

SMT Scharf earnings up in FY 2016

Hamm, March 8, 2017 – SMT Scharf AG (WKN 575198, ISIN DE0005751986) improved its operating earnings by 8.7% to EUR 2.5 million in the fiscal year elapsed (2015: EUR 2.3 million). As expected at the start of 2016, revenue of EUR 42.6 million was tangibly below the previous year's level (2015: EUR 50.3 million). The Group achieved an EBIT margin of 5.9% (2015: 4.6%) on total operating revenue of EUR 42.2 million (2015: EUR 50.0 million). At the bottom line, SMT Scharf achieved a further year-on-year improvement in consolidated net income to EUR 1.9 million (2015: EUR 1.5 million).

The CEO of SMT Scharf AG, Hans Joachim Theiss, comments on 2016 business trends: "The improvement in profitability reflects the successes of measures we implemented in the area of operating excellence, which are now paying off for us. In terms of EBIT margin, we clearly exceeded the 4.1 percent target we originally set ourselves. Our bottom-line earnings are also up by a good fourth on the previous year's level. Full-year order intake for new systems remained moderate given the economic situation in the mining sector worldwide. Pleasingly, an increasing recovering of raw materials prices on world markets became evident at the year-end, which accelerated our fourth-quarter sales revenue growth. Our Service business also proved to be robust again in 2016. Overall, we performed well on the market, while at the same time strengthening the company's intrinsic value."

In the final quarter 2016, **consolidated revenue** of EUR 15.9 million was 6.4% above the corresponding previous year's quarter (Q4/2015: EUR 14.9 million). On a full-year view, consolidated revenue was down 15.4% to EUR 42.6 million (2015: EUR 50.3 million). Correspondingly, **total operating revenue** reduced to EUR 42.2 million (2015: EUR 50.0 million). The revenue share of the Service business rose to 67.5% (previous year: 59.4%). At 91.4%, most of total revenue was attributable to the Railways product, as in the previous year (2015: 90.8%), while Chairlifts accounted for 8.6% of revenue (2015: 9.2%). The Coal segment accounted for the by far predominant share of consolidated revenue of 84.1%, or EUR 35.8 million (2015: 82.0% or EUR 41.2 million). Revenue generated abroad accounted for a 91.8% share of total revenue (2015: 89.5%). Russia (and CIS) continued to be most important market with a share of 29.6% or EUR 12.6 million (2015: 24.9% or EUR 12.5 million). As in the previous year, China followed in second place with a reduced 19.3% or EUR 8.2 million (2015: 22.5% or EUR 11.3 million). Poland was almost level pegging at 19.3%, or EUR 8.2 million. Business volumes in Poland increased year-on-year both proportionally and in absolute terms (2015: 15.2% or EUR 7.7 million). On the American

market, activities focused on Mexico and Chile. The remaining revenue generated in Germany of EUR 3.5 million, or 8.2%, has reduced further, as planned, due to the currently running shutdown of the location in Saarland (2015: EUR 5.3 million or 10.5%).

The **cost of materials ratio** (in relation to total operating revenue) reduced to 51.5% (2015: 53.9%), which is partly attributable to the valuation allowances applied to inventories in the previous year. The **personnel expense ratio** (in relation to total operating revenue) of 27.4% was up year-on-year (2015: 24.1%). This increase reflects the basis effect from the lower revenue level in the 2016 fiscal year. The **operating result (EBIT)** reached EUR 2.5 million (2015: EUR 2.3 million). **Consolidated net income** reported a further improvement to EUR 1.9 million (2015: EUR 1.5 million). **Earnings per share** amounted to EUR 0.45 accordingly (2015: EUR 0.36).

The **order book position** stood at EUR 11.2 million as of March 1, 2017, up 16.6% year-on-year (March 1, 2016: EUR 9,6 million). New order intake since the start of the year amounted to EUR 5.9 million as of March 1, 2017 (up to March 1, 2016: EUR 6.7 million).

"Despite continuing risks to the world economy, we assume the market for mining equipment is undergoing a cyclical trend turnaround. Given the good new order intake trend of the last months and forthcoming orders from the Asian region, we anticipate consolidated revenue for 2017 of at least EUR 40 million to EUR 44 million and EBIT between EUR 2.2 million and above EUR 3.0 million," as Theiss notes concerning the current management forecast. "From our strong market position, we aim to participate to an above-average extent from the forthcoming upturn in the mining sector and from growth in the tunnel construction sector, although we do not yet anticipate any significant revenues in the latter area in 2017. Besides this, we are strengthening our activities in South America with the founding of our own sales company in Chile, where we see major sales opportunities due to numerous hard rock mining locations."

The 2016 Group financial report was published today at www.smtscharf.de within the Investor Relations area.

Company profile

The SMT Scharf Group develops, manufactures and services transportation and infrastructure equipment for underground mining as well as for tunnel construction. 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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