SMT Scharf maintains position in weak 2015 sector environment with positive results

Hamm, March 8, 2016 – SMT Scharf AG (WKN 575198, ISIN DE0005751986) has clearly exceeded its own targets for the FY 2015 with EUR 50.3 million of consolidated revenue (previous year: EUR 47.8 million) and EUR 1.6 million of EBIT (previous year: EUR -1.5 million). The Group achieved an EBIT margin of 3.2 % (previous year: -3.3 %) on total operating revenue of EUR 50.0 million (previous year: EUR 45.7 million). At the bottom line, the Group generated a net profit of EUR 0.8 million (previous year: EUR -1.1 million).

The CEO of SMT Scharf AG, Hans Joachim Theiss, comments on 2015 business trends: "Prices for coal, as well as for other energy raw materials and industrial metals, continued on a downtrend over the past months. Coal mine operators worldwide have cut investments to almost zero in light of this market situation, as well as due to overcapacities. Despite these difficult conditions, we nevertheless raised our revenue above the EUR 50 million level and achieved a positive net result. We have thereby significantly exceeded our own expectations and the targets we set ourselves."

Risk provisioning measures, especially valuation allowances for outstanding receivables and inventories, as well as impairment losses, which the company recognised as expenses at the end of the first half of 2015, initially prompted the new management team at SMT Scharf AG to assume full-year consolidated revenue of around EUR 45 million and breakeven at EBIT level. Excluding the aforementioned EUR 2.9 million of risk provisions, adjusted EBIT would have amounted to EUR 4.5 million in the 2015 fiscal year, with a corresponding 8.9 % adjusted EBIT margin.

Consolidated revenue grew by 5.2 % to EUR 50.3 million in the 2015 fiscal year (previous year: EUR 47.8 million), and **total operating revenue** increased to EUR 50.0 million (previous year: EUR 45.7 million). The Service share of revenue amounted to 59 % (previous year: 54 %), while the share of the Hard Rock segment was boosted to 18 % (previous year: 13 %). Revenue generated abroad accounted for an 89 % share of total revenue (previous year: 86 %). Russia was the most important market a share of 25 %, or EUR 12.5 million (previous year: 22 % or EUR 10.6 million), followed by China with a share of 23 %, or EUR 11.3 million (previous year: 27 % or EUR 13.1 million). Due to the low coal price, the Chinese government closed many mines, or shut them temporarily. The African market reported an overall very positive trend due to its high hard rock share.

Currency exchange rate gains and the release of the restructuring provision were mainly responsible for the increase in **other operating income** to EUR 5.1 million in the reporting period (previous year: EUR 4.6 million). The **cost of materials ratio** (in relation to total operating revenue) increased to 55.2 % (previous year: 48.8 %). The **personnel expense ratio** (in relation to total operating revenue) of 24.1 % was almost 10 percentage points lower than in the previous year (32.2 %), reflecting the conclusion of the restructuring measures. The **operating result (EBIT)** of EUR 1.6 million was positive (previous year: EUR -1.5 million), as was also the case with the **consolidated net result** of EUR 0.8 million (previous year: EUR -1.1 million). **Earnings per share** amounted to EUR 0.19 accordingly (previous year: EUR -0.26).

"Our core expertise as an engineering firm with long traditions lies in our deep understanding of our market's requirements. We know very precisely what our customers' needs are, being in frequent contact with them. Given the currently difficult market environment, we see ourselves as being well positioned to operate profitably also given weaker demand for new systems. Our high level of service orientation helps us in this context. The Group's international orientation, proximity to its customers, and capital strength meet market requirements", Theiss notes.

Total assets of EUR 57.9 million in the 2015 fiscal year reflected a reduction (previous year: EUR 60.5 million), while the **equity ratio** improved to 62.7 % (previous year: 61.0 %).

"With a look to the 2016 fiscal year, we are assuming that our market will form a bottom. We remain conservative and again anticipate consolidated revenue of around EUR 45 million. We also assume a positive and in comparison to last year slightly higher EBIT margin of an amount of approximately 4.1 %", is how Theiss presents the management's current forecast. "Through strategic measures in three areas, we aim to position ourselves in the future to participate in market opportunities in the next upturn to an above-average extent."

Along with improving the operating business – such as development processes, sales activities and multinational collaboration within the Group – any opportunities that might arise from sector consolidation are also to be exploited (external growth). SMT Scharf aims to expand its own core positioning – from transportation machine to transportation system, including installation, operation and maintenance. Organic growth is to be generated through tapping new geographic markets, further penetration into hard rock mining, and expanding the product range.

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 30 degrees. Furthermore the company supplies the mining industry with chair lifts. SMT Scharf Group has subsidiaries in seven countries and agents worldwide. SMT Scharf generates most of its revenues 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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