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 January 2017 to date, incorporating the first quarter to 31 March 2017.

Key elements (comparison of Q1, 2017 to Q1, 2016)

- **Revenue up 34%**
  - Mincon engineered product sales up 27%
  - Third party product sales up 58%
- **Gross margin 37% down from 40%**
- **Operating profit 11.5% up from 10%**
- **Profit before tax 10.8% up from 9.8%**

Revenue

Revenue in Q1 2017 has increased 34% compared to Q1, 2016 driven by increased sales volumes achieved across all of our main geographic regions with particular progress in Africa, but strong growth seen also in Australia, North America, and Europe. On a constant currency basis the growth is approximately 25%.

Very little of this uplift was driven by acquisition uplift as we bedded down what we had previously bought and co-ordinated the businesses better in the second half of last year. We also had a tremendous amount of new engineered products coming through and while this added little to the sales in Q1, the future profitability of the Group is determined, in large part, on additional and better engineered product being our market advantage.

Sales of Mincon manufactured product rose 27% in Q1, 2017, while that of third party manufactured product increased by 58%. Some of that third party product in Q1, 2017 (c.US$800,000) was the sale of small third party rigs in Africa at very little margin, in effect an agency type of transaction. We still have our rigs inventory, but see signs of the market finally beginning to move, with renewed interest, but still with little financial support as yet.

We sell products complementary to our own manufactured ranges, upon which we receive a distributor margin. While these products may make a meaningful contribution to addressing the sales and administration overhead, they do not add a great deal to the bottom line. We make a better margin on Mincon manufactured product and we actively consider the product ranges we make and buy to see what adds value and what, over the longer term, may not.

Margins

Overall, due mainly to the change in the sales mix, the gross margin came down a couple of points compared to last year in Q1 to 37% as opposed to the 40% of 2016, but the operational gearing effect led to an operating profit for the quarter of 11.5%, compared to 10% in Q1, 2016, and an Ebitda margin of 14.7%. A small adverse FX charge delivered profit before tax at 10.8% compared to 9.8% last year.

What we added to the margin through capitalising the investment in the new hammer range, we have reduced by establishing additional provisions, so on a look through basis the results for last year and this are directly comparable. The new hammer range and service is progressing well, and on schedule for beta testing in H2. A new service centre has been established and staffed in Australia, proximate to key customers.

While there is some supplier pressure on inputs, the improving market will, through the cycle, also offer the opportunity to earn a better margin through engineering. The market will reward better products in an up cycle.

Balance sheet

The Group balance sheet continues to be undergeared with net cash at the end of Q1, 2017 of €37.3 million (31st December 2016: €35 million), and while sales have advanced strongly the trading working capital was unchanged with the only change being the deposits of €540,000 on capital equipment approved and on order from the year end. Working capital remains a key focus of management.

There were no other items of significance in the balance sheet at the end of Q1, though Q2 will see the further investment in capital equipment as previously highlighted at the year end, and the payment of the final dividend.

Acquisition of PPV Finland (PPV) by our subsidiary Mincon Nordic Oy.

In April, 2017 we acquired the product range, including the engineering, customer base, patents and brands of the PPV business. The sales run rate for PPV was approximately €3 million last year. We also signed a four year manufacturing agreement for the existing range with the current supplier, Lehti Group, and we will continue to build out and staff this strategic development by integrating it in our new engineering and sales hub in the Nordic region.

The PPV core products

PPV designs, develops and sells innovative contracting tools for the foundation and well drilling industries. The products are especially useful for complex ground conditions, and where ground disruption must be minimized, such as heavily built up areas, or for example, off-shore.

The core products are:

- Overburden drilling systems
- Large diameter rock bits
- Drill string components
- Large diameter hammers
- Modification sets for rigs
- Rock socket grouting systems for large O piling
- Products that can be used on and off shore

The acquisition is strategic, with products that complement our existing range and extend it, which reduce our dependence on distributors that are emerging as competitors, and which will give us opportunities to access new markets for our existing and growing portfolio of products. We will continue to build out our hammer and bit ranges.

The 34 inch hammer developed by PPV and the very large diameter bits occupy the top end of our current ranges, and complement the manufacturing capability established by Mincon last year. Since that investment we have successfully launched our new 12 inch and 18 inch hammers, and the addition of PPV gives us a wide range of reference sites in piling, tunneling and construction.

We are actively engaged in further acquisition discussions to add products, companies and management teams to our Group.

Market comment

We would, in general, caution against taking this first quarter as a new run rate, even though the growth has been spread across most of our markets. A sector recovery, and to a degree we depend on this for growth in revenue and margin, can be fitful at the early part of the cycle and may not follow a straight line recovery profile by any means. However we believe we are working towards an improving position in products, people, customers and resource for the next few years, to build growth and resilience in our business.

Annual General Meeting

The Annual General Meeting of Mincon Group plc will be held later today, Friday 28th April, 2017 at 10.00 a.m in the Park Inn by Radisson, Shannon, Ireland.

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

28th April, 2017
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