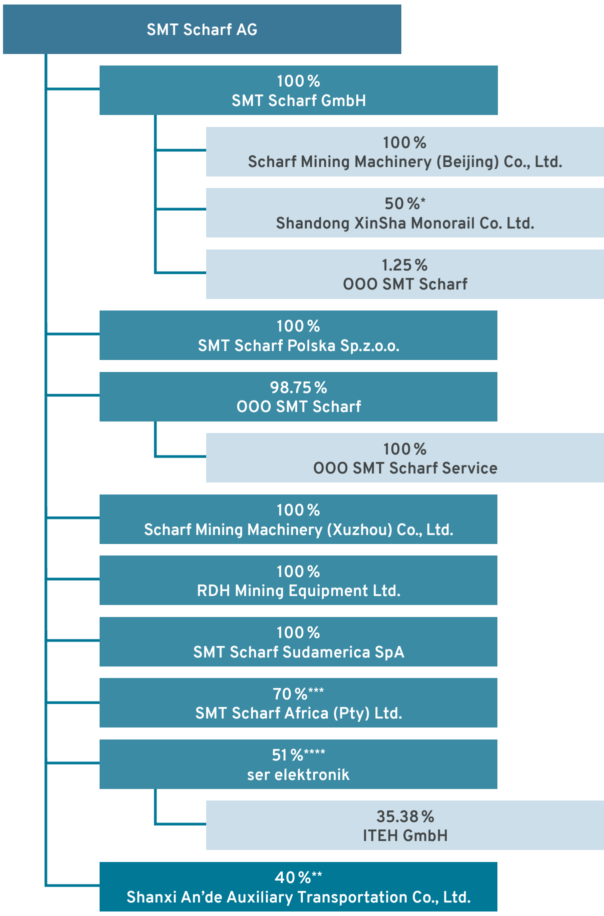
- SMT Scharf can draw on in-house expertise in electronics and controls via its subsidiary ser elektronik GmbH, Möhnesee. The systems – which are integrated into SMT Scharf's transport solutions for coal and mineral mining – are manufactured in-house. In addition, ser elektronik develops customer-specific 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, in particular, the foreign markets in China, Russia, Poland 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: Entwicklung und Launch neuer Produkte im Bereich der Untertagelogistik im Kohlebergbau und mit zunehmender Bedeutung im Mineralbergbau, Erschließung neuer geografischer Märkte sowie Aufbau und Etablierung der Tunnellogistik als drittes Geschäftsfeld. Hinzu kommt das Geschäft mit elektronischen Steuerungen und Komponenten im Bereich Andere Industrien.

- 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. In this context, the Group-wide introduction of an ERP system represents an important milestone in order to make cooperation within the SMT Scharf Group more efficient. Furthermore, SMT Scharf continuously analyses specific markets and customer requirements on a targeted basis in order to further enhance its competitiveness.

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). SMT Scharf successfully initiated implementation at the Hamm site in 2022. In the current 2023 fiscal year, work has begun on gradually rolling out the ERP system to the foreign sites. 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 opens up the possibility of identifying optimisation potentials at an early stage and of initiating appropriate measures.

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	$\text{Number of days in reporting year} \times \left(\frac{\text{annual average trade receivables}}{\text{Consolidated revenue}}\right)$	< 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, 2022, the SMT Scharf Group employed 421 individuals (FTEs), including 7 trainees at the Hamm location, with the number of employees thereby remaining almost constant compared with the previous year's reporting date. In the previous year, the Group employed a workforce of 422 FTEs (including 10 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, the number of employees increased slightly to 140 FTEs as of December 31, 2022 (previous year: 139 FTEs). In order to cover higher demand in production, temporary workers were increasingly hired, particularly in Germany.

SMT Scharf Group employees:

	2022	2021
Total employees	421	422
Employees in Germany	140	139
Employees abroad	281	283
Female employees	73	73
Male employees	348	349

The number of employees at foreign locations decreased slightly by 2 FTEs to 281 FTEs in the 2022 fiscal year. Given the likewise slightly lower total headcount, the proportion of employees working outside Germany remained at around 67 % as of the reporting date (previous year: 67 %). Employee turnover increased significantly to 17.2 % in the reporting year (previous year: 5.7 %), which was mainly due to the developments in Russia. As a consequence, the employee turnover rate in the reporting year was well above the medium-term target of < 10 %. The workforce sickness rate decreased to 5.2 % in 2022 (previous year 6.2 %)

Research and development

SMT Scharf continues to focus on expanding local expertise centres, particularly in Germany, China, Poland and South Africa. Given the still ongoing coronavirus pandemic and the associated interim restrictions, such as in China and due to the conflict between Ukraine and Russia, no significant activities were undertaken in this connection in the 2022 fiscal year.

In order to advance its research and development activities and realise synergies within the SMT Scharf Group, SMT Scharf has continued to drive forward the networking of its corporate locations. This is realised by introducing a uniform ERP system as well as globally standardised development systems and design systems.

One focus area in the 2022 fiscal year was on the electrification of rubber-tyred vehicles as well as research into lower-emission engines, taking into consideration firedamp protection in accordance with MA (Chinese approval authority) certificates and ATEX certifications.

With our developments in the tunnel logistics segment, we contributed to the success of our customers' pioneering projects. As part of the Snowy Mountain 2.0 government project in Australia, we developed a specific transport solution for rail-bound passenger and emergency transport in tunnels. For the dismantling of a nuclear power station, a special crane system based on components of monorail technology was designed to lift heavy concrete parts of the nuclear reactor's bio-shield.

In light of the ongoing digitalisation of mines, SMT Scharf is intensively developing solutions for lower-emission and 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. For example, the implementation of automated transport systems, so-called Smart Driving Functions, for the Chinese market forms a further focus of SMT Scharf's development activities, which are conducted in close coordination between the development teams in China and Germany. The use of automated transport systems is aimed at delivering tangible enhancements in intralogistics efficiency. The automated, driverless transport systems optimise material flows, save time and reduce costs. Not only can costs be saved due to the reduced need for manpower for transport tasks, but also a higher level of occupational safety can be achieved. The electrification and digitalisation of products is to be advanced continuously, with SMT Scharf remaining well positioned as a preferred provider of efficient and sustainable transport logistics in the digital mines of tomorrow. This vision ranges from zero-emission drives to fully autonomous transportation.

Expenses for research and development amounted to EUR 2.01 million in the 2022 fiscal year (2021: EUR 1.98 million). The share of development costs in overall research and development costs stood at EUR 481 thousand (2021: EUR 916 thousand), while amortisation charges for capitalised development costs amounted to EUR 255 thousand (2021: EUR 94 thousand) in the reporting period.

Economic and business report

Macroeconomic environment

The International Monetary Fund (IMF) estimates that global economic growth amounted to 3.2 % in 2022 (2021: – 6.0 %). With the exception of the global financial crisis and the coronavirus pandemic, this growth rate is the weakest since 2001 and reflects a significant economic slowdown. High inflation and the ongoing consequences of pandemic-related lockdowns, driven by the effects of the Russia-Ukraine war, weighed on the economic outlook. As a consequence, the economy in industrialised nations is estimated to have expanded by 2.4 % in 2022, and is forecast to grow by 1.1 % in 2023. In addition, the IMF expects the economic growth rate in developing and emerging countries to decrease to 3.7 % in 2022 and to stagnate at this level in 2023.

With a projected growth rate of 3.2 % for 2022, China recorded the lowest growth rate in more than four decades, with the exception of the early days of the coronavirus pandemic in 2020. This reflected various coronavirus outbreaks and lockdowns as well as the real estate market crisis, with economic activity in China slowing significantly. In 2023, growth is expected to rise to 4.4 % again.

Russia's economy recorded a significant contraction of 3.4 % in 2022, and is forecast to contract again by – 2.3 % in 2023. At the same time, this decrease is less pronounced than originally forecast. This is due to the resilience of crude oil exports and domestic demand with greater fiscal and monetary policy support and the restoration of confidence in the financial system. Investment activity and private spending were relatively stable due to the containment of the impact of sanctions on the domestic financial sector, and a robust labour market.

In Poland, economic output in 2022 was weaker than expected. Nevertheless, the IMF estimates that Poland's economy expanded by 3.8 % over the full course of 2022. This growth was driven by a recovery in private consumption as well as higher level of exports. The disbursement of EU funds also made a significant contribution to the economic recovery.

In South Africa, strong exports and higher consumer spending by private households led to economic growth of 2.1 % in 2022. Mining revenues again lent significant support to the current account in 2022. At the same time, higher tax revenues were recorded, with the overall burden on the budget easing. In 2022, there was still no recovery in South Africa's labour market. Only a marginal improvement in the labour market is forecast for 2023. The balance of trade in mineral commodities performed in South Africa's favour in 2022, thanks to high world market prices for platinum and coal. Monetary policy assumptions are consistent with keeping inflation within the target range of 3 % to 6 % over the medium term. For 2023, the IMF forecasts that the growth rate will level off to 1.1 %.

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

*GDP growth in the most important sales markets**

in %	2022	2021
World	3.4	6.2
China	3.0	8.4
Poland	5.4	6.8
Russia	−2.2	4.7
South Africa	2.6	4.9

* IWF World Economic Outlook, January 2023

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 2022.

*Exchange rate changes in the most important sales markets**

in %	2021	2020
Yuan Renminbi (China) / Euro	−2.0	+9.5
Zloty (Poland) / Euro	−2.0	−1.1
Rubel** (Russia) / Euro	−9.9	−7.4
Rand (South Africa) / Euro	+0.7	−0.1

* Source: European Central Bank, change during the year
** Source: Currency conversion rates from Commerzbank AG, Frankfurt am Main

In 2022, the Euro depreciated by 1.95 % against the Chinese Renminbi, whereas it had gained considerable purchasing power in the previous year. The Polish Zloty appreciated by 1.97 % against the Euro after having already lost purchasing power in 2021. The Euro appreciated by 0.74 % against the South African Rand.

Sector trends

Prices for energy-related raw materials, especially coal and natural gas, rose sharply in the reporting period. Coal prices rose significantly both in Germany and on the world market in 2022. This was due to higher demand and a switch from gas to coal in many European and Asian countries as a consequence of record high natural gas prices. In addition, coal imports from Russia were stopped due to the war.

Base metal prices were down year-on-year. Prices for precious metals remained at the prior-year level after a brief increase in the first half of 2022. The price of coal, which is relevant for SMT Scharf, recorded a clear upward trend in 2022, rising from USD 147 to around USD 240 (based on one tonne of hard coal). The S&P GSCI Energy and Metal Index, which is important for the sector, rose by 14.51 %.

German mining technology companies' new order intake in 2022 decreased by 1 % year-on-year (as of October 2022), according to estimates by the Mining Association of the German Engineering Federation (VDMA). Sales revenues were up by 18 % year-on-year to EUR 3.75 billion (as of November 2022), according to the VDMA. Overall, the sector benefited from a high order book position. As a consequence, VDMA Mining estimates that sales revenues will have risen by 15 % by the end of the year.

A survey by PriceWaterhouseCoopers of German mechanical and plant engineering companies revealed that, shortly before the end of 2022, an average of 90.5 % of the companies' production capacities were being utilised. More than half of the plants were operating at capacity. Overall, the sector expects sales revenues to decrease by 2.9 % in 2023. This forecast represents the lowest level in the past two years.

In principle, 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 2021 to USD 90 billion in 2030, representing a CAGR of 4.5 % (2021 – 2030). 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 tunnel market is gaining popularity due to the expansion of road and railroad infrastructure construction worldwide. The rapid increase in the number of infrastructure projects to improve transportation is driving global demand. In addition, rising demand for energy, minerals and metals is driving mining of thermal and coking coal. These factors are having an increasingly positive impact on the growth of the tunnelling market. For this reason, the global market for tunnels and underground rail systems is expected to grow at a CAGR of 4.5 % between 2021 and 2030 due to global demand growth.

The Asian market is reporting the fastest growth rate due to increasing urbanisation. The ITA forecasts that China, for instance, with annual economic output of 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. In the Middle East and Africa region, the tunnel market is being boosted by rising demand for energy resources, which is leading to numerous mining activities. Moreover, the rapidly developing oil, gas, and mining sector in this region is supporting the growth of the tunnelling market.

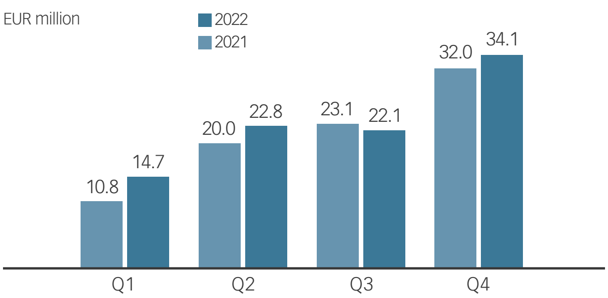
SMT Scharf bases its business model on several pillars through its diversification by product, region, customer group and regional market. This approach serves to mitigate the impact of the coal mining business cycle on SMT Scharf's business growth and development.

Business trends

Despite the effects of the Russia-Ukraine conflict and the associated difficult macroeconomic environment that, SMT Scharf AG recorded exceptionally positive business growth in 2022. In the 2022 fiscal year, SMT Scharf AG increased its consolidated revenue from EUR 85.9 million in the previous year to EUR 93.7 million. This corresponds to significant revenue growth of 9.1 %, which is attributable to double-digit growth in the New Equipment business as well as a higher level of Spare Parts and Service business. Demand for energy- and emission-efficient machinery remained particularly high in the core market of China. At the same time, demand from Russian mining companies for the equipment needed to mine raw materials underground also had a positive impact on revenue and earnings.

In the final quarter of 2022, SMT Scharf posted further significant revenue growth to EUR 34.1 million (Q4 / 2021: EUR 32.0 million). The company thereby also exceeded the strong figure from the final quarter of the previous year, when subsequent revenue recognition deriving from the receipt of China III approval led to a one-off effect.

Group revenue quarter-by-quarter

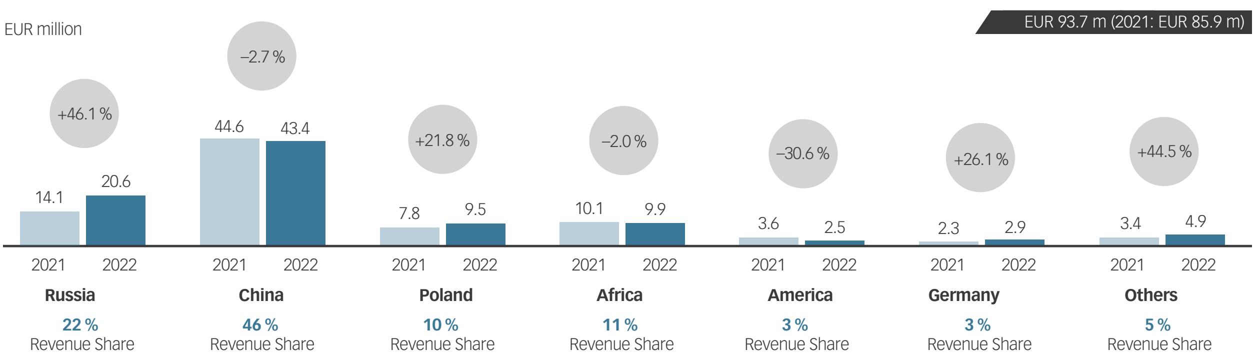


In the 2022 fiscal year, EBIT amounted to EUR 14.3 million, following EBIT of EUR 11.2 million in the previous year. This improvement was mainly due to strong revenue growth in the reporting period and high margins in the New Equipment business. In addition, the release of a provision of EUR 4.2 million in the first quarter of 2022 had a positive impact on the earnings trend in the reporting year.

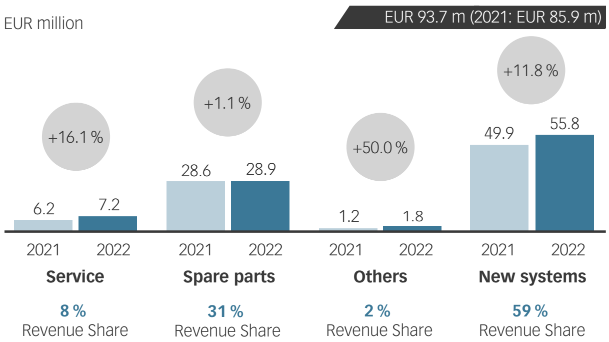
China continued to be the most important sales market for SMT Scharf AG in 2022 with revenue of EUR 43.4 million, or a 46.3 % share of total revenue (2021: 51.9 % or EUR 44.6 million). In light of the China III emissions directive that is applicable to Chinese mining companies, they are investing in innovative mining technology with which they can meet the more exacting statutory requirements. SMT Scharf can benefit from this accordingly with its established market position.

In addition, Russia was the second most important sales market for SMT Scharf AG in the year under review with revenue of EUR 20.6 million (2021: EUR 14.1 million) or a 22.0 % share of total revenue (2021: 16.4 %). This corresponds to a significant year-on-year revenue growth rate of 46.1 %. All deliveries were strictly checked by the Federal Office of Economics and Export Control (BAFA) and customs with regard to compliance with the applicable sanctions. In Poland, revenue increased from EUR 7.8 million in the previous year to EUR 9.5 million in the reporting period. Accordingly, the share of total revenue rose slightly to 10.1 % compared to 9.1 % in the 2021 fiscal year. Revenue in the African market in the reporting period was almost unchanged year-on-year. The share of Group revenue decreased slightly from 11.8 % in the 2021 fiscal year to 10.6 % in 2022. 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 in fifth position. Revenue of EUR 2.5 million was generated in this region, with the share of total revenue thereby decreasing to 2.7 % (2021: 4.2 %). In Germany, by contrast, significant revenue growth of 26.1 % was achieved with revenue of EUR 2.9 million (2021: EUR 2.3 million).

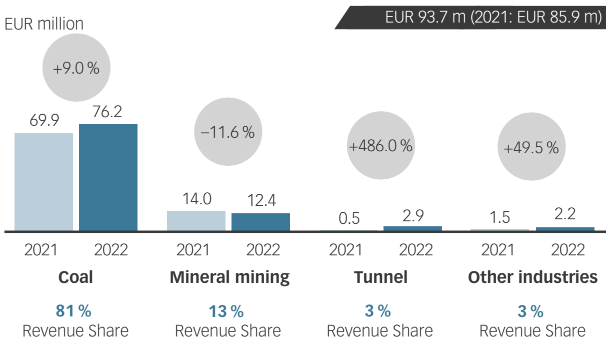
Revenue by region



Revenue by type of business

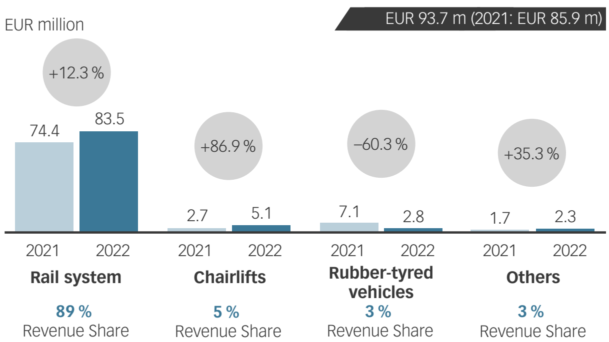


Revenue share by segment



Revenue in the New Equipment business recorded a significant increase of 11.9 % to EUR 55.8 million in the 2022 fiscal year (2021: EUR 49.9 million). As a consequence, the 50 percent level in the New Equipment business was again clearly exceeded in the reporting period, as it represented a share of 59.6 %. The Spare Parts and Service businesses contributed 38.5 % to Group revenue in the 2022 fiscal year compared to 40.5 % in the previous year. The Spare Parts business, in particular, performed below previous expectations, while the Service business recorded revenue growth of 16.1 % in the reporting period. The Other segment performed well during the period under review to reach a level of EUR 1.8 million (2021: EUR 1.2 million).

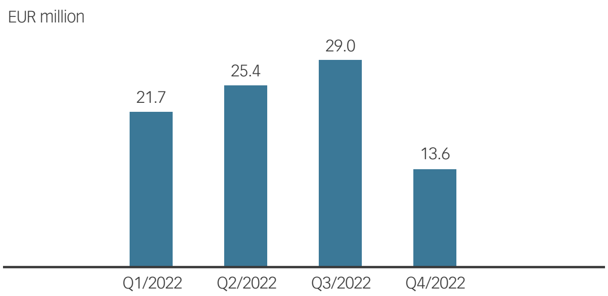
Revenue share by product



At 89.1 %, the Rail Systems product area again made a significant contribution to the total revenue of SMT Scharf AG (2021: 86.6 %). The Chairlifts product area generated the second-largest share of Group revenue at 5.4 % and at the same time achieved good growth compared with 3.1 % in the previous year. By contrast, the share of revenue accounted for by the Rubber-Tyred Vehicles product area decreased to 3.0 % of total revenue in the reporting period (2021: 8.2 %). The Other product area accounted for 2.5 % of revenue in 2022 (2.0 % in 2021).

SMT Scharf continued to generate most of its consolidated revenue in the Coal segment in the 2022 fiscal year. Revenue of EUR 76.2 million was generated in this segment. This corresponds to a share of Group revenue of 81.3 %, which was almost at the same level as the previous year (2021: 81.4 %). Revenue in the Mineral Mining segment decreased by 11.6 % to EUR 12.4 million, so that the share of revenue in the reporting period reduced accordingly to 13.2 % (2021: EUR 14.0 million or 16.3 %). The Tunnel segment recorded a considerable increase in revenue from EUR 0.5 million in the previous year to EUR 2.9 million in 2022. The Snowy Mountain 2.0 project in Australia, for which SMT Scharf provided a specific transport solution for rail-bound passenger and emergency transport in tunnels, had a positive impact in this segment. As a consequence, the Tunnel segment's share of total revenue increased accordingly to 3.1 % in the 2022 fiscal year. In the fourth segment, Other Industries, which represents the business of the subsidiary ser elektronik, significant growth in revenue to EUR 2.2 million and at the same time a share of Group revenue of 2.4 % was also achieved (2021: EUR 1.5 million or 1.8 %).

New order intake



New order intake amounted to EUR 89.7 million in the 2022 fiscal year compared to EUR 76.1 million in the previous year. This positive trend is primarily due to higher demand for new equipment in the SMT Scharf Group's core markets. The order book position amounted to a total of EUR 22.9 million as of December 31, 2022, which is lower than the previous year's level of EUR 26.9 million.

Financial position and performance

Results of operations

The SMT Scharf Group generated consolidated revenue of EUR 93.7 million in the 2022 fiscal year (2021: EUR 85.9 million). This corresponds to a significant increase in revenue of 9.1 %. Total operating revenue (consolidated revenue plus changes in inventories) improved to EUR 95.9 million (2021: EUR 85.3 million). Other operating income increased to EUR 12.9 million (2021: EUR 8.8 million), mainly due to the release of a provision and exchange rate profits.

Given the significantly higher total operating revenue, the cost of materials rose by 12.5 % to EUR 53.1 million in the reporting period (2021: EUR 47.2 million). The cost of materials ratio (as a percentage of total operating revenue) was approximately at the previous year's level at 55.4 % (2021: 55.3 %). Personnel expenses in the year under review increased by 9.8 % to EUR 20.2 million (2021: EUR 18.4 million). As a consequence, the ratio of personnel expenses to total operating revenue was slightly lower year-on-year at 21.1 % (2021: 21.6 %).

Accumulated depreciation and amortisation reached EUR 2.7 million (2021: EUR 2.6 million). Other operating expenses increased by 26.0 % to EUR 18.4 million (2021: EUR 14.6 million). This was mainly due to exchange rate losses.

Overall, exchange rate gains and exchange rate losses led to a negative net result of EUR – 1.4 million in the 2022 fiscal year (2021: EUR 3.5 million).

Results of operations

EUR million	2022	2021	Change
Revenue	93.7	85.9	9.1 %
Total operating revenue	95.9	85.3	14.1 %
EBIT	14.3	11.2	27.7 %
EBIT margin (in %)	14.9	13.1	1.8 Pp
Consolidated net profit	14.8	12.5	18.4 %
Earnings per share undiluted (in EUR)	2.75	2.46	20.1 %

In the 2022 fiscal year, the SMT Scharf Group significantly increased its operating result (EBIT) from EUR 11.2 million in the previous year to EUR 14.3 million. This significant earnings growth is mainly attributable to two factors. Firstly, SMT Scharf recorded considerable growth in its New Equipment business as well as growth in its traditionally high-margin after-sales business during the year under review. In addition, the release of a provision of EUR 4.2 million in the first quarter of 2022 had a positive impact on the earnings trend in the reporting year. Accordingly, the EBIT margin (in relation to total operating revenue) improved by 1.8 percentage points to 14.9 % in the reporting year (2021: 13.1 %).

The financial result amounted to EUR 4.3 million, compared with EUR 2.9 million in the previous year, due to a significant rise in income from participating interests. In addition, the interest result deteriorated slightly to EUR – 1.0 million (2021: EUR – 0.8 million) due to the greater utilisation of bank lines as well as higher interest rates.

On balance, the Group generated a profit before tax of EUR 18.6 million (2021: EUR 14.1 million). The tax expense of EUR 3.8 million in the reporting year was significantly above the previous year's level (2021: EUR 1.5 million). Of this amount, EUR 3.2 million comprised current tax expenses (2021: EUR 1.0 million), and EUR 0.6 million deferred tax (2021: EUR 0.3 million). The Group's tax rate stood at 32.1 %, as in the previous year.

Overall, SMT Scharf AG recorded Group net income for the year of EUR 14.8 million, significantly exceeding the previous year's level of EUR 12.5 million. This corresponds to earnings per share of EUR 2.75 (2021: EUR 2.46).

Net assets

The total assets of the SMT Scharf Group rose to EUR 131.0 million as of December 31, 2022 (December 31, 2021: EUR 121.3 million). Non-current assets stood at EUR 37.9 million (December 31, 2021: EUR 32.1 million). In the area of operating and office equipment, property, plant and equipment increased slightly to EUR 7.7 million as of the reporting date (December 31, 2021: EUR 7.6 million). By contrast, intangible assets amounted to EUR 8.1 million as of the reporting date (December 31, 2021: EUR 7.0 million). This was largely due to the capitalisation of costs for the introduction of the new ERP system, which was initially rolled out at the Hamm site in 2022. Compared to the previous year's reporting date, deferred tax assets decreased to EUR 2.6 million (December 31, 2021: EUR 3.4 million), mainly due to due to the utilisation of tax loss carryforwards in Germany, for which deferred tax assets of EUR 572 thousand were still recognised in the previous year.

Current assets rose to EUR 93.1 million as of the reporting date (December 31, 2021: EUR 89.1 million) and thereby continued to account for the largest share of assets. This was partly due to the increase in inventories, which totalled EUR 33.7 million as of the reporting date (December 31, 2021: EUR 32.9 million). This reflects the continued high levels of new order intake and order book position. Similarly, trade receivables increased to EUR 46.3 million as of December 31, 2022 (December 31, 2021: EUR 41.9 million). Trade receivables in the reporting period also include bills of exchange received in the amount of EUR 5.9 million, which were reported separately in the amount of EUR 1.0 million in the previous year. Exceptionally good demand for new equipment in the SMT Scharf Group's core markets and a correspondingly high number of deliveries in the year under review made a key contribution to this growth. In relation to consolidated revenue of EUR 93.7 million in the 2022 fiscal year (2021: EUR 85.9 million), average trade receivables outstanding of EUR 36.8 million (2021: EUR 27.2 million) and 365 days (2021: 365 days), days of sales outstanding rose to 144 days (2021: 115 days). The receivables portfolio, which mainly consists of receivables due from Chinese customers, remained at the previous year's level due to the increased Group turnover. Moreover, payment schedules arranged with major customers in previous years were adhered to as agreed. As a consequence, cash and cash equivalents amounted to a total of EUR 7.7 million as of December 31, 2022 (December 31, 2021: EUR 9.5 million).

In view of the significant increase in total assets as well as the strong rise in equity, the equity ratio amounted to 66.4 % as of the balance sheet date, up 7.3 percentage points on the previous year (December 31, 2021: 59.1 %). This mainly reflects, firstly, the Group net income and, secondly, exchange rate changes in the context of currency translation. Non-current provisions and liabilities decreased to EUR 11.0 million as of the balance sheet date (December 31, 2021: EUR 11.5 million), which represents a slight change compared to the previous year. As of the reporting date, non-current financial liabilities decreased significantly by EUR 0.8 million to EUR 1.0 million due to the repayment of investment loans (December 31, 2021: EUR 1.8 million). Furthermore, pension provisions also reduced considerably to EUR 2.7 million (December 31, 2021: EUR 3.1 million).

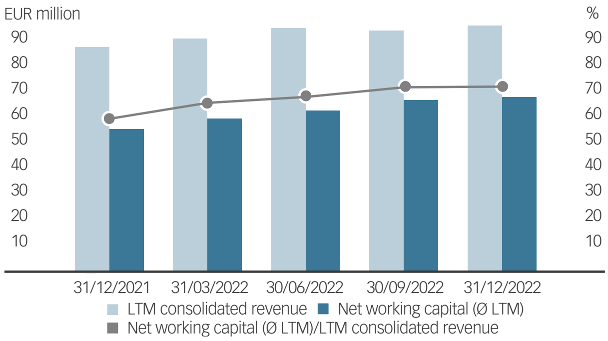
Current provisions and liabilities decreased to EUR 33.0 million as of the balance sheet date (December 31, 2021: EUR 38.1 million). This corresponds to a significant reduction of EUR 5.1 million compared to the previous year's reporting date, which is mainly due to the release of sales provisions. By contrast, trade payables rose markedly to EUR 7.0 million as of the reporting date (December 31, 2021: EUR 5.0 million), which is due to the business activity in the last quarter. Current financial liabilities, by contrast, decreased to EUR 13.8 million, mainly due to the repayment of current account credit lines (December 31, 2021: EUR 17.2 million). Furthermore, other current provisions of EUR 6.0 million decreased significantly compared to the previous year's reporting date due to the aforementioned release of sales provisions (December 31, 2021: EUR 10.6 million).

Net assets

EUR million	31/12/2022	31/12/2021
Total assets	131.0	121.3
Equity	87.0	71.7
Equity ratio (in %)	66.4	59.1
Non-current and current provisions and liabilities	44.0	49.6
Non-current assets	37.9	32.2
Current assets	93.1	89.1
Days of sales outstanding	144	115
Net working capital* zum Bilanzstichtag	66.2	58.6
Net Working Capital* im Jahresdurchschnitt	66.5	53.6
Net Working Capital* Intensity (%)	71.0	62.5

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

Net working capital (average LTM) / Consolidated revenue LTM



(LTM: last twelve months, rollierende Zwölf-Monats-Betrachtung)

Equity and particular legal relationships

TThe subscribed capital of SMT Scharf AG was 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 was increased by a further 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 was 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.

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 implement 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 on August 10, 2022. Since August 15, 2022, the company's shares have traded as no-par-value registered shares under the new ISIN DE000A3D-RAE2. The depositary conversion to registered shares was implemented on August 12, 2022 after the stock market close.

As a consequence, as of the December 31, 2022 balance sheet date, a total of 5,521,456 ordinary registered 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 had approved an authorisation to issue convertible bonds and the creation 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 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 financial 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 financial 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 a total of 49,477 of these shares at the end of the 2022 fiscal year (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 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 5.5 million exist, but have not been utilised.

Given the net income of EUR 14.8 million in 2022, the SMT Scharf Group reported cash flows from operating activities of EUR 5.7 million in the year under review (2021: EUR – 5.5 million). The cash flow from operating activities mainly arises from the positive consolidated net income for the year, which is reduced by the increase in receivables and provisions. Cash flow from investing activities amounted to EUR 2.4 million (2021: EUR – 2.1 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 – 1.7 million for the 2022 reporting period (2021: EUR 6.6 million), which was mainly due to the repayment of financial liabilities and interest paid. In total, the cash and cash equivalents position rose from EUR – 5.9 million on December 31, 2021 to EUR – 4.1 million on December 31, 2022.

Comparison of the actual financial position and performance with the forecast

On December 14, 2022, SMT Scharf AG issued a further upgrade to its revenue and earnings guidance for the 2022 fiscal year, announcing that consolidated revenue for 2022 was expected to exceed EUR 92.0 million. In addition, an operating profit (EBIT) of likely more than EUR 14.0 million was forecast. SMT Scharf AG had previously forecast consolidated revenue in a range between EUR 86.0 million and EUR 87.0 million and EBIT in a range between EUR 11.5 million and EUR 12.5 million. The background to this is that, despite the great uncertainty and volatility in the market environment in view of the Russia-Ukraine conflict, business in the international core markets performed significantly better in the fourth quarter than previously expected. In the forecast report in the 2021 Annual Report, the company had not yet issued quantitative guidance due to the great uncertainty and volatility in the market environment.

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

- With actual consolidated revenue of EUR 93.7 million, SMT Scharf achieved the revenue guidance it had upgraded in December 2022, whereby consolidated revenue was likely to exceed EUR 92.0 million.

- Most recently, in December 2022, the Managing Board had expected EBIT of more than EUR 14.0 million for the 2022 financial year. With EBIT of EUR 14.3 million, SMT Scharf thereby achieving its guidance.

Overall statement on the company's business position

The SMT Scharf Group generated significant year-on-year revenue growth in the 2022 fiscal year. Nevertheless, the effects of the coronavirus pandemic and the Russia-Ukraine conflict continued to hamper business worldwide. Over the year as a whole, business in the international core markets performed significantly better than originally expected, despite great uncertainty and volatility in the market environment. With a strong EBIT margin of 14.9 % in 2022 (2021: 13.1 %), the SMT Scharf Group succeeded again in significantly exceeding its defined 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 66.4 % 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, enabling it to continue to pursue its strategy of both organic and inorganic growth. To this end, SMT Scharf continued its initiatives to expand its non-coal business areas during the past fiscal year, such as through research and development in the area of electromobility solutions for underground mining. Overall, SMT Scharf believes that it is well positioned with its modular product range 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.

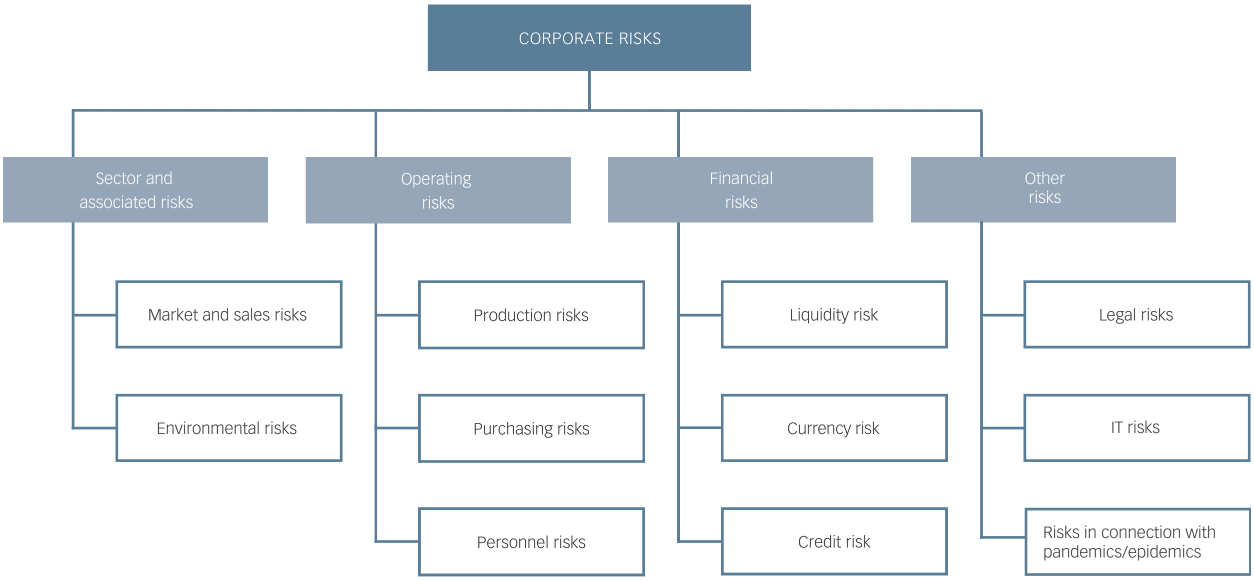
Corporate risks

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 2022 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 was the first European supplier to receive approval for the new China III machines as early as 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.



Moreover, a recession or downturn in demand among individual customer groups could exert a negative effect on SMT Scharf's business. Given the Russia-Ukraine conflict and far-reaching international sanctions, a risk exists of a prolonged recession in Russia. The Kiel Institute for the World Economy (IfW) forecasts that gross domestic product will contract by as much as 2.8 % in 2023, following a decrease of 2.3 % in 2022. The International Monetary Fund's estimate is even gloomier, according to which Russia's economic output decreased by – 2.2 % in 2022. For 2023, in turn, the IMF expects the Russian economy to grow slightly by 0.3 %. On July 10, 2022, the sanctions imposed by the EU took effect, prohibiting the delivery of finished machines to Russia. The delivery of certain spare parts is still possible at present. This leads to the risk that more restrictive sanctions by Western countries could increasingly impact the SMT Scharf Group's business activities in Russia. Here, 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 as well as problems with deliveries of pre-products constitute potential purchasing risks. In this context, risks arise from the ongoing coronavirus pandemic as well as the impact of the Russia-Ukraine conflict and associated disruptions to global supply chains. On the procurement market, this is having an impact in the form of supply shortages and delayed delivery times as well as price increases for energy and materials. 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 higher prices 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 was exposed to increased exchange rate risks and a resultant increase in the price of our products in 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 54 % of the workforce of SMT Scharf was employed outside the Eurozone as of the December 31, 2022 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. For Russia, there is a latent risk that sanctions could still be introduced by the European Commission and make business activities with the Russian subsidiary more difficult. 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.

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. Commodity prices continued to trade at elevated levels in 2022. By the second half of the year, the coal price, which had surged at one point, approached again the level at which it had started 2022. In early 2023, news of a potential more broadly based easing of measures in China to contain the coronavirus pandemic had a positive impact on energy and commodity prices. 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, thereby leading to good growth prospects for the SMT Scharf Group. In the short term, geopolitical tensions in Eastern Europe could have a negative effect on global economic growth and correspondingly dampen activity in the global mining equipment market.

According to the IMF, global growth slowed tangibly from 6.0 % in the previous year to 3.4 % in 2022. This trend is expected to continue in 2023 with a forecast growth rate of 2.9 %. Accordingly, sustained disinflation is a priority for most economies in the face of rising living costs. Accelerating COVID-19 vaccination in China, on the other hand, would help the economic recovery, according to the IMF.

Coal price 2022 (in US dollars)

— Coal price 2018–2022 (Source: finanzen.net)

S&P GSCI Energy & Metals 2022 (in US dollars)

— S&P GSCI Energy & Metals 2022 (Source: spglobal.com)

Rising global demand for raw materials

The ongoing negative effects from the general economic crisis led investment propensity in the mining equipment market to remain subdued in 2022. SMT Scharf expects that mining groups will once again invest more heavily in modern infrastructure as a consequence of the increasing easing of restrictions in mining markets. Following a significant expansion in global economic output in 2021, growth is expected to be much weaker in 2022. Due to geopolitical tensions in Eastern Europe, global economic growth could deteriorate further in 2023, with the IMF forecasting a rate of just 2.9 % in its economic report at the end of January 2023. In general, emerging markets, in particular, are driving demand for raw materials. In turn, this is stimulating demand for coal and other raw materials, thereby incentivising mine operators to invest more in new equipment.

Higher demand on local markets

SMT Scharf expects that Chinese mines will continue to extract more coal and other raw materials in 2023 in order to meet the domestic economy's high demand for resources in line with renewed growth. SMT Scharf also expects that the more stringent standards for machines in underground mining (China III) will continue to drive growth, as Chinese mine operators will have to successively convert their fleets to modern mining machines with lower-emission engines. Overall, growth in global demand for coal will slow, but it has nevertheless regained importance due to the current economic crisis and 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 one of the most important energy sources for the foreseeable future 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. Given high energy requirements in China, SMT Scharf assumes that the market potential is particularly high due to the China III exhaust gas standard. Demand from Russia is also on the rise, but it is an up and down experience due to the constantly changing Russian law.

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, as well as in mining-related industries in the future.

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 goal of further expanding its activities in the business segments outside coal, including 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. SMT Scharf has further expanded its research and development work in the area of electric vehicles at its South African location. 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 interest in ser elektronik, which has been held since 2019, 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

The global economy in 2022 was dominated by global initiatives against inflation, the Russia-Ukraine war which was accompanied by far-reaching macroeconomic effects, and the resurgence of COVID-19 in China. In particular, interest rate hikes by central banks to combat inflation and effects of the Russia-Ukraine war will continue to weigh on economic activity. Accordingly, the International Monetary Fund (IMF) forecasts global growth of 2.9 % for the current 2023 fiscal year. According to the IMF economists, economic growth of 3.1 % is expected in 2024.

This forecast is also subject to a number of risks and opportunities. On the positive side, a stronger stimulus from pent-up demand in numerous economies or a faster reduction in inflation are conceivable. On the other hand, serious health problems in China could slow the recovery, Russia's war in Ukraine could escalate, and a tightening of global financing conditions could intensify the debt problem.

At the start of 2023, 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 %)	2023e	2022
World	2.9	3.4
China	5.2	3.0
Poland	0.3	5.4
Russia	0.3	−2.2
South Africa	1.2	2.6

* IMF World Economic Outlook Update, January 2023

Economic activity in China slowed in the fourth quarter due to several COVID-19 outbreaks in Beijing and other densely populated areas. Renewed closures accompanied the outbreaks until COVID-19 restrictions were relaxed in November and December, paving the way for a full reopening. Real estate investment continued to contract, and restructuring in the construction sector is progressing slowly in view of the ongoing crisis in the real estate market. As a consequence, China's slowdown has affected the growth of global trade in 2022 and the development of international commodity prices. Given the full reopening in China, the IMF expects economic growth there to reach 5.2 % in 2023.

As far as the COVID-19 pandemic is concerned, SMT Scharf will continue to monitor developments very closely, particularly in China, and will initiate appropriate measures to protect its employees and customers where necessary. Overall, restrictions on business activities in SMT Scharf's target markets worldwide deriving from the pandemic have been reduced. However, travel restrictions must still be expected given the resurgence of the pandemic in China.

Despite continued high volatility in the market environment, SMT Scharf believes that it is fundamentally well positioned in the niche to implement customised 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. Good economic growth is forecast for these key sales markets in 2023, although this could be negatively impacted as a consequence of the Ukraine war. As a consequence, the Managing Board expects that investment activity in the mining industry could pick up further in the current fiscal year. In particular, the company believes that the more stringent China III regulation and approval for the new generation of machines are continuing to create attractive growth prospects in the Chinese market.

In addition, Russia is one of the SMT Scharf Group's core markets. While in the 2022 fiscal year local mining companies secured the required equipment for underground raw materials mining at an early stage, with significant revenue growth being achieved in the Russian market as a consequence, SMT Scharf expects a tangibly lower level of business activity in Russia in 2023. Going forward, the sanctions that the EU has imposed will have an impact on this market, prohibiting the delivery of complete machines to Russia. Since 25 February 2023, the delivery of spare parts has also been very limited. SMT Scharf will continue to closely monitor the opportunities and risks in this market with a view to its future business activities, in order to be able to take appropriate measures where necessary.

For the 2023 fiscal year, the Managing Board of SMT Scharf AG conservatively forecasts consolidated revenue of EUR 83 million and EBIT of EUR 1.2 million. Given the continued high level of uncertainty and volatility in the market environment against the backdrop of the Russia-Ukraine war and the effects of the COVID-19 pandemic in China, as well as rising material costs, it cannot be ruled out that this guidance will have to be adjusted during the course of the year to reflect changes in the economic situation.

The cost of materials ratio (as a percentage of total operating revenue) is expected to remain at the previous year's level and above the medium-term target of 50.0 %. Net working capital is targeted to be below the prior-year level in 2023, with a further slight improvement in net working capital intensity in relation to revenue. The days of sales outstanding are expected to be only slightly above the medium-term target of 150 days in 2023. For 2023, the equity ratio is also anticipated to stand at the previous year's level. The medium-term target range for the equity ratio of 35 % to 40 % is based on the assumption that the company will be able to take advantage of further opportunities for external growth in the coming years and, if necessary, finance them with debt capital.

Medium- to long-term, the management expects an improvement in the worldwide market for mining equipment. In China, in particular, it is becoming apparent 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. At its location in South Africa, SMT Scharf has created the conditions to be able to further expand research and development in the area of electromobility as well as the production of electric vehicles. 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 rapidly retrofit electric vehicles for coal mining purposes.

Global demand for coal recorded moderate growth of 1.2 % in 2022. Gas prices have risen sharply due to scarce natural gas supplies, leading to higher state and corporate demand for coal. As a consequence, despite the global energy crisis and disruption to trade flows, the International Energy Agency (IEA) projects that global coal demand could reach a new high in 2023 before levelling off at 2022 levels of 8 billion tonnes by 2025. Developments in China could have the greatest impact on the outlook for global coal demand, as China accounts for more than half of demand.

Coal consumption in China increased sharply in 2021, but growth is expected to remain relatively stagnant at an average of 0.7 % per year up to 2025, mainly due to growth in renewable power generation.

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 31, 2023

The Managing Board

Hans Joachim Theiss Wolfgang Embert

IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2022

EUR	Note	31/12/2022	31/12/2021
Assets			
Intangible assets	(9)	8,106,649.30	6,981,761.86
Property, plant and equipment	(9)	7,722,263.57	7,559,352.03
Loans	(10)	717,343.84	694,424.20
Equity accounted investments	(11)	18,170,617.20	13,418,328.74
Other investments		7,039.97	7,039.97
Deferred tax assets	(8)	2,646,065.39	3,367,153.42
Non-current lease receivables	(23)	528,204.27	116,495.41
Other non-current non-financial assets	(14)	3,797.99	5,117.99
Non-current assets		**37,901,981.53**	**32,149,673.62**
Inventories	(12)	33,662,709.20	32,943,301.23
Trade receivables	(13)	46,254,449.78	41,896,837.30
Contract assets	(13)	0.00	382,293.95
Current lease receivables	(23)	674,642.52	163,346.29
Other current non-financial assets	(14)	3,779,132.14	4,193,404.99
Other current non-financial assets in connection with employees' pension entitlements	(15)	1,069,387.22	47,137.16
Cash and cash equivalents	(16)	7,677,200.17	9,511,699.02
Current assets		**93,117,521.03**	**89,138,019.94**
Total assets		**131,019,502.56**	**121,287,693.56**

EUR	Note	31/12/2022	31/12/2021
Equity and liabilities			
Subscribed share capital		5,471,979.00	5,471,979.00
Capital reserve		24,162,270.28	24,027,533.16
Revenue reserves		59,938,124.65	45,258,681.19
Other reserves		– 4,288,293.31	– 4,507,261.67
Non-controlling interests		1,700,212.05	1,448,866.25
Equity	**(17)**	**86,984,292.67**	**71,699,797.93**
Provisions for pensions	(18)	2,701,681.00	3,066,980.88
Other non-current provisions	(19)	192,226.38	235,061.95
Deferred tax liabilities	(8)	899,255.79	901,514.17
Contract liabilities		0.00	259,096.00
Leasing liabilities	(23)	2,698,713.80	2,202,870.90
Non-current financial liabilities	(24)	1,037,105.71	1,844,223.90
Other non-current financial liabilities	(20)	3,508,454.23	2,992,871.09
Non-current provisions and liabilities		**11,037,436.91**	**11,502,618.89**
Current income tax	(8)	2,704,295.70	1,173,661.74
Other current provisions	(19)	5,963,486.65	10,572,014.04
Contract liabilities	(20)	449,309.91	1,619,056.79
Trade payables	(20)	6,963,805.32	5,013,567.59
Leasing liabilities	(23)	720,826.96	593,152.51
Current financial liabilities (cash and cash equivalents)	(21)	11,738,789.81	15,433,256.88
Current financial liabilities (not cash and cash equivalents)	(24)	2,033,665.67	1,717,820.39
Other current non-financial liabilities	(20)	2,423,592.96	1,962,746.80
Current provisions and liabilities		**32,997,772.98**	**38,085,276.74**
Total assets		**131,019,502.56**	**121,287,693.56**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO DECEMBER 31, 2022

EUR	Note	31/12/2022	31/12/2021
Revenue	(1)	93,713,705.26	85,870,037.81
Changes in inventories		2,145,103.99	–553,080.05
Total operating revenue (100 %)		95,858,809.25	85,316,957.76
Other operating income	(2)	12,922,922.19	8,760,262.39
Cost of materials	(3)	53,147,520.06	47,168,376.48
Personnel expenses	(4)	20,183,557.27	18,397,358.04
Depreciation, amortisation and impairment losses	(5)	2,698,716.10	2,647,366.69
Other operating expenses	(6)	18,430,670.69	14,624,403.01
Profit/loss from operating activities (EBIT)		**14,321,267.32**	**11,239,715.93**
Result from equity accounted investments	(7)	5,293,841.54	3,637,334.83
Interest income	(24)	396,732.93	152,667.60
Interest expenses	(24)	1,374,182.62	934,630.43
Financial result		**4,316,391.85**	**2,855,372.00**
Profit/loss before tax		**18,637,659.17**	**14,095,087.93**
Income taxes	(8)	3,834,720.68	1,513,458.06
Consolidated net profit/loss		**14,802,938.49**	**12,581,629.87**
of which attributable to shareholders of SMT Scharf AG		14,541,998.24	12,556,266.87
of which attributable to non-controlling interests		260,940.25	25,363.00

Other comprehensive income items recycled later to profit or loss:			
Currency differences from translation of foreign financial statements		750,259.75	1,227,040.24
Share of other comprehensive income attributable to equity accounted investments		–540,885.84	1,237,761.94
Other comprehensive income items not recycled later to profit or loss:			
Actuarial gains/losses	(18)	202,423.00	203,779.00
Deferred taxes	(8)	–64,977.79	–65,413.06
Other comprehensive income		**346,819.12**	**2,603,168.12**
of which, share of other comprehensive income attributable to shareholders of SMT Scharf AG		356,413.57	2,607,062.65
of which, share of other comprehensive income attributable to non-controlling interests		–9,594.45	–3,894.53
Total comprehensive income		**15,149,757.61**	**15,184,797.99**
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG		14,898,411.81	15,163,329.52
of which, share of total comprehensive income attributable to non-controlling interests		251,345.80	21,468.47
Earnings per share*			
Undiluted (basic)		2.75	2.46
Diluted		2.73	2.45

* Consolidated net income divided by an average number of 5,471,979 issued shares (previous year: 5,096,376) attributable to shareholders from SMT Scharf AG. The calculation of diluted earnings per share in 2022 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, 2022

EUR	2022	2021
Consolidated net profit/loss	14,802,938.49	12,581,629.87
− Income from equity accounted investments	– 5,293,841.54	– 3,637,334.83
+ Depreciation and amortisation of non-current assets	2,698,716.10	2,647,366.69
± Gain/loss on disposal of non-current assets	331,010.32	– 131,783.87
− Decrease in provisions	– 4,985,005.29	7,189,833.32
± Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	– 6,412,972.20	– 24,939,865.85
± Increase/decrease in trade payables and other liabilitiesnot allocable to investing or financing activities	818,312.93	– 763,849.55
± Other non-cash expenses/income	134,737.12	134,737.12
+ Income taxes	3,834,720.68	1,513,458.06
+ Financial expenses	977,449.69	781,962.83
− Income taxes paid	– 1,230,880.95	– 880,123.07
Cash flow from operating activities	**5,675,185.35**	**– 5,503,969.27**
+ Cash inflows from disposal of property, plant and equipment	46,433.98	1,064,208.35
− Capital expenditure on property, plant and equipment	– 1,217,976.75	– 1,379,043.16
− Capital expenditure on intangible assets	– 1,634,404.73	– 2,757,005.75
+ Interest received	392,810.05	152,361.33
Cash flow from investing activities	**– 2,413,137.46**	**– 2,919,479.23**
+ Cash inflow from capital increase	0.00	7,927,342.72
+ Cash inflow from the drawing down of loans	30,888.00	489,007.62
− Cash outflow for the repayment of leasing liabilities	– 692,986.39	– 566,750.99
+ Cash inflow from sale-and-leaseback agreements	1,310,547.47	1,530,282.42
− Cash outflow for the repayment of loans	– 1,315,960.46	– 1,886,677.56
− Interest paid	– 1,024,787.78	– 912,391.08
Cash flow from financing activities	**– 1,692,299.16**	**6,580,813.13**
Net change in cash and cash equivalents	**1,569,748.74**	**– 1,842,635.37**
Changes in cash and cash equivalents due to effects from exchange rates and consolidated Group	290,219.48	48,941.14
Cash and cash equivalents at start of period	– 5,921,557.86	– 4,127,863.63
Cash and cash equivalents at end of period	**– 4,061,589.65**	**– 5,921,557.86**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO DECEMBER 31, 2022

			Revenue reserves	
EUR	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves
Balance on January 1, 2022	**5,471,979.00**	**24,027,533.16**	**–196,343.93**	**45,455,025.12**
Consolidated net profit/loss	–	–	–	14,541,998.25
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	–	–	202,423.00	–
Deferred taxes on recognised actuarial gains/losses	–	–	–64,977.79	–
Comprehensive income	0.00	0.00	137,445.21	14,541,998.25
Increase in equity due to shares to be issued	–	134,737.12	–	–
Balance on December 31, 2022	**5,471,979.00**	**24,162,270.28**	**–58,898.72**	**59,997,023.37**

Other reserves: Currency translation difference	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total Equity
-4,507,261.67	**70,250,931.68**	**1,448,866.25**	**71,699,797.93**
–	14,541,998.25	260,940.25	14,802,938.50
759,854.20	759,904.38	-9,594.45	750,309.93
-540,885.84	-540,885.84	–	-540,885.84
–	202,423.00	0.00	202,423.00
–	-64,977.79	0.00	-64,977.79
218,968.36	14,898,411.82	251,345.80	15,149,757.62
–	134,737.12	0.00	134,737.12
-4,288,293.31	**85,284,080.62**	**1,700,212.05**	**86,984,292.67**

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**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2022 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. In addition to 49,477 treasury shares, all remaining 5,471,979 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, 2022, 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. SMT Scharf AG’s consolidated financial statements include the smallest and largest group of companies. The consolidated financial statements and the group management report are published in the Bundesanzeiger (Federal Gazette).

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 reviewed and approved by the Supervisory Board of SMT Scharf AG on April 5, 2023, 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, 2022 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, 2022, they had no effect, or no material effect, on the SMT Scharf 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.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
The amendments prohibit the deduction from cost 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 includes 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.

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 or 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.

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 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.

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. It has no effects on the Group. EU endorsement was issued on June 28, 2021.

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 will be 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 where 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 may 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, 2024. EU endorsement is still outstanding. These amendments will prospectively have immaterial effects on the Group.

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 02, 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 02, 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 will 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. New lease liabilities amounting to approximately EUR 1,254 thousand were entered into for new leases in the 2022 fiscal year. EU endorsement was issued on August 11, 2022.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
The amendments clarify that no gains and losses attributable to the retained right of use are to be recognised in the subsequent measurement of a lease liability arising from a sale and leaseback transaction. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendment may have an effect on the consolidated financial statements in future periods should such transactions occur. EU endorsement is still outstanding.

In December 2022, the Council of the European Union reached an agreement on the implementation of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two) concerning the global minimum taxation of large companies. Transposition into national law is still pending in Germany and is expected in the 2023 financial year. The locally implemented EU directive is expected to be applicable for the first time for fiscal years beginning on or after January 1, 2024. The impact of the implementation of the directive is still under review. In this context, the IASB published the Exposure Draft "International Tax Reform – Pillar Two Model Rules (Proposed amendments to IAS 12)" on January 9, 2023. This includes a proposal to introduce a temporary exemption from accounting for deferred taxes that may arise from the implementation of the new EU directive, as well as supplementary disclosures in the notes to the financial statements, depending on whether transposition into national tax law has already occurred or is still pending. The proposed exemption from accounting for deferred taxes is to apply retrospectively immediately upon adoption of the standard, subject to the relevant endorsement.

In addition, the International Sustainability Standard Board (ISSB), which was newly established in 2021, published initial drafts on sustainability reporting in 2022, whose future potential impact on SMT's consolidated financial statements is currently being analysed.

Information about subsidiaries

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

	Interest held	Equity (IFRS) 31/12/2022	Profit/loss (IFRS) 2022
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 %	6,026,130.93	712,455.73
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) 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 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, 2022.

EUR thousand	31/12/2022	31/12/2021
Non-current assets	795	659
Current assets	60,282	50,501
Current liabilities	24,131	24,326

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2022	31/12/2021
Cash and cash equivalents	20,130	10,179
Current financial liabilities	24,131	22,935

EUR thousand	31/12/2022	31/12/2021
Revenue	65,172	55,560
Profit from continuing operations	10,658	8,547
Other comprehensive income	5	25
Total comprehensive income	10,663	8,572

The profit listed above includes the following amounts:

EUR thousand	31/12/2022	31/12/2021
Depreciation and amortisation	74	42
Interest expenses	109	233
Income taxes	1,882	1,216

Deliveries of merchandise worth EUR 7,269 thousand (previous year: EUR 4,101 thousand) were made to the joint venture in the reporting year. As of the balance sheet date, outstanding receivables arising from this amounted to EUR 317 thousand (previous year: EUR 0 thousand).

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	31/12/2022	31/12/2021
Net assets of the joint venture	36,945	26,835
Interest held	50 %	50 %
Carrying amount of the interest	**18,473**	**13,418**

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, 2022.

EUR thousand	31/12/2022	31/12/2021
Current assets	3,901	2,670
Current liabilities	2,329	1,106

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2022	31/12/2021
Cash and cash equivalents	118	32
Current financial liabilities	0	1,106

EUR thousand	31/12/2022	31/12/2021
Revenue	2,125	1,884
Profit from continuing operations	70	25
Total comprehensive income	70	25

The profit listed above includes the following amounts:

EUR thousand	31/12/2022	31/12/2021
Interest expenses	1	28
Income taxes	55	3

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	31/12/2022	31/12/2021
Net assets of the joint venture	1,647	1,585
Interest held	40 %	40 %
Carrying amount of the interest	**659**	**634**

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 2022 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. As the Bundesbank no longer provided values for the rouble exchange rate from March 2022, alternative monetary currency conversion rates from Commerzbank AG, Frankfurt am Main, were used. 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 =	31/12/2022	31/12/2021	2022	2021
Polish Zloty	4.6808	4.5969	4.6861	4.5652
South African Rand	18.0986	18.0625	17.2086	17.4766
Chinese Renminbi Yuan	7.3582	7.1947	7.0788	7.6282
Russian Rouble	76.8672	85.3004	70.3813	87.1527
Canadian Dollar	1.4440	1.4393	1.3695	1.4826

Accounting and valuation policies

DThe 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, 2022.

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 868 thousand of goodwill reported as of December 31, 2022 (previous year: EUR 870 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 ten 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.

A triggering event has occurred due to the Ukraine war and the CGU was reviewed in this context. Due to the continued high demand and also future cash flows, an impairment of the assets for the CGU Russia could be determined.

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 2022.

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 has been effective since 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 lifting beams). 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 regard. 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 868 thousand (previous year: EUR 870 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 2022 and 2021.

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 2,646 thousand of deferred taxes were capitalised as of December 31, 2022 (previous year: EUR 3,367 thousand), which were offset by deferred tax liabilities of EUR 899 thousand (previous year: EUR 902 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, 2022, it is expected that future revenues of EUR 22,852 thousand (previous year: EUR 26,856 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	2022	2021
Sale of new equipment	55,829	49,855
Spare parts sales and services	36,127	34,848
Revenue from contracts with customers	91,956	84,703
Other revenue	1,758	1,167
Total	**93,714**	**85,870**

The following table shows the breakdown by time of realisation for 2022:

	2022		2021	
EUR thousand	Period-related	Date-related	Period-related	Date-related
Sale of new equipment	5,340	50,489	6,434	43,421
Spare parts	0	28,856	4,408	24,239
Services	6,829	442	5,329	872
Other revenue	1,758	0	1,167	0
Total	**13,927**	**79,787**	**17,338**	**68,532**

Revenue by region was as follows:

EUR thousand	2022	2021
China	43,404	44,551
Russia and other CIS states	20,573	14,134
Poland	9,468	7,754
Germany	2,919	2,346
Africa	9,907	10,141
America	2,463	3,584
Other countries	4,980	3,360
Total	**93,714**	**85,870**

In the reporting period, revenues in the amount of EUR 449 thousand (previous year: EUR 1,878 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	2022	2021
Capitalisation of development costs	287	916
Miscellaneous other operating income	782	427
Damage compensation	259	0
Liabilities to previous shareholders of RDH	0	772
Reversal of individual valuation allowances	100	471
Own work capitalised (ERP)	545	593
State subsidies for personnel costs	0	578
Exchange rate gains	6,257	4,554
Gains on disposals of non-current assets	337	322
Release of provisions	4,356	127
Total	**12,923**	**8,760**

(3) Cost of materials

The cost of materials is composed of the following items:

EUR thousand	2022	2021
Raw materials, supplies and purchased merchandise	45,505	39,858
Purchased services	7,643	7,310
Total	**53,148**	**47,168**

The cost of materials ratio (as a percentage of total operating revenue) amounted to 55.4 %, which was at the previous year's level (2021: 55.3 %).

(4) Personnel expenses

Personnel expenses are composed of the following items:

EUR thousand	2022	2021
Wages and salaries	17,009	15,522
Social security and pension contributions	3,175	2,875
Total	**20,184**	**18,397**

Expenses for defined contribution pension plans, especially statutory pension insurance, of EUR 169 thousand (previous year: EUR 119 thousand) were recognised during the fiscal year under review.

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

	2022	2021
Employees	419	420
of which trainees	7	10
Total	**419**	**420**

(5) Depreciation, amortisation and impairment losses

EUR thousand	2022	2021
Amortisation and impairment losses applied to intangible assets	446	190
Depreciation and impairment losses applied to property, plant and equipment	2,253	2,457
Total depreciation, amortisation and impairment losses	**2,699**	**2,647**

(6) Other operating expenses

Other operating expenses are composed of the following items:

EUR thousand	2022	2021
Valuation allowances applied to receivables	1,669	236
Exchange rate losses	7,616	1,518
Special direct cost of sales	1,421	1,125
Third-party services	3,117	2,611
Travel expenses	992	805
Rent and leases	269	227
Maintenance costs	693	639
Advertising	273	184
Contributions/fees	205	390
Energy costs	450	423
Insurance	357	312
Penalty fees	147	4,333
Temporary staff	244	345
Miscellaneous other operating expenses	978	1,476
Total	**18,431**	**14,624**

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	2022	2021
Audit	68	62
Tax advice	35	12
Other services	0	0
Total	**103**	**74**

Tax advisory services relate exclusively to tax declaration services.

(7) Result from equity accounted investments

Income from investments derives from the positive result in 2022 relating to the Chinese company Shandong Xinsha Monorail Co. Ltd., Xintai / China in the amount of EUR 5,294 thousand (previous year: EUR 4,246 thousand), and the Chinese company Shanxi Province, Shanxi Ande Auxiliary Transportation Co. Ltd., Changzhi China in the amount of EUR 0 thousand (previous year: EUR 25 thousand). In the previous year, 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	2022	2021
Current tax expense	3,181	1,683
of which relating to the fiscal year under review	3,181	1,683
Deferred taxes	654	– 170
of which creation or reversal of temporary differences	82	376
of which increase / decrease in loss carryforwards	572	– 546
Total	**3,835**	**1,513**

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	2022	2021
Deferred tax assets		
Inventories	1,683	1,818
Trade receivables	741	389
Financial liabilities	516	158
Other provisions	272	455
Pension provisions	234	435
Miscellaneous assets	126	154
Miscellaneous liabilities	87	496
Property, plant and equipment	114	133
Loss carryforwards	0	572
Offsetting with deferred tax liabilities	–1,127	–1,243
Total	**2,646**	**3,367**
Deferred tax liabilities		
Property, plant and equipment	733	983
Intangible assets	774	785
Miscellaneous assets	367	235
Miscellaneous liabilities	153	142
Offsetting with deferred tax assets	–1,127	–1,243
Total	**900**	**902**

Deferred tax assets and liabilities totalling EUR 1,127 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 1,243 thousand). Consolidation effects result in deferred tax assets of EUR 1,245 thousand (previous year: EUR 1,179 thousand) (as in the previous year, included in inventories and trade receivables), and in deferred tax liabilities of EUR 83 thousand (previous year: 103) (mainly included in intangible assets). The deferred tax position relating to actuarial gains and losses recognised in other comprehensive income amounts to EUR 28 thousand (previous year: EUR 93 thousand) and has consequently decreased by EUR 65 thousand. As of December 31, 2022, deferred tax assets were carried for tax loss carryforwards in an amount of EUR 0 thousand (previous year: EUR 572 thousand). In contrast to the previous year, corporate income tax or trade tax loss carryforwards in Germany no longer existed as of the reporting date (previous year: EUR 1,802 thousand and EUR 1,761 thousand, respectively) in relation to which deferred taxes could be capitalised (previous year: EUR 285 thousand and EUR 287 thousand, respectively). As in the previous year, no deferred tax assets were recognised in relation to loss carryforwards in Canada of EUR 7,026 thousand (previous year: EUR 7,257 thousand) and at a Chinese company in the amount of EUR 844 thousand (previous year: EUR 0 thousand). The loss carryforwards in Canada can be utilised for a period exceeding five years.

Due to tax planning, surpluses of deferred tax assets in Canada and at a Chinese company are not considered realisable. At present, capitalisation in Canada does not appear to be appropriate, as the company is currently undergoing restructuring and the related value is not recoverable until sustainable profits are generated. In China, offsetting against profits of the sister company is no longer applicable.

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	2022	2021
Profit before income taxes	18,638	14,095
Imputed tax expense	5,983	4,526
International tax rate differences	– 478	– 584
Non-tax-effective income from associates	– 1,700	– 1,195
Non-tax-effective income from affiliated companies (consolidation)	0	34
Write-up/write-down/subsequent recognition of deferred taxes, including utilisation of loss carryforwards for which no deferred taxes were previously recognised	0	– 866
Formation (previous year: write-down) of deferred taxes on loss carryforwards	0	– 572
Non-capitalisation of deferred tax assets	187	114
Tax effects relating to non-deductible expenses	3,009	343
Other non-taxable income or tax deductions	– 3,093	– 98
Other differences	– 73	– 189
Reported income tax expense	**3,835**	**1,513**

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, 2022

EUR		Opening balance 01/01/2022	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2022
Goodwill	Gross	977,211.75	-1,729.10	0.00	0.00	0.00	0.00	975,482.65
	Adj.	107,000.00	0.00	0.00	0.00	0.00	0.00	107,000.00
	Net	**870,211.75**	-1,729.10	**0.00**	**0.00**	**0.00**	**0.00**	**868,482.65**
Acquired intangible assets	Gross	5,805,507.42	-2,349.54	1,347,518.69	23,720.80	0.00	0.00	7,126,955.77
	Adj.	2,076,284.34	-6,157.58	191,327.08	0.00	0.00	0.00	2,261,453.84
	Net	**3,729,223.08**	**3,808.04**	**1,156,191.61**	**23,720.80**	**0.00**	**0.00**	**4,865,501.93**
Acquired intangible assets	Gross	6,782,719.17	-4,078.64	1,347,518.69	23,720.80	0.00	0.00	8,102,438.42
	Adj.	2,183,284.34	-6,157.58	191,327.08	0.00	0.00	0.00	2,368,453.84
	Net	**4,599,434.83**	**2,078.94**	**1,156,191.61**	**23,720.80**	**0.00**	**0.00**	**5,733,984.58**
Own work capitalised	Gross	3,565,711.38	-7,429.41	481,140.50	231,588.37	0.00	0.00	3,807,834.10
	Adj.	1,183,384.43	-3,537.49	255,322.44	0.00	0.00	0.00	1,435,169.37
	Net	**2,382,326.95**	**-3,891.92**	**225,818.07**	**231,588.37**	**0.00**	**0.00**	**2,372,664.72**
Intangible assets	Gross	10,348,430.55	-11,508.06	1,828,659.20	255,309.18	0.00	0.00	11,910,272.52
	Adj.	3,366,668.77	-9,695.08	446,649.52	0.00	0.00	0.00	3,803,623.21
	Net	**6,981,761.78**	**-1,812.98**	**1,382,009.68**	**255,309.18**	**0.00**	**0.00**	**8,106,649.31**
Land and buildings	Gross	8,416,175.31	66,111.18	1,738.34	644,413.80	0.00	0.00	7,839,611.03
	Adj.	6,452,793.14	4,689.34	123,240.18	644,413.80	0.00	0.00	5,936,308.85
	Net	**1,963,382.17**	**61,421.84**	**-121,501.84**	**0.00**	**0.00**	**0.00**	**1,903,302.18**
Land and buildings (IFRS16)	Gross	3,218,855.78	3,742.07	870,335.08	24,309.74	0.00	0.00	4,068,623.20
	Adj.	1,024,795.09	933.65	507,151.90	0.00	0.00	0.00	1,532,880.64
	Net	**2,194,060.69**	**2,808.42**	**363,183.19**	**24,309.74**	**0.00**	**0.00**	**2,535,742.56**
Land and buildings	Gross	11,635,031.09	69,853.25	872,073.43	668,723.54	0.00	0.00	11,908,234.22
	Adj.	7,477,588.22	5,622.99	630,392.08	644,413.80	0.00	0.00	7,469,189.49
	Net	**4,157,442.86**	**64,230.26**	**241,681.35**	**24,309.74**	**0.00**	**0.00**	**4,439,044.74**
Technical equipment and machinery	Gross	5,129,599.73	358,026.89	300,993.92	216,638.33	0.00	0.00	5,571,982.21
	Adj.	3,925,587.96	226,306.34	468,970.61	169,116.27	0.00	-27,153.15	4,424,595.49
	Net	**1,204,011.77**	**131,720.55**	**-167,976.69**	**47,522.06**	**0.00**	**27,153.15**	**1,147,386.72**
of which leased	Gross	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Adj.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Net	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Technical equipment and machinery (IFRS16)	Gross	99,686.65	-345.97	0.00	0.00	0.00	0.00	99,340.68
	Adj.	35,649.28	-150.35	15,062.69	0.00	0.00	0.00	50,561.63
	Net	**64,037.37**	**-195.63**	**-15,062.69**	**0.00**	**0.00**	**0.00**	**48,779.04**

EUR		Opening balance 01/01/2022	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2022
Technical equipment and machinery	Gross	5,229,286.38	357,680.92	300,993.92	216,638.33	0.00	0.00	5,671,322.89
	Adj.	3,961,237.24	226,156.00	484,033.30	169,116.27	0.00	-27,153.15	4,475,157.12
	Net	**1,268,049.14**	**131,524.92**	**-183,039.38**	**47,522.06**	**0.00**	**27,153.15**	**1,196,165.76**
Office equipment, fixtures and fittings	Gross	8,311,954.66	21,305.66	841,829.46	2,038,891.29	-7,049.77	0.00	7,129,148.72
	Adj.	6,650,980.85	- 209.5	888,776.16	1,806,040.81	0.00	0.00	5,733,506.70
	Net	**1,660,973.81**	**21,515.16**	**-46,946.70**	**232,850.49**	**-7,049.77**	**0.00**	**1,395,642.02**
of which leased	Gross	2,155,493.29	-38,843.95	41,865.60	1,890,005.62	0.00	0.00	268,509.31
	Adj.	1,500,070.96	-26,745.72	277,931.53	1,673,233.61	0.00	0.00	78,023.17
	Net	**655,422.33**	**-12,098.24**	**-236,065.93**	**216,772.01**	**0.00**	**0.00**	**190,486.14**
Office equipment, fixtures and fittings (IFRS 16)	Gross	998,186.07	-3,420.33	401,012.31	146,878.74	7,049.77	0.00	1,255,949.08
	Adj.	525,299.85	-1,435.88	248,865.04	135,171.51	0.00	0.00	637,557.50
	Net	**472,886.22**	**-1,984.45**	**152,147.27**	**11,707.23**	**7,049.77**	**0.00**	**618,391.57**
Office equipment, fixtures and fittings	Gross	9,310,140.73	17,885.33	1,242,841.77	2,185,770.03	0.00	0.00	8,385,097.80
	Adj.	7,176,280.70	-1,645.38	1,137,641.20	1,941,212.32	0.00	0.00	6,371,064.21
	Net	**2,133,860.03**	**19,530.71**	**105,200.57**	**244,557.71**	**0.00**	**0.00**	**2,014,033.59**
payments in advance	Gross	0.00	0.00	73,019.48	0.00	0.00	0.00	73,019.48
	Adj.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Net	**0.00**	**0.00**	**73,019.48**	**0.00**	**0.00**	**0.00**	**73,019.48**
Property, plant and equipment	Gross	26,174,458.19	445,578.14	2,488,928.60	3,071,131.90	0.00	0.00	26,037,674.39
	Adj.	18,615,106.17	230,133.61	2,252,066.58	2,754,742.40	0.00	-27,153.15	18,315,410.82
	Net	**7,559,352.02**	**215,444.53**	**236,862.02**	**316,389.51**	**0.00**	**27,153.15**	**7,722,263.57**

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	0.00	–	–	–	–	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**	**–**	**–**	**–**	**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	0.00	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	–	–	–
	Adj.	323,458.85	–	66,491.00	389,949.85	–	–	–
	Net	**474,411.00**	**–**	**-66,491.00**	**407,920.00**	**–**	**–**	**–**
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	–	5,229,286.38
	Adj.	3,632,928.75	184,883.05	729,869.94	198,578.65	-387,865.85	–	3,961,237.24
	Net	**1,872,486.95**	**64,916.89**	**-244,896.08**	**14,454.63**	**-410,004.00**	**–**	**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	0.00	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**

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. A total of EUR 481 thousand (previous year: EUR 916 thousand) was capitalised. The sum total of research and development expenses stood at EUR 2,012 thousand in the reporting year (previous year: EUR 1,987 thousand). This includes capitalised costs of EUR 481 thousand (previous year: EUR 916 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.

The property, plant and equipment reported on the balance sheet with a carrying amount of EUR 7,722 thousand (previous year: EUR 7,559 thousand) also includes rights of use under leases. In 2022, new rights of use amounting to EUR 1,271 thousand were acquired (previous year: EUR 329 thousand). The additions mainly related to lands and buildings.

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

EUR		Opening balance 01/01/2022	Exchange rate difference	Addition	Disposal	Write-up	Closing balance 31/12/2022
Land and buildings	Gross	3,218,855.78	3,742.07	870,335.08	24,309.74	0.00	4,068,623.20
	Adj.	1,024,795.09	933.65	507,151.90	0.00	0.00	1,532,880.64
	Net	**2,194,060.69**	**2,808.42**	**363,183.19**	**24,309.74**	**0.00**	**2,535,742.56**
Technical equipment and machinery	Gross	99,686.65	-345.97	0.00	0.00	0.00	99,340.68
	Adj.	35,649.28	-150.35	15,062.69	0.00	0.00	50,561.63
	Net	**64,037.37**	**-195.63**	**-15,062.69**	**0.00**	**0.00**	**48,779.04**
Office equipment, fixtures and fittings	Gross	998,186.07	-3,420.33	401,012.31	146,878.74	0.00	1,255,949.08
	Adj.	525,299.85	-1,435.88	248,865.04	135,171.51	0.00	637,557.50
	Net	**472,886.22**	**-1,984.45**	**152,147.27**	**11,707.23**	**0.00**	**618,391.57**
Total	**Gross**	**4,316,728.50**	**-24.24**	**1,271,347.39**	**171,188.47**	**0.00**	**5,423,912.95**
	Adj.	**1,585,744.22**	**-652.57**	**771,079.64**	**135,171.51**	**0.00**	**2,220,999.78**
	Net	**2,730,984.28**	**628.33**	**500,267.76**	**36,016.96**	**0.00**	**3,202,913.18**

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	0.00	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	0.00	0.00	0.00	99,686.65
	Adj.	26,960.43	-74.76	8,763.61	0.00	0.00	35,649.28
	Net	**72,896.19**	**-95.21**	**-8,763.61**	**0.00**	**0.00**	**64,037.37**
Office equipment, fixtures and fittings	Gross	1,022,727.88	-1,902.71	161,585.58	184,224.68	0.00	998,186.07
	Adj.	436,010.45	-676.47	182,816.36	92,850.49	0.00	525,299.85
	Net	**586,717.44**	**-1,226.25**	**-21,230.78**	**91,374.19**	**0.00**	**472,886.22**
Total	**Gross**	**4,260,387.47**	**6,033.89**	**329,048.56**	**278,741.43**	**0.00**	**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**

The SMT Scharf Group leases internally developed machines and heavy-load lifting beams as a lessor in the context of finance leases. The carrying amount of lease receivables stands at EUR 1,203 thousand (previous year: EUR 279 thousand). The increase compared with the previous year arose from the conclusion of several new contracts with customers in Poland.

(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) At-equity accounted investments

For at-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	2022	2021
Raw materials, consumables and supplies	10,878	12,304
Work in progress	14,801	10,110
Finished goods and merchandise	7,984	10,529
Carrying amount	**33,663**	**32,943**

As of December 31, 2022, write-downs of inventories to their lower net realisable value totalled EUR 4,134 thousand (previous year: EUR 3,359 thousand).

EUR thousand	2022	2021
Inventories without impairment	28,804	30,475
Inventories with impairment	4,859	2,469
Carrying amount	**33,663**	**32,943**

(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	2022	2021
Carrying amount of trade receivables	46,254	41,897
of which individual valuation allowances	2,528	959

In the reporting period, trade receivable also include bills of exchange received, which were reported separately in the previous year.

Reconciliation of individual valuation allowances:

EUR thousand	2022	2021
Balance January 1	959	1,194
Reversals	100	471
Additions	1,669	236
Balance December 31	**2,528**	**959**

All individual 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	2022	2021
Receivables not overdue	43,149	37,092
Value-adjusted overdue receivables	209	14
of which due from 90 days	209	14
Overdue receivables not value-adjusted	2,896	4,805
of which due between 1 and 30 days	724	723
of which due from 31 days	2,172	4,082
Trade receivables, total	**46,254**	**41,897**

(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	2022	2021
Securities	1,069	47

(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 4,347 thousand (previous year: EUR –4,703 thousand). It comprises actuarial gains and losses of EUR –59 thousand (previous year: EUR –196 thousand) and differences in currency translation of EUR –4,288 thousand (previous year: EUR –4,507). The changes in the individual components are shown in the statement of changes in equity.

In the 2022 reporting year, the average number of shares amounted to 5,471,979 (previous year: 5,471,979).

The share premium account 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, 2022, 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: 5,471,979). 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, 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.

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 about 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 961 thousand. The Managing and Supervisory boards will propose to the Annual General Meeting to be held on May 23, 2023 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.	31/12/2022	31/12/2021
Qualifying trend	2.0	2.0
Rate of pension increases	1.0	1.0
Discount rate (DBO)	3.35	1.15

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

In TEUR	2022	2021
Defined benefit obligation on January 1	3,028	3,327
Current service cost	0	13
Interest cost	34	15
Pension payments and transfers	–158	–124
Actuarial gains/losses	–202	–203
of which financial assumptions	–814	–126
of which experience adjustments	612	–77
Defined benefit obligation on December 31	**2,702**	**3,028**

A –0.5% change in the interest rate would result in an increase in the pension obligation of EUR 155 thousand. A 0.5% increase in the interest rate would lead to a EUR –142 thousand reduction in the pension obligation. Both sensitivity calculations were performed while keeping all other assumptions unchanged.

Sensitivities (IAS 19.145)	DBO 2022	Change 2022	DBO 2021	Change 2021
Actuarial interest rate +0.5%	2,560	–142	2,835	–192
Actuarial interest rate –0.5%	2,857	155	3,243	215
Pension trend +0.5%	2,846	145	3,215	187
Pension trend –0.5%	2,568	–134	2,856	–171
Life expectancy +1 year	2,833	131	3,217	189

The weighted average term of the defined benefit obligation as of December 31, 2022 is 11.9 years (previous year: 16.98 years). The following payments are due in the current fiscal year and in the next three years:

EUR thousand	
Pension payments 2022	158
Expected pension payments 2023	165
Expected pension payments 2024	164
Expected pension payments 2025	167

(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.

Other non-current provisions mainly relate to personnel-related obligations.

As in the previous year, the interest effect from the discounting of other non-current provisions amounted to EUR 0 thousand.

The changes to other provisions in 2022 can be seen in the following statement of changes in provisions:

Consolidated statement of changes in other provisions from January 1 to December 31, 2022

EUR thousand	Opening balance 01/01/2022	Currency translation	Transfer	Consump-tion	Additions	Reversals	Closing balance 31/12/2022
Personnel area	2,302	45	0	1,836	1,998	48	2,461
Sales area	5,484	–9	0	535	421	4,211	1,150
Other areas	2,786	–18	0	1,904	1,505	17	2,352
Other current provisions	10,572	18	0	4,275	3,924	4,276	5,963
Other non-current provisions	235	–1	0	19	18	80	192

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

(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 from operating activities includes the following receipts and payments:

EUR thousand	2022	2021
Interest received	393	152
Interest paid	1,025	912
Interest paid on capitalised assets (IFRS 16)	128	149
Income taxes paid	1,231	880

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	31/12/2022	31/12/2021
Cash and cash equivalents	7,677	9,512
./. Current financial liabilities (overdrafts)	11,739	15,433
Net financial position	**-4,062**	**-5,921**

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

EUR thousand	01/01/2022	Additions from new agreements	Cash flows	Reversals	Reclassification	Exchange rate differences	31/12/2022
Non-current leasing liabilities	2,203	1,271	–	–	–812	37	2,699
Non-current financial liabilities	1,844	–	–27	–	–780	–	1,037
Other non-current financial liabilities	2,993	611	–87	–	–7	–2	3,508
Total non-current financial liabilities	**7,040**	**1,882**	**–144**	**–**	**–1,599**	**35**	**7,244**
Current leasing liabilities	593	–	–693	–	812	8	720
Current financial liabilities (cash and cash equivalents)	15,433	5,781	–9,438	–	–	–38	11,738
Current financial liabilities (not cash and cash equivalents)	1,718	730	–1,202	–	787	–	2,033
Total current financial liabilities	**17,744**	**6,511**	**–11,333**	**–**	**1,599**	**–30**	**14,491**
Total financial liabilities	**24,784**	**8,393**	**–11,447**	**–**	**–**	**5**	**21,735**

The reclassifications derive from a reclassification from trade payables.

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.

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 150 thousand (previous year: EUR 2,238 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 17 million of its subsidiaries' credit lines. We consider a claim to be very low.

(23) Leases

The Group is a lessee under leases for cars, office premises and office equipment.

The leases have terms of up to 23 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, 2022 amounts to 79.2 % (previous year: 80.3 %. The real estate contracts have the longest terms (up to 23 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 3,420 thousand deriving from the leases existed as of the reporting date (previous year: EUR 2,796 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 3,202 thousand (previous year: EUR 2,731 thousand). For more information on rights of use, see section 9.

As of December 31, 2022, 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	738	26	712
Due in one to five years	2,454	490	1,964
Due after more than five years	945	453	492
Total	**4,137**	**969**	**3,168**

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, 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**

In 2022, the rental and lease agreements resulted in payments totalling EUR 856 thousand (previous year: EUR 675 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	2022	2021
Expenses for current leases	45	109
Expenses for leases for low-value assets	0	0
Variable lease payments recognised as expenses	0	0
Total	**45**	**109**

In connection with the lease liabilities, interest expenses of EUR 207 thousand were recognised in the income statement in 2022 (previous year: EUR 142 thousand).

As of December 31, 2022, 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 107 thousand (previous year: EUR 96 thousand).

The Group is also a lessor as part of finance and operating leases. In both cases, the assets concerned are drive units. 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 1,203 thousand existed as of the reporting date (previous year: EUR 212 thousand). They are disclosed under lease receivables and measured at amortised cost. These generated interest income of EUR 38 thousand in the reporting year (previous year: EUR 13 thousand). Capital gains of EUR 41 thousand arose. The increase in lease receivables arises from the conclusion of new lease agreements with customers in Poland in 2022

There fair value on the balance sheet date amounted to EUR 1,203 thousand (previous year: EUR 212 thousand). The following information is provided on receivables from finance leases:

Sum total of future minimum leasing payments (gross investment)

EUR thousand	31/12/2022	31/12/2021
Due within one year	715	98
Due in one to two years (previous year: 1–5 years)	609	124
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	**1,324**	**222**

Present value of outstanding minimum lease payments

EUR thousand	31/12/2022	31/12/2021
Due within one year	675	96
Due in one to two years (previous year: 1–5 years)	528	116
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	**1,203**	**212**
Unrealised financial income included in the outstanding minimum lease payments	121	10

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	31/12/2022	31/12/2021
Due within one year	–	104
Due in one to two years (previous year: 1–5 years)	–	–
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**

In the 2022 fiscal year, leasing income from rental leases amounting to EUR 103 thousand was realised (previous year: EUR 344 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 31/12/2022

EUR thousand	IAS 9 category	Carrying amount	Fair value
Loans	AC	717	717
Securities	FVTPL	1,069	1,069
Cash and cash equivalents	AC	7,677	7,677
Trade receivables	AC	46,254	46,254
Lease receivables	n. a.	1,203	1,203
Non-current financial liabilities	FLAC	1,037	1,037
Trade payables	FLAC	6,964	6,964
Current financial liabilities	FLAC	13,772	13,772
Leasing liabilities	n. a.	3,420	3,420

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

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	2022	2021
Financial assets measured at fair value through profit or loss (FVTPL)	0	–
Financial liabilities measured at amortised cost (AC)	3,529	96
Financial liabilities measured at amortised cost (FLAC)	0	–4
Total	**3,529**	**92**

Net gains comprise value allowances and currency translation.

Interest expenses of EUR 1,374 thousand in the fiscal year under review (previous year: EUR 935 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 397 thousand in the year (previous year: EUR 153 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 31/12/2022	Carrying amount EUR thousand	Contractually agreed cash flows	Up to 1 year	1–5 years	More than 5 years
Loan	177	quarterly	177	0	–
Loan	728	quarterly	376	352	–
Loan	436	quarterly	194	242	–
Loan	552	quarterly	245	307	–
Loan	168	quarterly	112	56	–
Loan	108	quarterly	28	80	–
Loan	31	monthly	31	–	–
Total	**2,200**		**1,163**	**1,037**	–

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	296	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**		**1,554**	**1,932**	**–**

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:

	31/12/2022		31/12/2021	
EUR thousand	EUR thousand	in %	EUR thousand	in %
Equity	86,984	66.4	71,700	59.1
Non-current liabilities	11,038	8.4	11,503	9.5
Current liabilities	32,998	25.2	38,085	31.4
Total assets	**131,020**	**100.0**	**121,288**	**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 5,367 thousand on the balance sheet date (previous year: EUR 4,871 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 24. 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**	**2022**	**2021**
Loans	1	717	694
Trade receivables	2	46,254	41,897
Trade receivables to which individual value allowances have been applied	3	2,528	959
Contract assets	2	0	382
Lease receivables	2	1,203	280
Other current assets	n/a	1,069	47
Cash and cash equivalents	n/a	7,677	9,512

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 creditworthiness of the debtor on the reporting date amounted to 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 2,739 thousand gross (previous year: EUR 1,098 thousand). The value adjustments on these receivables amount to EUR 2,528 thousand (previous year: EUR 1,098 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 2,896 thousand (previous year: EUR 4,805 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. No hedges existed as of December 31, 2022 (previous year: EUR 944 thousand). 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 rail 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.

Segment report December 31, 2022

	Coal mining		Mineral mining		Tunnel		Other industries		Not allocated		SMT Scharf Group	
EUR thousand	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	76,168	69,852	12,373	14,021	2,930	483	2,243	1,514	–	–	93,714	85,870
of which new equipment	44,935	40,358	5,903	7,750	2,851	243	2,142	1,505	–	–	55,831	49,856
of which spare parts	22,642	22,933	6,068	5,553	45	152	101	9	–	–	28,856	28,647
of which service	6,835	5,394	402	718	34	89	–	–	–	–	7,271	6,201
of which others	1,756	1,167	–	–	–	–	–	–	–	–	1,756	1,167
Operating result (EBIT)	12,440	9,998	683	1,066	692	59	506	117	–	–	14,321	11,240
Earnings from equity accounted companies	5,294	3,637	–	–	–	–	–	–	–	–	5,294	3,637
Segment assets	112,528	105,989	9,017	8,889	4,688	1,123	2,140	1,920	2,646	3,367	131,020	121,288
Segment liabilities	37,540	44,164	3,225	3,136	1,495	431	876	956	899	902	44,035	49,588
Segment investments	1,421	1,534	183	99	–	–	39	54	–	–	1,642	1,687
of which IFRS 16	411	312	–	–	–	–	14	17	–	–	424	329
Interests in equity accounted companies	18,171	13,418	–	–	–	–	–	–	–	–	18,171	13,418
Scheduled amortisation	2,162	2,116	330	398	65	6	141	128	–	–	2,698	2,648
FTE	340	347	57	51	5	5	19	19	–	–	421	422

Segment report December 31, 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

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 10,012 thousand (previous year: EUR 8,785 thousand) relate to Germany and EUR 5,140 thousand (previous year: EUR 5,756 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, 2022:

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	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 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 this 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 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 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, 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).

(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 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).

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 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 this 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. 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 2022 fiscal year (Theiss EUR 85,735, Embert EUR 49,000). The booking is applied against the share premium account. The market price of the share on the balance sheet date amounted to 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.

(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.

In connection with the potential transaction of the sale of a block of shares by the anchor shareholders, an agreement was concluded between the Chairman of the Managing Board and Shareholder Value Management AG, Frankfurt am Main, as part of a due inquiry process. 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, which led to sanctions by the European Union (EU). A further escalation of the sanction situation has already been realised during 2023 (10^{th} Sanctions 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 continuing to be impaired. 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

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, 2022, give a true and fair view of the Group's financial position and performance, and that the Group management report for the 2022 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 31, 2023

The Managing Board

Hans Joachim Theiss Wolfgang Embert

AUDITORS' REPORT OF THE INDEPENDENT AUDITORS

To SMT Scharf AG, Hamm

Audit Opinions

We have audited the consolidated financial statements of SMT Scharf AG, Hamm, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SMT Scharf AG, Hamm, for the fiscal year from January 1, to December 31, 2022.

In our opinion, based on the findings of our audit, the accompanying consolidated

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2022 and of its results of operations for the fiscal year from January 1, 2022 to December 31, 2022 in accordance with these requirements and

- the accompanying group management report provides a suitable view 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 accurately presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the adequacy 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the 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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the preparations and measures (systems) that it has determined are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence to support this determination.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of 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 about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the group management report.

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 consolidated financial statements and the group management report.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the group management report 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 those systems.

- 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 Group'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 consolidated financial statements and the group management report or, if such disclosures are inadequate, 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. However, future events or conditions may prevent the Group from continuing as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and on the Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- We assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law, and the understanding of the Group's position conveyed by it.

- perform audit procedures on the forward-looking disclosures made by management in the group management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by management and assess the appropriateness of the reasoning behind the forward-looking statements based on these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant 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)

FINANCIAL CALENDAR

12 May 2023	Publication of the 3-month report 2023
23 May 2023	Annual General Meeting
14 August 2023	Publication of the half-year report 2023
14 November 2023	Publication of the 9-month report 2023

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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.

PHOTOS:

Portrait photos:
p. 4 & 6/7: Fotografie Golz Hamm

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