

SMT Scharf AG: Business in first nine months of 2020 still significantly burdened by coronavirus

- **Consolidated revenue decreases to EUR 36.9 million due to coronavirus pandemic**
- **EBIT drops to EUR -7.2 million reflecting impairment charges**
- **Strategic initiatives for future growth advanced with restructuring of RDH and partnership with Polymetal International**
- **Exceptionally high order book position of EUR 30.4 million as of the reporting date**
- **FY 2020 revenue and earnings forecasts corrected**

Hamm, November 12, 2020 – SMT Scharf AG (WKN 575198, ISIN DE0005751986), one of the world's leading suppliers of customised transport solutions and logistics systems for underground mining, reports a reduction in its consolidated revenue of 25.7% to EUR 36.9 million in the first nine months of the fiscal year (9M / 2019: EUR 49.7 million). The result from operating activities (EBIT) decreased to EUR -7.2 million (9M / 2019: EUR 4.2 million). The significant reduction in revenue and earnings mainly reflects the severe disruption of the core business as a consequence of the macroeconomic effects of the coronavirus pandemic, as well as the impairment charges of EUR 6.6 million applied as of the third quarter.

As part of the ongoing restructuring process at the Canadian subsidiary RDH Mining Equipment Ltd., which has been rendered more difficult by coronavirus, inventories were also reviewed and, in some cases, classified as impaired in terms of their value. The revaluation of assets leads to an impairment charge of some EUR 5.1 million. In addition, against the backdrop of the COVID-19 pandemic, SMT Scharf corrected intangible assets for the Group by EUR 1.5 million, thereby adjusting them to reflect the Group's current situation. Although SMT Scharf took appropriate measures to prepare itself well for the current coronavirus situation, and in the third quarter was well on track in terms of its results on the basis of operating activities falling short of the coronavirus budget, these impairment charges significantly reduced the operating result for the period under review. Accordingly, the consolidated net result for the first nine months amounted to EUR -7.1 million (9M / 2019: EUR 4.4 million).

Hans Joachim Theiss, CEO of SMT Scharf AG, summarises: "In recent months, the pandemic and the resultant economic consequences have impacted our business activities in mining markets worldwide. We are now working hard on important strategic issues to create the conditions for future growth. One focus is on the systematic restructuring of the Canadian subsidiary RDH Mining. This is necessary in order to create a healthy foundation for the future growth of our Group subsidiary, as well as for the sustainable development of our business with rubber-wheeled vehicles for underground mining. We continue to identify great potential for our Group in this area. The partnership formed with Polymetal International in the third quarter will also help us to give SMT Scharf an even stronger positioning in the market for electrically powered vehicles for underground mining."

Both SMT Scharf's new equipment as well as its highly profitable after-sales businesses decreased during the first six months of the year. Against a backdrop of subdued investment propensity within the mining equipment market, revenue of EUR 16.7 million (9M / 2019: EUR 20.9 million) was generated in the new equipment business. In the services and spare parts businesses, revenue reduced to EUR 20.1 million (9M / 2019: EUR 28.8 million). In the Other area, revenue of EUR 0.2 million in the reporting year was below the previous year's level (9M / 2019: EUR 0.7 million).

Business in China reported a sharp decrease to EUR 11.7 million (9M / 2019: EUR 19.2 million), as it is still not possible to commence deliveries of China III machines. SMT Scharf recorded lower revenue in both Poland at EUR 4.3 million (9M / 2019: EUR 7.7 million) and Africa at EUR 2.9 million (9M / 2019: EUR 3.5 million). In Russia, by contrast, revenue of EUR 12.2 million was significantly higher than in the previous year thanks to the successful processing of existing projects (9M / 2019: EUR 10.7 million). The share of the business in Germany also performed well, accounting for EUR 1.5 million in the reporting period (9M / 2019: EUR 1.3 million).

The SMT Scharf Group's new order intake amounted to EUR 42.3 million in the first nine months of 2020 (9M / 2019: EUR 46.3 million). The order book position remained at a high level of EUR 30.4 million as of the September 30, 2020 reporting date (September 30, 2019 EUR 16.3 million). Ongoing approval issues in China are making a key contribution to SMT Scharf's extraordinarily high order book position.

"We continue to identify attractive short- and medium-term growth opportunities in China," emphasises Theiss. "Concerning the new China III machines, we are in frequent contact with the regulatory authorities. As things stand at present, we expect to be able to start delivering China III machines according to the new engine standard in the first half of 2021. We are prepared for this in terms of our production. Given our high order book position, corresponding catch-up effects can then be expected in the Chinese market."

As far as the current fourth quarter and the coming 2021 fiscal year are concerned, it is expected that the economic consequences of the coronavirus pandemic will continue to weigh heavily on demand in general in the global market, especially for mining equipment. This applies to both the willingness to invest in new plants and, initially, the after-sales business. Against the backdrop of the negative impact of the Covid-19 pandemic and the further delay on the approval of the new China III machines, the Managing Board has revised its forecast for Group revenue for the 2020 financial year to between EUR 48 million and EUR 50 million. Given the impairment charges, SMT Scharf has adjusted its earnings forecast and now expects EBIT for the full 2020 fiscal year to lie in a range between EUR -6.0 million and EUR -6.5 million.

The complete report for the third quarter of 2020 will be published during the course of today within the Investor Relations area of www.smtscharf.de.

Company profile

The SMT Scharf Group develops, manufactures and services transportation equipment for underground mining as well as for tunnel construction. Its main products include captivated railway systems that are deployed worldwide, primarily in hard coal mines, as well as in mines for gold, platinum and other metals. Such systems are required in order to transport material and personnel with payloads of up to 48 tonnes and on gradients of up to 30 degrees. SMT Scharf also supplies the mining sector with chairlifts. Since 2018, SMT Scharf's diverse portfolio has also included rubber-wheeled diesel and electric vehicles for mining and tunnelling, including loaders, scissor lifts and underground trucks. As part of the further diversification of the business, the product range has been successfully expanded since 2019 to include electronic components and control systems for mining and other industries. Overall, the SMT Scharf Group is active with subsidiaries in eight countries, as well as commercial agencies worldwide. SMT Scharf generates a large share of its revenue in growing foreign markets such as China, Russia, Poland and South Africa. SMT Scharf AG has been listed in the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange since 2007.

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