



 **SCHARF**

2020

3-MONTH REPORT

LETTER TO SHAREHOLDERS

Dear shareholders,

SMT Scharf's business growth in the first quarter of 2020 was significantly impacted by the coronavirus pandemic, which led to a substantial downturn in revenue and earnings during the period under review. SMT Scharf recorded consolidated revenue of EUR 10.7 million in the first three months of the 2020 fiscal year, down EUR 4.2 million compared with the previous year's level of EUR 14.9 million. The market environment deteriorated tangibly at the start of the year, leading to a downturn in business with both new systems and after-sales. The simultaneous occurrence of these trends is exceptional, and is attributable to the far-reaching policy decisions taken to contain the global pandemic. Moreover, the operating result (EBIT) reduced to EUR -2.1 million, compared with EUR 1.6 million in the prior-year quarter.

The coronavirus pandemic has exerted a significantly negative effect on SMT Scharf's business activities in our target markets since the start of 2020. From January to the end of March 2020, business operations in China came to a standstill due to the restrictions imposed to contain the coronavirus. Business activities there have resumed in the meantime. In view of full order books, we continue to expect that catch-up effects in the Chinese market will materialise from the second half of the year onwards. At the same time, it remains the case that it cannot be ruled out that coronavirus could delay the approval of machines for underground mining in accordance with the new China III requirements. Our business activities were also impaired in other important target markets. In South Africa and Canada, no significant business activities have taken place since week 13 due to site closures ordered by the authorities.

Overall, the current exceptional economic situation means that orders received worldwide cannot be executed yet, or can only be executed with a delay. Furthermore, we expect that the economic consequences of the coronavirus pandemic will continue to weigh heavily on general demand in the global market, especially for mining equipment, over the course of 2020. This applies both to the willingness to invest in new plants and, initially, to the after-sales business. Given this, on April 28 we amended the forecast and now anticipate for the 2020 fiscal year consolidated revenue between EUR 55 million and EUR 57 million, and EBIT in a range between EUR -1.4 million and EUR -1.6 million.

We remain well positioned within our niche and, despite the great uncertainties currently prevailing in the market, we will continue to push ahead with our strategic initiatives in product development and sales, as well as with improving Group structures. In the medium and long term, we continue to identify attractive growth opportunities in our business segments, deriving from global urban development trends, high demand for economically strategic raw materials, and electric mobility.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence you invest in us, and we look forward to continuing our partnership into the future. Keep well!

Kind regards

Hans Joachim Theiß

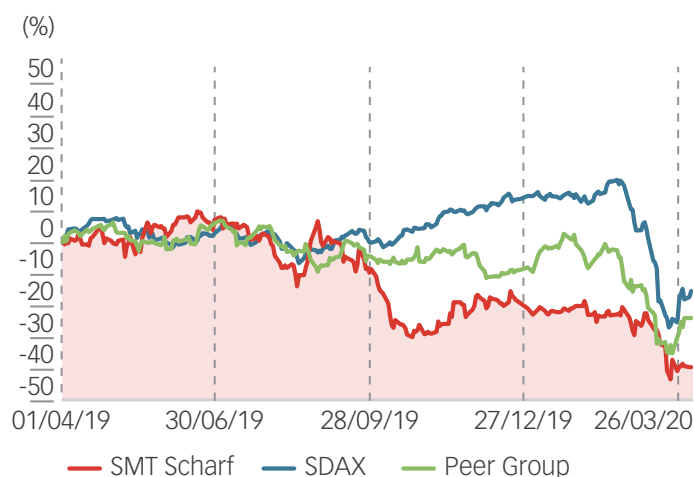
Wolfgang Embert

SUMMARY OF KEY DATA

		2018	2019	Q1/2019	Q1/2020
Revenue	EUR thousand	70,795	75,395	14,898	10,650
Total operating revenue	EUR thousand	71,028	74,837	16,135	11,507
EBIT	EUR thousand	5,304	6,822	1,551	-2,089
EBIT margin on total operating revenue	%	7.5	9.1	9.6	-18.3
Group net profit / loss	EUR thousand	4,633	5,739	1,635	-1,441
Equity	EUR thousand	51,533	60,577	54,713	55,680
Equity ratio	%	62	63	62	61
FTEs (full-time employees)	on the reporting date	389	432	408	440

SHARE INFORMATION

SHARE PRICE CHART

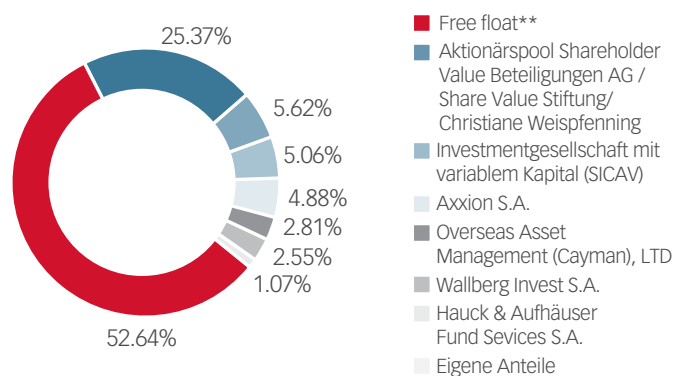


KEY SHARE DATA Q1 2020

Ticker / ISIN	S4A / DE0005751986
Number of shares (including 49,477 treasury shares)	4,620,000
Closing price (31/03/2020)*	EUR 7.86
High/low * in Q1/2020	EUR 10.55 / EUR 7.36
Share price performance (LTM on 31/03/2020)	-39.3%
SDAX performance (LTM on 31/03/2020)	-15.4%
Peer group portfolio performance (LTM on 31/03/2020)	-18.8%
Market capitalisation excluding treasury shares (31/03/2020)	EUR 35.9 million

Closing prices on the Xetra trading system of Deutsche Börse AG

SHAREHOLDER STRUCTURE*



* Shareholdings are disclosed on the basis of the number of shares indicated in the last notification of voting rights transmitted

** Shareholders with a shareholding of less than 3% are included in the free float (exception: treasury shares)

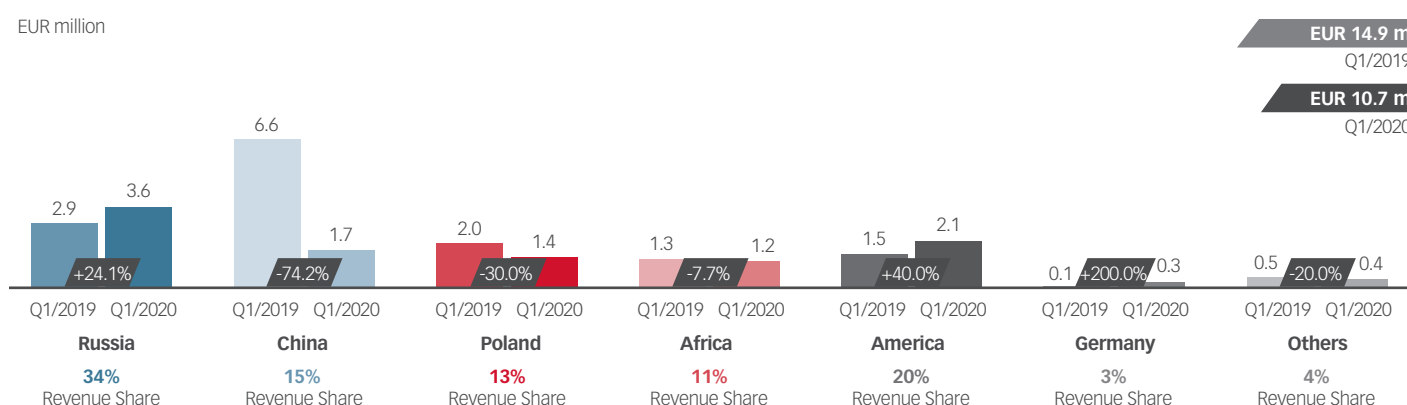
FINANCIAL CALENDAR

May 26, 2020	Annual General Meeting
August 14, 2020	2020 6M report
November 12, 2020	2020 9M report
December 31, 2020	Fiscal year-end

BUSINESS TRENDS

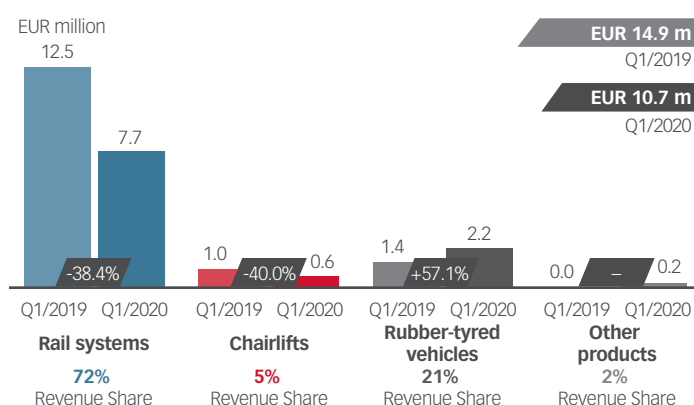
In the first three months of the current 2020 fiscal year, the SMT Scharf Group's business growth was significantly impacted by the coronavirus pandemic. The resulting impairment of business activities in target markets worldwide led to a decrease in revenue and results in the first quarter of 2020. Consolidated revenue in the first three months of 2020 was down by 28.2% to EUR 10.7 million, compared with EUR 14.9 million in the prior year period. Particularly in China, SMT Scharf recorded a significant downturn in revenue of 74.2% from EUR 6.6 million to EUR 1.7 million. From January to the end of March 2020, business operations there came to a standstill due to the restrictions imposed to contain the coronavirus. Business activities in China have resumed in the meantime.

Revenue by region

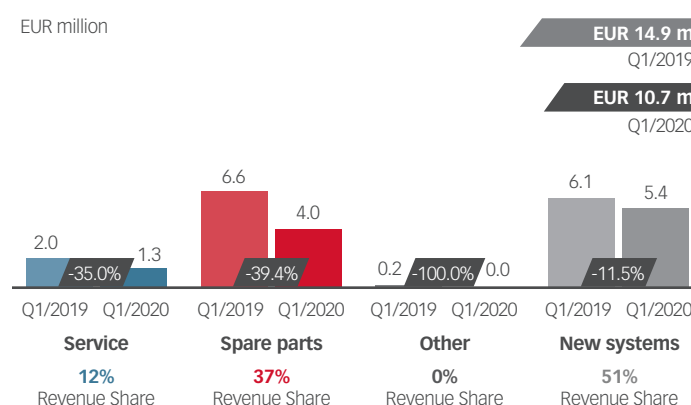


Owing to the economic consequences of the coronavirus pandemic and associated significant decrease in revenue, the result before interest and taxes (EBIT) dropped into negative territory and amounted to EUR -2.1 million for the first quarter of 2020 (Q1/2019: EUR 1.6 million). Both the new systems business and the highly profitable after-sales business decreased in the period under review. Against the backdrop of a severely deteriorating market environment, revenue of EUR 5.4 million was generated in the new systems business (Q1/2019: EUR 6.1 million). Revenue in the service and spare parts business was down to EUR 5.3 million (Q1/2019: EUR 8.6 million). No revenues were generated in the Other segment in the reporting period (Q1/2019: EUR 0.2 million).

Revenue share by product

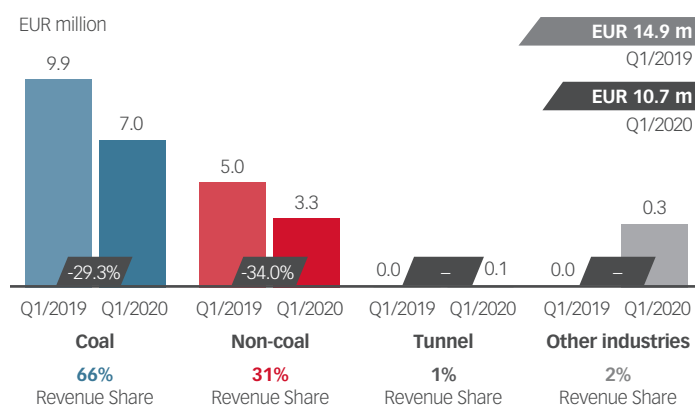


Revenue share by business type



In terms of segments, the largest revenue share continued to be attributable to the Coal market, comprising 66% of total revenue (Q1/2019: 66%), while the proportion from the Non-Coalmining segment reduced slightly to 31% (Q1/2019: 34%). Moreover, the new segment „Other Industries“ generated 2% of Group revenue. Furthermore, the Tunnel segment accounted for 1% of revenue, after no revenue was recorded in this segment in the first quarter of the previous year. With its portfolio, which has been expanded to include electronic control systems and the previous addition of rubber-tyred diesel and electric vehicles for non-coal and salt mining as well as for tunnel construction sites, SMT Scharf is fundamentally in an excellent position to expand its business in its individual segments.

Revenue share by segment

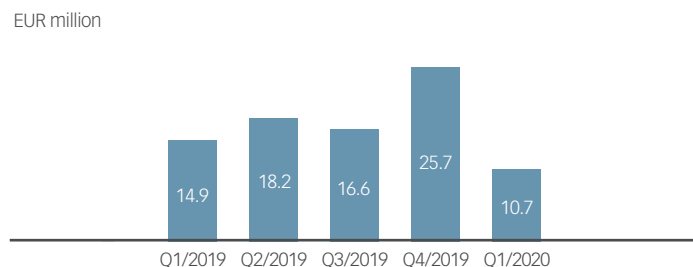


New order intake in the first quarter of 2020 amounted to EUR 15.1 million, up compared with the prior-year period (Q1/2019: EUR 14.5 million). The order book position amounted to EUR 29.4 million as of March 31, 2020, an increase of EUR 10 million on the previous year's reporting date (Q1/2019: EUR 19.4 million). This significantly higher order book position reflects the delayed processing of orders received in the main foreign markets.

The number of full-time employees (FTEs) rose to 440 as of the March 31, 2020 reporting date (March 31, 2019: 408 FTEs).

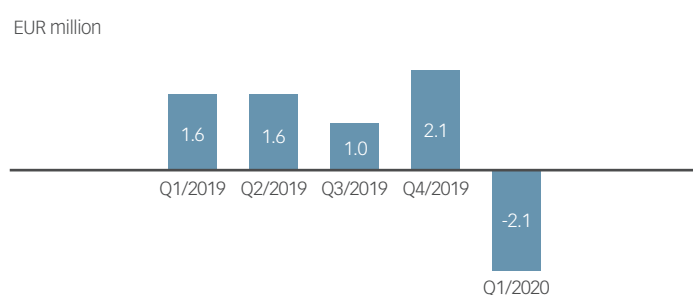
ECONOMIC AND BUSINESS REPORT

Group revenue



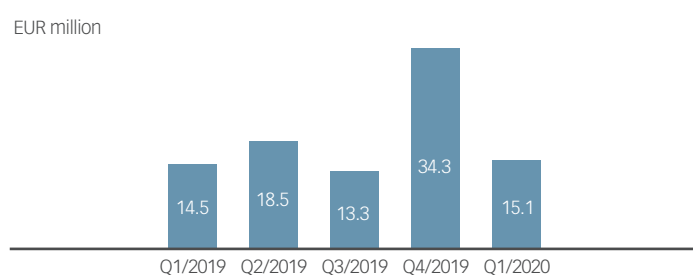
- The last twelve months' (LTM) rolling consolidated revenue amounted to EUR 71.2 million as of the March 31, 2020 reporting date. Following strong revenue growth in the final quarter of 2019, the coronavirus pandemic led to a significant decrease in revenue to EUR 10.7 million in the first quarter of 2020.
- Due to the deterioration in the market environment associated with the coronavirus pandemic, revenue in the new systems business as well as in the spare parts and service businesses was down compared with the first quarter of the previous year.

Operating result (EBIT)



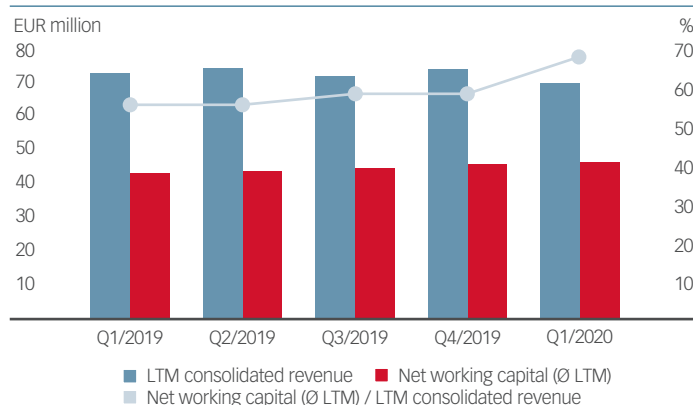
- EBIT in the first quarter of 2020 dropped into negative territory and amounted to EUR -2.1 million (Q1/2019: EUR 1.6 million). As a consequence, EBIT was down significantly on the previous year, owing particularly to the sharp reduction in revenue in the new systems business as well as in the highly profitable service and spare parts businesses.
- The EBIT margin (based on total operating revenue) stood at 18.3% in the first quarter of 2020 (Q1/2019: 9.6%).
- The last twelve months' (LTM) rolling consolidated revenue amounted to EUR 0.6 million as of the March 31, 2020 reporting date.

New order intake



- New order intake in the first quarter 2020 of EUR 15.1 million reflects a decrease of 4.2% compared with the prior-year period (Q1/2019: EUR 14.5 million).
- The order book position as of March 31, 2020 increased significantly to EUR 29.4 million as of the reporting date (March 31, 2019: EUR 19.4 million), thereby reflecting delayed order processing against the background of the coronavirus crisis.

Net working capital (average LTM) / Consolidated revenue LTM



- Net working capital is defined as the sum of inventories, trade receivables and other assets, less current provisions, trade payables, current bank borrowings and other liabilities and advance payments as of the respective reporting date.
- Average net working capital of EUR 47.1 million for the last twelve months as of the March 31, 2020 reporting date (LTM, calculated from quarterly figures) in relationship to the last twelve months' (LTM) rolling consolidated revenue as of the reporting date of EUR 71.2 million reflects a net working capital intensity of 66.1%.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the March 31, 2020 balance sheet date that impact the SMT Scharf Group's further course of business.

OUTLOOK

The global economy will contract significantly in 2020, according to the latest economic outlook published by the International Monetary Fund (IMF) in April. As a consequence of the coronavirus pandemic, the IMF expects the global economy to contract by 3%. According to the IMF's economists, the necessary protective measures are exerting a significant impact on economic activity and are causing high and rising costs worldwide. In a baseline scenario – assuming that the pandemic abates in the second half of 2020 and that containment efforts can be gradually unwound – the global economy is projected to expand by 5.8% in 2021 when economic activity normalises with the help of policy support.

The IMF has also significantly reduced its outlook for SMT Scharf's relevant foreign markets. With regard to China, the IMF now expects growth of only 1.2% in 2020, with the Chinese economy then expected to grow again significantly by 9.2% in 2021. In addition, the IMF forecasts that the Russian economy will contract by 5.5% in 2020 and then expand again by 3.5% in 2021. They expect a similar scenario for South Africa. After a 5.8% decrease in the economy in 2020, economic growth of 4.0% is forecast for 2021. For the equally important foreign market of Poland, the IMF expects an economic slump of 4.6% in 2020, followed by a further 4.2% growth in the following year 2021.

Since the start of the year, the coronavirus pandemic has exerted a clearly negative impact on SMT Scharf's target markets, with a significant negative effect on the company's business activities. From January to the end of March 2020, business operations in China came to a standstill due to the restrictions imposed to contain the coronavirus. In South Africa and Canada, too, no significant business activities have occurred since calendar week 13 due to the closure of the sites ordered by the authorities. Although the SMT Scharf Group's supply chains have not yet been interrupted, the current exceptional situation means that orders that have been received cannot yet be executed or can only be executed with a delay. Moreover, SMT Scharf's Managing Board believes that the economic consequences deriving from the coronavirus pandemic will continue to place a substantial burden on demand on the global mining equipment market – in both the new systems business and the after-sales business – over the course of 2020.

Against this backdrop, the Managing Board adjusted its forecast for the 2020 fiscal year on April 28, based on the information available at that time. Consequently, the Managing Board now anticipates consolidated revenue of between EUR 55 million and EUR 57 million for the 2020 fiscal year. Furthermore, the Managing Board now forecasts 2020 EBIT in a range between EUR -1.4 million and EUR -1.6 million.

Originally, SMT Scharf anticipated consolidated revenue in a range between EUR 72 million and EUR 75 million and EBIT in a range between EUR 5.5 million and EUR 6.0 million for the 2020 fiscal year.

CONSOLIDATED BALANCE SHEET

EUR thousand	31/03/2020	31/03/2019	31/12/2019
Assets			
Intangible assets	6,098	4,893	6,120
Property, plant and equipment	8,948	8,099	9,829
Loans	712	0	712
Equity accounted investments	7,491	6,265	6,746
Other investments	7	0	7
Deferred tax assets	2,653	2,871	2,665
Non-current lease receivables	390	1,063	585
Other non-current non-financial assets	36	9	11
Non-current assets	26,335	23,200	26,675
Inventories	29,024	28,481	28,614
Trade receivables	22,699	23,118	29,398
Contract assets	333	425	473
Current lease receivables	665	963	790
Other current non-financial assets	4,006	4,758	3,505
Other current non-financial assets in connection with employee benefit entitlements	1,193	245	1,151
Cash and cash equivalents	7,467	6,886	5,229
Current assets	65,387	64,876	69,160
Total assets	91,722	88,076	95,835

EUR thousand	31/03/2020	31/03/2019	31/12/2019
Equity and liabilities			
Subscribed share capital	4,571	4,571	4,571
Capital reserve	16,766	16,597	16,732
Revenue reserves	39,365	36,928	40,739
Other reserves	-6,330	-3,383	-3,026
Non-controlling interests	1,308	0	1,561
Equity	55,680	54,713	60,577
Provisions for pensions	3,477	3,152	3,480
Other non-current provisions	201	236	220
Deferred tax liabilities	624	821	595
Contract liabilities	3	0	0
Leasing liabilities	1,035	717	1,112
Non-current financial liabilities	4,145	8,145	4,442
Other non-current financial liabilities	781	681	783
Non-current provisions and liabilities	10,266	13,752	10,632
Current income tax	203	192	198
Other current provisions	4,645	5,602	4,929
Contract liabilities	107	713	932
Trade payables	3,852	5,176	6,543
Leasing liabilities	590	283	620
Current financial liabilities (cash and cash equivalents)	13,279	4,619	7,128
Current financial liabilities (not cash and cash equivalents)	2,088	1,747	2,366
Other current non-financial liabilities	1,012	1,279	1,910
Current provisions and liabilities	25,776	19,611	24,626
Total assets	91,722	88,076	95,835

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Q1/2020	Q1/2019
Revenue	10,650	14,898
Changes in inventories	857	1,237
Total operating revenue (100%)	11,507	16,135
Other operating income	997	1,184
Cost of materials	6,377	8,670
Personnel expenses	4,804	4,495
Depreciation, amortisation and impairment losses	738	526
Other operating expenses	2,674	2,077
Profit/loss from operating activities (EBIT)	-2,089	1,551
Income from equity accounted investments	716	180
Interest income	102	97
Interest expenses	131	115
Financial result	687	162
Profit before tax	-1,402	1,713
Income taxes	39	78
Group net profit/loss	-1,441	1,635
Share of consolidated net profit attributable to shareholders of SMT Scharf AG	-1,374	1,635
Share of consolidated net profit attributable to non-controlling interests	-67	0
Other comprehensive income items recycled later to profit or loss		
Currency differences from translation of foreign financial statements	-3,321	1,283
Share of other comprehensive income attributable to equity accounted investments	-8	262
Other comprehensive income	-3,329	1,545
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG	-3,144	1,545
of which, share of total comprehensive income attributable to non-controlling interests	-185	0
Total comprehensive income	-4,770	3,180
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG	-4,518	3,180
of which, share of total comprehensive income attributable to non-controlling interests	-252	0
Earnings per share (in EUR)		
Undiluted (basic)	-0.30	0.36
Diluted	-0.30	0.36
Average number of shares	4,570,523	4,570,523

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Q1/2020	Q1/2019
Consolidated net profit	-1,441	1,635
- Result from equity accounted investments	-716	-180
+ Depreciation and amortisation of non-current assets	738	526
-/+ Gain/loss on disposal of non-current assets	-12	219
+/- Increase/decrease in provisions	-132	-46
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	3,711	-1,026
+/- Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	-4,122	-1,413
+/- Other non-cash expenses/income	34	0
+/- Income taxes	40	78
+/- Financial expenses	29	18
-/+ Income tax paid/received	-172	296
Cash flow from operating activities	-2,043	107
+ Cash inflows from disposal of property, plant and equipment	28	0
- Capital expenditure on property, plant and equipment	-236	-1,381
- Capital expenditure on intangible assets	-376	-131
+ Interest received	102	88
Cash flow from investing activities	-482	-1,424
+ Cash outflows for the repayment of leasing liabilities	-153	532
+ Cash inflows from the drawing down of loans	0	2,897
- Cash outflow for the redemption of loans	-510	-3,153
- Interest paid	-330	-290
Cash flow from financing activities	-993	-14
Net change in cash and cash equivalents	-3,518	-1,331
Changes in cash and cash equivalents due to effects from exchange rates and consolidated Group	-397	187
Cash and cash equivalents at start of period	-1,898	3,218
Cash and cash equivalents at end of period	-5,813	2,074

SELECTED NOTES TO THE FINANCIAL STATEMENTS

Inventories

Inventories are composed as follows:

EUR thousand	31/03/2020	31/03/2019
Raw materials, consumables and supplies	13,126	11,645
Work in progress	12,863	14,946
Finished goods and merchandise	3,035	1,890
Carrying amount	29,024	28,481

Segment report

The business of the SMT Scharf Group is divided into four operating segments. Intersegment revenues and inputs are of minor significance, and are not reported separately.

EUR thousand	Coal mining		Non-coal mining		Tunnel logistics		Other industries		Not allocated		SMT Scharf Group	
	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019	Q1/2020	Q1/2019
Revenue	7,043	9,913	3,346	4,971	49	14	212	-	-	-	10,650	14,898
- of which new systems	3,266	2,968	1,909	1,969	-	-	212	-	-	-	5,387	4,937
- of which spare parts	2,690	5,874	1,266	2,836	45	14	-	-	-	-	4,001	8,724
- of which service	1,087	1,071	171	166	4	-	-	-	-	-	1,262	1,237
- of which other	-	-	-	-	-	-	-	-	-	-	-	-
Operating result (EBIT)	(1,706)	1,706	(151)	(73)	(118)	(82)	(113)	-	-	-	(2,089)	1,551
Earnings from equity accounted companies	716	180	-	-	-	-	-	-	-	-	716	180
Segment assets	74,006	71,192	12,899	13,942	126	71	2,038	-	2,653	2,871	91,722	88,076
Interco (already deducted)	129	-	(11)	-	(10)	-	(108)	-	-	-	-	-
Segment liabilities	22,806	30,141	11,385	2,378	167	22	1,061	-	624	822	36,042	33,363
Interco (already deducted)	4,294	-	(4,228)	-	(66)	-	-	-	-	-	-	-
Segment investments	313	1,506	15	6	1	-	14	-	-	-	343	1,512
- of which IFRS 16	87	-	11	-	-	-	9	-	-	-	107	-
Equity accounted investments	7,491	6,265	-	-	-	-	-	-	-	-	7,491	6,265
Depreciation and amortisation	621	446	78	79	5	2	34	-	-	-	738	527
FTEs	349	325	70	80	3	3	18	-	-	-	440	408

IMPRINT

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DISCLAIMER

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