



 **SCHARF**

2020

6-MONTH REPORT

SUMMARY OF KEY DATA

		2018	2019	H1/2019	H1/2020
Revenue	EUR thousand	70,795	75,395	33,139	23,630
Total operating revenue	EUR thousand	71,028	74,837	34,479	24,909
EBIT	EUR thousand	5,304	6,822	3,150	-1,814
EBIT margin on total operating revenue	%	7.5	9.1	9.1	-7.3
Group net profit/loss	EUR thousand	4,633	5,739	3,173	-1,491
Equity	EUR thousand	51,533	60,577	56,422	56,410
Equity ratio	%	62	63	60	65
FTE (full-time equivalent)	on the reporting date	397	432	433	426

FINANCIAL CALENDAR

November 12, 2020	9M report 2020
November 16 to 18, 2020	German Equity Forum 2020 (online)
December 31, 2020	Fiscal year-end

CONTENTS

Share information	4
Letter to shareholders	5
Management report (unaudited)	6
Basis of the Group	6
Economic and business report	8
Report on opportunities and risks	13
Outlook	13
IFRS half-year financial statements (unaudited)	15
Consolidated balance sheet	15
Consolidated statement of comprehensive income	17
Consolidated cash flow statement	18
Consolidated statement of changes in equity	19
Notes	21
Responsibility statement	26
Imprint	27

SHARE INFORMATION

SHARE PRICE CHART



KEY SHARE DATA

Ticker / ISIN	S4A / DE0005751986
Number of shares (including 49,477 treasury shares)	4,620,000
Closing price (June 30, 2020)*	EUR 8.68
Price high/low*	EUR 13.95 / EUR 7.36
Share price performance (LTM on June 30, 2020)	-37.78 %
SDAX performance (LTM on June 30, 2020)	+0.6 %
Peer group portfolio performance (LTM on June 30, 2020)	-20.74 %
Market capitalisation excluding treasury shares (June 30, 2020)	EUR 39,672 thousand

Closing prices on the Xetra trading system of Deutsche Börse AG

SHAREHOLDER STRUCTURE



* Interests held based on number of shares declared in the last-submitted voting rights notification.

** Shareholders listed here with interests below 3 % are included in the free float (exception: Treasury shares).



LETTER TO SHAREHOLDERS

Dear shareholders,

SMT Scharf's business growth in the first half of 2020 was significantly impacted by the coronavirus pandemic, which was the main contributor to the substantial downturn in revenue and earnings during the period under review. SMT Scharf recorded consolidated revenue of EUR 23.6 million in the first six months of the 2020 fiscal year, down EUR 9.5 million compared with the previous year's level of EUR 33.1 million. The operating result (EBIT) fell to EUR 1.8 million in the first half of the year, compared with EUR 3.2 million in the prior-year period. The pandemic is hampering activity in the global market for mining equipment, with the market environment having deteriorated noticeably since its outbreak. Both SMT Scharf's new equipment and after-sales businesses decreased during the first six months of the year. This concurrent development is exceptional, and is attributable to the far-reaching policy decisions taken to contain the global pandemic and the consequences arising from them.

The coronavirus pandemic has exerted a significantly negative effect on SMT Scharf's business activities in our target markets. In China, Canada and South Africa, business operations came to a temporary standstill in the spring due to officially ordered closures. Business operations have been up and running again at all locations since May. Revenue growth in Russia was encouraging in the first half of the year, thanks mainly to existing projects. Given the pandemic, revenue growth there is likely to prove more restrained in the second half of the year. We continue to identify attractive short- and medium-term growth opportunities in China. Firstly, we are continuing to receive orders for the older China II machine generation. Secondly, given our full order books, we expect to start delivering China III machines in accordance with a new engine standard in the fourth quarter, with catch-up effects gradually commencing in the Chinese market. At the same time, however, it still cannot be ruled out that the approval of the new China III machines by the regulatory authorities might be delayed.

As far as the remainder of 2020 is concerned, it is expected that the economic consequences of the coronavirus pandemic will continue to weigh heavily on demand generally in the global market, especially for mining equipment. This applies to both the willingness to invest in new plants and, initially, the after-sales business. In April, the coronavirus pandemic led us to adjust our forecast for the fiscal 2020 fiscal year. On the basis of these half-year results, we are retaining this new forecast, and anticipate consolidated revenue in a range between EUR 55 million and EUR 57 million in 2020, with EBIT between EUR -1.4 million and EUR 1.6 million. We remain well positioned within our niche and are pushing ahead with our strategic initiatives in product development and sales, as well as with the improvement of our Group structures. We are thereby creating the preconditions for participating in the growth potential in our business areas that arises from global urban development, high demand for economically strategic raw materials, and electromobility.

We would like to take this opportunity to thank you as our investors, business partners and customers for the confidence you have invested in us, and we would be pleased to continue our cooperation into the future. Keep well!

Kind regards

Hans Joachim Theiss

Wolfgang Embert

MANAGEMENT REPORT (UNAUDITED)

Basis of the Group

Business model

The SMT Scharf Group ("SMT Scharf") develops, builds 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 continues to comprise captivated railway systems that are deployed in underground mining. These systems are technically capable of transporting personnel and materials up to 45 tonnes on 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 open air rail and cable management systems, including for energy supplies to machines, for example. With the acquisition of Canadian mining specialist RDH Mining Equipment, Ltd., Alban/Canada, SMT Scharf has extended its portfolio to include rubber-tyred vehicles, thereby advancing the implementation of its strategy to position itself in the market as an integrated system provider in the underground logistics area. The establishment of the Tunnel Logistics business segment also forms part of this process. This additional pillar promises additional sales potential in the coming years.

With the acquisition of ser elektronik GmbH in April 2019, SMT Scharf has expanded its portfolio to include expertise in the electronics and control systems area. These systems, which are integrated into SMT Scharf's transport solutions for both coal and non-coal 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 the operating activities. SMT Scharf also concentrates on downstream services. The offering includes the provision of spare parts, maintenance, repairs or maintenance work. Moreover, 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 mining gold, platinum, copper, nickel (hard rock) and salts (aggregated within the Non-Coal Mining segment). In the Tunnel Logistics business segment, companies from the tunnel construction sector represent a relevant customer group. Following the acquisition of ser elektronik last year, investments 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 especially include foreign markets in Russia, Poland, China, South Africa and, with its own sales subsidiary in Chile, increasingly also South America. Through the Canadian company RDH Mining Equipment, SMT Scharf is also concentrating on the North American market. The Group's new subsidiary ser elektronik also supplies customers in Switzerland, some of which were not previously part 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 together with dealers or agents.

Corporate 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 hard rock, development of new geographical markets, and development and establishment of tunnel logistics as a third business area. Furthermore, ser elektronik is responsible for 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. This will remain a strategic thrust of SMT Scharf AG.
- **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. The targeted analysis of specific markets and customer requirements helps SMT Scharf further enhance its competitiveness in this context.

The Managing Board team 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 the 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.

At the end of 2018, a decision was taken to introduce a uniform Group-wide **Enterprise Resource Planning** (ERP) system. The implementation of this system is to occur successively during 2020 to 2022, and will contribute to better coordination of process steps, to enhancing the quality of planning, and to further enhancing efficiency in relation to international cooperation within the Group. At the same time, the new ERP system will open up the possibility of identifying and realising optimisation potentials at an early stage in the future.

Steering 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 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 normalises again, especially on the basis of stable or a renewed uptrend in raw materials prices.

Financial performance indicators:

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

Non-financial performance indicators

Key indicator	Calculation method	Target (medium-term, 3-5 years)
Employee numbers		
Employee turnover	$\text{Employees leaving the company (FTEs)} / \text{Annual average number of employees (FTEs)}$	<10%
Sickness rate	$\text{Number of work days lost due to sickness} / \text{budgeted working days}$	5%

Employees

SMT Scharf AG calculates the number of its employees in the form of full-time equivalents (FTEs). As of June 30, 2020, the SMT Scharf Group employed 426 individuals (FTEs), including eight trainees at the Hamm location and one trainee at the subsidiary RDH Mining's headquarters in Canada. The Group had a workforce of 433 FTEs in the previous year (including eight trainees). In order to manage production capacity flexibly, SMT Scharf draws on short-term and temporary help staff in accordance with the three-layer model. In the event of sustainable growth, these temporary workers are then taken on accordingly in the respectively higher layer. As a consequence of the corona pandemic, SMT Scharf has made use of government aid programs and implemented short-time working for parts of the Group's German operations in June 2020.

The international demand structure for SMT products has led to production capacity being expanded on a targeted basis, along with the workforce in the international companies. Furthermore, additional qualified staff members were hired in the target markets of Poland and Russia in order to enable the expansion of local technical expertise in terms of service and development, as well as production. In the period under review, the number of employees abroad declined overall to 293 FTEs (previous year: 333) compared with the same period last year. This mainly reflects structural changes at RDH Mining.

In Germany, SMT Scharf further expanded its production personnel capacities year-on-year so that the number of employees rose to 133 FTEs as of June 30, 2020 (previous year: 100 FTEs).

	H1 / 2019	H1 / 2020
Total employees	433	426
Employees in Germany	100	133
Employees abroad	333	293
Proportion of female employees (%)	17.6	16.7

Research and development

SMT Scharf continues to focus on establishing local expertise centres with increasing vertical range of manufacture, particularly in Poland and China. Given the coronavirus pandemic and associated interim restrictions at the sites in China, South Africa or Canada, no significant activity occurred in this regard in the first half of the year. The creation of synergies through further networking of the locations is a future-related topic for SMT Scharf and is to be additionally advanced by the approved introduction of a uniform ERP system and uniform development systems worldwide.

With the DZK3500, SMT Scharf is pursuing its goal for 2020 of launching series production of a completely revised generation of machines. At its core is a new engine with an intelligent engine management system that meets or exceeds the new China III emissions directive, which will be mandatory for mining companies in China from 2021. The engine also offers a 15% higher drive power. As a consequence of high demand that is anticipated, SMT Scharf is planning corresponding production capacity at its individual locations to successfully launch series production.

The diesel cat developed at SMT Scharf Polska, which was specially designed for the specific requirements of the Polish mining industry, was successfully put into operation. This machine type enables SMT Scharf to occupy a new market segment in Polish mining.

In addition, SMT Scharf has already delivered to the end-customer new bottom flange rack and pinion drives with low power, including new rack and pinion rails and rail connections developed for this purpose. An adaptation is planned in the medium term for the use of larger rack and pinion drives.

In light of the ongoing digitalisation of mines, SMT Scharf is intensively developing solutions for lower-emission, more intelligent drive systems for underground transport technology that communicate with their environment. Ongoing product support within the SMT Scharf Group and the development of sustainable solution concepts contribute to enhanced benefits for customers. One example is the wireless transmission of operating data, the evaluation of which makes it possible, for example, to plan and perform maintenance measures in line with requirements, or to optimise the stocking of consumables and spare parts.

Expenses for research and development amounted to EUR 176 thousand during the first half of 2020 (H1 / 2019: EUR 1.2 million). The share of development costs in overall research and development costs stood at EUR 427 thousand (H1 / 2019: EUR 170 thousand), while write-downs on capitalised development costs amounted to EUR 113 thousand (H1 / 2019: EUR 123 thousand) in the reporting period.

Economic and business report

Macroeconomic environment

Given the coronavirus pandemic, the International Monetary Fund (IMF) in its World Economic Outlook of June 2020 further downgraded its growth forecasts for the global economy. Following an expansion rate of 2.9% in 2019, the IMF forecasts that the global economy will shrink by -4.9%, reflecting a further downward revision of 1.9 percentage points compared with the forecast it published in April. Despite the expected clearly negative development in 2020 and only a gradual economic recovery, the global economy is expected to expand again by 5.4% in 2021.

The IMF also expects growth to slow in almost all regions of the world's emerging economies in 2020. It notes that the pandemic led to greater disruption of economic activity in the emerging and developing economies given stringent lockdown measures, leading to weaker foreign demand. At the same time, the impact of the pandemic will vary across economies due to differences in how the pandemic unfolds, the country-specific effectiveness of containment strategies, differences in economic structures, and dependence on external financing flows.

For 2021, the IMF expects significantly higher growth rates again in emerging economy regions. The Chinese economy will expand by just 1.0% in 2020 and will thereby shed further momentum due to the pandemic, while it is expected to grow again significantly, by 8.2%, in 2021, according to the IMF. China has strengthened its monetary incentives to counteract the pandemic's negative effects. China continues to focus on vulnerable businesses and households, including by expanding the social safety net, medical facilities and digital infrastructure.

In Russia, the government expects the economy to shrink due to the significantly lower disposable income for oil exporters following the dramatic drop in fuel prices. After the Russian economy grew by 1.3% in 2019, according to the IMF, an economic contraction of -6.6% is now forecast for 2020. The Polish economy is also severely affected by the pandemic. In the course of the global economic slowdown in 2019, growth has already diminished tangibly over the past year, and is expected to be in negative territory at -4.6% in 2020. For 2021, however, economists forecast positive growth of 4.2%. Meanwhile, the economy in South Africa is increasingly tipping into recession. The COVID-19 pandemic is expected to plunge the country into a deep health crisis. According to the IMF, the downtrend already observed last year will consequently deepen significantly, and economic output will decline by 8.0% in 2020. This also affects growth in the following year, which is expected to stand at just +3.4%. The four aforementioned countries represent the most important sales markets of SMT Scharf. The customers there together usually account for more than 75% of Group sales revenues.

GDP growth in the most important sales markets* (in %)

	2019
World	2.9
China	6.1
Poland	4.0
Russia	1.1
South Africa	0.2

Source: *IMF World Economic Outlook, April 2020

Exchange rate changes in the most important sales markets* (in %)

	2019	H1 / 2020
Euro / Yuan Renminbi (China)	+0.6	+3.3
Euro / Zloty (Poland)	-0.4	+3.6
Euro / Rouble (Russia)	-8.3	+13.2
Euro / Rand (South Africa)	+1.5	+17.9

*Source: European Central Bank, change during the year

Sector trends

The prices of many energy commodities and metals dropped sharply during the period under review. The S&P GSCI Energy and Metal Index decreased by almost -29% between January and June 2020. The oil price also trended negatively during the period under review, falling by around 35%. The price of coal also lost value at the start of the coronavirus pandemic, but has recovered in recent months, hovering around the USD 50 mark (based on a tonne of hard coal) at the end of June 2020.

In 2019, the German mechanical and plant engineering industry failed to continue its two previous years of growth owing to political turmoil, uncertainty among investors, and far-reaching structural change in the automotive industry – a key customer sector – although new order intake for mining machinery nevertheless performed well, recording an increase of +19%, according to the Mining Association within the German Engineering Federation (VDMA). The VDMA sees good growth prospects for mechanical engineering companies in the coming years: the market is expected to expand by an average of 12.7% from 2020 to 2027. A study by Grand View Research shows that especially digital mining innovations such as robots and automation, smart sensors and 3D printing, as well as additional investment, will boost demand.

Moreover, the fact that the OECD continues to forecast that global demand for raw materials will double by 2060 forms a further ground for confidence. For example, the VDMA expects higher demand especially from companies focusing on the extraction of raw materials utilised in alternative forms of energy generation.

According to SMT Scharf's assessment, positive growth prospects also exist in the tunnel segment. The global tunnelling market will continue to play an essentially important role thanks to growing global demand for infrastructure, especially in North America. This is also confirmed by the International Tunnelling and Underground Space Association (ITA) in its report. Accordingly, the worldwide tunnel construction market amounts to around EUR 86 billion per year (as of 2016), reflecting an increase of 23% compared to 2013. An average of 5,200 km of tunnels per year have been built worldwide since 2013. In this context, the ITA forecasts that China, with annual economic output worth EUR 37 billion, will represent around 50% of the tunnel construction market in the next decade. According to its study, the European market continues at a constant rate of between EUR 10 million and EUR 12 million per year. Demand in India and Australia is also expected to report strong growth thanks to constant investment and infrastructure projects, according to a recent study by Grand View Research published in May 2020. Similar trends are also evident in Latin America. Total worldwide output in tunnel construction of around EUR 680 billion is expected for a pipeline of more than eight years. This strong demand is further fuelled by ongoing development in many cities and the linking of urban centres. Furthermore, new technologies such as artificial intelligence are also expected to drive growth in the future.

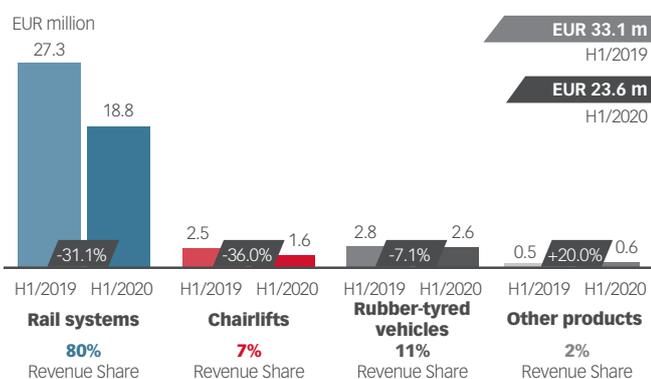
SMT Scharf supports a business model based on several pillars through its diversification by product, region, customer group and regional market. This approach serves to mitigate the impact of the coal mining business cycle on SMT Scharf's business development. The coronavirus pandemic impacted SMT Scharf's business growth in all of its divisions in the first half of 2020.

Financial position and performance

In the first six months of the current 2020 fiscal year, the SMT Scharf Group's business growth was significantly impacted by the coronavirus pandemic and associated economic consequences. The resultant impeding of business activities in key target markets worldwide also led to a decrease in revenue and earnings in the second quarter. **Consolidated revenue** reached EUR 23.6 million (H1/2019: EUR 33.1 million), reflecting a reduction of 28.7% compared with the corresponding previous year's figure. SMT Scharf recorded a downturn in revenues in both its new equipment business as well as its spare parts and service businesses. Revenue in the new equipment business in the first half of 2020 was 16.9% down on the corresponding prior-year figure, while revenue in the spare parts and service businesses also fell sharply by 37.1% year-on-year. This trend reflects lower demand from global mine operators for plant, equipment and technology. Mine operators proved less willing to invest given falling raw material prices and far-reaching restrictions due to the pandemic.

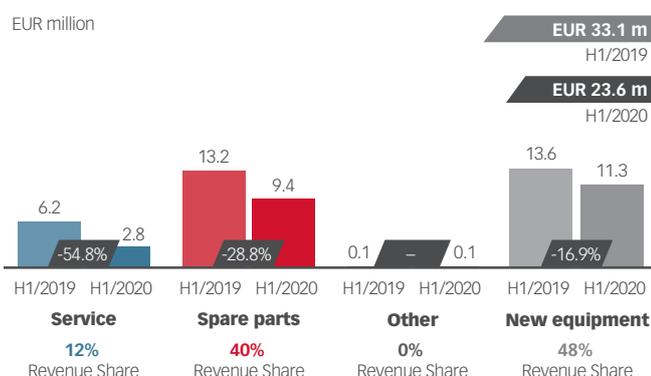
In the Rail Systems product area, SMT Scharf generated revenue of EUR 18.8 million in the first half of 2020, which reduced its share of total revenue to 79.7% (H1/2019: EUR 27.3 million or 82.5%). The Chairlifts business accounted for EUR 1.6 million of revenue in the period under review, or 6.8% of total revenue (H1/2019: EUR 2.5 million or 7.6%). At the same time, the company generated revenue of EUR 2.8 million, or 11.0% in the rubber-tired vehicle product area (H1/2019: EUR 2.8 million or 8.5%). In addition, SMT Scharf recorded revenue of EUR 0.6 million or 2.5% of total revenue with other products in the "Other Industries" segment (H1/2019: EUR 0.5 million or 2.1%).

Revenue by product



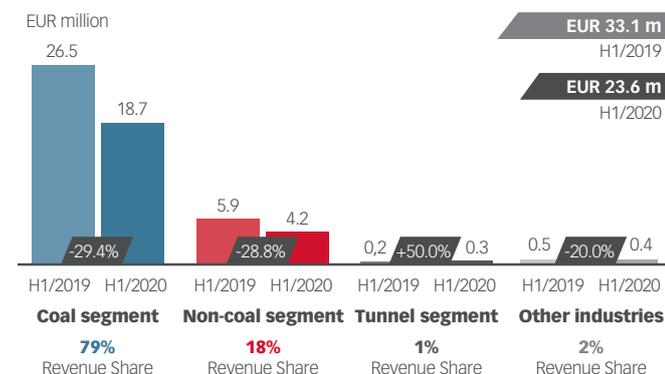
SMT Scharf generated revenue of EUR 11.3 million from new equipment, with revenue from new equipment significantly lower than in the same period of the previous year (H1/2019: EUR 13.6 million). This corresponds to a 47.9% share of Group revenue (H1/2019: 41.1%). Business with services and spare parts also decreased in the period under review. Revenue in these areas stood at EUR 12.2 million in the first half of 2020. Accordingly, their share of revenue amounted to 51.7% (H1/2019: EUR 19.4 million or 58.9%).

Revenue by type



On an operating segment basis, EUR 18.7 million was attributable to the Coal segment, which aggregates business with operators of hard coal mines. Given a stagnating revenue trend in the Non-Coal segment, the 79.2% share of Group revenue is thereby almost unchanged from the previous year (H1/2019: EUR 26.5 million or 80.0%). In the Non-Coal segment, SMT Scharf generated revenue of EUR 4.2 million, corresponding to 17.8% of total revenue, in line with the previous year (H1/2019: EUR 5.9 million or 17.8%). Revenue in Tunnel Logistics amounted to EUR 0.3 million, thereby contributing 1.3% to consolidated revenue (H1/2019: EUR 0.2 million or 0.6%). SMT Scharf reported revenue of EUR 0.4 million in the Other Industries segment during the period under review, reflecting 1.7% of consolidated revenue (H1/2019: EUR 0.5 million or 1.5%).

Revenue by segment

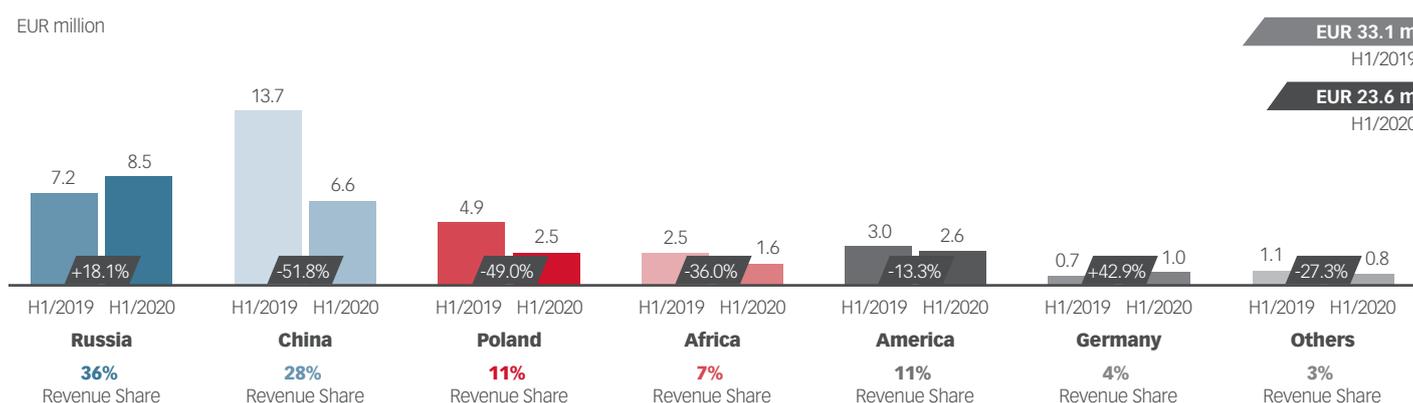


Among national markets, in the first half of 2020 Russia overtook China as the most important foreign market for the time being; its share of revenue stood at 36.0%. SMT Scharf grew its revenue in Russia by 18.1% to EUR 8.5 million, compared to EUR 7.2 million in the same period of the previous year. This increase in revenue occurred mainly thanks to existing projects, so that the Managing Board expects Russia to report a more restrained trend in the second half of the year in view of the pandemic.

The effects of the pandemic were particularly noticeable in the Chinese market. In the first half of the year, revenue in China fell significantly, by 51.8%, year-on-year to EUR 6.6 million (H1/2019: EUR 13.7 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. At the same time, the crisis delayed the approval of machines according to the new regulation for engines (China III), which will be binding for mining companies there from 2021. The ongoing issue of approvals is making a key contribution to SMT Scharf's extraordinarily high order book position, with the outstanding delivery of the China III machines promising to be a key driver of further revenue growth.

Developments in other key target markets were also affected by the pandemic. In Poland, revenue decreased to EUR 2.5 million (H1/2019: EUR 4.9 million). At EUR 1.6 million, revenue in the African market was 36.0% below the prior-year period (H1/2019: EUR 2.5 million). By contrast, the share of the business in Germany rose to a level of EUR 1.0 million in the reporting period (H1/2019: EUR 0.7 million). The increase in revenue in the reporting period derived from a higher level of direct deliveries to foreign markets from Germany. The relative share of the domestic market thereby rose to 4.2% during the first half of 2020 (H1/2019: 2.1%).

Revenue by region



Changes in inventories stood at the previous year's level of EUR 1.3 million (H1/2019: EUR 1.3 million), with total operating revenue (defined as the sum of revenue and changes in inventories) reporting a 27.8% decrease to EUR 24.9 million, reflecting the lower revenue level (H1/2019: EUR 34.5 million).

Other operating income rose to EUR 2.0 million in the first half of 2020, 11.1% above the corresponding figure for the previous year (H1/2019: EUR 1.8 million). The increase mainly reflects own work capitalised in the amount of EUR 427 thousand, as well as foreign exchange gains of EUR 945 thousand. **Other operating expenses** include currency losses of EUR 1.8 million. At EUR 4.6 million, other operating expenses were almost at the previous year's level (H1/2019: EUR 4.7 million).

The **cost of materials** of EUR 13.4 million was down by 24.3% year-on-year (H1/2019: EUR 17.7 million). In particular, this reflects the significant downturn in revenues in the Railway Systems segment, with which SMT Scharf recorded 31.1% lower revenue year-on-year. The **cost of materials ratio** (in relation to total operating revenue) reduced slightly to 53.7% (H1/2019: 51.4%).

Personnel expenses amounted to EUR 9.2 million in the first half of the year, representing a 3.2% year-on-year decrease (H1/2019: EUR 9.5 million). In view of the lower total operating revenue due to coronavirus, the **personnel expense ratio** rose to 36.9% on the slightly lower personnel expenses (H1/2019: 27.5%).

Depreciation, amortisation and impairment losses relating to non-current assets amounted to EUR 1.5 million, up 25.0% year-on-year (H1/2019: EUR 1.2 million). This is mainly due to amortisation of development costs capitalised in the 2019 fiscal year as well as in the first half of the fiscal year under review.

The **result from operating activities (EBIT)** in the first six months of 2020 was negative in the amount of EUR -1.8 million (H1/2019: EUR 3.2 million). SMT Scharf thereby recorded significantly lower operating income year-on-year, which is due particularly to the significant downturn in revenue in its highly profitable service and spare parts businesses. At segment level, EBIT in the Coal segment decreased to EUR -1.4 million (H1/2019: EUR 3.1 million) and in the Non-Coal business to EUR -0.2 million (H1/2019: EUR 0.1 million). The smaller segments of Tunnel Logistics also recorded a negative contribution to earnings of EUR -4 thousand and EUR -247 thousand. By contrast, the Group **financial result** of EUR 0.8 million was up on the previous year's level (H1/2019: EUR 0.2 million). Investment income from the existing joint ventures in China represented a positive factor in this context.

The result from operating activities incurred **income taxes** of EUR 0.4 million (H1/2019: EUR 0.2 million) in the first half of the year. Due to the aforementioned business trend, SMT Scharf incurred a negative consolidated net result of EUR -1.5 million in the first six months of 2020 (H1/2019: EUR 3.2 million), a decrease compared with the same period of the previous year. Based on an identical average number of shares in issue compared with the prior-year period of 4,570,523 shares in issue, undiluted (basic) earnings per share amounted to EUR -0.33 during the period under review (H1/2019: EUR 0.69).

SMT Scharf's **order book position** totalled EUR 32.7 million as of June 30, 2020 (June 30, 2019: EUR 19.6 million), reflecting the delayed order processing given the coronavirus crisis and outstanding delivery of China III machines following approval by the Chinese regulatory authorities. **New order intake** during the first six months of 2020 amounted to EUR 31.4 million, slightly below the previous year's figure of EUR 33.0 million.

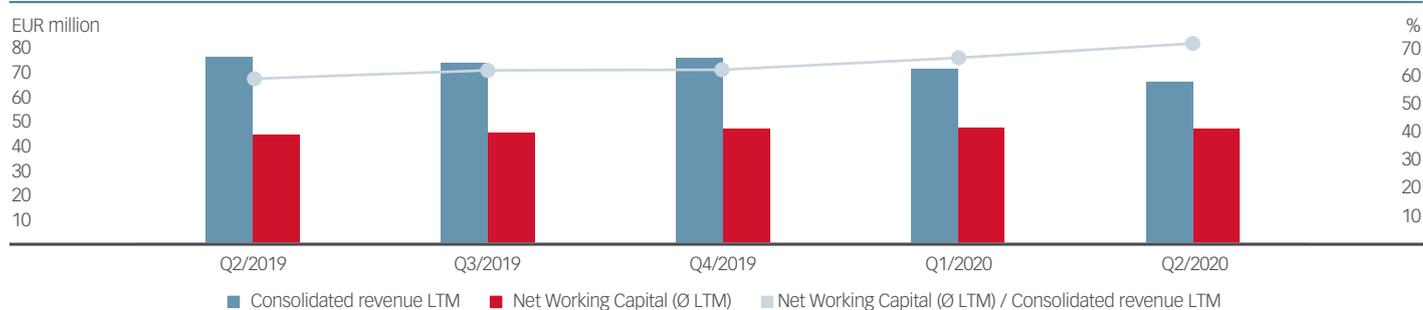
Compared with the end of 2019, **total assets** decreased by 9.1% to EUR 87.1 million as of June 30, 2020 (December 31, 2019: EUR 95.8 million). Thanks to improved receivables management, the receivables portfolio was reduced by a significant amount of EUR 7.8 million to EUR 21.6 million as of the reporting date, and the length of its term structure was shortened further (December 31, 2019: EUR 29.4 million). At EUR 60.2 million, **current assets** as of June 30, 2020 were 13.0% lower overall than at the end of the 2019 fiscal year (December 31, 2019: EUR 69.2 million). Other current provisions decreased to EUR 3.6 million as of the balance sheet date and were thereby below the level at the end of the 2019 fiscal year (December 31, 2019: EUR 4.9 million).

Non-current assets increased slightly to EUR 26.9 million as of June 30, 2020 compared with the 2019 year-end (December 31, 2019: EUR 26.7 million).

SMT Scharf continued to command a solid equity base in the period under review. At EUR 56.4 million, SMT Scharf's **equity** as of June 30, 2020 was 6.9% below the level as of December 31, 2019 (EUR 60.6 million). The decrease in equity mainly reflects currency losses. The **equity ratio** rose to 64.7% as of June 30, 2020 (December 31, 2019: 63.2%) and consequently remains at a high level.

Net working capital amounted to EUR 46.1 million as of June 30, 2020 and was thereby 3.2% lower than at the previous fiscal year-end (December 31, 2019: EUR 47.6 million). The average net working capital of the past twelve months (LTM, calculated from quarterly figures) stood at EUR 46.9 million as of June 30, 2020. Rolling consolidated revenue over the past twelve months amounted to EUR 65.9 million at the balance sheet date. This reflects a significant higher net working capital intensity of 71.2%. This ratio is considerably higher than in the previous three quarters due to high inventory levels, including as a consequence of delayed delivery of machines for the Chinese market. The trend towards rising net working capital in absolute figures thereby continued during the first half of the year. Irrespective of this, SMT Scharf aims to reduce net working capital intensity in the medium term to <50%.

Net Working Capital (Ø LTM)/Consolidated revenue LTM



Comparison of the actual financial position and performance with the forecast

In the forecast provided in the 2019 annual report, SMT Scharf originally anticipated for 2020 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. Given the coronavirus pandemic, on April 28 the Managing Board adjusted its forecast for the 2020 fiscal year, based on the information available at that time. Consequently, the Managing Board now anticipates consolidated revenue 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.

On the basis of the results for the first half of 2020, SMT Scharf's figures as of the balance sheet date are mostly still lower than the expectations for the full 2020 year that were adjusted in light of the pandemic:

- Actual consolidated revenue EUR 23.6 million was below the proportional forecast of EUR 27.5 million to EUR 28.5 million.
- In the first half of the year, EBIT was negative at EUR -1.8 million, down significantly on the previous year. The EBIT margin (based on total operating revenue) for the first half of 2020 thereby stood at -7.6%. SMT Scharf is aiming for a target of at least 10.0% in the medium term.
- The equity ratio of 64.7% as of June 30, 2020 was above the figure at the end of the 2019 fiscal year (December 31, 2019: 63.2%). For the full 2020 fiscal year, the equity ratio is expected to remain at the previous year's level.
- Net working capital totalled EUR 46.1 million as of June 30, 2020, accompanied by a substantial increase in net working capital intensity to 71.2%, with SMT Scharf as of June 30, 2020 thereby falling short of expectations in this context. Net working capital for 2020 is expected below the previous year's level, assuming a further slight improvement in net working capital intensity in relation to revenue.

Overall statement on the company's business position

The SMT Scharf Group's revenues and earnings in the first six months of the 2020 fiscal year were significantly impacted by the coronavirus pandemic and the associated economic consequences. The resultant downturn in SMT Scharf's business activities in key target markets worldwide also made a key contribution to the downturn in revenues and earnings in the second quarter. The Managing Board expects that the effects of the pandemic will continue to weigh on business activities in the second half of the year and lead to lower demand in the market for mining equipment. In principle, SMT Scharf believes that it is well positioned within this niche, and is maintaining its growth strategy with the aim of expanding its market share over the medium and long term. The company can build on a solid asset and financing position to this end. At 64.7%, the equity ratio remains at a high level, with moderate financial debt. The order book position as of June 30, 2020 stood at a record high of EUR 32.7 million. This reflects the delayed processing of orders received in the main foreign markets. The Chinese market, in particular, offers attractive growth potential in the short and medium term with the expected approval of China III machines according to the new engine standard. SMT Scharf believes that it will be able to start delivering the new generation of machines in the fourth quarter.

Report on opportunities and risks

The opportunities and risks associated with the future development of the SMT Scharf Group are discussed in detail in the Group management report for the 2019 fiscal year (see pages 52-56).

Risks in connection with pandemics

As of the date this report was published, the SMT Scharf Group is exposed to risks from the ongoing COVID-19 pandemic. The economic consequences and policy measures associated with the COVID-19 pandemic could have a negative bearing on the company's further growth in its individual target markets, thereby impacting the SMT Scharf Group's financial position and results of operations. Similarly, the pandemic could have a further negative effect on demand in the global market for mining equipment, in both the new equipment and after-sales businesses. Assuming that the COVID-19 pandemic does not lead to renewed extensive restrictions in key target markets, we do not believe that the SMT Scharf Group's business activities are substantially jeopardised.

Outlook

The global economy will continue to lose momentum in 2020, according to the International Monetary Fund (IMF). Its economists point to the global COVID-19 pandemic, which is burdening global economic activity. It is still too early for a full evaluation of the precise consequences of the coronavirus pandemic for the global economy. In June 2020, the International Monetary Fund (IMF) forecast the following GDP growth rates in SMT Scharf's following target markets

GDP growth in the most important sales markets* (in %)	2019	2020
World	2.9	-4.9
China	6.1	1.0
Poland	4.0	-4.6
Russia	1.1	-6.6
South Africa	0.2	-8.0

Source: *IMF World Economic Outlook, June 2020 Update; **IMF World Economic Outlook, April 2020

In the future, SMT Scharf will continue to focus on its existing core markets in China, Russia, Poland and South Africa. Due to the coronavirus pandemic and associated economic consequences, the IMF expects growth in 2020 only for the important target market of China. The IMF expects a negative trend for Poland, Russia and South Africa due to COVID-19. By 2021, however, a tangible economic upturn is expected in all countries. Moreover, the North American market is also becoming increasingly important for SMT Scharf owing to its Canadian subsidiary RDH Mining Equipment.

The management expects that over the further course of 2020 the economic consequences of the coronavirus pandemic will continue to place a substantial burden on demand in the global mining equipment market – in both the new equipment and after-sales businesses. In particular, a risk exists that the pandemic could have a negative effect on business activities in China and further delay the ongoing approval process (China III).

SMT Scharf will continue to monitor very closely developments relating to coronavirus and, if necessary, initiate corresponding measures to protect its employees and customers. As of the date of the publication of the report, the Managing Board notes the following:

- While no coronavirus infections were identified throughout the SMT Scharf Group during the period under review, four employees in South Africa became infected with coronavirus in July 2020. The necessary measures were implemented immediately. Business activities at the South African location continue almost without restriction.
- All conceivable preventive measures are being implemented within the SMT Scharf Group in order to stem coronavirus. It goes without saying that SMT Scharf is complying with all official instructions.
- The SMT Scharf Group's supply chains remain uninterrupted. Slight delays have not yet led to any significant effects.
- The SMT Scharf Group's sites in China, Canada and South Africa have meanwhile had to be closed in compliance with official orders. As of the date of the publication of this report, business activities can be pursued at all locations.
- As part of its strategy, SMT Scharf will work intensively over the course of the year to recoup as far as possible the sales revenues it has foregone as a consequence of the coronavirus pandemic.

The coronavirus pandemic continues to entail that orders received cannot yet be executed, or can only be executed with a delay. Moreover, SMT Scharf's Managing Board continues to believe that the economic consequences deriving from the coronavirus pandemic will over the course of 2020 to continue to place a considerable burden on demand in the global mining equipment market – in both the new systems business and the after-sales business. In view of this situation, the Managing Board confirms the forecast that it adjusted in April 2020, and still expects consolidated revenue of EUR 55 million to EUR 57 million for the 2020 fiscal year. Furthermore, the Managing Board continues to forecast 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.

Hamm, August 13, 2020

SMT Scharf AG

The Managing Board

IFRS HALF-YEAR FINANCIAL STATEMENTS (UNAUDITED)

Consolidated balance sheet

In EUR thousand	30/06/2020	30/06/2019	31/12/2019
Assets			
Intangible assets	6,457	5,720	6,120
Property, plant and equipment	9,265	8,319	9,829
Loans	637		712
Equity accounted investments	7,534	6,282	6,746
Other investments	7	7	7
Deferred tax assets	2,751	2,957	2,665
Non-current lease receivables	236	874	585
Other non-current non-financial assets	9	158	11
Non-current assets	26,896	24,317	26,675
Inventories	29,664	30,547	28,614
Trade receivables	21,638	24,258	29,398
Contract assets	111	462	473
Current lease receivables	645	914	790
Other current non-financial assets	2,502	5,908	3,505
Other current non-financial assets in connection with employee benefit entitlements	891	190	1,151
Cash and cash equivalents	4,797	7,514	5,229
Current assets	60,248	69,793	69,160
Total assets	87,144	94,110	95,835

In EUR thousand	30/06/2020	30/06/2019	31/12/2019
Equity and liabilities			
Subscribed share capital	4,571	4,571	4,571
Capital reserve	16,799	16,597	16,732
Revenue reserves	39,402	38,410	40,739
Other reserves	-5,468	-3,398	-3,026
Non-controlling interests	1,106	242	1,561
Equity	56,410	56,422	60,577
Provisions for pensions	3,484	3,299	3,480
Other non-current provisions	203	242	220
Deferred tax liabilities	566	841	595
Contract liabilities	3	0	0
Leasing liabilities	1,038	593	1,112
Non-current financial liabilities	3,774	6,464	4,442
Other non-current financial liabilities	1,423	727	783
Non-current provisions and liabilities	10,491	12,166	10,632
Current income tax	142	133	198
Other current provisions	3,618	4,441	4,929
Contract liabilities	42	1,437	932
Trade payables	3,227	7,197	6,543
Leasing liabilities	598	972	620
Current financial liabilities (cash and cash equivalents)	9,219	2,167	7,128
Current financial liabilities (not cash and cash equivalents)	2,015	7,835	2366
Other current non-financial liabilities	1,382	1,340	1,910
Current provisions and liabilities	20,243	25,522	24,626
Total assets	87,144	94,110	95,835

Consolidated statement of comprehensive income

In EUR thousand	Q2 / 2020	Q2 / 2019	H1 / 2020	H1 / 2019
Revenue	12,980	18,241	23,630	33,139
Changes in inventories	422	103	1,279	1,340
Total operating revenue (100%)	13,402	18,344	24,909	34,479
Other operating income	954	573	1,951	1,757
Cost of materials	7,009	9,043	13,386	17,713
Personnel expenses	4,377	4,970	9,181	9,465
Depreciation, amortisation and impairment losses	749	641	1,487	1,167
Other operating expenses	1,946	2,664	4,620	4,741
Profit/loss from operating activities (EBIT)	275	1,599	-1,814	3,150
Result from equity accounted investments	182	243	898	423
Interest income	84	92	186	189
Interest expenses	197	288	328	403
Financial result	69	47	756	209
Profit before tax	344	1,646	-1,058	3,359
Income taxes	394	108	433	186
Consolidated net profit / loss	-50	1,538	-1,491	3,173
Share of consolidated net profit / loss attributable to non-controlling interests	-86	56	-153	56
Share of consolidated net profit / loss attributable to shareholders	36	1,482	-1,338	3,117
Other comprehensive income items recycled later to profit or loss:				
Currency differences from translation of foreign financial statements	799	212	-2,522	1,495
Share of other comprehensive income attributable to equity accounted investments	-138	-227	-146	35
Other comprehensive income	661	-15	-2,668	1,530
of which, share of other comprehensive income attributable to shareholders of SMT Scharf AG	661	-15	-2,441	1,530
of which, share of other comprehensive income attributable to non-controlling interests	-42	0	-227	0
Total comprehensive income	611	-1,523	-4,159	4,703
of which, share of total comprehensive income attributable to shareholders of SMT Scharf AG	739	1,467	-3,779	4,647
of which, share of total comprehensive income attributable to non-controlling interests	-128	56	-380	56
Earnings per share				
Undiluted (basic)	-0.03	0.34	-0.33	0.69
Diluted	-0.02	0.34	-0.32	0.69
Average number of shares, undiluted	4,570,523	4,570,523	4,570,523	4,570,523
Average number of shares, diluted	4,609,019	4,570,523	4,609,019	4,570,523

Consolidated cash flow statement

In EUR thousand	H1 / 2020	H1 / 2019
Consolidated net profit/loss	-1,491	3,173
- Losses/income from equity accounted investments	-898	-423
+ Depreciation and amortisation of non-current assets	1,487	1,167
-/+ Gain/loss from disposal of non-current assets	-21	17
+/- Increase/decrease in provisions	-1,249	-1,130
-/+ Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	6,801	-3,173
+/- Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	-4,082	420
+/- Other non-cash expenses/income	67	0
+/- Income tax	433	186
+/- Financial expenses	142	214
-/+ Income tax paid/received	-198	-719
Cash flow from operating activities	991	-268
+ Cash inflows from disposal of property, plant and equipment	38	217
+ Cash inflows from the repayment of loans	75	0
- Capital expenditure on property, plant and equipment	-986	-120
- Capital expenditure on intangible assets	-815	-201
+ Interest received	187	189
Cash flow from investing activities	-1,501	-257
+ Cash outflows for the repayment of leasing liabilities	-212	-1,711
+ Cash inflows from the drawing down of loans	0	6,543
- Cash outflows to controlling and non-controlling shareholders	-74	0
- Cash outflows for the repayment of loans	-963	-2,167
- Interest paid	-519	-403
Cash flow from financing activities	-1,769	2,262
Net change in cash and cash equivalents	-2,279	1,737
Changes in cash and cash equivalents due to effects from exchange rates and Group composition	-244	391
Cash and cash equivalents at start of period	-1,898	3,218
Cash and cash equivalents at end of period	-4,421	5,346

Consolidated statement of changes in equity

In EUR thousand	Revenue reserves					Other reserves	Equity attributable to the shareholders of SMT Scharf AG	Non-controlling interests	Total equity
	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves	Currency translation difference				
Balance on 01/01/2020	4,571	16,732	-327	41,066	-3,026	59,016	1,561	60,577	
Consolidated net profit/loss				-1,338		-1,338	-153	-1,491	
Currency difference from translating results from foreign annual financial statements					-2,295	-2,295	-228	-2,523	
Share of other comprehensive income attributable to equity accounted investments					-146	-146		-146	
Comprehensive income	0	0	0	-1,338	-2,441	-3,779	-381	-4,160	
Dividends paid by subsidiaries						0	-74	-74	
Increase in equity due to shares to be issued		67				67	0	67	
Balance on 30/06/2020	4,571	16,799	-327	39,728	-5,467	55,304	1,106	56,410	

In EUR thousand	Subscribed share capital	Capital reserve	Revenue reserves		Other reserves	Equity attributable to the shareholders of SMT Scharf AG	Non-controlling interests	Total equity
			Actuarial gains and losses	Other revenue reserves	Currency translation difference			
Balance on 01/01/2019	4,571	16,597	-65	35,358	-4,928	51,533	0	
Transfer due to change in accounting regulations				0		0		0
Consolidated net profit/loss				3,117		3,117	56	3,173
Currency difference from translating results from foreign annual financial statements					1,495	1,495		1,495
Share of other comprehensive income attributable to equity accounted investments					35	35		35
Recognition of actuarial gains/losses			0			0	0	0
Deferred taxes on recognised actuarial gains/losses			0			0	0	0
Comprehensive income	0	0	0	3,117	1,530	4,647	0	4,647
Changes in the scope of consolidation						0	186	186
Increase in equity due to shares to be issued						0	0	0
Balance on 30/06/2019	4,571	16,597	-65	38,475	-3,398	56,180	242	56,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 May 31, 2000, under German law. The company is registered in the commercial register in Hamm under commercial register sheet number 5845. It is the management holding company for the companies in the SMT Scharf Group. All 4,620,000 shares of SMT Scharf AG are listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The purpose of the companies in the SMT Scharf Group is to plan, produce, sell, install and maintain machinery and equipment that transports people, equipment and materials. The Group companies’ further purpose is to hold participating interests in other entities.

General remarks on reporting

Pursuant to Section 37w (2) of the German Securities Trading Act (WpHG), this half-year financial report as of June 30, 2020 for the SMT Scharf Group comprises condensed interim consolidated financial statements and an interim Group management report. The condensed interim consolidated financial statements were prepared according to the regulations of International Financial Reporting Standards (IFRS), as applicable in the EU, for interim reporting (IAS 34). The accounting and valuation policies and the calculation methods applied are the same as those used in the IFRS consolidated financial statements as at December 31, 2019. Income taxes were deferred on the basis of the tax rate expected for the full year. The interim Group management report was prepared in compliance with the applicable regulations of the German Securities Trading Act (WpHG). The half-year financial report was not subjected to an auditor’s review.

The interim financial statements present a true and fair view of the financial position and performance of the SMT Scharf Group for the period under review. These condensed interim consolidated financial statements do not include all disclosures that IFRS requires for consolidated financial statements, and should consequently be read in combination with the consolidated financial report for the fiscal year ending December 31, 2019, which provides a basis for these interim financial statements. Moreover, as regards significant modifications and business transactions up until June 30, 2020, please refer to the interim management report contained in this document.

The interim financial statements are presented in Euros. Unless otherwise indicated, all amounts are stated and rounded to thousands of Euros (EUR thousands).

New standards and interpretations

Please refer to the 2019 annual report for detailed information about standards to be applied in the future.

As part of the transition to IFRS 16, assets of EUR 1,503 thousand for the rights of use for leased items (including finance leases amounting to EUR 265 thousand) and lease liabilities of EUR 1,478 thousand were recognised as of January 1, 2019.

Currency translation

The exchange rates of the most important currencies report the following changes:

1 EURO =	Closing rate		Average rate	
	30/06/2020	31/12/2019	2020	2019
Polish Zloty	4.4560	4.2568	4.41328	4.29195
South African Rand	19.4425	15.7773	18.33178	16.04392
Chinese Renminbi Yuan	7.9219	7.8205	7.74805	7.66698
Russian Rouble	79.6300	69.9563	76.6825	73.72150
Canadian Dollar	1.5324	1.4598	1.50308	1.50665

Consolidated group

The consolidated group reports the following changes during the period under review.

The consolidated financial statements of the SMT Scharf Group include SMT Scharf AG as well as the following controlled companies:

	Interest
SMT Scharf GmbH, Hamm, Germany	100%
Nowilan GmbH, Dinslaken, Germany	100%
SMT Scharf Polska Sp. z o. o., Tychy, Poland	100%
SMT Scharf Africa (Pty.) Ltd., Germiston, South Africa	100%
Scharf Mining Machinery (Xuzhou) Co. Ltd., Xuzhou, China	100%
Scharf Mining Machinery (Beijing) Co., Ltd., Beijing, China ***	100%
TOW SMT Scharf Ukraine, Kiev, Ukraine	100%
SMT Scharf Sudamerica SpA, Santiago, Chile	100%
OOO SMT Scharf, Novokuznetsk, Russian Federation *	100%
OOO SMT Scharf Service, Novokuznetsk, Russian Federation **	100%
RDH Mining Equipment, Alban, Canada	100%
ser elektronik GmbH, Mönnesee, Germany (since April 3, 2019) *****	51%
Shandong Xinsha Monorail Co. Ltd., Xintai, China ****	50%
Shanxi Ande Auxiliary Transportation Co. Ltd., Changzhi, Shanxi Province, China *****	40%

- * of which 1.25% indirectly through SMT Scharf GmbH
- ** indirectly through OOO SMT Scharf
- *** indirectly through SMT Scharf GmbH
- **** consolidated as a 50% holding in accordance with the equity method
- ***** consolidated as a 40% holding in accordance with the equity method
- ***** consolidated as a 51% holding in accordance with the equity method

Notes to the income statement

(1) Revenue

Revenue is composed of the following items:

	Q2 / 2020	Q2 / 2019	H1 / 2020	H1 / 2019
New equipment	5,941	8664	11,328	13,600
Spare parts/service/other	7,039	9,577	12,302	19,539
Total	12,980	18,241	23,630	33,139
Germany	708	645	1,025	740
Other countries	12,272	17,596	22,605	32,399
Total	12,980	18,241	23,630	33,139

(2) Income taxes

Income taxes are composed of the following items:

	Q2 / 2020	Q2 / 2019	H1 / 2020	H1 / 2019
Current tax expense	283	168	365	457
Deferred taxes	110	-60	68	-271
Total	393	108	433	186

(3) Segment report

In line with IFRS 8, the identification of reportable operating segments is based on the “management approach”. According to this, the external segment reporting is performed based on the Group’s internal organisation 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 AG is responsible for the assessment and control of the performance of the segments, and is the chief operating decision maker in the meaning of IFRS 8.

SMT Scharf AG 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 previous year’s figures were restated accordingly. Intersegment revenues and inputs are of minor significance, and are not reported separately.

in TEUR	Coal mining		Non-coal mining		Tunnel logistics		Other industries		Not allocated		SMT Scharf Group	
	H1/ 2020	H1/ 2019	H1/ 2020	H1/ 2019	H1/ 2020	H1/ 2019	H1/ 2020	H1/ 2019	H1/ 2020	H1/ 2019	H1/ 2020	H1/ 2019
Revenue	18,662	26,515	4,216	5,882	287	215	464	527	-	-	23,630	33,139
of which new equipment	8,662	10,628	1,966	2,272	237	173	464	527	-	-	11,329	13,600
of which spare parts	7,451	13,363	1,939	1,838	46	42	-	-	-	-	9,436	15,243
of which service	2,465	2,524	311	1,772	4	-	-	-	-	-	2,780	4,296
of which other	85	-	-	-	-	-	-	-	-	-	85	-
Operating result (EBIT)	(1,397)	3,116	(167)	(56)	(4)	(41)	(247)	131	-	-	(1,814)	3,149
Earnings from equity accounted companies	898	423	-	-	-	-	-	-	-	-	898	423
Segment assets	69,978	73,948	12,442	14,741	215	286	1,758	2,179	2,751	2,956	87,144	94,110
Interco (already deducted)	43	(84)	(9)	84	(1)	-	(33)	-	-	-	-	-
Segment liabilities	17,430	31,779	11,586	3,384	129	138	1,022	1,544	566	841	30,734	37,688
Interco (already deducted)	4,571	(2,220)	(4,520)	2,220	(51)	-	-	-	-	-	-	-
Segment investments	929	2,354	161	145	3	-	22	46	-	-	1,115	2,545
of which IFRS 16	110	-	11	-	-	-	8	-	-	-	129	-
Interests in equity accounted companies	7,534	6,282	-	-	-	-	-	-	-	-	7,534	6,282
Scheduled amortisation	1,257	945	152	185	9	3	69	34	-	-	1,487	1,167
Impairments	-	-	-	-	-	-	-	-	-	-	-	-
FTEs	343	329	62	82	3	3	18	19	-	-	426	433

Notes to the balance sheet

(4) Current assets

Securities as of June 30, 2020 include a hardship and social fund amounting to EUR 320 thousand (June 30, 2019 332 thousand). This fund is managed in trust by a commission consisting of the management of SMT Scharf GmbH as well as this company's works council.

(5) Non-current assets

The SMT Scharf Group leases internally developed machines and heavy load units as a lessor in the context of finance leases. The carrying amount of lease receivables stands at EUR 881 thousand (December 31, 2019: EUR 1,375 thousand).

As of the balance sheet date, EUR 28 thousand (December 31, 2019: EUR 40 thousand) in leased assets are also reported under property, plant and equipment as leased assets under operating leases.

As of June 30, 2020, non-current assets include rights of use under leases in which the Group is the lessee, which are to be accounted for in accordance with IFRS 16 since January 1, 2019. Their carrying amount as of June 30, 2020 is EUR 1,469 thousand (December 31, 2019: EUR 1,629 thousand).

In the first six months of 2020, development expenses that meet IAS 38 recognition criteria for projects amounting to EUR 427 thousand (June 30, 2019: 170 thousand) were capitalised.

(6) Equity

The changes in the SMT Scharf Group's equity are shown in the statement of changes in equity.

On June 30, 2020, 4,570,523 ordinary bearer shares of SMT Scharf AG are issued in the form of no par value shares with a notional value of EUR 1 per share. All shares have been fully paid up and grant the holders the same rights.

No dividends were paid in the first six months of 2020, as in the prior-year period.

As already in comparable periods, the company has refrained from recognising actuarial gains and losses for materiality reasons. Further changes to equity are presented in the consolidated statement of changes in equity.

Other disclosures

(7) Contingent liabilities and other financial commitments

As of the balance sheet date, contingent liabilities existed from advance payment and warranty guarantees with a total value of EUR 77 thousand (December 31, 2019: EUR 67 thousand), as well as a registered land charge on the German operating land.

(8) Leases

The Group is a lessee under leases for cars, office premises and office equipment.

As of June 30, 2020, the leasing liabilities were composed as follows:

In EUR thousand	Future lease payments	Interest portion	Present value of future leasing instalments
Due within one year	609	10	599
Due in one to five years	896	76	820
Due after more than five years	240	35	205
Total	1,745	121	1,624

As of December 31, 2019, the leasing liabilities were composed as follows:

EUR thousand	Future lease payments	Interest portion	Present value of future leasing instalments
Due within one year	641	10	631
Due in one to five years	902	62	840
Due after more than five years	263	23	240
Total	1,806	95	1,711

In 2020, the rental and lease agreements resulted in payments totalling EUR 514 thousand in the first half of the year (December 31, 2019: EUR 1,066 thousand). Some of these payments do not represent interest or principal payments, but were expensed instead.

Interest expenses of EUR 25 thousand in connection with the lease liabilities were recognised in the income statement in the first half of 2020 (December 31, 2019: EUR 102 thousand).

The Group is also a lessor as part of finance and operating leases. In both cases, the assets concerned are drive units.

Receivables from finance leases of EUR 881 thousand (December 31, 2019: EUR 1,375 thousand) existed as of the reporting date. They are disclosed under lease receivables and measured at amortised cost. These led to interest income of EUR 27 thousand in the first half of 2020 (December 31, 2019: EUR 71 thousand). As in the previous year, no capital gains arose. The decrease in leases reflects the scheduled expiry of leasing agreements.

Their fair value on the balance sheet date amounted to EUR 893 thousand (December 31, 2019: EUR 1,375 thousand).

The following information is provided on receivables from finance leases:

Sum total of future minimum leasing payments (gross investment) in EUR thousand	30/06/2020	31/12/2019
Due within one year	674	839
Due in one to five years	240	582
Due in two to three years	0	17
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	914	1,438

Present value of outstanding minimum lease payments in EUR thousand	30/06/2020	31/12/2019
Due within one year	645	818
Due in one to five years	236	541
Due in two to three years	0	16
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	881	1,375
Unrealised financial income included in the outstanding minimum lease payments	33	63

The total nominal amount of the future minimum lease payments under operating leases where the Group is the lessor is composed as follows by term:

Due within one year	30/06/2020	31/12/2019
Due in one to five years	435	269
Due in two to three years	192	214
Due in three to four years	15	112
Due in four to five years	0	0
Due after more than five years	0	0
Total	0	0
Summe	642	595

In the first half of 2020, leasing income from rental leases amounting to EUR 210 thousand was realised (December 31, 2019: EUR 382 thousand).

(9) 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 drawn 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 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. Marketable securities and current financial liabilities are not included.

(11) Supervisory and Managing Boards

During the period under review, the members of the Supervisory Board of SMT Scharf AG were:

- Prof. Dr. Louis Velthuis (Chairman), Professor of Controlling at the Johannes Gutenberg University of Mainz, Germany, Intershop Communications AG, member of the Supervisory Board
- Dr. Dipl.-Ing. Dirk Vorsteher, Werne (Deputy Chairman), Management consultants, (no positions held at other companies)
- Dipl. Volkswirtin Dorothea Gattineau, Wuppertal, Business executive (no positions held at other companies)

On June 30, 2019, Professor Velthuis held 3,000, Dr. Vorsteher 900, Ms. Gattineau 910, Mr. Theiss 22,711 and Mr. Embert 14,000 shares in the company.

(11) Related party disclosures

Besides the Managing and Supervisory boards of SMT Scharf AG, related parties pursuant to IAS 24 include personnel at companies that SMT Scharf AG controls or significantly influences. Business transactions between the parent company and its subsidiaries that are regarded as related enterprises are eliminated through consolidation, and are not commented upon 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 first half of the year.

(12) Events after the balance sheet date

Following the end of the first six months of 2020, no further events occurred that have a significant effect on the company's financial position and performance.

Responsibility statement

We assure that, to the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial reporting on the consolidated half-year financial statements gives a true and fair view of the Group's financial position and performance, and the interim Group management report presents the Group's business including its results and the Group's position such as to provide a true and fair view, and describes the major opportunities and risks pertaining to Group's anticipated growth and development in the remainder of the fiscal year.

Hamm, August 13, 2020

Hans Joachim Theiss

Wolfgang Embert

IMPRINT

Publisher

SMT Scharf AG
Römerstraße 104
59075 Hamm
Deutschland

Tel.: +49 (0) 2381-960 – 212
Fax: +49 (0) 2381-960 – 311

Email: ir@smtscharf.com
www.smtscharf.com

Investor Relations

cometis AG
Thorben Burbach
Unter den Eichen 7
65195 Wiesbaden
Deutschland

Tel.: +49 (0) 611 20 58 55 – 23
Fax: +49 (0) 611 20 58 55 – 66

Email: burbach@cometis.de
www.cometis.de

Layout, Editor & Design

cometis AG

DISCLAIMER

The Report of the first half-year 2020 is also available in English. In case of differences the German version prevails. The digital version of the Annual Report and the Interim Reports can be downloaded at www.smtscharf.com in the category "Investor Relations/Publications/Financial reports".