

9M results: SMT Scharf "on track" in a challenging mining environment

- Revenue down 31.5 % to EUR 31.9 million (9M/2013: EUR 46.6 million)
- EBIT at EUR 225 thousand (9M/2013: EUR 5.1 million)
- Successful adjustment of cost structure to lower demand as part of KVI program

Hamm, November 13, 2014 – SMT Scharf AG (German Securities Code [WKN] 575198, ISIN DE0005751986), technology and world market leader for monorail transport systems for underground mines, generated EUR 31.9 million of consolidated revenue during the first nine months of the current 2014 fiscal year (9M/2013: EUR 46.6 million). This represents a 31.5 % year-on-year revenue decline.

Christian Dreyer, CEO of SMT Scharf AG, sees the mining cycle as having started to find a floor to its downturn, despite the tangible drop in revenue: "While also taking into consideration our fresh impressions from the third quarter and the fact that the global economy has faltered further, we are retaining our EUR 45 million revenue forecast for the current year. Our revenue expectations for 2015 are stabilising at approximately the 2014 level. Confidence that we have reached the bottom of the cycle predominates, although an upturn is not in sight."

During the first nine months of 2014, EUR 13.1 million (41 %) of consolidated revenue was attributable to the business with new systems (9M/2013: 47 %). The reduction in revenue compared with the prior-year period consequently amounts to 39.9 %. This reflects the prevailing reticence to invest among many mine operators, which are continuing to adopt a wait-and-see attitude given low commodity prices and a rise in geopolitical tensions. In the spare parts / repairs / service / other segment, the 24.1 % fall in revenue compared with the first nine months of 2013 was markedly lower, by contrast. When viewing the third quarter of 2014 in isolation, the reduction in revenue compared with the previous year's quarter amounted to just 9.6 %.

As far as the geographic allocation of consolidated revenue is concerned, Russia is currently the largest sales market for the SMT Scharf Group, as already during the first half year. The company generated around 28 % of its revenues there in the January to September 2014 period (9M/2013: 23 %). The 16 % decrease in revenue compared with the previous-year period was also less than the management expected. Russia continues to be followed by Poland with both a revenue share and a reduction in revenue of 23 % respectively. The structurally most important sales market of China continued to follow a sharp downtrend, with

61 % less revenue being generated there during the first nine months of the year compared with the prior-year period. China's share of Group revenue, which still amounted to around a third at the end of 2013, fell to approximately 15 %. "China's economy is currently flagging at a high level, and it is well established that it carries a major weighting in terms of commodity price trends due to the great hunger for raw materials deriving from this billion population country. Chinese mines nevertheless need to catch up over the medium term with the past decades' investment backlog – and in this context we will be one of the first points of contact for their mining operators given our localisation strategy, which allows us to bring our value creation even closer to the customer," notes Christian Dreyer. Overall, SMT Scharf generated around 85 % served Group revenue abroad during the first nine months of 2014 (9M/2013: 89 %).

The company reduced its cost of materials faster than the decline in its revenue (-31.5 %), cutting these expenses by 43.3 % to EUR 13.6 million (9M/2013: EUR 24.0 million). In relation to operating output of EUR 31.2 million (9M/2013: EUR 47.6 million), the cost of materials ratio stood at 43.6 % (9M/2013: 50.4 %). The provisions for one-off severance payments that were necessitated for restructuring at the main plant in Hamm as part of the KVI program fed through to higher personnel expenses of EUR 11.4 million during the first nine months of 2014 compared with the equivalent prior-year period (9M/2013: EUR 9.8 million), corresponding to a 36.6 % personnel expense ratio (9M/2013: 20.7 %). Profit from operating activities (EBIT) fell to EUR 225 thousand (9M/2013: EUR 5.1 million) due to the lower business volumes and higher personnel expenses. The EBIT margin on total operating revenue consequently stood at 0.7 % (9M/2013: 10.7 %). At the bottom line (and taking into account the financial result of EUR 692 thousand [9M/2013: EUR 879 thousand]), the Group generated consolidated net income of EUR 678 thousand (9M/2013: EUR 2.2 million), equivalent to EUR 0.16 of earnings per share (9M/2013: EUR 0.54).

While the order book position as of September 30, 2014 of EUR 18.8 million (September 30, 2013: EUR 19.9 million) was almost at the level of the previous year's quarterly reporting date, new order intake stood at EUR 34.7 million (9M/2013: EUR 48.2 million), consequently falling significantly short of the previous-year period.

Christian Dreyer outlined SMT Scharf's situation within the current market environment: "We have done our internal homework and adjusted our cost structure to the current low market demand. And we have done this not only in terms of personnel expenses, but also with strategic decisions such as the spin-off of our investment in Dosco. We have set up a development program that will replace practically all our current products with both improvements and new versions by the end of 2016 – with the help of numerous new engineers who we

have hired both in Germany and abroad. Our sales function has systematically analysed our customer potential, identifying precisely where it needed to strengthen itself. We are now optimally prepared for the upturn – as and when it arrives."

Heinrich Schulze-Buxloh, second Managing Board member at SMT Scharf AG, will continue to accompany this development. He has extended his contract, which expires at the year-end, for a further year until December 31, 2015, and will remain available to SMT Scharf in the coming year as a Managing Board member and as COO. Heinrich Schulze-Buxloh wishes to thereby send a clear signal in terms of continuity during a difficult phase.

The full report for the first nine months of 2014 will be available during the course of today at www.smtscharf.com in the Investor Relations section.

Company profile

SMT Scharf Group develops, manufactures and services transport equipment for underground mines. The main products are captivated railways that are used all over the world, primarily in black coal mines, but also in mines for gold, platinum and other metals. These are needed to transport material and personnel with payloads of up to 45 tons on gradients of up to 35 degrees. In addition the company supplies mines with chairlifts. SMT Scharf Group has subsidiaries in six countries and agents worldwide. SMT Scharf generates more than 90 % of revenues in growing foreign markets such as China, Russia and South Africa. Business with replacement parts and repairs contributes about half of revenue. The entire market for underground transport equipment is estimated to be EUR 5 to 7 billion per year. SMT Scharf AG has been listed in the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange since April 11, 2007.

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