

SMT Scharf AG restructures its Canadian subsidiary, creating the foundations for future growth in the hard rock market

- **Impairment charge of EUR 6.6 million due to revaluation of RDH's inventories and correction of intangible assets**
- **Consistent restructuring process underway at Canadian subsidiary**
- **Development of rubber-tyred vehicle business for hard rock market planned on a healthy basis**
- **FY 2020 revenue and earnings forecasts corrected**

Hamm, November 10, 2020 – SMT Scharf AG (WKN 575198, ISIN DE0005751986), one of the world's leading suppliers of customised transport solutions and logistics systems for underground mining, has applied impairment charges of EUR 6.6 million as of the third quarter of 2020. As part of the ongoing restructuring process at the Canadian subsidiary RDH Mining Equipment Ltd., which has been rendered more difficult by coronavirus, inventories were also reviewed and, in some cases, classified as impaired in terms of their value. The revaluation leads to an impairment charge of some EUR 5.1 million. In addition, against the backdrop of the COVID-19 pandemic, SMT Scharf is correcting intangible assets for the Group by EUR 1.5 million, thereby adjusting them to reflect the company's current situation.

Hans Joachim Theiss, CEO of SMT Scharf AG, comments: "Against expectations, the integration of the Canadian mining specialist RDH Mining into the SMT Scharf Group has proved to be a major accomplishment. By subjecting RDH to consistent restructuring and repositioning in terms of both personnel and organisation, we are creating a healthy foundation for the future growth of our Group subsidiary and the sustainable development of our business with rubber-tyred vehicles for underground mining. Especially in the area of electrically powered vehicles, RDH has taken a pioneering role in the market in recent years. We identify great potential for our Group in the development and production of electrically powered vehicles for mining and other industries over the coming years."

At the same time, the impairment charge has the consequence that the EBIT operating result based on preliminary figures for the first nine months of 2020 is clearly negative at EUR -7.2 million (9M/2019: EUR 3.2 million). Given this negative one-off effect, the Managing Board has revised its earnings forecast and now expects EBIT for the full 2020 fiscal year to lie in a range between EUR -6.0 million and EUR -6.5 million. In April, against the backdrop of the COVID-19 pandemic, the Managing Board adjusted the forecast it issued at the time it published the 2019 results, and last expected EBIT in a range between EUR -1.4 million and EUR -1.6 million.

Moreover, the economic impact of the COVID-19 pandemic is significantly affecting the SMT Scharf Group's business activities in the global mining equipment market, which is clearly slowing demand for new equipment as well as for service and maintenance. Furthermore,

the approval of the new China-III machines by the regulatory authorities in China continues to be delayed, so that a start cannot be made with the execution of existing orders. Given this, SMT Scharf has corrected its forecast for consolidated revenue to between EUR 48 million and EUR 50 million for the 2020 fiscal year. The company had previously expected revenue to lie in a range between EUR 55 million and EUR 57 million.

“We are in regular dialogue with the Chinese regulatory authorities and are pulling out all the stops in order to obtain approval for the China-III machines as rapidly as possible. As things stand at present, we now expect to start delivering the new generation of machines in the first half of 2021. We are prepared for this in terms of our production. In light of our high order book position, we then expect significant catch-up effects in the Chinese market,” adds Theiss.

SMT Scharf AG will publish its full results for the first nine months of the 2020 fiscal year on November 12, 2020 at www.smtscharf.de, in the Investor Relations section.

Company profile

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

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