MINCON GROUP PLC
("Mincon" or the "Group")

INTERIM TRADING UPDATE

Mincon Group plc *(ESM:MIO AIM:MCON),* the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, today provides an interim trading update for the period from 1 July 2015 to date, incorporating the third quarter to 30 September 2015.

The third quarter of 2015 has shown a growth in sales, both organically and through acquisition, as compared to the same period in 2014 and Q2 2015. This growth has been coupled with an improvement in gross margin and operating profit for the quarter against the same period in 2014. Working capital has improved and net cash has increased by €3.4 million, after paying the interim dividend of €2.1 million in the quarter.

Key points:

- Revenue in Q3 2015 of €19.3 million has increased 43% compared to Q3 2014, driven by additional revenue from acquisitions and increased volumes.
- Excluding acquisitions, revenue in Q3 2015 increased approximately 15% on a like-for-like basis compared to Q3 2014. This 15% increase was achieved in both manufactured products and third party traded products.
- Revenue in the third quarter of 2015 increased 4% compared to the second quarter of 2015, driven primarily by higher volumes as the Group continues to increase market share and expand in new markets. This 4% increase was achieved in both manufactured products and third party traded products.
- There were no capital equipment sales in Q3 2015. This remains a key part of our strategy for the Southern Africa region but current market conditions for the sale of capital equipment remain challenging.
- During Q3 2015, the gross margin was 42% (Q3 2014: 40%) and operating profit margin was 18% (Q3 2014: 17%). The improved trading in the period, and progress in addressing costs to fit the new trading environment, have led to the increase in gross margin and operating profit.
- During Q3 2015, the profit before tax margin was 15% (Q3 2014: 21%). In August 2015, there was a considerable depreciation in the South African Rand and Australian Dollar against the euro. This has resulted in a foreign exchange loss of €0.76 million for the period, compared to gain of €0.37 million in the corresponding period in 2014.
- The Group continues to have a strong balance sheet at 30 September 2015, with net cash of €37.7 million (30 June 2015: €34.3 million). The €3.4 million cash inflow in the quarter was a result of the strong operating profit recorded in the quarter and reductions in working capital. The Group also paid the interim dividend of €2.1 million in the quarter (€0.01 per ordinary share as previously declared). Management remain cognisant of the need for a disciplined approach to working capital management and are taking initiatives to reduce working capital levels further while continuing to invest for future growth.
- The business environment in the mining segment (approximately 60% of Group turnover) of our business remains challenging and we have no evidence that demand will change significantly in the short term. The significant drop in commodity prices over the past two years has resulted in pricing pressure in all markets.
- The risk posed by the volatility in currency markets also remains a concern. The Group continues to invest and build our international sales network, and therefore much of our growth and market opportunities are in markets exposed to this currency volatility.
- New product development is continuing aimed at improving and expanding the existing product range and ultimately increasing Mincon's market share. Additionally, we are continuing discussions with a number of potential acquisition partners with a view to extending the Group's product range and adding new customers and new geographic markets.

Forward looking statements
Any forward looking statements made in this document represent the Board's best judgment as to what may occur in the future. However, the Group's actual results for the current and future financial periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the Group. Such factors could cause the Group's actual results for future periods to differ materially from those expressed in any forward looking statements included in this announcement.

ENDS

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