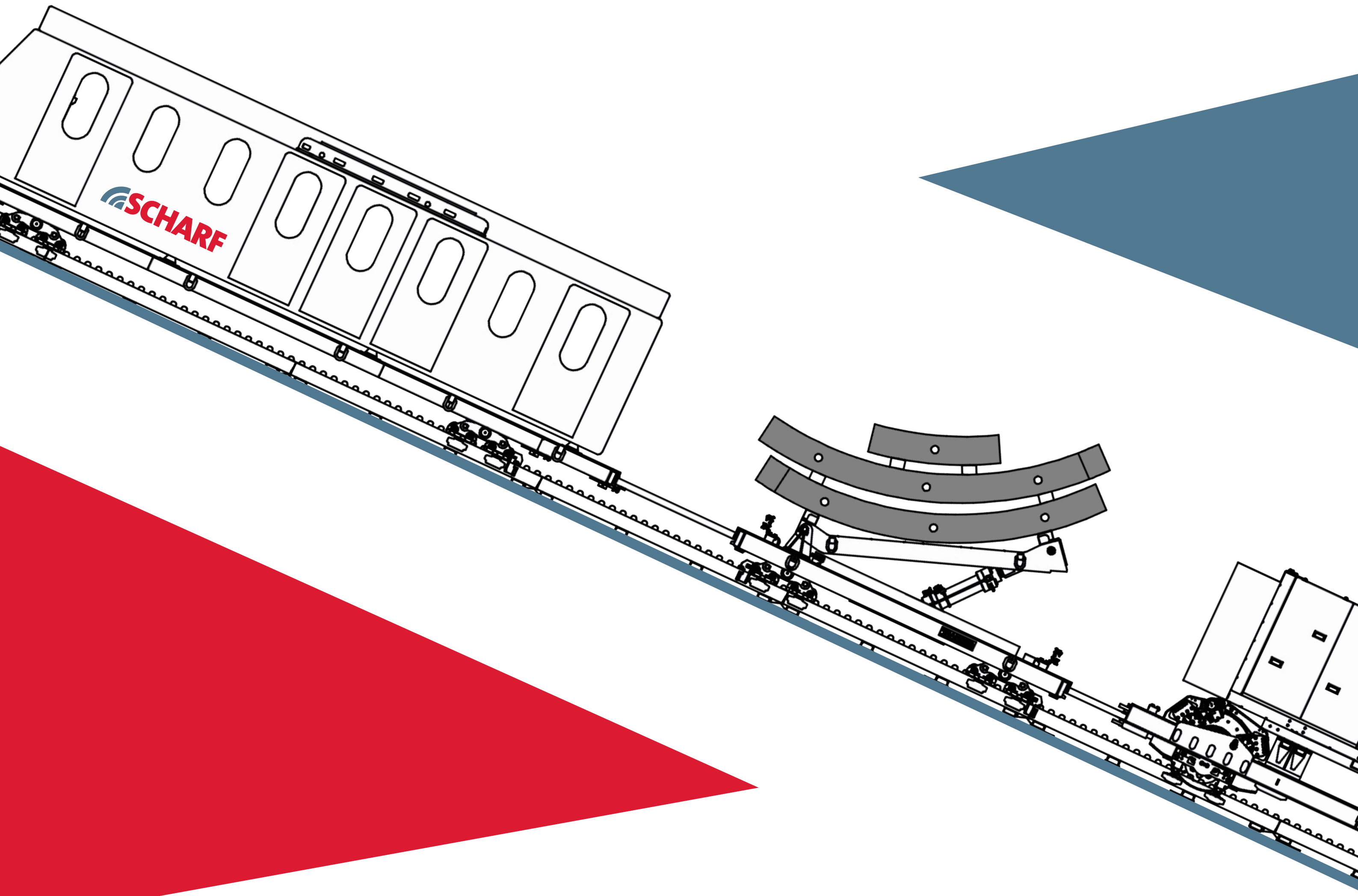
SCHARF

ANNUAL REPORT **2024**

Premium quality transport solutions for people, material and equipment



Contents

Foreword from the Managing Board

Dear Sir or Madam, dear shareholders,

For SMT Scharf, 2024 proved to be an exceptional year in which important markers for the future were successfully laid down. A strategic investor in the shape of Yankuang Energy Group Company Limited headquartered in the Shandong province of China acquired a majority interest in SMT Scharf AG. Yankuang is firmly entrenched in coal mining in China. This gives rise to opportunities to benefit from synergy effects in coal mining through close collaboration and tap into potential for additional business in the Chinese market. Moreover, we see SMT Scharf as well positioned in China to profit from the trend to lower exhaust transport systems as well as the steady advance of technology and digitalisation in coal mining.

In the financial year 2024, the overall conditions in the market for mining equipment proved to be challenging. Nevertheless, we focused on successfully driving initiatives in mining markets around the world. From the perspective of the overall year, we succeeded in easily meeting the sales and earnings targets for 2024 which had been raised appreciably in October. The reason for lifting the forecast was the first-time full consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd since 1 November 2024. In 2024, SMT Scharf generated sales revenues of EUR 95.0 million. The region of China, in particular, contributed revenues of EUR 43.9 million to this overall result in 2024. China represented SMT Scharf's most important foreign market with a 46.2% share of total sales revenues. The first-time full consolidation of Xinsha provided a significant boost to the new equipment business, primarily in China. The after-sales business also benefited from this effect, albeit on a smaller scale. Apart from this development, however, we found ourselves facing modest overall investment propensity in our core markets.

In spite of these circumstances, SMT Scharf was able to record operating earnings (EBIT) of EUR 4.8 million in 2024, thereby exceeding expectations. The high volume of external services utilised and a rise in personnel costs were the principle factors adversely affecting results in the reporting year. This was balanced by cost reductions in the Group as well as the successful exploitation of some synergy effects.

Furthermore, we made it a priority to transform the business in areas beyond coal mining. Here we succeeded in decisively ramping up our activities and expanding business in the Tunnel Logistics segment. The major order won for a tunnel project in the Middle East represented an impressive achievement. In this project, SMT Scharf will be providing a total of six transport systems for the rail-bound transportation of material and personnel. Once again, this underscores SMT Scharf's expertise in developing individual transport solutions in complex applications.

Due to the circumstance that Xinsha will be consolidated for the entire reporting period for the first time in financial year 2025, we expect consolidated revenues of between EUR 110 million and EUR 130 million as well as EBIT in a range from EUR 5.5 million to EUR 7.5 million in financial year 2025. In 2025, we intend to further expand SMT Scharf's business activities in the important mining markets around the world. To do so, we will drive our activities in global product development to enable us to continue providing high-quality transport and logistics systems for our customers going forward.

Besides the systematic implementation of our corporate strategy, we are also working to further strengthen the positioning of SMT Scharf AG on the capital market. The switch to the Frankfurt Stock Exchange's Prime Standard segment in 2024 represented an important milestone for our company in this regard. We believe that moving to the Prime Standard can lend greater visibility and tradeability to the SMT Scharf stock.

Considerable efforts were undertaken in the past year with respect to implementing the corporate strategy, the acquisition of a majority interest in SMT Scharf AG by Yankuang and readmission to the Regulated Market, and important milestones were passed in the process. We would like to take this opportunity to extend our special thanks to our employees and all those involved for their major commitment in the 2024 financial year. We also thank all investors, business partners and customers for the confidence they have shown in us. Let us together shape the future of SMT Scharf.

With best regards

Liu Jun Volker Weiss Reinhard Reinartz

Report of the Supervisory Board for the 2024 financial year

In the 2024 financial year, the Supervisory Board of SMT Scharf AG conscientiously performed the tasks incumbent upon it under the law and the Articles of Association. It continuously monitored and advised the Managing Board. It was regularly informed by the Managing Board in writing and verbally about the business development of SMT Scharf AG and the Group companies, the strategic orientation of the company and the status of strategy implementation. The Supervisory Board was also informed by the Managing Board between meetings about projects of great importance or urgent. When passing resolutions, the reservations of approval for certain transactions regulated in the rules of procedure of the Managing Board were always observed. In addition, video conferences were held regularly between Supervisory Board meetings in order to ensure continuous exchange between the Managing Board and the Supervisory Board.

In the 2024 financial year, the Supervisory Board dealt extensively with the acquisition of the majority stake in SMT Scharf AG by Yankuang Energy Group Company Limited and the company's move to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The Supervisory Board maintained a close exchange with the Managing Board on these projects and advised it on material topics. The Supervisory Board was satisfied with the visit of the Managing Board to the Yankuang Energy Group in China, thanks to which important decisions were made in connection with the completed acquisition of the majority stake. The Supervisory Board expressly welcomes the fact that Yankuang, a strategic investor, has acquired a majority stake in the company, and sees far-reaching opportunities within the framework of close cooperation to successfully advance the business activities of the SMT Scharf Group.

As part of Yankuang's acquisition of the majority stake in September 2024, there were also new appointments to the Supervisory Board and Managing Board, which kept the body intensively occupied. The two members of the Supervisory Board, Dr.-Ing. Dirk Vorsteher and Dipl.-Vw. Dorothea Gattineau resigned from the Supervisory Board with immediate effect on September 19, and Mr. Li Zhang and Mr. Qiang Yu, who were appointed as substitute members by the Annual General Meeting, thus moved up to the new Supervisory Board. There were also personnel changes in the Managing Board of SMT Scharf AG. The Supervisory Board appointed Jun Liu as an additional member of the Managing Board and as the new Chief Executive Officer (CEO) of SMT Scharf AG.

The Supervisory Board met in six ordinary meetings on February 2, March 15, May 21, July 5, September 19 and December 2, 2024. Four Supervisory Board meetings were held at the offices of SMT Scharf AG in Hamm. Two Supervisory Board meetings were held exclusively via video conference. The three Supervisory Board members Professor Dr Louis Velthuis, Dr.-Ing. Dirk Vorsteher and Dipl.-Vw. Dorothea Gattineau were in full attendance at the Supervisory Board meetings on February 2, March 15, May 21 and July 5. At the meeting on May 21, Professor Dr. Louis Velthuis and Dipl.-Vw. Dorothea Gattineau only joined in via video conference. The members of the newly constituted Supervisory Board, Li Zhang, Prof. Dr. Louis Velthuis and Qiang Yu, were fully present at the virtual Supervisory Board meetings on September 19 and December 2. At its meetings, the Supervisory Board dealt with all issues relevant to the company. On the basis of written statements, the Managing Board of SMT Scharf AG regularly informed the Supervisory Board about the current business situation of the SMT Scharf Group in advance of the meetings.

In 2024, the Supervisory Board and Managing Board also regularly reviewed business development in SMT Scharf's core markets, with a special focus on the Chinese market. This helped to further develop SMT Scharf's business in a targeted manner in the 2024 financial year. Furthermore, the Supervisory Board was pleased with the major orders won in the

Tunnel Logistics segment, which enabled the diversification of SMT Scharf's business to be actively promoted. In addition, the Supervisory Board and the Managing Board regularly exchanged views on liquidity planning and discussed the strategy of the subsidiary ser elektronik GmbH to support the implementation of the ERP system.

At the first meeting of 2024 on February 2, the Supervisory Board and Managing Board first discussed the status of the audit of the financial statements for the 2023 financial year. Afterwards, the Managing Board gave an overview of the current business situation. In this context, strategy topics with a focus on the markets in China and Russia were discussed in detail. Furthermore, a possible extension of sustainability reporting obligations through the planned uplisting to the Prime Standard as well as current developments in the areas of human resources, production and technology as well as sales and market were discussed.

At the second Supervisory Board meeting on March 15, the status of the audit for the 2023 financial year was first discussed. In this context, an impairment of goodwill at the subsidiary SMT Scharf South Africa was a key issue. Afterwards, the Managing Board presented its report on the current business situation. Another focus of the meeting was the preparation of the upcoming Annual General Meeting. The implementation and further steps were discussed in detail in order to enable all (replacement) candidates for the Supervisory Board to participate, among other things. In addition, the participants exchanged views on sales opportunities, product developments and transactions requiring approval. Finally, personnel and strategic topics were also the subject of the extensive discussion.

At the Supervisory Board meeting on May 21, the participants once again focused on the preparation of the Annual General Meeting. In addition, the Managing Board reported on the current business situation in a presentation and discussed liquidity planning with the Supervisory Board. Sustainability reporting in accordance with the CSRD and related organizational aspects were also discussed. In addition, the members exchanged views on the planned acquisition of a majority stake by Yankuang and discussed the status and next steps with regard to the closing and the planned uplisting to the Regulated Market.

At the fourth Supervisory Board meeting on July 5, the Managing Board first reported on the current business situation. The participants took a closer look at the strategy and personnel situation at the subsidiary ser elektronik GmbH and agreed on measures for the implementation of the ERP system. In addition, the Supervisory Board noted the positive development of SMT Scharf's liquidity. Afterwards, the Managing Board reported on its trip to China to visit the Yankuang Energy Group. Mr. Reinartz described his positive impressions and discussions on site, which also included the possibility of business cooperation with Yankuang. Furthermore, the participants of the Supervisory Board meeting discussed the current status and a possible delay in the closing with regard to the intended acquisition of a majority stake by Yankuang.

At the Supervisory Board meeting on September 19, the newly composed Supervisory Board met for the first time via video conference. The two members of the Supervisory Board, Dr.-Ing. Dirk Vorsteher and Dipl.-Vw. Dorothea Gattineau had resigned from her supervisory board mandates with immediate effect on September 19. Mr. Li Zhang and Mr. Qiang Yu, who were appointed as substitute members by the Annual General Meeting, thus moved up to the new Supervisory Board. In this context, Professor Dr. Louis Velthuis resigned as Chairman of the Supervisory Board and Mr. Li Zhang was elected as the new Chairman of the Supervisory Board. In the further course of the meeting, the Supervisory Board appointed Mr. Jun Liu as an additional member of the Managing Board and Chairman of the Managing Board of SMT Scharf AG with immediate effect. Mr. Reinhard Reinartz will continue to assume the position of COO, while Mr. Volker Weiss will continue to serve as Chief Financial Officer. In addition, new rules of procedure for the Supervisory Board and Managing Board were adopted.

The last Supervisory Board meeting of the year on December 2 was attended by Dr. Zhang Lei, Investment Director of Shandong Energy Group and Yankuang Energy Group, in an advisory capacity and as an interpreter. In addition, representatives of Rödl & Partner presented the status of the 2024 annual audit. The Managing Board then reported on the current business situation and strategic topics with a focus on the Chinese and Russian markets. An agreement for an intercompany loan between SMT Scharf and Zhongyin Hong Kong Co., Ltd. which was approved by the Supervisory Board. In the further course of the meeting, the Managing Board then presented the budget planning for 2025.

The annual financial statements and management report prepared by the Managing Board as well as the IFRS consolidated financial statements and Group management report for the 2024 financial year were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, and each issued an unrestricted audit opinion. Within the framework of the legal requirements, the risk management and internal control systems as well as the key performance indicator system of the SMT Scharf Group were also the subject of the audit. At its meeting on March 26, 2025, the Supervisory Board, with the participation of the auditors, reviewed the annual financial statements and management report as well as the IFRS consolidated financial statements and Group management report for the 2024 financial year. After a detailed explanation, the Supervisory Board has agreed with the result of the auditor's audit of the annual financial statements and the consolidated financial statements on the basis of its own audit and does not raise any objections to the annual financial statements or the consolidated financial statements. On March 26, 2025, the Supervisory Board approved the annual financial statements and management report prepared by the Managing Board as well as the consolidated financial statements and Group management report for the 2024 financial year. The annual financial statements are thus adopted.

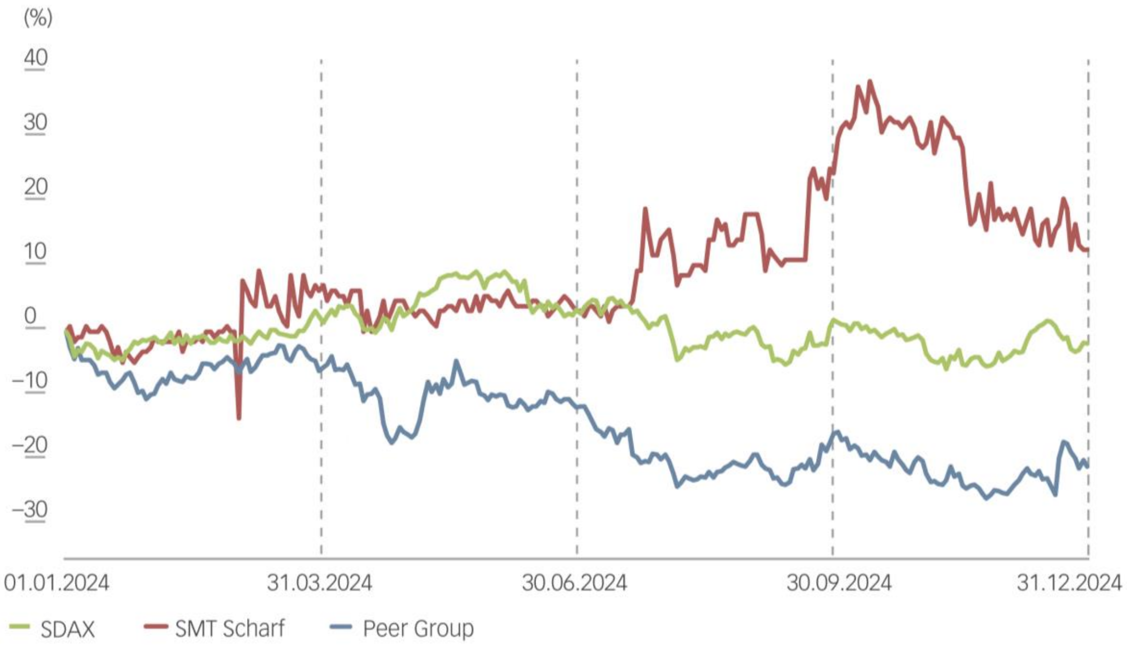
The report on relations with affiliated companies prepared by the Managing Board and audited by the auditor in accordance with Section 312 of the German Stock Corporation Act (AktG) was issued by the auditor with an unqualified opinion stating that the factual information in the report is correct, that the company's performance was not unreasonably high or that any disadvantages have been compensated for in the legal transactions listed in the report, and that there are no circumstances in the case of the measures listed in the report. speak for a substantially different assessment than that made by Managing Board. The Supervisory Board also reviewed the report itself, raised no objections to the final declaration of the Managing Board after the final result of its audit and approved the result of the audit by the auditors.

In addition, the Managing Board and Supervisory Board will propose a dividend of EUR 0.21 per dividend-bearing share for the 2024 financial year to the Annual General Meeting on May 20, 2025. The dividend is intended to enable shareholders to participate in the corporate success of the SMT Scharf Group. The Supervisory Board approves the Managing Board's proposal for the appropriation of profits.

The Supervisory Board would like to thank the members of the Managing Board and all employees for their achievements and tireless commitment in the 2024 financial year. Ultimately, the successful completion of Yankuang's acquisition of the majority stake and the uplisting into the Prime Standard of the Frankfurt Stock Exchange was only possible thanks to the high level of commitment of all those involved. The Supervisory Board wishes the Managing Board and employees continued success in the upcoming challenges in the 2025 financial year.

Hamm, March 26, 2025

Information about the share



Share price performance 2024

The SMT Scharf stock started 2024 at EUR 6.40 and closed on 29 February 2024 at its low for the year of EUR 5.55. The price then stabilised and as the year progressed, it fluctuated around the EUR 6.50 mark. From mid-July, the price climbed steeply, reaching its high for the year at EUR 8.85 on 10 October 2024. In this period, SMT Scharf AG had announced the entry of the new strategic core shareholder Yankuang as well as the appreciable increase to the sales and earnings forecast for 2024 announced at the end of October 2024. Although the price subsequently corrected again until the end of the year, the stock closed the year at EUR 7.20, a gain on the beginning of the year. Consequently, SMT Scharf's share price disconnected from movements on the SDAX and the peer group trend (weighted portfolio made up of Epiroc and Grenevia). The SDAX reached its high for the year at the beginning of June 2024, but was unable to maintain this level in the further course of the year, and the index closed significantly below the DAX. The peer group portfolio suffered a decline, particularly from mid-May onwards, and below the level of the SMT Scharf stock.

The SMT Scharf AG share price was up by around 13% in 2024 compared with the start of the year. The SDAX small cap index, on the other hand, lost around 2% while the peer group also suffered an appreciable drop of around 21% viewed over the whole year.

Share price data for 2024 (XETRA)	
Closing price 2023	EUR 6.40
High for the year (10/10/2024)	EUR 8.85
Low for the year (29/2/2024)	EUR 5.55

Closing price 2024	EUR 7.20

SMT Scharf's share price is up 7.8 % since the start of 2025, rising from EUR 6.40 to EUR 6.90 (basis: Xetra closing prices, as of: 21/03/2025).

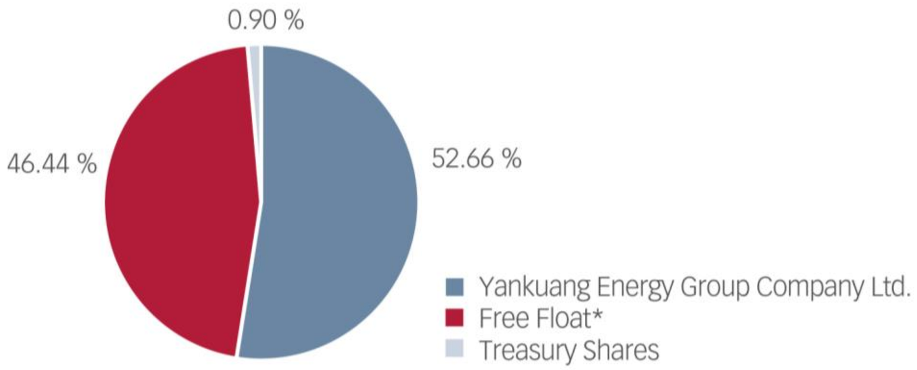
In 2024, an average of 3,430 shares were traded per day on the Frankfurt Stock Exchange's Xetra trading platform.

Key data

German Securities Identification Code (WKN)	A3DRAE
ISIN	DE000A3DRAE2
Ticker symbol	S188
Trading segment	Regulated Market (Prime Standard) Frankfurt Stock Exchange
Number of shares	5,521,456 no par bearer shares
Paying agent	Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt / Main
Initial listing	11 April 2007

Shareholder structure

On the basis of voting rights notifications received by the company in accordance with the German Securities Trading Act (WpHG) and public announcements, the following information was available as of the balance sheet date March 26, 2025, the shareholder structure was as follows:



* Investors with a shareholding of less than 3 %

Investor relations activities

SMT Scharf AG attaches great importance to transparency, openness and reliability in its interaction with all capital market participants. Investors were regularly informed about current business trends through detailed financial information in German and English in the form of quarterly, half-yearly and annual reports as well as through the timely publication of press releases and ad-hoc announcements.

SMT Scharf AG's Managing Board attended the Munich Capital Market Conference in the 2024 financial year in order to ensure dialogue with capital market participants. Questions from institutional investors as well as analysts were answered in detail through presentations and face-to-face meetings.

Over the course of the year, the Managing Board also took the opportunity to provide continuous information on 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 2024

SMT Scharf AG successfully held its Annual General Meeting in Hamm on 22 May 2024. The share capital represented stood at around 41.73 %. 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, the Annual General Meeting elected a new Supervisory Board, which initially continued to consist of Prof. Dr. Louis Velthuis, Dr.-Ing. Dirk Vorsteher and Dipl.-Volkswirtin Dorothea Gattineau. In September 2024, Dr.-Ing. Dirk Vorsteher and Dipl.-Volkswirtin Dorothea Gattineau stepped down from the Board and their places were taken by the new members appointed by the Annual General Meeting, Dr. Li Zhang and Dr. Qiang Yu of Yankuang Energy Group Company Limited. Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne branch, were reappointed as the auditors for the 2024 financial year.

At the Annual General Meeting, the Managing Board reported on SMT Scharf AG's business performance in 2023 in order to subsequently provide an overview of developments in the first quarter of 2024 and expectations for the whole year. In 2023, SMT Scharf recorded strong demand for spare parts and service in its core markets as mining customers focused on servicing and maintaining their fleets. New equipment business which had declined in 2023, picked up again in the first quarter of 2024 by comparison with the corresponding period in the previous year. The Managing Board also provided details of the major orders won in the Tunnel Logistics segment and business expansion beyond coal mining.

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

Group management report for the 2024 financial 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 rail-bound 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 rail-bound fresh air and cable management systems, including for energy supplies to machines, for example. In addition, SMT Scharf has a portfolio of rubber-tyred vehicles and is positioning itself as an integrated system provider in the area of underground logistics. The establishment of the Tunnel Logistics business segment also forms part of this process.

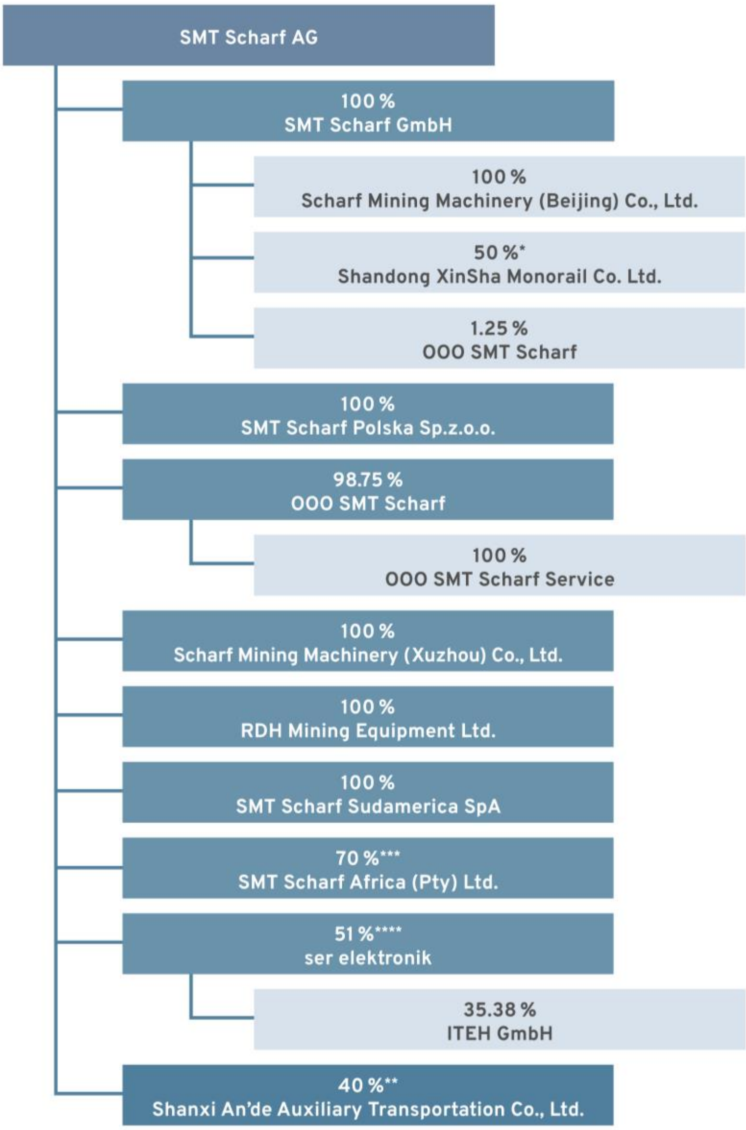
  SMT Scharf can draw on in-house expertise in electronics and controls via its subsidiary ser elektronik GmbH, Möhnesee. The systems – which are integrated into SMT Scharf's transport solutions for coal and mineral mining – are manufactured in-house. In addition, ser elektronik develops customer-specific solutions for various industries, including the food industry and medical technology. Business outside the scope of underground mining and tunnel logistics is reported within the Other Industries segment.

- **Type of business:** The production and installation of new equipment forms the core of 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, Russia, Poland and South Africa. In addition, SMT Scharf also operates in South America with its own sales subsidiary in Chile and in North America via a further subsidiary. The Group's subsidiary ser elektronik also supplies customers in Switzerland which was not previously one 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 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 coal.

- **Operational excellence:** SMT Scharf is constantly working to improve its productivity, profitability and market position. Part of SMT Scharf's permanent strategy is to leverage optimisation potential more effectively through the interplay of international locations as well as in the management of development processes. In this context, the Group-wide introduction of an ERP system represents an important milestone in order to make cooperation within the SMT Scharf Group more efficient. Furthermore, SMT Scharf continuously analyses specific markets and customer requirements on a targeted basis in order to further enhance its competitiveness.

The Managing Board 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 its 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). Once implementation had been completed at the Hamm facility, the ERP system was also successfully commissioned at the subsidiary ser elektronik in the fourth quarter of 2024. The aim is to better coordinate process steps, improve planning quality and further enhance efficiency in relation to international cooperation within the Group. At the same time, the new ERP system opens up the possibility of identifying optimisation potentials at an early stage and 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 performance indicators:

The key financial performance indicators for managing the Group are Group sales and EBIT. The non-financial performance indicators are not used to manage the Group, but are used as indicators of the Group's development.

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 will continue to normalise, especially on the basis of stable or a further uptrend in raw materials prices.

Key indicator	**Calculation method**	**Target (medium-term, 3–5 years)**
Key income statement figures		
Consolidated revenue growth (organic and inorganic)	(Consolidated revenue in reporting year / Consolidated revenue in previous year) -1	>5 %
Tunnel revenue share	Tunnel segment revenue / Consolidated revenue	>10 %
EBIT margin	Earnings before interest and tax (EBIT) / Total operating revenue	>10 %
Cost of materials ratio	Cost of materials / Total operating revenue	~50 %
Key balance sheet indicators		
Net working capital	Annual average current assets – Annual average liquid assets – Annual average current liabilities (excluding current financial liabilities)	EUR 20 million
Equity ratio (on the reporting date)	Equity / Total assets	>=30 %
Key efficiency figures		
Net working capital intensity	Net working capital / Consolidated revenue	<50 %
Days of sales outstanding	Number of days in reporting year * (Annual average trade receivables / Consolidated revenue)	<150 days

Non-financial performance indicators:

Key indicator	**Calculation method**	**Target (medium-term, 3-5 years)**
Employee numbers		
Employee turnover	Employee-related departures (FTEs) / Annual average number of employees (FTEs)	<10 %
Sickness rate	Number of workdays lost due to sickness / Budgeted working days	<5 %

Employees

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). As of 41 December 2024, the SMT Scharf Group had 549 employees (FTEs), 5 of whom were trainees at the Hamm facility. In the previous year, the Group employed a workforce of 411 FTEs (including 8 trainees). The sharp rise in the number of employees by comparison with the previous year is due to the first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd.

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 highest layer. In light of the continued international demand structure, SMT Scharf is focusing on aligning production capacity and consequently staffing levels at its foreign companies with local requirements.

As of 31 December 2024, the workforce in Germany comprised 137 employees (FTEs). This represents a slight decline by comparison with the previous year (31/12/2023: 140 FTEs).

SMT Scharf Group employees:

	2024	2023
Total employees	549	411
Employees in Germany	137	140
Employees abroad	412	271
Female employees	85	72
Male employees	464	339

The number of employees at foreign locations increased significantly by 141 FTEs to 412 FTEs in the 2024 financial year. The main reason for this increase was the first-time consolidation of Xinsha. The proportion of employees working abroad as of the reporting date rose accordingly by 9 percentage points to around 75 % (2023: 66 %).

Employee turnover fell in the reporting year to 8.1% following 11.7% in the previous year. As a consequence, the employee turnover rate in the reporting year was within the medium-term target of <10 %. The workforce sickness rate fell slightly to 5.1 % in 2024 (2023: 5.6 %).

Research and development

In order to advance its research and development activities and realize synergies within the SMT Scharf Group, SMT Scharf is focusing In particular, on networking more closely with the Xinsha facility in China’s Shandong province which is now fully consolidated. This is being accomplished by the introduction of a Global Technical Council which is harmonising development systems and design methods around the world.

SMT Scharf is concentrating on developing emissions-free, sustainable transport equipment for the traditional mining market. To meet these requirements for future applications, SMT Scharf is marketing a battery-driven overhead monorail system for underground pits in environments at risk of firedamp. This suits the needs of both the Chinese market with its demands for variable deployment options and in future the Polish market with its specific requirements with regard to size and underground ambient conditions. Mining certification for the Chinese market has already been issued while European approval is expected in 2025.

Automation solutions and smart machine controls for underground transport systems required by Chinese collaboration partners and customers, among others, will be successively incorporated into the series. The challenge here is to capitalise on our decades of experience in underground mining and tunnel construction and refine our proven, sustainable product design to meet the demands of the relevant market segment.

As a result of growing demand in the tunnel logistics sector, SMT Scharf was able to win a major order for several transport systems for rail-bound material and personnel transport as part of an infrastructure project in the Middle East. The highly application-specific systems required for this project will be mainly developed, tested and approved in house. The SMT Scharf system control, in particular, was optimised to suit the requirements.

In the area of hard-rock mining, SMT Scharf is focusing on further optimising its electric overhead monorail systems which have been in use for more than twenty years. For example, electrically powered monorail systems that can be operated with various power sources, be it a direct current collector, explosion-proof lithium iron phosphate battery or a capacity-optimised nickel-manganese-cobalt battery, are now being offered both in hazardous areas at risk of explosion and in mineral mining and tunnel construction. In addition, individual, electrified transportation equipment such as a battery-powered wheel loader round off the sustainable portfolio.

Our proximity to our customers and our many years of experience in mining combined with the existing potential and our passion for product development that satisfies the highest demands, ensure that SMT Scharf remains globally well-positioned as a preferred supplier of efficient, sustainable transport logistics – including in the mines of the future.

Expenditure on research and development increased slightly in the 2024 financial year, dropping to EUR 2.6 million (2023: EUR 2.4 million). The proportion of capitalised development costs in overall research and development costs stood at EUR 585 thousand (2023: EUR 321 thousand), while amortisation charges for capitalised development costs rose appreciably to EUR 1,792 thousand (2023: EUR 296 thousand).

Economic and business report

Macroeconomic environment

For 2024, the International Monetary Fund (IMF) is expecting global economic growth of 3.2%. With a look to 2025 and 2026, the IMF is forecasting the global economy to grow by 3.3% each year, and is therefore expecting stable worldwide growth over the short term. The process of global disinflation continues apace, with inflation set to fall to 4.2% in 2025 and 3.5% in 2026. However, this fall continues to be hampered by price increases for services in the USA and Eurozone. In its update in January 2025, the IMF revised its expectations for economic growth in the USA upwards to 2.7% in 2025, and it now sees growth in the USA as a further driver of global growth. On the other hand, growth in the Eurozone and Germany is viewed critically due to the weakness of production and goods exports. Global prices for energy raw materials are likely to fall overall by 2.6% in 2025, although a falling oil price is expected to be offset by rises in the price of gas.

Economic growth in China remained somewhat fraught in 2024. According to the IMF, China achieved economic growth of 4.8% in 2024, and for 2025, the IMF is expecting slightly lower growth of 4.6%. Even if these are high rates of growth by any international standard, this meant that China was unable to maintain its growth of previous years in the 2024 financial year. Problems in the property sector and cautious domestic consumption had an adverse impact on this performance. China implemented countermeasures by announcing a further stimulus package in November 2024.

The International Monetary Fund has established economic growth of 3.8% for Russia in 2024. In the following year, the Russian economy will only grow by 1.4%. The strong growth in 2024 is based, according to experts, on government investments in the war economy and on the high oil price. However, this growth is not seen as sustainable. The expected decline in the pace of growth in 2025 is due to high inflation in Russia, a tight labour market and the diminishing effects of government investment.

Furthermore, according to the IMF, Poland recorded economic growth of 2.8% in 2024 while the expectation is for 3.5% in 2025. Several factors are contributing to this sharp upturn. The Polish government is driving growth through active growth-led policies, and EU funds have once again been flowing to Poland since the Tusk government took office. The country is one of the top 20 beneficiaries of direct foreign investment. Growth is also reflected in the fact that Poland overtook China in the first half of 2024 in terms of sales volumes for German exports.

According to the IMF's figures, the economy in South Africa grew by 0.8% in 2024, while growth of 1.5% is expected for the following year. Experts believe that the coalition of the ANC and DA newly elected in May 2024 will stimulate growth. The central challenges are perceived to be recurring blackouts, problems in the transport industry, the crime rate, skilled labour shortages and the high unemployment rate of almost 33%. Economists acknowledge that the new government's economic policies have had an initial impact, and as a result, Standard & Poor's raised their economic outlook for South Africa in November 2024.

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

GDP growth in the most important sales markets* (in %)	2024	2023
World	3.2	3.1
China	4.8	5.2
Poland	2.8	0.6
Russia	3.8	3.0
South Africa	0.8	0.6

*IMF World Economic Outlook, January 2025

SMT Scharf limits the impact of foreign exchange risks through partial relocation of production and purchasing processes to the company's sales markets. Most new systems are still built in Germany, however. In addition, SMT Scharf has adapted its organisation to these influences incurred by exchange rate effects in the reporting period by deploying hedging transactions.

Exchange rate changes in the most important sales markets* (in %)	2024**	2023
Yuan Renminbi (China) / Euro	-3.1	+6.5
Zloty (Poland) / Euro	-2.2	-7.3
Rouble** (Russia) / Euro	+12.6	+30.7
Rand (South Africa) / Euro	-3.7	+12.0

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

In 2024, the Euro depreciated by 3.1% against the Chinese Renminbi, whereas it had gained purchasing power in the previous year. Equally, the Euro declined in value against the Polish Zloty (-2.2%) and the South African Rand (-3.7%) in 2024. Against the Russian Rouble, on the other hand, the Euro appreciated by 12.6% in 2024, thereby posting a second successive year of gains against the Rouble.

Sector trends

Prices on the global market for energy raw materials remained relatively flat overall in the reporting period, trending sideways, if anything. The S&P GSCI Energy and Metal Index, which is important for the sector, rose by 3.1% in 2024. In the same period, the price for natural gas rose by 42.0%. This rise is predominantly due to a price peak in December 2024, although over the course of the year, the price of natural gas fluctuated wildly, responding to geopolitical conflicts in Ukraine and the Middle East. The price of lithium fell by 22.2% in the reporting year, the principle reason being low demand for electric cars. The price of coal of such importance to SMT Scharf increased by 8.7% in 2024.

German mechanical and plant engineering companies faced an economically strained situation in 2024. The mechanical engineering barometer developed by consultants PwC revealed in December 2024 that the entire sector is assuming a drop of 5.6% in sales revenues for the whole of 2024. In the fourth quarter of 2024, 37% of respondents also stated that they took a negative view of revenue growth in 2025. The German Engineering Federation (VDMA) also confirms that the situation is strained. In the first ten months of 2024, production in mechanical and plant engineering fell by 6.8%, and for the whole of 2024, the Federation is expecting a year-on-year production decline of 8%. The order intake also dropped in the first half of the year, and mechanical engineering exports were down almost 5% in the first three quarters of 2024.

According to estimates by the Mining Trade Association within the VDMA, mining technology companies with production in Germany generated revenues of EUR 2.7 billion in 2024, thereby failing to reach the levels of the previous year (EUR 3.1 billion). According to forecasts, the global market for mining technology companies will grow at a CAGR of 5.1% from 2025 to 2030 and by 2030 is set to reach a volume of USD 58.2 billion

In principle, SMT Scharf believes that it is well positioned to benefit from the demand for equipment from coal mine operators as well as projects investing in new conveyor systems. The worldwide demand for raw materials will nearly double by 2060 as forecast by both the OECD and the United Nations' International Resource Panel and environmental programme. This should have a sustainably positive impact on the business of the mining supply industry. The EU Commission is also forecasting an unprecedented rise in demand for raw materials of relevance to the green and digital transformations.

The mining supply industry is also forecast to benefit from higher demand for mineral fertilisers for agricultural production. Experts are therefore expecting the global market for mining machinery to grow from USD 141 billion in 2023 to USD 201 billion in 2030. This equates to a CAGR of 5.2% in the period from 2024 to 2030. In addition, more stringent legislation and environmental regulations are expected to slow growth. By contrast, the VDMA emphasises that only state-of-the-art mining technology can ensure the supply of raw materials needed for climate protection and digitalisation.

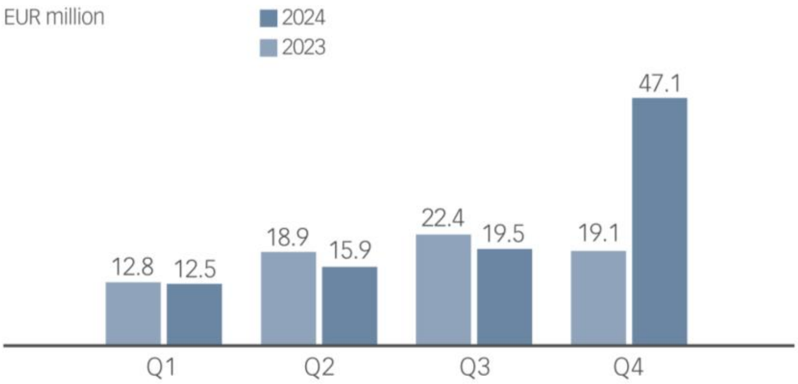
The prospects for growth in the Tunnel segment are also positive in SMT Scharf's estimation. Market analyses predict that the global tunnel construction market will grow from USD 102 billion in 2023 to USD 194 billion in 2032, representing a CAGR of 7.4% within the period of the forecast. Several factors will contribute to this growth. Extensive investments in tunnel construction can be observed in a growing number of economies with the aim of relieving the burden on road infrastructure. The increasing convergence of Internet of Things and Cloud technologies with tunnel automation solutions will also foster growth. Railway tunnels represent the fastest-growing segment and they should provide a remedy for the rising number of traffic accidents. In addition, market growth will be backed by a series of government regulations for the implementation of tunnel automation systems. From a regional perspective, the Asian-Pacific region will contribute the largest volume to the global market growth. Increased investments in tunnel construction are expected in China and India, in particular, in order to take account of population growth and advancing urbanisation.

By diversifying by products, areas of deployment, customer groups and regional markets, SMT Scharf is placing its business model on several pillars. In adopting this approach, SMT Scharf intends to mitigate the impact of the coal mining business cycle on the SMT Scharf Group's business growth and development.

Business trends

The SMT Scharf Group generated consolidated revenue of EUR 95.0 million in the 2024 financial year. This corresponds to a significant revenue increase of 29.8% by comparison with the previous year (2023: EUR 73.2 million). The first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd as from November was essentially responsible for the revenue rise and provided a significant boost to the new equipment business. Business in China, in particular, enjoyed an appreciable expansion. In addition, the tunnel segment stood out with a significant revenue increase and benefited from major orders won. Apart from these positive effects, SMT Scharf found itself facing further challenging conditions in the market for mining equipment in the reporting period as well as overall modest investment propensity in the core markets.

Group revenue quarter-by-quarter



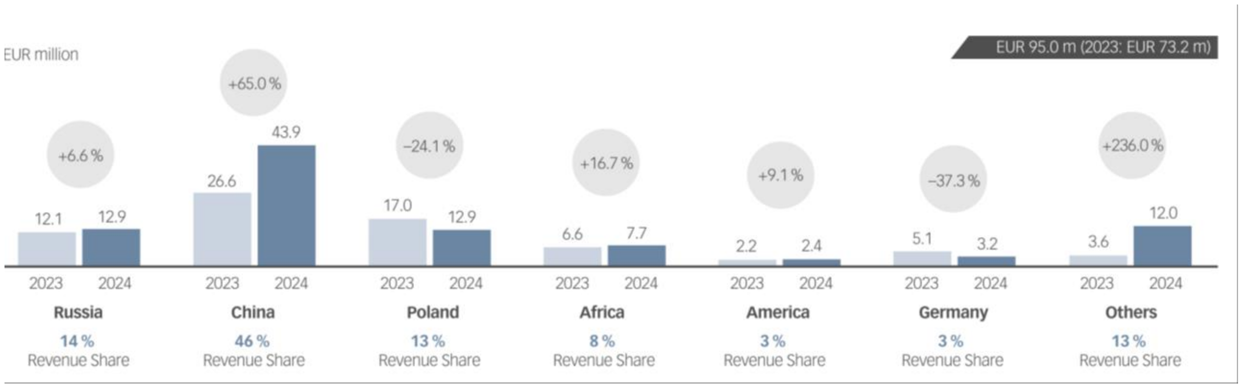
In the fourth quarter of 2024, SMT Scharf's sales revenue amounted to EUR 47.1 million. This was the strongest quarter for sales revenue in the reporting period, and by comparison with final quarter of 2023 (EUR 19.1 million), revenue was up by an appreciable 146.6%. The rise in revenue in the fourth quarter was due to the first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd as from November.

EBIT in the 2024 financial year stood at EUR 4.8 million, above the level of the previous year (2023: EUR 4.0 million). SMT Scharf thereby exceeded the EBIT forecast of between EUR 2.8 million and EUR 4.6 million for the whole year announced in November 2024 by a significant margin.

With revenue of EUR 43.9 million (2023: EUR 26.6 million), China remained the most important sales market for SMT Scharf as it was in the previous year. The 65.0% revenue increase in China was also due for the most part to the first-time consolidation of the joint venture company Xinsha. The Chinese market's share of total revenue in the reporting period rose accordingly from 36.4% to 46.2%.

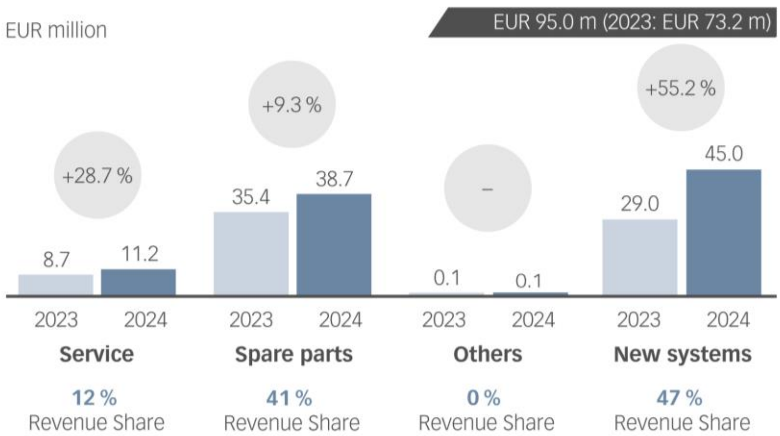
With respect to further sales markets, Poland was SMT Scharf's second most important market with sales revenues of EUR 12.9 million. This equates to a revenue decline of 24.1 % against 2023 (EUR 17.0 million). In Poland, too, the investment propensity proved to be modest. Poland's share of total revenue fell accordingly from 23.2% in 2023 to 13.6% in the reporting period. In Russia, SMT Scharf generated sales revenues of EUR 12.9 million in 2024 is 2023: EUR 12.1 million). This region therefore accounted for 13.6% of total revenues (2023: 16.5 %). Consequently, sales revenue there increased year on year by 6.6%.

Revenue shares by region



In addition, SMT Scharf succeeded in raising sales revenues in the Africa region to EUR 7.7 million in 2024 (2023: EUR 6.6 million), and in the America region from EUR 2.2 million to EUR 2.4 million. In Germany, by contrast, revenue declined to EUR 3.2 million after the company had recorded a figure of EUR 5.1 million in the previous year. Furthermore, sales revenue in the Others region grew appreciably from EUR 3.6 million in 2023 to EUR 12.0 million in the reporting period, due predominantly to the tunnel projects recorded. Accordingly, the Other region's share of SMT Scharf's total revenues increased noticeably from 4.9% in 2023 to 12.6% in 2024. In view of the higher shares of total revenue contributed by the China and Other regions, the remaining regions suffered a decline in their shares. The Africa region contributed 8.1% (2023: 9.0%), Germany 3.4% (2023: 7.0%) and the America region 2.5% (2023: 3.0 %).

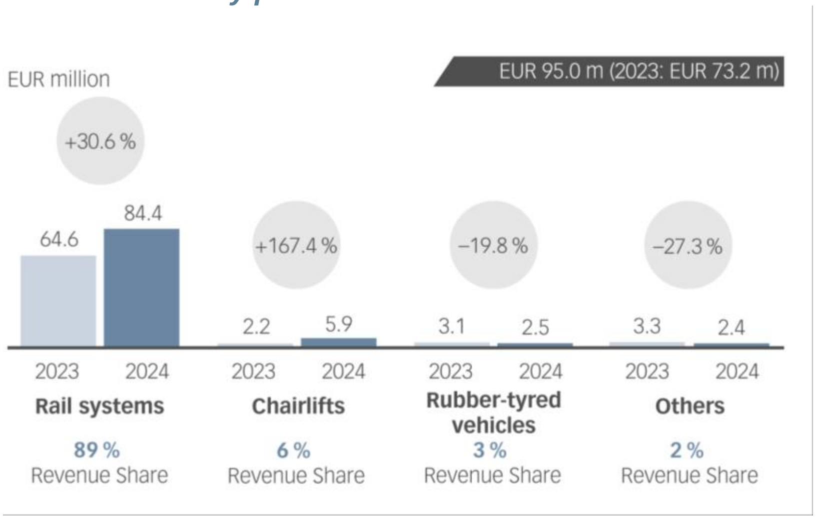
Revenue by type of business



Revenue in the New Equipment business increased significantly by 55.2% to EUR 45.0 million in the 2024 financial year (2023: EUR 29.0 million). The first-time consolidation of Xinsha was mainly responsible for this rise. In addition, SMT Scharf found itself facing modest investment propensity in its core markets in the reporting period.

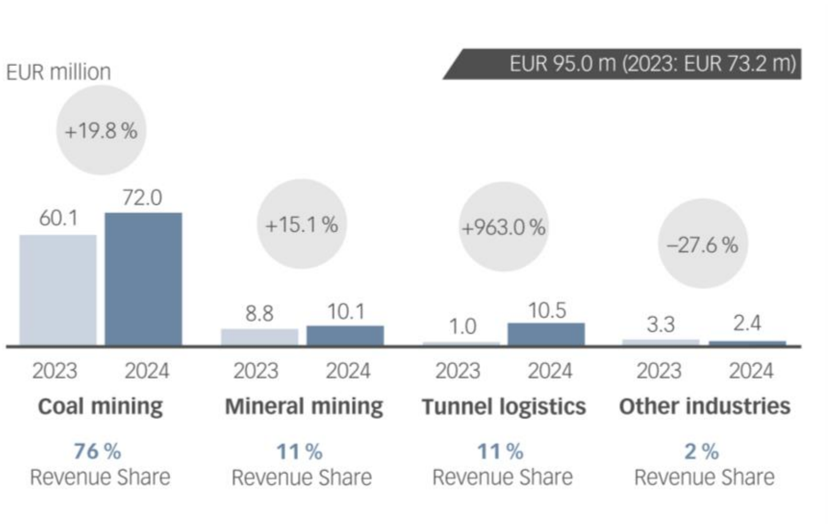
The spare parts and service business also posted growth in financial year 2024 with sales revenues of EUR 49.9 million (2023: EUR 44.1 million). In view of the even stronger growth in New Equipment business, the spare parts and service business as a proportion of total revenues fell, however, from 60.3% to 52.5% in 2024. In addition, the Other services division contributed revenues of EUR 0.1 million (2023: EUR 0.1 million) to the business as it had in the previous year.

Revenue share by product



With revenue of EUR 84.4 million (2023: EUR 64.6 million), rail systems represented SMT Scharf's most important product group by some distance. By comparison with 2023, revenues with rail systems rose by 30.6% accordingly. The main driver of this increase was the first-time consolidation of Xinsha. This product group's share of total revenues rose slightly to 88.7% (2023: 88.3%). In addition, chairlifts contributed revenues of EUR 5.9 million or 6.2% of total revenues (2023: EUR 2.2 million or 3.0 %), rubber-tyred vehicles EUR 2.5 million or 2.6% (2023: EUR 3.1 million or 4.2%) and Other Products EUR 2.4 million or 2.5% (2023: EUR 3.3 million or 4.5%).

Revenue share by segment

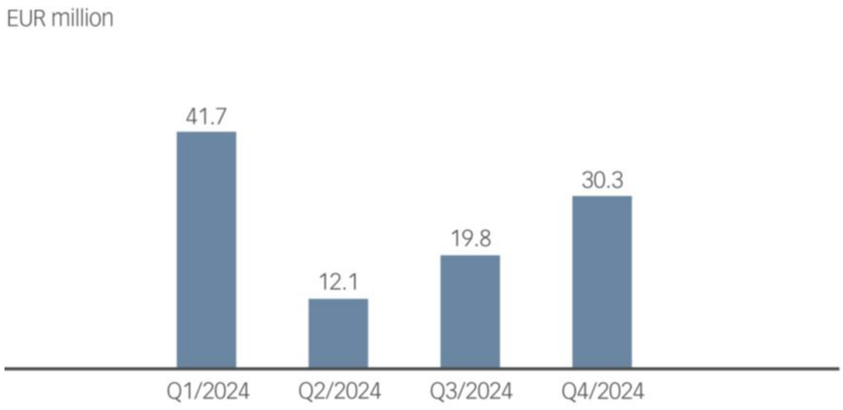


As in the previous year, the coal segment proved to be SMT Scharf's most important segment, making up 75.8% of total revenues (2023: 82.1%). Revenue in this segment increased by 19.8% over 2023 to EUR 72.0 million (2023: EUR 60.1 million). This reflected the first-time consolidation of Xinsha which generates its revenues in the Chinese mining industry. However, the Coal segment as a proportion of total revenue fell by comparison with 2023 (82.1%) to 75.8% in 2024 as the Mineral Mining and Tunnel Logistics segments also increased significantly in the reporting year.

The second most important business segment for SMT Scharf was Tunnel Logistics with revenue of EUR 10.5 million (2023: EUR 1.0 million). The major order in the Middle East, in particular, made a considerable contribution to this revenue increase. Consequently, this segment accounted for 11.1% of total revenue after only making up 1.4% of total revenue in 2023. This represents an important step for SMT Scharf with respect to its objective of further diversifying its business segments.

Furthermore, the Mineral Mining segment generated sales revenue of EUR 10.1 million in the reporting period (2023: EUR 8.8 million). This segment was thus responsible for 10.6% of total revenue (2023: 12.0%). The Other Industries segment recorded revenue of EUR 2.4 million (2023: EUR 3.3 million), making up a 2.5% share of total revenue (2023: 4.5%).

New order intake



In the 2024 financial year, SMT Scharf recorded an order intake of EUR 103.9 million following EUR 72.9 million in the previous year. The main reasons for this rise were the first-time consolidation of Xinsha as well as major orders won in the Tunnel segment. Order intake in the fourth quarter amounted to EUR 30.3 million, surpassing the figure for the fourth quarter in the previous year by a considerable margin (2023: EUR 17.3 million). The order book position amounted to EUR 31.5 million as of 31 December 2024, exceeding the previous year's figure of EUR 22.6 million.

Financial position and performance

Results of operations

The SMT Scharf Group generated consolidated revenue of EUR 95.0 million in the 2024 financial year (2023: EUR 73.2 million). This corresponds to a significant increase in revenue of 29.8%. This appreciable revenue increase resulted essentially from the first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd as from November which provided a significant boost to the new equipment business. The sizeable growth in the Tunnel Logistics segment also made a positive impact as SMT Scharf was able to book new, high-volume orders. Apart from this positive effect from the consolidation of Xinsha, SMT Scharf found itself facing further challenging conditions in the market for mining equipment in the reporting period as well as overall modest investment propensity in its core markets.

Total operating revenue (consolidated revenue plus changes in inventories) climbed to EUR 102.4 million (2023: EUR 81.1 million). The significant rise in revenue in the reporting period made itself felt here. In addition, other operating income also increased from EUR 4.6 million in the previous year to EUR 6.5 million in 2024.

Given the rise in total operating revenue, the cost of materials also trended upwards by 35.9% to EUR 60.6 million in the reporting period (2023: EUR 44.6 million). In particular, this reflects the major orders received in the Tunnel Logistics segment. The cost of materials ratio (as a percentage of total operating revenue) increased accordingly to 59.2% (2023: 55.0%).

Personnel expenses in the year under review increased by 9.7% to EUR 21.5 million (2023: EUR 19.6 million). As a consequence, the ratio of personnel expenses to total operating revenue was lower than for the previous year at 21.0% (2023: 24.2%).

Accumulated depreciation and amortisation increased to EUR 3.9 million (2023: EUR 3.2 million). Other operating expenses were up by 26.8% to EUR 18.0 million (2023: EUR 14.2 million). The increase was due to expenses incurred in connection with the change of shareholders and the company's uplisting to the Regulated Market.

Overall, exchange rate gains and exchange rate losses led to a positive net result of EUR 0.5 million in the 2024 financial year (2023: EUR -2.7 million).

The SMT Scharf Group succeeded in boosting its operating earnings (EBIT) to EUR 4.8 million in financial year 2024 (2023: EUR 4.0 million). Positive effects resulted from the first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd as well as major orders won in the Tunnel segment. The EBIT margin (in relation to total operating revenue) fell slightly by 0.2% to 4.7% in the reporting year (2023: 4.9%). External services utilised and higher personnel costs had a negative impact.

The financial result dropped to EUR 2.2 million, compared with EUR 3.6 million in the previous year. The main reduction is due to the lower investment income from Xinsha, as this was included for 12 months in 2023 and only contributed investment income until October in 2024. In addition, the interest result amounted to EUR -0.9 million (2023: EUR -0.9 million).

On balance, the Group generated a profit before tax of EUR 7.0 million (2023: EUR 7.6 million). The tax expense of EUR -0.2 million in the reporting year was significantly below the previous year's level (2023: EUR 2.4 million). Of this amount, EUR 1.4 million comprised current tax expenses (2023: EUR 4.1 million), and EUR -1.5 million deferred tax (2023: EUR -1.7 million). The Group’s tax rate stood at 32.1%, as in the previous year. 32.1%).

EUR million	2024	2023	Change
Revenue	95.0	73.2	29.8 %
Total operating revenue	102.4	81.1	26.3 %
EBIT	4.8	4.0	20.0 %
EBIT margin (in %)	4.7	4.9	-0.2 pp
Consolidated net profit / loss	7.2	5.2	38.5 %
Earnings per share, basic (in EUR)	1.02	0.89	14.6 %

Overall, SMT Scharf AG achieved positive consolidated earnings for the year of EUR 7.2 million (2023: EUR 5.2 million). This corresponds to earnings per share of EUR 1.02 (2023: EUR 0.89).

Net assets

The significant increase in total assets is due to the first-time consolidation of Xinsha. The total assets of the SMT Scharf Group rose to EUR 179.8 million as of 31 December 2024 (31 December 2023: EUR 126.5 million). The full consolidation of Xinsha, whose balance sheet values will be included from November, had a significant impact. Non-current assets stood at EUR 24.2 million (31 December 2023: EUR 38.5 million). In the area of land and buildings, property, plant and equipment increased appreciably to EUR 6.0 million as of the reporting date (31 December 2023: EUR 3.9 million). Intangible assets also increased to EUR 7.8 million (31 December 2023: EUR 6.9 million). Compared to the previous year’s reporting date, deferred tax assets increased significantly to EUR 6.7 million (31 December 2023: EUR 4.0 million).

Current assets rose to EUR 155.6 million as of the reporting date (31 December 2023: EUR 88.0 million) and continued to account for the largest share of assets. This was partly due to the increase in inventories which totalled EUR 50.7 million as of the reporting date (31 December 2023: EUR 38.2 million). This reflects the high order intake and order book position. Trade receivables also rose appreciably to EUR 75.9 million as of the reporting date of 31 December 2024 (31 December 2023: EUR 35.7 million). In relation to consolidated revenue of EUR 95.0 million in the 2024 financial year (2023: EUR 73.2 million) and average trade receivables outstanding of EUR 35.4 million (2023: EUR 32.6 million), the average days of sales outstanding remained constant at 136 days (2023: 163 days) and stood at 211 days as of the reporting date (2023: 180 days). The payment schedules arranged with major customers in previous years were adhered to as agreed. Cash and cash equivalents reached EUR 15.1 million as of the reporting date of 31 December 2024, a significant increase on the position on the previous year’s reporting date (31 December 2023: EUR 8.2 million).

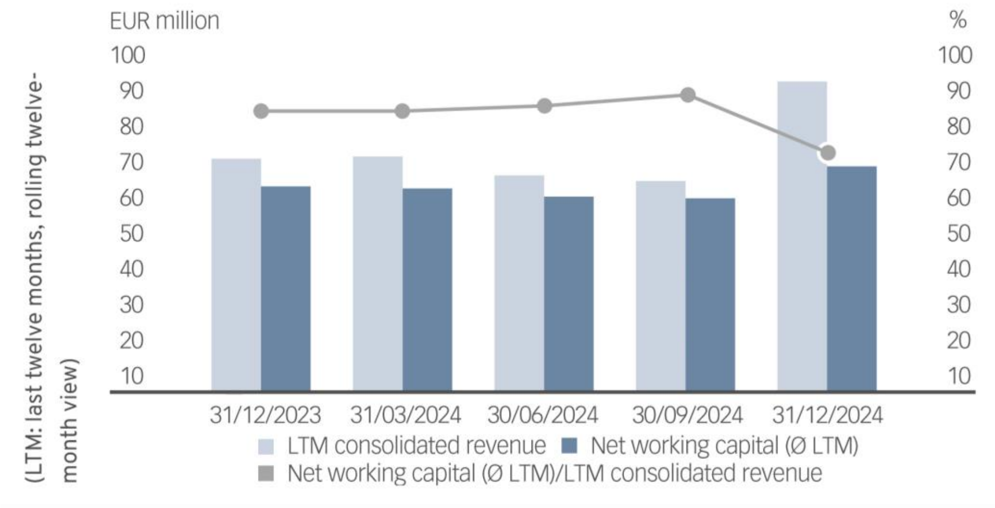
In view of the increase in total assets as well as equity, the equity ratio amounted to 65.7% as of the balance sheet date, down 2.8 percentage points from the previous year’s figure (31 December 2023: 68.5%). Non-current provisions and liabilities decreased slightly to EUR 8.2 million as of the balance sheet date (31 December 2023: EUR 8.3 million). Furthermore, pension provisions remained at EUR 2.5 million (31 December 2023: EUR 2.5 million).

Current provisions and liabilities increased markedly to EUR 53.4 million as of the reporting date (31 December 2023: EUR 31.5 million). This equates to a rise of EUR 21.9 million by comparison with the previous year's reporting date. Trade payables were also up significantly, amounting to EUR 15.1 million as of the reporting date (31 December 2023: EUR 3.8 million). Current liabilities rose to EUR 18.5 million (31 December 2023: EUR 15.7 million). Other current provisions also increased by comparison with the previous year's reporting date, reaching EUR 6.2 million (31 December 2023: EUR 5.8 million).

EUR million	31/12/2024	31/12/2023
Total assets	179.7	126.5
Equity	118.2	86.7
Equity ratio (in %)	65.8	68.5
Non-current and current provisions and liabilities	61.6	39.8
Non-current assets	24.1	38.5
Current assets	155.6	88.0
Days of sales outstanding	136	163
Net working capital* on the balance sheet date	105.6	64.0
Net working capital* – year-average	71.5	64.0
Net working capital* intensity (%)	75.2	87.5

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

Net working capital



Equity and particular legal relationships

The subscribed capital of SMT Scharf AG was increased from EUR 3.0 million to EUR 4.2 million against cash capital contributions as part of the IPO in April 2007. As part of the share capital increase completed in November 2017 with partial utilisation of Authorised Capital 2016, the share capital of SMT Scharf AG was increased by a further EUR 420,000.00, from EUR 4,200,000.00 to EUR 4,620,000.00, against cash capital contributions and under exclusion of shareholders' subscription rights. As part of a further capital increase from authorised capital against cash capital contributions in June 2021, the share capital of SMT Scharf AG was increased again by EUR 901,456.00, from EUR 4,620,000.00 to EUR 5,521,456.00, as a consequence of the issue of new shares.

The Annual General Meeting of SMT Scharf AG on 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 10 June 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 31 December 2024 reporting date, a total of 5,521,456 ordinary registered shares of SMT Scharf AG were in issue in the form of no-par-value shares with a notional value of EUR 1 per share. All shares have been fully paid in and grant the holders the same rights.

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. Neither Annual General Meeting in 2023 or 2024 resulted in any changes in this regard.

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 2024 financial year (0.90 % of the share capital).

The company is subject to general statutory restrictions on voting rights, especially deriving from the German Stock Corporation Act (AktG) and the German Securities Trading Act (WpHG). The Managing Board is not aware of any restrictions on voting rights above and beyond the aforementioned, including any restrictions that could derive from agreements between shareholders. In addition, the Managing Board is not aware of any restrictions relating to the transfer of the company's shares, including any restrictions deriving from agreements between shareholders.

No shares exist with extraordinary rights that grant the holders controlling powers. The company is not aware of any interests held by employees who do not exercise their controlling rights directly. The Supervisory Board can implement changes to the articles of incorporation affecting solely their wording. Otherwise, changes to the articles of incorporation require a resolution by the Shareholders' General Meeting in the meaning of Sections 133 and 179 of the German Stock Corporation Act (AktG), whereby pursuant to article 17 of the articles of incorporation, resolutions by the Shareholders' General Meeting are to be passed with a simple majority of votes cast, unless mandatory statutory requirements exist to the contrary, and – to the extent that the law prescribes a capital majority in addition to the majority of votes cast – with a simple majority of the share capital represented when the resolution is passed; this also applies to resolutions on amendments to the articles of incorporation.

Pursuant to section 8 of the articles of incorporation, the company's Managing Board comprises one or several members, including in the event that the share capital exceeds EUR 3.0 million, whereby the Supervisory Board determines the number of members of the Managing Board, and can appoint a Chair (CEO) as well as a Deputy Chair (Deputy CEO) of the Managing Board, and also deputy Managing Board members. In all other respects, the statutory regulations apply to the appointment and discharge of Managing Board members. The company has not concluded any key agreements that are subject to the condition of a change in control as a consequence of an acquisition offer.

Financial position

SMT Scharf AG mainly performs the central steering of financial management for the SMT Scharf Group. The Group's financial management comprises the management of liquidity, the hedging of interest, currency and raw materials price risks, Group financing, the issuing of guarantees and letters of comfort, and communicating with rating agencies. We manage 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. Committed credit lines of EUR 30.8 million exist, but have not been utilised.

Given the consolidated net income of EUR 7.2 million in 2024, the SMT Scharf Group reported cash flows from operating activities of EUR 0.4 million in the year under review (2023: EUR 3.9 million).The first-time full consolidation of Xinsha resulted in a significant increase in receivables as at the balance sheet date, which was offset by ongoing amortisation and the increase in liabilities as at the balance sheet date. The income taxes paid and the non-cash at-equity income had a negative impact on the operating cash flow.

Cash flow from investing activities amounted to EUR -1.0 million (2023: EUR -0.9 million) and is mainly attributable to payments for investments in property, plant and equipment.

Cash flow from financing activities amounted to EUR 4.6 million for the 2024 reporting period (2023: EUR -0.8 million) The non-genuine repurchase agreements executed in 2024 are not netted and therefore explain the increased borrowing and repayments of financial liabilities. The balance of these two items is attributable to a new loan of EUR 6.2 million from a Group company.

Comparison of the actual financial position and performance with the forecast

On publication of the 2023 annual report, SMT Scharf AG had originally announced that it was expecting consolidated revenue of between EUR 74 million and EUR 79 million with EBIT between EUR 1.5 million EUR and EUR 2.5 million for the 2024 financial year.

In October 2024, SMT Scharf AG substantially increased its forecast for revenue and earnings for the 2024 financial year. The reason for this development lies in the first-time consolidation of the joint venture company Shandong Xinsha Monorail Co., Ltd (“Xinsha”) which has been consolidated effective 1 November 2024 due to amended contractual agreements between the joint venture partners. Accordingly, the Managing Board was then expecting consolidated revenue of between EUR 87 million and EUR 97 million for the financial year of 2024 and operating earnings (EBIT) of between EUR 2.8 million and EUR 4.6 million.

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

- With actual consolidated revenue of EUR 95.0 million, SMT Scharf was able to achieve the revenue guidance it had upgraded in October 2024, according to which consolidated revenue was expected to come in at EUR 87-97 million. The reason for this was the first-time consolidation of Xinsha as from November.
- SMT Scharf boosted EBIT to EUR 4.8 million in 2024. Consequently, the last forecast announced for EBIT to be within a range between EUR 2.8 million and EUR 4.6 million was exceeded by a slight margin. This was also due in large measure to the first-time consolidation of Xinsha as from November.

Overall statement on the company’s business position

The SMT Scharf Group succeeded in significantly boosting consolidated revenue to EUR 95.0 million in the 2024 financial year. The main reason for this was the first-time consolidation of Xinsha which led to an appreciable rise in revenue and earnings in the reporting year. For example, SMT Scharf achieved an EBIT margin of 4.8% (relative to total operating revenue) on the basis of EBIT of EUR 4.8 million in 2024. The company’s asset and financing positions continue to be robust. As of the reporting date, the equity ratio remained at a high level of 65.8%. Although financial liabilities had risen as of the reporting date, they remain at a comparatively low level in relation to the revenue volume and total assets. Overall, the SMT Scharf Group perceives itself as well positioned to continue the systematic implementation of the corporate strategy in its individual segments. The significant revenue growth in the Tunnel Logistics segment reflects the efforts undertaken to diversify the business into areas outside coal mining.

Risk and opportunities report and outlook

Risk report

Evaluation of risks and opportunities

Individual risks are quantitatively described on the basis of the probability of their occurrence and the level of damages. Triangular distributions with the parameters of minimum value, maximum value and most likely value are used to take account of market fluctuations. Once a year, the top net risks and market fluctuations are aggregated by means of Monte Carlo simulations for the early detection of existentially threatening developments and to determine the scope of the overall risk and the company's risk capacity. In the simulation, potential, risk-related future scenarios are analysed by means of software using independent simulation runs.

Opportunities and risk position

The opportunities and risk position offers an insight into the key opportunities and risks. As a general rule, the time horizon in SMT Scharf's risk management system is 12 months on a rolling basis. The top net risks are listed in the following table in descending order. The size of the loss caused by the net risks to the Group EBIT is regarded as medium from EUR 0.5 million upwards and as high from EUR 2.5 million upwards:

Risks (net)	**Size of loss**
Geopolitical risks	high
Market and sales risks	high
Information security risks	medium
Tax risks | trading restrictions	medium
Bad debt risk	medium
Currency risks	medium
Compliance risks	medium

The Geopolitical Risks and the sales fluctuations were assessed with a medium probability of occurrence (15% to 50%) and all other risks with a low probability of occurrence (1% to 14%).

The key risk categories for SMT Scharf specified in the table are set out in more detail below.

Geopolitical risks

With regard to the exceptional events such as the war between Russia and Ukraine as well as the conflicts in the Gaza strip, there is a risk that the Russian subsidiary may be expropriated. On 10 July 2022, the sanctions imposed by the EU took effect, prohibiting the delivery of complete machines to Russia. 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.

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. 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. Any decline in demand will have a directly negative impact on SMT Scharf's profit margins. Since the middle of 2024, preferences have also been shifting, especially in China but also in Poland away from powerful diesel trolleys to smaller, battery-powered units due to the desire to avoid emissions underground and the lower ventilation costs associated with them. Here, we will have to wait and see whether this trend continues. Taking account of these developments, we will be offering battery-electric trolleys from China in Poland and other sales regions in 2025. However, the officially required certification process in each case is very time-consuming, and ATEX certification cannot be expected until Q4 2025. A problem is looming with previously approved diesel engines in diesel trolleys hitherto certified in Poland; should the responsible authorities ultimately withdraw their certification, here too, alternatives will be sourced from China.

In addition, political continuity and stability in mine ownership play a role in many countries. A change of government or a change in mines' ownership structures could lead to staffing changes at SMT Scharf customers. This can significantly delay projects. SMT Scharf counters this risk by constantly monitoring the market and further diversifying its business by entering new markets.

Information security risks

Serious malfunctions such as system downtime, attacks on SMT Scharf's network, the loss or manipulation of data can lead to operational disruptions and even affect customers. SMT Scharf works tirelessly on optimising its IT architecture both from a design and operational perspective. In addition, the threats to information security are growing due to the worldwide increase in computer criminality.

In order to avoid risk processes and detect threats at the earliest possible juncture, SMT Scharf is implementing a series of technical and organisational measures (TOMs for short). These are listed in the 2025 cybersecurity strategy and measures with the result that the targets and requirements are defined in the SMT Scharf Group. A series of IT security improvements will be derived from them. These will be prioritised by their probability of occurrence and size of losses and successively implemented. The usual solution approaches such as multifactor authentication, encryption and regular training go without saying. The continuous adaptation of the cybersecurity strategy to meet new threats guarantees lasting protection of the IT architecture and thus also of business processes and customer relationships.

Tax risks | trade restrictions

The differing political and economic interests of the USA and China represent major potential for conflict in global trade relationships as a result of a further tightening of trade barriers (e.g. tariffs, import/export restrictions). If the costs cannot be passed on, they will have a directly negative impact on SMT Scharf's profit.

Bad debt risk

If one or more customers default on their debts, this represents a risk that is mitigated by, among other things. the use of letters of credit and by capping the credit limit for individual customers.

Currency risks

As part of its business activities, SMT Scharf is exposed in particular to currency and default risks. These risks are mitigated by the relevant national companies servicing their revenues and expenses as far as possible in their local currency, thus avoiding currency risks. If subsidiaries negotiate transactions with customers and/or suppliers in currencies other than their local currency, care is taken to ensure that the contractual currency matches that of the country in which the subsidiary has its head office. Should this not be possible in exceptional circumstances, hedging transactions would be explored with the banks. Otherwise, investments are valued at the rates of exchange applicable on the reporting dates at the end of the quarter or year. Any resulting currency losses or gains cannot be hedged and will impact the result. The risk of higher product prices on foreign markets due to a strong Euro is mitigated by procuring a growing proportion of components abroad. In addition, a total of 66 % of the workforce of the SMT Scharf Group were employed outside the Eurozone as of the 31 December 2024 reporting date, thereby reducing the risk of higher personnel costs due to exchange rate effects.

Compliance

As a general rule, compliance infringements such as corruption can entail considerable fines, loss of reputation and demands for compensation. Depending on the country, custodial sentences for managers are also possible. SMT Scharf mitigates these risks from breaches of the law and infringements of directives with a code of conduct and an external compliance officer.

Despite extensive arrangements, SMT Scharf cannot fully rule out the possibility that individual employees will breach statutory provisions which might lead to the imposition of fines or penalties or to the assertion of claims for damages. An existing D&O insurance policy protects SMT Scharf against claims for damages resulting from compliance breaches.

Subsidiaries based in Europe counter this risk by means of an installed procedure. As soon as a customer enquires about products and services, checks are conducted to ascertain whether the enquiry can be processed. In this way, our trained staff throughout the value chain, from a customer enquiry, order processing to delivery, make sure that legal requirements are adhered to. The EU specifications regarding the “No Russia clause” and more recently the “No Belarus clause” are also incorporated into invoicing.

Opportunities report

Growth of the global economy and energy prices

The first IMF forecast for the growth of the global economy in 2025 once again turned out to be cautious. Although global GDP growth of 3.3% (previously 3.2%) is expected, China’s economic growth for 2025 was left almost unchanged at 4.6% (previously 4.5%). The property crisis in China has not yet been overcome, while Europe is suffering from structural problems and its policy on available energy and since the start of the month, the USA has been imposing tariffs as a regulatory instrument. In this uncertain constellation of forces, the prices of important energy sources will initially remain volatile.

As is well known, the raw material prices for hard coal and minerals, in particular, are important for the SMT Scharf Group. They are decisive when it comes to the willingness to invest of our customers, the mine operators. Volatility acts as a brake on their investment propensity. The 12-month high for hard coal was reached in November 2024 at a price of USD 122.75 / t, and by the beginning of February 2025, it had fallen back to USD 109.30 / t – approx. 11%. The price of platinum has been even more volatile: standing at approx. USD 28.50 / kg in February 2024, the price rose to around USD 35.0 / kg (+ approx. 23%) in May 2024 only to fall back again in February 2025 to approx. USD 31 / kg (approx. -12%). The SMT Scharf Group is readying itself for further volatility in commodity prices in 2025.

The IMF forecast for 2026 is also approx. 3.3%. Steady growth can also be expected to lead to a gradual increase in the propensity to invest in infrastructure and the modernisation of mines. This will 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.

Rising global demand for raw materials

Provisional calculations by the IMF for 2024 show that the global economy grew by approx 3.2%; breakdown: industrial countries by 1.7% and emerging countries by 4.2% (as of: January 2025). The IMF has published very similar expectations for 2025 and 2026: 2025 overall 3.3% (industrial countries 1.9%, emerging countries 4.2%) and 2026 overall 3.3% (industrial countries 1.8% and emerging countries 4.3%). The SMT Scharf Group regards the disproportionately high contribution from emerging countries as an indicator of further rises in the demand for commodities and reason enough for mine operators to invest more heavily in new systems.

More complex geological locations of raw materials deposits

Raw material deposits around the world will increasingly be mined in more and more inaccessible locations. This is an advantage for the transport technologies of the SMT Scharf Group that have been specially developed for arduous, underground conditions. Their high quality encompasses extensive safety aspects, enabling the equipment to be overhauled, assuming proper maintenance, thereby leading to above-average life cycles.

Mining is willing to embrace innovation

The SMT Scharf Group is registering increasing readiness in underground mining to request innovative solutions, particularly in the areas of digitalisation and automation. For example, this includes automatic speed regulation, intelligent camera systems, radar detection or even remotely controlled machines all the way to driverless machines underground. Another area enjoying rising demand is control and measurement technology which is evolving towards preventing maintenance or monitoring. The SMT Scharf Group perceives itself as well positioned in these areas with good growth prospects.

Higher demand from local mining markets

Statista, Market Insights, stated in a publication from mid-2024 that China will mine 4.97 billion kilograms of commodities in 2025, representing an increase of 3.57% over 2024. China is the leading mining region – including for the SMT Scharf Group. Yankuang Energy Group Company (YKE) has been the majority shareholder of SMT AG since September 2024. YKE itself operates numerous mines and is majority-owned by the Shandong Energy Group. The majority shareholding is strategic in nature and means better market access conditions for the SMT Scharf Group, particularly in China.

BP is a renowned market player with statements on the development of energy demand. In its 2024 Energy Outlook, BP identified that increasing emphasis is being placed on energy security around the world and on improving energy efficiency. This is leading to an increase in domestic energy production. Furthermore, growing awareness of the security of energy supply chains is leading among other things to the use of local fossil fuel resources (#3 Latest Developments and emerging Trends). In #4, BP identifies a further rise in energy demand of 1% . In #12 it is explained that the growing electrification of the energy system continues to outstrip the total demand for energy. The driver of this development is, on the one hand, the rise in electricity consumption in emerging countries, and on the other, the growing demand from data centres to support the increasing number of AI applications.

The prospects identified by market observers and the SMT Scharf Group's global presence give us good reason to view the demand in underground mining and with it for the SMT Scharf Group's high-quality products with confidence.

Diversification advanced

The new majority shareholder also supports the SMT Scharf Group in pursuing the goal of expanding its activities in the business fields of mineral mining and tunnel technology. Both markets are promising disproportionately high growth by comparison with global economic growth in the coming years. In the Straits Research Market Report for the tunnel segment, average annual growth of 6.1% is forecast for the years from 2023 to 2031. In order to grow in this segment, the SMT Scharf Group succeeded in establishing excellent initial conditions in 2024 in the shape of orders received and their processing. The Tunnel Logistics segment delivers the benefit of greater independence from the raw material price cycle as the demand for infrastructure is driven by other factors. Electromobility in mining is also making an increasing contribution towards the further diversification and further development of the business. This trend is also reflected in LEVs (Light Electric Vehicles) and battery-powered monorails. Our Xinsha joint venture succeeded in installing several of the latter on customers' sites in 2024.

Positive effects of strategic measures

In 2024, the importance of "External growth" strategic pillar became very clear with the first-time consolidation of the Xinsha JV. The positive contribution to revenue and earnings will apply to the whole of 2025. The SMT Scharf Group will further expand its "External growth" pillar with its new strategic majority shareholder.

The "Operational excellence" pillar was significantly reinforced in 2024 due to the major order in the tunnel segment which is being processed on schedule. Further partial deliveries are also scheduled and the system is due to be commissioned in Q2/2025. Among other things, the SMT Scharf Group will earn itself a name in the "Tunnel market" with this order.

The third pillar, "Organic growth", is heavily coloured by geopolitical and economic factors as well as the effects of growing local competition. We aim to overcompensate for these currently rather inhibiting parameters through the global introduction of battery and diesel-powered vehicles that have already been successfully put into operation in China. The positive development of the Chinese market will be continued through the coordinated efforts of our international sales team.

Summarised presentation of the opportunities and risk position

The SMT Scharf Group's risk and opportunity position altered in the past year by comparison with the previous year due to global events. The largest risks for the Group might arise from the geopolitical risks, reduced demand and the ensuing drop in revenue. The regular risk reporting in the financial year 2024 did not identify any specific impairment of the Group's financial position or results of operations which might jeopardise the continuation of individual subsidiaries or the Group as going concerns. The risk aggregation shows that existentially threatening developments in the planning period can for the most part be ruled out. The company's risk capacity is sufficient to secure the company's continuation as a going concern. Complete certainty that all the relevant risks have been identified and can be managed, can never be obtained, however.

Outlook

The International Monetary Fund (IMF) has established that the global economy grew by 3.2% in 2024 and it regards this result as “robust” as a recession was avoided. The 2024 financial year was also marked by the fight against inflation in which some progress was made. This is also reflected in the ECB’s decisions on interest rates. On 6 June 2024, the ECB initiated an interest rate turnaround and lowered its rates several times in the further course of the year. However, the prospects for the global economy are adversely affected by geopolitical conflicts and tensions over trade policies.

For 2025, the IMF is forecasting the global economy to grow by 3.3%, and is thus expecting stable global growth for the time being. One driver that might provide even higher growth is the USA, which according to the IMF is set to post economic growth of 2.7% in 2025. On the other hand, the prospects for the Eurozone and specifically for Germany are worse and the pace of growth slower. Weakness in production and exports combined with persistent geopolitical uncertainty are putting the brakes on growth. Furthermore, the global process of disinflation is proceeding apace and inflation will stand at 4.2% in 2025. Persistent price rises for services in the USA and the Eurozone, however, harbour inflationary dangers.

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 %)	**2025e**	**2024**
World	3.3	3.2
China	4.6	4.8
Poland	3.5	2.8
Russia	1.4	3.8
South Africa	1.5	0.8

Sources: *IMF World Economic Outlook Update, January 2025

Following economic growth of 4.8% in 2024, the IMF is expecting slightly lower growth of 4.6% for China in 2025. Even if this represents high rates of growth by comparison with other countries, it would mean that China was failing to maintain the pace of growth from the preceding years. Problems in the property sector, cautious domestic consumption and increased uncertainty with regard to trade are having an adverse effect. On the plus side, however, China is benefiting from low inflation, export growth and the effects of an economic stimulus package from November 2024.

Despite continued high volatility in the market environment, SMT Scharf believes that it is fundamentally well positioned in the niche to implement customised transport and logistics solutions for its customers worldwide. SMT Scharf is continuing to focus on its core markets of China, Poland, South Africa and America. While the IMF is forecasting that the pace of growth in China will decelerate in 2025, the economies in the important sales markets of Poland and South Africa are set to grow in the current year. The Managing Board expects that investment activity in the mining industry could pick up in the current financial year. In the company’s estimation, trends such as stricter regulation, e.g. in terms of exhaust standards, and the large demand for innovative mining technology in modern mines will create attractive growth prospects in these important core markets.

Due to the circumstance that Xinsha will be consolidated for the entire reporting period for the first time in financial year 2025, the Managing Board expects consolidated sales revenues of between EUR 110 million and EUR 130 million in financial year 2025. In addition, the Managing Board is expecting operating earnings (EBIT) in a range between EUR 5.5 million and EUR 7.5 million.

Over the medium to long term, the Managing Board sees for some raw material industries lower but more targeted investments which enable operators to achieve higher productivity for a lower cost. These industries include traditional coal mines, but increasingly also platinum operations. Other mining operations, especially gold mines, are focusing on expanding capacity either by opening up geologically complex mines or accelerating existing mining rights. SMT Scharf supports both approaches with highly productive, sustainable equipment. The growing trend of deploying battery-powered overhead monorails in the last few years is continuing and can be serviced by the expanded SMT Scharf product range. In the LEV sphere, too, new products are planned including for coal mines in order to achieve emissions reductions here.

The export of mining equipment available from Shandong Energy and Yankuang Energy to global markets is planned. Here SMT Scharf is providing support for the necessary certifications, special user requests and integration with existing, frequently western, technology.

In order to advance diversification and to further reduce its dependency on coal mine operators, SMT Scharf will work towards additionally expanding its activities in business segments outside coal. As part of its corporate strategy, the company will continue to focus in the future on operational excellence, as well as on both external and organic growth, in order to further strengthen SMT Scharf's market position.

Corporate Governance

Corporate governance declaration (in accordance with Section 289f and Section 315d HGB)

In March 2025, the Managing Board and Supervisory Board submitted the corporate governance declaration pursuant to Secs. 289f and 315d HGB and made it available to the public on the internet at https://www.smtscharf.com/investorrelations/corporate-governance/corporate-governance-declaration/?lang=en.

Takeover-related disclosures

The disclosures required by Secs. 289a Sentence 1, 315a Sentence 1 HGB under takeover legislation as of 31 December 2024 are set out below.

Composition of subscribed capital
As of 31 December 2024, the company's share capital amounted to EUR 5,521,456.00 shares 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.
All shares have been fully paid in and grant the holders the same rights. Each ordinary share grants the holder one vote at the company's Annual General Meeting.
The company held 49,477 treasury shares on 31 December 2024, equivalent to 0.90 % of the share capital.

Restrictions relevant to voting rights and transfers
In connection with the admission of the company's shares to the regulated market in September 2024, Yankuang Energy Group Company Ltd gave an undertaking to the ICF BANK AG securities bank acting as the listing agent with regard to 2,907,454 shares in the company not to offer or sell any of these shares directly or indirectly, make any such announcement or take other actions financially equivalent to a sale until 23 March 2025.

Otherwise, no agreements exist or existed in the 2024 financial year of which the Managing Board is aware that could be construed as restrictions as defined by Sec. 315a Sentence 1 No. 2 and Sec. 289a Sentence 1 No. 2 HGB

Shareholdings
As of 31 December 2024, the following direct and indirect shareholdings existed that exceeded 10 % of the voting rights:

Yankuang Energy Group Company Ltd.	52.66%

The disclosures above are based in particular on the notifications pursuant to Secs. 33 ff. of the Securities Trading Act which SMT Scharf AG received and published.[1]

Holders of shares with special rights as well as type of voting rights control of employee shares
The company has not issued shares with special rights pursuant to Sec. 315a Sentence 1 No. 4 and Sec. 289a Sentence 1 No. 4 HGB. Employees do not hold an interest in the capital as defined by Sec. 315a Sentence 1 No. 5 and Sec. 289a Sentence 1 No. 5 HGB.

[1] The voting rights announcements published by SMT Scharf AG can be downloaded from the website at https://www.smtscharf.com/en/investor-relations/annual-general-meeting-2024.

Provisions on the appointment and discharge of the Managing Board and amendments to the articles of incorporation
Secs. 84, 85 of the Stock Corporation Act (AktG) are decisive for the appointment and discharge of members of SMT Scharf AG's Managing Board. 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.

Pursuant to Section 11 (6) of the articles of incorporation, the Supervisory Board can make amendments to the articles of incorporation that only affect 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.

Powers of the Managing Board to issue or buy back shares
By resolution of the Annual General Meeting on 17 May 2022, the Managing Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to 16 May 2027 by a total of up to EUR 2,760,728.00 in return for cash capital contributions and/or non-cash capital contributions (Authorized Capital 2022).

The company also has the further option of a conditional capital increase of up to EUR 462,000.00 (Conditional Capital 2021) to service subscription rights from share options that may be issued until 26 May 2026 in accordance with the authorisation resolution under Agenda item 6 b) of the Annual General Meeting on 27 May 2021.

In addition, the company has the option of a conditional capital increase of up to EUR 2,298,728.00 (Conditional Capital 2022) to service bonds (convertible bonds and/or bonds with warrants or profit participation rights) that may be issued until 16 May 2027 in accordance with the authorisation resolution under Agenda item 7 b) of the Annual General Meeting on 17 May 2022.
The Annual General Meeting on 17 May 2022 authorised the Managing Board to acquire and use treasury shares. The authorisation expires on 16 May 2027 and limited to a maximum of 10% of the share capital existing on the date of the resolution adopted by the Annual General Meeting. Depending on the intended purpose of the treasury shares acquired, shareholders' subscription rights can be excluded.

Key agreements subject to the condition of a change of control
SMT Scharf AG is currently a party to loan agreements as the borrower with a total credit limit of EUR 12 million as well as USD 28 million which can be terminated by the lender in the event of a change of control. The banks can then demand the return of any loans extended. There was a change of control in the 2024 financial year. Consequently, 2 principal banks withdrew from the credit lines they had granted. SMT Scharf AG was able to more than make up for this loss by winning new banks.

Compensation agreements in the event of a takeover bid
No compensation agreements exist between SMT Scharf AG and members of the Managing Board or employees in the event of a takeover bid.

Hamm, 26 March 2025

The Managing Board

Liu Jun Reinhard Reinartz Volker Weiss

Consolidated financial statements (IFRS) 2024

Consolidated balance sheet as of 31/12/2024

EUR	Notes	31/12/2024	31/12/2023
Assets			
Intangible assets	(9)	7,776,916.17	6,878,474.14
Property, plant and equipment	(9)	8,872,453.20	6,770,821.46
Loans	(10)	628,498.63	649,269.84
Equity accounted investments	(11)	1.00	20,216,663.59
Other investments		7,039.97	7,039.97
Deferred tax assets	(8)	6,662,701.39	4,014,536.35
Non-current lease receivables	(24)	191,708.82	0.00
Other non-current non-financial assets	(15)	27,875.23	1,337.75
Non-current assets		**24,167,194.41**	**38,538,143.10**
Inventories	(12)	50,670,307.47	38,192,925.02
Trade receivables	(14)	75,888,564.10	35,691,271.63
Contract assets	(13)	7,504,314.62	441,838.36
Current lease receivables	(24)	126,209.28	569,748.43
Other current non-financial assets	(15)	5,568,261.28	3,826,750.09
Other current non-financial assets in connection with employee benefit entitlements	(16)	715,159.25	1,005,713.92
Cash and cash equivalents	(17)	15,099,835.32	8,241,457.42
Current assets		**155,572,651.32**	**87,969,704.87**
Total assets		**179,739,845.73**	**126,507,847.97**

EUR	Notes	31/12/2024	31/12/2023
Equity and liabilities			
Subscribed capital		5,471,979.00	5,471,979.00
Share premium		23,623,327.12	23,623,327.12
Revenue reserves		70,598,394.49	65,049,156.64
Other reserves		-9,023,095.48	-9,205,878.16
Non-controlling interests		27,508,087.82	1,773,433.00
Equity	**(18)**	**118,178,692.95**	**86,712,017.60**
Provisions for pensions	(19)	2,521,025.00	2,519,786.00
Other non-current provisions	(20)	232,565.34	199,956.90
Deferred tax liabilities	(8)	1.151.956.41	659,422.87
Lease liabilities	(24)	1,835,662.29	2,233,763.40
Non-current financial liabilities	(25)	434,725.38	256,086.44
Other non-current financial liabilities	(21)	2,016,337.63	2,463,670.70
Non-current provisions and liabilities		**8,192,272.05**	**8,332,686.31**
Current income tax	(8)	340,714.41	3,465,091.05
Other current provisions	(20)	6,182,146.29	5,770,019.56
Contract liabilities	(21)	6,354,514.56	901,036.38
Trade payables	(21)	15,062,977.96	3,819,924.57
Lease liabilities	(24)	925,124.66	767,631.89

Current financial liabilities (cash and cash equivalents)	(22)	3,433,266.47	10,847,379.19
Current financial liabilities (not cash and cash equivalents)	(25)	15,093,150.16	4,841,646.31
Other current non-financial liabilities	(21)	5,976,986.22	1,050,415.11
Current provisions and liabilities		**53,368,880.73**	**31,463,144.06**
Total equity and liabilities		**179,739,845.72**	**126,507,847.97**

Consolidated statement of comprehensive income from 1 January to 31 December 2024

EUR	Notes	2024	2023
Revenue	(1)	95,029,055.26	73,171,621.18
Changes in inventories		7,406,066.76	7,928,239.35
Total operating revenue (100%)		102,435,122.02	81,099,860.53
Other operating income	(2)	6,488,839.92	4,598,173.34
Cost of materials	(3)	60,643,029.76	44,640,316.08
Personnel expenses	(4)	21,530,625.73	19,644,435.45
Depreciation, amortisation and impairment losses	(5)	3,942,360.29	3,244,401.07
Other operating expenses	(6)	17,962,503.42	14,216,778.52
Earnings from operating activities (EBIT)		**4,845,442.74**	**3,952,102.75**
Result from equity accounted investments	(7)	3,041,915.08	4,568,484.94
Interest income	(25)	636,221.02	570,349.62
Interest expenses	(25)	1,510,057.55	1,488,770.60
Financial result		**2,168,078.55**	**3,650,063.96**
Profit / loss before tax		**7,013,521.29**	**7,602,166.71**
Income taxes	(8)	179,010.05	2,374,613.30
Consolidated net profit / loss		**7,192,531.34**	**5,227,553.41**
of which attributable to shareholders of SMT Scharf AG		5,602,259.26	4,880,790.99
of which attributable to non-controlling interests		1,590,272.08	346,762.42
Other items of comprehensive income to be reclassified to profit or loss at a later date:			
Currency translation difference in foreign annual financial statements		461,106.10	-3,766,595.77
Share of other comprehensive income attributable to equity-accounted companies		303,740.83	-1,256,437.55
Other items of comprehensive income not to be reclassified to profit or loss at a later date:			
Actuarial gains / losses	(19)	-78,093.00	113,765.00
Deferred taxes	(8)	25,071.58	-36,524.00
Other comprehensive income		**711,825.51**	**-4,945,792.32**
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG		129,761.25	-4,840,343.85
of which, share of other comprehensive income attributable to non-controlling interests		582,064.26	-105,448.47

Total comprehensive income	**7,904,356.86**	**281,761.09**
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG	5,732,020.52	40,447.14
of which, share of other comprehensive income attributable to non-controlling interests	2,172,336.34	241,313.95
Earnings per share		
Undiluted (basic)	1.02	0.89
Diluted	1.02	0.89

Consolidated cash flow statement from 1 January to 31 December 2024

EUR	2024	2023
Consolidated net profit / loss	7,192,531.34	5,227,553.41
- Income from equity accounted investments	-3,041,915.08	-4,568,484.94
+ Depreciation and amortisation of non-current assets	3,942,360.29	3,244,401.07
+/- Loss/gain on fixed asset disposals	138,198.26	282,088.81
-/+ Decrease/increase in provisions	-485,737.38	-232,208.65
-/+ Increase/decrease in inventories, trade receivables as well as other assets not allocable to investment or finance activities	-10,505,945.97	4,338,928.77
+/- Increase/decrease in trade payables and other liabilities not allocable to investment or finance activities	7,220,639.90	-3,907,556.72
+/- Other non-cash expenses/income	20,771.21	
+ Income taxes	-179,010.05	2,374,613.30
+ Financial expenses	873,836.52	918,420.98
- Income taxes paid	-4,745,264.19	-3,505,383.00
Cash flow from operating activities	**430,464.85**	**3,876,724.58**
+ Cash inflows from disposal of property, plant and equipment	75,661.32	12,135.29
- Capital expenditure on property, plant and equipment	-553,001.38	-980,405.63
- Payments for investments in intangible assets	-1,068,600.13	-493,747.27
+ Interest received	557,964.83	559,772.60
Cash flow from investing activities	**-987,975.36**	**-902,245.01**
+ Cash inflow from capital increase	0.00	0.00
+ Cash inflow from the drawing down of loans	17,244,564.92	3,167,517.37
- Cash outflow for the repayment of leasing liabilities	-744,430.40	-777,606.71
+ Cash inflow from sale-and-leaseback agreements	584,716.83	0.00
- Cash outflow for the repayment of loans	-11,161,774.88	-2,185,339.53
- Interest paid	-1,337,391.64	-998,700.09

Cash flow from financing activities	**4,585,684.83**	**-794,128.96**
Net change in cash and cash equivalents	**4,028,174.32**	**2,180,350.61**
Changes in cash and cash equivalents due to effects from exchange rates and consolidated Group	284,038.48	-724,682.72
Changes in cash and cash equivalents due to changes in the scope of consolidation	9,960,277.81	0.00
Cash and cash equivalents at start of period	-2,605,921.77	-4,061,589.65
Cash and cash equivalents at end of period	**11,666,568.84**	**-2,605,921.77**

Consolidated statement of changes in equity from 1 January to 31 December 2024

EUR	Subscribed capital	Share premium	Revenue reserves: Actuarial gains and losses	Revenue reserves: Other revenue reserves
Balance on 1/1/2024	**5,471,979.00**	**23,623,327.12**	**18,342.28**	**65,030,814.36**
Consolidated net profit / loss	0.00	0.00	0	5,602,259.27
Currency difference from translation of foreign annual financial statements	0.00	0.00	0	0
Share of other comprehensive income attributable to equity investments	0.00	0.00	0	0
Recognition of actuarial gains / losses	0.00	0.00	-78,093.00	0
Deferred taxes on actuarial gains / losses recognized	0.00	0.00	25,071.58	0
Comprehensive income	0.00	0.00	-53,021.42	5,602,259.27
Distributions at subsidiaries (disproportionate and proportionate)	0.00	0.00	0	0
Change to consolidation group	0.00	0.00	0	0
Balance on 31/12/2024	**5,471,979.00**	**23,623,327.12**	**-34,679.14**	**70,633,073.63**

EUR	Other reserves Difference from currency translation	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total equity
Balance on 1/1/2024	**-9,205,878.16**	**84,938,584.60**	**1,773,433.00**	**86,712,017.60**
Consolidated net profit / loss	0	5,602,259.27	1,590,272.08	7,192,531.35
Currency difference from translation of foreign annual financial statements	-120,958.15	-120,958.15	582,064.25	461,106.10
Share of other comprehensive income attributable to equity investments	303,740.83	303,740.83	0	303,740.83
Recognition of actuarial gains / losses	0	-78,093.00	0	-78,093.00
Deferred taxes on actuarial gains / losses recognized	0	25,071.58	0	25,071.58
Comprehensive income	182,782.68	5,732,020.53	2,172,336.33	7,904,356.86
Distributions at subsidiaries (disproportionate and proportionate)	0	0	0	0
Change to consolidation group	0	0	23,562,318.49	23,562,318.49
Balance on 31/12/2024	**-9,023,095.48**	**90,670,605.13**	**27,508,087.82**	**118,178,692.95**

Consolidated statement of changes in equity from 1 January to 31 December 2023

			Revenue reserves	
EUR	**Subscribed capital**	**Share premium**	**Actuarial gains and losses**	**Other revenue reserves**
Balance on 1/1/2023	**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 translation of foreign annual financial statements				
Share of other comprehensive income attributable to equity investments				
Recognition of actuarial gains/ losses			113,765.00	
Deferred taxes on actuarial gains / losses recognized			-36,524.00	
Comprehensive income	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		
Reduction in equity due to cash settlement		-639,996.00		
Balance on 31/12/2023	**5,471,979.00**	**23,623,327.12**	**18,342.28**	**65,030,814.36**

EUR	Other reserves Difference from currency translation	Equity attributable to SMT Scharf AG shareholders	Non-controlling interests	Total equity
Balance on 1/1/2023	**-4,288,293.31**	**85,284,080.62**	**1,700,212.05**	**86,984,292.67**
Consolidated net profit / loss		4,880,790.99	346,762.42	5,227,553.41
Currency difference from translation of foreign annual financial statements	-3,661,147.30	-3,661,147.30	-105,448.47	-3,766,595.77
Share of other comprehensive income attributable to equity investments	-1,256,437.55	-1,256,437.55		-1,256,437.55
Recognition of actuarial gains / losses		113,765.00	0.00	113,765.00
Deferred taxes on actuarial gains / losses recognized		-36,524.00	0.00	-36,524.00
Comprehensive income	-4,917,584.85	40,447.14	241,313.95	281,761.09
Distributions at subsidiaries (disproportionate and proportionate)		153,000.00	-168,093.00	-15,093.00
Increase in equity due to shares to be issued		101,052.84	0.00	101,052.84
Reduction in equity due to cash settlement		-639,996.00	0.00	-639,996.00
Balance on 31/12/2023	**-9,205,878.16**	**84,938,584.60**	**1,773,433.00**	**86,712,017.60**

Notes to the IFRS consolidated financial statements for the 2024 financial 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 are available for trading on the stock exchange Frankfurt in the Prime Standard. The switch to the Prime Standard segment of the Frankfurt Stock Exchange was successfully completed in September 2024. The prospectus was approved by BaFin for the admission of the company's shares 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) on September 20, 2024. 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 head office in Hamm and is registered in the Commercial Register with the District Court of Hamm under the number HRB 5845.

Information about the consolidated financial statements

SMT Scharf AG 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 2024, 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 includes the smallest and largest consolidated group. 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 26 March 2025, and subsequently released for publication.

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

- Long-term liabilities with incidental conditions – amendments to IAS 1 and classification of liabilities as current or non-current – amendments to IAS 1
- Lease liabilities from a sale and leaseback transaction – amendments to IFRS 16
- Supplier financing agreements – amendments to IAS 7 and IFRS 7

These standards have no impact on the consolidated financial statements.

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

- Lack of exchangeability – Amendments to IAS 21 (effective from January 1, 2025)

- Classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7 (effective date of 1 January 2026)
- Annual improvements to IFRS – Amendments to IAS 7, IFRS 1, IFRS 7, IFRS 9 and IFRS 10 (effective date of 1 January 2026)
- Presentation and disclosure in financial statements – Amendments to IFRS 18 (effective date January 1, 2027)
- Disclosure of subsidiaries not subject to public accountability – Amendments to IFRS 19 (effective date January 1, 2027)

These standards have no impact on the consolidated financial statements.

Information about subsidiaries

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

	Interest held	Equity (IFRS) 31/12/2024	Profit / loss (IFRS) 2024
SMT Scharf GmbH, Hamm, Germany	100 %****	65,865,865.49	5,982,237.54
ser elektronik GmbH, Möhnesee, Germany	51%	2,175,362.91	138,850.03
SMT Scharf Polska Sp. z o.o., Tychy, Poland	100 %	7,766,525.78	2,008,808.98
SMT Scharf Africa (Pty.) Ltd., Gauteng, South Africa	70 %	1,961,786.95	-533,541.12
SMT Scharf Sudamerica SpA, Santiago, Chile	100%	-998,097.03	-177,978.27
RDH Mining Equipment, Alban Ontario, Canada	100%	-4,161,952.99	-677,794.14
OOO SMT Scharf, Novokuznetsk, Russian Federation	100 % *	10,585,791.04	665,350.29
OOO SMT Scharf Service, Novokuznetsk, Russian Federation	100 % ***	373,324.54	17,838.78
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China	100 % **	-384,660.38	-562,017.18
Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China	100 %	11,152,659.38	366,581.47
Shandong Xinsha Monorail Co. Ltd. Shandong Province, China	50 % **	51,609,903.22	3,397,629.55

* of which 1.25% indirectly through SMT Scharf GmbH
** indirectly through SMT Scharf GmbH
*** indirectly through OOO SMT Scharf
**** exemption pursuant to Section 264 () (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.

Effective 1 November 2024, SMT Scharf AG gained control over its previous joint venture company Shandong Xinsha Monorail Co. Ltd, Xintai/China via SMT Scharf GmbH. The investment remains at 50% but agreements were reached with the joint venture partner to ensure that SMT Scharf GmbH enjoys a boardroom majority and thus obtains power of disposal. No payments were associated with acquiring a boardroom majority. The agreement was made for organizational reasons. The main operating activity of Shandong Xinsha

Monorail Co. Ltd is the production, repair and marketing of machinery and equipment of any type, and trading with such assets.

As both joint venture partners have a common Group parent company in the Shandong Energy Group, the transaction is to be regarded as a transaction under common control. As transactions under common control are exempted from the scope of IFRS 3, the hierarchy of IAS 8.10 to IAS 8.12 was used for the accounting. SMT opted for the pooling of interest accounting method. Accordingly, the assets and liabilities were included in the consolidated financial statements at their carrying amounts and the investment accounted for using the equity method was derecognized. This did not affect profit or loss. No goodwill was created and consequently, none was recognised.

The pooling of interest method was applied from 1 November 2024. For the prior period, Shandong Xinsha Monorail Co. Ltd continued to be treated as a joint venture company. The figures for the previous year were therefore not adjusted. The reserves accumulated up until 1 November 2024 from differences from the currency translation of the joint venture were retained.

In the period from 1 November to 31 December 2024, the subsidiary generated sales revenue of EUR 15,888 thousand and contributed a profit of EUR 3,398 thousand to consolidated net income of which EUR 1,699 thousand was attributable to shareholders of SMT Scharf AG and EUR 1,699 thousand to non-controlling interests. If the company had been consolidated at the beginning of the reporting period, it would have contributed sales revenue of EUR 47.6 million and a profit of EUR 9.5 million to the consolidated net income, half of which would have been attributable to shareholders of SMT Scharf AG and half to non-controlling interests.

The carrying amounts of the assets or liabilities at the time of first-time consolidation are broken down in the following table:

EUR	**CNY thousand Carrying amounts**	**EUR thousand Carrying amounts**
Assets		
Intangible assets	16,839	2,175
Fixed assets	22,108	2,855
Deferred tax assets	5,545	716
Inventories	128,183	16,553
Trade receivables	220,166	28,432
Miscellaneous other short-term assets	33,722	4,355
Liquid funds	77,128	9,960
Total assets	**503,691**	**65,046**

EUR	CNY thou-sand Carrying amounts	EUR thou-sand Carrying amounts
Equity and liabilities		
Equity	364,914	47,125
Non-current provisions and liabilities	0	0
Current provisions and liabilities	5,968	771
Current interest-bearing liabilities	25,000	3,228
Trade payables	80,417	10,385
Other current liabilities	27,392	2,314
Total equity and liabilities	**503,691**	**65,046**

An amount of EUR 23,562 thousand was recognised for the non-controlling interests in the assets of Shandong Xinsha Monorail Co. Ltd as part of the first-time consolidation. These were formed at book value. Profit shares of EUR 1,699 thousand attributable to minority interests were incurred up to December 31, 2024.

Information about joint ventures

SMT Scharf AG classified its 50% interest in Shandong Xinsha Monorail Co. Ltd held via SMT Scharf GmbH until 31 October 2024 as a joint venture in accordance with IFRS 11 as it held rights to the net assets together with its partner company. The joint venture was recognised on the date of addition at cost, and measured subsequently applying the equity method.

In accordance with IFRS, the summarised financial information for the joint venture is provided below for the date of first-time consolidation and corresponds to the amounts in the joint venture's monthly financial statements as of 31 October 2024.

EUR thousand	31/10/2024	31/12/2023
Non-current assets	5,746	953
Current assets	59,300	61,977
Current liabilities	17,921	22,497

The assets and liabilities listed above include the following amounts:

EUR thousand	31/10/2024	31/12/2023
Cash and cash equivalents	9,960	15,930
Current financial liabilities	3,230	23,580

EUR thousand	1-10/2024	2023
Revenue	30,620	55,524
Profit from continuing operations	2,708	8,385
Other comprehensive income	187	438
Total comprehensive income	2,895	8,824

The profit listed above includes the following amounts:

EUR thousand	1-10/2024	2023
Depreciation and amortisation	214	93
Interest expenses	148	80
Income taxes	949	1,557

Deliveries of merchandise worth EUR 2,071 thousand (previous year: EUR 10,488 thousand) were made to the joint venture in the first ten months of the reporting year.

As of 31 October 2024, outstanding receivables amounted to EUR 159 thousand (previous year: EUR 4,043 thousand) and advance payments received in the amount of EUR 10 thousand (previous year: EUR 0 thousand).

Reconciliation between the summarised financial information and the carrying amounts of the interest in the joint venture as recognised in the consolidated financial statements on the date of first-time consolidation (transition from the equity method to full consolidation):

EUR thousand	**31/10/2024**	**31/12/2023**
Net assets of the joint venture	47,125	40,433
Interest held	50%	50%
Carrying amount of the interest	**23,562**	**20,217**

The joint venture resolved not to make any distribution to SMT Scharf GmbH, Hamm, in the 2024 financial year (previous year: EUR 1,226 thousand).

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.

The participation was written down in full in the previous year. The valuation is retained as no earnings are expected.

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 2024.

EUR thousand	**31/12/2024**	**31/12/2023**
Non-current assets	1	1
Current assets	5,171	4,186
Current liabilities	3,623	2,719

The assets and liabilities listed above include the following amounts:

EUR thousand	**31/12/2024**	**31/12/2023**
Cash and cash equivalents	47	373
Current financial liabilities	0	0

EUR thousand	**31/12/2024**	**31/12/2023**
Revenue	2,006	1,899
Profit from continuing operations	12	9
Total comprehensive income	12	9

The profit listed above includes the following amounts:

EUR thousand	31/12/2024	31/12/2023
Interest expenses	1	1
Income taxes	3	5

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.

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 SMT Scharf AG directly or indirectly controls. The Group obtains control when it can exercise power over the investee, is exposed to fluctuating returns from the investee, and possesses the capability of exercising its power over the investee to affect the level of return from the investee.

Control can also arise in cases where SMT does not hold the majority of the voting rights, if the Group is able to unilaterally determine the significant activities of the investee. All facts and circumstances are taken into consideration when assessing whether control exists. These especially include the purpose and structure of the investee, identifying its significant activities and decisions relating to them, and the relationship of the company's own voting rights in comparison to the scope and distribution of other voting rights, potential voting rights and rights arising from other contractual arrangements. All facts and circumstances subject to the exercising of management discretion must be taken into consideration when assessing whether control exists. No such case arose in the 2024 financial 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 year are recognised in the consolidated income statement and in the consolidated statement of comprehensive income with effect from the actual acquisition or disposal date.

As a rule, capital for the companies in the 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 the 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 statement of comprehensive income 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 financial 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 not provided any figures for the Rouble exchange rate since March 2022, alternative 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:

	Exchange rate on reporting date		**Average rate**	
1 Euro =	**31/12/2024**	**31/12/2023**	**2024**	**2023**
Polish Zloty	4.2750	4.3395	4.3058	4.5420
South African Rand	19.6188	20.3477	19.8297	19.9551
Chinese Renminbi Yuan	7.5833	7.8509	7.7875	7.6600
Russian Rouble	113.1500	100.50	100.4236	93.3034
Canadian Dollar	1.4948	1.4642	1.4821	1.4595

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 equipment and spare parts is generally recognised when the customer obtains control over 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 defined and their definition reflects the course of the project, separate contractual obligations apply for which the revenue agreed in each case can be recognised at specific points in time.

SMT also provides services such as maintenance and repairs. If these are ordered by the customer, they are invoiced on an hourly basis. Revenue is recognised on a period basis. The progress of performance is determined on an output basis according to the units produced or delivered, i.e. hours worked.

SMT also offers its customers so-called operator models in which the customer receives a logistics service. In addition to the system, SMT also provides the personnel for its operation and performs the logistics services commissioned by the customer. The actual hours worked are invoiced on a monthly basis. Revenue is recognised according to the period in which it is generated or delivered, based on output.

In some countries, the SMT Scharf Group offers an extended warranty for new systems, the remuneration for which is already received along with the proceeds from the main product. The revenue attributed to this is determined on an input basis (cost-to-cost method), initially deferred as a contract liability and only recognised in profit or loss over the extended warranty period. No such agreements existed as of 31 December 2024.

SMT does not adjust the amount of the promised consideration for the effects of a significant financing component if, at the inception of the contract, it is expected that the period between the transfer of a promised product or service to the customer and its payment by the customer will not exceed one year. No uniform payment conditions exist within the Group, as agreements for equipment orders are concluded individually. However, customer's payment terms of more than one year after fulfilment of the performance obligation are not agreed.

Contractual assets or contractual liabilities arise from the divergence between revenue recognition and payment by the customer prior to full performance of the service obligation. Unconditional payment claims from contracts with customers constitute trade receivables.

Revenues also include income from rental and leasing transactions. Revenues from rental and leasing transactions derive from operating leasing transactions, and are recognised on a straight-line basis over the term of the contracts. In addition, proceeds are sometimes generated at the end of the contract term.

Income from rental agreements was recognised under accrual basis accounting as other operating income in accordance with the provisions of the underlying agreements. Income from operating leases in the meaning of 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.

Any existing 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.

Existing goodwill for SMT Africa was written down in full (EUR 772 thousand) in the previous year.

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 2024.

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, the carrying amount of the lease liability is compounded 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 makes use of the exemption options relating to current and low value leases. The lease payments associated with the leases are expensed either on a 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 borrowing rate, please refer to the comments on accounting estimates and the exercising of discretion.

The approach described here has been effective since 1 January 2019, the date of initial application of IFRS 16. At that time, all existing leases from IAS 17 were transferred to the new accounting model in IFRS 16.

The SMT Scharf Group has also concluded leases as a lessor (mostly for diesel trolleys and heavy-load lifting beams). Finance leases exist in which the economic ownership has been transferred to the lessee. 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). If the default risk has increased significantly, 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 has 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 Stage 1 of the fair value hierarchy and relates 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:

<u>Goodwill</u>

The SMT Group did not recognise any goodwill in the reporting year. Existing goodwill for SMT Africa was written down in full the previous year.

<u>Useful lives of property, plant and equipment and other intangible assets</u>

At every financial year-end, the Group reviews the estimated useful lives of its property, plant and equipment and other intangible assets. No modifications were required for such estimates in 2024 and 2023.

<u>Term of lease agreements, amount of minimum lease payments and estimate of the discount rate</u>

The Group determines the expected lease term, the minimum lease payments and the discount rate at the inception of each lease. Discretionary scope arises above all if the term is not clearly defined in the contract but depends on the exercise of termination, extension or purchase options. When determining the terms of leases, the SMT Scharf Group takes into consideration all of the key facts and circumstances that provide an economic incentive to exercise or not exercise options to extend or terminate the lease. The corresponding option periods are only taken into consideration during the term of the lease if sufficient certainty exists that termination options will not be exercised, or renewal options will be exercised. This also has a direct bearing on the amount of the minimum lease payments.

The discount rate represents a further parameter associated with discretion. If not implicitly and identifiably derivable from the respective lease agreement, the interest rate is based on the risk-free interest rate for the respective country in line with the term plus the credit surcharge of SMT Scharf AG of 2.0 %. This surcharge is uniform throughout the Group, as there are no material differences with regard to the credit risk within the Group.

<u>Impairment testing of property, plant and equipment and other intangible assets</u>

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. In order 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 6,663 thousand (previous year: EUR 4,015 thousand), of deferred taxes were capitalised as of 31 December 2024 which were offset by deferred tax liabilities of EUR 1,152 thousand (previous year: EUR 659 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 (28) 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 2024, it is expected that future revenues of EUR 31,503 thousand (previous year: EUR 22,470 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	2024	2023
Sale of new equipment	45,010	28,999
Spare parts sales and services	49,892	44,035
Other revenue	127	138
Total	**95,029**	**73,172**

The following table shows the breakdown by time of realisation for 2024:

	2024		2023	
EUR thousand	**period-related**	**at point in time**	**period-related**	**at point in time**
Sale of new equipment	9,385	35,625	2,726	26,273
Spare parts	0	38,748	0	35,390
Services	11,144	0	8,645	0
Other revenue	127	0	138	0
Total	**20,656**	**74,373**	**11,509**	**61,663**

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.

Revenue by region was as follows:

EUR thousand	2024	2023
China	43,898	26,608
Russia and other CIS states	11,190	12,102
Poland	12,912	17,029
Germany	3,203	5,093

Africa	7,709	6,581
America	2,360	2,194
Other countries	13,759	3,565
Total	**95,029**	**73,172**

(2) Other operating income

Other operating income is composed of the following items:

EUR thousand	2024	2023
Capitalisation of development costs	585	321
Reversal of individual valuation allowances	1,345	83
Intangible assets acquired	0	157
Exchange rate gains	3,639	2,373
Gains on disposals of non-current assets	63	0
Release of provisions	345	282
Miscellaneous other operating income	512	1,382
Total	**6,489**	**4,598**

(3) Cost of materials

The cost of materials is composed of the following items:

EUR thousand	2024	2023
Raw materials, supplies and purchased merchandise	45,063	34,170
Purchased services	15,580	10,470
Total	**60,643**	**44,640**

The cost of materials ratio (as a percentage of total operating revenue) amounted to 59.2 % which was above the previous year’s figure (2023: 55.0%).

(4) Personnel expenses

Personnel expenses are composed of the following items:

EUR thousand	2024	2023
Wages and salaries	18,240	16,316
Social security and pension contributions	3,291	3,328
Total	**21,531**	**19,644**

Expenses for defined contribution pension plans, especially statutory pension insurance, of EUR 160 thousand (previous year: EUR 146 thousand) were recognised during the financial year under review.

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

	2024	2023
Employees	430	411
Of which trainees	6	8
Total	430	411

(5) Depreciation, amortisation and impairment losses

EUR thousand	2024	2023
Amortisation and impairment losses applied to intangible assets	2,367	1,606
- Of which unscheduled amortisation of development costs	1,686	0
Depreciation and impairment losses applied to property, plant and equipment	1,575	1,638
Total depreciation, amortisation and impairment losses	**3,942**	**3,244**

(6) Other operating expenses

Other operating expenses are composed of the following items:

EUR thousand	2024	2023
Valuation allowances applied to receivables	1,033	173
Exchange rate losses	3,144	5,241
Special direct cost of sales	1,209	1,161
Third-party services	5,330	2,423
Travel costs	1,421	1,379
Rent and leases	442	272
Maintenance costs	701	686
Advertising	169	297
Contributions / fees	470	199
Energy costs	466	450
Insurance	537	378
Business taxes	305	109
Temporary staff	306	184
Miscellaneous other operating expenses	2,735	1,264
Total other operating expenses	**17,963**	**14,216**

The miscellaneous other operating expenses mostly include additions to provisions, expenses for cleaning and disposal, further training, and telecommunications. Third-party services include the one-off costs for legal advice on the change of shareholder and the uplisting to the Prime Standard of the Frankfurt Stock Exchange.

The auditors' fees incurred during the financial year are carried under third-party services. These are comprised as follows:

EUR thousand	2024	2023
Audit	145	68
Tax advice	15	89
Other examination services	108	0
Total	**268**	**157**

Tax consultancy services relate exclusively to tax declaration services. The expenses from 2024 relate to the period before the uplisting. The EU Auditor Regulation was thereby complied with.

(7) Result from equity accounted investments

Income from investments derives from the positive result in January to October 2024 relating to the Chinese company Shandong Xinsha Monorail Co. Ltd., Xintai/China in the amount of EUR 3,042 thousand (previous year: EUR 4,568 thousand).

(8) Income taxes

Income taxes are composed of the following items:

EUR thousand	2024	2023
Current tax expense	1,357	4,019
of which relating to the financial year under review	1,524	4,019
Deferred taxes	-1,536	-1,716
of which creation or reversal of temporary differences	-129	-1,716
of which increase/decrease in loss carryforwards	-1,407	0
Total	**-179**	**2,375**

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 stands 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	2024	2023
Deferred tax assets		
Inventories	4,943	2,983
Trade receivables	902	826
Financial liabilities	548	684
Other provisions	1,089	505
Pension provisions	192	209
Miscellaneous assets	35	1
Miscellaneous liabilities	90	4
Property, plant and equipment	26	32
Loss carryforwards	1,407	0
Offsetting against deferred tax liabilities	-2,569	-1,230
Total	**6,663**	**4,014**
Deferred tax liabilities		
Property, plant and equipment	801	865
Intangible assets	383	776
Miscellaneous assets	2,344	99
Miscellaneous liabilities	191	149
Offsetting against deferred tax assets	-2,569	-1,230
Total	**1,152**	**659**

Deferred tax assets and liabilities totalling EUR 2,569 thousand were netted as they relate to future charges or reductions for the same taxpayer to the same tax authority (previous year: EUR 1,230 thousand). Consolidation effects result in deferred tax assets of EUR 2,601 thousand (previous year: EUR 2,683 thousand) (as in the previous year, included in inventories and trade receivables), and in deferred tax liabilities of EUR 158 thousand (previous year: 64) (mainly included in intangible assets). The deferred tax position relating to actuarial gains and losses recognised in other comprehensive income amounts to EUR -121 thousand (previous year: EUR -146 thousand) and has consequently increased by EUR 25 thousand. As of December 31, 2024, deferred tax assets for tax loss carryforwards amounting to EUR 1,407 thousand (previous year: EUR 0 thousand) are recognized. In contrast to the previous year, the German companies had corporate income tax and trade tax loss carryforwards of EUR 3,315 thousand and EUR 4,132 thousand on the reporting date, on which deferred taxes totaling EUR 1,407 thousand were capitalized. Based on tax planning, these losses are expected to be realized within the next five years. As in the previous year, no deferred tax assets were capitalised in relation to loss carryforwards in Canada of EUR 8,097 thousand (previous year: EUR 8,267 thousand) or at a Chinese company in the amount of EUR 2,551 thousand (previous year: EUR 2,393 thousand). The loss carryforwards in Canada can be used for more than five years.

Due to the tax planning, excess deferred tax assets in Canada and at a Chinese company are not regarded as 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	**2024**	**2023**
Profit before income taxes	7,014	7,323
Imputed tax expense	2,252	2,359
International tax rate differences	-948	-571
Effects of changes in tax rates	-70	0
Non-tax-effective income from associates	-825	-1,467
Tax-ineffective income from affiliated companies (consolidation)	-559	0
Other tax effects due to differences in the tax assessment base	-20	0
Tax expenses/income unrelated to the accounting period	-325	0
Amortisation of non-deductible goodwill	0	248
Non-capitalisation of deferred tax assets	319	320
Tax effects relating to non-deductible expenses	107	1,304
Other differences	-109	108
Reported income tax expense	-179	2,301

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 1 January to 31 December 2024

		Opening balance 01.01.2024	Exchange rate differences	Addition	Opening stock Xinsha	Disposal	Transfer	Attribution	Unscheduled depreciation	Closing balance 31.12.2024
Acquired intangible assets	Gross	7,261,115.98	18,843.65	483,974.79	2,236,920.53	38,277.82	0.00	0.00	0.00	9,962,577.12
	Adj.	2,781,205.00	-25,436.71	574,225.97	62,293.99	13,670.99	0.00	0.00	0.00	3,378,617.24
	Net	**4,479,910.98**	**44,280.36**	**-90,251.18**	**2,174,626.54**	**24,606.83**	**0.00**	**0.00**	**0.00**	**6,583,959.88**
Acquired intangible assets (IFRS16)	Gross	0.00	0.00	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	0.00	0.00
	Net	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Σ Acquired intangible assets	Gross	7,261,115.98	18,843.65	483,974.79	2,236,920.53	38,277.82	0.00	0.00	0.00	9,962,577.12
	Adj.	2,781,205.00	-25,436.71	574,225.97	62,293.99	13,670.99	0.00	0.00	0.00	3,378,617.24
	Net	**4,479,910.98**	**44,280.36**	**-90,251.18**	**2,174,626.54**	**24,606.83**	**0.00**	**0.00**	**0.00**	**6,583,959.88**
Own work capitalised	Gross	4,120,300.87	7,796.01	584,625.35	0.00	3,274,867.69	0.00	0.00	0.00	1,437,854.54
	Adj.	1,721,737.71	5,540.21	1,792,488.03	0.00	3,274,867.69	0.00	0.00	0.00	244,898.26
	Net	**2,398,563.15**	**2,255.80**	**-1,207,862.68**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1,192,956.29**
Intangible assets	**Gross**	**11,381,416.85**	**26,639.66**	**1,068,600.14**	**2,236,920.53**	**3,313,145.51**	**0.00**	**0.00**	**0.00**	**11,400,431.66**
	Adj.	**4,502,942.71**	**-19,896.51**	**2,366,713.99**	**62,293.99**	**3,288,538.68**	**0.00**	**0.00**	**0.00**	**3,623,515.50**
	Net	**6,878,474.14**	**46,536.16**	**-1,298,113.86**	**2,174,626.54**	**24,606.83**	**0.00**	**0.00**	**0.00**	**7,776,916.16**
Land and buildings	Gross	7,865,588.52	-1,019.24	57,099.51	2,555,716.71	9,411.23	0.00	0.00	0.00	10,467,974.27
	Adj.	6,017,690.71	-3,240.90	143,286.25	108,255.25	9,411.02	0.00	0.00	0.00	6,256,580.29
	Net	**1,847,897.81**	**2,221.66**	**-86,186.74**	**2,447,461.45**	**0.20**	**0.00**	**0.00**	**0.00**	**4,211,393.98**
- thereof rented	Gross	0.00	0.00	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	0.00	0.00
	Net	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Land and buildings (IFRS16)	Gross	4,086,983.64	46,117.35	228,141.59	0.00	105,136.25	0.00	0.00	0.00	4,256,106.32
	Adj.	2,008,428.75	15,247.36	522,737.20	0.00	65,719.60	0.00	0.00	0.00	2,480,693.71
	Net	**2,078,554.88**	**30,869.98**	**-294,595.61**	**0.00**	**39,416.64**	**0.00**	**0.00**	**0.00**	**1,775,412.61**
Σ Land and buildings	Gross	11,952,572.16	45,098.10	285,241.10	2,555,716.71	114,547.48	0.00	0.00	0.00	14,724,080.59
	Adj.	8,026,119.46	12,006.46	666,023.45	108,255.25	75,130.63	0.00	0.00	0.00	8,737,274.00
	Net	**3,926,452.70**	**33,091.64**	**-380,782.35**	**2,447,461.45**	**39,416.85**	**0.00**	**0.00**	**0.00**	**5,986,806.59**
Technical equipment and machinery	Gross	4,472,293.58	-230,349.57	103,830.50	636,414.92	932,786.88	-148,027.13	0.00	0.00	3,901,375.43
	Adj.	3,809,446.94	-200,754.52	252,576.11	274,059.31	921,318.72	-119,748.41	0.00	0.00	3,094,260.71
	Net	**662,846.64**	**-29,595.05**	**-148,745.61**	**362,355.61**	**11,468.16**	**-28,278.72**	**0.00**	**0.00**	**807,114.72**

- thereof rented	Gross	0.00	0.00	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	0.00	0.00
	Net	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Technical equipment and machinery (IFRS16)	Gross	207,660.05	535.74	0.00	0.00	0.00	0.00	0.00	0.00	208,195.79
	Adj.	70,772.50	535.74	29,177.61	0.00	0.00	0.00	0.00	0.00	100,485.84
	Net	**136,887.56**	**0.00**	**-29,177.61**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**107,709.95**
Σ Technical equipment and machinery	Gross	4,679,953.64	-229,813.83	103,830.50	636,414.92	932,786.88	-148,027.13	0.00	0.00	4,109,571.22
	Adj.	3,880,219.44	-200,218.78	281,753.72	274,059.31	921,318.72	-119,748.41	0.00	0.00	3,194,746.56
	Net	**799,734.19**	**-29,595.04**	**-177,923.22**	**362,355.61**	**11,468.16**	**-28,278.72**	**0.00**	**0.00**	**914,824.67**
Office equipment, fixtures and fittings	Gross	7,288,801.47	-66,390.35	381,101.45	288,127.04	449,723.98	148,027.13	0.00	0.00	7,589,942.75
	Adj.	5,772,229.05	-24,874.48	412,762.20	242,983.38	345,313.74	119,748.41	0.00	0.00	6,177,534.83
	Net	**1,516,572.42**	**-41,515.88**	**-31,660.75**	**45,143.65**	**104,410.24**	**28,278.72**	**0.00**	**0.00**	**1,412,407.92**
-of which leased	Gross	55,345.52	1,010.08	303,527.44	0.00	303,527.44	0.00	0.00	0.00	56,355.60
	Adj.	31,711.89	427.49	21,095.68	0.00	0.00	0.00	0.00	0.00	53,235.05
	Net	**23,633.63**	**582.60**	**282,431.76**	**0.00**	**303,527.44**	**0.00**	**0.00**	**0.00**	**3,120.55**
Office equipment, fixtures and fittings (IFRS16)	Gross	1,338,917.45	8,114.99	266,219.14	0.00	311,638.96	0.00	0.00	0.00	1,301,612.62
	Adj.	831,810.00	5,814.62	215,106.93	0.00	309,532.96	0.00	0.00	0.00	743,198.59
	Net	**507,107.45**	**2,300.37**	**51,112.21**	**0.00**	**2,106.00**	**0.00**	**0.00**	**0.00**	**558,414.03**
Σ Office equipment, fixtures and fittings	Gross	8,627,718.92	-58,275.36	647,320.58	288,127.04	761,362.94	148,027.13	0.00	0.00	8,891,555.37
	Adj.	6,604,039.05	-19,059.85	627,869.13	242,983.38	654,846.70	119,748.41	0.00	0.00	6,920,733.42
	Net	**2,023,679.87**	**-39,215.51**	**19,451.46**	**45,143.65**	**106,516.24**	**28,278.72**	**0.00**	**0.00**	**1,970,821.95**
Prepayments rendered	Gross	20,954.70	-2,342.24	13,239.06	0.00	31,851.52	0.00	0.00	0.00	-0.00
	Adj.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Net	**20,954.70**	**-2,342.24**	**13,239.06**	**0.00**	**31,851.52**	**0.00**	**0.00**	**0.00**	**-0.00**
Property, plant and equipment	**Gross**	**25,281,199.42**	**-245,333.32**	**1,049,631.25**	**3,480,258.66**	**1,840,548.82**	**0.00**	**0.00**	**0.00**	**27,725,207.18**
	Adj.	**18,510,377.95**	**-207,272.17**	**1,575,646.30**	**625,297.95**	**1,651,296.05**	**0.00**	**0.00**	**0.00**	**18,852,753.98**
	Net	**6,770,821.46**	**-38,061.15**	**-526,015.05**	**2,854,960.72**	**189,252.77**	**0.00**	**0.00**	**0.00**	**8,872,453.21**

Statement of changes in non-current assets from 1 January to 31 December 2023

		Opening balance 01/01/2023	Exchange rate differences	Addition	Disposal	Transfer	Unscheduled depreciation	Closing balance 12/31/2023
	Gross	975,482.65	-95,886.78	0	879,595.87	0	0	0
Goodwill	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**
	Gross	7,126,955.77	-23,645.58	172,369.12	14,563.32	0	0	7,261,115.98
Acquired intangible assets	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**
	Gross	8,102,438.42	-119,532.36	172,369.12	894,159.19	0	0	7,261,115.98
Σ Acquired intangible assets	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**
	Gross	3,807,834.10	4,806.36	321,378.15	13,717.74	0	0	4,120,300.87
Own work capitalised	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**
	Gross	**11,910,272.52**	**-114,726.00**	**493,747.27**	**907,876.93**	**0**	**0**	**11,381,416.85**
Intangible assets	**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**
	Gross	7,839,611.03	-161,095.55	187,073.04	0	0	0	7,865,588.52
Land and buildings	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**

	Gross	4,068,623.20	-105,740.62	124,101.07	0.01	0	0	4,086,983.64
Land and buildings (IFRS16)	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**
	Gross	11,908,234.22	-266,836.17	311,174.11	0.01	0	0	11,952,572.16
Σ Land and buildings	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**
	Gross	5,571,982.21	-779,655.01	340,423.95	502,863.85	-157,593.71	0	4,472,293.58
Technical equipment and machinery	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**
	Gross	99,340.68	636.74	107,682.64	0	0	0	207,660.05
Technical equipment and machinery (IFRS16)	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**
	Gross	5,671,322.89	-779,018.27	448,106.59	502,863.85	-157,593.71	0	4,679,953.64
Σ Technical equipment and machinery	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**
	Gross	7,129,148.72	-204,600.93	542,020.25	335,360.28	157,593.71	0	7,288,801.47
Office equipment, fixtures and fittings	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**
	Gross	268,509.31	21,968.47	0	235,132.26	0	0	55,345.52
- of which leased	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**
	Gross	1,255,949.08	-3,806.57	146,877.76	60,102.82	0	0	1,338,917.45

Office equipment, fixtures and fittings (IFRS 16)	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**
	Gross	8,385,097.80	-208,407.51	688,898.02	395,463.10	157,593.71	0	8,627,718.92
Σ Office equipment, fixtures and fittings	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**
	Gross	73,019.48	-17,174.45	20,954.70	55,845.03	0	0	20,954.70
Prepayments rendered	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**
	Gross	**26,037,674.39**	**-1,271,436.40**	**1,469,133.42**	**954,171.99**	**0**	**0**	**25,281,199.42**
Property, plant and equipment	**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**

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 552 thousand in the reporting year (previous year: EUR 2,392 thousand). This includes capitalised costs of EUR 585 thousand (previous year: EUR 321 thousand).

The property, plant and equipment reported on the balance sheet with a carrying amount of EUR 8,872 thousand (previous year: EUR 6,771 thousand) also includes rights of use under leases. In 2024, new rights of use amounting to EUR 494 thousand were acquired (previous year: EUR 379 thousand).

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

		Opening balance 1/1/2024	Exchange rate difference	Addition	Disposal	Write-up	Closing balance 31/12/2024
Land and buildings	Gross	4,086,983.64	46,117.35	228,141.59	105,136.25	0.00	4,256,106.32
	Adj.	2,008,428.75	15,247.36	522,737.20	65,719.60	0.00	2,480,693.71
	Net	**2,078,554.88**	**30,869.98**	**-294,595.61**	**39,416.64**	**0.00**	**1,775,412.61**
Technical equipment and machinery	Gross	207,660.05	535.74	0.00	0.00	0.00	208,195.79
	Adj.	70,772.50	535.74	29,177.61	0.00	0.00	100,485.84
	Net	**136,887.56**	**0.00**	**-29,177.61**	**0.00**	**0.00**	**107,709.95**
Office equipment, fixtures and fittings	Gross	1,338,917.45	8,114.99	266,219.14	311,638.96	0.00	1,301,612.62
	Adj.	831,810.00	5,814.62	215,106.93	309,532.96	0.00	743,198.59
	Net	**507,107.45**	**2,300.37**	**51,112.21**	**2,106.00**	**0.00**	**558,414.03**
Total	**Gross**	**5,633,561.14**	**54,768.08**	**494,360.72**	**416,775.21**	**0.00**	**5,765,914.73**
	Adj.	**2,911,011.25**	**21,597.72**	**767,021.73**	**375,252.56**	**0.00**	**3,324,378.14**
	Net	**2,722,549.89**	**33,170.35**	**-272,661.01**	**41,522.64**	**0.00**	**2,441,536.59**

		Opening balance 1/1/2023	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**

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 345 thousand (previous year: EUR 570 thousand). The year-on-year decline results from the expiry of contracts. The conclusion of a new contract with customers in Poland countermanded this effect.

(10) Loans

Loans include an amount from the sale of a minority interest in SMT Scharf Africa (Pty.) Ltd as a consequence of the requirements of Broad-Based Black Economic Empowerment (B-BBEE). A loan was issued in the amount of the difference between the sales price achieved and the cash component received (see also section 25).

(11) Equity accounted investments

With regard to 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	2024	2023
Raw materials, consumables and supplies	12,552	7,480
Work in progress	20,537	16,231
Finished goods and merchandise	17,582	14,482
Carrying amount	**50,671**	**38,193**

As of 31 December 2024, write-downs of inventories to their lower net realisable value totalled EUR 7,267 thousand (previous year: EUR 4,974 thousand).

EUR thousand	2024	2023
Inventories without impairment	41,382	33,805
Inventories with impairment	9,288	4,388
Carrying amount	**50,670**	**38,193**

(13) Contract assets and contract liabilities

If one of the parties to the contract with the customer has fulfilled its contractual obligations, depending on the relationship between performance and payment by the customer, a contract asset or a contract liability is reported. Contract assets and contract liabilities are shown as current as they are incurred within the normal business cycle. As of the reporting date, contract assets amount to EUR 7,504 thousand (previous year: EUR 442 thousand). Contract liabilities amount to EUR 6,354 thousand (previous year: EUR 901 thousand). The increase in both cases is related to the tunnel project realised in the Middle East.

(14) 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	2024	2023
Carrying amount of trade receivables	75,889	35,691
– of which individual valuation allowances	1,871	2,618

Trade receivables also include bills of exchange received.

Reconciliation of individual valuation allowances:

EUR thousand	2024	2023
As of 01/01	2,618	2,528
Reversals	1,345	83
Additions	598	173
as of 31/12	**1,871**	**2,618**

All individual valuation allowances presented here relate to impairment losses on receivables from contracts with customers.

The trade receivables listed in the table are allocated to the amortised cost (AC) category.

As required by IFRS 9, the SMT Scharf Group has adopted the simplified model of expected credit losses for its trade receivables. For further information on impairment in accordance with IFRS 9, see section 27.

The due dates of trade receivables are as follows:

EUR thousand	2024	2023
Receivables not overdue	57,793	28,720
Value-adjusted overdue receivables	11,743	1,562
– of which due from 90 days	11,743	1,562
Overdue receivables not value-adjusted	6,353	5,409
– of which due between 1 and 30 days	1,507	2,313
– of which due from 31 days	4,846	3,096
Trade receivables, total	**75,889**	**35,691**

(15) 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.

(16) Other current non-financial assets

EUR thousand	2024	2023
Securities	715	1,006

(17) Cash and cash equivalents

Cash and cash equivalents comprise cash positions and bank deposits available short term.

(18) 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 -9.058 thousand (previous year: EUR -9,188 thousand). It comprises actuarial gains and losses of EUR -35 thousand (previous year: EUR 18 thousand) and differences in currency translation of EUR -9,023 thousand (previous year: EUR 9,206 thousand). The changes in the individual components are shown in the statement of changes in equity.

In the 2024 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. The reserve depleted in the previous year as claims were settled in capital shares instead of in shares to be issued.

On 31 December 2022, 5,471,979 ordinary bearer shares of SMT Scharf AG were issued in the form of no-par-value shares with a notional value of EUR 1 per share (previous year: 5,471,979). All shares have been fully paid in and grant the holders the same rights. The changes in the financial year under review can be viewed in the statement of changes in equity.

The company held 49,477 treasury shares on 31 December 2024, equivalent to 0.90 % of the share capital. The treasury shares can be utilised for all of the purposes stated in the authorisation resolution.

Revenue reserves include actuarial gains and losses including their tax effects and other revenue reserves from the cumulative consolidated net income for the year. Details about the changes in revenue reserves are presented in the statement of changes in equity.

The annual financial statements of SMT Scharf AG, which are prepared in accordance with the principles of the German Commercial Code (HGB), disclose an unappropriated net profit of EUR -1,134 thousand. The Managing and Supervisory boards will propose to the Annual General Meeting to be held on 20 May 2025 that this net profit be carried forward to a new account.

(19) 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.	31/12/2024	31/12/2023
Qualifying trend	2.0	2.0
Future pension increases	1.0	1.0
Discount rate (DBO)	3.55	3.40

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

EUR thousand	2024	2023
Defined benefit obligation on January 1	2,520	2,702
Current service cost	0	0
Interest cost	83	88
Pension payments and transfers	-160	-156
Actuarial gains / losses	78	-114
of which financial assumptions	-39	-14
of which empirical adjustments	117	-100
Defined benefit obligation on 31 December	2,521	2,520

A -0.5 % change in the interest rate would result in an increase in the pension obligation of EUR 134 thousand. A 0.5 % increase in the interest rate would lead to a EUR -122 thousand reduction in the pension obligation. Both sensitivity calculations were performed while keeping all other assumptions unchanged.

Sensitivities (IAS 19.145)	DBO 2024	Change 2024	DBO 2023	Change 2023
Interest rate + 0.5%	2,399	-122	2,392	-128
Interest rate - 0.5%	2,655	134	2,660	140
Future pension increases + 0.5%	2,648	127	2,651	131
Future pension increases - 0.5%	2,403	-118	2,398	-121
Life expectancy +1 year	2,650	129	2,647	127

The weighted average term of the defined benefit obligation as of 31 December 2024 is 12.7 years (previous year: 10.7 years). The following payments are due in the current financial year and in the next three years:

EUR thousand	
Pension payments 2024	160
Expected pension payments 2025	172
Expected pension payments 2026	171
Expected pension payments 2027	179

(20) Other provisions

The other current provisions are 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 2024 can be seen in the following statement of changes in provisions:

Consolidated statement of changes in other provisions from 1 January to 31 December 2024

EUR thousand	Opening balance 1/1/2024	Currency translation	Subtotal	Consumption	Additions	Reversals	Closing balance 31/12/2024
Personnel area	2,409	-22	723	2,099	2,411	98	3,312
Sales area	1,073	15	0	394	308	132	870
Other areas	2,288	43	0	1,941	1,725	115	2,000
Other current provisions	5,770	36	723	4,434	4,432	345	6,182
Other non-current provisions	200	1	0	6	37	0	232

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

EUR thousand	Opening balance 1/1/2023	Currency translation	Subtotal	Consumption	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

(21) 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 are no liabilities secured through liens.

(22) 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	2024	2023
Interest received	558	560
Interest paid	2,025	999
Interest paid on capitalised assets (IFRS 16)	150	658
Income taxes paid	4,745	3,505

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	2024	2023
Cash and cash equivalents	15,100	8,241
./. Current financial liabilities (overdrafts)	-18,526	-10,847
Net financial position	-3,426	-2,606

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

	1/1/2024	Additions from new agree-ments	Cash flows	Rever-sals	Addition from first-time consoli-dation	Reclassi-fication	Ex-change rate dif-ferences	Modifica-tions	31/12/2024
Non-current leasing liabilities	2,234	494	0	0	0	-907	13	2	1,836
Non-current financial liabilities	256	403	-19	0	0	-209	4	0	435
Other non-current financial liabilities	2,464	585	0	0	0	-1,034	1	0	2,016
Total non-current financial liabilities	4,954	**1,482**	**-19**	**0**	**0**	**-2,150**	**18**	**2**	**4,287**
Short-term lease liabilities	768	0	-744	0	0	907	-6	0	925
Current financial liabilities (cash and cash equiva-lents)	10,847	9,449	-16,864	0	0	0	1	0	3,433
Current financial liabilities (not cash and cash equivalents)	4,842	16,842	-11,145	0	3,228	1,243	83	0	15,093
Total current financial liabilities	**16,457**	**26,291**	**-28,753**	**0**	**3,228**	**2,150**	**78**	**0**	**19,451**
Total financial liabilities	**21,411**	**27,773**	**-28,772**	**0**	**3,228**	**0**	**96**	**2**	**23,738**

	1/1/2023	Additions from new agree-ments	Cash flows	Reversals	Reclassifi-cation	Exchange rate differ-ences	Modifica-tions	31/12/2023
Non-current leas-ing liabilities	2,699	379	0	0	-852	-102	110	2,234
Non-current financial liabilities	1,037	0	-20	0	-768	7	0	256
Other non-current financial liabilities	3,508	102	0	0	-1,140	-6	0	2,464
Total non-current financial liabilities	7,244	**481**	**-20**	**0**	**-2,760**	**-101**	**110**	**4,954**
Short-term lease liabilities	720	0	-778	0	852	-26	0	768
Current financial liabilities (cash and cash equiva-lents)	11,738	7,686	-8,578	0	0	1	0	10,847

Current financial liabilities (not cash and cash equivalents)	2,033	3,065	-2,165	0	1,908	1	0	4,842
Total current financial liabilities	14,491	**10,751**	**-11,521**	**0**	**2,760**	**-24**	**0**	**16,457**
Total financial liabilities	21,735	**11,232**	**-11,541**	**0**	**0**	**-125**	**110**	**21,411**

The reclassifications derive from a reclassification from trade payables.

Other disclosures

(23) Other financial liabilities and contingent liabilities

At the end of the financial year under review, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 7,612 thousand (previous year: EUR 377 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 12.0 million of its subsidiaries' credit lines. We perceive any resulting claims as very low.

(24) 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, real estate represents the main group of contracts. They have a 72.7% share in the rights of use as of 31 December 2024 (previous year: 76.3%). The real estate contracts have the longest terms (up to 23 years) and in some cases contain extension options and price adjustment clauses. The general remarks apply to the determination of the leasing period. No leases for intangible assets existed on the balance sheet date.

Liabilities of EUR 2,761 thousand deriving from the leases existed as of the reporting date (previous year: EUR 3,001 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 2,442 thousand (previous year: EUR 2,723 thousand). For more information on rights of use, see section 9.

As of 31 December 2024, the liabilities from leases are composed as follows:

EUR thousand	Future lease payments	Interest portion	Present value of future lease installments
Due within one year	950	31	919
Due in one to five years	1,953	375	1,578
Due after more than five years	261	113	148
Total	3,164	519	2,645

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 2023, the liabilities from leases were composed as follows:

EUR thousand	Future lease payments	Interest portion	Present value of future lease installments
Due within one year	789	30	759
Due in one to five years	2,199	422	1,777
Due after more than five years	538	250	288
Total	3,526	702	2,824

.

In 2024, the rental and lease agreements resulted in payments totalling EUR 1,098 thousand (previous year: EUR 888 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	2024	2023
Expenses for current leases	147	51
Expenses for leases for low-value assets	0	0
Variable lease payments recognised as expenses	0	0
Total	147	51

In connection with the lease liabilities, interest expenses of EUR 179 thousand were recognised in the income statement in 2024 (previous year: EUR 180 thousand).

As of 31 December 2024, 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 7 thousand (previous year: EUR 15 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 275 thousand existed as of the reporting date (previous year: EUR 570 thousand). They are disclosed under lease receivables and measured at amortised cost. These generated interest income of EUR 31 thousand in the reporting year (previous year: EUR 107 thousand). The decline in lease receivables results from the expiry of contracts in 2024. The conclusion of a new contract offset this effect.

There fair value on the balance sheet date amounted to EUR 275 thousand (previous year: EUR 570 thousand). The following information is provided on receivables from finance leases:

Sum total of future minimum leasing payments (gross investment) in EUR thousand	**31/12/2024**	**31/12/2023**
Due within one year	184	596
Due in one to two years	118	0
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	302	596
Present value of outstanding minimum lease payments in EUR thousand		
Due within one year	175	570
Due in one to two years	100	0
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	275	570
Unrealised financial income included in the outstanding minimum lease payments	27	26

(25) Other disclosures about financial instruments

The measurement of financial assets and liabilities is explained in the section on accounting policies and measurement methods. No reclassifications were made.

The fair values of the financial assets and liabilities were determined by means of the following hierarchy: If available, the fair value was determined with reference to listed market prices (Level 1). If no such market price was available, the fair value was determined in accordance with generally recognised valuation models based on DCF analyses and observable, current market transactions and traders' listings for similar instruments. The 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:

31/12/2024

Balance sheet items in EUR thousand	IFRS 9 category	Carrying amount	Fair value
Loans	AC	628	628
Securities	FVTPL	715	715
Cash and cash equivalents	AC	15,100	15,100
Trade receivables	AC	75,889	75,343
Lease receivables	n.a.	318	318
Non-current financial liabilities	FLAC	435	435
Trade payables	FLAC	15,063	15,063
Current financial liabilities	FLAC	18,526	18,526
Lease liabilities	n.a.	2,761	2,761

31/12/2023

Balance sheet items in EUR thousand	IFRS 9 category	Carrying amount	Fair value
Loans	AC	649	649
Securities	FVTPL	1,006	1006
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
Lease liabilities	n.a.	3,001	3,001

Note: FVTPL = Fair Value through Profit/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	2024	2023
Financial assets measured at amortised cost (AC)	-1,526	-2,336
Total	-1,526	-2,336

Net gains comprise value allowances and currency translation.

Interest expenses of EUR 1,510 thousand in the financial year under review (previous year: EUR 1,489 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 636 thousand in the financial year under review (previous year: EUR 570 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 31/12/2024	Carrying amount EUR thousand	Contractually agreed cash flows	Up to 1 year	1-5 years	More than 5 years
Loan	94	quarterly	94	0	0
Loan	48	quarterly	48	0	0
Loan	61	quarterly	61	0	0
Loan	59	quarterly	25	34	0
Loan	23	monthly	4	19	0
Loan	85	monthly	36	49	0
Loan	22	monthly	6	16	0
Total	392		274	118	0

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	0

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.

(26) 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 financial year under review:

	31/12/2024		31/12/2023	
	EUR thousand	in %	EUR thousand	in %
Equity	118,179	65.7	86,712	68.5
Non-current liabilities	8,192	4.6	8,333	6.6
Current liabilities	53,369	29.7	31,463	24.9
Total assets	179,740	100	126,508	100

(27) 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 30.8 thousand on the balance sheet date (previous year: EUR 9,921 thousand). The Group also has access to guarantee credit lines. The management anticipates that the Group will be able to fulfil its other financial liabilities from its cash flow from operating activities, and from the proceeds from maturing financial assets. In addition, the Group has further funds available from the capital increase for promoting the internal and external growth of the SMT Scharf Group.

For an overview of payment obligations arising from lease liabilities, see section 24. For payment obligations from other financial liabilities, see section 25.

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**	**2024**	**2023**
Loans	1	628	649
Trade receivables	2	75,889	35,691

Trade receivables to which individual value allowances have been applied	3	1,871	2,618
Contract assets	2	7,504	442
Lease receivables	2	318	570
Other current assets	n/a	715	1,006
Cash and cash equivalents	n/a	15,100	8,241

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 is impaired, 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 783 thousand gross (previous year: EUR 1,599 thousand). The value adjustments on these receivables amount to EUR 706 thousand (previous year: EUR 953 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 6,353 thousand (previous year: EUR 5,409 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 2024 (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.

(28) 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 approach, the external segment reporting is based on the Group’s internal organization 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 Group AG is responsible for the assessment and control of segments’ performance, 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 rail-bound 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 by mine operators 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 such as salt. 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 valuation principles for segment reporting are based on the IFRS standards 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 31 December 2024

(EUR thousand)	Coal mining		Mineral mining		Tunnel logistics		Other industries		Not allocated		SMT Scharf Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	71,962	60,096	10,074	8,775	10,546	988	2,447	3,313	-	-	95,029	73,172
- of which new equipment	27,917	21,885	4,739	3,171	10,191	896	2,163	3,047	-	-	45,010	28,999
- of which spare parts	33,364	29,785	4,919	5,255	182	83	284	266	-	-	38,749	35,389
- of which service	10,681	8,288	416	349	173	9	-	-	-	-	11,270	8,646
- of which others	-	138	-	-	-	-	-	-	-	-	-	138
Operating result (EBIT)	4,896	2,905	(1,331)	(81)	1,224	141	(57)	987	-	-	4,845	3,952
Earnings from equity ac-counted compa-nies	3,042	4,568	-	-	-	-	-	-	-	-	3,042	4,568
Segment assets	141,418	109,258	7,064	8,864	21,583	1,633	3,012	2,737	6,663	4,015	179,740	126,508
Segment liabili-ties	51,468	34,810	(3,144)	3,052	4,821	353	(976)	921	1,152	659	61,561	39,797
Segment invest-ments	819	1,444	156	6	-	-	75	19	-	-	1,050	1,469
- of which IFRS16	583	661	152	-	-	-	32	5	-	-	767	666
Interests in eq-uity accounted companies	-	20,217	-	-	-	-	-	-	-	-	-	20217
Depreciation and amortisation	2,936	2,833	277	262	569	16	160	133	-	-	3,942	3,244
FTE	474	334	49	51	5	5	21	21	-	-	549	411

Segment report 31/12/2023

	Coal mining		Mineral mining		Tunnel logistics		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)	2626	12,440	(81)	683	141	692	987	506	-	-	3,673	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	35,019	37,540	3,052	3,225	353	1,495	921	876	659	899	40,005	44,035
Segment investments	1,444	1,421	6	183	-	-	19	39	-	-	1,469	1,642
- of which IFRS16	661	411	-	-	-	-	5	14	-	-	666	424
Interests in equity ac-counted 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

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 10,846 thousand (previous year: EUR 9,033 thousand) are attributable to Germany and EUR 12.348 thousand (previous year: EUR 12,271 thousand) to other countries.

(29) Supervisory Board

The change in the major shareholder in financial year 2024 also led to changes in the personnel structure of SMT Scharf AG's Supervisory Board.

The members of the Supervisory Board in financial year 2024 comprised:

Univ.-Prof. Dr. Louis Velthuis (Deputy Chairman, until 19 September 2024 Chairman)	from 1 January to 31 December 2024
Dr. Dirk Vorsteher (until 19 September 2024 Deputy Chairman)	from 1 January to 19 September 2024
Ms Dorothea Gattineau	from 1 January to 19 September 2024
Mr Li Zhang (since 19 September 2024 Chairman)	from 19 September to 31 December 2024
Mr Qiang Yu	from 19 September to 31 December 2024

The Supervisory Board received remuneration of EUR 140 thousand for its activities in the 2024 financial year.

(30) Managing Board

The change in the major shareholder in financial year 2024 led to changes in the personnel structure of SMT Scharf AG's Managing Board.

The members of the Managing Board of SMT Scharf AG in financial year 2024 comprised:

Mr Volker Weiss	from 1 January to 31 December 2024

Mr Reinhard Reinartz	from 1 March to 31 December 2024
Mr Liu Jun	from 19 September to 31 December 2024.

The Managing Board received remuneration of EUR 1,012 thousand for its activities in the 2024 financial year.

The remuneration system for the Managing Board pursuant to Sec. 87a (1) and (2) Sentence 1 AktG will be first presented to the Annual General Meeting on 20 May 2025 for approval ("**2025 Remuneration System**") and made publicly accessible via the company's website at [https://www.smtscharf.com/investorrelations/corporate-governance/].

(31) 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 financial year under review and none occurred in the previous financial 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.

A framework loan agreement was concluded with Zhongyin Hong Kong Co., Ltd. in the 2024 financial year. The framework loan agreement has a volume of USD 28 million and at least USD 3 million can be drawn down per call. The respective drawdowns must be repaid within one year of disbursement. Interest is charged at market conditions. Zhongyin Hong Kong Co., Ltd. is a wholly owned subsidiary of Yankuang Financial Leasing Company Limited, Hong Kong, China, which in turn is a wholly owned subsidiary of Yankuang.

(32) Corporate governance declaration in accordance with Section 289f and Section 315d HGB

In March 2025, the Managing Board and Supervisory Board submitted the corporate governance declaration pursuant to Secs. 289f and 315d HGB and made it available to the public on the website at https://www.smtscharf.com/investorrelations/corporate-governance/corporate-governance-declaration/?lang=en.

(33) Events after the balance sheet date

No events with a material impact on the net assets, financial position or results of operations have occurred since the end of the 2024 financial year.

Hamm, 26 March 2025

The Managing Board

Liu Jun	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 2024, give a true and fair view of the Group's financial position and performance, and that the Group management report for the 2024 financial 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, 26 March 2025

The Managing Board

Liu Jun Reinhard Reinartz Volker Weiss

OPINION OF THE INDEPENDENT AUDITOR

To SMT Scharf AG, Hamm

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

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, 2024, 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, 2024, 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, 2024. In accordance with German legal requirements, we have not audited the content of those parts of the group management report listed in the appendix.

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, 2024 and of its results of operations for the fiscal year from January 1, to December 31, 2024 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 of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our view, the matters described below were the most significant in the context of our audit.

1. Revenue recognition in connection with IFRS 15

Reasons for designation as a key audit matter

Revenue represents a significant item in the consolidated financial statements and is used as a key performance indicator (KPI) for corporate management. The main revenue streams in SMT Scharf AG's consolidated financial statements arise from the sale of logistics machines, spare parts and services for mining and tunnel construction. In our view, the proper accounting of revenue is an area with a significant risk of material misstatement due to fraud or error (including the potential risk of management override of controls) and is therefore a key audit matter.

As part of our audit of the financial statements, we examined the Company's internal methods, procedures and control mechanisms for recognizing revenue. In addition, we assessed the design and effectiveness of the accounting-related internal controls by tracing specific business transactions from their origination to their presentation in the consolidated financial statements and by testing controls. Our audit procedures included, among other things, assessing the contractual basis, testing selected and random samples. As part of our assessment of the revenue recognition estimates made by the executive directors, we evaluated, in particular based on our understanding of the business model and the contractual arrangements, whether the revenue recognition requirements were implemented correctly and on an accrual basis.

Reference to related disclosures

For information on the accounting policies applied, please refer to the section “Accounting policies” in the notes to the consolidated financial statements. For information on revenue, contract assets and contract liabilities, please refer to the notes to the consolidated financial statements, sections “Notes to the income statement - (1) Revenue” and “Notes to the balance sheet - (13) Contract assets and contract liabilities”.

2. Valuation of inventories

Reasons for designation as a key audit matter

Inventories are a significant item in the consolidated financial statements and amounted to EUR 50.7 million as at December 31, 2024 (December 31, 2023: EUR 38.2 million). This corresponds to 28.2% of total assets (previous year: 30.2%). The high proportion of spare parts and service business results in a comparatively high level of inventories in order to be able to deliver when needed. New systems are generally only manufactured once a corresponding customer order has been received. Inventories are measured at production cost using a system-based approach. Inventory risks arising from the storage period and/or reduced usability are taken into account through appropriate value adjustments. The assessment of the need for value adjustments is essentially based on a coverage analysis. The assessment of recoverability is based on a standardized procedure and is therefore discretionary to a definable extent. The coverage analysis is based on historical transaction data.

Our approach to the audit

As part of our audit of the financial statements, we examined the procedures and the underlying controls for inventory valuation. Our audit procedures included, in particular, testing the completeness and accuracy of the inventories and assessing the valuation as at the balance sheet date. We examined the completeness of inventories by observing inventories and also performed audit procedures to verify the internal control system in the areas of purchasing and materials management. We assessed the appropriateness of the assumptions significant to the valuation. We assessed the suitability of the IT-based write-down procedure for determining inventory risks. For this purpose, we assessed the system-side implementation of the write-down procedures. We compared the calculation logic of the model with the accounting policies applied by the Company and verified the calculations on a sample basis. We also assessed the devaluations determined against the background of past experience through analytical comparisons with the devaluations recognized in previous years for individual items and for the total inventory.

Reference to related disclosures

For the accounting and valuation principles applied, please refer to the “Accounting and valuation principles” section in the notes to the consolidated financial statements. For information on inventories and cost of materials, please refer to the notes to the consolidated financial statements, sections “Notes to the income statement - (3) Cost of materials” and “Notes to the balance sheet - (12) Inventories”.

Other informations

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises

- the non-audited parts of the Group management report listed in the appendix to the auditor's report,
- the report of the Supervisory Board (“Report of the Supervisory Board” section),
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report,
- the assurance pursuant to section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to section 315 (1) sentence 6 HGB on the group management report.

The supervisory board is responsible for the report of the Supervisory Board. The legal representative and the supervisory board are responsible for the declaration pursuant to Section 161 of the AktG on the German Corporate Governance Code, which forms part of the Group declaration on corporate governance contained in the section “Corporate governance declaration pursuant to Section 315d in conjunction with Section 289f (1) of the HGB and SMT Scharf AG's declaration of conformity with the German Corporate Governance Code” of the Group management report. In all other respects, the legal representative is responsible for the other information.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information

- are materially inconsistent with the consolidated financial statements, with the audited disclosures in the group management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.

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 the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (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 group management report.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may prevent the Group from continuing as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and on the Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law, and the understanding of the Group's position conveyed by it.
- perform audit procedures on the forward-looking disclosures made by management in the group management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by management and assess the appropriateness of the reasoning behind the forward-looking statements based on these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 PARA. 3A HGB

Audit opinion

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the information contained in the provided file "smt_AG_KA_KLB_ESEF-2024-12-31-en. zip" (hash value: 528b8f0c90258329a84794e57050285dd203fc3d822fb48052e3318e2cf64f875) and the reproduction of the consolidated financial statements and the group management report (hereinafter also referred to as 'ESEF documents') prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from January 1 to December 31, 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the Audit Opinion

We conducted our audit of the reproduction of the consolidated financial statements and of the group management report contained in the above-mentioned file provided in accordance with Section 317 (3a) HGB and in compliance with IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

Responsibility of the legal representative and the Supervisory Board for the ESEF documents

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

Furthermore, the company's management is responsible for such internal control as it determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain professional skepticism. In addition

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documentation 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 these controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- Evaluate whether the ESEF documents enable the audited consolidated financial statements and the audited group management report to be reproduced in XHTML format with consistent content.
- we assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

OTHER INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU-APRVO

We were elected as group auditor by the annual general meeting on May 22nd, 2024. We were engaged by the Supervisory Board on October 31st, 2024. We have been the group auditor of the SMT Scharf AG, Hamm, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

OTHER MATTERS - USE OF THE AUDITOR'S REPORT

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

NOTE ON THE SUPPLEMENTARY AUDIT

We issue this auditor's report on the consolidated financial statements and the Group management report as well as on the electronic reproduction of the consolidated financial statements and the Group management report presented for the first time for audit, contained in the provided file “smt_AG_KA_KLB_ESEF-2024-12-31-en.zip” and prepared for disclosure purposes, based on our statutory audit completed on March 26th, 2025 and our supplementary audit completed on April 11st, 2025, which related to the ESEF documents presented for the first time.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The responsible certified public accountant for the engagement is Ben Broda.

Cologne, March 26th, 2025/ limited to the review of the ESEF documents mentioned in the note on the supplementary audit: April 11st, 2025

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft

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

Financial calendar

30 April 2025	Publication of the 3-month report 2025
20 May 2025	Annual General Meeting
29 August 2025	Publication of the half-year report 2025
31 October 2025	Publication of the 9-month report 2025

Investor relations contact

cometis AG
Thorben Burbach
Tel: +49 (0) 611 – 205855–23
Fax: +49 (0) 611 – 205855–66
Email: burbach@cometis.de

Legal notice

This annual report contains forward-looking statements based on estimates of future trends on the part of the Managing 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.

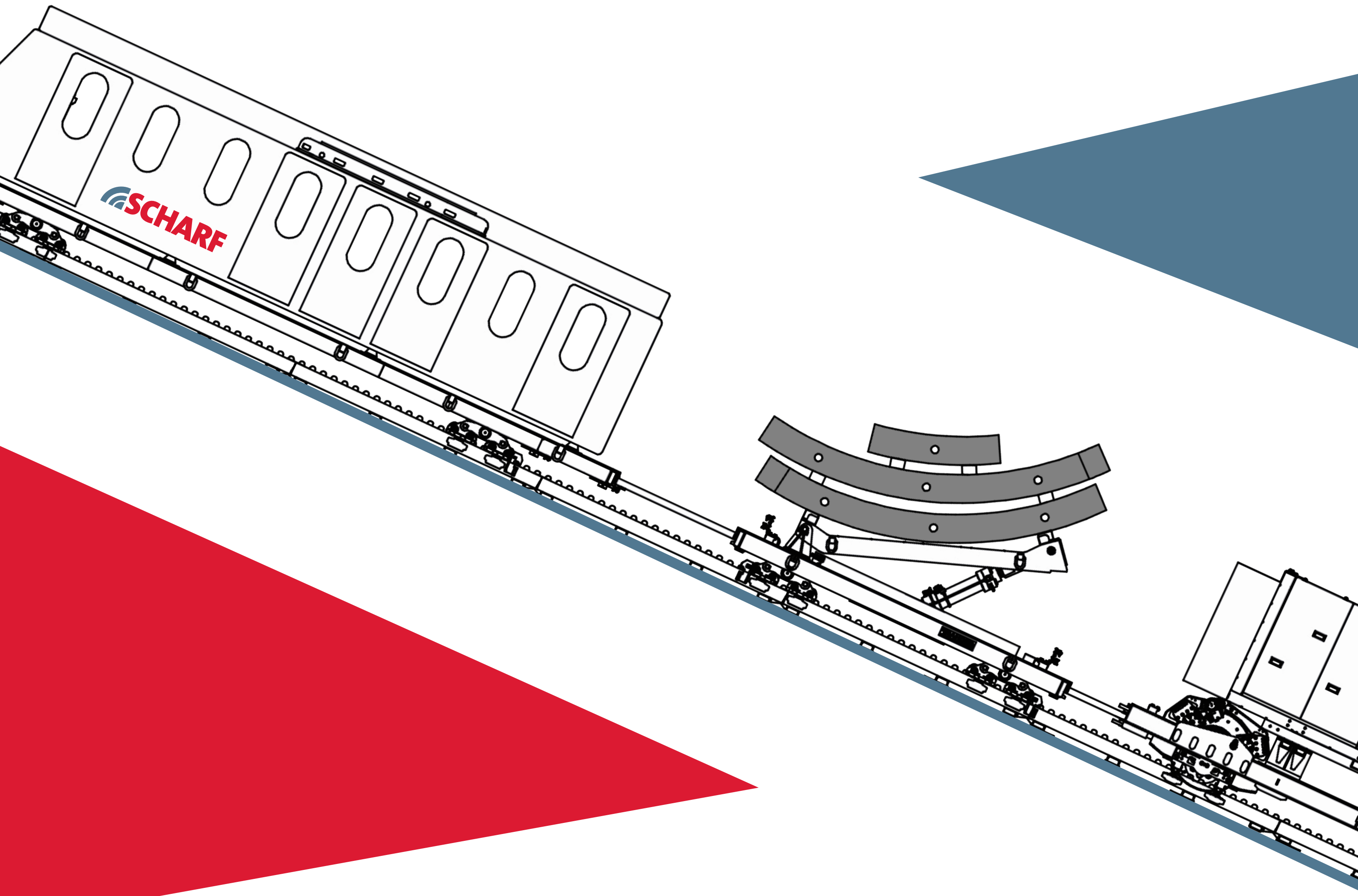
This annual report and the information contained therein do not constitute an offer for sale either in Germany or in any other country; nor do they constitute a demand to purchase securities of SMT Scharf AG, in particular if this type of offer or demand is prohibited or not authorized. Potential investors 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 German and English. In case of discrepancies, the German version prevails. The graphics in the Group management report section do not form part of the Group management report audited by SMT Scharf AG's auditors.

CSRD REPORT **2024**

Efficient. Safe. Sustainable.
Responsible Transport Solutions

In compliance with the European Sustainability Reporting Standards (ESRS)



Sustainability Statement SMT Scharf 2024

Table of contents

Foreword by the Managing Board

Dear Stakeholders,

SMT Scharf AG is rigorously continuing along its path of sustainable corporate management. With this sustainability statement 2024, we are taking an important step in the further development of our reporting: For the first time, we have based our reporting on the requirements of the European Sustainability Reporting Standards (ESRS) to prepare ourselves for the new legal requirements of the Corporate Sustainability Reporting Directive (CSRD). It was intended as a pilot project for a reporting requirement and thus marks an important milestone in the further development of our reporting. As a continuation of our previous sustainability reports, it underscores our ongoing commitment to transparent, comprehensible and comparable communication. Even though it is still unclear whether our company will be formally subject to the reporting requirement under CSRD in the future and the national implementation of the directive is still pending, we have decided to act early and proactively. In addition, the EU Commission's Omnibus Initiative, which aims to simplify reporting requirements, was published while this report was being prepared.

In 2024, we continued to sharpen our strategic focus and successfully developed our business. Our move to the Prime Standard of the Frankfurt Stock Exchange in September underscores our commitment to the highest standards of transparency and governance. At the same time, we further reinforced our market position as a leading provider of transport solutions and logistics systems for tunneling and underground mining.

As we see it, sustainability is so much more than a legal obligation; it is an integral part of our business strategy. In this report, we describe in detail how we integrate environmental and social aspects into our business model and how our innovative products contribute to greater safety, efficiency and environmental compatibility in underground mining.

We thank our employees, customers, shareholders and partners for their continued support. Together, we're committed to a sustainable future and will continue to actively shape the transformation of our industry.

With best regards,

LIU Jun (CEO)

Volker WEISS (CFO)

Reinhard REINARTZ (COO)

ESRS 2: General requirements

About this sustainability statement

BP-1: General basis for the preparation of the sustainability statement

In this sustainability statement, we report on our sustainability activities and document our progress in achieving our sustainability targets. For SMT Scharf AG, CSRD-compliant reporting will be required from 2026 for the 2025 fiscal year. This statement for the 2024 fiscal year is a voluntary pilot report in accordance with the CSRD and is not audited.

To prepare this statement, SMT Scharf AG conducted a double materiality analysis in accordance with the CSRD between November 2023 and June 2024 to define material sustainability topics and identify their impacts, risks and opportunities (IROs). The analysis also served to test responsibilities and processes for the first CSRD mandatory report in 2026 and to examine whether and to what extent SMT Scharf wants to further develop its sustainability strategy. In line with CSRD requirements, an annual plausibility check and an event-driven update of the analysis, in the case of relevant changes in the company's business activities or business environment, are planned for the future.

Unless otherwise stated, all information in this statement relates to the SMT Scharf Group. This includes the following companies:

- SMT Scharf GmbH, Hamm, Germany
- ser elektronik GmbH, Möhnesee, Germany
- SMT Scharf Polska, SP. z. o. o., Tychy, Poland
- SMT Scharf (Pty.) Ltd, Gauteng, South Africa
- SMT Scharf Sudamerica SpA, Santiago, Chile
- RDH Mining Equipment, Alban, Ontario, Canada
- OOO SMT Scharf, Novokuznetsk, Russian Federation
- OOO SMT Scharf Service, Novokuznetsk, Russian Federation
- Scharf Mining Machinery (Beijing) Co., Ltd. Beijing, China
- Scharf Mining Machinery (Xuzhou) Ltd., Xuzhou, China

This CSRD report is based on data provided by the companies and takes into account the upstream and downstream value chains to the extent possible.

The scope of reporting corresponds to the scope of consolidation in the financial statements. Locations that are purely sales subsidiaries with no production and only a small number of employees (SMT Scharf Sudamerica SpA in Chile and RDH Mining Equipment in Canada) were not directly included in the materiality analysis, as no potential for material IROs beyond the other companies was identified for the materiality analysis.

Monorails Xinsha, China will not be consolidated until November 2024 and therefore cannot yet be included in this sustainability statement.

Due to the current geopolitical situation, existing sanctions and regulatory restrictions, OOO SMT Scharf and OOO SMT Scharf Service in Novokuznetsk in the Russian Federation were not included in this sustainability statement.

SMT Scharf has made use of the option to omit certain disclosures relating to intellectual property, know-how or innovation results.

This statement is published in German and English and is available on our company website at smtscharf.com in the “Investor Relations” section. We want to continuously improve our sustainability activities. We therefore welcome comments, questions and suggestions from our readers and stakeholders. You can reach us by phone at +49 2381 960210 or by e-mail at ir@smtscharf.com.

BP-2: Disclosures in relation to specific circumstances

Data accuracy

We are committed to providing reliable, accurate and comparable data. However, it should be noted that we cannot fully verify the information provided by our suppliers and service providers.

This report also contains forward-looking statements that are based on the experience and forecasts of our management and on information available to management at the time the report was prepared. Because these statements are subject to uncertainties and developments over which we have no control, we cannot guarantee that they will prove to be correct. Uncertainties include, for example, regulatory developments, changes in market conditions or the behavior of other market participants.

Information on sources, estimates, measurement and result uncertainties, assumptions, estimates and judgments on which the measurement is based are provided alongside the respective key figures.

As this sustainability statement is a pilot report in the ESRS format, we do not report on changes or errors in the preparation or presentation of the sustainability information.

For SMT Scharf AG, the CSRD obligation results in the requirement to report financial data on taxonomy-capable and taxonomy-compliant economic activities in accordance with the EU Taxonomy Regulation. As part of the double materiality analysis, a non-exhaustive review was conducted to determine where there are significant interactions with other legislative initiatives from the European Green Deal or sector-specific standards that affect SMT Scharf or will affect it in the foreseeable future. No interactions with, or effects on, other regulations and standards were identified. A preparation of the information for the taxonomy was not part of this voluntary pilot report.

Governance

GOV-1 and GOV-2: The role of administrative, management and supervisory bodies with regard to sustainability

The Supervisory Board of SMT Scharf AG in Hamm consists of three non-executive (independent) members, while the Managing Board consists of three executive members. **Overall responsibility for sustainability aspects** and respective IROs lies with the Managing Board.

The committees are composed as follows:

Managing Board:

LIU Jun (CEO)

- Responsible for International Strategic Business Development, M&A and Integration
- More than 25 years of international management experience in the Yankuang Group

Volker WEISS (CFO)

- Responsible for Finance & Controlling, Human Resources, IT, Compliance and Investor Relations
- More than 25 years of professional experience in the mining sector, many years of international experience in change management

Reinhard REINARTZ (COO)

- Responsible for Product Development, Production, Sales, M&A and Investor Relations
- More 45 years of professional experience in the mining sector, many years of international experience in operational management, change management and research and development

Supervisory Board:

ZHANG Li (Chairman)

- 27 years of experience in mining as a technician, engineer and managing director

Dr. Louis VELTHUIS (Deputy Chairman)

- University professor, management consultant, expert witness

YU Qiang (Vice Chairman)

- 27 years of experience in finance as an accountant, CFO and managing director

The previous goal of appointing women to at least one-third of the management bodies in the interests of **gender diversity** and **equal opportunities** could not be maintained in the new appointments due to the change of majority shareholder.

Employee representation at SMT Scharf in Germany takes the form of a works council. In the national companies, this varies depending on the situation and size of the organization; where there are fewer than ten employees, such representation is not considered appropriate.

Communication and the flow of information around sustainability issues and sustainability-related IROs are based on the bottom-up principle: There are employee meetings of varying frequency, weekly meetings between the Technology, Sales, Purchasing and Finance departments and the Managing Board, and an information exchange every two weeks between the Management Circle and the Managing Board. Beyond the corporate level, the Managing Board discusses the IROs and the relevant topics of the respective subsidiaries in separate meetings, decides whether certain issues need to be presented to the Supervisory Board and clarifies to which extent Group resources can be involved in finding a solution.

In the case of specific local issues, the heads of department or division bring the relevant aspects to the attention of the management of SMT Scharf GmbH (Mr. WEISS and Mr.

REINARTZ). Depending on the scope, the CEO (Mr. LIU) and, if necessary, the Supervisory Board are also involved.

In general, we expect our employees to bring the necessary expertise to the task and to become trained in sustainability issues. Those responsible for sustainability issues are given their respective requirements from auditing firms or as part of their committee activities. In the case of more extensive requirements, additional sub-representatives are appointed. The management also supports SMT Scharf GmbH's participation in an external, cross-company project as part of the ÖKOPROFIT campaign of the Ministry of the Environment of North Rhine-Westphalia with local companies as well as energy and CSRD experts. Topics could include, for example, the installation of a photovoltaic system or the environmental aspects of employee commuting.

GOV-3: Sustainability-related incentive systems

The Managing and Supervisory Boards at SMT Scharf are responsible for sustainability-related incentive systems and their evaluation. Performance-related bonuses that are customary in the industry are agreed upon in the Managing Board contracts and in non-tariff contracts. These can be based on the SMT Scharf Group's results, but also specifically on the business success of individual segments. The transformation from the Coal to the Tunnel Logistics segment, for example, is regarded as a sustainability success.

GOV-4: Due diligence

The following table shows where the core elements of due diligence can be found in the report.

Core elements of due diligence	Page references	Relation to people and/or the environment
a) Integration of due diligence into governance, strategy and business model	ESRS 2 GOV-2: p. 6	People and the environment
	ESRS 2 GOV-3: p. 7	People and the environment
	ESRS 2 SBM-3: p.17	People and the environment
b) Involvement of affected stakeholders	ESRS 2 GOV-2: p. 6	People and the environment
	ESRS 2 SBM-2: p. 10	People and the environment
	ESRS 2 IRO-1: p. 12	People and the environment
	ESRS 2 MDR-P: p. 4	People and the environment
	Thematic ESRS: Consideration of the various stages and	People and the environment

	purposes of stakeholder engagement throughout the due diligence process	
c) Identification and assessment of negative impacts on humans and the environment	ESRS 2 IRO-1: p. 12 (including application requirements in relation to specific sustainability aspects in the relevant ESRS)	People and the environment
	ESRS 2 SBM-3: p. 17	People and the environment
d) Measures to deal with negative impacts on people and the environment	ESRS 2 MDR-A: p. 4	People and the environment
	Thematic ESRS: consideration of the range of measures, including transition plans, to address the impacts	People and the environment
e) Tracking the effectiveness of these efforts	ESRS 2 MDR-M: p. 4	People and the environment
	ESRS 2 MDR-T: p. 4	People and the environment
	Topic-related ESRS: in relation to key figures and targets	

GOV-5: Risk management and internal controls over sustainability reporting

The sustainability reporting process is inherently subject to the risk of inaccuracy. This can be caused by human error or inaccurate or missing data. These risks have increased due to the change in the organizational structure during the reporting period. Processes have been put in place to mitigate these sources of error: Experts from various departments have been consulted both during data collection and when compiling the list of potential and actual IROs. The assessments went through several rounds of validation and the final data was approved by senior management.

Strategy

SMB-1: Strategy, business model and value chain

Business model and strategy

SMT Scharf is a German mechanical engineering company that provides transportation solutions and integrated systems for underground mining. SMT Scharf's products include locomotives, lifting and transport equipment, rails and switches, which are tailored to the specific requirements of our customers. Our core products are rail-bound haulage systems used in underground mining. Our product portfolio also includes mining chairlifts and the design and installation of rail-bound ventilation and cable routing systems.

Detailed information on our business model and strategy, our business areas and markets as well as our business performance can be found in our annual report.

Sustainability goals for product groups and trends

One driver for the mining of economically strategic commodities such as lithium and cobalt is the increasing demand for renewable energy and electric vehicles. The use of electric vehicles in mining and tunneling is also becoming increasingly important. We are currently investigating whether the battery technology already in use in China is suitable for the European market and whether the battery technology available in China can also be used for light electric vehicles (LEVs) in South Africa, Canada and Poland.

Our electrical expertise also enables us to meet the market demand for electrically powered rail systems and rubber-tired vehicles. SMT Scharf's electrically powered machines enable mine operators to reduce underground emissions and improve working conditions for their employees. In order to extend our range of solutions to other areas of demand, we are pressing ahead with the development of a modular battery system for various vehicle classes.

In Tunnel Logistics, SMT Scharf AG has already successfully implemented challenging projects and demonstrated that its transport solutions also meet the highest standards in this segment. Tunnel projects such as Snowy 2.0 in Australia show how the expansion of sustainable infrastructure contributes to the energy transition—through underground hydroelectric power plants that store and distribute renewable energy efficiently. Modern transport tunnels also reduce emissions by optimizing traffic flow and reducing congestion in densely populated areas.

Our goal is to expand our Tunnel Logistics business, further develop our technological innovations and open up new markets. By investing in modern, environmentally friendly transportation solutions, we aim to strengthen our position as a reliable partner in tunnel construction and contribute to the sustainable development of the industry in the long term.

Our solutions also help to ensure that construction processes are safe and sustainable in rail and road construction, as well as in infrastructure projects for energy supply.

Value chain

SMT Scharf's value chain is divided into the areas of rails, welded constructions and customer-specific electronic systems (ser elektronik GmbH). It should be noted that the value chain includes both upstream and downstream mining activities. (A diagram of the value chain can be found at the end of the report for illustrative purposes.)

Downstream value chain: Customers
SMT Scharf supplies customers around the world. Our largest and most important market with numerous customers is China, particularly in the coal mining sector. SMT Scharf AG generates almost half of its worldwide revenue there. Poland and Russia also play an important role in coal mining. SMT Scharf's trade with Russia is subject to the applicable German and European foreign trade restrictions and sanctions and is currently limited accordingly. In the area of non-coal mining, we mainly supply customers in South Africa.

Upstream value chain: Suppliers

SMT Scharf has a comprehensive network of suppliers from various countries. Germany accounts for almost three quarters of the total value, or 74.5% of revenue with service suppliers. China follows in second place with a share of 5.9%. The remaining suppliers are mainly from Western and Eastern European countries. SMT Scharf's supplier network also includes a small number of suppliers from South Africa, the United Arab Emirates and Australia. The ESG risks in the suppliers' countries of origin, for example with regard to water scarcity, are low overall. In the future, ESG criteria will continue to gain in importance and will be taken into account to a greater extent in supply contracts.

SMB-2: Interests and views of stakeholders

We have set ourselves the goal of involving our stakeholders even more closely in our work and of gathering their expectations and needs more systematically and comprehensively than before. We have therefore updated the existing stakeholder analysis from 2022 and summarized the results in the table below:

Stakeholder group	Internal company contact	Type of commitment
Customers	Distribution	Tenders and Supplier Code of Conduct
Suppliers	Strategic purchasing	Screenings and audits
Employees	Works councils and Management; HR department	Works meetings, newsletters, regular discussions in various constellations
Potential employees	Local personnel departments	Company website, participation in local events to strengthen local presence
Local communities	Site management	Selectively on site
Authorities	Plant management, sustainability reporting, Managing Board, Management	Sustainability statement
Competitors	Sales, Managing Board, Management	Internal research
Media	Sustainability reporting, Managing Board, Management	Sustainability statement
Users of financial reporting:	Internal company contact	Type of commitment
Auditor, tax office, parent company YKE, minority shareholders	CFO, Finance department	Risk management, international investor events
Investors	CFO, Finance department	ESG ratings

There is a lively exchange with all these stakeholder groups. This takes place primarily through the Sales, Purchasing, Finance, Human Resources and Sustainability Reporting departments, as well as through the Managing Board and local site managers. Information from these stakeholder groups is reported to the Supervisory Board and cascaded down to the specialist departments via management meetings.

The results of the stakeholder dialogue have been incorporated into the identification of IROs and the assessment of the materiality analysis.

Stakeholder dialogue

We carefully consider all relevant stakeholder groups in the further development of our sustainability strategy.

In the year under review, our stakeholder dialogue focused primarily on employees, shareholders and capital market participants. Of particular importance is the dialogue with our new majority shareholder Yankuang. Yankuang has appointed a new CEO and has a majority on the Supervisory Board. Beyond this, we are not aware of any shareholders with a stake of more than 5%. The Managing Board of SMT Scharf AG maintains a dialogue with shareholders and capital market participants through discussions and participation in investor conferences. In terms of content, this includes financial and non-financial assessments and expectations of our company, which are ultimately reflected in the share price.

In addition, we keep abreast of local requirements at our sites and take the respective environment into account. The stakeholder group of banks must be viewed in light of the fact that they are generally listed on the capital market as public limited companies. Accordingly, they pursue strategies that they also publish. In particular, our principal banks are supporting us in our transformation away from coal to non-coal mining and tunnel logistics. The first-time consolidation of the Shandong Xinsha Monorail JV in November 2024 led to growth in our Coal Mining segment. This sharp increase prompted two of the company's principal banks to terminate their business relationships with SMT Scharf AG. At the same time, SMT Scharf AG was able to acquire a new bank based in Germany and to conclude a credit line with a financial leasing company belonging to the Yankuang Group.

Market trends and stakeholder risks

Customers, investors, banks, employees as well as governmental and non-governmental organizations are attaching increasing importance to sustainability aspects and compliance with sustainability standards. As a company that is largely active in the coal industry, SMT Scharf faces unique challenges in its commitment to sustainability.

Investment funds that invest in companies with good ESG ratings are becoming increasingly popular. Institutional investors are publicly emphasizing the importance of ESG factors in their investment decisions. This may lead to increased sales of shares in companies active in the mining sector.

Many banks are also basing their decisions on financing or renewing contracts on the client's business model and are calling for a shift toward more sustainable business practices. New laws and regulations for the financial sector may reinforce these trends in the future. These issues are discussed constructively in regular meetings between SMT Scharf AG's Managing Board and its principal banks. SMT Scharf's successes to date, in particular the growing revenues in Tunnel Logistics, are helpful in this context.

Our customers are also very interested in ESG issues. This can be seen, for example, in the fact that demand for diesel-powered products is falling while demand for battery technology is rising.

This is why we have made sustainability targets an important and integral part of our strategy. For 2025, we plan to calculate a carbon footprint for the company and for individual products.

IRO-1: The process of the materiality analysis

Description of the process to identify and assess material impacts, risks and opportunities (IROs)

In preparation for the first CSRD sustainability report for the fiscal year 2025, the company conducted its first double materiality analysis in accordance with the CSRD in 2024. This included the assessment of sustainability topics based on their impacts, risks and opportunities (IROs) and considered both the material impact of business activities on people and the environment (non-financial materiality) and the impact of sustainability aspects on business success (financial materiality). The analysis followed the process steps of **contextualization, stakeholder engagement strategy development, IRO identification and materiality assessment**.

The goal was to implement the regulatory requirements of the CSRD in a verifiable, efficient and pragmatic manner. The key factors here were the appropriateness and feasibility for the company’s situation and the greatest possible usability of the process and the relevant results not only for the implementation of the CSRD, but also, for example, for the further development of the sustainability strategy and the respective management processes.

Contextualization

The first step was to analyze the company’s **business and business model**, including the relevant business relationships in the value chain, in particular with regard to the most important customer groups, key suppliers, investors and other capital providers, the market environment with regard to the most important competitors and the stakeholders that influence or can be influenced by the company.

In addition, the **geographic profile of the company’s operations** was examined to determine whether certain regions are more likely to be subject to IROs, particularly in relation to the value chain.

Stakeholder involvement

A strategy for involving stakeholders in the materiality analysis was defined. Both “affected stakeholders” and “users of sustainability reports” were included in the stakeholder consultations. This was done by systematically reviewing all stakeholder dialogue formats and integrating the relevant findings into the materiality analysis by the departments involved in the stakeholder dialogue and by experts on the respective stakeholder topics:

- For the identification and assessment of the materiality of the material IROs, the perspective of external stakeholders was indirectly integrated via internal company departments that are in dialogue with the relevant stakeholders or that can be used as proxy stakeholders thanks to their specialist expertise, e.g., Purchasing for suppliers, Sales for customers, employee representatives for employees and workers in the value chain.

- The requirements of investors or capital market players and/or other capital providers such as banks and insurance companies were included in the identification of potential IROs by analyzing relevant topic catalogs (e.g., SASB criteria).
- A direct survey of external stakeholders has not yet been conducted due to the existing level of maturity of the organization and the users of sustainability reports were not directly involved in the assessment; however, they were taken into account in the definition of the IROs and the assignment of assessment responsibility.

Identification of sustainability-related IROs

The identification of IROs of material sustainability topics was carried out in two steps:

1. First of all, abstract sustainability topics were compiled based on the context analysis and regulatory requirements. These were general, sector specific and, where possible, company specific.
2. Together with experts from the company, all IROs relevant to the specific company were then derived from this compilation and assigned to the sustainability aspects. The IROs were also assigned to the respective position in the value chain (own business activity, upstream, downstream) and the time horizon (short, medium, long-term).

The results of existing **risk management systems** and due diligence processes were taken into account when identifying the IROs. The risk and opportunity report in the management report proved to be an important source for identifying sustainability related IROs.

In addition, occupational safety-related risks in the form of internal risk assessments in the area of occupational safety and hazardous substances were used to identify IROs, particularly with regard to the company's own employees.

The existing risk management systems are not yet closely integrated with the IRO identification process described here. However, such integration is being developed as part of CSRD reporting.

During the IRO identification process, it was determined that the following standards or subtopics were **not material** for SMT Scharf AG, as no IROs could be identified in these areas:

- Consumers and end users (ESRS S4): no B2B relevance
- Pollution (ESRS E2): Subtopic "Microplastics" not relevant
- Water and marine resources (ESRS E3): Subtopic "Marine resources" not relevant
- Biodiversity and ecosystems (ESRS E4): Subtopic "Impacts and dependencies of ecosystem services" not relevant
- Corporate governance (ESRS G1): Sub-topic "Animal welfare" not relevant

Assessment of materiality

The materiality of the IROs was assessed according to the principle of double materiality, which assesses both the material impact of business activities on people and the environment (non-financial) and the impact of sustainability issues on business performance (financial). The non-financial impacts were differentiated according to their nature and time horizon and assessed according to the parameters of magnitude, scope and irreversibility. For financial materiality, opportunities and risks were differentiated by impact type and time horizon and assessed by magnitude and likelihood, using appropriate EBIT thresholds. Both dimensions were rated on a scale of 0 to 5 for better comparability. To assess the impact, the severity was determined and multiplied by the probability of occurrence (100% for actual impacts). In the case of human rights impacts, severity was given priority to the extent that the probability of occurrence was not multiplied in accordance with the principle of prudence.

The materiality of the impacts was assessed by internal stakeholders in groups of two to four people who are in dialogue with the respective stakeholders, e.g., Purchasing for suppliers, Human Resources and Works Council for the company's own employees and Production for environmental issues. Financial materiality was assessed for all risks and opportunities by two internal stakeholders from Finance and Controlling.

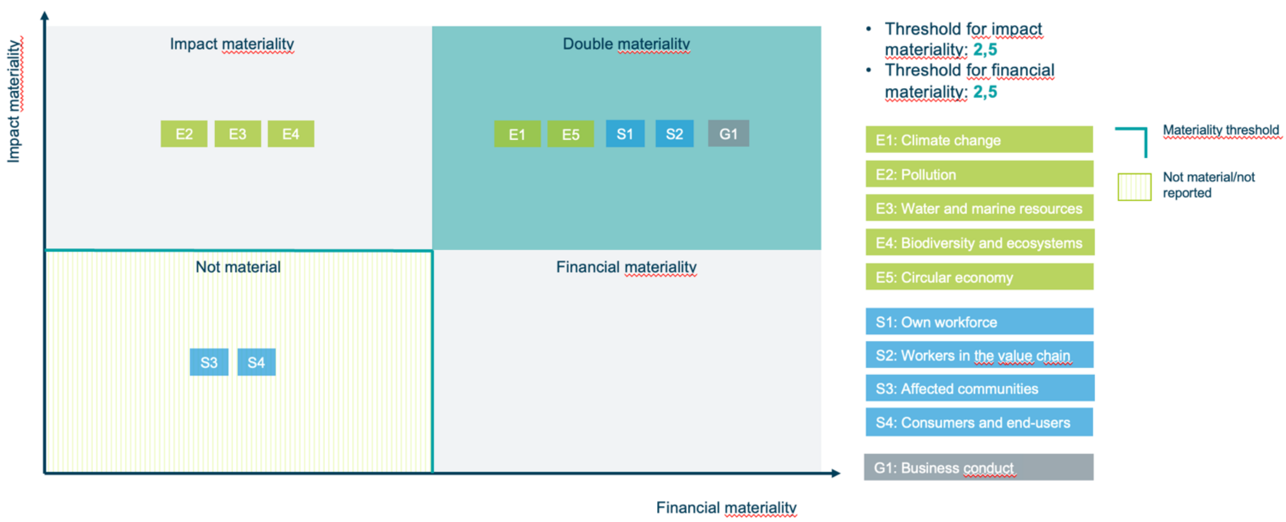
Scope of the sustainability statement with regard to the ESRS

As far as possible, this sustainability statement provides information on all ESRS topic-related standards that are material for SMT Scharf. The topics E1 (Climate change), E2 (Pollution), E3 (Water and marine resources), E4 (Biodiversity and ecosystems), E5 (Recycling), S1 (Own workforce), S2 (Workforce in the value chain) and G1 (Corporate governance) were identified as material in the double materiality analysis.

The topic standards S3 (Affected communities) and S4 (Consumers and end users) were assessed as not material. In addition, the subtopics Marine resources (E3) and Animal welfare (G1) were assessed as not material. These topics and subtopics are therefore not included in our reporting.

We are in the process of establishing appropriate management systems for the material topics E2 (Pollution), E4 (Biodiversity and ecosystems) and S2 (Workforce in the Value Chain) and plan to report on these in more detail in our next sustainability statement for 2025.

Material topics at SMT Scharf



The materiality threshold is 2.5 (center of the axis).

Process management of the materiality analysis

The project was managed and controlled by Beatrice Ermisch (Senior Marketing & Communication Specialist, Project Management Sustainability Reporting).

The identification and assessment of the IROs was quality-assured and documented with external support, and the results were discussed and verified in a final loop with the Managing Board of SMT Scharf AG (see ESRS 2 GOV-2). The Managing Board thus assumes final control and responsibility for the materiality analysis and the respective reporting to the supervisory bodies of SMT Scharf AG.

In future, the materiality analysis will be reviewed annually using a suitable procedure. Any changes to the previous procedure will then be disclosed accordingly.

Environment (E)

E1: Climate change

As a globally active company in mining and tunnel construction, including the extraction of the fossil fuel coal, SMT Scharf wants to live up to its responsibility to contribute to limiting climate change. For this reason, we have made the reduction of greenhouse gas emissions an important and integral part of our corporate strategy.

ESRS 2 SBM-3: IROs related to climate change

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Climate protection								
GHG intensity in raw material production, processing and extraction	Negative impact	x	x			x	x	x
GHG intensity in semiconductor production, primarily due to PFCs, and in raw material extraction	Negative impact	x	x			x	x	x
GHG emissions from coal mining and combustion	Negative impact	x			x	x	x	x
Sustainable mobility solutions and infrastructure projects	Positive impact				x	x	x	x
High demand for coal	Opportunity				x	x	x	

Declining demand for coal	Risk (transition risk)				x		x	x
Demand for energy/exhaust-efficient machines	Opportunity	x			x	x	x	x
Energy consumption								
Energy consumption production	Negative impact	x		x		x	x	x
Regulatory requirements/emission standards for engines (especially China)	Risk (transition risk)				x		x	x
Energy consumption steel production/raw material extraction	Negative impact		x			x	x	x
Diesel and carbon consumption of commercial vehicles	Negative impact	x			x	x	x	x
Projects for renewable energy generation (Tunnel Logistics)	Positive impact				x	x	x	x
Price sensitivity of customers with regard to e-cars	Risk (transition risk)				x	x	x	x

E1-1: Transition plan for climate change mitigation

With the consolidation of our joint venture with Xinsha Monorails in China, the SMT Group will achieve an annual sales volume of well over €100 million in the future. Since Xinsha Monorails is currently only active in Coal Mining, the percentage share of sales will temporarily shift in favor of the Coal Mining segment. This will not change our strategy of expanding our business outside of Coal Mining. We remain committed to our goal of significantly increasing sales in Non-Coal Mining and Tunnel Logistics. The share of Coal Mining is to be reduced to two thirds by 2035. The remaining third will be generated by Non-Coal Mining and Tunnel Logistics.

In addition, we want to improve SMT Scharf's environmental management by implementing the ÖKOPROFIT environmental program, thereby reducing operational emissions, conserving natural resources, increasing eco-efficiency and raising awareness of environmental and sustainability issues.

Our subsidiaries also manufacture externally. We ensure that our manufacturers track and implement our greenhouse gas reduction targets. We are also exploring the possibility of meeting our electricity needs with self-generated renewable energy.

ESRS 2 GOV-3: Sustainability-related incentive systems

The success of Tunnel Logistics is part of the variable remuneration and contributes to the decarbonization of SMT Scharf's business.

E1-2, E1-3 and E1-4: Climate change mitigation and adaptation to climate change: policies, actions and targets

Electrification of the product range

To meet the growing demands of climate protection, we are continuously driving the electrification of our product portfolio. Thanks to our extensive battery and electrical expertise, there are many opportunities to reduce emissions:

- For all areas of underground mining, we develop individual, intelligent drive systems that communicate with their environment, improve the air quality underground and significantly minimize the carbon emissions caused by our products.
- In the area of battery management systems, our investment in ser elektronik GmbH opens up additional opportunities to reduce greenhouse gas emissions. Thanks to ser elektronik's expertise, SMT Scharf is able to complement the electronic control systems for electric vehicles with customer-specific battery management systems. This enables us to offer operators optimized batteries for the mining industry and advise them on energy-saving operating concepts for the machines.
- At the same time, our liquid-cooled batteries are among the safest solutions that can be used for underground battery electric vehicles (LEV).
- ser elektronik also offers electronic control systems for non-mining industries, such as the food industry.
- Sustainability standards are becoming increasingly strict in the global mining markets in which SMT Scharf operates. We welcome this development, are prepared for it and are striving to set the standards here. For example, we were able to meet the China III standards, which stipulate strict exhaust emission standards for mining machines. With the DZK3500, we have created a completely new generation of machines for the Chinese market, featuring an optimized engine with

an intelligent management system and 15% more drive power. We are also continuously developing our diesel engines and their exhaust aftertreatment. We are already working on concepts to respond to further tightening of the legal situation.

- Battery-powered light trucks, LHDs and medium-duty trucks are particularly energy-efficient. This is because emission-free transportation solutions and lower heat radiation result in significantly lower cooling and fresh air requirements. Depending on the mine and geological conditions, ventilation can account for up to 30% of the total energy requirement. Reducing the need for ventilation is therefore an effective way of reducing energy consumption and associated costs.
- Another example of the shift to electric power is our EMTS (Electric Monorail Transport System). The EMTS has been used in ore mining in South Africa for many years.

We recognize that market acceptance of our electrified mining solutions is still well below that of conventional diesel products. In addition, regulatory and certification requirements can limit the use of electrified products. Nevertheless, we believe that the demand for electrified machines will increase significantly in the future and we will continue to develop our products accordingly.

For safety reasons, we do not believe that downsizing internal combustion engines is a suitable means of reducing the fuel consumption of our vehicles, as downsized engines run hotter and do not meet the explosion protection requirements for underground transportation systems. For this reason, we offer engines of different power ratings so that our customers can purchase the right rating for their application.

Promoting sustainable mobility solutions and infrastructure projects with Tunnel Logistics products

In Tunnel Logistics, we regularly take on plant construction projects in the field of special mechanical engineering, so-called DTO projects (designed to order). These include the dismantling of the Isar I nuclear power plant in Bavaria with a special crane system, a rail-bound passenger and emergency transport system during tunnel driving as part of the Snowy 2.0 state energy project in Australia, a new cable tunnel for the 380 kV cable diagonal in Berlin and other infrastructure projects such as the construction of subway lines. In this way, we are contributing to the political goals of the energy transition in Germany and the UN Sustainable Development Goals (SDGs) worldwide.

Expanding mining

To drive the energy transition forward, minerals such as lithium, copper and rare earths must be increasingly mined and made available. Overall, the growing importance of renewable energy is having a positive impact on the demand for metal ores, providing additional impetus for mining.

Improving operational energy efficiency

To further minimize our environmental footprint, we aim to use energy as efficiently as possible in our own operations. Given our total energy consumption, we have significant leverage and therefore a great deal of responsibility.

We conduct energy management audits according to DIN EN 16247 every four years, most recently in 2021. As part of these audits, we systematically collect information about our existing energy consumption profile and examine what opportunities exist for economic energy savings and how we can quantify them. The most recent audit resulted in recommendations to save energy by switching from conventional fluorescent lighting to LEDs. In the year under review, around 65% of the light sources used throughout the company were already of this type. At the Hamm site, we were able to increase this figure to 80%.

Other recommendations, such as replacing oil-fired heating systems with heat pumps or energy management, e.g., through sub-metering in individual buildings, are also being examined.

We cannot significantly reduce our consumption in our office buildings in Hamm because the majority of the office space is rented. Our options are therefore limited to optimizing lighting and air conditioning.

Our gas consumption at the Hamm site was significantly reduced in the year under review, from 186,039 kWh in 2022 to 163,468 kWh in 2024. One factory hall was not heated in 2023, so the significantly lower gas consumption of 298 kWh in that year is not comparable. Buildings such as warehouses, assembly halls and office buildings are heated exclusively with fuel oil. In 2024, heating oil consumption was 32,537 liters compared to 27,448 liters in 2023.

In Hamm, we further reduced our electricity consumption from 362,937 kWh in 2022 and 342,411 kWh in 2023 to 333,788 kWh in 2024. Going forward, we will continue to seek and implement further optimization measures within our means to continue this trend.

Since January 1, 2023, SMT Scharf has purchased all of its electricity at its Hamm location from renewable sources. The RenewablePLUS certificate, which is audited annually by TÜV Rheinland, guarantees that 100% of the electricity we purchase comes from renewable sources. In addition, we are constantly evaluating the possibility of purchasing electricity from renewable sources at other sites.

At our Hamm site, we began reviewing our fleet of company cars several years ago. Our list of criteria covers the entire environmental footprint of the vehicles, from zero emissions to production, service life and battery disposal. Our fleet currently consists of twelve vehicles. Of these, two are gasoline- or diesel-powered, five are hybrid and five are all-electric. This means that the number of pure electric vehicles in our fleet has increased from zero to five. We currently have three charging stations with two charging points each for our corporate fleet. We are pleased that we have continued to successfully convert our company fleet and have more than significantly improved the carbon footprint of our vehicles. We also provide our employees with e-scooters for “last-mile” mobility.

Wherever possible, we optimize our heating systems in Hamm with intelligent thermostats. Welding fumes generated during production are filtered or extracted where possible to reduce emissions. We are also planning to install a photovoltaic system on the roofs of up to three halls at the Hamm site. In addition, we are implementing measures to sensitize and motivate employees and trainees to save electricity, e.g., by switching off power strips and identifying “power guzzlers.” As part of the ÖKOPROFIT program, we are investigating the possibility of installing motion detectors for lighting and checking the temperature settings of air conditioning and compressed air systems.

We are increasingly shifting from global to local sourcing to lower logistics costs and reduce greenhouse gas emissions. For longer distances, we prefer shipping by sea and rail to air and road, using local carriers where appropriate to reduce distances.

In September 2024, the Managing Board of SMT Scharf AG approved an investment of around EUR 200,000 in a photovoltaic system for the national subsidiary SMT Africa. Construction of the plant is progressing and is scheduled for completion in June 2025.

E2: Pollution

Pollution has been identified as a key issue for SMT Scharf, as environmental IROs exist both in the company's own value chain as well as in the upstream and downstream value chains. We manage this through a variety of measures. A comprehensive management system and the recording of key figures are still being developed. We are working to be able to report on this more comprehensively in the future.

ESRS 2 SBM-3: Pollution-related IROs

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Longterm
Environmental pollution								
Air emissions, wastewater discharge, soil pollution in steel/metal processing and raw material extraction	Negative impact		x			x	x	x
Air pollution								
Particulate matter pollution during coal mining, transportation and combustion	Negative impact				x	x	x	x
Soil contamination								
Acid rain due to coal combustion	Negative impact					x	x	x
Pollution of living organisms and food resources								
Acid rain due to coal combustion	Negative impact				x	x	x	x
Substances of concern								
Use of hazardous substances in semiconductor production/raw material extraction	Negative impact		x		x	x	x	x

E3: Water and marine resources

Water is an important resource for any manufacturing company. For an industrial company, however, SMT Scharf's own water consumption is comparatively low. Water is used almost exclusively for cleaning machines and for the personal consumption of employees, e.g., in the sanitary facilities and for making coffee. The same applies to our upstream and downstream supply chains, which means that we have little potential to save water. Nevertheless, water consumption in our production, raw material extraction and services comes with IROs.

The topic of "marine resources" is not relevant to SMT Scharf's business activities and supply chains.

ESRS 2 SBM-3: IROs with reference to water consumption

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Water consumption and withdrawal								
Metal production, metal processing, raw material extraction	Negative impact	x	x			x	x	x
Semiconductor production, raw material extraction	Negative impact	x	x			x	x	x
Production processes and services	Negative impact	x		x		x	x	x

E3-1, E3-3 and E3-4: Water consumption policies and targets

The system for measuring water consumption at our sites is still under development. For this reason, we cannot provide current figures for all sites.

- At the **Hamm site**, our water consumption increased slightly from 682 m^3 in 2022 to 726 m^3 in 2023. In 2024, consumption was 934 m^3. It should be noted that the new water meter was only installed in 2024 and that the consumption figures for 2022 and 2023 are based on estimates. We remain committed to sustainable and efficient water use to conserve resources and minimize our environmental footprint.
- At **ser elektronik** in Möhnesee, water consumption was 117 m^3.
- The **Polish site** consumed 550 m^3 of water in the year under review.
- **China** reported a water consumption of 310 m^3 in the year under review. All wastewater was returned to the water cycle after use. No water was withdrawn. The consumption figures are measured by the water supplier, who also recycles the water used and charges for this service.
- **RDH Mining Equipment (Canada)** is supplied exclusively with well water, which it extracts and filters before and after use.
- The **South Africa site** is the only site using water from water hazard areas. In 2024, 535 m^3 was used and returned to the water cycle.

E4: Biodiversity and ecosystems

Biodiversity and ecosystems have been identified as a key topic for SMT Scharf, as IROs arise both in the company's own value chain and in the upstream and downstream value chains, particularly when it comes to biodiversity.

These IROs are managed using a variety of measures. A holistic management system and the collection of key figures are still under development. We plan to report more extensively on this topic in the future.

ESRS 2 SBM-3: IROs related to biodiversity and ecosystems

Significant impacts, risks and opportunities (IROs)		**Human rights affected by negative impacts**	**Concentration in the value chain**			**Time horizon**		
			Upstream	**Own**	**Downstream**	**Short term**	**Medium term**	**Long term**
Biodiversity and ecosystems								
Metal production, raw material extraction	Negative impact	x	x			x	x	x
Semiconductor production, raw material extraction	Negative impact	x	x			x	x	x
Interventions in the local water balance or sealing at production sites	Negative impact	x		x		x	x	x

E5: Resource use and the circular economy

The circular economy is a key element of SMT Scharf AG’s commitment to sustainability. We use innovative, resource-conserving processes to optimize material cycles and launch durable, modularly repairable products on the market. This strengthens our environmental responsibility and secures our long-term competitiveness.

ESRS 2 SBM-3: IROs related to resource use and the circular economy

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Resource consumption								
Metal production, metal processing, raw material extraction	Negative impact		x			x	x	x
Semiconductor production, raw material extraction	Negative impact		x	x		x	x	x
Mining/tunnel intermediate products	Negative impact			x		x	x	x
Intermediate products ser electronics	Negative impact			x		x	x	x
Low maintenance costs for electric vehicles	Opportunity			x		x	x	x
Increased demand, shortages, price increases for scarce raw materials	Risk			x		x	x	x
Resource outflows in connection with products and services								
Maintenance service for product longevity	Positive impact	x			x	x	x	x
Expansion of remanufacturing, design and services	Opportunity	x		x		x	x	x
Waste								
Use of recycled materials in production	Positive impact			x		x	x	x

E5-1 and E5-2: Resource use and the circular economy: policies and actions

In Germany, we aim to improve SMT Scharf's environmental management by implementing the **ÖKOPROFIT program**, reduce operational emissions, conserve natural resources, increase eco-efficiency and raise awareness of environmental and sustainability issues.

To reduce the **consumption of resources associated** with **products and services**, we attach great importance to the durability and quality of our products when selecting materials and processes, because a product with a long life cycle and functional design generates less waste. We strive to use alternative and sustainable materials in our products.

We also pay attention to **sustainable product design** in the construction of our machines. Thanks to our modular concept and the ability to dismantle assemblies and components, parts of our machines can be easily repaired and adapted to current regulations at any time. In addition, we offer a maintenance service that increases the service life of SMT Scharf products. These measures help to extend the service life of our machines and reduce the environmental impact caused by unnecessary waste. External market studies have shown that our machines achieve top values in terms of total cost of ownership (TCO). Many of our products last twice as long as the industry average. These sustainability efforts not only help protect the environment, but also provide economic benefits to our customers and to us as a company.

To reduce the **inflow and consumption of resources associated** with **products and services**, we also offer the option of electrifying vehicles during general overhauls as part of our repair and maintenance service. This can help to reduce carbon emissions in underground mining and improve underground air quality.

As part of our efforts to **reduce, reuse and recycle waste,** we have made our manufacturing operations very low-waste. In our administration, we are also reducing paper consumption through increased digitization.

Waste management and the proper disposal of recyclable materials and waste are carried out in accordance with legal requirements. Disposal is based on the principle of maximum separation of recyclable materials. The following recyclable materials are collected separately at the Hamm site:

- Paper, cardboard, cardboard packaging
- Commercial waste, mixed packaging
- Wood waste
- Oil-contaminated materials
- Documents and data carriers relevant to data protection

We are reviewing our operational waste streams with the goal of further reducing waste volumes and increasing the amount of recyclable materials.

Social (S)

S1: Our workforce

Strategies regarding our employees

Our employees are our greatest asset. Treating them responsibly is therefore an important aspect of our sustainability efforts. It is important to us to create and maintain a healthy and safe working environment for our employees at all times, which guarantees the dignity, safety and health of all employees.

We want our employees to feel comfortable and appreciated at SMT Scharf. We promote this through multiple measures such as inflation compensation and other voluntary benefits including a company pension scheme or the option of leasing a company bicycle, as well as through community-building activities such as company parties.

A strong sense of responsibility among our executives and employees is very important to us. That is why we provide them with ongoing training. Positive role models, open communication and employee involvement in the decision-making process encourage personal responsibility and quality awareness.

ESRS 2 SBM-3: Workforce-related IROs

As part of the materiality analysis, the following IROs were identified, among others, with respect to the company's own employees:

The **structured involvement of employees in decisions on employment issues**, e.g., through works councils or other employee representatives, represents an opportunity for the company. It increases employee satisfaction and motivation. Weak or absent participation therefore poses significant risks to the company.

A **clear wage structure and vacation policy** can also have a positive effect on employee satisfaction and productivity.

The **risk of injury during production processes** poses a significant risk to the company and its employees, which is why we make great efforts to design and improve safe processes.

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Working conditions								
Insecure employment relationships	Negative impact	x		x		x	x	x
Uncertain working time rules	Negative impact	x		x		x	x	x
Regulated working hours due to single-shift operation	Positive impact			x		x	x	x
Potentially inappropriate remuneration	Negative impact	x		x		x	x	x
Uncertainty due to lack of collective bargaining coverage	Negative impact	x		x			x	x
Rising wages/personnel costs due to inflation	Risk			x		x	x	x
Flexibility of the company due to lack of collective bargaining	Opportunity			x			x	x
No or weak employee involvement in employment issues via employee representatives	Negative impact	x		x		x	x	x

Structured employee participation in employment issues via employee representatives	Positive impact			x		x	x	x
Good involvement of employee representatives in collective bargaining	Positive impact			x		x	x	x
No or weak involvement of employee representatives in collective bargaining	Negative impact	x		x		x	x	x
Clear pay scale structure, clear vacation time regulations	Opportunity			x		x	x	x
Promoting the compatibility of work and private life	Positive impact			x		x	x	x
Injuries in production processes	Negative impact	x		x		x	x	x
Equal treatment/equal opportunities								
Exchange of knowledge, networking of employees nationally and internationally	Positive impact			x		x	x	x
Intercultural exchange, networking of employees nationally and internationally	Positive impact			x		x	x	x
Diversity	Opportunity			x		x	x	x

S1-1, -2, -3 and -14: Working conditions

We attach great importance to **social dialogue** in our company. For example, SMT Scharf GmbH has a company suggestion scheme (BVW) to involve our employees in shaping business processes. At the end of 2023, a targeted campaign was launched to promote the BVW—with great success. Employee participation was higher than ever before and the system continues to be actively used. In 2024, a total of **28 organizational improvement suggestions** were submitted, a significant increase from the **five suggestions submitted in the previous year**. Of these 28 suggestions**, 14 were evaluated positively** and are already being implemented. This shows that innovative ideas from the workforce are being used in a targeted manner to optimize processes and further increase efficiency within the company. In addition, our ISO 9001-certified quality management system incorporates the basic principle of the “continuous improvement process” (CIP). We understand this to mean identifying, documenting and pointing out a weakness for which there is not yet a solution in the sense of the improvement suggestion made by the submitter. The BVW and the CIP principle are to be increasingly established as an integral part of operational processes through transparent, comprehensive and rapid process organization. The aim of the BVW and the CIP principle is to enable all employees to play an active role in shaping the company’s operations on a voluntary basis and beyond their normal duties. SMT Scharf wants to strengthen employee identification with the company, promote a relationship of trust between management and employees, increase productivity and reduce costs—for example by saving materials, energy and working hours—improving work processes, shortening transport routes, avoiding errors and improving the company’s environmental protection.

The employment conditions of the majority of our employees in Germany are based on the collective bargaining agreement of the **IG Metall** trade union. At the Hamm site, the proportion of non-tariff employees was 10% as of the balance sheet date.

A **good work-life balance** is important to us. This is why SMT Scharf offers its employees at the main location in Hamm flexible working hours and the opportunity to work from home up to two days a week. Our working time models include flexitime and flexible working hours. There is currently an increasing demand for employees who are prepared to work abroad for several weeks at a time. This requires specific professional, personal and cultural skills. We are in the process of building up the appropriate workforce.

Occupational health and safety (OHS) at the Hamm site is a high priority at SMT Scharf. Preventing personal injury and damage to property is a top priority. Responsibility for occupational safety lies with the plant manager, the occupational safety officer and the management. An occupational safety committee (ASA) is responsible for the safety of employees. The committee is chaired by an occupational safety specialist and includes other safety representatives. The occupational safety specialist regularly reports on accidents to the plant manager and management at the ASA meeting and the annual briefing. Current events and audits, and the actions resulting from them, are discussed at regular meetings.

We have set ourselves the goal of completely eliminating accidents and injuries to employees of SMT Scharf and our subcontractors, as well as accidents with downtime or environmental damage with effects beyond the Hamm site or the customer’s site. In addition, we aim to achieve an accident rate of less than eight per 1,000 employees and to increase the number of first aiders to 20% of the workforce.

Regularly updated workplace risk assessments are designed to help keep the accident rate as low as possible. In addition, we have first aiders who are regularly trained and retrained beyond the legal requirements. We ensure that a sufficient number of first aiders are available at all times. We also have a fire safety officer and train fire safety assistants. In 2024, 37 employees participated in first aid training. In addition, 17 fire safety assistants were trained.

All employees are required to attend an annual safety briefing. All new employees receive a safety briefing from internal specialists. Company medical care is provided by an external service provider. This service provider also participates in ASA meetings and audits, e.g., with regard to noise protection. All required health and safety equipment can be ordered from supervisors.

Our EHS plan describes which guidelines, work instructions, etc., SMT Scharf must observe in addition to the relevant provisions of German occupational safety and environmental law. Periodic inspections of equipment such as cranes or gas systems are carried out by external specialist companies and our own employees in accordance with legal requirements.

SMT Scharf believes that standardized reporting of all work-related injuries, illnesses and hazards, including the collection, storage and evaluation of data on these events, is an important part of identifying measures to prevent similar situations, setting the right priorities for preventive measures and evaluating the effectiveness of controls and preventive measures.

Under no circumstances should products labeled as **hazardous substances** be purchased or used unless it can be ensured that appropriate controls are in place and that exposure to these substances can be kept below the locally applicable limits. A risk assessment must be carried out before hazardous substances are used in the workplace. Hazardous substances are handled according to the very latest standards and must be kept to a minimum. When hazardous substances are procured, the health and safety officer must check in advance whether substitution is possible. The safety data sheet must be available for all existing hazardous substances and an entry must be made in the hazardous substances register. In addition, operating instructions must be prepared and the employees concerned must be instructed accordingly. This is done by the foremen as part of the annual workplace-specific training.

In addition to safety, we consider the **health and well-being of our employees** to be a fundamental prerequisite for successful corporate development. To promote this, we have set up ergonomic workstations in the administrative area in Hamm, with height-adjustable desks and individually adjustable office chairs for employees. In production and assembly, workbenches are height adjustable. Workstations at our international sites also meet the highest health and safety standards and are equipped accordingly.

It is important to us that the physical, social and psychological requirements of our products and services are met in the **process environment** in which our employees work. These aspects influence the motivation, satisfaction and performance of the workforce and therefore the performance of the company. One of the most important factors is that employees are given the opportunity to contribute creative ways of working and to help shape processes. Other important aspects are occupational safety, ergonomics, social facilities, indoor climate, air circulation, noise protection, lighting design and hygiene. The respective department heads and management are responsible for creating the appropriate framework conditions. The top management representative checks the adequacy of the process environment during internal audits.

In addition, we offer our employees medical care and the opportunity to rent a company bicycle for personal use.

Equal treatment and equal opportunities

SMT Scharf AG views the **diversity of its workforce** as a clear advantage. We are convinced that the complementary interaction of employees with different personal and professional backgrounds, as well as diversity in terms of internationality, age and gender, enriches the company and promotes its development. Accordingly, we are committed to a corporate culture that provides equal opportunities regardless of gender, age, origin, sexual orientation, disability or other potentially discriminatory characteristics. The Supervisory Board places a high value on a diverse range of complementary profiles and on different professional and life experiences, including international backgrounds. It also strives for a balanced representation of the sexes. At the same time, implementing this aspiration in practice is sometimes challenging due to industry-specific circumstances, particularly with regard to the availability of suitable candidates. A balanced age structure is important to us. We are convinced that everyone at SMT Scharf benefits from collaboration between different generations.

Fair remuneration is of central importance to us. We ensure this in accordance with the respective country-specific salary structures and, wherever possible, apply the ERA table of the IG Metall trade union, which regulates remuneration in accordance with employees' activities and experience. Remuneration is based on the respective task and responsibility, not on gender or origin.

SMT Scharf AG promotes the **further training** of its employees and decides on internal promotions on a case-by-case basis. A structured promotion plan has not yet been established at the headquarters in Hamm. We ensure that only sufficiently qualified personnel with the relevant skills, knowledge and experience are deployed at all workplaces through targeted personnel selection and through the training and further education of our employees.

S1-6: Characteristics of the company's employees

Table 1

Gender	Number of employees (FTE)
Male	324
Female	72
Diverse	0
Not specified	0
Total number of employees	**397**

Table 2

Country	Number of employees (FTE)
Germany (SMT Scharf AG)	9
Germany (SMT Scharf GmbH)	107
Germany (ser elektronik GmbH)	21
Canada	10
South Africa	36
China	50
Russia	101
South America	1
Poland	62

S2: Workers in the value chain

The employees in the value chain are a key issue for us because, together with our own employees, they form the basis of our operations.

We manage the IROs associated with value chain workers through a variety of measures. We respect human rights and ILO core labor standards and work closely with our suppliers to protect human rights.

We also care about the working conditions of our customers' employees. With numerous safety features, our transportation solutions help mining companies provide good and safe conditions for their employees underground.

A holistic management system and key figures on this topic are still under development. We plan to report on this in more detail in the future.

ESRS 2 SBM-3: IROs related to the labor force in the value chain

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts	Concentration in the value chain			Time horizon		
			Upstream	Own	Downstream	Short term	Medium term	Long term
Working conditions								
Unsafe working conditions in metal production/metal processing/raw materials extraction	Negative impact	x	x			x	x	x
Hazardous working conditions and high accident rate in the steel producing/processing industry	Negative impact	x	x			x	x	x
Low accident rate thanks to safe machines	Positive impact				x	x	x	x
Better health conditions and lower particulate pollution in underground mining/infrastructure projects thanks to electrically powered machines	Positive impact				x	x	x	x
Good reputation for product safety standards	Opportunity				x	x	x	x
Equal treatment and equal opportunities for all								
Cases of discrimination against suppliers/ in the extraction of raw materials	Negative impact	x	x		x	x	x	x
Other work-related rights								
Uncertainty regarding labor-related rights at direct suppliers and in the extraction of raw materials	Negative impact	x	x		x	x	x	x

Governance (G)

G1: Business conduct

Corporate policy and culture

We are committed to conducting business with integrity in all aspects of our operations and to complying with the laws and regulations of all countries in which we operate. Our corporate goals describe our values, such as personal responsibility, openness, transparency and compliance with legal and ethical requirements, as well as the way we strive to treat each other and our business partners. These goals provide us with a clear vision that we work to implement together on our way to achieving sustainable corporate success.

The Managing Board of SMT Scharf AG and the management of the GmbH, as well as the managing directors of the global subsidiaries, are responsible for defining the corporate governance focal points and measures in collaboration with the external compliance officer, the external law firm for legal matters, the external data protection officer, the head of Customs and Foreign Trade and the head of IT.

The procedure is determined both independently of specific events as part of regular jours fixes and in response to specific events and changes in legislation and case law. In the past and current fiscal year, the focus was on compliance with the economic sanctions against Russia and the organizational integration of the subsidiaries, while also taking into account the new shareholder structure and measures to improve the protection of trade secrets.

ESRS 2 SBM-3: IROs related to corporate governance

As part of the materiality analysis, the following IROs were identified with regard to corporate governance:

SMT Scharf attaches great importance to a pleasant working environment and a **supportive corporate culture**. This can increase the attractiveness of the company as an employer and reduce employee turnover. A negative corporate culture can lead to a poor working atmosphere, which not only affects the well-being of employees, but also reduces productivity and thus represents a financial risk. In addition, a lack of adaptability to new market conditions and technologies can be a competitive disadvantage.

In the area of **supplier relationship management**, SMT Scharf strives to improve the traceability of raw materials in the supply chain, for example by participating in (industry) initiatives to minimize compliance risks in the supply chain.

In the area of **corruption and bribery**, legal, financial and reputational damage can be avoided by preventing and detecting incidents.

Significant impacts, risks and opportunities (IROs)		Human rights affected by negative impacts			Concentration in the value chain		
		Upstream	**Upstream**	**Own**	**Short term**	**Medium term**	**Long term**
Corporate culture							
Pleasant working environment	Positive impact		x		x	x	x
Negative corporate culture	Risk		x		x	x	x
Change-resistant corporate culture	Risk		x		x	x	x
Supplier relationships							
Tracking of raw materials	Positive impact	x			x	x	x
Corruption and bribery							
Preventive measures	Opportunity		x		x	x	x

G1-1: Business conduct policies and corporate culture

Code of Conduct

Our Code of Conduct defines the standards for our actions in line with our corporate purpose and values. It provides our employees with orientation for a positive corporate culture and describes the voluntary and legally prescribed measures that SMT Scharf takes to ensure ethical and lawful business conduct as well as personal integrity and a sense of responsibility of all employees and to strengthen the team spirit. The Code also helps to protect our customers, employees and suppliers as well as our own reputation.

SMT Scharf GmbH has included the Code of Conduct in the works agreement for its employees. Suppliers are not yet required to sign and comply with the Code of Conduct. However, we are currently reviewing whether the requirements for a binding supplier commitment to our Code of Conduct are met.

Compliance Management System (CMS)

In addition to the Code of Conduct, a compliance culture practiced by the Managing Board and managers is intended to prevent violations.

The Managing Board bears the overall responsibility for compliance within the company. It creates the organizational conditions for an effective CMS, is committed to compliance and lives the compliance culture. The Chief Compliance Officer is the key position for establishing, maintaining and developing the CMS. The Chief Compliance Officer is a member of the Managing Board of the holding company and reports to the Managing Board. In addition to ad hoc meetings, there is a regular exchange of information between the Chief Compliance Officer and the Managing Board of SMT Scharf as part of fixed regular meetings.

The aim of the CMS is to identify and prevent potential violations of regulations at an early stage. It is also intended to help define appropriate responses to compliance incidents in a uniform manner for all Group companies. For this purpose, we have appointed an independent external Compliance Officer. This officer supports the Chief Compliance Officer in fulfilling his duties and is called in when special expertise is required. The current external Compliance Officer of SMT Scharf GmbH, Dr. Philip Seel from the law firm Grüter in Hamm, has been in office since January 23, 2018 and advises the Managing Board within the scope of his mandate on all compliance-relevant legal issues insofar as they relate to German law. This includes, in particular, legal advice in connection with the CMS and its components.

We sensitize our employees to compliance issues through appropriate training. This creates an awareness of compliance within the SMT Scharf Group, promotes the compliance culture and thus ensures the effectiveness of the CMS.

We do not tolerate any unethical or illegal conduct by employees or other representatives of the SMT Scharf Group. In the event of specific compliance violations, SMT Scharf reserves the right to take appropriate measures under labor and civil law and, if necessary, to file criminal charges. The Managing Board is in close contact with the appointed Compliance Officer to determine possible measures.

SMT's sales, deliveries and exports as well as the provision of services by SMT—with the exception of a delivery of spare parts to Russia in 2024—were carried out in accordance with the German and European foreign trade restrictions and sanctions in force at the time the report was completed, which have evolved over time. With respect to the delivery of spare parts to Russia in 2024, the proceedings were discontinued by the Main Customs Office in Münster.

Whistleblower system

SMT Scharf employees are obliged to immediately report circumstances that give rise to the suspicion that other employees, commercial agents working for SMT Scharf or other service providers have violated provisions of the Code of Conduct or applicable laws.

Whistleblowers may report anonymously or by name. In principle, employees can report a possible violation of rules to their line manager, a managing director, a member of the Managing Board or the external compliance officer. To minimize the barriers to reporting, we have also established an electronic whistleblower system.

The identity of the whistleblower is kept confidential in accordance with the legal requirements of the Whistleblower Protection Act. Whistleblowers will not be subject to any employment sanctions or be held liable for damages as a result of a report, except in cases of willful misconduct or gross negligence. Whistleblowers are not prohibited from reporting possible violations to, cooperating with, responding to inquiries from or testifying as a witness for regulatory, investigative or other government authorities. Employees who participate in retaliation against a whistleblower may be subject to disciplinary action, up to and including termination of employment.

Handling of reports

The process for handling reports of compliance violations follows our Compliance Manual. It consists of three steps:

1. Gathering information: Regardless of the source of the information about a possible compliance violation, the suspicion must be investigated and the Chief Compliance Officer must be informed immediately. The Chief Compliance Officer will make an initial assessment of the severity of the violation and inform the management of any reports.

2. Clarification: The Chief Compliance Officer ensures that the potential compliance violation is fully clarified. In doing so, he involves all functions of the SMT Scharf Group and, if necessary, external experts. The management monitors the implementation of the investigation.

3. Legal consequences and follow-up measures: The Chief Compliance Officer reports the results of the investigation to the management. The necessary measures are initiated in consultation with the Managing Board, e.g., reporting to the authorities if there is an obligation to report. In addition, the Managing Board, in consultation with the Chief Compliance Officer, decides on sanctions.

The Compliance department documents the implementation and results of the clarification measures in a clear manner. Any compliance violations identified are included in the Chief Compliance Officer’s annual overall compliance report.

G1-3, G1-4: Corruption and bribery

SMT Scharf respects the principles of fair competition and the integrity of public administration. We are aware of the fundamental importance of these values for the functioning of the economy and our company. SMT Scharf therefore does not tolerate any form of corruption. Corrupt actions expose both SMT Scharf’s employees and the company as a whole to considerable legal risks and consequences, which can range from fines that threaten the company’s existence to long-term prison sentences for the individuals involved. SMT Scharf believes that management functions, especially in the areas of purchasing and sales, are particularly at risk from external attempts at bribery and corruption. The divisional managers and the Managing Board each receive appropriate training twice a year.

If SMT Scharf employees commit or tolerate any corrupt acts, SMT Scharf will take all available legal measures to restore the company’s integrity. These measures may include terminating without notice the employment of the employees concerned and asserting claims for damages. This also applies without exception if the SMT Scharf employee concerned believes that he or she is acting in the interests of SMT Scharf, e.g., to obtain a contract.

Corruption occurs when representatives or employees of customers, other business partners or government agencies are offered unjustified advantages of any kind in order to obtain a contract, official approval or other advantage for the company. It is also considered bribery if SMT Scharf employees accept unlawful advantages from business partners, such as gifts in kind. In cases of doubt, SMT Scharf’s Compliance Officer must be consulted before benefits are granted or accepted. There were no cases of corruption or bribery in the year under review.

G1-2, G1-6: Supplier relationship management and payment practices

Our suppliers

SMT Scharf attaches great importance to maintaining long-term, trusting relationships with key suppliers and ensuring positive collaboration with them through good communication.

Suppliers are selected according to objective criteria in the interests of SMT Scharf. In particular, we consider quality, punctuality and reliability of delivery as well as price; however, social responsibility and working conditions at suppliers also play an important role. We make sure that our suppliers are paid on time. If possible, we use discount terms, otherwise we pay on the due date.

In terms of sustainability, our goal is to work with our suppliers to improve the quality of people’s lives and secure the livelihoods of present and future generations by acting in an economically, environmentally and socially responsible manner. In selecting our suppliers, we consider social criteria such as occupational safety and respect for human rights, as well as environmental criteria such as climate protection in terms of carbon emission reduction and energy efficiency. To promote a sustainable environment and provide high quality and safe transportation solutions, we consider safety and quality standards such as ATEX compliance and welding certificates when selecting our suppliers.

In addition, our suppliers are audited by our quality assurance department and given questionnaires to complete. In the future, ESG criteria will become increasingly important and will be taken into account in supply contracts. Contractual provisions are in place to avoid risks in the supply chain. We are also planning to include the review and assessment of suppliers’ social and environmental performance in future supplier assessments and audits. Overall, ESG risks in our suppliers’ countries of origin, such as water scarcity, are low.

New suppliers receive a self-disclosure questionnaire, followed by a quality audit as a basis for approval by the Quality department. Supplier evaluations are conducted on a regular basis, and visits and monitoring audits are also used as a basis for evaluation.

We provide annual training to our procurement and supply chain employees on topics such as strategic sourcing, project sourcing and negotiation skills. The establishment and implementation of sustainable procurement management is further consolidated through training.

We are in constant contact with our suppliers. Local suppliers have long been integrated into the supply chain as key suppliers and are certified to the required quality. Certification is a prerequisite for supplier acceptance. The social and environmental performance of our suppliers is assessed annually as part of our ISO quality management system, the non-conformance reports (NCRs) and through personal visits to our suppliers.

SMT Scharf has maintained a stable business relationship with Lebenshilfe Hamm, a vulnerable supplier, for more than 40 years. Through this long-standing partnership, SMT Scharf makes an active contribution to social responsibility by contributing to the supplier's economic stability and minimizing social risks. This collaboration underscores the company's commitment to a sustainable and inclusive supply chain.

In China, we generally have at least two qualified suppliers for critical parts to minimize supply chain risks. Regular visits and audits are made to key suppliers to understand their business situation and developments in the technical area or in the production and quality control system. When selecting suppliers, the environmental protection measures taken by the supplier during the fiscal year are taken into account but are not yet recorded as part of the procurement standard. Critical quality control of suppliers is primarily related to welding quality. The company commissions internal welding experts to visit the supplier on a regular basis to identify any deficiencies and provides appropriate training to ensure price, quality and sustainability in the supply chain. There is currently no verification of social and environmental performance. The company already works with many local suppliers and intends to expand its local supplier base. We have had a trusted relationship with all our suppliers for more than ten years and see a long-term relationship as beneficial to all parties.

IRO-2: List of material disclosure requirements

List of material requirements	page
ESRS	
Basis for preparation	
BP-1: General basis for preparation of sustainability statements	4
BP-2: Disclosures in relation to specific circumstances	5
Governance	
GOV-1: The role of the administrative, management and supervisory bodies	5
GOV-2: Information provided to, and sustainability matters addressed by, the undertaking's administrative, management and supervisory bodies	5
GOV-3: Integration of sustainability-related performance in incentive schemes	7
GOV-4: Statement on due diligence	7
GOV-5: Risk management and internal controls over sustainability reporting	8
Strategy	
SBM-1: Strategy, business model and value chain	8 and see annual report
SBM-2: Interests and views of stakeholders	10
SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model	38
Management of impacts, risks and opportunities (IROs)	
IRO-1: Description of the process to identify and assess material impacts, risks and opportunities	12
IRO-2: Disclosure requirements in ESRS covered by the undertaking's sustainability statement	44
E1: Climate change	
ESRS 2: General disclosures	15
ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model	16
E1-1: Transition plan for climate change mitigation	18
ESRS 2 GOV-3: Inclusion of sustainability-related performance in incentive systems	18
ESRS 2 SMB-3: Material impacts impacts, risks and opportunities and their interaction with strategy and business model	16

Glossary

ATEX Directive	The ATEX Directive establishes uniform rules throughout the European Union for the sale and commissioning of equipment and protective systems intended for use in potentially explosive atmospheres.
Carbon footprint (CO_2 footprint)	The term “carbon footprint” refers to the measurement of climate-impacting greenhouse gases and their compilation into a greenhouse gas balance. A carbon footprint can be created for countries, regions, companies, products and services as well as for private households. It is stated in In addition to ad hoc meetings, there is a regular exchange of information between the Chief Compliance Officer and the Managing Board of SMT Scharf as part of fixed regular meetings. equivalents (CO_2e). One CO_2 equivalent is equal to one ton of carbon dioxide (CO_2) emitted. Since carbon footprints take into account other climate-relevant greenhouse gases in addition to CO_2—primarily methane (CH_4), nitrous oxide (N_2O), fluorinated and perfluorinated hydrocarbons (HFCs, PFCs) and sulphur hexafluoride (SF_6)— CO_2e is an appropriate unit of measurement.
Chief Compliance Officer (CCO)	The CCO is responsible for monitoring and managing compliance issues within an organization. He or she ensures that violations are avoided, weaknesses are eliminated, and errors are properly reported. At SMT Scharf, the CCO is the key position for establishing, maintaining and further developing the **CMS**. He or she is a staff member of the management of the holding company, is subject to instructions and reporting obligations, and is in regular contact with the Managing Board.
China III standard	The Chinese government has adopted stricter emissions standards for vehicles with the China III emissions regulation. These came into effect in 2021 and also apply to machines used in underground mining.
CO_2 (carbon dioxide)	Carbon dioxide is one of the best-known greenhouse gases and is produced when fossil fuels such as coal and natural gas are burned. Greenhouse gases are measured under a global and standardized framework called the Greenhouse Gas Protocol.
Code of Conduct	The Code of Conduct is a set of rules of conduct for a company. It is intended to provide guidance to employees and contains guidelines for responsible, ethical and honest conduct.

Compliance Management System (CMS)	A CMS brings together all of an organization's structures, processes and measures to ensure compliance. It ensures that organizations do not violate legally binding external regulations, such as laws and internal policies. The goal of the CMS is to identify and prevent potential violations at an early stage. It is also intended to help SMT Scharf define appropriate responses to compliance incidents for all Group companies in a uniform manner. Our external **compliance officer** supports SMT Scharf by, in particular, providing legal advice in connection with the CMS and its components.
Compliance Officer	SMT Scharf's Compliance Officer is an external lawyer who supports the **CCO** in fulfilling his or her duties. The Compliance Officer is consulted when special expertise in commercial law is required. As part of this mandate, the Compliance Officer advises the Managing Board on all legal issues relevant to compliance, insofar as these relate to German law. This includes, in particular, legal advice in connection with the **CMS** and its components.
Corporate Sustainability Reporting Directive (CSRD)	The Corporate Sustainability Reporting Directive (CSRD) is an EU directive that comprehensively reforms sustainability reporting in the European Union. It replaces the previous Non-Financial Reporting Directive (NFRD) and requires companies to disclose comprehensive information on environmental, social and governance (ESG) issues. The European Sustainability Reporting Standards (ESRS) form the basis for reporting. The CSRD will gradually take effect for large companies and listed SMEs from 2024; from 2025, many will have to report for the first time for the 2024 financial year. In the course of implementation, the European Commission published the draft for the first Omnibus Package on February 26, 2025, which revealed the specific planned impact of the simplification initiative on reporting requirements. The aim of the Omnibus Initiative is to make the application of the CSRD more practicable, especially for small and medium-sized enterprises, for example through transitional arrangements, reduced reporting scopes or clarifications in the application of the ESRS – without fundamentally lowering the level of ambition of the directive.
Diversity	Diversity refers to the conscious treatment, acceptance and equality of different people in companies, regardless of ethnic origin, skin color, age, gender, nationality, religion, ideology, disability, sexual orientation or the like.

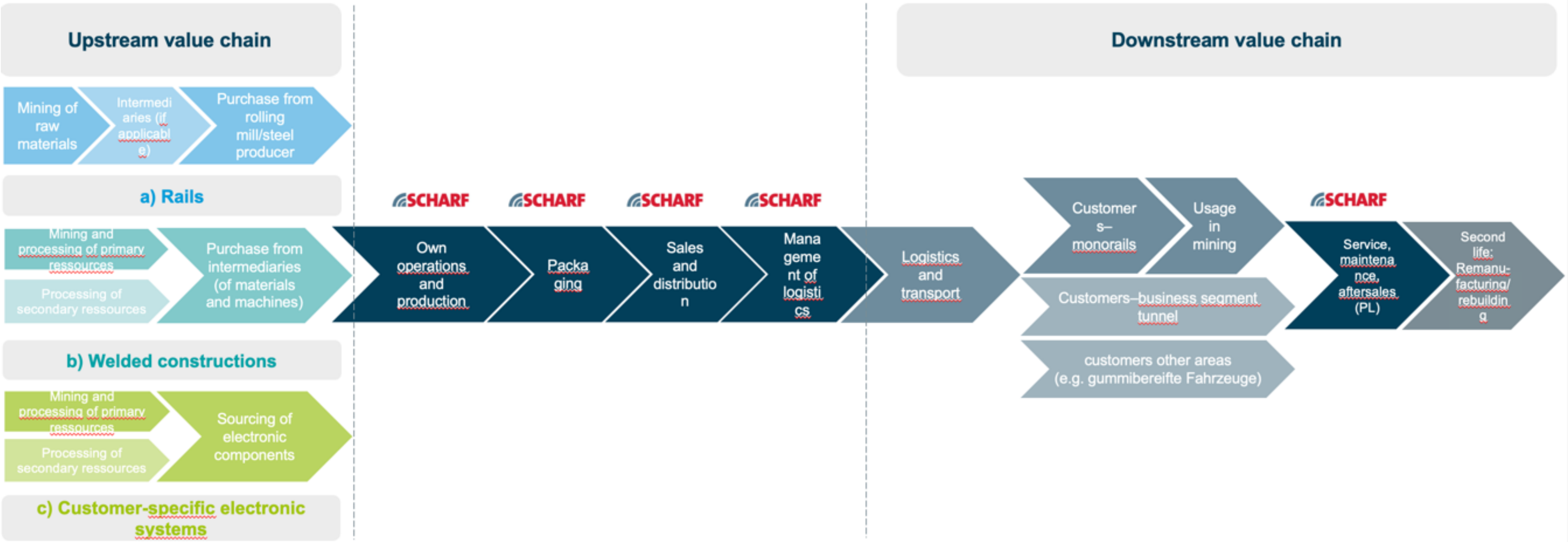
Double materiality	An important innovation associated with the **CSRD** is the concept of double materiality. This means that companies' sustainability reports focus on information that is relevant and understandable to their target audiences. Due to the large number of environmental, social and governance issues, companies face the challenge of limiting their reporting to the issues that are material to them. The principle of double materiality considers both the material impact of business activities on people and the environment (non-financial materiality) and the impact of sustainability issues on business performance (financial materiality). To identify material issues, companies must conduct a materiality analysis. This includes sustainability aspects such as environmental protection, occupational health and safety, supply chain, human rights and other social aspects, governance and the assessment of existing internal controls, processes and policies. The company must report on the material issues identified in accordance with the **ESRS**. This includes information on strategy and governance related to the topic, information on actions taken as well as targets and metrics.
Eco-efficiency	Eco-efficiency refers to the effort to design products and processes in such a way that maximum benefit and quality are achieved with a minimum of resources and emissions. Eco-efficiency concepts contrast the destruction of ecological value with the creation of economic value. They enable the optimization of processes and products, as well as the analysis of competitors and markets. Eco-efficiency concepts lend themselves to the integration of continuous improvement processes.
Energy audit according to DIN EN 16247	An energy audit is a procedure that provides information about the existing energy consumption profile of a company. DIN EN 16247 defines the characteristics of an energy audit and specifies the requirements and respective obligations within the audit process. The objective is to identify and quantify economic energy savings. The audit includes an inventory and energy assessment of the company's processes. The results and resulting optimization opportunities are documented in a report. The energy audit can be a precursor to an energy management system.
ESG	ESG refers to the non-financial factors that investors consider when evaluating potential investments. "E" stands for environmental, "S" for social and "G" for governance. It is also about a company's impact on, and contribution to, sustainability and the associated risks to

	the company. ESG factors are a mandatory part of sustainability reporting under the **CSRD**.
European Sustainability Reporting Standards (ESRS)	The ESRS are the first legally binding European ESG standards designed to ensure comprehensive and comparable sustainability reporting. The ESRS are a set of guidelines developed as part of the CSRD that define the reporting requirements for companies. Companies subject to the **CSRD** are required to report in accordance with the ESRS. The standards are developed by the European Financial Reporting Advisory Group (EFRAG), an independent multi-stakeholder body.
EU Taxonomy Regulation	The EU Taxonomy Regulation sets out a uniform system of criteria that can be used to determine whether an economic activity can be classified as environmentally sustainable. The regulation came into force in July 2020 and has been applicable since January 2022. The Taxonomy Regulation is the authoritative basis for all European and national regulations that relate directly or indirectly to environmentally sustainable economic activities or investments and sets out six environmental objectives that are relevant for the classification of economic activities: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and reduction, and protection and restoration of biodiversity and ecosystems.
Green Deal	The European Green Deal is a concept presented by the European Commission in December 2019 with the aim of reducing the EU's net greenhouse gas emissions to zero by 2050, making it the first continent to become climate neutral. It is the EU's contribution to the **Paris Climate Agreement** and is intended to become a central component of EU climate policy. The Green Deal is also a growth strategy with 50 specific measures designed to bring about social and economic change, including in the areas of financial market regulation (sustainable finance), energy supply, transport, trade, industry, agriculture and forestry. The previous target of reducing the EU's carbon emissions by 40% by 2030 compared to 1990 is to be increased to 50 to 55%.
Impacts, risks and opportunities (IROs)	Impacts, risks and opportunities (IROs) play an important role in **CSRD** reporting. The term "impacts" refers to the positive and negative effects that a company can have on society and the environment. It refers to activities within the company's own operations as well as those in the upstream and downstream value chains. Risks are potential negative consequences,

	while opportunities are positive potential, e.g. in the form of financial benefits or reputational gains. As part of the **double materiality** analysis, the identified IROs are assessed according to their magnitude, scope, reversibility and likelihood.
International Organization for Standardization (ISO)	ISO is an international non-governmental organization (NGO) founded in 1947 that develops and publishes internationally valid standards. There are currently almost 25,000 ISO standards covering a wide range of topics.
ÖKOPROFIT	The environmental program ÖKOPROFIT (ÖKOlogisches PROjekt Für Integrierte UmweltTechnik) was developed in 1991 by the Environmental Office of Graz in collaboration with the Technical University of Graz. It is a collaborative project between the regional economy, administration and experts, and offers companies an environmental management approach that focuses on awareness-raising, practical relevance and the implementation of measures. The aim is to reduce operational emissions, conserve natural resources, increase **eco-efficiency** and raise awareness of the environment and sustainability. ÖKOPROFIT is implemented in a regional network of companies from different sectors and consists of workshops, individual consulting and certification.
Paris Climate Agreement	The Paris Climate Agreement was adopted at the COP21 (Conference of the Parties) of the Framework Convention on Climate Change in Paris in December 2015 and entered into force in November 2016. Under the Paris Agreement, signatories commit to limiting global warming to well below 2°C, and ideally to 1.5°C compared to pre-industrial levels. All EU Member States have signed the Paris Agreement.
Plausibility check	Plausibility checks are used by the auditor to verify the data quality of the specific information required by the **ESRS**, the so-called data points that companies are required to collect and report. Ensuring data quality is a key challenge in sustainability reporting. There is often a lack of standardized processes for consolidating and validating the information collected, which can lead to inconsistencies and gaps in reporting. The auditor therefore relies on inquiries and analytical assessments with a focus on the plausibility of the information. By establishing their own reporting process, companies can ensure that data is collected and reported consistently. Internal plausibility checks (e.g., by controlling) can ensure the quality of reported data points during the process.

Renewable energy	Renewable energy is a type of energy that is considered a sustainable resource because it is self-renewing and therefore cannot be depleted as a resource. Examples of renewable energy include wind power, solar power and hydroelectric power. They are also referred to as “green electricity,” while “gray electricity” refers to electricity of unknown origin and energy source.
Stakeholders and stakeholder dialogue	Stakeholders are basically all parties (groups or individuals) that are involved in, affected by, have an interest in or can influence the activities of a company. The term “stakeholders” or “interest groups” is also frequently used. Stakeholder mapping can be used to systematically identify relevant stakeholder groups. The stakeholder dialogue between the company and stakeholders identifies what is important to each side. Specific issues are raised and examined from different perspectives. The dialogue itself can take different forms depending on the stakeholder group. In principle, it is important that the company reports transparently and openly on the current situation and development status in the various areas and is genuinely interested in receiving feedback from stakeholders. This requires an understanding of stakeholder concerns and a willingness to engage with them. This does not mean that all stakeholder concerns must be addressed, but important insights should be incorporated into management decisions.
Sustainability statement	The term “sustainability statement” refers to non-financial sustainability reporting in accordance with the **CSRD**. With the **CSRD**, the sustainability statement becomes a mandatory and independent part of the annual report and can also be published separately. From 2026, it will be subject to a content review by the auditor for the 2025 financial year. As a first step, companies carry out a **double materiality analysis to** determine which sustainability information is to be classified as material and therefore disclosed in the sustainability statement. The relevant data points from the **ESRS** are then identified and the statement is prepared.
Whistleblower system	A whistleblower system is an electronic reporting system that allows employees and others associated with the Company to report, by name or anonymously, misconduct and unethical or illegal behavior in the workplace.

SMT Scharf AG's value chain



SMT SCHARF AG

Römerstraße 104
59075 Hamm

Telephone: +49 (0) 2381 960 210
Telefax: +49 (0) 2381 960 311

E-mail: ir@smtscharf.com
www.smtscharf.com