

SMT Scharf AG publishes annual report for FY 2020

- **Consolidated revenue of EUR 50.2 million in 2020 well below previous year**
- **Operating result (EBIT) negative at EUR -8.1 million after impairment charges and delayed China-III approval**
- **Positive impetus expected from final China-III approval in H1 2021**
- **Guidance for FY 2021: Consolidated revenue of EUR 65 million to EUR 70 million, EBIT in the range EUR 2.5 million to EUR 3.0 million**

Hamm, March 31, 2021 – 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 revenue of EUR 50.2 million for the 2020 fiscal year (2019: EUR 75.4 million). The 33.4 % decrease in revenue primarily reflected government-imposed restrictions in connection with the coronavirus pandemic and associated economic effects for SMT Scharf's business activities worldwide. Moreover, the approval of China-III machines in the Chinese market was delayed, so that the first machines delivered to Chinese mining companies could not yet be recognised as revenue in accordance with IAS 18. This significant impact on business activities was also evident in the final quarter of 2020. Group revenue reached EUR 13.3 million in this period, 48.3 % lower than in the prior-year quarter (Q4 / 2019: EUR 25.7 million).

The operating result (EBIT) reflected a loss amounting to EUR -8.1 million (2019: EUR 6.8 million). This change is mainly due to the impairment charges of EUR 6.6 million recognised in the third quarter. As part of the business policy realignment of the Canadian subsidiary RDH Mining Equipment Ltd., assets were classified as partially impaired in value. This revaluation led to an impairment charge of some EUR 5.1 million. In addition, impairment charges of EUR 1.5 million were applied in relation to internally generated intangible assets for a total of three development projects. Furthermore, due to the still outstanding China-III approval of machines delivered to Chinese mining companies, they could not yet be recognised as revenue in accordance with IAS 18. This also had a negative effect on the earnings trend. Accordingly, the EBIT margin (in relation to total operating revenue) was negative at -14.4 % (2019: 9.1 %). Earnings per share amounted to EUR -1.79 (2019: EUR 1.20).

The CEO of SMT Scharf AG, Hans Joachim Theiss, puts the 2020 business trend into context: "Business trends last year were significantly impacted by the economic effects of the coronavirus pandemic, which considerably affected our business with both new equipment and after-sales. This was unique in this form in our company's long history. Our sites in China, Canada, Russia and South Africa were temporarily closed. As we enter 2021, the consequences deriving from the pandemic continue to hamper our operations in international mining markets."

Given the coronavirus pandemic and reduced investment propensity in the global mining equipment market, the revenue share in the new equipment business decreased year-on-year to 44.8 % to stand below the 50 percent level (2019: 52.3 %). Spare parts and service business accounted for 53.6 % of total revenue, significantly higher year-on-year (2019: 47.8 %). In addition, the remaining share of revenue is attributable to other revenues from the rental of machinery. SMT Scharf continues to generate the largest share of its consolidated revenue in the Coal segment. Here, the company generated revenue of EUR 39.7 million in 2020, which corresponds to a share of 79.1 % (2019: 80.4 % or EUR 60.6 million). The share of revenue generated by the Mineral mining segment (formerly the Non-Coal mining segment) increased in relative terms to 16.7 %, or EUR 8.4 million (2019: 15.9 % or EUR 12.0 million).

The SMT Scharf Group continued to generate most of its revenues abroad, amounting to 95 % in 2020 (2019: 97 %). In this context, China underscored its continued significant role as the most important market with a revenue share of 32.7 %, equivalent to EUR 16.4 million (2019: 41.5 % or EUR 31.3 million). New growth impetus is likely to come from the new China-III regulation, which will be mandatory from 2021, and will require underground mining fleets to be refitted. Russia (CIS) continues as an important target market with a 29.7 % revenue share, or EUR 14.9 million (2019: 20.6 % or EUR 15.5 million). Revenue in Germany increased to EUR 2.6 million or 5.2 % (2019: 2.5 % or EUR 3.3 million). A key reason for this is the revenue contribution from ser elektronik, which was newly acquired in 2019.

In the year under review, the SMT Scharf Group's new order intake amounted to EUR 61.9 million (2019: EUR 80.6 million), while the order book position stood at EUR 36.6 million as of December 31, 2020 (December 31, 2019: EUR 24.9 million). The high order book position reflects delayed order processing given the coronavirus pandemic as well as the pending final approval of the China-III machines by the Chinese regulator.

For the 2021 fiscal year, the Managing Board of SMT Scharf AG anticipates, on the basis of conservative assumptions, consolidated revenue in a range between EUR 65 million and EUR 70 million, and EBIT in a range between EUR 2.5 million and EUR 3.0 million. This forecast is based on the premise that no further significant restrictions will be imposed due to the coronavirus pandemic.

“SMT Scharf continues to navigate difficult waters in 2021. Nonetheless, we will continue to work on the important strategic issues in order to leverage the next upturn in mining after the coronavirus crisis, and to return to the profitable growth of the years before coronavirus. The final approval of the China-III machines, which is expected soon, will give our business a positive boost. And further new growth opportunities are opening up in the area of underground electric vehicles. For example, we are currently developing and producing electric-powered loaders and medium-duty underground trucks as prototypes for Polymetal International, with which we entered into a strategic partnership in 2020. Electric drives are on the advance – including in underground mining. This offers attractive potential for us and the opportunity to move into new application areas outside mining with our transport solutions.”

The complete 2020 Annual Report will be published during the course of today within the Investor Relations area of www.smtscharf.com.

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. In addition, SMT Scharf supplies the mining sector with chairlifts. Since 2018, SMT Scharf's diverse portfolio has also included rubber-tyred 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.

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