ANNUAL REPORT **2023**

Premium quality transport solutions for people, material and equipment

SEVEN-YEAR COMPARISON OF KEY FINANCIALS

		2017	2018	2019	2020	2021	2022	2023
Income statement data								
Revenue	TEUR	42,565	52,131	70,795	75,395	50,180	85,870	73,172
Revenue share outside Germany	%	92	95	98	97	96	97	93
Total operating revenue	TEUR	42,241	53,114	71,028	74,837	56,331	85,317	81,100
EBIT	TEUR	2,473	4,554	5,304	6,822	–8,130	11,240	3,952
EBIT margin	%	5.9	8.6	7.5	9.1	–14.4	13.1	4,9
Net income	TEUR	1,873	3,982	4,633	5,739	–8,054	12,582	5,228
Balance sheet data								
Total assets	TEUR	59,412	72,267	83,120	95,835	83,543	121,288	126,508
Equity	TEUR	39,297	48,709	51,533	60,577	48,453	71,700	86,503
Equity ratio	%	66	67	62	63	58	59	69
Cash and cash equivalents	TEUR	6,638	12,886	5,410	5,230	4,402	9,512	8,241
Personnel Data								
Average number of employees		298	312	389	427	418	420	411
Share of employees outside Germany	%	72	73	74	70	69	67	66
Share data								
Earnings per share	EUR	0.45	0.94	1.01	1.20	–1.79	2.46	0.89
Dividend	EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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SCHARF

TO OUR SHAREHOLDERS

FOREWORD OF THE MANAGING BOARD

Dear Shareholders,

The SMT Scharf Group was confronted with challenging market conditions in 2023. These include the ongoing uncertainties in the market environment, the investment reticence of mine operators in important core markets for underground mining, strained supply chains and general cost rises for materials, energy and freight. We are meeting these challenges with targeted measures to optimize processes in development, production and sales.

In the 2023 fiscal year, the SMT Scharf Group generated consolidated revenue of EUR 73.2 million. We experienced strong demand for spare parts and services in our core markets, as mining customers focused on fleet maintenance and servicing, resulting in strong sales growth in this area. By contrast, the new systems business declined, as mine operators were generally reluctant to invest in modern mining technology. Sales from project business expected for the final quarter have also been postponed to 2024.

The operating result (EBIT) for the 2023 financial year amounted to EUR 4.0 million following on from a strong EBIT of EUR 14.3 million in the previous year. In anticipation of a significantly lower level of sales, EBIT was therefore noticeably lower than in the previous year, as had been forecasted at the beginning of the year. In addition, an impairment of goodwill incurred a negative impact on earnings in the reporting year. In our view, the sound investment income in 2023 was gratifying – amounting to EUR 4.6 million in the 2023 financial year and exceeding the operating result by around EUR 0.6 million. This important contribution to earnings shows that the SMT Scharf Group is also solidly positioned in terms of its participations.

We expect the environment for our global business to also remain challenging in 2024. Nevertheless, we continue to perceive attractive growth opportunities for our company. For example, the emergence of new high-tech mines in the Chinese market means that there is a high demand for innovative and low-emission transportation and logistics solutions. We will focus on making our internal processes even more efficient within the context of efficient and forward-looking procurement management and initiatives for operational excellence. The Group-wide introduction of an ERP system will make a significant contribution in this context. We expect the rollout at the German locations to be completed in 2024, meaning that we will then incrementally roll out the ERP system at the foreign subsidiaries as well.

Basically, we believe that SMT Scharf remains generally well positioned as a niche specialist set to benefit from the megatrends in mining over the long term. We are increasingly focusing on tunnel logistics and hard rock mining. The aim here is to further optimize our decades of experience in underground mining and our proven sustainable product development for the requirements of the respective market segment. For example, SMT Scharf will shortly be delivering the successor products to electric monorail transport systems that have been in use for more than twenty years to two gold and platinum mining companies. State-of-the-art battery technology is deployed here, which makes it possible to bridge a mains power failure.

At the same time, SMT Scharf has received an order for three battery-powered railroad systems within the context of the major project for the construction of the 380 kV cable diagonal in Berlin. In this project, we will provide a specific transport solution for rail-bound passenger and emergency transport for a new, approximately seven-kilometer-long cable tunnel. As part of the inspection vehicles, our electric vehicles will make an important contribution to the reliable power supply in the city of Berlin. We still perceive great potential in the area of infrastructure tunnels, as in the expansion of transport routes, for example.

As a newly formed Managing Board team, we will work with great motivation to successfully continue the business of the SMT Scharf Group. In this respect, we welcome the fact that the Yankuang Energy Group, a strategic investor, intends to acquire a majority interest in SMT Scharf AG. We view this as an the opportunity to achieve far-reaching synergies, as Yankuang, in its position as a leading manufacturer of equipment for coal mining, could contribute extensive expertise from the mining industry.

We would like to take this opportunity to thank you as an investor, business partner and customer for the trust you have placed in us, and would be delighted if you continue to support SMT Scharf.

With best wishes

Reinhard Reinartz Volker Weiss


SCHARF

MEMBERS OF THE MANAGING BOARD

Reinhard Reinartz

Chief Executive Officer (CEO) and Chief Operating Officer (COO)

Strategic Corporate Development, Sales, Product Development, Construction, Production, Purchasing, Quality Assurance and M&A

Volker Weiss

Chief Financial Officer (CFO)

Finance & Controlling, Compliance, HR, Investor Relations and IT

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.-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 2023 FISCAL YEAR

In the 2023 fiscal year, the Supervisory Board of SMT Scharf AG diligently performed the tasks encumbant on it by law and the company's articles of incorporation. The Supervisory Board supervised and consulted with the Managing Board in an ongoing manner. 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 by-laws procedure were always upheld. Furthermore, regular video conferences were held between meetings of the Supervisory Board for the purpose of maintaining a continuous dialogue between the Managing Board and the Supervisory Board.

The Supervisory Board held six ordinary meetings, on 2 February, 24 March, 22 May, 17 July, 18 September and 1 December 2023. All six meetings were held on the business premises of SMT Scharf AG in Hamm. All three Supervisory Board members Professor Dr. Louis Velthuis, Dr. Dirk Vorsteher and Dorothea Gattineau attended all meetings. With the exception of the final Supervisory Board meeting on 1 December 2023 which Professor Dr. Louis Velthuis attended virtually, all members of the Board were physically present for the meetings. In the course of its meetings, the Supervisory Board concerned itself with all matters of relevance for the company. In advance of such meetings, the Managing Board of SMT Scharf AG regularly informed the Supervisory Board about the current business position of the SMT Scharf Group by way of written reports.

Against the background of the ongoing conflict between Russia and Ukraine and the resulting sanctions imposed on Russia by western countries and the overall major uncertainty and volatility in SMT Scharf's market environment, the situation in the core markets, in particular developments in Russia and China, were regularly discussed during the reporting year of 2023. Potential strategic options and the company's further development were also discussed in depth. The SMT Scharf Group was able to press ahead with its strategic measures. One focus was on sales activities in the important core markets. While the company recorded high demand for spare parts and maintenance, business with new systems declined significantly due to a restrained willingness to invest in the market for mining equipment. One of the main points of discussion in Supervisory Board meetings in the previous year was the potential sale of core shareholders' majority shareholding in SMT Scharf AG. The Group's liquidity position was also the subject of regular debate between the Supervisory Board and the Managing Board in the course of the year. The Supervisory Board also spent time at its meetings looking at the changes in personnel on the Managing Board, as well as the departure of Board members, Hans Joachim Theiß and Wolfgang Embert at the end of 2023. The replenishment of the Managing Board was successfully completed with the appointment of Reinhard Reinartz as the new CEO, as well as Volker Weiss as a member of the Managing Board and the new CFO of the company.

The Supervisory and Managing boards regularly exchanged information over the past fiscal year concerning trends in the Group's key sales markets with the aim of refining structures within the SMT Scharf Group. Looking at the Russia - Ukraine conflict and the ongoing tough market conditions around the world, the Supervisory Board welcomed the Managing Board's earnings and liquidity planning as well as the continuation of country-specific risk mitigation measures. In addition, the Supervisory Board was very pleased to note that considerable progress had been made with the introduction of the new Enterprise Resource Planning (ERP) system. The new ERP system will make a decisive contribution to boosting efficiency and leveraging synergies within the SMT Scharf Group.

At the first meeting of the year on 2 February, the Managing and Supervisory boards were informed by Rödl & Partner about the current status of the audit of the financial statements for the 2022 fiscal year. The Managing Board then presented an overview of the current business position. A detailed discussion ensued in this context on the subject of securing liquidity as well as the introduction of the new ERP system. Furthermore, the Supervisory Board and the Managing Board together prepared a SWOT matrix in order to work out fundamental strategic options ahead of a planned management strategy meeting.

The Supervisory Board held its second meeting in the 2023 fiscal year together with the Managing Board on 24 March. The Managing Board presented a liquidity preview in its report on the current state of the business. The budget planning and collaboration of the development teams from China and Hamm were also discussed. In addition, the Managing Board and Supervisory Board exchanged views on the potential sale of the core shareholders' majority shareholding in SMT Scharf AG. The Supervisory

Board approved the proposed invitation to convene the 2023 Annual General Meeting of shareholders.

Various strategic issues were discussed at the meeting on 22 May. Among other topics, the situation of the Russian subsidiary was discussed. The Supervisory Board and Managing Board also revisited the potential sale of the core shareholders' majority shareholding in SMT Scharf AG. An export control project, currency risks and the finance position constituted further points of discussion between the participants. A further priority centred around preparations for the ordinary Annual General Meeting of shareholders which was held as a physical event again in Hamm after the pandemic years.

The Supervisory Board came together for its fourth meeting in the 2023 fiscal year together with the Managing Board on 17 July. With regard to the situation in Russia, various scenarios were discussed for the subsidiary and possible consequences for the SMT Scharf Group. At the same meeting, the company financing was put under the spotlight, and the Board came to the conclusion that the company enjoyed a favourable cash position until the end of 2023 as far as could be seen. A further subject of discussion in this context was the inspection of the finance concept, taking account of the ESG regulation. In addition, a preliminary discussion was held on the strategy meeting planned for September.

The Managing and Supervisory boards held their next meeting on 18 September. In the course of this meeting, the participants paid special attention to business in Russia and China and exchanged views on related strategic issues. Once again, the Board deliberated on the potential sale of the core shareholders' majority shareholding in SMT Scharf AG.

After a strategy meeting on 30 November, the last Supervisory Board meeting of the 2023 financial year took place on 1 December. Rödl & Partner explained the current status of the 2023 audit of the financial statements in a video conference. The budget for 2024 was also discussed and approved by the Supervisory Board. There were also intensive discussions concerning current developments in the areas of personnel, production and technology as well as sales and the market. Looking ahead to the imminent change of CEO, the Supervisory Board welcomed the new CEO's intention to further benefit from the advice of the CEO departing at the end of the year in the form of consultancy services.

The separate financial statements and separate management report, as well as the IFRS consolidated financial statements and Group management report for the 2023 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 key data system, were also covered by the audit. At its meeting on 5 April 2024, also attended by the auditor, the Supervisory Board reviewed the separate financial statements, as well as the IFRS consolidated financial statements and Group management report for the 2023 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, as well as the consolidated financial statements and Group management report, prepared by the Managing Board for the 2023 fiscal year on 5 April 2024. The corresponding financial statements have been adopted as a consequence.

Against the background of a market situation that remains challenging overall and great uncertainty in the SMT Scharf Group's environment, the Supervisory Board together with the Managing Board refrain from making a dividend proposal for the 2023 financial year.

The Supervisory Board would like to thank all members of the Managing Board and all employees for their tireless dedication and commitment during this successful 2023 fiscal year. The Supervisory Board would like to wish the new Managing Board and the company's employees continuing success in meeting the upcoming challenges in the 2024 financial year.

Hamm, 5 April 2024

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

As an integrated system provider, SMT Scharf is a provider of transport solutions for underground mining personnel, equipment and materials. We are a German specialist engineering company at home in our 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 rail-bound systems and other high-performance vehicles are deployed worldwide, primarily in coal mines and for the underground mining of gold, platinum and other metals. The technical performance data of our core product, the monorail, are unmatched worldwide. This rail system suspended from a single rail which is at work in both coal mines and in mineral mines, is capable of transporting loads of up to 48 tonnes in drifts and can handle gradients of up to 35 degrees. Trained personnel can set up such a track network quickly and cost efficiently.

Our electrical expertise also enables us to meet market demand for electrically operated railway systems and rubber-tyred vehicles. Thanks to the electrically operated machinery from SMT Scharf, mine operators are able to reduce underground emissions and improve conditions for their workers. In order to expand our range of solutions to meet further needs, we are pressing ahead with the development of a modular battery system for different vehicle classes. The SMT Scharf Group has its own companies 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 – SMT Scharf's transport solutions are most frequently used in the associated drifts. With its international positioning, SMT Scharf focuses on the major producing countries around the world, where further high-tech mines are being created. The global energy demand will still need to be covered by coal for the foreseeable future. As a consequence, demand from mining companies for these products that are vital for them will continue in the coming decades. Poland remains the most important European market, where the high proportion of longwall mining is particularly attractive for SMT Scharf. In addition, China in particular is an important market for our rail systems and services, as it has the largest number of installed tracks, according to our own research. Due to its enormous size, the country offers attractive sales potential as investments in EMS technology are rising. South Africa provides 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 EMS 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 is given 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. One key advantage is the fact that, as a consequence, electric drives can replace diesel engines more easily. 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. For example, SMT Scharf is developing a specific transport solution for the rail-based transport of personnel and emergency services for a new cable tunnel for Berlin's 380 kV diagonal power link. We also aim to place our business on a broader footing and reduce our exposure to business cycles by expanding the tunnel segment. While mine operators – as our customers in both our other segments – depend on the mega-cycles of raw materials prices, infrastructure demand involving the construction of subway tunnels, for example, is independent of such cycles. Rather, global demographic trends and the increasing density of conurbations are key drivers for tunnel construction. At the same time, many industrialised nations have a great need to renew their infrastructure for optimisation purposes.

OTHER INDUSTRIES

The Other Industries segment mainly comprises the business activities of the subsidiary ser elektronik GmbH, whose revenues outside the underground mining area are reported in this segment. As a specialist company, ser elektronik focuses on the development and production of customer-specific embedded and intelligent systems. ser elektronik's products are deployed in a wide variety of industries such as the food manufacturing industry, transport technology and intralogistics as well as worldwide 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

With the Green Deal, the European Union (EU) has set itself the goal of reducing net emissions of greenhouse gases in the EU to zero by 2050. In Germany, electricity generated from renewable energies was up 7.5 % to 233.7 TWh in 2023 according to data from the Federal Network Agency. Electricity generated from renewables as a share of consumption rose accordingly to 55.0 % following 48.3 % in the previous year. By contrast, generation from conventional fuels fell year on year by 24.0 % to 197.2 TWh. Overall, the growing importance of renewable electricity production is exerting a positive effect on demand for metals such as lithium, cobalt, copper or rare earths, which is providing further impetus for mining.

URBAN PLANNING TRENDS

Increasing urbanisation requires an expansion of infrastructure networks. The United Nations (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 interconnections. This is driving tunnel construction in emerging markets such as China or India.

GLOBAL ECONOMIC GROWTH

According to the International Monetary Fund (IMF), the recovery of the global economy from the COVID-19 pandemic and the effects of the Russia – Ukraine conflict is proving more resilient than expected with the result that global economic output is due to advance by 3.1 % in 2024. This growth goes hand-in-hand with higher energy demands across the globe. In view of 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 volume of around USD 141 billion in 2023 and is expected to register an average annual growth rate of 5.2 % from 2023 to 2030 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. In August 2023, the share of newly registered electric vehicles in the European car market topped 20 % for the first time according to the industry association ACEA. 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

In 2023, the global market for mining equipment continued to be marked by high volatility and uncertainty. In spite of the currently challenging market environment, SMT Scharf continues to perceive attractive opportunities for growth in the key mining markets around the world. 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 tunnelling. 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. Besides our new systems business with the development of individual transport and logistics solutions, we can also achieve high margins in our service and maintenance business which gives our company a certain strength even in tough market conditions.

Thanks to internal strategic measures as well as takeovers and partnerships, we are manoeuvring ourselves into a position to derive above-average benefit from growth opportunities. 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 addition, tunnel logistics is being established as an additional 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

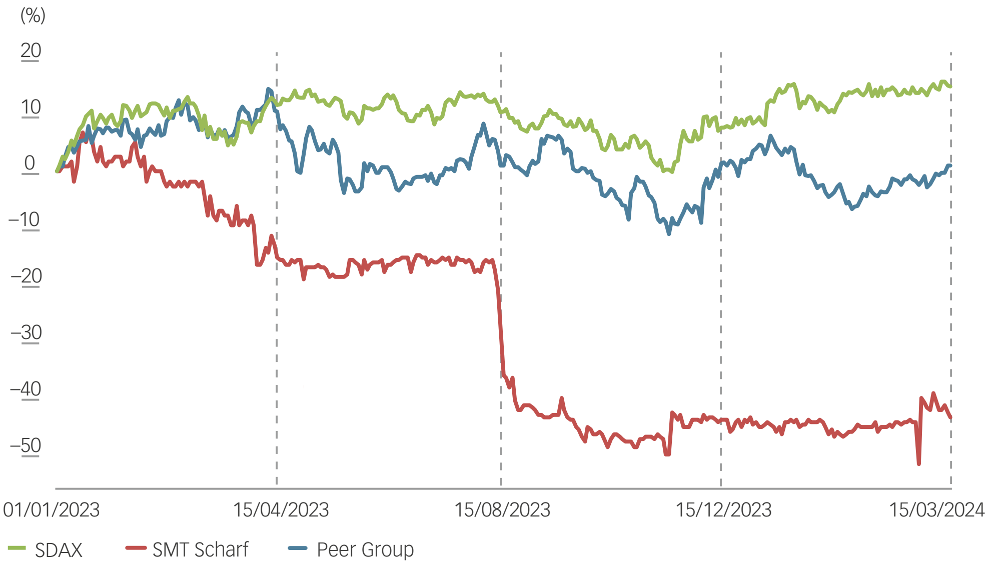
Stable core business with sound margins and growth opportunities

Evolved expertise in machine engineering with maximal customer focus

Management expertise in the mining industry

INFORMATION ABOUT THE SHARE

Share price performance 01/01/2023 – 15/03/2024



Share price performance 2023

The SMT Scharf stock was off to the year 2023 at EUR 11.60 and shortly afterwards reached its high for the year of EUR 12.30 on 13 January 2023. In the following months, SMT Scharf AG's share price declined steadily, significantly underperforming the SDAX and the peer group (weighted portfolio consisting of Epiroc and Grenevia). While the further interest rate rises enacted by the European Central Bank acted as a brake on the stock market, the SDAX proved to be resilient. However, over the course of the year, the SMT Scharf stock continued to lose ground, finally reaching its low for the year of EUR 5.75 on 26 October 2023. When the war which broke out in the Middle East in the late autumn depressed sentiment on the capital markets, the performance of the peer group also trended downwards temporarily. SMT Scharf's shares recovered somewhat by the end of the year to close the year at a price of EUR 6.40. As a consequence, the SMT Scharf AG share price was down by around 44 % in 2023 compared with the start of the year. By contrast, the SDAX small cap index was up appreciably by around 16 %. The peer group recorded a share price gain of around 4 % over the year as a whole.

Share price data for 2023 (XETRA)	
Closing price 2022	EUR 11.60
High for the year (13/01/2023)	EUR 12.30
Low for the year (26/10/2023)	EUR 5.75
Closing price 2023	EUR 6.40

Since the beginning of 2024, SMT Scharf's share price has risen slightly by 1.6 % from EUR 6.40 to EUR 6.50 (basis: closing prices Xetra, as of 15/03/2024).

In 2023, an average of 2,422 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 interactions 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 attended selected investor conferences during the 2023 fiscal year in order to ensure ongoing dialogue with capital market participants. Questions from institutional investors as well as analysts were answered in detail through presentations and face-to-face meetings.

These conferences included:

- the Metzler MicroCap Days 2023
- the Equity Forum Spring and Autumn conferences
- the Pareto Securities' Metals & Mining Conference 2023
- 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 of shareholders 2023

SMT Scharf AG successfully held its Annual General Meeting of shareholders on 23 May 2023. After holding three virtual Annual General Meetings of shareholders in the last few years, the 2023 Annual General Meeting of shareholders was held as a physical event again in Hamm. The share capital represented stood at around 51.29 %. All items on the agenda were passed by the Annual General Meeting of shareholders by a large majority. Among them, the shareholders approved the actions of members of the Managing Board and Supervisory Board for the past financial year, both by a large majority. Furthermore, statutory changes were adopted in the articles of incorporation and authorisation passed permitting future Annual General Meetings of shareholders to be held virtually. Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, were reappointed as the auditors for the 2023 fiscal year.

The Managing Board reported on the positive growth of SMT Scharf AG's business in the past year. In spite of tough market conditions, SMT Scharf succeeded in posting a significant rise in sales and earnings in the 2022 financial year. On the basis of the results of the first quarter of 2023, the Managing Board then provided an outlook on the current financial year which, at the start of the year, was noticeably marked by cautious activities in the mining markets of relevance to SMT Scharf. Nevertheless, the Managing Board highlighted the fact that the company, as a specialist in the niche, remains excellently positioned to derive lasting benefit from the mega trends in mining.

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

CSR REPORT 2023

CSR REPORT 2023

1. Foreword from the Managing Board

Valued stakeholders and shareholders,

In 2022, we published our second sustainability report. You now hold our third such report in your hands. We are pleased to report that we have comprehensively scrutinized our sustainability reporting activities in 2023 and successfully broken new ground in this area.

The Corporate Sustainability Reporting Directive (CSRD), which entered into force on March 5, 2023, presents us with new challenges in the form of detailed reporting obligations and will present further challenges in the future. The CSRD fundamentally alters the requirements that companies must meet in their sustainability reporting activities. We relish this challenge and are committed to addressing it, as we know that our economic success comes with the responsibility of ensuring that our actions are compatible with environmental and social affairs.

In an effort to ensure that this process is built on a professional, robust and stable basis from the outset, we have taken our first steps in the current reporting year towards consolidated reporting in accordance with the CSRD criteria.

The CSRD has established a new understanding of materiality: the "double materiality" perspective. It means that, moving forward, companies will be required to report on the impacts of their operations on people and the environment, as well as on the impacts of sustainability-related aspects on the company.

Developing and implementing this concept of double materiality is the start of an exciting journey to a form of sustainability reporting in line with the current requirements of the CSRD – a journey on which we embarked in the 2023 reporting year. Starting with a CSRD readiness workshop at the outset of 2024, we will produce a second materiality analysis taking into account the requirements of double materiality. This process will be completed in May 2024 and lay the foundations for further strategic engagement with the topic of sustainability.

As a manufacturer of transportation equipment for underground use on mining and tunneling construction sites, we have a high degree of product stewardship and put the health and safety of the people who manufacture and use our products at the heart of our business model.

After defining the status quo of our sustainability activities over recent years and engaging with our product stewardship and production responsibilities as a key area of action, we are now taking further steps. We will develop a well-founded, measurable and robust sustainability strategy on the basis of the double materiality perspective in accordance with the CSRD. This strategy will then underpin our future sustainability reporting.

As part of our strategic development efforts but also as part of the new CSRD reporting, however, we will also strive to implement the objectives we set out last year: to measure our Scope 1 and Scope 2 emissions, specify a base year, and set emissions reduction and compensation targets. Furthermore, in the context of calculating our company's carbon footprint, we will also examine our Scope 3 emissions. We will hold a workshop on this topic in Q1 2024.

As a company active in the mining and tunnel construction industry, we face particular challenges in terms of sustainability. We know that the path ahead will inevitably be anything but simple. Nevertheless, we are determined to contribute to sustainable development and make our operations and activities as responsible as possible.

In order to promote environmental protection, we will continue to focus on expanding our business segments away from coal mining in the coming years. We are still working towards the target we set last year of generating approx. 35 % of our revenue in our Mineral Mining segment and approx. 5 % in our Tunnel Logistics segment. In ten years' time, our Coal Mining segment should account for only 50 % of total revenue, with the other 50 % generated in non-coal segments (incl. estimated approx. 40 % from Mineral Mining and approx. 10 % from Tunnel Logistics).

These targets are undoubtedly ambitious when considering, for example, the mining structures and mechanisms that have developed over decades, which mean that electric machinery is only becoming established at a very slow rate. We are conscious of our responsibility and will continue to manufacture transport solutions for the coal market – but will increasingly invest in sustainable developments such as e-mobility.

This sustainability report for 2023, which retains the format and style of previous reports, provides a summary of the challenges we face in relation to product stewardship, product responsibility, occupational safety and fair working conditions. We have already defined measurable targets and implemented corresponding measures in these areas.

We would like to invite you, once again, to join us on our journey to a more sustainable future and support us by contributing feedback. This is the only way we can ensure that the path we forge will be safe, secure and successful. We look forward to constructive cooperation and an exciting, shared journey to a new form of sustainability reporting in the years ahead.

Hamm, 5 April 2024
Your Managing Board

2. About this CSR report

In this non-financial section of our annual report, we report on our sustainability activities and document our progress towards attainment of our sustainability targets. The following sustainability report pertains to the period of the completed fiscal year from January 1, 2023, to December 31, 2023. Unless otherwise specified, all statements in this report apply to the SMT Scharf Group, comprising our companies in Germany, South Africa, Poland, China, Russia, Canada and Chile.

Overview of SMT Scharf Group companies:

Company	Number of employees (FTE) (as of December 31, 2022)	Category
SMT Scharf GmbH Hamm	112	development, production, service, distribution
SMT Scharf Polska	58	development, production, service, sales
SMT Scharf Africa	38	development, production, service, sales
SMT Scharf Beijing	5	Service, sales
SMT Scharf Russia	50	Production, service, sales
SMT Scharf AG	7	Management
SMT Scharf Russia Service	63	Contract mining transport
SMT Scharf Xuzhou	46	development, production, service, sales
Südamerica	1	Service, sales
RDH Mining Equipment	10	Production, service, sales
ser elektronik GmbH	21	development, production, service, sales
Total (abs.)	**411**	

Number of employees (as of 12/31/2023) – the figures stated here are for full-time employees. These figures may vary in the course of this report, which may state the number of people actually actively employed. Trainees, part-time employees, employees on parental leave and employees on long-term sick leave are included proportionately. Consequently, the absolute figures for the number of employees may differ.

Last year, we conducted a systematic stakeholder identification and analysis for the first time, taking our lead from the demanding requirements of the Global Reporting Initiative and the AccountAbility standards. This stakeholder analysis remains valid without any changes. In the course of preparing for our new reporting obligations under the Corporate Sustainability Reporting Directive (CSRD), we will review this analysis and, if necessary, repeat it in line with CSRD requirements.

We are committed to providing reliable, accurate and comparable data. Certain exceptions apply to this: we are unable to fully examine data regarding our suppliers and service providers. Some sections of this document contain statements directed towards the future. These statements are based on the experiences and forecasts of the Managing Board and the information available to the Board at the time of reporting. Such statements cannot be considered guarantees of future results or performance as they are subject to risks and uncertainties beyond our control. These include regulatory changes, future market conditions and the behavior of other market participants. Due to these and other factors, actual performance and results may differ significantly from the statements provided here.

This report will be published in English and German and made available on the Investor Relations area of our company's website at smtscharf.com.

We are always striving to improve and refine our sustainability activities, so external feedback is very important to us. With this in mind, we would welcome comments, questions and contributions from our readers and our stakeholders on this, our third sustainability report. You can contact us by telephone at +49 (0)2381 960212 or via email at ir@smtscharf.com.

Diversity is a high priority for SMT Scharf. For reasons of legibility, we may use the masculine form of nouns and pronouns in this report, particularly in the German version. However, unless otherwise stated, all information in this report refers to men, women and people of other gender identities in equal measure.

Business model and value creation

SMT Scharf specializes in the development and manufacturing of captivated railway systems that are deployed around the world, particularly in hard coal mines, in the mining of gold, platinum and other metals, and in tunneling operations. These transport systems are specifically designed for use in mining and tunneling. We offer customized solutions to transport materials and people in underground mining galleries and tunnels. In addition to railway systems, our product range also includes chairlifts and rubber-tired diesel and electric vehicles for mining and tunneling.

Our business model centers around the sale of transport systems and associated servicing and maintenance. SMT Scharf products include locomotives, lifting and transport equipment, rails, switches and control systems, which we tailor to meet the specific needs of our clientèle. In addition, we supply rubber-tired vehicles and chairlifts for use in underground settings in line with customer-specific requirements.

We work closely with our customers to develop customized solutions in line with the specific requirements of each project. SMT Scharf offers its customers training and support to enable them to operate the supplied transport systems safely and effectively.

Moreover, SMT Scharf performs servicing and maintenance in order to ensure that its systems can be operated and serviced reliably for the long term. This requires the company to maintain long-term customer relationships and represents a stable source of revenue for the company.

In sum total, SMT Scharf has a modular product portfolio and has positioned itself to serve a specialist industry niche. The company has developed a success business model tailored to the specific needs of its customers.

Sustainability-related challenges arising from the company's business model

As a company operating on a global scale in the mining and tunneling industry, SMT Scharf faces a variety of sustainability-related challenges. The following section outlines a number of the most significant sustainability related challenges facing the company:

1. Environmental impacts: SMT Scharf's business involving products in mining and tunneling can incur negative impacts on the environment, such as greenhouse gas emissions, energy consumption, water consumption and waste generation. Innovative solutions, including alternative drive systems, present an opportunity for us to minimize these negative impacts on the environment.

2. Resource consumption: SMT Scharf uses efficient and sustainable technologies and processes to minimize its resource consumption and optimize its use of energy, water and raw materials.

3. Occupational health and safety: The mining and tunneling sector presents potential risks to the health and safety of people working in this industry. SMT Scharf ensures that effective measures to improve occupational health and safety are implemented to minimize the risk of workplace accidents and health-related problems.

4. Social responsibility: As a company operating on a global scale, SMT Scharf ensures that the rights and needs of the local communities in which it operated are respected and that their livelihoods are not jeopardized.

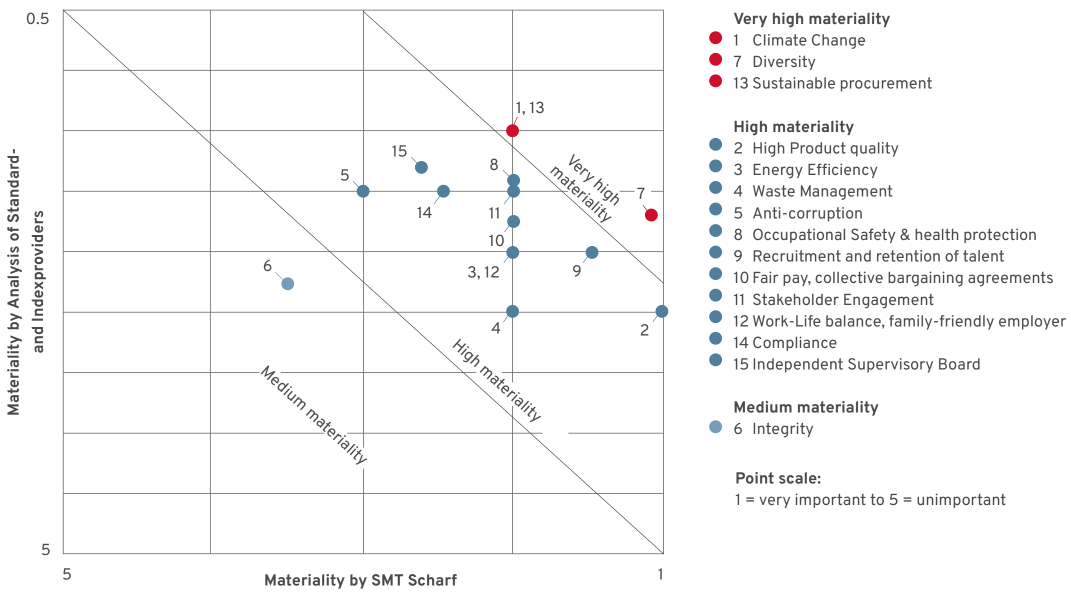
5. Diversity: Diversity, tolerance and inclusion are particularly relevant to a company with international operations. We are convinced that a diverse workforce presents numerous advantages and is a success factor in the positive development of SMT Scharf.

6. Supply chain management: Wherever possible, SMT Scharf ensures that its supply chain is sustainable by encouraging its suppliers to apply environmentally practices and shoulder social responsibility.

An overview of material sustainability-related topics

Before we produced our first two sustainability reports in 2021 and 2022, we conducted a comprehensive analysis to identify material sustainability-related topics. We then visualized the results in this matrix.

Materiality Matrix



The reporting requirement under the Corporate Sustainability Reporting Directive (CSRD) makes it necessary to develop a double materiality perspective, taking into account the relevant impacts, risks and opportunities (collectively: IROs). We started this process in November 2023 and are set to complete it successfully in May 2024. As a result, we will be able to present a new and robust double materiality analysis in accordance with the standards set out in the CSRD. This analysis will then form the basis for our future sustainability reports produced in accordance with the CSRD as part of our reporting obligation.

3. Our responsibility to the environment

Environmental impacts caused by energy consumption, water consumption and waste generation

We aim to use energy efficiently in order to minimize our environmental footprint. Given our total energy requirements, this represents a significant lever and therefore entails considerable responsibility. Addressing this lever benefits us in two respects: we protect the environment while also reducing our costs, because we assume that energy prices – and, therefore, our costs – will continue to rise.

We conduct an energy management audit in accordance with DIN EN 16247 every four years, most recently in 2021. In the course of these audits, we systematically collect information for our existing energy consumption profile and examine potential means of making cost-effective energy savings and how we can quantify them.

At our headquarters in Hamm, the results of these efforts are clear to see: we reduced our electricity consumption to 342,411 kWh in 2023, down from 362,937 kWh in 2022. In the future, we will seek and seize further opportunities to optimize our energy consumption in order to continue this trend.

We were able to significantly reduce our gas consumption at the Hamm site from 186,039 kWh in 2022 to 298 kWh in the course of the reporting year. The site's hall with a gas-fired heating system is now exclusively used as a storage area, which means it is not heated at present. As a result, there is only one small office building on the site that still has a gas-fired heating system. The other buildings (archives, assembly halls and other office buildings) have exclusively oil-fired heating systems. The site's annual consumption of heating oil was 27,448 liters.

As of January 1, 2023, SMT Scharf has sourced all of its electricity from renewable energy sources. The RenewablePLUS certificate, which is reviewed on an annual basis by TÜV Rheinland, confirms that 100 % of the electricity procured for the Hamm site comes from renewable sources. We are also continuously examining the extent to which we can source electricity from renewable energy sources at our other sites.

There is little we can do to reduce the energy consumption at our office building in Hamm, as much of the office space we used is rented. Our options are therefore limited to optimizing the lighting and air-conditioning systems. In 2021, we began to gradually convert our existing lighting systems to energy-efficient LED bulbs. In this ongoing process, we exclusively use LED bulbs to replace old, defective light bulbs. In the previous reporting year, approx. 45 % of all lighting systems had been converted to use energy-efficient bulbs. We continued to advance this retrofitting initiative in 2023 at our Hamm site and increase this figure to 85 %.

Our production activities are designed to generate little waste. Despite this, our level of waste generation increased slightly in the 2023 reporting year. This can be attributed to the order situation and the utilization of our production facilities, as well as the rebound in the number of employees working on site following the pandemic.

We perform waste management and ensure proper disposal of recyclable materials and other waste in accordance with statutory requirements. In the context of waste disposal, we strive to separate recyclable materials as effectively as possible. In order to minimize waste, we examine our internal waste flows to further reduce the amount of waste we produce and increase the proportion of recyclable materials.

Our water consumption is relatively low for a company engaged in manufacturing. In this context, there is little scope for further savings. At the Hamm site, for example our water consumption in the last reporting year rose slightly to 726 m^3 from 682 m^3 in the previous year. We are always working to keeping our consumption consistent in the future and, where possible, to reduce it further.

Introduction and successful use of a Group-wide enterprise resource planning (ERP) system

In 2018, we decided to introduce an enterprise resource planning (ERP) system. Intelligent ERP programs make it possible to record and access relevant company data in a central location and help us plan, manage and control all internal resources promptly and in line with requirements. It improves transparency, information flows and communication within our Group. In the years ahead, we hope that the ERP system will help to make cooperation within the Group more efficient and reduce our reliance on external service providers. We aim to address the topics of authorizations, forms, evidence and assessments in house, which will reduce the high costs of services from external providers.

After making preparations for the Group-wide roll-out in 2021, we implemented the system at our headquarters in Hamm in 2022. In the 2023 fiscal year, we further optimized our use of the system in Hamm and also started to roll-out the ERP system further within the Group. The ERP is also intended to drive development activities within the SMT Scharf Group forward. The creation of automated transport systems, also known as smart driving functions, is one example of the development activities underway at SMT Scharf, realized through close coordination between development teams around the world. The use of automated transport systems aims to deliver tangible enhancements in intralogistics efficiency.

Overall, the ERP system represents an important step forward in terms of digitalization and, by connecting individual areas of the company, forms the basis of the future of SMT Scharf as a company with efficient organization and automated processes.

Product safety, quality and development

Quality management systems serve to verify and continuously improve the processes and procedures within an organization. Effective implementation not only enhances product quality but also increases production efficiency, which can contribute to resource conservation.

We obtain certifications in many areas to ensure that our processes and procedures meet exacting quality standards, for example:

- SMT Scharf holds ISO 9001 certification, which confirms that we have established a quality management system and continuously review and improve the quality of our systems, processes and products.
- SMT Scharf holds ISO 3834 and EN 1090 certifications, which helps us ensure the quality of welding in our series production, batch production, maintenance, assembly and general metalwork activities. As a manufacturer of equipment featuring protection against explosion, we have a quality management system in place that is certified in accordance with the ATEX Directive.

Efficient operation in the industries we serve requires the swift and safe transport of workers, materials and other loads in spite of difficult conditions. These often include variable gradients, low thickness ranges, limited scope for movement and dust. Safe, high-quality products are essential to overcoming these challenges.

SMT Scharf specializes in this field, offering customized solutions for all areas of underground mining and tunneling. This includes developing low-emission, intelligent drive systems capable of communicating with their environment. Such systems have the advantage of improving underground air quality and significantly reducing our products' carbon emissions.

In addition, this technology has a positive impact on energy consumption, which is a key advantage in convincing our customers to agree to the costs involved in converting their processes and procedures. By providing increasingly low-emission engines with intelligent management systems, such as the DZK3500 engine developed for the Chinese mining industry, we can sometimes achieve considerable savings.

Battery-electric light transport vehicles, load-haul-dump (LHD) loaders and medium-duty trucks have proven to be particularly energy efficient. This is because emission-free transport solutions and reduced heat dissipation result in significantly lower demand for cooling and fresh air supply. While artificial ventilation needs vary between mines and depending on the geological situation, they can account for up to 30 % of total energy requirements. Reduced demand for artificial ventilation therefore reduces overall energy consumption and the associated costs.

We are continuously advancing the electrification of our product portfolio in order to satisfy increasingly stringent environmental requirements. Thanks to our extensive expertise in batteries and electrical systems, we have many potential ways to reduce our emissions.

In the 2023 fiscal year, we continued to focus on the electrification of rubber-tired vehicles and the development of low-emission engines. Through continued electrification, SMT Scharf aims to further increase the proportion of its engines with no direct exhaust emissions. Furthermore, we aspire to generate 50% of our revenue from electrified products by 2030. We have set an interim goal of generating 20 % of our revenue in these areas and aim to achieve this in the next five years.

However, we are aware that the acceptance of our electrified mining machinery solutions currently remains far below the level of conventional diesel products. Authorization conditions set out by supervisory authorities and certification bodies can also inhibit the use of electrified products. In spite of this, we are convinced that demand for electrified machinery will rise considerably in the future and have therefore committed to continuing to develop our products in line with increasing environmental requirements.

SMT Scharf has further expanded its development activities in the field of electric vehicles at its site in South Africa. This work focuses on developing a modular battery system for different vehicle types.

SCHARF LEV

Our LEV is a battery-electric light transport vehicle that is primarily designed for use in underground mines and therefore offers the same emissions reductions – and cost advantages – as our Electric Monorail Transport System (EMTS). It has been deployed in South Africa, Guatemala, Botswana and Canada to date. Our vehicles' range extends fair beyond mining, however, as evidenced by their use by our customers at the MCM Game Park in Botswana. A safari version of our battery-electric LEV makes it possible to quietly approach the Big Five game animals on the African continent. This vehicle is part of our customer's decarbonization strategy.

In addition to the LEV, our Electric Monorail Transport System (EMTS) is another example of our switch to electric drive systems. The EMTS has been used in ore mining in South Africa for many years, primarily in platinum mining.

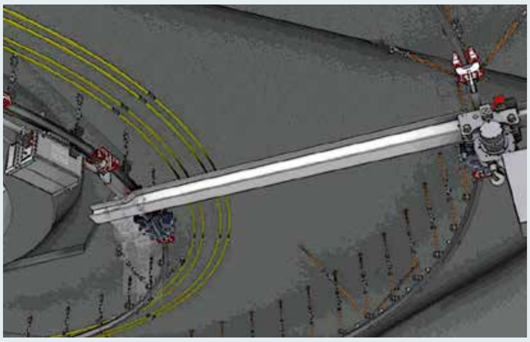
Our investment in ser elektronik, which we acquired in 2019, has opened up additional opportunities. Thanks to the expertise of ser elektronik, SMT Scharf can supplement its electronic control systems for electric vehicles with battery management systems tailored to customers' requirements. Consequently, SMT Scharf is now able to offer batteries optimized for mining operations and provide advice and support with operating concepts for these machines. Beyond this, ser elektronik produces electronic control systems for industries with no relation to mining, such as the food processing industry. At the same time, our liquid-cooled batteries are among the safest solutions suitable for battery-electric vehicles (such as the LEV) used underground.

Our Tunnel Logistics segment provides further examples of developments that contribute to the success of our customers' pioneering projects. For example, as part of Snowy Mountain 2.0 – an energy project pursued by the Australian government – we developed and supplied a specific transport solution for rail-bound passenger transport and emergency transport in tunnels.

Finally, we constructed a special crane system for the project to dismantle the ISAR I nuclear power station. It relies on components from monorail technologies to move the heavy reinforced steel elements around the nuclear reactor. This special system will be commissioned in Q1 of 2024.

Crane system for demolition of the Isar I nuclear power plant

In our Tunnel Logistics segment, we are regularly engaged to work on plant engineering projects to construct specialist machinery, also known as designed to order (DTO) projects. SMT Scharf is currently working on a DTO project in connection with demolition of the Isar I nuclear power station. We have built a special crane system based on components from our monorail technology to lift heavy concrete elements of the nuclear reactor's bio-shield. In this project, we are contributing to a once-in-a-century task, providing technologies that enable on-site employees to safely perform their demanding assignment.



Our monorail products (also known by the acronym EHB, the abbreviation for the German term "Einschienenhängebahn") offer excellent derailment safety, regardless of their drive system. Underground working environments are constricted and, by their very nature, only offer limited avenues of escape. This makes it all the more important to prevent accidents in the first place. Our transport solutions are equipped with numerous safety features, which helps mining companies to offer their employees good and safe working conditions. In addition, electric drive systems are quieter than diesel drives: reducing or entirely avoiding noise emissions directly improves the working environment of mining professionals.

Safety considerations are also behind our decision that downsizing our internal combustion engines is not a suitable way of reducing our vehicles' fuel consumption. This is because smaller engines become significantly hotter and, as a result, would no longer meet the explosion protection requirements for underground transport systems. Our portfolio includes machinery with different performance levels, which enables our customers to choose the right performance class for their application.

We place a strong emphasis on the durability and quality of our products during material selection and processing. It is our belief that sustainability starts with high-quality products, given that a product with a long life cycle and a highly functional design will generate less waste. We strive to find alternative, sustainable materials for our products.

When building our machinery, we take care to implement sustainable product design. Our modular concept and the ability to disassemble components and assemblies ensures that our machine parts are easy to repair and can always be adapted to new regulations. This helps extend our machines' service life and reduce environmental pollution through unnecessary waste.

We are also able to electrify our vehicles in the course of general overhauls, which can help to reduce carbon emissions in underground mining operations and thereby improve underground air quality.

Furthermore, external market studies have demonstrated that our machinery provides the best value in terms of total cost of ownership (TCO). We place importance on the durability of our products and are convinced that this represents an important aspect of sustainable production. Not only do these sustainability-related efforts help to preserve the environment, they also offer economic benefits for our customers and for us as a company.

Regulatory frameworks

Sustainability standards are becoming increasingly important to the mining markets around the world in which SMT Scharf operates. We welcome this development: we are prepared for it and strive to set new standards through our products. For example, we have successfully satisfied the China III standards, which set more stringent exhaust emissions standards for mining machinery. In the DZK3500, we are offering a machine generation developed entirely for the Chinese market. Thanks to its optimized motor with an intelligent management system, it delivers 15 % higher drive performance. Moreover, we are constantly developing our diesel engines and their exhaust control systems. In fact, we are already developing concepts to respond promptly and proactively to further tightening of legislative requirements.

Through our products and solutions, we are also making an efficient contribution to the dismantling of nuclear power stations in Germany, and therefore to the attainment of policy objectives.

Transport and logistics

We strive to promote a sustainable environment and manufacture safe, high-quality transport solutions. This is why, when selecting our suppliers, we make sure that safety and quality standards are maintained. This includes ensuring ATEX conformity and scrutinizing welding certificates. In addition, our suppliers are subject to audits by our Quality Assurance department and must complete questionnaires.

In an effort to reduce logistics expenditure, we are increasingly shifting from global sourcing to local sourcing. The benefits of this are twofold, as efficient logistics reduces overall costs as well as greenhouse gas emissions.

In recent years, we decided to examine our fleet of company vehicles at our Hamm site. Our catalog of criteria covers the vehicles' entire environmental footprint, from their exhaust emissions to their manufacturing and service life and the disposal of their batteries.

In total, our company fleet in Hamm comprises 13 vehicles. Four of these are gasoline or diesel-powered cars, five are hybrid cars and four are fully electric cars. We have therefore increased the number of fully electric cars in our company fleet from zero to four. At present, we have three charging stations with two charging points each to serve our company fleet. We are pleased to have been able to continue converting our company fleet and thereby significantly improve its carbon footprint.

Supply chain

SMT Scharf has an extensive network of suppliers, including companies different countries.

Companies from Germany account for almost three quarters of the total value of supplied services (74.50 % of payments to suppliers). The country with the second largest share is China with 5.90 %. Our other suppliers are predominantly based in Western and Eastern Europe. The countries with the next largest share are the United Kingdom (3.80 %) followed by Switzerland (3.60 %), Italy (2.90 %), the Czech Republic (2.90 %), Spain (2.80 %) and Bulgaria (2.10 %), while Belgium, the Netherlands, Austria and Denmark account for a combined 0.50 %. Outside of Europe, the SMT Scharf supplier network includes companies in South Africa (0.60 %), the United Arab Emirates (0.30 %) and Australia (0.10 %).

In the countries in which our suppliers are based, the ESG risks – such as water scarcity – are low overall. When examining the countries in which our key suppliers are based, China is the only country to present an elevated risk given the human rights situation. In the future, ESG criteria will become a more important aspect and the subject of closer consideration in our supplier agreements.

4. Our responsibility to our employees

Key figures regarding our employees

We regard responsibly managing and engaging with our employees as an important aspect of our efforts to promote sustainability. We strive to create a safe and healthy working environment that safeguards the dignity, health and safety of all our employees. This section features key figures regarding our company's workforce, the benefits we provide to promote our employees' health and the development and advancement opportunities we offer to promote the personal and professional development of our employees.

SMT Scharf GmbH regards a diverse workforce as offering clear advantages. We believe that mutual cooperation between employees from different personal and disciplinary backgrounds, and a workforce comprising a variety of nationalities, ages and genders, are factors that enrich our company and advance its development. We therefore foster a company culture that facilitates equal opportunities regardless of a person's gender, age, ethnic background, sexual orientation, disability status or other personal characteristics.

As of December 31, 2023, the SMT Scharf Group had 411 employees, including eight apprentices at its Hamm site. This marks a slight dip on the previous year's figure (421 employees). SMT Scharf has 140 employees in Germany and 271 employees outside of Germany. International employees therefore account for 66 % of the workforce. Taking account of all employee and age-related departures, the fluctuation rate at the Hamm site was 6.8 % in 2023, which represents an increase on previous years (e.g. 3.3 % in 2022).

After the company increased the proportion of women in its workforce to 19.44 % in 2020, this figure fell to 17.30 % in 2021. In 2022, SMT Scharf recorded a slight increase in this figure to 17.34 %. In 2023, this figure rose slightly once again to 17.52 %. We continue to strive to raise this figure and be an attractive employer for women. In this context, we provide equal pay for female employees as a matter of course. However, we also keep sight of the need to reconcile work and family life, including through flexible working models and the ability to work remotely where possible.

Group employee figures (FTE) (as at 12/31/2023)

Employees (FTE)	Number	%
Women	72	17.52
Men	339	82.48
Total	**411**	

Since 2016, the company has committed to ensuring that female employees account for at least 33 % of Supervisory Board members and has already achieved this.

It is important to us that our workforce age distribution is as balanced as possible. We are convinced that intergenerational cooperation benefits everyone at SMT Scharf. In 2023, the age group that accounted for largest share of employees at the Hamm site was 30 to 50 year olds at 49 %. Over-50s made up 31 % of the site's workforce, while under-30s accounted for 20 %.

Severely disabled people made up 4 % of our total Group workforce in 2023. SMT Scharf has therefore made further progress towards reaching the statutory guideline in which disabled people should account for 5 % of a company's employees.

Hamm employee figures (as at 12/31/2023)

Employees (FTE)	Number	%
Under 30	24	20
30–50 years old	58	49
Over 50	37	31
Total	**119**	

Occupational health and safety

We believe that the health and general well-being of our employees is a basic requirement of our company's successful development. In this section, we provide information on days lost due to illness, workplace accidents and company health promotion services.

In the 2023 fiscal year, 2,126 days were lost to illness at the Hamm site. In the two previous years, SMT Scharf recorded 2,011 (2022) and 1,673 (2021) days lost to illness. In total, the employees of SMT Scharf GmbH performed 155,083 hours of work in 2023.

SMT Scharf records both reportable and non-reportable workplace accidents. No reportable accidents occurred at the company from 2020 to 2022. Unfortunately, one reportable accident occurred in 2023. Regular updates to workplace risk assessments should help to keep the accident rate as low as possible. In addition, annual safety training is mandatory at SMT Scharf. Each employee receives workplace-specific training from their department head.

In Hamm, an Occupational Safety Committee oversees employees' health and safety concerns. This committee is chaired by an occupational safety manager and also includes four further safety officers. The site also has more than the statutory minimum number of first aiders, who also receive regular training. In 2023, 29 employees took part in a first aid training course. In addition, 18 employees received fire marshal training.

Promotion of sport and healthy living

SMT Scharf has created ergonomic workplaces for employees in administrative roles at its headquarters, including height-adjustable desks and individually adjustable office chairs. Employees working in production and assembly can also adjust the height of their workbenches. In addition, the workplaces at our international locations comply with the highest occupational health and safety standards and feature corresponding equipment.

In order to ensure that our employees can reconcile their professional and private lives, SMT Scharf offers employees at its Hamm headquarters the options of flexible working hours and remote working. Employees can visit the SMT Scharf intranet or contact their department head for information about these working models.

Employee engagement and development

SMT Scharf GmbH has established a company suggestion system to integrate its employees into process of structuring internal processes. The company's quality management system, which has been certified in accordance with ISO 9001, also includes the continuous improvement process (CIP) as a basic principle. Employees actively use the company suggestions system. A total of five suggestions for improvement were submitted in 2023, compared to nine in the previous year.

SMT Scharf GmbH supports its employees' development and takes decisions on internal promotions on a case-by-case basis. The company has not yet established a structured internal promotion plan for its headquarters in Hamm.

In 2023, SMT Scharf GmbH allocated a total of 750 hours for employee training across 100 days. These training sessions were attended by 30.50 % of the 118 employees at SMT Scharf GmbH. In the previous year, the company provided 800 hours of training, with 38.62 % of employees taking part. Compared to 2020 and 2021, which were heavily impacted by the pandemic, the number of training hours has therefore remained similar to the 2022 figure and returned towards the pre-COVID figure from 2019. The total costs for the training provided increased to around EUR 56 thousand in 2023 (previous year: EUR 43 thousand). The average per employee in 2023 was EUR 2 thousand. Unlike the training participation figures and the hours allocated for training, the costs of training increased in 2023 due to a number of cost-intensive training sessions as well as general price increases in the training and development sector. SMT Scharf strives to enable its employees to access targeted development opportunities and will continue to offer individual services to promote this moving forward. These opportunities are recorded and approved in department training plans at the start of the year so that the company and employees can plan effectively.

Training

Training	2020	2021	2022	2023
Number of days	52	64	100	100
Number of hours	416	512	800	750
Costs in EUR thousand	20	30	43	56
Number of participants	25	24	44	36
Total participants at SMT Scharf GmbH	**116**	**125**	**115**	**118**

Collective agreements

The majority of our employees in Germany are employed on the basis of the IG Metall collective wage agreement. On the cutoff date, 10 % of employees at the Hamm site were not subject to a collective wage agreement.

Integration of people of color in South Africa

Broad-Based Black Economic Empowerment (B-BBEE) is an anti-discrimination certification designed to improve the economic integration of South African citizens who were previously subject to discrimination. All companies with an annual turnover in excess of 5 million rand (approximately EUR 350 thousand) must make efforts to secure B-BBEE certification. Companies seeking to win public tender procedures or claim state funding must demonstrate that they hold appropriate B-BBEE status. SMT Scharf is B-BBEE-compliant and thereby helps provide economic prospects for groups of the South African population that have been subject to discrimination.

5. Governance and compliance

Code of Conduct and compliance activities

Our Code of Conduct, which is based on our company mission and values, defines the behavioral standards we set. Our Code of Conduct is available online at https://www.smtscharf.com/company/code-of-conduct/. The Code of Conduct provides our employees with instructions and guiding values. It also describes the voluntary and statutorily mandated measures that SMT Scharf takes to ensure ethical, lawful business conduct, personal integrity and a sense of responsibility among all its employees and strengthen team spirit. In addition, the Code of Conduct indicates the correct and proper way to do things and helps us to protect our clients, our employees, our suppliers and our own reputation.

SMT Scharf GmbH has integrated the Code of Conduct into its works agreement for its employees. To date, suppliers have not been required to sign or adhere to the Code of Conduct. However, we are examining the situation to determine whether it might be appropriate to mandate suppliers to commit to our Code of Conduct.

In addition to the Code of Conduct, accurate risk identification and a compliance culture practiced by the Managing Board and senior staff (setting the “tone from the top”) should prevent compliance breaches.

We encourage our employees to make reports if they become aware of facts that give rise to suspicion of illegal behavior or a lack of organizational integrity. We set up a whistleblower system in an effort to keep the barriers to reporting low. In 2023, we further professionalized this system by adding a special tool, which is accessible via our website. We thereby also meet the statutory requirements set out in the German Whistleblower Protection Act (HinSchG).

Compliance management and whistleblower systems

Our compliance management system (CMS) is designed to promptly identify and prevent potential regulatory breaches. In addition, our CMS is intended to assist with defining uniform and appropriate responses to compliance issues for all Group companies and communicating these issues. We have therefore appointed an independent Compliance Officer.

The current Compliance Officer of SMT Scharf GmbH, Dr. Philip Seel of the Grüter law firm in Hamm, has held this position since 23 January 2018. In this role, he advises the Managing Board on all compliance-related issues under German law. This includes providing legal advice in relation to the compliance management system and its components (including their development) and specific legal issues on this topic. In addition, the Compliance Officer and Streitbörger serve as an external reporting office for potential legal breaches. Whistleblowers can contact the Compliance Officer to report suspected breaches and can either provide their name or submit reports anonymously.

As a fundamental rule, employees can report potential breaches to their line manager, a Managing Director or a member of the Managing Board as well as to the Compliance Officer. The Compliance Officer receives these reports and examines whether there is sufficient evidence that a compliance breach exists. If there is, the Compliance Officer informs the Managing Board, unless its members are suspected of involvement. At that point, an investigation is undertaken. Following completion of the investigation, the Managing Board is informed of the outcome, along with the Supervisory Board if necessary and – if desired and not precluded by third-party rights – the person who submitted the report. In addition to ad hoc meetings as circumstances require, the Compliance Officer and the Managing Board of SMT Scharf also communicate on a regular basis through fixed, scheduled meetings.

We do not tolerate unethical conduct or illegality of any form by any employee or other representative of the SMT Scharf Group. In the event of specific compliance breaches, SMT Scharf reserves the right to take appropriate measures under labor law and civil law and to press charges if criminal or administrative offenses are identified. The Managing Board maintains close contact with the Compliance Officer in order to substantiate possible measures. During the reporting year, no reportable compliance breaches occurred in the SMT Scharf Group's German companies.

SMT Scharf's total expenditure on judicial proceedings in 2020 and 2021 was EUR 39 thousand and EUR 93 thousand respectively. As in 2022, the company did not incur any costs for judicial proceedings in 2023.

Stakeholder dialogue

We would like to grant our stakeholders an even more significant role in our work, recording their expectations more widely and systematically than we have to date. It is with this in mind that, in 2022, we began to raise awareness of who our stakeholders are, along with the significance and influence of individual stakeholder groups and the degree to which our activities impact them.

In order to lay solid foundations for this work in the years ahead, we decided to conduct a systematic mapping process in line with the recommendations of the Global Reporting Initiative and the AccountAbility Standard AA1000. The surveyed stakeholder groups were selected on the basis of a peer group analysis and an initial assessment by the Managing Board. Open text fields allowed all participants at all stages of the process to specify further groups.

Key individuals from different areas of the company, including sales, administration, HR, procurement, finance, marketing, IT, internal processes and the Managing Board were integrated in this process.

The process identified the following groups:

- Employees
- Customers
- Supervisory Board
- Suppliers
- Business partners
- Financial institutions
- Shareholders
- Intergovernmental and civil society organizations and groups
- Auditors
- Competitors
- Supervisory authorities/certification bodies
- Indigenous and local communities
- NGOs
- Politics and public administrative bodies
- Financial analysis
- Ratings agencies
- Media
- Applicants
- Industry associations
- Trade unions
- Universities, other higher education institutions, research institutes
- Employment agencies

These stakeholder groups were prioritized in 2022 with the help of a mapping tool that made it possible to categorize these groups' importance, degree of impact and ability to exert influence as well as potential tensions and opportunities to gain insights and ideas.

In this context, we identified the following groups as being relevant in several dimensions and, therefore, particularly important to our company:

- Employees
- Customers
- Supervisory Board
- Suppliers
- Financial institutions
- Shareholders

It is important that we engage particularly closely with these groups.

When refining our sustainability strategy – which is still being drawn up – we will ensure to give due consideration to all relevant stakeholder groups based on their significance in relation to tensions, ideas, impact and influence.

In 2023, our stakeholder dialogue was still primarily focused on actors on capital markets. The Managing Board of SMT Scharf AG engages in dialogue with shareholders and capital market actors through meetings and by participating in investor conferences. The dialogue focuses on classification of the company's development and the expectations placed on our company in both financial and non-financial terms. The Managing Board places a strong emphasis on regular exchange with its investors and took part in six conferences for analysts and investors in 2023.

Fair competition

SMT Scharf observes the principles of fair competition and the integrity of public administration. We are conscious of the fundamental importance of these values to the operational effectiveness of our company and the economy overall. Consequently, SMT Scharf does not tolerate any form of corruption. No instances of corruption were identified in 2023 or in any of the three previous years.

SMT Scharf has implemented a variety of measures to minimize corruption risks, including the CMS system, the whistleblower system and its Code of Conduct. In addition, the sales and management meeting in 2018 included training sessions on the company's anti-corruption policies and procedures. SMT Scharf plans to provide further training like this for sales and management staff in future.

Tax payments

SMT Scharf regards paying appropriate taxes as part of sustainable business management. In this context, we are responding the growing demands from stakeholders for a responsible tax strategy. Our stakeholders are increasingly calling for companies to pay appropriate taxes in the countries in which they operate, considering such actions to be part of a company's social responsibility. In 2021, the Global Reporting Initiative incorporated disclosure of tax data into its standards. In addition, EU legislation will require corporations to publish certain tax-related disclosures from the 2024 fiscal year onwards. SMT Scharf is conscious of its social responsibility in this context and strives to make appropriate tax payments. We therefore deduct payroll taxes and indirect taxes such as sales tax and pay them to the relevant authorities. In 2023, we paid EUR 3.5 million of tax on our profits. We rely on moderate and sustainable tax structuring. We do not relocate assets or economic activities abroad for tax-related reasons and reject any and all structures based on tax avoidance strategies and 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 thousand) 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.

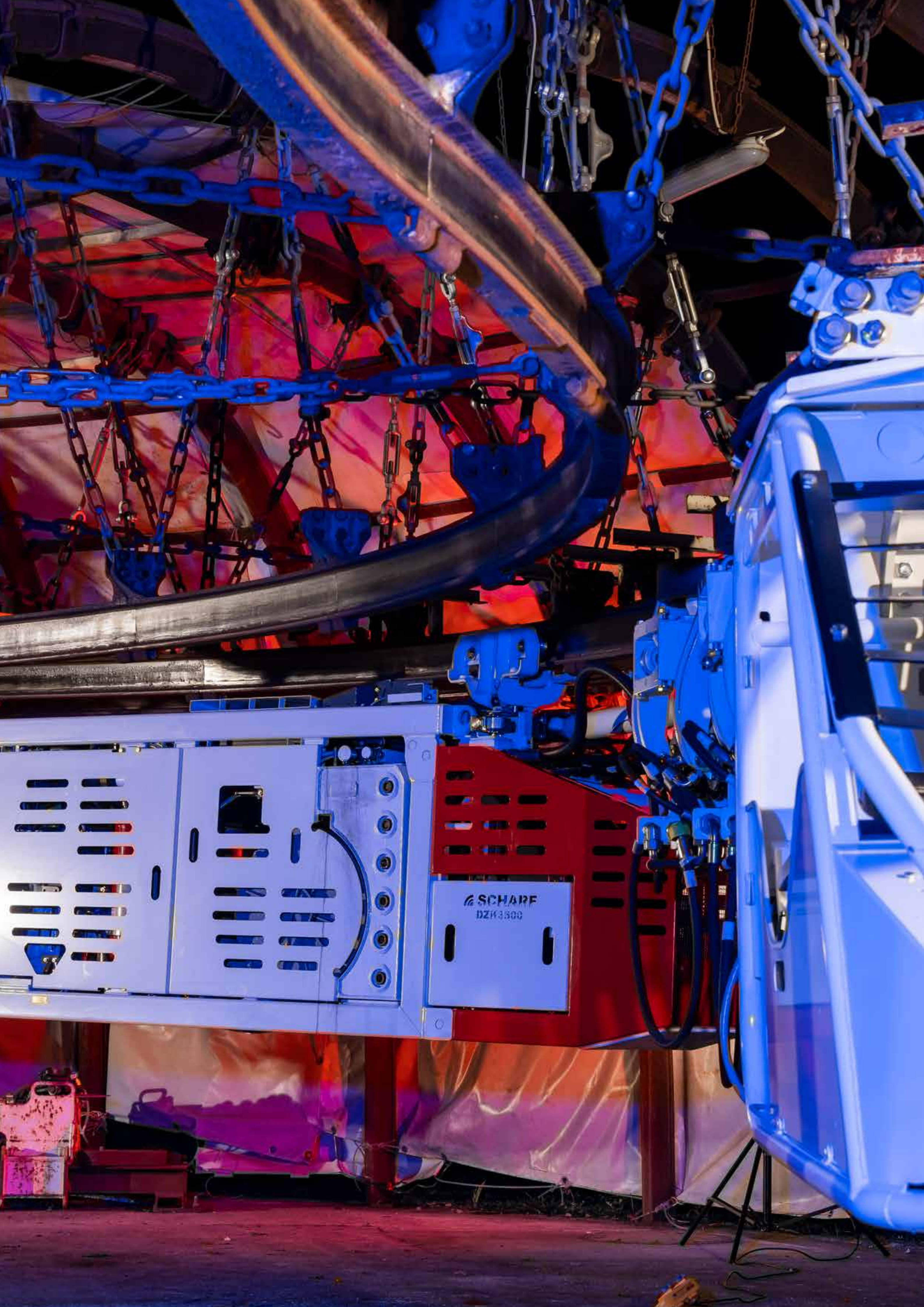
International Organization for Standardization (ISO)
The International Organization for Standardization (ISO) is an international non-governmental organisation founded in 1947 that develops and publishes internationally valid standards. At present, almost 25,000 ISO standards cover a wide range of topics.

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.


SCHARF

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE 2023 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 comprises captivated railway systems that are deployed in underground mining. These systems are technically capable of transporting loads of up to 48 tonnes and handling 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, required for supplying energy 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. .

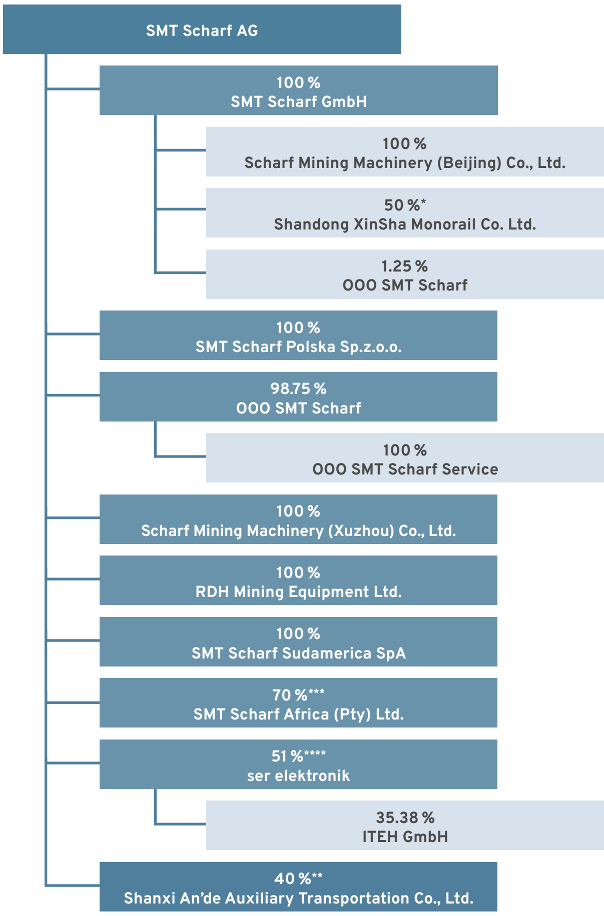
- SMT Scharf can draw on in-house expertise in electronics and controls via its subsidiary ser elektronik GmbH, Möhnesee. The systems – which are integrated into SMT Scharf's transport solutions for coal and mineral mining – are manufactured in-house. In addition, ser elektronik develops customer-specific 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 product range encompasses the provision of spare parts, maintenance, repairs or servicing work. SMT Scharf occasionally acts as a railway operator in response to customer demand.

- Customer groups: SMT Scharf products are deployed mainly in hard coal mining (the Coal Mining segment), as well as increasingly in producing gold, platinum, copper, nickel and salts (aggregated within the Mineral Mining segment). In the Tunnel Logistics business segment, companies from the tunnel construction sector represent a relevant customer group. Through the business of ser elektronik, companies from various sectors in the Other Industries segment also include potential customer groups that require electronic control systems for their machines.

- Regions: SMT Scharf sells its own products in its main markets through subsidiaries located in the world's most important mining nations. These include, in particular, the foreign markets in China, 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. 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



* Until 04/01/2023 a further 50 %: Shandong Liye Equipment Co. Ltd.; since 5 January 2023 a further 50 %: Xinwen Mining Group Material Supply and Marketing 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.

*** Until 11/09/2022 a further 30 % AERO AFRICA LEASING (Pty.) Ltd.; since 12/09/2022 a further 30 % Aran Capital (Pty.) Ltd.

**** A further 49 % since April 3, 2019: Ferdinand Eickhoff, Möhnesee

Corporate objectives and strategy

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

The three strategic areas of activity are:

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

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

- 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. Furthermore, SMT Scharf continuously analyses specific markets and customer requirements on a targeted basis in order to further enhance its competitiveness.

The Managing Board 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). After its successful implementation at the Hamm facility, installation of the ERP system is to be completed at the subsidiary ser elektronik in 2024. Subsequently, work will begin on gradually rolling out the ERP system to 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 potential at an early stage and 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 even rising 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 (on the reporting date)	current assets – liquid assets – 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 %

The key financial performance indicators used to manage the Group are consolidated revenue and EBIT. The non-financial performance indicators are not used to manage the Group.

In the year under review, the goals set were exceeded partially. 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 31 December 2023, the SMT Scharf Group employed 411 individuals (FTEs), including 8 trainees at the Hamm location, with the number of employees thereby falling slightly compared with the previous year's reporting date. In the previous year, the Group employed a workforce of 421 FTEs (including 7 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 next 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.

As of 31 December 2023, the workforce in Germany comprised 140 employees (FTEs). This matches the figure for the previous year (31/12/2022: 140 FTEs).

SMT Scharf Group employees:

	2023	2022
Total employees	411	421
Employees in Germany	140	140
Employees abroad	271	281
Female employees	72	73
Male employees	339	348

The number of employees at foreign locations decreased slightly by 10 FTEs to 271 FTEs in the 2023 fiscal year. The proportion of employees working abroad as of the reporting date fell by one percentage point to around 66 % (previous year: 67 %). Employee turnover dropped significantly to 11.7 % in the reporting year following a figure of 17.2 % in the previous year against the background of developments in Russia. As a consequence, the employee turnover rate in the reporting year was much closer to the medium-term target of <10 %. The workforce sickness rate increased slightly to 5.6 % in 2023 (previous year: 5.2 %).

Research and development

SMT Scharf continues to focus on its local centres of excellence, primarily in Germany, China, Poland and South Africa. In order to advance its research and development activities and realise synergies within the SMT Scharf Group, SMT Scharf is focusing on networking its facilities more tightly. This is realised by introducing a uniform ERP system as well as globally standardised development systems and design methods. A further rollout to the subsidiary in Germany has already been initiated.

In its traditional mining market, SMT Scharf is responding to the ever louder calls for emission-free, sustainable transport equipment. In order to meet these requirements for future applications, SMT Scharf is developing a modular, battery-operated monorail hanging railway system for underground mines in firedamp-prone environments. This meets the requirements of both the Chinese market in terms of variable application options and the Polish market with its specific requirements in terms of size and underground environmental conditions.

In addition to the further development of automation solutions for so-called "smart driving functions" for underground transport systems, which have been in focus for several years and were successfully demonstrated with a Chinese cooperation partner in the past fiscal year using a diesel trolley supplied by Scharf, a particular focus in the 2023 fiscal year was on tunnel logistics and hard rock mining. The aim here is to further develop our decades of experience in underground mining and our proven, sustainable product design for the requirements of the respective market segment.

Thanks to our intensive efforts in the area of tunnel logistics, we were able to win a major order for three battery-powered railway systems for an infrastructure project in Berlin.

In the hard rock mining area, SMT Scharf has developed a successor product to electric monorail hanging railways that have been in use for more than twenty years. In May and June 2024, electrically operated monorail hanging railways will be delivered to two mining companies that operate gold and platinum mines and put into operation. These monorail hanging railways are characterised by the fact that, in addition to the usual power supply via conductor rail systems, state-of-the-art battery technology is used, which makes it possible to carry out transport tasks for short periods even if the main power supply fails. Following successful trials, this product has considerable potential for follow-up orders, particularly in the South African mining sector.

Our customer proximity and many years of experience in mining, combined with the existing potential and passion in product development, which are subject to the highest requirements, ensure that SMT Scharf remains well positioned worldwide as the preferred supplier for efficient and sustainable transport logistics – also in the mines of tomorrow.

Expenses for research and development amounted to EUR 2.4 million in the 2023 fiscal year (2022: EUR 2.01 million). The share of development costs in overall research and development costs stood at EUR 321 thousand (2022: EUR 481 thousand), while amortisation charges for capitalised development costs in the reporting year amounted to EUR 296 thousand (2022: EUR 255 thousand).

Economic and business report

Macroeconomic environment

The International Monetary Fund (IMF) is expecting global economic growth of 3.1 % for 2023, which is below the level of the previous year (3.5 %). The IMF is somewhat ambivalent about economic developments in 2023. On the one hand, the global economy has slowly recovered from the upheavals of the coronavirus pandemic, showing remarkable resilience in the process. On the other, according to the IMF, the recovery proceeded slowly, global disparities grew wider and the prospects for stronger economic growth, especially in developing and emerging nations, appear dim. With a look to the Russia-Ukraine war, experts are warning of further fragmentation in the global economy. Furthermore, economists have their eye on the slow decline in inflation in almost all regions of the world. With regard to the year 2024, the IMF is again expecting global growth of 3.1 %.

China is seen as the weak link in global economic growth. For 2023, the IMF was expecting growth in China of 5.2 % and thus a significant increase over 2022 (3.0 %). According to this view, the recovery is primarily due to the end of the zero Covid policy. However, the rate of growth in 2023 was one of the weakest in the last 30 years. The main reasons were the crisis in the property market and weak domestic consumption. With a look to 2024, the economy is expected to grow by 4.6 %.

Russia achieved economic growth of 3.0 % in 2023 after a decline in economic output in the previous year (– 1.2 %). However, economists view this growth critically and as unsustainable. The main drivers of growth were higher production in Russia's wartime economy in which the government invested almost 30 % of its budget. Accordingly, the population was unable to benefit from the growth. With a look to 2024, the IMF is then expecting growth of 2.6 %. Experts anticipate that a future end to the Russia-Ukraine war could lead to an economic downturn in Russia.

Economic growth in Poland cooled off significantly in 2023, coming in at 0.6 % compared with the previous year (5.3 %). The main reasons for this development were the consequences of the war in Ukraine, high inflation, tight monetary policy in Poland as well as weak exports and sluggish private consumption in the country. For 2024, the IMF is forecasting growth of 2.3 % above the EU average. An increase in private consumption and the raising of the minimum wage by almost 20 % will be the contributory factors to this growth.

Economists are sceptical of the economic situation in South Africa. 2023 growth of 0.6 % represents an appreciable drop from the level in 2022 when the economy managed to grow by 1.9 %. This low growth will not help to improve social problems. Adverse factors in South Africa include the energy market with regular power cuts, widespread corruption, obsolete infrastructure as well as the high unemployment rate of almost 33 %. In addition, the difficult global economic environment and low investment activity on the part of private companies are depressing the economic situation. With regard to 2024, the IMF is assuming growth of 1.0 %.

The four countries mentioned represent the most important sales markets for SMT Scharf. Together, the customers there regularly account for more than 85 % of Group sales revenues.

*GDP growth in the most important sales markets**

in %	2023	2022
World	3.1	3.5
China	5.2	3.0
Poland	0.6	5.3
Russia	3.0	-1.2
South Africa	0.6	1.9

* IWF World Economic Outlook, January 2024

SMT Scharf limits the effect of exchange rate risks by shifting some of its production and procurement processes to the company's sales markets. Most new systems are still built in Germany, however. In addition, SMT Scharf has adapted its organisation to these effects and reduced the costs incurred by exchange rate effects in the reporting period by deploying hedging transactions.

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

in %	2023	2022
Yuan Renminbi (China) / Euro	+6.5	−2.0
Zloty (Poland) / Euro	−7.3	−2.0
Rubel** (Russia) / Euro	+30.7	−9.9
Rand (South Africa) / Euro	+12.0	+0.7

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

In 2023, the Euro appreciated significantly against the Chinese Renminbi, gaining 6.5 %, whereas it had lost purchasing power in the previous year. The Euro also gained appreciably against the Russian Ruble by 30.7 % and the South African Rand by 12.0 %. The Polish Zloty, on the other hand, appreciated by 7.3 % against the Euro after having already gained purchasing power in 2022.

Sector trends

Prices on the global markets for energy raw materials dropped in the reporting period, notably lithium (– 82.3 %), coal (– 38.3 %) and natural gas (– 55.4 %). The reasons included the mild weather in 2023, the stuttering reopening in China after the coronavirus pandemic, tight monetary policies by the central banks as well as the strength of the US Dollar. The price of coal, which is relevant for SMT Scharf, recorded a clear downward trend in 2023, falling from around EUR 150 at the beginning of the year to EUR 100 (based on one tonne of hard coal). The S&P GSCI Energy and Metal Index, which is important for the sector, was down by 8.6 % in 2023.

German mechanical and industrial engineering companies can look back on an economically tough year in 2023. The consulting firm PwC are even talking of a wasted year for the sector. Companies' growth expectations reached their lowest ebb in the fourth quarter of 2023. The German Engineering Federation (VDMA) is assuming that production fell by 1 % in real terms in 2023 with the third and fourth quarters proving particularly weak. Overall, the sector expects sales revenues to decrease by 2.4 % in 2024. This forecast represents the lowest level in the past two years.

German mining technology companies' new order intake in 2023 decreased by 13 % year on year (as of November 2023), according to estimates by the Mining Association of the VDMA. The global market for mining technology companies will increase from USD 98 billion in 2024 to USD 135 billion in 2029 according to forecasts. This equates to a CAGR of 5.12 %.

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 anticipates 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 exchangers, 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 predicted to grow from USD 141 billion in 2023 to USD 201 billion in 2030, representing a CAGR of 4.5 % (2023 – 2030). More stringent legislation and environmental regulations are expected to slow growth. By contrast, the VDMA emphasises that only state-of-the-art mining technology will be able to ensure the supply of raw materials needed for climate protection and digitalisation.

The prospects for growth in the Tunnel segment are also positive in SMT Scharf's estimation. For example, the International Tunnelling and Underground Space Association (ITA) is retaining its positive forecast for the coming years. According to this forecast, the worldwide tunnel construction market is worth around EUR 125 billion per year (as of 2019), which corresponds to an increase of 45 % compared with 2017. From 2011 to 2019, an average of 5,200 km of tunnels were built per year worldwide. The drivers for the global tunnel market are the growing expansion of roads and railway infrastructures to improve transport facilities. In addition, rising demand for energy, minerals and metals is leading to the mining of thermal and coking coal. These factors are having an increasingly positive impact on growth in the tunnel construction market. For this reason, the global market for tunnels and underground rail systems is expected to grow at a CAGR of 7.38 % between 2021 and 2027 due to rising demand around the world.

According to the ITA, in 2019 global investments of EUR 360 billion were planned over a three-year period in order to complete the tunnel construction projects already underway. China is responsible for the largest share of these investments as it will invest EUR 200 billion for the completion of tunnel construction projects. With regard to tunnel construction projects at the planning stage, the ITA forecasts that by 2030 global investments will be running at a total of EUR 1,385 billion. According to the forecast, the regions of China (EUR 473 billion), Europe (EUR 374 billion) and Asia excl. China (EUR 356 billion) represent the focal points of future planned investments.

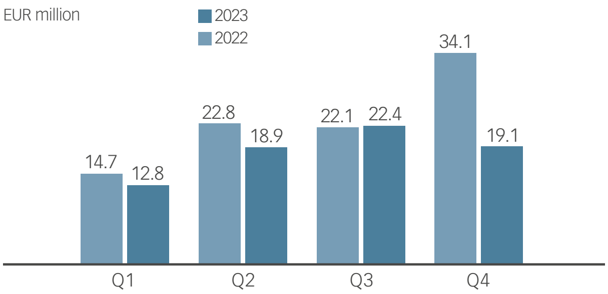
By diversifying in terms of products, areas of application, customer groups and regional markets, SMT Scharf is placing its business model on several pillars. This approach serves to mitigate the impact of the coal mining business cycle on SMT Scharf's business growth and development.

Business trends

SMT Scharf AG's consolidated revenue in the 2023 financial year totalled EUR 73.2 million. This corresponds to a significant decline of 21.9 % by comparison with the very strong previous year (2022: EUR 93.7 million). The main driver of this sales trend in the reporting year was strong growth in the spare parts and service business while new systems business recorded a significant decline. In addition, the deferral of sales revenues from project business to 2024 led to lower sales revenues than had been expected in the most recently announced revenue forecast for 2023 of EUR 76.0 million.

In the fourth quarter of 2023, SMT Scharf's sales revenue amounted to EUR 19.1 million which was the second strongest quarter for sales revenue in 2023. However, by comparison with the extraordinarily strong final quarter in 2022 (EUR 34.1 million), revenues fell by 44.0 %.

Group revenue quarter-by-quarter



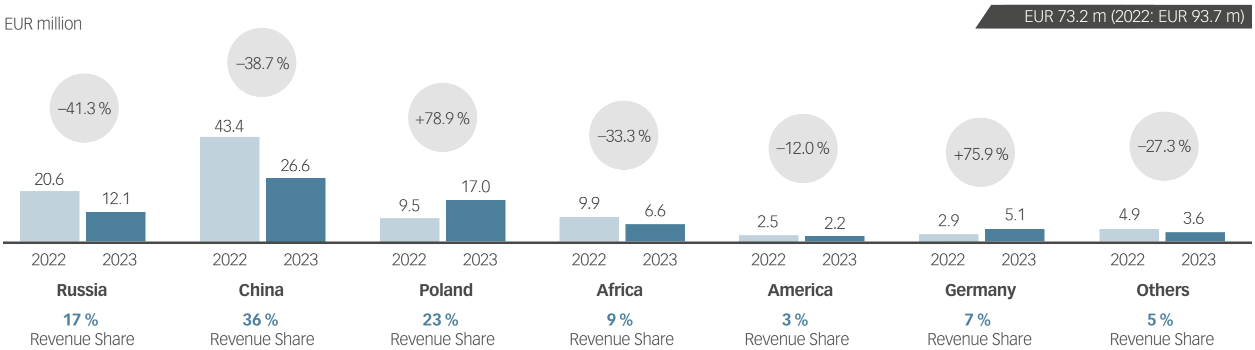
EBIT in the 2023 financial year stood at EUR 4.0 million, well below the level of the previous year (2022: EUR 14.3 million). Consequently, the final EBIT forecast for 2023 of EUR 4.5 million was missed by some margin. First and foremost, this was due to the impairment of goodwill caused by the delay in bringing electric commercial vehicles to markets.

With sales revenues of EUR 26.6 million, China remains the most important sales market for SMT Scharf as it was in the previous year. However, the volume of business there fell by 38.7 % by comparison with the previous year (EUR 43.4 million). Its share of total sales revenues dropped accordingly in the reporting period from 46.3 % to 36.4 %. The reasons for these lower sales revenues included the decline in new systems business in China, and the fact that project business was moved from the fourth quarter of 2023 into 2024.

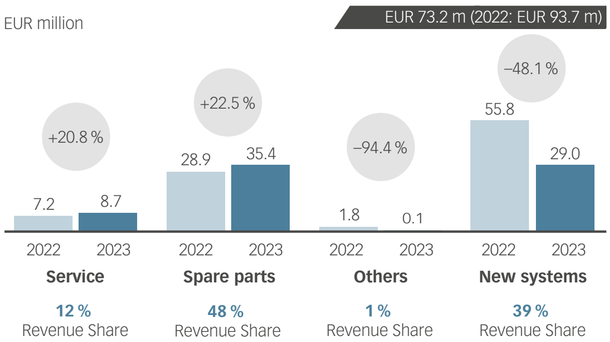
With respect to further sales markets, Poland is SMT Scharf's second most important market with sales revenues of EUR 17.0 million, and it contributed 23.2 % of total revenues. This corresponds to a significant increase in revenue of 79.0 %. In 2022, Poland was still in third place with sales revenues of EUR 9.5 million or 10.1 %. Growth in Poland was driven by the government's coal-friendly policies intended to make up for missing energy supplies from Russia. With sales revenues of EUR 12.1 million in 2023 (2022: EUR 20.6 million), Russia represented SMT Scharf's third most important sales market. This region therefore accounted for 16.5 % of total revenues (2022: 22.0 %). By comparison with 2022, sales revenues fell by 41.3 %, mainly due to a reduction in business caused by the Russia-Ukraine war and the sanctions imposed. All deliveries were strictly inspected by the Federal Office of Economics and Export Control (BAFA) and customs to ensure that the sanctions in place were complied with.

In addition, SMT Scharf generated sales revenues in Africa of EUR 6.6 million in 2023 (2022: EUR 9.9 million), in Germany of EUR 5.1 million (2022: EUR 2.9 million), as well as EUR 2.2 million (2022: EUR 2.5 million) in USA. While the German market gained in importance by comparison with the previous year, with its share of revenues climbing from 3.1 % to 7.0 %, the Africa region contributed lower revenues with a share of 9.0 % (2022: 10.6 %). The main reason for this decline was the economically precarious situation in the important sales market of South Africa. As a result of the smaller basis for future, sustainable profits in Africa by comparison with the previous year, the goodwill is no longer recoverable. Other regions accounted for EUR 3.6 million or 4.9 % of SMT Scharf's sales revenues (2022: EUR 4.9 million or 5.2 %).

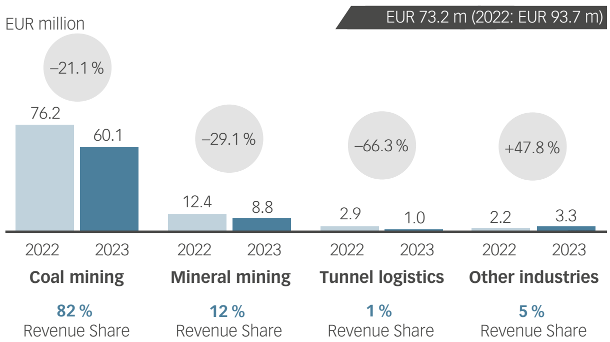
Revenue by region



Revenue by type of business

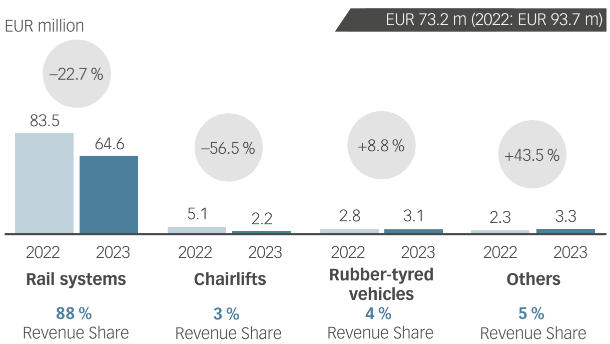


Revenue share by segment



Revenue in the New Equipment business fell significantly by 48.1 % to EUR 29.0 million in the 2023 fiscal year (2022: EUR 55.8 million). This decline reflected the difficult economic situation in important sales markets such as China and Russia. The spare parts and service business, on the other hand, posted significant growth in fiscal 2023 with sales revenues of EUR 44.1 million (2022: EUR 36.1 million) with the result that its share of total revenue increased to 60.3 % (2022: 38.5 %). In addition, the Other services division contributed revenues of EUR 0.1 million (2022: EUR 1.8 million) to the business.

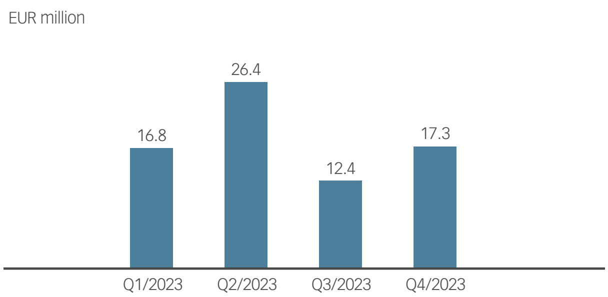
Revenue share by product



With sales revenue of EUR 64.6 million (2022: EUR 83.5 million), rail systems represented SMT Scharf's most important product group by some distance. By comparison with 2022, however, revenues with rail systems fell by 22.7 %. Accordingly, their share of total revenues stood at 88.3 % (2022: 89.1 %). In addition, chairlifts with revenues of EUR 2.2 million or 3.0 % (2022: EUR 5.1 million or 5.4 %), rubber-tyred vehicles with revenues of EUR 3.1 million or 4.2 % (2022: EUR 2.8 million or 3.0 %) as well as Other Products with revenues of EUR 3.3 million or 4.5 % (2022: EUR 2.3 million or 2.5 %) also contributed to total sales revenues.

As in the previous year, the Coal segment remained SMT Scharf's most important segment in 2023, making up 82.1 % of total revenues (2022: 81.3 %). However, revenues in this segment fell year on year by 21.1 % to EUR 60.1 million (2022: EUR 76.2 million). This reflects the challenging economic environment in important sales markets such as China and Russia. The second most important business segment for SMT Scharf was Mineral Mining with revenues of EUR 8.8 million (2022: EUR 12.4 million). This represents a fall in revenues in this segment of 29.1 % by comparison with the previous year. The Mineral Mining business made up 12.0 % (2022: 13.2 %) of sales revenues. Furthermore, the segments of Tunnel Logistics with sales revenues of EUR 1.0 million or 1.4 % (2022: EUR 2.9 million or 3.1 %) and Other Industries with sales revenues of EUR 3.3 million or 4.5 % (2022: EUR 2.2 million or 2.4 %) also contributed to total sales revenues.

New order intake



In the 2023 financial year, SMT Scharf recorded an order intake of EUR 72.9 million following EUR 89.7 million in the previous year. The main reason for this was modest demand for new equipment. Order intake in the fourth quarter amounted to EUR 17.3 million and thus exceeded the level of the fourth quarter of the previous year (2022: EUR 13.6 million). As of 31 December 2023, the order book stood at EUR 22.6 million and thus slightly lower than the figure for the previous year of EUR 22.9 million.

Financial position and performance

Results of operations

The SMT Scharf Group generated consolidated revenue of EUR 73.2 million in the 2023 fiscal year (2022: EUR 93.7 million). This corresponds to a significant drop in revenue of – 21.9 %. While sales revenues from the spare parts and service business grew appreciably, the new equipment business suffered a marked decline in the reporting year. In addition, revenues from project business were moved to 2024. Total operating revenue (consolidated revenue plus changes in inventories) fell to EUR 81.1 million (2022: EUR 95.9 million). Other operating income also declined from EUR 12.9 million in the previous year to EUR 4.6 million in 2023 which was essentially due to a fall in exchange rate gains as well as lower reversals of provisions.

Given the significantly lower total operating revenue, the cost of materials fell by 16.2 % to EUR 44.6 million in the reporting period (2022: EUR 53.1 million). This resulted in a cost of materials ratio (in relation to total operating revenue) of 55.0 % (2022: 55.4 %). Personnel expenses in the year under review dropped slightly by 3.0 % to EUR 19.6 million (2022: EUR 20.2 million). In Germany, the instrument of short-time working was utilised in the last four months of the reporting period. This resulted in savings of EUR 117 thousand in personnel expenses. Government grants for these months totalled EUR 41 thousand. As a consequence, the ratio of personnel expenses to total operating revenue increased year on year to 24.2 % (2022: 21.1 %).

Accumulated depreciation and amortisation climbed to EUR 3.2 million (2022: EUR 2.7 million), caused by the impairment of goodwill due to a delay in bringing electric commercial vehicles to market. By contrast, other operating expenses fell 22.9 % to EUR 14.2 million (2022: EUR 18.4 million). A reduction in other overheads was primarily responsible for this fall.

Overall, the foreign exchange result led to a negative balance of EUR – 2.7 million in the 2023 fiscal year (2022: EUR – 1.4 million).

Results of operations

EUR million	2023	2022	Change
Revenue	73.2	93.7	– 21.9 %
Total operating revenue	81.1	95.9	– 15.4 %
EBIT	4.0	14.3	– 72.0 %
EBIT margin (in %)	4.9	14.9	– 10.0 Pp
Consolidated net profit	5.2	14.8	– 64.9 %
Earnings per share undiluted (in EUR)	0.89	2.75	– 67.6 %

The SMT Scharf Group's operating earnings in fiscal 2023 amounted to EUR 4.0 million following a figure of EUR 14.3 million in the previous year. First and foremost, this was due to the impairment of goodwill caused by the delay in bringing electric commercial vehicles to markets. Accordingly, the EBIT margin (in relation to total operating revenue) fell by 10 percentage points to 4.9 % in the reporting year (2022: 14.9 %).

The financial result amounted to EUR 3.6 million, compared with EUR 4.3 million in the previous year, due to a fall in income from participating interests. In addition, the interest result improved slightly to EUR – 0.9 million (2022: EUR – 1.0 million) due to the disproportionately high increase in interest income by comparison with interest expenses.

On balance, the Group generated a profit from normal business operations of EUR 7.6 million (2022: EUR 18.6 million). The tax expense of EUR 2.4 million in the reporting year was significantly below the previous year's level (2022: EUR 3.8 million). Of this amount, EUR 4.1 million comprised current tax expenses (2022: EUR 3.2 million), and EUR – 1.7 million deferred tax (2022: EUR 0.6 million). The Group's tax rate stood at 32.1 %, as in the previous year.

Overall, SMT Scharf AG achieved positive consolidated earnings for the year of EUR 5.2 million (2022: EUR 14.8 million). This corresponds to earnings per share of EUR 0.89 (2022: EUR 2.75).

Net assets

The total assets of the SMT Scharf Group fell to EUR 126.5 million as of 31 December 2023 (31 December 2022: EUR 131.0 million). Non-current assets stood at EUR 38.5 million (31 December 2022: EUR 37.9 million). In the area of operating and office equipment, property, plant and equipment decreased markedly to EUR 6.8 million as of the reporting date (31 December 2022: EUR 7.7 million). This results from lower capital expenditure activity. Intangible assets also fell appreciably to EUR 6.9 million (31 December 2022: EUR 8.1 million). On the one hand, the capitalisation of costs for the introduction of the new ERP system had the effect of increasing this figure, while on the other, it also reflects the amortisation of goodwill. Compared with the previous year's reporting date, deferred tax assets increased significantly to EUR 4.0 million (31 December 2022: EUR 2.6 million).

Current assets dropped to EUR 87.9 million as of the reporting date (31 December 2022: EUR 93.1 million) and continued to account for the largest share of assets. This was partly due to the increase in inventories, which totalled EUR 38.2 million as of the reporting date (31 December 2022: EUR 33.7 million). This reflects the continued high levels of new order intake and order book position. Trade receivables fell significantly to EUR 35.7 million (31 December 2022: EUR 46.3 million) as of the reporting date of 31 December 2023. Improved receivables management as well as shorter payment terms for service and spare parts transactions and the noticeably more subdued demand for new equipment in the SMT Scharf Group's core markets were the principal factors behind this decline. In relation to consolidated revenue of EUR 73.2 million in the 2023 fiscal year (2022: EUR 93.7 million), average trade receivables outstanding of EUR 32.6 million (2022: EUR 36.8 million) and 180 days (2022: 365 days), the average days of sales outstanding rose to 163 days (2022: 144 days) and stood at 180 days on the balance sheet date (2022: 365 days). The payment schedules arranged with major customers in previous years were adhered to as agreed. Cash and cash equivalents rose to EUR 8.2 million as of 31 December 2023 (31 December 2022: EUR 7.7 million).

In view of the slight fall in total assets as well as the small decline in equity, the equity ratio amounted to 68.5 % as of the balance sheet date, up 2.1 percentage points on the previous year (31 December 2022: 66.4 %). This is mainly due to the positive consolidated net income. Non-current provisions and liabilities decreased significantly to EUR 8.4 million as of the balance sheet date (31 December 2022: EUR 11.0 million) which was due, in particular, to the repayment of leases and investment loans. These loans decreased appreciably by EUR 0.7 million to EUR 0.3 million as of the reporting date (31 December 2022: EUR 1.0 million). Furthermore, pension provisions also reduced considerably to EUR 2.5 million (31 December 2022: EUR 2.7 million).

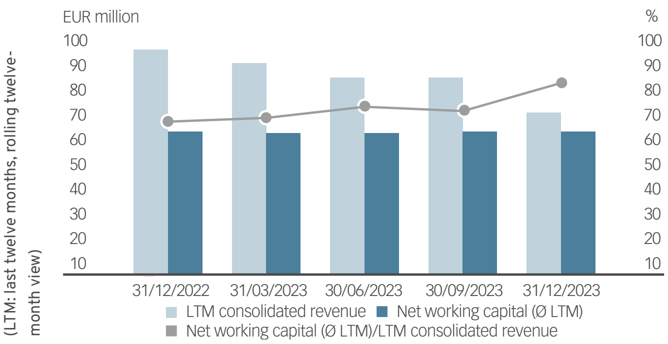
Current provisions and liabilities decreased to EUR 31.5 million as of the balance sheet date (31 December 2022: EUR 33.0 million). This equates to a slight decrease of EUR 1.5 million by comparison with the previous year's reporting date. Trade receivables also fell significantly, amounting to EUR 3.8 million as of the reporting date (31 December 2022: EUR 7.0 million). By contrast, current financial liabilities increased to EUR 15.7 million (31 December 2022: EUR 13.8 million) due to a buyback obligation relating to receivables from a spurious pension transaction. Furthermore, other current provisions of EUR 5.8 million decreased slightly in comparison with the previous year's reporting date due to sales provisions (31 December 2022: EUR 6.0 million).

Net assets

EUR million	31/12/2023	31/12/2022
Total assets	126.5	131.0
Equity	86.7	87.0
Equity ratio (in %)	68.5	66.4
Non-current and current provisions and liabilities	39.8	44.0
Non-current assets	38.5	37.9
Current assets	88.0	93.1
Days of sales outstanding	163	144
Net working capital* zum Bilanzstichtag	64.0	66.2
Net Working Capital* im Jahresdurchschnitt	64.0	66.5
Net Working Capital* Intensity (%)	87.5	71.0

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

Net working capital (average LTM) / Consolidated revenue LTM



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 lifted 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 17 May 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 10 August 2022. Since 15 August 2022, the company's shares have traded as no-par-value registered shares under the new ISIN DE000A3DRAE2. The depositary conversion to registered shares was implemented on 12 August 2022 after the stock market close.

As a consequence, as of the balance sheet date of 31 December 2023, 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.

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 16 May 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 2023 Annual General Meeting did not result in any changes.

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 17 May 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 2023 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 more 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 dismissal 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 processes 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 9.9 million exist, but have not been utilised.

Given the consolidated net income of EUR 5.2 million in 2023, the SMT Scharf Group reported cash flows from operating activities of EUR 3.9 million in the year under review (2022: EUR 5.7 million). Further positive effects, including from the reduction in receivables as a result of stronger receivables management, were offset by negative effects from the reduction in liabilities and tax payments. Cash flow from investing activities amounted to EUR – 0.9 million (2022: EUR – 2.4 million) and is mainly attributable to payments for investments in property, plant and equipment.

Cash flow from financing activities amounted to EUR – 0.8 million for the 2023 reporting period (2022: EUR – 1.7 million) which was mainly caused by the repayment of financial liabilities and interest payments. The take-up of new loans in an amount of EUR 3.2 million countermanded this effect. In total, the cash and cash equivalents position rose from EUR – 4.1 million on 31 December 2022 to EUR – 2.6 million on 31 December 2023.

Comparison of the actual financial position and performance with the forecast

On publication of the 2022 annual report, SMT Scharf AG had originally announced that it was expecting consolidated revenues of EUR 83 million with operating earnings (EBIT) of EUR 1.2 million for the 2023 financial year.

On the basis of preliminary results for the first half of 2023, SMT Scharf revised its forecast for revenues and earnings for the whole of 2023 downwards on 9 August 2023. According to the revised forecast, the Managing Board was now expecting consolidated revenues of EUR 73 million and a negative EBIT of EUR – 3.3 million for 2023. Nevertheless, the Managing Board saw potential for catching up in the second half of the year.

On 30 October 2023, SMT Scharf raised its forecast for revenue and earnings, revised on 9 August 2023, for the 2023 financial year on the basis of preliminary results for the third quarter and the first nine months of 2023. According to the new forecast, the Managing Board was now expecting consolidated revenue of EUR 76.0 million for 2023. At the same time, EBIT was forecast to be EUR 4.5 million.

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

- With actual consolidated revenue of EUR 73.2 million, SMT Scharf narrowly missed the revenue guidance it had upgraded in October 2023, whereby consolidated revenue was likely to reach EUR 76.0 million. The reason for this was the fact that revenue from project business was deferred until 2024.
- SMT Scharf posted EBIT of EUR 4.0 million in 2023. Consequently, the final EBIT forecast for 2023 of EUR 4.5 million was missed by some margin. First and foremost, this was due to the impairment of goodwill caused by the delay in bringing electric commercial vehicles to the market.

Overall statement on the company's business position

The SMT Scharf Group generated consolidated revenue of EUR 73.2 million in the 2023 financial year, which was appreciably below the figure for the previous year due to difficult market conditions in its core international markets as well as the effects of the Russia-Ukraine war. On the basis of an EBIT result of EUR 4.0 million, SMT Scharf achieved an EBIT margin of 4.9 % (in relation to total operating revenue) in 2023. The company's asset and financing positions continue to be robust. The equity ratio increased to 68.5 % as of the reporting date. Although financial debt has risen slightly, 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 maintained its initiatives for expanding its non-coal business areas in the financial year just ended. Overall, SMT Scharf believes that it is well positioned with its modular product range to systematically take advantage of the growth opportunities in the individual market segments.

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 potential 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 relevant 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 communicating these issues. SMT Scharf has appointed an external compliance officer to monitor compliance management within the Group.

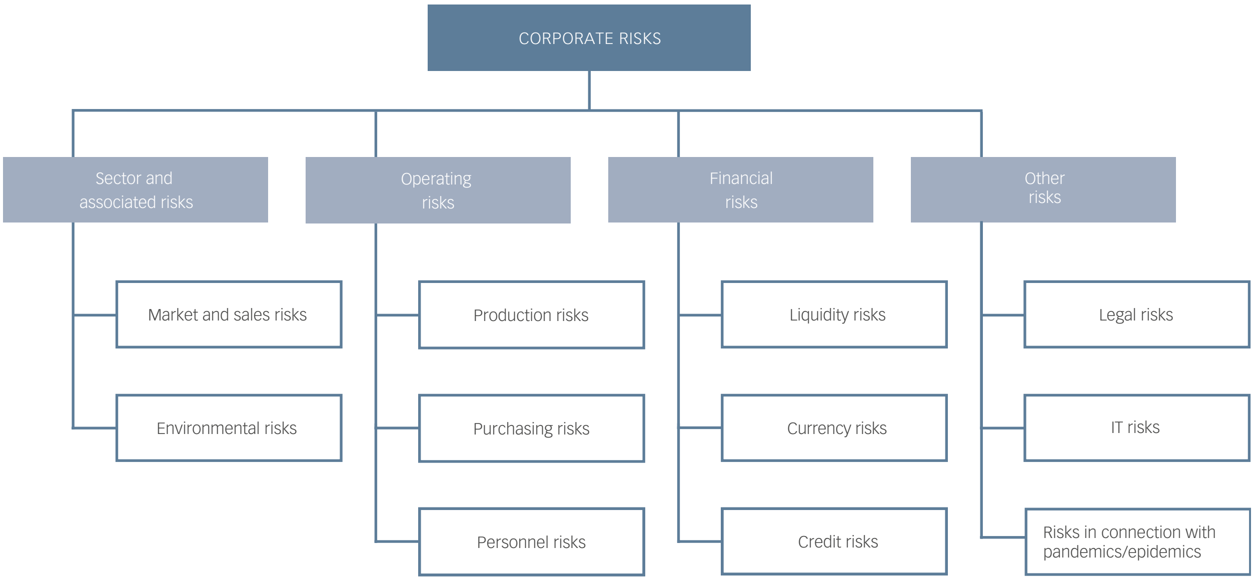
Corporate risks

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 2023 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. In terms of 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 engines in the form of the DZK3500. SMT Scharf was the first European supplier to receive approval for the new China III engines as early as 2021. Against the background of the Chinese government's five-year plan (2021 – 2025), competition in the Chinese market has increased as more local providers are crowding into the market.



Moreover, a recession in the target markets or downturn in demand among individual customer groups could exert a negative effect on SMT Scharf's business. In light of the Russia-Ukraine conflict and the extensive international sanctions, economic forecasts for Russia have become somewhat more optimistic again after recent talk of a lengthy recession in Russia. After economic activity collapsed in 2022 due to the war in Ukraine, the Kiel Institute for the World Economy (IfW) assumes that the Russian economy managed to grow by 2.8 % in 2023. With regard to 2024, the IfW is forecasting weaker growth of 1.5 %. The forecast of the International Monetary Fund (IMF) is noticeably less sanguine. According to its forecast, Russian economic output only grew by 0.7 % in 2023 and is set to grow by 1.3 % in 2024.

The sanctions imposed by the EU, prohibiting the delivery of finished machines to Russia, took effect on 10 July 2022. Since 25 February 2023, even the supply of spare parts has been subject to severe restrictions. This leads to the risk that a further tightening of the sanctions by Western countries could increasingly impact the SMT Scharf Group's business activities in Russia. In this context, there is a risk that deliveries of our products to Russia might be banned completely.

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. As a result, projects may be subject to considerable delay. 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 used by SMT Scharf were built with materials containing asbestos. These materials are monitored on a regular basis; if conversion work is carried out, they are professionally disposed of.

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 and occupational health and safety as well as environmental protection are intended to help mitigate these risks. Business interruption insurance covers any breakdowns in production systems.

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 wars in Ukraine and the Middle East and associated disruptions to global supply chains. On the procurement market, this is having an impact in the form of supply shortages and delayed lead times as well as price increases for energy and materials.

As a consequence of the pandemic, the shortage of semiconductors, in particular, is proving 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 supply capabilities. SMT Scharf counters these risks by cultivating supplier relationships that are as durable as possible, and by qualifying alternative suppliers around the world as part of a multiple source strategy. SMT Scharf can also counteract procurement risks by developing alternative designs in good time. The designs of our own products are also continuously revised with the aim of making them more attractively priced.

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 recruit further suitable employees – especially when staffing up 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 mitigates this risk through rationalisation measures in production and administration as well as a generally heightened cost awareness.

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 the positive operating cash flow, there are no liquidity risks as sufficient bank balances as well as credit and guarantee lines are available. SMT Scharf invests free liquid funds so they are available short-term and generate relatively secure returns. By working with several banks, the Group 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 mitigated by procuring a growing proportion of components abroad. Given the Russia-Ukraine war, SMT Scharf remained exposed to increased exchange rate risks and a resultant increase in the price of its products in 2023. 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 66 % of the workforce of SMT Scharf was employed outside the Eurozone as of the reporting date of 31 December 2023, thereby reducing the risk of higher personnel costs due to exchange rate effects.

Credit risks
Counterparty risks are limited by deploying letters of credit 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. In the case of Russia, there is a latent risk that the European Commission will introduce further sanctions which might make it even more difficult for the Russian subsidiary to pursue its business activities. SMT Scharf possesses superbly trained and experienced staff well versed in dealing with the existing sanctions. SMT Scharf has also taken out insurance cover for property damage, product liability and other risks, to protect itself from any potential losses.

IT risks
Clear guidelines govern the detailed handling of information and secure use 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

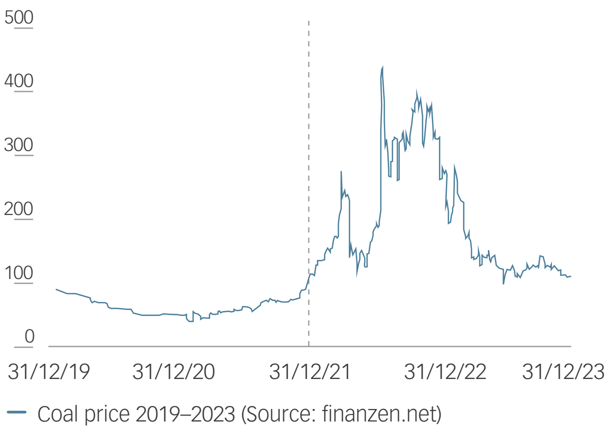
The extensive list of measures contained in the three strategic action areas of “Organic Growth”, “External Growth” and “Operative Excellence” aims to make SMT Scharf even more productive and more competitive overall. This will enable SMT Scharf to take advantage of the growth opportunities in the mining industry, starting from a position of strength. 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 engine 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

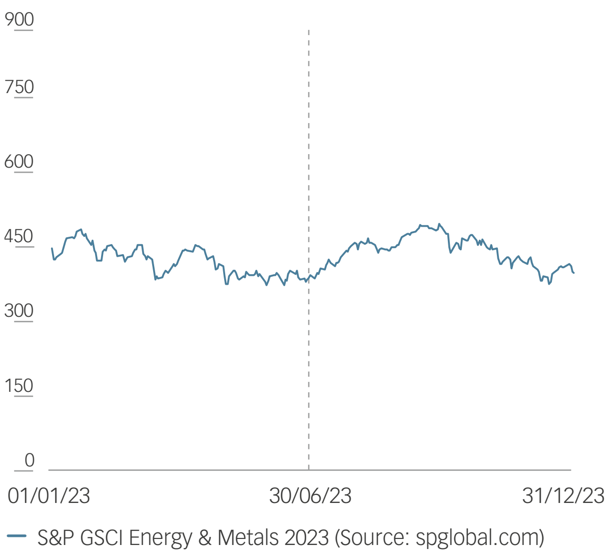
In the medium term, the growth that is forecast for the global economy will further boost demand for relevant raw materials and energy. Macroeconomic conditions put a brake on the growth of the commodity markets, however, in 2023. While the price of coal stood around USD 190.50 at the start of 2023, by the end of the year, it was no more than USD 117.60. This equates to a fall of around 38 %. Nevertheless, there are variations in the growth of individual commodity prices. While the commodity of gold, for example, closed 2023 with double-digit percentage growth, lithium’s performance was extremely weak. The reason, according to reports, was weak demand for batteries coupled with high production.

In general, SMT Scharf expects commodity prices to be volatile in 2024 and that this will nevertheless incentivise the mining industry to extract commodities. Investments in infrastructure and the modernisation of mines 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 around the world could have a negative effect on global economic growth and correspondingly dampen activity in the global mining equipment market.

Coal price 2023 (in US dollars)



S&P GSCI Energy & Metals 2023 (in US dollars)



According to the IMF, global growth slowed from 3.5 % in the previous year to 3.0 % in 2023. The report states that inflation was gradually brought under control in 2023 after reaching its highest level for the time being at the end of 2022. The global economy also continues to slowly recover from the effects of the pandemic, the consequences of the Russia-Ukraine war and the upheavals on the energy and food markets.

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 2023. SMT Scharf expects that mining groups will once again invest more heavily in modern infrastructure. After a decline in global economic output in 2023, the IMF's economic report published in January 2024 assumes growth of 3.1 % which would be on a par with the previous year. According to the report, the global economy has proved more resilient recently than had been thought, and the risks to global growth have lessened. 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 mine more coal and other raw materials in 2024 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. According to BP, coal is the fuel that will lose the most ground in the coming decades thanks to the growing dominance of lower carbon fuels. For the time being, heavy use of domestic coal remains the norm in many parts of Asia. Along with oil and gas, coal will remain one of the most important energy sources for the foreseeable future despite the increasing use of renewable energies. All three energy types together will cover around 75 % of global energy supplies in 2035, according to estimates. Given China's high energy requirements, SMT Scharf assumes that the market potential is particularly high due to the China III emissions standard.

Trend towards Mining 4.0

Against the backdrop of dynamically advancing digitalisation, operators of mines and production sites worldwide are becoming increasingly interested in innovations in all areas of mining equipment and technology, as well as in optimising the efficiency of their processes and organisational structures. Automation and data management form the focus for mining companies. One trend in underground mining is the integration of machines into mine operators' networks. Mining companies wish to have information about drivers, oil levels and underground temperatures. 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. A further trend in underground mining is the development of automated transport systems with which mine operators wish to further boost efficiency and save costs. 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 industries unrelated to mining in the future.

More complex geological locations of raw materials deposits

In the medium term, raw materials deposits worldwide will be mined 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 expected to form a segment equivalent to that of the Coal segment in the medium to long term. The use of rail transport and logistics systems in platinum, gold or copper mines will increase and consequently make a positive contribution to revenues from this business. SMT Scharf continually examines whether to expand its sales into new regions of the world by setting up new subsidiaries or expanding its distribution network through local agents such as in the African market in order to move closer to customers in these areas. 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 much less maintenance than vehicles with combustion engines, and thus over the long term they help to save costs. They still cost significantly more to buy than diesel vehicles with the result that mine operators weigh up the pros and cons of converting to vehicles with electric drives very carefully. In principle, SMT Scharf has proven battery and electrical expertise and can meet demand for electrically powered drive systems.

The interest in ser elektronik, which has been held since 2019, contributes to the further diversification and development of the business. Firstly, it strengthens the company's expertise in electromobility In electric vehicles, thanks to ser elektronik's specific expertise, SMT Scharf can also supplement its electronic controls with its own battery management systems tailored to customer requirements. In this way, SMT Scharf is able to offer operators batteries optimised for mining and to support them with advice on operational concepts for their machines. At the same time, ser elektronik also realises electronic controls for industries unrelated to mining such as the food industry, for example. This will generate further growth opportunities for SMT Scharf in the future.

In addition, the Tunnel segment generally promises huge potential for sales revenues as well as the opportunity to enjoy greater freedom from the raw materials price cycle as the demand for infrastructure is driven by other factors such as the worldwide densification of conurbations.

Summarised presentation 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. Complete certainty that all the relevant risks have been identified and can be managed, can never be obtained, however.

Outlook

Developments in the global economy in 2023 were marked by persistently high inflation, high consumer prices and correspondingly subdued consumer sentiment. In the fight against inflation, the central banks maintained their tight monetary policy although the ECB paused interest rates at the end of 2023 following ten interest rate rises in succession, and also reinforced this position in January 2024.

For 2024, the International Monetary Fund (IMF) sees positive trends which might lead to a pick-up in the global economy. The recovery of the global economy from the COVID-19 pandemic and the effects of the Russia-Ukraine war has shown that it is surprisingly resilient. At the same time, according to the IMF, inflation is receding from its peak in 2022 more quickly than expected although the effects on employment and economic activity are turning out to be lower than expected. At the same time, however, it is forecast that high interest rates to combat inflation and a reversal of fiscal support in the face of high indebtedness, will continue to affect growth in 2024.

At the start of 2024, 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 %)	2024e	2023
World	3.1	3.1
China	4.6	5.2
Poland	2.8	0.6
Russia	2.6	3.0
South Africa	1.0	0.6

* IMF World Economic Outlook Update, January 2024

In China, the economy has recently recovered after the zero Covid policy was abandoned. The loose monetary policy of the Chinese central bank in view of an inflation rate close to zero, tax breaks as well as strong domestic demand had a positive effect on the growth of the world's second largest economy. However, the persistent crisis in the Chinese property sector continues to weigh the economy down. Overall, the IMF is therefore expecting lower growth for the Chinese economy in the current year by comparison with 2023. The IMF is forecasting economic growth for China of 4.6 % in 2024.

Despite continued high volatility in the market environment, SMT Scharf believes that it is fundamentally well positioned in its 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. While the IMF is forecasting falling growth rates for China and Russia for 2024, the economy in the important sales markets of Poland and South Africa is set to grow in the current year. The Managing Board expects that investment activity in the mining industry could pick up further in the current fiscal year. The company believes that stricter regulations contained in China III and the high demand for innovative mining equipment as well as the close focus on coal mining to meet Poland's energy needs will lead to attractive growth prospects in these important core markets.

In addition, Russia is one of the SMT Scharf Group's core markets. The EU sanctions on Russia which were further tightened in February 2023 are impacting on business activities. Under these sanctions, the delivery of complete machines and individual components as well as the delivery of spare parts to Russia is forbidden or highly restricted. Against this background, SMT Scharf expects business activity in Russia to remain at a low ebb in the current year following the decline in sales revenue in Russia in 2023. 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.

With regard to the 2024 financial year, the Managing Board of SMT Scharf AG is expecting consolidated revenue of between EUR 74 million and EUR 79 million, based on conservative estimates. In addition, the Managing Board is expecting operating earnings (EBIT) of between EUR 1.5 million and EUR 2.5 million.

In the medium to long term, the management expects an improvement in the worldwide market for mining equipment. In China and Poland, 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 sees itself excellently positioned, thanks to its existing battery and electrical expertise, to systematically take advantage of future opportunities for growth. Thanks to its expertise as an integrated systems provider, SMT Scharf is also in a position to convert electric vehicles for the coal-mining industry.

In order to diversify further and steadily 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.

As part of the ad hoc press released dated 1 March 2024, SMT Scharf AG announced in connection with the planned acquisition of a majority shareholding by Yankuang Energy Group Company Limited, headquartered in the province of Shandong, China, that it intends on completion of the agreements to submit an application for the shares of SMT Scharf AG to be admitted to the regulated market of the Frankfurt Securities Exchange and to the sub-segment of the Regulated Market with further post-admission obligations (Prime Standard).

Hamm, 5 April 2024

The Managing Board

Reinhard Reinartz Volker Weiss

IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2023

EUR	Note	31/12/2023	31/12/2022
Assets			
Intangible assets	(9)	6,878,474.14	8,106,649.30
Property, plant and equipment	(9)	6,770,821.46	7,722,263.57
Loans	(10)	649,269.84	717,343.84
Equity accounted investments	(11)	20,216,663.59	18,170,617.20
Other investments		7,039.97	7,039.97
Deferred tax assets	(8)	4,014,536.35	2,646,065.39
Non-current lease receivables	(23)	0.00	528,204.27
Other non-current non-financial assets	(14)	1,337.75	3,797.99
Non-current assets		**38,538,143.10**	**37,901,981.53**
Inventories	(12)	38,192,925.02	33,662,709.20
Trade receivables	(13)	35,691,271.63	46,254,449.78
Contract assets	(13)	441,838.36	0.00
Current lease receivables	(23)	569,748.43	674,642.52
Other current non-financial assets	(14)	3,826,750.09	3,779,132.14
Other current non-financial assets in connection with employees' pension entitlements	(15)	1,005,713.92	1,069,387.22
Cash and cash equivalents	(16)	8,241,457.42	7,677,200.17
Current assets		**87,969,704.87**	**93,117,521.03**
Total assets		**126,507,847.97**	**131,019,502.56**

EUR	Note	31/12/2023	31/12/2022
Equity and liabilities			
Subscribed share capital		5,471,979.00	5,471,979.00
Capital reserve		23,623,327.12	24,162,270.28
Revenue reserves		65,049,156.64	59,938,124.65
Other reserves		– 9,205,878.16	– 4,288,293.31
Non-controlling interests		1,773,433.00	1,700,212.05
Equity	**(17)**	**86,712,017.60**	**86,984,292.67**
Provisions for pensions	(18)	2,519,786.00	2,701,681.00
Other non-current provisions	(19)	199,956.90	192,226.38
Deferred tax liabilities	(8)	659,422.87	899,255.79
Leasing liabilities	(23)	2,233,763.40	2,698,713.80
Non-current financial liabilities	(24)	256,086.44	1,037,105.71
Other non-current financial liabilities	(20)	2,463,670.70	3,508,454.23
Non-current provisions and liabilities		**8,332,686.31**	**11,037,436.91**
Current income tax	(8)	3,465,091.05	2,704,295.70
Other current provisions	(19)	5,770,019.56	5,963,486.65
Contract liabilities	(20)	901,036.38	449,309.91
Trade payables	(20)	3,819,924.57	6,963,805.32
Leasing liabilities	(23)	767,631.89	720,826.96
Current financial liabilities (cash and cash equivalents)	(21)	10,847,379.19	11,738,789.81
Current financial liabilities (not cash and cash equivalents)	(24)	4,841,646.31	2,033,665.67
Other current non-financial liabilities	(20)	1,050,415.11	2,423,592.96
Current provisions and liabilities		**31,463,144.06**	**32,997,772.98**
Total assets		**126,507,847.97**	**131,019,502.56**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO DECEMBER 31, 2023

EUR	Note	31/12/2023	31/12/2022
Revenue	(1)	73,171,621.18	93,713,705.26
Changes in inventories		7,928,239.35	2,145,103.99
Total operating revenue (100 %)		81,099,860.53	95,858,809.25
Other operating income	(2)	4,598,173.34	12,922,922.19
Cost of materials	(3)	44,640,316.08	53,147,520.06
Personnel expenses	(4)	19,644,435.45	20,183,557.27
Depreciation, amortisation and impairment losses	(5)	3,244,401.07	2,698,716.10
Other operating expenses	(6)	14,216,778.52	18,430,670.69
Profit/loss from operating activities (EBIT)		**3,952,102.75**	**14,321,267.32**
Result from equity accounted investments	(7)	4,568,484.94	5,293,841.54
Interest income	(24)	570,349.62	396,732.93
Interest expenses	(24)	1,488,770.60	1,374,182.62
Financial result		**3,650,063.96**	**4,316,391.85**
Profit/loss before tax		**7,602,166.71**	**18,637,659.17**
Income taxes	(8)	2,374,613.30	3,834,720.68
Consolidated net profit/loss		**5,227,553.41**	**14,802,938.49**
of which attributable to shareholders of SMT Scharf AG		4,880,790.99	14,541,998.24
of which attributable to non-controlling interests		346,762.42	260,940.25

Other comprehensive income items recycled later to profit or loss:			
Currency differences from translation of foreign financial statements		–3,766,595.77	750,259.75
Share of other comprehensive income attributable to equity accounted investments		–1,256,437.55	–540,885.84
Other comprehensive income items not recycled later to profit or loss:			
Actuarial gains/losses	(18)	113,765.00	202,423.00
Deferred taxes	(8)	–36,524.00	–64,977.79
Other comprehensive income		**–4,945,792.32**	**346,819.12**
of which, share of other comprehensive income attributable to shareholders of SMT Scharf AG		–4,840,343.85	356,413.57
of which, share of other comprehensive income attributable to non-controlling interests		–105,448.47	–9,594.45
Total comprehensive income		**281,761.09**	**15,149,757.61**
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG		40,447.14	14,898,411.81
of which, share of total comprehensive income attributable to non-controlling interests		241,313.95	251,345.80
Earnings per share*			
Undiluted (basic)		0.89	2.75
Diluted		0.89	2.73

* Consolidated net income divided by an average number of 5,471,979 issued shares (previous year: 5,471,979).

CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2023

EUR	2023	2022
Consolidated net profit/loss	5,227,553.41	14,802,938.49
− Income from equity accounted investments	– 4,568,484.94	– 5,293,841.54
+ Depreciation and amortisation of non-current assets	3,244,401.07	2,698,716.10
± Gain/loss on disposal of non-current assets	282,088.81	331,010.32
± Decrease/increase in provisions	– 232,208.65	– 4,985,005.29
± Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	4,338,928.77	– 6,412,972.20
± Increase/decrease in trade payables and other liabilitiesnot allocable to investing or financing activities	– 3,907,556.72	818,312.93
± Other non-cash expenses/income	–	134,737.12
+ Income taxes	2,374,613.30	3,834,720.68
+ Financial expenses	918,420.98	977,449.69
− Income taxes paid	– 3,505,383.00	– 1,230,880.95
Cash flow from operating activities	**3,876,724.58**	**5,675,185.35**
+ Cash inflows from disposal of property, plant and equipment	12,135.29	46,433.98
− Capital expenditure on property, plant and equipment	– 980,405.63	– 1,217,976.75
− Capital expenditure on intangible assets	– 493,747.27	– 1,634,404.73
+ Interest received	559,772.60	392,810.05
Cash flow from investing activities	**– 902,245.01**	**– 2,413,137.46**
+ Cash inflow from the drawing down of loans	3,167,517.37	30,888.00
− Cash outflow for the repayment of leasing liabilities	– 777,606.71	– 692,986.39
+ Cash inflow from sale-and-leaseback agreements	0.00	1,310,547.47
− Cash outflow for the repayment of loans	– 2,185,339.53	– 1,315,960.46
− Interest paid	– 998,700.09	– 1,024,787.78
Cash flow from financing activities	**– 794,128.96**	**– 1,692,299.16**
Net change in cash and cash equivalents	**2,180,350.61**	**1,569,748.74**
Changes in cash and cash equivalents due to effects from exchange rates and consolidated Group	– 724,682.72	290,219.48
Cash and cash equivalents at start of period	– 4,061,589.65	– 5,921,557.86
Cash and cash equivalents at end of period	**– 2,605,921.77**	**– 4,061,589.65**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO DECEMBER 31, 2023

			Revenue reserves	
EUR	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves
Balance on January 1, 2023	**5,471,979.00**	**24,162,270.28**	**– 58,898.72**	**59,997,023.37**
Consolidated net profit/loss	–	–	–	4,880,790.99
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	–	–	113,765.00	–
Deferred taxes on recognised actuarial gains/losses	–	–	– 36,524.00	–
Total income and expenses recognised	0.00	0.00	77,241.00	4,880,790.99
Distributions at subsidiaries (disproportionate and proportionate)	–	–	–	153,000.00
Increase in equity due to shares to be issued	–	101,052.84	–	–
Decrease in equity due to cash settlement	–	– 639,996.00	–	–
Balance on December 31, 2023	**5,471,979.00**	**23,623,327.12**	**18,342.28**	**65,030,814.36**

Other reserves Currency translation difference	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total Equity
– 4,288,293.31	**85,284,080.62**	**1,700,212.05**	**86,984,292.67**
–	4,880,790.99	346,762.42	5,227,553.41
– 3,661,147.30	– 3,661,147.30	– 105,448.47	– 3,766,595.77
– 1,256,437.55	– 1,256,437.55	–	– 1,256,437.55
–	113,765.00	0.00	113,765.00
–	– 36,524.00	0.00	– 36,524.00
– 4,917,584.85	40,447.14	241,313.95	281,761.09
–	153,000.00	– 168,093.00	– 15,093.00
–	101,052.84	0.00	101,052.84
–	– 639,996.00	0.00	– 639,996.00
– 9,205,878.16	**84,938,584.60**	**1,773,433.00**	**86,712,017.60**

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**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2023 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 31 May 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 its 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 31 December 2023, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) valid as of the reporting date and as applied in the EU. The term IFRS also includes the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that continue to be valid. In addition, the requirements of Section 315e of the German Commercial Code (HGB) have been complied with. The consolidated financial statements of SMT Scharf AG include the smallest and the largest group of companies. The consolidated financial statements and the Group management report are published in the company register.

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 5 April 2024, and subsequently released for publication.

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

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of accounting-related estimates – amendments to IAS 8 Deferred taxes relating to assets and liabilities arising from a single transaction – amendments to IAS 12
- Reform of the international tax system – model regulations for Pillar 2 – amendments to IAS 12

The amendments lead to relief in accounting for deferred taxes in connection with global minimum taxation under Pillar 2 which applies directly upon its publication on 23 May 2023, as well as new duties of disclosure regarding the impact of Pillar 2 which apply from 31 December 2023.

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

- Non-current liabilities with ancillary conditions – amendments to IAS 1 and classification of liabilities as current or non-current – amendments to IAS

- Lease liabilities resulting from a sale and leaseback transaction – amendments to IFRS 16

- Supplier financing agreements – Amendments to IAS 7 and IFRS 7

Information about subsidiaries

Along with SMT Scharf AG, the consolidated financial statements include all subsidiaries over which it exercises control (Figures in EUR):

	Interest held	Equity (IFRS) 31/12/2023	Profit/loss (IFRS) 2023
SMT Scharf GmbH, Hamm, Germany	100 %****	59,608,435.48	9,656,121.99
ser elektronik GmbH, Möhnesee, Germany	51 %	2,036,512.88	669,257.12
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100 %	7,709,031.77	1,945,800.64
SMT Scharf Africa (Pty.) Ltd., Gauteng, South Africa	70 %	2,411,685.63	176,798.92
SMT Scharf Sudamerica SpA, Santiago, Chile	100 %	– 866,953.70	– 353,900.08
RDH Mining Equipment, Alban Ontario, Canada	100 %	– 3,563,025.65	– 229,003.23
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 %*	11,216,854.75	1,068,179.61
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 %***	402,479.86	4,097.00
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 %**	185,967.53	– 616,956.45
Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China	100 %	10,411,027.19	759,673.41

* 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 31 December 2023.

EUR thousand	31/12/2023	31/12/2022
Non-current assets	953	795
Current assets	61,977	60,282
Current liabilities	22,497	24,131

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2023	31/12/2022
Cash and cash equivalents	15,930	20,130
Current financial liabilities	23,580	24,131

EUR thousand	31/12/2023	31/12/2022
Revenue	55,524	65,172
Profit from continuing operations	8,385	10,658
Other comprehensive income	438	5
Total comprehensive income	8,824	10,663

The profit listed above includes the following amounts:

EUR thousand	31/12/2023	31/12/2022
Depreciation and amortisation	93	74
Interest expenses	80	109
Income taxes	1,557	1,882

Deliveries of merchandise worth EUR 10,488 thousand (previous year: EUR 7,269 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 4,043 thousand (previous year: EUR 317 thousand).

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

EUR thousand	31/12/2023	31/12/2022
Net assets of the joint venture	40,433	36,945
Interest held	50 %	50 %
Carrying amount of the interest	**20,217**	**18,473**

In the 2023 fiscal year, the joint venture resolved to pay a dividend of EUR 1,226 thousand to SMT Scharf GmbH, Hamm.

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 continued to be fully impaired due to the lack of sustainable growth potential (2023: EUR 0 thousand / 2022: EUR – 578 thousand).

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 31 December 2023.

EUR thousand	31/12/2023	31/12/2022
Non-current assets	1	0
Current assets	4,186	3,901
Current Liabilities	2,719	2,329

The assets and liabilities listed above include the following amounts:

EUR thousand	31/12/2023	31/12/2022
Cash and cash equivalents	373	118
Current financial liabilities	0	0

EUR thousand	31/12/2023	31/12/2022
Revenue	1,899	2,125
Profit from continuing operations	9	70
Total comprehensive income	9	70

The profit listed above includes the following amounts:

EUR thousand	31/12/2023	31/12/2022
Interest expenses	1	1
Income taxes	5	55

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

EUR thousand	31/12/2023	31/12/2022
Net assets of the joint venture	1,533	1,647
Interest held	40 %	40 %
Carrying amount of the interest	**613**	**659**

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 31 December.

Subsidiaries are companies that can be directly or indirectly controlled by SMT Scharf AG. 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 2023 fiscal year.

SMT examines its assessment of control if indications exist that one or more 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 has no longer provided any figures for the Rouble exchange rate since March 2022, alternative monetary currency exchange 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 =	31/12/2023	31/12/2022	2023	2022
Polish Zloty	4.3395	4.6808	4.5420	4.6861
South African Rand	20.3477	18.0986	19.9551	17.2086
Chinese Renminbi Yuan	7.8509	7.3582	7.6600	7.0788
Russian Rouble	100.50	76.8672	93.3034	70.3813
Canadian Dollar	1.4642	1.4440	1.4595	1.3695

Accounting and valuation policies

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

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

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

Revenue from the sale of new systems and spare parts is generally recognised when the customer gains 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. Alternatively, if milestones have been agreed for which individual selling prices have been set and the determination of which reflects the course of the project, separate performance obligations apply for which the revenue agreed can be realised in each case at a specific point 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. Billing is performed monthly on the basis of the hours actually worked. Accordingly, revenue is recognised by period, based on the units produced or delivered.

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 revenue is determined by the cost-to-cost method, initially deferred as a contractual liability and only recognised in profit or loss over the extended warranty period. No such agreements existed as of 31 December 2023.

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 terms 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 accordance with 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.

As of 31 December 2023, the goodwill reported for the cash generating unit (CGU) of SMT Scharf Africa was written off in full (previous year: EUR 868 thousand). This was 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 19,4 % (previous year: 18.8 %).

Due to the delay in bringing electric commercial vehicles to market, the plans for this area are not specific enough to support goodwill. This goodwill was therefore written off in full (EUR 772 thousand).

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 in the period in which they arise.

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

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

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

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

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

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

Government grants are recognised if sufficient certainty exists that such subsidies will be granted, and that the company fulfils the conditions with which they are linked. As in the previous year, no such grants were received in 2023.

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 the 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 SMT Scharf Group has also concluded leases as a lessor (mostly for diesel trolleys and heavy-load lifting beams). Leases exist 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. 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 was written off in full (previous year: EUR 868 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 2023 and 2022.

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 particular 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 4,015 thousand of deferred taxes were capitalised as of 31 December 2023 (previous year: EUR 2,646 thousand), which were offset by deferred tax liabilities of EUR 659 thousand (previous year: EUR 899 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 31 December 2023, it is expected that future revenues of EUR 22,470 thousand (previous year: EUR 22,852 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	2023	2022
Sale of new equipment	28,999	55,829
Spare parts sales and services	44,035	36,127
Revenue from contracts with customers	73,034	91,956
Other revenue	138	1,758
Total	**73,172**	**93,714**

The following table shows the breakdown by time of realisation for 2023:

	2023		2022	
EUR thousand	Period-related	Date-related	Period-related	Date-related
Sale of new equipment	2,726	26,273	5,340	50,489
Spare parts	0	35,390	0	28,856
Services	8,645	0	6,829	442
Other revenue	138	0	1,758	0
Total	**11,509**	**61,663**	**13,927**	**79,787**

Revenue by region was as follows:

EUR thousand	2023	2022
China	26,608	43,404
Poland	17,029	9,468
Russia and other CIS states	12,102	20,573
Africa	6,581	9,907
Germany	5,093	2,919
America	2,194	2,463
Other countries	3,565	4,980
Total	**73,172**	**93,714**

In the reporting period, revenues in the amount of EUR 901 thousand (previous year: EUR 449 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	2023	2022
Capitalisation of development costs	2,373	6,257
Miscellaneous other operating income	397	0
Damage compensation	321	287
Liabilities to previous shareholders of RDH	282	4,356
Reversal of individual valuation allowances	209	0
Own work capitalised (ERP)	157	545
State subsidies for personnel costs	83	100
Exchange rate gains	0	259
Gains on disposals of non-current assets	0	337
Release of provisions	776	782
Total	**4,598**	**12,923**

(3) Cost of materials

The cost of materials is composed of the following items:

EUR thousand	2023	2022
Raw materials, supplies and purchased merchandise	34,170	45,505
Purchased services	10,470	7,643
Total	**44,640**	**53,148**

The cost of materials ratio (as a percentage of total operating revenue) amounted to 55.0 %, which was slightly below the previous year’s level (2022: 55.4 %).

(4) Personnel expenses

Personnel expenses are composed of the following items:

EUR thousand	2023	2022
Wages and salaries	16,316	17,009
Social security and pension contributions	3,328	3,175
Total	**19,644**	**20,184**

Expenses for defined contribution pension plans, especially statutory pension insurance, of EUR 146 thousand (previous year: EUR 169 thousand) were recognised during the fiscal year under review.

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

	2023	2022
Employees	411	419
of which trainees	8	7
Total	**411**	**419**

(5) Depreciation, amortisation and impairment losses

EUR thousand	2023	2022
Amortisation and impairment losses applied to intangible assets	1,606	446
Depreciation and impairment losses applied to property, plant and equipment	1,638	2,253
Total depreciation, amortisation and impairment losses	**3,244**	**2,699**

(6) Other operating expenses

Other operating expenses are composed of the following items:

EUR thousand	2023	2022
Valuation allowances applied to receivables	5,241	7,616
Exchange rate losses	2,423	3,117
Special direct cost of sales	1,379	992
Third-party services	1,161	1,421
Travel expenses	686	693
Rent and leases	450	450
Maintenance costs	378	357
Advertising	297	273
Contributions/fees	272	269
Energy costs	199	205
Insurance	184	244
Penalty fees	173	1,669
Temporary staff	0	147
Miscellaneous other operating expenses	1,373	978
Total	**14,216**	**18,431**

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	2023	2022
Audit	68	68
Tax advice	89	35
Total	**157**	**103**

Tax advisory services relate exclusively to tax declaration services and advisory services.

(7) Result from equity accounted investments

Income from investments derives from the positive result in 2023 relating to the Chinese company Shandong Xinsha Monorail Co. Ltd., Xintai/China in the amount of EUR 4,568 thousand (previous year: EUR 5,294 thousand).

(8) Income taxes

Income taxes are composed of the following items:

EUR thousand	2023	2022
Current tax expense	4,019	3,181
of which relating to the fiscal year under review	4,019	3,181
Deferred taxes	– 1,716	654
of which creation or reversal of temporary differences	– 1,716	82
of which increase / decrease in loss carryforwards	0	572
Total	**2,375**	**3,835**

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	2023	2022
Deferred tax assets		
Inventories	2,983	1,683
Trade receivables	826	741
Financial liabilities	684	516
Other provisions	505	272
Pension provisions	209	234
Miscellaneous assets	1	126
Miscellaneous liabilities	4	87
Property, plant and equipment	32	114
Loss carryforwards	0	0
Offsetting with deferred tax liabilities	– 1,230	– 1,127
Total	**4,014**	**2,646**
Deferred tax liabilities		
Property, plant and equipment	865	733
Intangible assets	776	774
Miscellaneous assets	99	367
Miscellaneous liabilities	149	153
Offsetting with deferred tax assets	– 1,230	– 1,127
Total	**659**	**900**

Deferred tax assets and liabilities totalling EUR 1,230 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 1,127 thousand). Consolidation effects result in deferred tax assets of EUR 2,683 thousand (previous year: EUR 1,245 thousand) (as in the previous year, included in inventories and trade receivables), and in deferred tax liabilities of EUR 64 thousand (previous year: 83) (mainly included in intangible assets). The deferred tax position relating to actuarial gains and losses recognised in other comprehensive income amounts to EUR – 146 thousand (previous year: EUR – 109 thousand) and has consequently decreased by EUR 37 thousand. As in the previous year, no deferred tax assets were recognised in relation to loss carryforwards in Canada of EUR 8,267 thousand (previous year: EUR 7,026 thousand) and at a Chinese company in the amount of EUR 2,393 thousand (previous year: EUR 844 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 still 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	2023	2022
Profit before income taxes	7,323	18,638
Imputed tax expense	2,359	5,983
International tax rate differences	– 571	– 478
Non-tax-effective income from associates	– 1,467	– 1,700
Amortisation of non-tax-deductible goodwill	248	0
Non-capitalisation of deferred tax assets	320	187
Tax effects relating to non-deductible expenses	1,304	3,009
Other non-taxable income or tax deductions	0	– 3,093
Other differences	108	– 73
Reported income tax expense	**2,301**	**3,835**

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, 2023

EUR		Opening balance 01/01/2023	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2023
Goodwill	Gross	975,482.65	- 95,886.78	0	879,595.87	0	0	0
	Adj.	107,000.00	0	0	879,595.87	0	772,595.87	0
	Net	**868,482.65**	**- 95,886.78**	**0**	**0**	**0**	**-772,595.87**	**0**
Acquired intangible assets	Gross	7,126,955.77	- 23,645.58	172,369.12	14,563.32	0	0	7,261,115.98
	Adj.	2,261,453.84	- 18,042.78	537,793.94	0	0	0	2,781,205.00
	Net	**4,865,501.93**	**- 5,602.80**	**- 365,424.82**	**14,563.32**	**0**	**0**	**4,479,910.98**
Acquired intangible assets (IFRS16)	Gross	0	0	0	0	0	0	0
	Adj.	0	0	0	0	0	0	0
	Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Acquired intangible assets	Gross	8,102,438.42	- 119,532.36	172,369.12	894,159.19	0	0	7,261,115.98
	Adj.	2,368,453.84	- 18,042.78	537,793.94	879,595.87	0	772,595.87	2,781,205.00
	Net	**5,733,984.58**	**-101,489.58**	**- 365,424.82**	**14,563.32**	**0**	**-772,595.87**	**4,479,910.98**
Own work capitalised	Gross	3,807,834.10	4,806.36	321,378.15	13,717.74	0	0	4,120,300.87
	Adj.	1,435,169.37	- 9,108.89	295,677.24	0	0	0	1,721,737.71
	Net	**2,372,664.72**	**13,915.25**	**25,700.91**	**13,717.74**	**0**	**0**	**2,398,563.15**
Intangible assets	Gross	11,910,272.52	- 114,726.00	493,747.27	907,876.93	0	0	11,381,416.85
	Adj.	3,803,623.21	- 27,151.67	833,471.17	879,595.87	0	772,595.87	4,502,942.71
	Net	**8,106,649.31**	**- 87,574.33**	**- 339,723.91**	**28,281.06**	**0**	**-772,595.87**	**6,878,474.14**
Land and buildings	Gross	7,839,611.03	- 161,095.55	187,073.04	0	0	0	7,865,588.52
	Adj.	5,936,308.85	- 30,203.46	111,585.32	0	0	0	6,017,690.71
	Net	**1,903,302.18**	**-130,892.09**	**75,487.73**	**0**	**0**	**0**	**1,847,897.81**
Land and buildings (IFRS16)	Gross	4,068,623.20	- 105,740.62	124,101.07	0.01	0	0	4,086,983.64
	Adj.	1,532,880.64	- 23,540.52	499,088.63	0	0	0	2,008,428.75
	Net	**2,535,742.56**	**- 82,200.10**	**- 374,987.56**	**0.01**	**0**	**0**	**2,078,554.88**
Land and buildings	Gross	11,908,234.22	- 266,836.17	311,174.11	0.01	0	0	11,952,572.16
	Adj.	7,469,189.49	- 53,743.97	610,673.94	0	0	0	8,026,119.46
	Net	**4,439,044.74**	**- 213,092.19**	**- 299,499.83**	**0.01**	**0**	**0**	**3,926,452.70**
Technical equipment and machinery	Gross	5,571,982.21	-779,655.01	340,423.95	502,863.85	- 157,593.71	0	4,472,293.58
	Adj.	4,424,595.49	-568,693.09	374,753.73	408,155.37	- 13,053.82	0	3,809,446.94
	Net	**1,147,386.72**	**- 210,961.93**	**- 34,329.78**	**94,708.48**	**- 144,539.90**	**0**	**662,846.64**
of which leased	Gross	0	0	0	0	0	0	0
	Adj.	0	0	0	0	0	0	0
	Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**

EUR		Opening balance 01/01/2023	Exchange rate difference	Addition	Disposal	Transfer	Write-up	Closing balance 31/12/2023
Technical equipment and machinery (IFRS16)	Gross	99,340.68	636.74	107,682.64	0	0	0	207,660.05
	Adj.	50,561.63	374.79	19,836.07	0	0	0	70,772.50
	Net	**48,779.04**	**261.95**	**87,846.57**	**0**	**0**	**0**	**136,887.56**
Technical equipment and machinery	Gross	5,671,322.89	–779,018.27	448,106.59	502,863.85	–157,593.71	0	4,679,953.64
	Adj.	4,475,157.12	–568,318.30	394,589.80	408,155.37	–13,053.82	0	3,880,219.44
	Net	**1,196,165.76**	**–210,699.98**	**53,516.79**	**94,708.48**	**-144,539.90**	**0**	**799,734.19**
Office equipment, fixtures and fittings	Gross	7,129,148.72	–204,600.93	542,020.25	335,360.28	157,593.71	0	7,288,801.47
	Adj.	5,733,506.70	–137,709.32	413,401.65	250,023.80	13,053.82	0	5,772,229.05
	Net	**1,395,642.02**	**–66,891.62**	**128,618.60**	**85,336.48**	**144,539.90**	**0**	**1,516,572.42**
of which leased	Gross	268,509.31	21,968.47	0	235,132.26	0	0	55,345.52
	Adj.	78,023.17	5,489.94	97,285.27	149,086.49	0	0	31,711.89
	Net	**190,486.14**	**16,478.53**	**–97,285.27**	**86,045.77**	**0**	**0**	**23,633.63**
Office equipment, fixtures and fittings (IFRS 16)	Gross	1,255,949.08	–3,806.57	146,877.76	60,102.82	0	0	1,338,917.45
	Adj.	637,557.50	4,633.65	219,668.63	30,049.79	0	0	831,810.00
	Net	**618,391.57**	**–8,440.23**	**–72,790.87**	**30,053.03**	**0**	**0**	**507,107.45**
Office equipment, fixtures and fittings	Gross	8,385,097.80	–208,407.51	688,898.02	395,463.10	157,593.71	0	8,627,718.92
	Adj.	6,371,064.21	–133,075.66	633,070.28	280,073.59	13,053.82	0	6,604,039.05
	Net	**2,014,033.59**	**–75,331.84**	**55,827.74**	**115,389.51**	**144,539.90**	**0**	**2,023,679.87**
payments in advance	Gross	73,019.48	–17,174.45	20,954.70	55,845.03	0	0	20,954.70
	Adj.	0	0	0	0	0	0	0
	Net	**73,019.48**	**–17,174.45**	**20,954.70**	**55,845.03**	**0**	**0**	**20,954.70**
Property, plant and equipment	Gross	26,037,674.39	–1,271,436.40	1,469,133.42	954,171.99	0	0	25,281,199.42
	Adj.	18,315,410.82	–755,137.93	1,638,334.02	688,228.96	0	0	18,510,377.95
	Net	**7,722,263.57**	**–516,298.47**	**–169,200.61**	**265,943.03**	**0**	**0**	**6,770,821.46**

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	0	7,126,955.77
	Adj.	2,076,284.34	-6,157.58	191,327.08	0	0	0	2,261,453.84
	Net	**3,729,223.08**	**3,808.04**	**1,156,191.61**	**23,720.80**	**0**	**0**	**4,865,501.93**
Acquired intangible assets	Gross	6,782,719.17	-4,078.64	1,347,518.69	23,720.80	0	0	8,102,438.42
	Adj.	2,183,284.34	-6,157.58	191,327.08	0	0	0	2,368,453.84
	Net	**4,599,434.83**	**2,078.94**	**1,156,191.61**	**23,720.80**	**0**	**0**	**5,733,984.58**
Own work capitalised	Gross	3,565,711.38	-7,429.41	481,140.50	231,588.37	0	0	3,807,834.10
	Adj.	1,183,384.43	-3,537.49	255,322.44	0	0	0	1,435,169.37
	Net	**2,382,326.95**	**-3,891.92**	**225,818.07**	**231,588.37**	**0**	**0**	**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	1,523,880.64
	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**

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. The sum total of research and development expenses stood at EUR 2,392 thousand in the reporting year (previous year: EUR 2,012 thousand). This includes capitalised costs of EUR 321 thousand (previous year: EUR 481 thousand).

The property, plant and equipment reported on the balance sheet with a carrying amount of EUR 6,771 thousand (previous year: EUR 7,722 thousand) also includes rights of use under leases. In 2023, new rights of use amounting to EUR 379 thousand were acquired (previous year: EUR 1,271 thousand).

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

EUR		Opening balance 01/01/2023	Exchange rate difference	Addition	Disposal	Write-up	Closing balance 31/12/2023
Land and buildings	Gross	4,068,623.20	–105,740.62	124,101.07	0.01	0.00	4,086,983.64
	Adj.	1,532,880.64	–23,540.52	499,088.63	0.00	0.00	2,008,428.75
	Net	**2,535,742.56**	**–82,200.10**	**–374,987.56**	**0.01**	**0.00**	**2,078,554.88**
Technical equipment and machinery	Gross	99,340.68	636.74	107,682.64	0.00	0.00	207,660.05
	Adj.	50,561.63	374.79	19,836.07	0.00	0.00	70,772.50
	Net	**48,779.04**	**261.95**	**87,846.57**	**0.00**	**0.00**	**136,887.56**
Office equipment, fixtures and fittings	Gross	1,255,949.08	–3,806.57	146,877.76	60,102.82	0.00	1,338,917.45
	Adj.	637,557.50	4,633.65	219,668.63	30,049.79	0.00	831,810.00
	Net	**618,391.57**	**–8,440.23**	**–72,790.87**	**30,053.03**	**0.00**	**507,107.45**
Total	**Gross**	**5,423,912.95**	**–108,910.45**	**378,661.47**	**60,102.83**	**0.00**	**5,633,561.14**
	Adj.	**2,220,999.78**	**–18,532.07**	**738,593.33**	**30,049.79**	**0.00**	**2,911,011.25**
	Net	**3,202,913.18**	**–90,378.38**	**–359,931.86**	**30,053.04**	**0.00**	**2,722,549.89**

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**

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 570 thousand (previous year: EUR 1,203 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 note 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	2023	2022
Raw materials, consumables and supplies	7,480	10,878
Work in progress	16,231	14,801
Finished goods and merchandise	14,482	7,984
Carrying amount	**38,193**	**33,663**

As of 31 December 2023, write-downs of inventories to their lower net realisable value totalled EUR 4,974 thousand (previous year: EUR 4,134 thousand).

EUR thousand	2023	2022
Inventories without impairment	33,805	28,804
Inventories with impairment	4,388	4,859
Carrying amount	**38,193**	**33,663**

(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	2023	2022
Carrying amount of trade receivables	35,691	46,254
of which individual valuation allowances	2,618	2,528

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

Reconciliation of individual valuation allowances:

EUR thousand	2023	2022
Balance January 1	2,528	959
Reversals	83	100
Additions	173	1,669
Balance December 31	**2,618**	**2,528**

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. They are measured at amortised cost.

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	2023	2022
Receivables not overdue	28,720	43,149
Value-adjusted overdue receivables	1,562	209
of which due from 90 days	1,562	209
Overdue receivables not value-adjusted	5,409	2,896
of which due between 1 and 30 days	2,313	724
of which due from 31 days	3,096	2,172
Trade receivables, total	**35,691**	**46,254**

(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	2023	2022
Securities	1,006	1,069

(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 – 9,188 thousand (previous year: EUR – 4,347 thousand). It comprises actuarial gains and losses of EUR 18 thousand (previous year: EUR – 59 thousand) and differences in currency translation of EUR – 9,206 thousand (previous year: EUR – 4,288 thousand). The changes in the individual components are shown in the statement of changes in equity.

In the 2023 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 initial increase of initially EUR 101 thousand arose due to shares to be issued (see Note 29). Due to the Supervisory Board resolution of 18 September 2023 to settle the claims in cash and not in capital shares, the reserve was subsequently reduced by EUR 640 thousand.

On 31 December 2023, 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 31 December 2023, 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 a net profit of EUR 1.54 million. The Managing and Supervisory boards will propose to the Annual General Meeting to be held on 22 May 2024 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.	31/12/2023	31/12/2022
Qualifying trend	2.0	2.0
Rate of pension increases	1.0	1.0
Discount rate (DBO)	3.40	3.35

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

In TEUR	2023	2022
Defined benefit obligation on January 1	2,702	3,028
Current service cost	0	0
Interest cost	88	34
Pension payments and transfers	– 156	– 158
Actuarial gains/losses	– 114	– 202
of which financial assumptions	– 14	– 814
of which experience adjustments	– 100	612
Defined benefit obligation on December 31	**2,520**	**2,702**

A – 0.5 % change in the interest rate would result in an increase in the pension obligation of EUR 140 thousand. A 0.5 % increase in the interest rate would lead to a EUR – 128 thousand reduction in the pension obligation. Both sensitivity calculations were performed while keeping all other assumptions unchanged.

Sensitivities (IAS 19.145)	DBO 2023	Change 2023	DBO 2022	Change 2022
Actuarial interest rate + 0.5 %	2,392	– 128	2,560	– 142
Actuarial interest rate – 0.5 %	2,660	140	2,857	155
Pension trend +0.5 %	2,651	131	2,846	145
Pension trend – 0.5 %	2,398	– 121	2,568	– 134
Life expectancy + 1 year	2,647	127	2,833	131

The weighted average term of the defined benefit obligation as of 31 December 2023 is 10.7 years (previous year: 11.9 years). The following payments are due in the current fiscal year and in the next three years:

EUR thousand	
Pension payments 2023	156
Expected pension payments 2024	159
Expected pension payments 2025	163
Expected pension payments 2026	162

(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 2023 can be seen in the following statement of changes in provisions:

Consolidated statement of changes in other provisions from January 1 to December 31, 2023

EUR thousand	Opening balance 01/01/2023	Currency translation	Transfer	Consump-tion	Additions	Reversals	Closing balance 31/12/2023
Personnel area	2,461	– 141	0	1,980	2,118	49	2,409
Sales area	1,150	– 20	0	602	749	204	1,073
Other areas	2,352	– 123	0	2,087	2,167	21	2,288
Other current provisions	5,963	– 284	0	4,669	5,034	274	5,770
Other non-current provisions	192	5	0	0	11	8	200

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

(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.

There were no liabilities secured by liens.

(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	2023	2022
Interest received	560	393
Interest paid	999	1,025
Interest paid on capitalised assets (IFRS 16)	658	128
Income taxes paid	3,505	1,231

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	31/12/2023	31/12/2022
Cash and cash equivalents	8,241	7,677
./. Current financial liabilities (overdrafts)	10,847	11,739
Net financial position	**– 2,606**	**– 4,062**

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

EUR thousand	01/01/2023	Additions from new agreements	Cash flows	Reversals	Reclassi-fication	Exchange rate differences	Modifica-tions	31/12/2023
Non-current leasing liabilities	2,699	379	–	–	– 852	– 102	110	2,234
Non-current financial liabilities	1,037	–	– 20	–	– 768	7	–	256
Other non-current financial liabilities	3,508	102	–	–	– 1,140	– 6	–	2,464
Total non-current financial liabilities	**7,244**	**481**	**– 20**	**–**	**– 2,760**	**– 101**	**110**	**4,954**
Current leasing liabilities	720	–	– 778	–	852	– 26	–	768
Current financial liabilities (cash and cash equivalents)	11,738	7,686	– 8,578	–	–	1	–	10,847
Current financial liabili-ties (not cash and cash equivalents)	2,033	3,065	– 2,165	–	1,908	1	–	4,842
Total current financial liabilities	**14,491**	**10,751**	**-11,521**	**–**	**2,760**	**– 24**	**–**	**16,457**
Total financial liabilities	**21,735**	**11,232**	**– 11,541**	**–**	**–**	**– 125**	**110**	**21,411**

The reclassifications derive from a reclassification from trade payables.

EUR thousand	01/01/2022	Additions from new agreements	Cash flows	Reversals	Reclassifi-cation	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 liabili-ties (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.

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 377 thousand (previous year: EUR 150 thousand). 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 see the likelihood of a claim as very low.

(23) Leases

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

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, property represents the main group of contracts. Their share in the rights of use as of 31 December 2023 amounts to 76.3 % (previous year: 79.2 %). The property 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 3,001 thousand deriving from the leases existed as of the reporting date (previous year: EUR 3,420 thousand). They are disclosed separately under leasing liabilities and measured at amortised cost. The carrying amount of the rights of use on the balance sheet date was EUR 2,723 thousand (previous year: EUR 3,202 thousand). For more information on rights of use, see section 9.

As of 31 December 2023, 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	789	30	1,072
Due in one to five years	2,199	422	1,914
Due after more than five years	538	250	532
Total	**3,526**	**702**	**3,518**

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 31 December 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**

In 2023, the rental and lease agreements resulted in payments totalling EUR 888 thousand (previous year: EUR 856 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	2023	2022
Expenses for current leases	51	45
Expenses for leases for low-value assets	0	0
Variable lease payments recognised as expenses	0	0
Total	**51**	**45**

In connection with the lease liabilities, interest expenses of EUR 180 thousand (previous year: EUR 207 thousand) were recognised in the income statement in 2023.

As of 31 December 2023, 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 15 thousand (previous year: EUR 107 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 570 thousand existed as of the reporting date (previous year: EUR 1,203 thousand). They are disclosed under lease receivables and measured at amortised cost. These generated interest income of EUR 107 thousand in the reporting year (previous year: EUR 38 thousand). The fall in lease receivables is due to contracts expiring in 2023.

Their fair value on the balance sheet date amounted to EUR 570 thousand (previous year: EUR 1,203 thousand). The following information is provided on receivables from finance leases:

Sum total of future minimum leasing payments (gross investment)

EUR thousand	31/12/2023	31/12/2022
Due within one year	596	715
Due in one to two years (previous year: 1–5 years)	0	609
Due in two to three years	0	0
Due in three to four years	0	0
Due in four to five years	0	0
Due after more than five years	0	0
Total	**596**	**1,324**

Present value of outstanding minimum lease payments

EUR thousand	31/12/2023	31/12/2022
Due within one year	570	675
Due in one to two years (previous year: 1–5 years)	0	528
Due in two to three years	0	0
Due in three to four years	0	0
Due in four to five years	0	0
Due after more than five years	0	0
Total	**570**	**1,203**
Unrealised financial income included in the outstanding minimum lease payments	26	121

No lease payments from operating leases in which the Group is the lessor will be received within the next five years (previous year: EUR 0 thousand).

No lease income was realised from rental leases in the 2023 financial year (previous year: EUR 103 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, observable 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 / 2023

EUR thousand	IAS 9 category	Carrying amount	Fair value
Loans	AC	649	649
Securities	FVTPL	1,006	1,006
Cash and cash equivalents	AC	8,241	8,241
Trade receivables	AC	35,691	35,691
Lease receivables	n. a.	570	570
Non-current financial liabilities	FLAC	256	256
Trade payables	FLAC	3,820	3,820
Current financial liabilities	FLAC	15,689	15,689
Leasing liabilities	n. a.	3,001	3,001

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

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	2023	2022
Financial liabilities measured at amortised cost (AC)	–2,336	3,529
Total	**–2,336**	**3,529**

Net gains comprise value allowances and currency translation.

Interest expenses of EUR 1,489 thousand in the fiscal year under review (previous year: EUR 1,374 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 lease liabilities.

Interest income of EUR 570 thousand in the fiscal year under review (previous year: EUR 397 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 31/12/2023	Carrying amount EUR thousand	Contractually agreed cash flows	Up to 1 year	1–5 years	More than 5 years
Loan	469	quarterly	376	94	0
Loan	242	quarterly	194	48	0
Loan	307	quarterly	245	61	0
Loan	56	quarterly	56	0	0
Loan	77	quarterly	25	52	0
Loan	27	monthly	4	23	0
Loan	104	monthly	37	67	0
Loan	29	monthly	6	23	0
Total	**1,311**		**943**	**368**	**–**

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**	–

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 / 2023		31 / 12 / 2022	
EUR thousand	EUR thousand	in %	EUR thousand	in %
Equity	86,712	68.5	86,984	66.4
Non-current liabilities	8,333	6.6	11,038	8.4
Current liabilities	31,463	24.9	32,998	25.2
Total assets	**126,508**	**100.0**	**131,020**	**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 9,921 thousand on the balance sheet date (previous year: EUR 5,367 thousand). The Group also has access to guarantee credit lines. The management anticipates that the Group will be able to fulfil its other financial liabilities from its cash flow from operating activities, and from the proceeds from maturing financial assets. In addition, the Group has further funds available from the capital increase for promoting the internal and external growth of the SMT Scharf Group.

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

Credit risks: The maximum risk of default is represented by the carrying amount of the financial assets, less impairment losses, as recognised in the consolidated financial statements. 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**	**2023**	**2022**
Loans	1	649	717
Trade receivables	2	35,691	46,254
Trade receivables to which individual value allowances have been applied	3	2,618	2,528
Contract assets	2	442	0
Lease receivables	2	570	1,203
Other current assets	n/a	1,006	1,069
Cash and cash equivalents	n/a	8,241	7,677

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 1,599 thousand gross (previous year: EUR 2,739 thousand). The value adjustments on these receivables amount to EUR 953 thousand (previous year: EUR 2,528 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 5,409 thousand (previous year: EUR 2,896 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 with 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 31 December 2023 (previous year: EUR 0 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 operating segments with a reporting requirement 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 tyres 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 tyres 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 industries, 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.

Segment report December 31, 2023

	Coal mining		Mineral mining		Tunnel		Other industries		Not allocated		SMT Scharf Group	
EUR thousand	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	60,096	76,168	8,775	12,373	988	2,930	3,313	2,243	–	–	73,172	93,714
of which new equipment	21,885	44,935	3,171	5,903	896	2,851	3,047	2,142	–	–	28,999	55,831
of which spare parts	29,785	22,642	5,255	6,068	83	45	266	101	–	–	35,389	28,856
of which service	8,288	6,835	349	402	9	34	–	–	–	–	8,646	7,271
of which others	138	1,756	–	–	–	–	–	–	–	–	138	1,756
Operating result (EBIT)	2,905	12,440	(81)	683	141	692	987	506	–	–	3,952	14,321
Earnings from equity accounted companies	4,568	5,294	–	–	–	–	–	–	–	–	4,568	5,294
Segment assets	109,258	112,528	8,864	9,017	1,633	4,688	2,737	2,140	4,015	2,646	126,508	131,020
Segment liabilities	34,810	37,540	3,052	3,225	353	1,495	921	876	659	899	39,796	44,035
Segment investments	1,444	1,421	6	183	–	–	19	39	–	–	1,469	1,642
of which IFRS 16	661	411	–	–	–	–	5	14	–	–	666	424
Proportion of equity accounted companies	20,217	18,171	–	–	–	–	–	–	–	–	20,217	18,171
Depreciation and amortisation	2,833	2,162	262	330	16	65	133	141	–	–	3,244	2,698
Unscheduled writedowns	–	–	–	–	–	–	–	–	–	–	–	–
FTE	334	340	51	57	5	5	21	19	–	–	411	421

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

Non-current assets and external sales are analysed by region at the 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 31,322 thousand (previous year: EUR 30,847 thousand) are attributable to Germany and EUR 5,779 thousand (previous year: EUR 7,055 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 31 December 2023:

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.-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 2023 fiscal year, EUR 141 thousand (previous year: EUR 144 thousand) in remuneration for the Supervisory Board was expensed.

No remuneration exists for former members of the Supervisory Board or their surviving dependants. No advances, loans or contingent liabilities exist in favour of members of the Supervisory Board. Prof. Dr. Louis Velthuis, Chairman of the Supervisory Board, held a total of 9,300 shares in the company as of 31 December 2023 (previous year: 7,170 shares). Dr. Vorsteher held 4,042 shares (previous year: 3,162 shares) and Ms. Gattineau 2,103 shares (previous year: 2,103 shares).

(29) Managing Board

In the 2023 fiscal year, the Managing Board of SMT Scharf AG consisted of Mr. Hans Joachim Theiss (CEO), Mr. Wolfgang Embert and, from 1 November 2023, Mr. Volker Weiss (entry in the commercial register on 23 November 2023). Mr. Hans Joachim Theiß and Mr. Wolfgang Embert stepped down as members of the Managing Board with effect from 31 December 2023 (entry in the commercial register on 10 January 2024). Mr. Reinhard Reinartz was appointed to the Managing Board from 1 March 2024 and was entered in the commercial register with effect from 22 March 2024.

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, Mr. Theiss and Mr. Embert are entitled to a certain number of bonus shares or cash payment if they meet certain conditions. Pension commitments of EUR 166 thousand exist for former Managing Board members (previous year: EUR 158 thousand). Pension commitments of EUR 2 thousand exist for current Managing Board members (previous year: EUR 2 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 2023 fiscal year, the total remuneration granted to the Managing Board amounted to EUR 1,611 thousand (previous year: EUR 995 thousand).

The individual components of the variable remuneration for Mr. Theiss and Mr. Embert in their capacity as members of the Managing Board of SMT Scharf AG arise from the following regulations:

1. 1The 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. Members Theiss and Embert of the Managing Board are entitled to one bonus share or a cash payment for each share that they have acquired by 28 February 2019, and that they have held for at least five years and without interruption until 31 December 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 3 September 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 period from 1 January 2019 to 31 December 2023. Due to the change in a cash payment, an amount of EUR 243 thousand was reclassified from the capital reserve to provisions in the financial year under review (Theiss EUR 155 thousand, Embert EUR 88 thousand), and a further amount of EUR 397 thousand released and reported in other operating income. The share price relating to the payment was EUR 6.32.

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 31 December 2023, Hans Joachim Theiss, Managing Board Chairman (CEO), held a total of 29,459 shares (previous year: 29,459), and Wolfgang Embert 16,731 shares (previous year: 16,731). Volker Weiss held no shares.

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

(30) Related party disclosures

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

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

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

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

(31) Events after the balance sheet date

New Managing Board at SMT Scharf AG

On 27 October 2023, SMT Scharf AG announced that the Supervisory Board had appointed Mr. Reinhard Reinartz as the new Chief Executive Officer (CEO). The term of office was to begin on 1 May 2024 at the latest, but earlier if possible. At the start of 2024, it transpired that Mr. Reinartz was able to take office as early as 1 March 2024.

SMT Scharf AG gains new strategic core shareholder / Admission of the shares to the Regulated Market planned

SMT Scharf AG announced on 1 March 2024 that its core shareholders, Shareholder Value Beteiligungen AG, Share Value Stiftung as well as Shareholder Value Management AG, have informed it, that the core shareholders and other shareholders entered into binding agreements with Yankuang Energy Group Company Limited based in the province of Shandong, China, on 1 March 2024 for the acquisition of a total interest of approx. 52.66 % in SMT Scharf AG by Yankuang Energy Group Company Limited at a price of EUR 11.10 per share. This price per share is still subject to a fixed adjustment mechanism depending on certain variables until the closing of the transaction, which may lead to a deduction of the price per share. The completion of the transaction is still subject to the occurrence of customary closing conditions, in particular the completion of investment control proceedings under public law in Germany and government regulatory approvals in other jurisdictions of subsidiaries of SMT Scharf AG as well as the approval by the competent Chinese authorities.

Furthermore, SMT Scharf AG announced that it intends to apply for admission of the shares of SMT Scharf AG to the Regulated Market of the Frankfurt Stock Exchange and to the sub-segment of the Regulated Market with additional post-admission obligations (Prime Standard) after completion of the transaction.

SMT Scharf AG receives major order for tunnel project in the Middle East

SMT Scharf AG announced on 22 March 2024 that it has received a major order from a new customer for an important infrastructure project in the Middle East. The contract concluded today comprises an order volume in the low double-digit million euro range. SMT Scharf will provide a total of six transport systems for rail-bound material and passenger transport for the construction of two approximately 4,350 meter long tunnels. The deliveries are to be made successively in 2025 and are expected to impact revenue and earnings in the coming year. With this major order, SMT Scharf is successfully driving forward the implementation of its corporate strategy, which envisages a transformation of the business into areas outside coal mining, including tunnel logistics.

Hamm, 5 April 2024

The Managing Board

Reinhard Reinartz Volker Weiss

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 31 December 2023, give a true and fair view of the Group's financial position and performance, and that the Group management report for the 2023 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, 5 April 2024

The Managing Board

Reinhard Reinartz Volker Weiss

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 judgement 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, 2024

Rödl & Partner GmbH

Wirtschaftsprüfungsgesellschaft

sgd. Groll	sgd. Broda
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

15 May 2024	Publication of the 3-month report 2024
22 May 2024	Annual General Meeting
14 August 2024	Publication of the half-year report 2024
13 November 2024	Publication of the 9-month report 2024

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LEGAL NOTICE

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

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

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

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