

## SMT Scharf makes positive progress in a difficult market environment

- Group revenue falls to EUR 47.8 million as expected (previous year: EUR 63.3 million)
- Net result of EUR -1.1 million (previous year: EUR 5.5 million excl. Dosco)
- Share buyback program of up to EUR 2.25 million in place of dividends
- Forecast for 2015: Revenue EUR 45 million, result EUR 2-3 million

Hamm, March 12, 2015 – SMT Scharf AG (WKN 575198, ISIN DE0005751986), technology and world market leader for monorail transport systems in the underground mining sector, fulfilled its own forecasts for 2014. In a cyclically weak market for mining equipment, Group revenue pursuant to IFRS decreased by 24.4% to EUR 47.8 million (previous year: EUR 63.3 million; forecast: EUR 45.0 million).

“As a result, we fared better than the market in an extremely demanding environment,” summarised Christian Dreyer, CEO of SMT Scharf AG. According to one of the latest estimates by the German Engineering Federation (VDMA), revenue within the industry dropped by 33% in 2014. “At the same time, we believe that the downturn has now bottomed out to a certain extent. In order to be well equipped for the next upturn, we initiated important efficiency measures in the year under review and continued with our localisation strategy,” explains Dreyer.

As in the previous year, the major share of **Group revenue** in the reporting year was attributable to China, Russia and Poland; 86% of revenue was achieved abroad (previous year: 91%). As anticipated, the proportion attributable to new systems business was somewhat lower at 46% (previous year: 51%). **Operating output** (Group revenue plus changes in inventories) decreased to EUR 45.7 million (previous year: EUR 63.4 million). The rise in **other operating income** to EUR 4.6 million (previous year: EUR 2.2 million) stemmed from factors including the reversal of provisions and exchange rate gains.

In contrast, the **cost of materials ratio** (in relation to operating output) fell further to 48.8% (previous year: 50.8%), as cost of materials was reduced by an above-average 30.9% to EUR 22.3 million (previous year: EUR 32.3 million). The **personnel expenses ratio** of 33.2 % was substantially higher than the previous year figure (21.6%) despite the reduction in headcount in Germany: In the reporting year, one-off costs of EUR 2.3 million were incurred in connection with a redundancy plan for German employees; personnel expenses came in at EUR 15.1 million (previous year: EUR 13.7 million). While **depreciation and amortisation** fell to EUR 1.5 million (previous year: EUR 1.7 million), **other operating expenses** rose to

EUR 12.9 million on the back of higher exchange rate losses and sales costs (previous year: EUR 11.4 million).

Overall, SMT Scharf reported a **result from operating activities (EBIT)** of EUR -1.5 million (previous year: EUR 6.6 million). EBIT was therefore close to the anticipated level. The **EBIT margin** (in relation to operating output) came in at -3.3 % (previous year: 10.4 %). The **net result** fell to a slightly negative EUR -1.1 million compared to 2013 (previous year: EUR 5.5 million excl. Dosco), but was better than anticipated (forecast: EUR -2.0 million). **Earnings per share** amounted to EUR -0.26 (previous year: EUR 0.77).

With the **CSI program**, SMT Scharf has initiated a wide-ranging initiative in order to once again return to profitability in 2015. Christian Dreyer explains: "Under the name 'CSI - Cost, Sales, Innovation' we have initiated several measures aimed at saving on costs without compromising the foundation and technical know-how of SMT Scharf AG. CSI is equipping and strengthening us for the next upturn."

As part of the CSI program, SMT Scharf intensified its sales activities in future markets such as China and substantially expanded the personnel of local design, construction and development departments. "The orientation of the already appointed engineers in China is proceeding as expected and promises success. Thanks to new products, a streamlined structure and powerful sales, we are perfectly equipped for the next upturn. In addition, we are expanding our strategic 'Hardrock' business with the operators of ore mines in the medium to long term to become a second pillar of business in addition to coal. As a result, we are anticipating revenue for 2015 on a par with 2014 together with a clearly positive result," says Dreyer.

As reported on March 4, SMT Scharf is currently also making use of the authorisation of the Annual General Meeting to buy back shares. Christian Dreyer: "Instead of the usual distribution of a dividend, we resolved to acquire our own shares on the secondary market via a share buyback program - in line with the wish of our shareholders."

The company plans to hold its AGM on April 22, 2015. The full Group annual report for the 2014 fiscal year will be made available on the company's website [www.smtscharf.com](http://www.smtscharf.com) within the Investor Relations area during the course of the day.

### 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. SMT Scharf Group has subsidiaries in six countries and agents worldwide. SMT Scharf generates most of its revenues in growing foreign markets such as China, Russia and South Africa. 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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