

## SMT Scharf increases profitability in H1 2016

Hamm, August 15, 2016 – SMT Scharf AG (WKN 575198, ISIN DE0005751986) reports significant year-on-year profitability growth despite revenue falling during the accounting period. Given a reduction in business generated with new machines, the service business again exerted a stabilising effect on consolidated revenue during the second quarter.

Chief Executive Officer Hans Joachim Theiss comments on current business trends: "There are currently weak signals that prices for the most important energy raw materials and metals are stabilising, but it's still too early to talk about a trend turnaround, which is why mine operators are retaining their wait-and-see attitude. This has left clear marks on our revenue trends during the first six months of the year. The fact that we report a marked earnings improvement compared with the previous year gives us confidence. We regard this as proof that the restructuring measures we launched in previous years are showing effect, and that our focus on operative excellence is paying off."

At EUR 19.1 million during the first half of 2016, **consolidated revenue** failed to reach the previous year's level (H1/2015: EUR 22.5 million). While first-quarter revenue rose by 20 % year-on-year, second-quarter revenue registers a 41 % reduction. The business with service and replacement parts accounted for 68 % of total revenue during the first six months of the year (H1/2015: 47 %), while business with new machines fell correspondingly. Rail systems generated 93 % of total consolidated revenue (H1/2015: 91 %), with the share from chairlifts reducing accordingly. With 83 % of revenue deriving from the Coal segment and 17 % from the Hard Rock segment, the related composition was unchanged compared with the previous year. As in the previous year, 90 % of revenue was generated outside Germany, including 83 % in the four core markets of Russia, Poland, Africa and China (H1/2015: 82 %). While business with machines in China reduced in the reporting period, the Polish market registered gains, especially due to lease contracts. **Total operating revenue** fell 14 % to EUR 19.2 million (H1/2015: EUR 22.3 million)

The **cost of materials** of EUR 8.9 million was 32 % below the previous year's level overall (H1/2015: EUR 13.0 million). Write-downs to inventories in the previous year's period are to be noted here. The half-year results in the previous year were affected by extensive risk provisioning measures. The cost of materials ratio (in relation to total operating revenue) decreased significantly to 46 % (H1/2015: 58 %). **Personnel expenses** amounted to EUR 5.7 million, representing a 5 % year-on-year decline (H1/2015: EUR 6.0 million). Due to

the reduction in total operating revenue, the personal expense ratio increased to 30 %, by contrast (H1/2015: 27 %).

Following operating efficiency improvements, the **result from operating activities (EBIT)** rose to EUR 1.5 million during the first six months of 2016 (H1/2015: EUR -0.4 million). The EBIT margin on total operating revenue stood at 8 % (H1/2015: -2 %).

**Group net income** improved to EUR 1.6 million (H1/2015: EUR -0.6 million) Based on an average of 4,140,523 shares in issue, **earnings per share** amounted to EUR 0.39 during the period under review (H1/2015: EUR -0.14).

Theiss comments on the FY 2016 outlook: "For the full year, we still anticipate a decline in revenue and an EBIT improvement compared to the previous year, with a now assumed sales revenue trend for the second half of the year that is similar to the first six months of 2016. On the basis of our improved cost structure and the disproportionately profitable first half-year, we also anticipate a better EBIT margin for the full year than our originally forecast 4.1%."

Strategic measures in three areas (operative excellence, external growth, organic growth) should contribute to an improved positioning for SMT Scharf. This should enable the company to participate to an above-average extent in market opportunities in the next sector upturn.

"We are countering the demanding market environment at several levels. Firstly, we are positioning SMT Scharf on the market as a premium supplier to an even greater extent than before. Secondly, we are also becoming active on the market ourselves, and examining opportunities currently on offer. Our absolute priority in this context is to strengthen the company in a meaningful manner, and extend its strategic positioning as a leading supplier in mining logistics," notes Theiss.

The full report for the first half of 2016 will be available today on the company's website at [www.smtscharf.com](http://www.smtscharf.com) within the "Investor Relations" area.

### Company profile

The SMT Scharf Group develops, manufactures and services transportation equipment for underground mining. The main products are captivated railway systems that are deployed all over the world, primarily in hard coal mines, but also in mines for gold, platinum and other metals. They are needed to transport material and personnel with payloads of up to 45 tons and on gradients of up to 30 degrees. In addition, the Group supplies the mining sector with chairlifts. The SMT Scharf Group is active with subsidiaries in seven 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 April 11, 2007.

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