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, 2016 to date, incorporating the first nine months of the year to 30th September , 2016.

Revenue for the nine month period to end Q3 was 7% ahead of the same period last year, within which Mincon product sales were 5% ahead, and third party product sales were 15% ahead. The gross margin for Q3, 2016 was 41%, the operating profit margin was 16% and the profit before tax margin was 19%, the latter being helped by a positive exchange rate movement. Revenue in Q3, 2016 was ahead of the equivalent quarter last year, but only marginally, due in part to some reorganisations below, and some flattening out in some geographies.

South America slowed down for the quarter in response to a mining retrenchment, and we are closely engaged with our businesses and customers in the region to mitigate any issues arising from this. However we continue to see and seek growth in this developing region. Elsewhere Australia continued to grow strongly during the quarter.

We changed both Ghana and Poland from subsidiaries to a distribution model as we refined our regional structure, and relocated the West Africa team and business from Senegal to Las Palmas, which brings it back within the EU. This reorganisation caused a certain amount of disruption in the quarter.

Margins
For the nine month period to end-Q3, 2016, year to date our gross margin has held at 41%, our operating profit margin at 14% and our profit before tax margin at 16%. This was helped by a favourable foreign exchange benefit. These compare to 41%, 15% and 14% respectively for the same period last year.

Foreign currency exposures
We continue to monitor our foreign currency exposures with a view to building some resilience into the relevant trading relationships of subsidiaries and third parties. At present this means working to match long term liabilities and assets. We have made substantial foreign exchange gains this year, which, while not damaging the Group, do underline the trading risk.

The balance sheet
We finished the quarter with net cash of €35.1 million (31st December, €38.6 million) having invested €3.5 million on capital equipment and having met the interim dividend, €2.1 million, in the quarter for a total of €4.2 million in dividends this year. Of the €5 million absorbed into working capital this year, some €2.2 million has gone into inventory and this should unwind through the rest of the year.

However, €2.6 million has been absorbed in debtors, and much of this with specific debtors that are on a work out with the Group. While we believe we have provided for any currently foreseen losses on these accounts, we should have better visibility of the outcomes on these debtors by the year end.

Investment in the business
We have faced the "make or buy" decisions over the last few years as we develop our sales strategy. Acquisitions have offered poor value at times, in our opinion, and we have responded by building out our direct sales teams, adding to our engineering team and our productive capacity and extending our product ranges.

This approach has increased our cost base, as a prelude to increasing our sales, but it has also allowed us to develop our strategy of:

- Standardising our production machinery
- Standardising our processes
- Maintaining and developing the quality of our products
- Increasing our flexibility, and
- Building our intellectual property

Capital investment has stepped up to nearly €4 million approved in the year to date as we add to our ranges of hammers and bits. Approximately 80% of this expenditure has gone onto the five factory floors in plant and machinery, and about €3.2 million (to Q3, 2015 €726,000) net of disposals has already passed through the cash flow as we approach the end of the first year of a three year plan.

We see less than €1 million of outstanding capex in Q4, and much of the related cash outflow will fall into next year. While this investment is significant it has replaced certain acquisitions that are no longer being explored by the Group, having been disqualified on price or availability. We are building our sales channels and teams for the new sales strategy, even as we finalise the engineering and manufacturing designs and processes.

In addition, we are commissioning a series of new products outside the current ranges and have acquired, relocated and localised a rig as a development platform to drive through the beta testing of these products on a mine site.

Since we continue to write off R&D in the year, all of the relevant expenses have flowed through the cost lines as incurred.

Acquisitions
We continue to make small distribution acquisitions to add to our regional structures and are in ongoing discussion with several parties with a view to adding those businesses to the Group. We are also engaged in building the product portfolio, as a priority, with ranges that are complementary to our existing ranges and sales channels.

Management changes
We are in the process of reviewing the efficiency and responsiveness of our Group management and have concluded that a Regional Structure is the best model for the current growth phase. As part of this we have strengthened our regional management in Australia and South Africa.

We are pleased to announce that Bob Fassl, our VP Sales and former President of Atlas Copco Mining & Excavation Technique, will relocate to the Group office in Shannon at the start of 2017 and this facilitates reallocation of some of the executive responsibilities among the senior team. As part of this John Doris, Company Secretary, has stepped back from the interim CFO role and we would like to thank him for bridging this responsibility in recent months. We are confident we have the skill set for the required roles in the Executive team.

End
10 November, 2016

For further information please contact:

Joe Purcell – Chief Executive Officer **Tel: +353 (61) 361 099**
Peter Lynch – Chief Operating Officer

Davy Corporate Finance (Nominated adviser and ESM adviser)
Anthony Farrell **Tel: +353 (1) 679 6363**
Daragh O'Reilly