

SMT Scharf AG: Weak market for mining equipment continues to impact Q1 2014 business trends

- Revenue down -36.4 % to EUR 9.6 million (Q1/2013: EUR 15.1 million)
- EBIT at EUR 0.1 million (Q1/2013: EUR 3.2 million).
- Extensive package of measures ("costs + sales + innovation") as response to weak market environment
- FY 2014 forecast adjustment: Revenue of EUR 45 million, EBIT of EUR 1.0 million, break-even at net income

Hamm, May 15 2014 – SMT Scharf AG (WKN 575198, ISIN DE0005751986), the technology and world market leader for captivated railway systems for underground mines, continued to feel the impact of mine operators' reticence to invest during the first quarter of 2014.

Accordingly, the revenue of the SMT Scharf Group fell by -36.4% from EUR 15.1 million in the prior-year period to EUR 9.6 million in the quarter under review. Especially the business in the important markets for SMT Scharf of China and Russia fell by more than 50 % due to slower growth in China, as well as the Ukraine crisis in Russia. Demand remained relatively stable in Poland, which comprised the SMT Scharf Group's most important market in the first quarter 2014 with an almost one third share of total revenue. Operating output amounted to EUR 10.6 million (Q1/2013: EUR 17.8 million).

Profit from operating activities (EBIT) fell to EUR 0.1 million (Q1/2013: EUR 3.2 million), mainly due to the non-recurrence of planned revenue accompanied by an unchanged number of employees. At the bottom line, the Group reports EUR 0.4 million of consolidated net income (Q1/2013: EUR 2.1 million), corresponding to EUR 0.09 of earnings per share (Q1/2013: EUR 0.51).

As of March 31, 2014, the Group order book position stood at a total of EUR 17.7 million, compared with EUR 24.9 million a year previously (-29.0 %). New order intake halved to EUR 11.2 million.

Christian Dreyer, CEO of SMT Scharf AG, described the company's response to weak worldwide demand for mining equipment: "We are endeavoring to continue to endow the SMT Scharf Group with a positive structure during the current difficult market environment through a bundle of different measures." To this end, the company has launched an internal program described as "costs + sales + innovation" that rests on three pillars, as explained by Dreyer: "First, we are focusing on reasonable cost-savings. For this purpose, we are cutting

production capacities in Germany. In China, we have also decided against the construction of a new production building, and we have rent an existing hall instead. Secondly, we are focusing on our sales efforts by systematically segmenting our customers, and addressing these segments on an even more targeted basis accordingly. Thirdly, we are expanding our innovative strength. For example, we are defining a total of 35 development projects for our customers using new product ideas, and we are bolstering our engineering expertise at our subsidiaries in China and Poland. Finally, we are propagating to a greater extend our hard rock expertise in countries such as Canada and Indonesia based on our new applications that is used in the copper mine in Chile."

SMT Scharf AG has nevertheless partially downgraded its forecast for the current 2014 fiscal year. On a current basis, the Managing Board now expects revenue of only around EUR 45 million, EBIT of approximately EUR 1.0 million, and break-even at the net income level. The forecast for other key indicators remains unchanged.

The full report for the first three months of 2014 will be available during the course of the day on the company's website at www.smtscharf.com within the "Investor Relations" area.

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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