

Mincon Group plc 2017 Half Year Financial Results

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, announces its half year results for the six months ended 30 June 2017.

	30 June 2017 €'000	30 June 2016 €'000	Percentage change in Period
Product revenue:			
Sale of Mincon product (€'000)	35,211	27,877	26%
Sale of third party product (€'000)	11,745	8,436	39%
Total revenue (€'000)	46,956	36,313	29%
<i>Sale of Mincon product as a % of total revenue</i>	<i>75%</i>	<i>77%</i>	
<hr/>			
Profit before tax (€'000)	6,317	5,008	26%
Profit attributable to shareholders of the parent company (€'000)	5,072	4,068	
Earnings per share (€)	0.024	0.019	26%

Joe Purcell, Chief Executive Officer, commenting on the results, said:

“We said with the financial accounts for 2016 that we had begun to set ourselves aggressive targets for growth in sales and profits. The growth we referred to at the end of Q1 has been sustained for the remainder of the first half with 29% growth across all the revenue categories, and 23% in constant currency terms.

We have also made a significant contingent gain, and taken some exceptional charges in the half year, and the outcome of those amendments has been a very minor adjustment to the profit before tax. Without those exceptional items the key numbers for H1, 2017 are:

- **Revenue up 29%** **to €47 million**
- **Mincon manufactured product up 26%** **to €35.2 million**
- **Third party product sales up 39%** **to €11.7 million**
- **Gross profit up 23%** **to €18.4 million**
- **Ebitda up 35%** **to €8.15 million**
- **Operating profit up 38%** **to €6.8 million**

In the table above we see that the **profit before tax in H1, 2017 has increased by 26% to €6.3 million** from €5 million in H1, 2016, and the **earnings per share also increased by 26%**. We are beginning to make real headway as a Group as the sector improves.

The underlying momentum is greater than this, since we had to absorb an FX charge of €0.5 million as the rand and dollar weakened. We will continue to seek longer term solutions that mitigate these movements.

This overall growth is very substantially organic with only a small acquisition of IP in H1, 2017, with PPV, which we spoke about in the Q1 Interim Trading Update. We have also acquired the remaining minority interest in Rotacan, along with the acquisition of the Viqing group in July, 2017, neither of which are reflected in these figures for the half year. Viqing adds to our pipe range, and over time we will increase the sales of own manufactured products and move away from third parties.

We have three very substantial projects moving into their sales and marketing phases, with the extended range of large hammers and bits, the new hammer range, and the rapid build-up of our Mincon Nordic subsidiary.

We have driven good growth in our current product ranges, and we have the new products, the new factories and the investment of the last couple of years to come on stream. We have a very strong balance sheet, adequate cash resources and an ambitious, experienced team in a sector that continues to improve.

In conjunction with the release of these half year results, the Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share payable in September, 2017”

Products and markets

We continue to manufacture 76% of what we sell, which gives us deeper control on engineering, on quality control and on margins. After years of retrenchment on pricing we have begun to see a more normal expectation of recovering our cost increases in the markets, though we do not look for leadership in this area. Our approach has been to deliver better engineered products and our market positions, and to some degree pricing, reflects this.

We have added to our ranges in hammers and bits, and to our consumables offering through the recent acquisition of our drill pipe company, Viqing. We also initiated drill pipe manufacturing in Australia. In general we will seek to add to the product ranges and competence by acquisition where we believe this offers value to our shareholders, and by organic growth where the acquisition pricing is not justified by the opportunity.

During the first six months of 2017 we saw very strong growth in Southern and West Africa, and good growth in Australia, Europe and North America. Only South America had a set back with the loss of a key customer, but we are working hard there to continue to build our base in Chile, and developing customers in adjacent markets such as Peru.

Mincon Nordic Oy

As disclosed in the Q1 Interim Trading Update we acquired PPV in Tampere, Finland to widen our product range and to develop our Mincon Nordic base. In July 2017 we acquired **Viqing Drilling Equipment AB** in Sunne, Sweden for an initial payment of €3.2 million and additional conditional consideration of €4.7 million over a five year period. This business was also bought into the Mincon Nordic hub.

Viqing is a drill pipe manufacturer of excellent quality and is already a supplier to the Group. It is a great vertical fit since we already sell their products right across our subsidiaries, and we would have several million euro of turnover to direct towards the factory. We understand the business, and their ranges are entirely congruent with the hammers and bits we already sell. We are glad to welcome the very experienced and committed management team to the Group. Specifying the factory to the Group standard is already underway.

We expect strong growth in Mincon Nordic over the next three years and will resource it accordingly. We are expensing the costs of the Mincon Nordic build up as we build the hub, and we should see this initiative move into profitability in 2018.

The new product category

We capitalised some €627,000 of development research and development on this project in the first half, as we flagged at the year end, and delivered the required sizes of hammers on time and on budget. Those products are already on site and beta testing in Australia with a very substantial customer, managed and supervised by our own team. The products run on a development rig acquired and engineered to operate the new products so that we can deliver a turn-key solution to end customers. It is also important to collect accurate performance measurements, handle the products properly, and protect our investment in IP. We expect to spend H2 running and testing the products to ensure that their cost effectiveness and longevity achieves the desired engineering specifications ahead of the planned 2018 launch.

Large hammers and bits

We have invested in very modern equipment to handle the larger sizes of hammers and bits and extended our ranges, and the potential sectors we can address. This is consistent with the acquisition of PPV in Q1. We have applied much of the machinery availability on the development of the new product category referred to above, and addressing the heightened volume of orders coming into the factories. This has caused us some production constraints which should clear in H2 and allow us to finish out the engineering of the large hammer range which we are then in a position to launch in H2.

Mincon Australia Group

Outside of Mincon Nordic we also opened a drill pipe manufacturing factory in Perth in Australia under the regional hub management team, and sales from there have also commenced, albeit at a low base volume in H1.

Contingent consideration gain and exceptionals

When we bought the majority stake in Rotacan we added the elements of put and call options between the vendor and ourselves in order to establish an exit price mechanism. As a consequence of the recession, which hit rotary customers very hard, neither element of the option pricing exit mechanism created grounds for

agreement on price. The vendor and Mincon Group reached an accommodation and priced the minority at a small percentage over net assets and the transaction was completed on the 30th June, 2017.

This created a non-cash contingent gain of €3.1 million for Mincon Group plc. During the half year period we have also reviewed our asset categories and decided to take specific write-offs in third party inventory, and debtors, totalling approximately an equivalent amount. (See Note 6).

Profit margins

As we expected, the increase in our volumes delivered additional profits, and while we lost a bit on the gross margin in part due to mix, we are seeing the uplift that we expected on the bottom line. We continue to seek to improve the margins down to the profit after tax level in order to drive the earnings per share and the return on capital employed. We still have work to do with the deployment of our cash and previous investments, but we believe there is considerable value to be added to the Group if we are as successful as expected with the investments noted above.

Balance sheet and Cash Flow

With net assets of €106 million, and net cash of €32 million at the end of H1, 2017, the Group balance sheet remains very robust. Even with sales increasing by €10 million over H1 last year, and excluding exceptionals referred to in Note 6, working capital has remained largely flat. This is a contrast with the trends of the last two years where we saw up to €5 million being absorbed with less growth, and we expect to continue to manage the cash tied up under this heading in order to increase the efficiency of the Group. The intangible assets increased in the period by the acquisition of PPV.

The “other current assets” have increased largely by the deposits on the incoming capital equipment.

The cash flow statement shows the improvement in cash flow with €4.6 million from operating activities compared to €404,000 last year in H1, and the application of that cash in capital expenditure of €3.1 million, the cash payment on the PPV acquisition of €2 million, and the dividends paid of €2.1 million being the difference in the cash balance for the year to date. It should be noted that the Rotacan payment occurred in early July, and the Viqing acquisition in late July and those will be outflows as H1 post balance sheet events. We are not flagging Viqing as a profit contributor in the 2017 year as it will counterbalance the Mincon Nordic start-up losses to some degree, but we expect a positive contribution from 2018 forward.

Dividend

The Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of 0.01 (1 cent) per ordinary share, which will be paid on the 26 September, 2017 to shareholders on the register at the close of business on the 1 September, 2017.

Outlook

We had sales of c. €40 million in H2 last year, and while the growth in this reported half year has been strong, we will need to keep growing to add significantly to that run rate. Having said that we have three good investment projects coming to fruition in the remainder of 2017 and 2018 and believe a reasonable strike rate will deliver meaningful growth and profitability from these for the Group. We have other investments at earlier stages coming through behind them to deliver improved customer access in key markets, next generation products, and improved manufacturing and distribution efficiencies. We continue to engage with acquisition opportunities to increase our customer access, and add to our people, our products and our service offering.

I would like to thank the shareholders for their support through the last few years, and the Mincon staff for their commitment to the success of the business.

17 AUGUST 2017

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Unaudited condensed consolidated income statement
For the 6 months ended 30 June 2017

	Notes	2017			2016
		Excluding exceptional items €'000	Exceptional items (Note 6) €'000	Including exceptional items €'000	H1 €'000
Continuing operations					
Revenue	2	46,956	-	46,956	36,313
Cost of sales	4	(28,589)	(1,849)	(30,438)	(21,381)
Gross profit		18,367	(1,849)	16,518	14,932
General, selling and distribution expenses.....	4	(11,578)	(1,198)	(12,776)	(10,029)
Operating profit.....		6,789	(3,047)	3,742	4,903
Finance cost.....		(58)	-	(58)	(85)
Finance income		14	-	14	90
Foreign exchange gain/(loss)		(505)	-	(505)	135
Settlement gain		-	3,124	3,124	(35)
Profit before tax		6,240	77	6,317	5,008
Income tax expense		(1,091)	-	(1,091)	(930)
Profit for the period		5,149	77	5,226	4,078
Profit attributable to:					
- owners of the Parent				5,072	4,068
- non-controlling interests.....				154	10
Earnings per Ordinary Share					
Basic earnings per share, €	9			0.024	0.019
Diluted earnings per share, €.....	9			0.024	0.019

The accompanying notes are an integral part of these financial statements.

Unaudited condensed consolidated statement of comprehensive income
For the 6 months ended 30 June 2017

	2017 H1 €'000	2016 H1 €'000
Profit for the period	5,226	4,078
<i>Other comprehensive income/(loss):</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation – foreign operations.....	(2,609)	2,464
Other comprehensive income/(loss) for the period	(2,609)	2,464
Total comprehensive income for the period	2,617	6,542
Total comprehensive income attributable to:		
- owners of the Parent	2,463	6,532
- non-controlling interests	154	10

The accompanying notes are an integral part of these financial statements.

Unaudited consolidated statement of financial position
As at 30 June 2017

	Notes	30 June 2017 €'000	31 December 2016 €'000
Non-Current Assets			
Intangible assets	11	17,195	13,120
Property, plant and equipment	12	20,574	20,052
Deferred tax asset	8	393	529
Other non-current assets		163	238
Total Non-Current Assets		38,325	33,939
Current Assets			
Inventory	13	31,267	35,310
Trade and other receivables	14	17,338	16,437
Other current assets		2,451	996
Current tax asset	8	338	954
Cash and cash equivalents		33,701	36,836
Total Current Assets		85,095	90,533
Total Assets		123,420	124,472
Equity			
Ordinary share capital		2,105	2,105
Share premium		67,647	67,647
Merger reserve.....		39	39
Capital redemption reserve.....		(17,393)	(17,393)
Share based payment reserve	10	251	89
Foreign currency translation reserve		(1,574)	1,035
Retained earnings		54,476	51,509
Equity attributable to owners of Mincon Group plc		105,551	105,031
Non-controlling interests		638	484
Total Equity		106,189	105,515
Non-Current Liabilities			
Loans and borrowings	15	755	1,142
Deferred tax liability	8	383	714
Deferred contingent consideration.....	16(c)	2,256	5,669
Other liabilities		599	595
Total Non-Current Liabilities		3,993	8,120
Current Liabilities			
Loans and borrowings	15	589	734
Trade and other payables		6,596	6,561
Accrued and other liabilities		5,351	2,823
Current tax liability	8	702	719
Total Current Liabilities		13,238	10,837
Total Liabilities		17,231	18,957
Total Equity and Liabilities.....		123,420	124,472

The accompanying notes are an integral part of these financial statements.

Unaudited condensed consolidated statement of cash flows
For the 6 months ended 30 June 2017

	H1 2017 €'000	H1 2016 €'000
Operating activities:		
Profit for the period	5,226	4,078
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	1,362	1,115
Fair value movement on deferred contingent consideration	(3,124)	-
Finance cost	58	85
Finance income	(14)	(90)
Income tax expense.....	1,091	930
Other non-cash movements	2,180	(149)
	6,779	5,969
Changes in trade and other receivables	(3,099)	(3,090)
Changes in prepayments and other assets	(1,511)	(449)
Changes in inventory	2,426	(1,436)
Changes in trade and other payables	555	365
Cash provided by operations	5,150	1,359
Interest received	14	90
Interest paid	(58)	(85)
Income taxes paid	(485)	(960)
Net cash provided by/(used in) operating activities	4,621	404
Investing activities		
Purchase of property, plant and equipment	(3,092)	(2,891)
Acquisitions, net of cash acquired	(2,000)	-
Payment of deferred contingent consideration	-	(340)
Investment in short term deposits	-	(79)
Proceeds from former joint venture investments	56	54
Net cash provided by/(used in) investing activities	(5,036)	(3,256)
Financing activities		
Dividends paid	(2,105)	(2,105)
Repayment of loans and finance leases	(416)	(591)
Drawdown of loans	-	40
Net cash provided by/(used in) financing activities	(2,521)	(2,656)
Effect of foreign exchange rate changes on cash	(199)	87
Net increase/(decrease) in cash and cash equivalents	(3,135)	(5,421)
Cash and cash equivalents at the beginning of the year	36,836	10,644
Cash and cash equivalents at the end of the period	33,701	5,223

The accompanying notes are an integral part of these financial statements.

Unaudited condensed consolidated statement of changes in equity for the 6 months ended 30 June 2017

	Share capital €'000	Share premium €'000	Merger reserve €'000	Other reserve €'000	Capital redemption reserve €'000	Capital contribution €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 July 2016	2,105	67,647	(17,393)	-	39	-	26	(1,429)	48,448	99,443	475	99,918
Comprehensive income:												
Profit for the period.....	-	-	-	-	-	-	-	-	5,166	5,166	9	5,175
Other comprehensive income/(loss):												
Foreign currency translation.....	-	-	-	-	-	-	-	2,464	-	2,464	-	2,464
Total comprehensive income								2,464	5,166	7,630	9	7,639
Transactions with Shareholders:												
Share-based payments	-	-	-	-	-	-	63	-	-	63	-	63
Dividend payment	-	-	-	-	-	-	-	-	(2,105)	(2,105)	-	(2,105)
Balances at 31 December 2016	2,105	67,647	(17,393)	-	39	-	89	1,035	51,509	105,031	484	105,515
Comprehensive income:												
Profit for the period.....	-	-	-	-	-	-	-	-	5,072	5,072	154	5,226
Other comprehensive income/(loss):												
Foreign currency translation.....	-	-	-	-	-	-	-	(2,609)	-	(2,609)	-	(2,609)
Total comprehensive income								(2,609)	5,072	2,463	154	2,617
Transactions with Shareholders:												
Share-based payments	-	-	-	-	-	-	162	-	-	162	-	162
Dividend payment	-	-	-	-	-	-	-	-	(2,105)	(2,105)	-	(2,105)
Balances at 30 June 2017	2,105	67,647	(17,393)	-	39	-	251	(1,574)	54,476	105,551	638	106,189

The accompanying notes are an integral part of these financial statements.

Notes to the consolidated interim financial statements

1 General information and basis of preparation

Mincon Group plc ("the Company") is a company incorporated in the Republic of Ireland. The unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2017 (the "Interim Financial Statements") include the Company and its subsidiaries (together referred to as the "Group"). The Interim Financial Statements were authorised for issue by the Directors on 17 August 2017.

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU. The Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016 as set out in the 2016 Annual Report (the "2016 Accounts").

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2016, extracts from which are included in these Interim Financial Statements, were prepared under IFRSs as adopted by the EU and will be filed with the Registrar of Companies with the Company's 2016 annual return. They are available from the Company website www.mincon.com and, when filed, from the registrar of companies. The auditor's report on those statutory financial statements was unqualified.

The Interim Financial Statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The financial information contained in the Interim Financial Statements has been prepared in accordance with the accounting policies applied in the 2016 Accounts.

Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 Accounts.

2. Revenue

	H1 2017 €'000	H1 2016 €'000
Product revenue:		
Sale of Mincon product	35,211	27,877
Sale of third party product	11,745	8,436
Total revenue	46,956	36,313

3. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Our CODM has been identified as the Board of Directors.

Having assessed the aggregation criteria contained in IFRS 8 operating segments and considering how the Group manages its business and allocates resources, the Group has determined that it has one reportable segment. In particular the Group is managed as a single business unit that sells drilling equipment, primarily manufactured by Mincon manufacturing sites.

Entity-wide disclosures

The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, Australia, the United States, the United Kingdom, South Africa and Canada and sales offices in seven other locations including Finland, Spain, Sweden, Namibia, Tanzania, Chile and Peru. In presenting information on geography, revenue is based on the geographical location of customers and non-current assets based on the location of these assets.

Revenue by region (by location of customers):

	H1 2017 €'000	H1 2016 €'000
Region:		
Ireland	330	390
Americas	13,598	12,539
Australasia.....	11,926	8,521
Europe, Middle East, Africa	21,102	14,863
Total revenue from continuing operations	46,956	36,313

Non-current assets by region (location of assets):

	30 June 2017 €'000	31 December 2016 €'000
Region:		
Ireland	8,496	6,752
Americas	13,771	14,423
Australasia.....	6,715	7,237
Europe, Middle East, Africa	8,950	4,998
Total non-current assets⁽¹⁾	37,932	33,410

(1) Non-current assets exclude deferred tax assets.

4. Cost of Sales and operating expenses

Included within cost of sales, selling and distribution expenses and general and administrative expenses were the following major components:

Cost of sales

	H1 2017 €'000	H1 2016 €'000
Raw materials.....	9,125	7,939
Third party product purchases	10,146	6,369
Employee costs	4,449	3,645
Depreciation	1,058	847
Impairment of capital equipment inventory (note 6).....	1,081	-
Impairment of finished goods inventory (note 6).....	768	-
Other	3,811	2,581
Total cost of sales	30,438	21,381

Other operating expenses

	H1 2017 €'000	H1 2016 €'000
Employee costs (including director emoluments)	6,774	5,914
Depreciation	303	268
Impairment of trade receivable (note 6)	1,198	-
Other	4,501	3,847
Total other operating costs.....	12,776	10,029

5. Employee information

	H1 2017 €'000	H1 2016 €'000
Wages and salaries – including directors	10,006	8,175
Severance payments	-	400
Social security costs	618	601
Pension costs of defined contribution plans	437	373
Share based payments (note 10).....	162	10
Total employee costs.....	11,223	9,559

The Group capitalised payroll costs of €134,000 in H1 2017 in relation to research and development.

The average number of employees was as follows:

	H1 2017 Number	H1 2016 Number
Sales and distribution.....	101	75
General and administration	55	59
Manufacturing, service and development	175	164
Average number of persons employed	331	298

6. Exceptional Items

	H1 2017 €'000
Cost of sales	
Impairment of capital equipment inventory	(1,081)
Impairment of finished goods inventory	(768)
Total cost of sales	(1,849)
General, selling and distribution expenses	
Impairment of trade receivable.....	(1,198)
Total general, selling and distribution expenses	(1,198)
Fair value movement on contingent consideration	3,124
Total exceptional items	77

The write down in the period ended 30 June 2017 on the Group's capital equipment inventory is €1.1 million.

The level of finished goods inventory write down recognised as an exceptional item within the cost of sales amounted to €768,000. This write down in inventory in the period ended 30 June 2017 is due to various non-Mincon manufactured product that has become obsolete due to the availability of more advanced products that have now become available on the market.

The Group provides for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group now considers that a receivable of €1.2 million from a South American distributor is no longer recoverable.

In August 2014 the Group acquired a 65% majority shareholding in Rotacan. In June 2017 the Group acquired the 35% minority interest in this business for cash consideration of €2 million which was settled in July 2017. The acquisition of the minority shareholding in Rotacan resulted in a credit to the income statement as the amount paid to settle the contingent consideration was less than the director's estimate of its fair value at 31 December 2016.

7. Acquisitions

Rotacan is a Canadian based business which specialises in the design, manufacture and sales of rotary blast hole drill bits, drill pipe and other ancillary products used primarily in the open pit mining industry. In August 2014 the Group acquired a 65% majority shareholding in Rotacan, in June 2017 the Group acquired the 35% minority interest in this business.

In April, 2017 Mincon acquired 100% shareholding in Pirkanmaan Poraveikot OY, PPV, this is a Finnish based business that specialises in the design and sale of specialised consumable equipment for drilling where ground disruption must be minimised.

A. Consideration transferred

	PPV €'000	Total €'000
Cash	2,000	2,000
Deferred contingent consideration	2,000	2,000
Total consideration transferred	4,000	4,000

B. Acquisition related costs

Acquisition related costs amounted to approximately €98,000 and were included in the “operating expenses” in the income statement for the 6 months to the 30 June 2017.

8. Income Tax

The Group’s consolidated effective tax rate in respect of operations for the six months ended 30 June 2017 was 17.3% (30 June 2016: 18.6%). The effective rate of tax is forecast at 17.3% for 2017 which is marginally lower than prior year, this was due to the geographic spread of profits of the Group entities in 2017 compared with 2016. The tax charge for the six months ended 30 June 2017 of €1.1 million (30 June 2016: €0.9 million) comprises a deferred tax charge relating to movements in provisions, net operating losses forward and the temporary differences for property, plant and equipment recognised in the income statement.

The net current tax liability at period-end was as follows:

	30 June 2017 €'000	31 December 2016 €'000
Current tax prepayments	338	954
Current tax payable	(702)	(719)
Net current tax	(364)	235

The net deferred tax liability at period-end was as follows:

	30 June 2017 €'000	31 December 2016 €'000
Deferred tax asset	393	529
Deferred tax liability	(383)	(714)
Net deferred tax	10	(185)

9. Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets forth the computation for basic and diluted net profit per share for the six months ended 30 June:

	H1 2017	H1 2016
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent.....	5,072	4,068
Earnings per Ordinary Share		
Basic earnings per share, €	0.024	0.019
Diluted earnings per share, €	0.024	0.019
Denominator (Number):		
Basic weighted-average shares outstanding	210,541,102	210,541,102
Diluted weighted-average shares outstanding	210,817,811	210,554,991

10. Share based payment

During the half year ended 30 June 2017, the Remuneration Committee made a grant of approximately 1,153,846 Restricted Share Awards (RSAs) to members of the Group executive and senior management team. The vesting conditions include both service and performance targets. The performance target condition is an average growth of 5% of EPS plus CPI over three years. The fair value of the RSA's granted is equal to the company's share price on grant date which was €1.04c.

11. Intangible Assets

	Product development €'000	Goodwill €'000	Total €'000
Balance at 1 January 2017	499	12,621	13,120
Investments	627	-	627
Acquisitions (note 7).....	-	4,000	4,000
Foreign currency translation differences	-	(552)	(552)
Balance at 30 June 2017	1,126	16,069	17,195

12. Property, Plant and Equipment

Capital expenditure in the first half-year amounted to €3.1 million (30 June 2016: €3 million) of which €0.6 million (30 June 2016: €0.2 million) was invested in buildings and €2.5 million (30 June 2016: €2.8 million) was invested in plant and machinery.

The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	H1 2017 €'000	H1 2016 €'000
Cost of sales.....	1,058	847
Selling, general and administrative expenses	303	268
Total depreciation charge for property, plant and equipment	1,361	1,115

13. Inventory

	30 June 2017	31 December 2016
	€'000	€'000
Finished goods and work-in-progress	22,118	25,603
Capital equipment	3,243	4,473
Raw materials	5,906	5,234
Total inventory	31,267	35,310

Write-down of inventories during the period ended 30 June 2017 amount to €1,8 million and are explained in note 6 (30 June 2016: €Nil).

14. Trade and other receivables

	30 June 2017	31 December 2016
	€'000	€'000
Gross receivable	18,642	18,068
Provision for impairment	(1,304)	(1,631)
Net trade and other receivables	17,338	16,437

	30 June 2017	31 December 2016
	€'000	€'000
Less than 60 days	13,782	11,148
61 to 90 days	1,961	1,844
Greater than 90 days	1,595	3,445
Net trade and other receivables	17,338	16,437

At 30 June 2017, €2.8 million (16%) of trade receivables balance was past due but not impaired (31 December 2016, €3.4 million (21%)).

Credit Risk

The majority of the Group's customers are third party distributors of drilling tools and equipment. The maximum exposure to credit risk for trade and other receivables by geographic region was as follows at the balance sheet dates presented:

	30 June 2017	31 December 2016
	€'000	€'000
Ireland	95	27
Americas	4,657	5,340
Australasia	4,754	3,559
Europe, Middle East, Africa	7,832	7,511
Total amounts owed, net of provision for impairment	17,338	16,437

15. Loans and borrowings

	Maturity	30 June 2017 €'000	31 December 2016 €'000
Bank loans.....	2016-2021	1,043	1,183
Finance leases	2016-2020	301	693
Total Loans and borrowings.....		1,344	1,876
Current.....		589	734
Non-current.....		755	1,142

The Group has a number of bank loans and finance leases in Australia, the United States, Canada, Chile and Namibia with a mixture of variable and fixed interest rates. The Group has been in compliance with all debt agreements during the periods presented. None of the debt agreements carry restrictive financial covenants. Bank loans are secured on land & buildings with a net book value of approximately AUS\$3,500,000 (circa €2.3 million) and on plant and equipment with a net book value of US\$691,000 (circa €0.6 million).

16. Financial Risk Management

The Group is exposed to various financial risks arising in the normal course of business. Our financial risk exposures are predominantly related to changes in foreign currency exchange rates as well as the creditworthiness of our financial asset counterparties.

The half-year financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 Annual Report. There have been no changes in our risk management policies since year-end and no material changes in our interest rate risk.

a) Liquidity and Capital

The Group defines liquid resources as the total of its cash, cash equivalents and short term deposits. Capital is defined as the Group's shareholders' equity and borrowings.

The Group's objectives when managing its liquid resources are:

- To maintain adequate liquid resources to fund its ongoing operations and safeguard its ability to continue as a going concern, so that it can continue to create value for investors;
- To have available the necessary financial resources to allow it to invest in areas that may create value for shareholders; and
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

Liquid and capital resources are monitored on the basis of the total amount of such resources available and the Group's anticipated requirements for the foreseeable future. The Group's liquid resources and shareholders' equity at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017 €'000	31 December 2016 €'000
Cash and cash equivalents	34,136	36,836
Loans and borrowings	(1,344)	(1,876)
Shareholders' equity	105,551	105,031

16. Financial Risk Management *(continued)*

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the presentation currency. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than euro. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the reporting date and the resulting gains and losses are recognised in the income statement.

The Group's global operations create a translation exposure on the Group's net assets since the financial statements of entities with non-euro functional currencies are translated to euro when preparing the consolidated financial statements. The Group does not use derivative instruments to hedge these net investments. The principal foreign currency risks to which the Group is exposed relate to movements in the exchange rate of the euro against US dollar, South African rand, Australian dollar, Sterling and Swedish Krona.

Almost 75% of Mincon's revenue is generated in these currencies, compared to less than 15% of the Group's cost of sales. This had a significant translational impact on revenue when sales in local currency are converted into euro with a knock-on impact on the Group's gross margin and net margin. The majority of the group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

Currency also has a significant transactional impact on the group as outstanding balances in foreign currencies are retranslated at closing rates at each period end. There has been no material change in the euro exchange rate since 31 December 2016, with the exception of the US dollar, which has weakened resulting in a foreign exchange loss being recognised in other comprehensive income and the foreign currency translation reserve.

Average and closing exchange rates for the Group's primary currency exposures were as disclosed in the table below for the period presented.

	30 June 2017	H1 2017	31 December 2016	H1 2016
Euro exchange rates	Closing	Average	Closing	Average
US Dollar	1.14	1.083	1.05	1.12
Australian Dollar	1.49	1.44	1.46	1.52
Sterling	0.88	0.86	0.85	0.79
South African Rand	14.90	14.284	14.41	17.19
Swedish Krona	9.65	9.59	9.54	9.30

There has been no material change in the Group's currency exposure since 31 December 2016. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

16. Financial Risk Management (continued)

c) Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than in a forced or liquidation sale. The contractual amounts payable less impairment provision of trade receivables, trade payables and other accrued liabilities approximate to their fair values. Under IFRS 7, the disclosure of fair values is not required when the carrying amount is the reasonable approximation of fair value.

As the 35% minority shareholding in Rotacan was acquired in June 2017 with a cash payment of CA\$3 million (circa €2 million), the fair value moment resulting from this transaction was a €3.1 million credit to the income statement.

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2016 or 30 June 2017.

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof.

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the period ended to 30 June 2017 are as follows:

	Deferred contingent consideration €'000
Balance at 1 January 2017	5,669
Arising on acquisition (note 7)	2,000
Other liabilities (note 6)	(2,023)
Fair value movement	(3,123)
Foreign currency translation differences	(267)
Balance at 30 June 2017	2,256

16. Litigation

The Group is not involved in legal proceedings that could have a material adverse effect on its results or financial position.

17. Related Parties

We have related party relationships with our subsidiaries, directors and senior key management personnel. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

As at 30 June 2017 and 31 December 2016, the share capital of Mincon Group plc was 56.84% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. Ballybell Limited, a company controlled by Kevin Barry, held 7.09% of the equity of the Company. In June 2017, the Group paid a final dividend of €0.01 to all shareholders on the register at 26 May 2017. The total dividend paid to Kingbell and Ballybell Limited was €1,196,712 and €116,327 respectively.

There were no other related party transactions in the half year ended 30 June 2017 that affected the financial position or the performance of the Company during that period and there were no changes in the related party transactions described in the 2016 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

18. Events after the reporting date

Dividend

On 17 August 2017, the Board of Mincon Group plc approved the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share. This amounts to a total dividend payment of €2.1m which will be paid on 26 September 2017 to shareholders on the register at the close of business on 1 September 2017.

Viqing acquisition

On 6 July, 2017 we acquired Viqing Drilling Equipment AB, through our Mincon Nordic OY subsidiary, for €3.2 million in cash, and deferred conditional payments amounting to €4.7 million. This drill pipe manufacturer is based in Sunne, Sweden.

19. Approval of financial statements

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2017 on 17 August 2017.