

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 quarter to 31 March 2016.

Revenue

Revenue in Q1 2016 was 13% ahead of the same period last year, mainly due to the full year impact of acquisitions. Sales of Mincon manufactured product have increased across all geographies in Q1 2016 compared to Q1 2015 due to the expanded geographic footprint of the Group and increased market shares. The first quarter is historically our slowest quarter with winter shut downs in the Northern hemisphere and summer vacations in the Southern hemisphere.

Gross margins

The gross margin for Q1 2016 was 40%, up from 38% in Q1 last year, and profit before tax was 10% compared to 12% for the same period last year, however, excluding the favourable foreign exchange movements in Q1 2015 (which contributed approximately 4% to profit before tax in Q1 2015), the underlying profit before tax margin has improved. The foreign exchange charge in the first quarter of this year was insignificant.

Foreign currency exposures

The Mincon Group is conscious of the impact of the currency movements in its markets and is reviewing the group structures with the objective of mitigating the exposures to the extent considered commercially sensible. Our investments in our subsidiaries and their trading is long term, and some of the trading currencies, such as the Rand and the Australian dollar have softened considerably over the years, and can be volatile on occasion.

Balance sheet

The balance sheet of the Group remains strong, with net cash as at 31 March 2016 of €35.5 million (31st December, 2015: €38.6 million). The €3.1 million cash outflow in the quarter was split between capital expenditure payments of €1.5 million for equipment ordered last year to maintain and expand our manufacturing capability, and a net €1.6 million used in operations.

The quality of our factories and their capabilities continues to improve, and the market reach of the business through direct sales channels is a significant step forward since the time of our IPO in late-2013.

There is some seasonality in the sales of our business with Q2 and Q3 traditionally being the busiest quarters, and the running of our factories sees us building some inventory through Q1 as we manage the efficiency of our factories and distribute to our sales companies across the world. Management remain cognisant of the need for a disciplined approach to working capital management and continue to take initiatives to reduce working capital levels while continuing to invest for further growth.



Rigs

We see little demand for capital equipment in the current environment, and may move towards a rental model to utilise the investment placed in this category.

Outlook

Overall, taking account of trading in the first three months of the year, we expect some improvements in the market for our products in 2016.

Mincon will hold its Annual General Meeting on Friday, 27 May 2016 at 10.00 a.m. in the Park Inn by Radisson, Shannon, Ireland.

Ends

25th May, 2016

For further information, please contact:

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Forward looking statements

Any forward looking statements made in this announcement represent the Board's best judgement 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 the announcement.

