

Mincon Group plc (*Euronext: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 2021.



MINCON GROUP PLC 2021 HALF YEAR FINANCIAL RESULTS



“Our focus on the engineering efficiency of our products has meant that we have always looked to minimise our carbon footprint.”

JOE PURCELL, CHIEF EXECUTIVE OFFICER, COMMENTING ON THE RESULTS, SAID:

H1 2021 HIGHLIGHTS (COMPARISON TO H1 2020):

Revenue	up 4%	to €67.0 million
Gross profit	down 2%	to €22.9 million
Profit Before Tax	up 4%	to €8.0 million

Growth of 4% in both revenue and profit before tax in H1 2021 despite the previously announced pandemic challenges interrupting production in Shannon at the beginning of the year, as well as increases in transport costs and lead times during the period;

Trading and production has continued to strengthen into H2 2021 and the Group's pipeline and order books remain strong as additional projects are expected to commence in H2 2021.

“Our sales growth during the first six months of 2021 reflected a very strong performance from a number of our regions and industries,

however this was offset somewhat by the continuing impact of the pandemic in two of our regions. Our operating margins were impacted due to pandemic issues in our production at the beginning of the year, particularly in Shannon, increased transport costs and start-up costs on a new contract in South America.

The European region performed strongly, particularly in the mining and construction industries, while the North American mining industry also performed very well during the period. Australasia, Southern Africa and South America remain impacted by the pandemic. In the case of Australia, in the area of new business developments, there were a number of trials that were curtailed. There were no large-scale construction projects in North America during the period, however we have a strong pipeline of tenders and remain positive about the outlook for the industry in the second six months of the year.

The Group is quickly adapting to some of the challenges presented in the current market. We have experienced significant increases in transit times and costs in relation to sea freight, while raw material availability and prices have also been a challenge. As a result of these issues, we made a conscious decision to increase inventory levels, to ensure that we can continue to supply our customers on time. We are also passing on price increases where we can and that will have a positive result on our margins in H2 2021.

JOE PURCELL, CHIEF EXECUTIVE OFFICER, COMMENTING ON THE RESULTS, SAID: CONTINUED

Our regional management structure has continued to deliver, and our strong global coverage has meant that we have been able to run the business with a minimum level of international travel to try and mitigate any Covid-19 risks and we will continue to review our travel policies as the global situation develops.

These results for the first six months of 2021 have further demonstrated that we are embedded in a wide range of cultures and communities across our global operations and markets. As a significant employer in these communities, Mincon has a meaningful role to play and we are committed to increasing opportunities for our employees as well as for the wider communities. As local governments imposed restrictions to contain the Covid-19 pandemic, our businesses in those markets have responded with the health and safety of our workforce as the primary concern.

As a result of the disruption caused by Covid-19, progress in product development has been challenging. Our Greenhammer system is still waiting to get onsite in Australia where there is a very strict site access policy across the mining industry. When this situation eases, we are ready to get onsite and start drilling to commercialise this exciting opportunity for Mincon and the hard rock mining industry. Several other product development projects are on hold waiting on an easing of travel/site access restrictions. Despite these delays in delivering these projects, our ambition has not waned. If anything, it is growing and a good example of this is the disruptive innovation fund grant that was awarded in May for the development of mooring systems for offshore wind installations. This is an exciting new opportunity for Mincon and marks our entry into the exciting and expanding renewables market.

Part of our acquisition strategy has been to build out our product offering to deliver a complete consumable package to the various markets that we are targeting. In January 2021, we completed the acquisition of Hammer Drilling Rigs, a US based business involved in the design and manufacture of bespoke drilling rigs and attachments for a variety of geotechnical applications. The products are characterised by elegant, user friendly and robust design with added benefits of serviceability and readily available spare parts. They add to our offering in

the geotechnical space by giving us the ability to offer the full package to several specialist applications such as limited access drilling and solar field anchoring.

Prior to acquisition of Hammer Drilling Rigs, all the rig manufacturing was outsourced. That has now been integrated with our plant in Benton, Illinois bringing the manufacturing margin inhouse. As part of the manufacturing integration in Benton, we acquired one of the outsourced contractors that the Hammer Drilling Rigs team worked with, Campbell's Welding & Fabrication. This business has now been relocated to Benton to run the manufacturing operations for the product line. An added benefit of the acquisition is that the grout plant product line that the contractor produces can be used extensively in construction applications, including solar field installations. The experienced team that has joined us with this acquisition will also form an integral part of our development team for the offshore mooring project, as well as bringing novel and highly efficient installation technology to the terrestrial solar field sector.

Another important part of our acquisition strategy has been to add talented and strategically located customer service businesses to increase our direct customer access and help to promote revenue growth for our Mincon manufactured products. As part of this strategy, in July 2021 we acquired Attakroc, a distributor based in Quebec City, Canada. We have built a strong relationship with Attakroc over a number of years and have been impressed with its customer service ethos as well as the growth potential in the Eastern Canadian market for our products in mining, construction and waterwell/geothermal drilling. This follows on from our successful acquisition in 2019 of Pacific Bit in Western Canada and gives us a more comprehensive customer service footprint to assist our growth in this important area for Mincon.

Our focus on the engineering efficiency of our products has meant that we have always looked to minimise our carbon footprint. This is more obvious on projects such as Greenhammer and will be further emphasised by our move into renewables with solar field and offshore wind installations. We are also looking at production efficiencies and are investing in new technologies to further reduce our impact on the environment.

CONCLUDING COMMENTS

Since our IPO in 2013, we have been on a journey that has filled out our product offering so that we can now supply the full range of consumables to the mining, construction, and waterwell/geothermal markets. Our engineering capacity has been transformed by adding to our team through acquisition and strategic hiring. Our undertaking of ambitious and challenging product development projects that are now poised to deliver, has built a knowledge base and honed our abilities. These engineering skillsets can now be deployed for new product development in existing markets as well as new areas such as the renewables space. This expertise, combined with the global spread of our manufacturing and customer service centres, means that we have created a platform for future growth. Indeed, with very strong order books and the additional opportunities that we see for the second six months of 2021, we believe that platform is now starting to deliver. Of course, we must always be aware of the variable environment which Covid-19 presents and endeavour to mitigate the effect on our people. On that note I would like to thank all my colleagues for their work, vigilance and perseverance through these challenging times and, together, we look forward to better days ahead."

Joseph Purcell
Chief Executive Officer

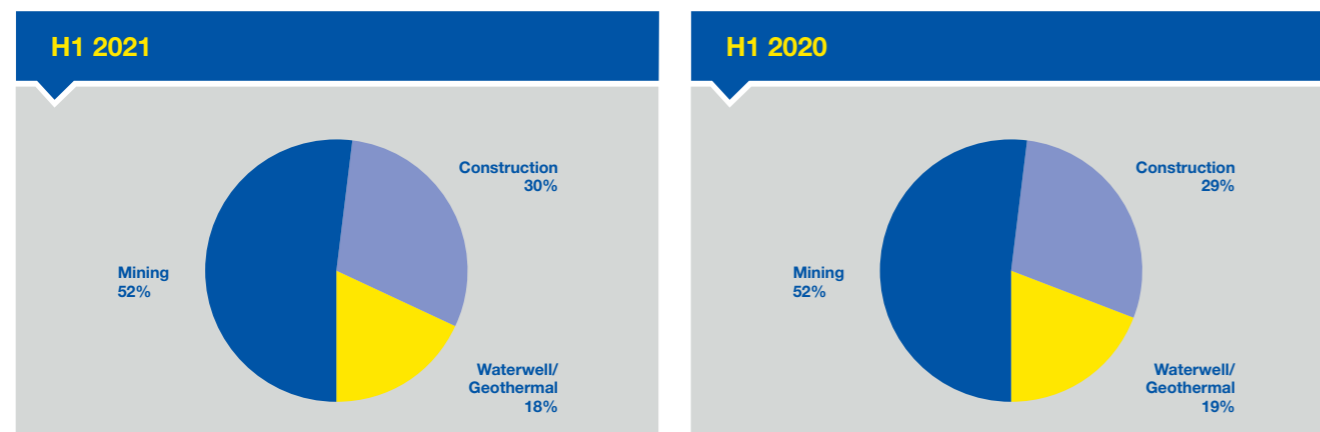


KEY FINANCIAL COMMENTARY

MARKET INDUSTRIES AND PRODUCT MIX

Our revenue has continued to grow during the period, albeit the pandemic has created some difficulties for growth in some regions where we operate.

Industry mix (by revenue)



Our largest growth in revenue during the first six months of 2021 was into the construction industry where we grew by 10%, though we did not invoice any large construction projects in North America during the period. Construction revenue grew through winning smaller projects in Europe and North America as Covid-19 restrictions eased in these regions during the period and gave us the opportunity to gain more access with our partners in the industry.

Our revenue into the mining industry grew by 2%, but this growth was not spread evenly across all our regions. We grew in areas where Covid-19 restrictions have eased or did not have a material impact on the industry, mostly in our Europe Middle East region and North America. The impact of Covid-19 was a major challenge for the industry in South America, Southern Africa, and Southeast Asia. The mining industry in Australia remains buoyant, but mine operators continue to ban non-essential access to their sites. This allows incumbent suppliers to continue supplying and has thus prevented our growth with new customers in this region during the period.

The waterwell/geothermal industry is recovering from the initial effects of the pandemic, and our revenue in the industry was flat for the first six months of 2021. This industry is mostly made up of smaller drilling companies, and we have observed that a number of these businesses in central Europe, where Covid-19 restrictions impacted the industry heavily in 2020, have not returned to trade.



Our sales mix of Mincon manufactured products and non-Mincon manufactured products changed in the period as revenue was generated from different projects and from other mining activity. Revenue from large construction projects supplied in H1 2020 in the Americas region had a sales mix close to 100% of Mincon manufactured products whereas, as noted above, we have not invoiced any similar large construction projects in the first half of this year. The increase in mining revenue in certain regions gave us an increase in non-Mincon manufactured revenue due to the nature of mining in that region.

EARNINGS

At the beginning of the year, including all of January and most of February, we experienced interruption in our manufacturing in some of our plants due to the pandemic. The largest impact was at our hammer factory in Shannon. Our capacity in the Shannon plant was severely disrupted, with a 35% reduced manufacturing workforce during those initial months of this year. This was mostly due to employees deemed to be in close contact with people who tested positive for Covid-19 outside the factory and in the wider community, with the effect being that those employees were instructed to self-isolate in their homes for a period of time before returning to the Shannon factory.

The reduced manufacturing workforce in Shannon resulted in the plant producing significantly less product for our customer centres during the period and this has had a negative impact on our gross margin during the first half of the year. However,

KEY FINANCIAL COMMENTARY CONTINUED

during March the Covid situation improved in Shannon, and by Q2 2021 the plant was manufacturing at a much higher monthly run-rate than had been achieved in the past and this should help to improve gross margin in the second half of the year.

At the beginning of this year, when we were impacted hardest due to the pandemic, we were often compelled to use expensive air freight to ensure on-time deliveries to our customers. During the period, we also incurred sharp increases in raw materials and sea freight costs, and these led to increased pressure on our gross margin during the period. We have passed on the raw material price increases to customers where it is appropriate to do so. Our sea freight costs increased considerably during the period as ocean carriers capitalised on the congestion at seaports and overall sea freight market conditions.

Our operating profit for the first six months was down 9% versus the same period in 2020. This was primarily due to the lower gross margin, as noted above, while the prior year comparable period also reflected the invoicing of the large construction projects in North America which earn a much higher operating profit margin than our other businesses.

BALANCE SHEET AND CASH

Cash generated through the business increased slightly on the prior period. We have used the cash generated to further increase capacity and modernise our factories to ensure that we support our customers operations with on-time deliveries, and we are also pleased to have resumed the payment of dividends to our shareholders.

During the second half of 2020 and Q1 2021 we witnessed longer lead times and less on-time delivery of raw materials. To reduce the risks to our supply chain, we purchased greater quantities of raw material to allow us to hold larger volumes at our factories to ensure our manufacturing is not affected by supply shortages.

In the past twelve months, all industries have had to deal with sea freight challenges. We continue to see longer shipping times from our factories to our customer centres or customers due to vessel capacity and congestion at seaports and, in some cases, shipping times have doubled over the past twelve months. This has had a direct impact on our inventory, as we have witnessed a significant increase of inventory in transit from our factories to our customer centres and unreliable dates of seaport arrivals. During the period, we decided to invest cash into holding larger stocks of finished goods at our customer centres to ensure supply to local customers.

We have also borrowed a further €5.1 million during the period and invested this in property, plant and equipment. During the period a net €2.5 million of plant and equipment has been commissioned at our factories, and €3 million has been prepaid to increase future capacity and to modernise manufacturing techniques at our factories.

We have paid €1.8 million of deferred consideration for past acquisitions and €0.4 million for current year acquisitions. We also paid a full year dividend for 2020 of €4.5 million in June 2021.

The Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of 1.05 cent per ordinary share, which will be paid on the 10 September 2021 to shareholders on the register at the close of business on the 20 August 2021.

COVID-19

The Group continues to adhere to local government advice and restrictions to curb the spread of Covid-19. All employees follow our own health and safety policies that incorporate the relevant national health guidelines in relation to the pandemic.

The majority of our business partners have managed to operate their businesses during the pandemic, though not all our regions are at the same level of recovery from the pandemic. New strains of the virus and other local issues can compound the damage the pandemic has caused. We are striving to find new methods to overcome these challenges and improve our businesses locally to work with our partners, and our regional structure within Mincon has been key to developing these methods.

09 AUGUST 2021

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GROUP FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June 2021

	Notes	Unaudited 2021 €'000	Unaudited 2020 €'000
Continuing operations			
Revenue	6	67,000	64,654
Cost of sales	8	(44,094)	(41,197)
Gross profit		22,906	23,457
Operating costs	8	(15,402)	(15,194)
Operating profit		7,504	8,263
Finance income		15	18
Finance cost		(406)	(412)
Foreign exchange gain/(loss)		868	(227)
Contingent consideration		(1)	13
Profit before tax		7,980	7,655
Income tax expense		(1,623)	(1,297)
Profit for the period		6,357	6,358
Profit attributable to:			
- owners of the Parent		6,357	6,198
- non-controlling interests		-	160
Earnings per Ordinary Share			
Basic earnings per share	12	2.99	2.93
Diluted earnings per share	12	2.91	2.86

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2021

	Unaudited 2021 H1 €'000	Unaudited 2020 H1 €'000
Profit for the year	6,357	6,358
<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	1,340	(3,734)
Other comprehensive profit / (loss) for the period	1,340	(3,734)
Total comprehensive income for the period	7,697	2,624
Total comprehensive income attributable to:		
- owners of the Parent	7,697	2,464
- non-controlling interests	-	160

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	Unaudited 30 June 2021 €'000	31 December 2020 €'000
Non-Current Assets			
Intangible assets and goodwill	14	40,293	36,987
Property, plant and equipment	15	47,492	45,820
Deferred tax asset	10	615	1,093
Total Non-Current Assets		88,400	83,900
Current Assets			
Inventory and capital equipment	16	58,214	53,017
Trade and other receivables	17	22,248	20,640
Prepayments and other current assets		7,532	4,186
Current tax asset	10	248	311
Cash and cash equivalents		11,684	17,045
Total Current Assets		99,926	95,199
Total Assets		188,326	179,099
Equity			
Ordinary share capital	11	2,125	2,117
Share premium		67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share-based payment reserve	13	2,418	2,259
Foreign currency translation reserve		(6,693)	(8,033)
Retained earnings		88,195	86,300
Equity attributable to owners of Mincon Group plc		136,338	132,936
Total Equity		136,338	132,936
Non-Current Liabilities			
Loans and borrowings	18	16,738	14,789
Deferred tax liability	10	1,034	1,832
Deferred contingent consideration	19	5,054	4,723
Other liabilities		645	503
Total Non-Current Liabilities		23,471	21,847
Current Liabilities			
Loans and borrowings	18	8,981	6,822
Trade and other payables		12,640	10,457
Accrued and other liabilities		5,655	5,529
Current tax liability	10	1,241	1,508
Total Current Liabilities		28,517	24,316
Total Liabilities		51,988	46,163
Total Equity and Liabilities		188,326	179,099

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2021

	Unaudited H1 2021 €'000	Unaudited H1 2020 €'000
Operating activities:		
Profit for the period	6,357	6,358
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation and amortisation	3,587	3,149
Fair value movement on deferred contingent consideration	1	(13)
Finance cost	406	412
Finance income	(15)	(18)
Gain on sale of property, plant & equipment	(78)	-
Income tax expense	1,623	1,297
Other non-cash movements	(881)	(244)
	11,000	10,941
Changes in trade and other receivables	(1,193)	422
Changes in prepayments and other assets	(3,274)	3,160
Changes in inventory	(4,179)	(3,440)
Changes in trade and other payables	2,085	189
Cash provided by operations	4,439	11,272
Interest received	15	18
Interest paid	(406)	(412)
Income taxes paid	(2,146)	(1,153)
Net cash provided by operating activities	1,902	9,725
Investing activities		
Purchase of property, plant and equipment	(2,501)	(4,469)
Investment in intangible assets	(419)	(459)
Proceeds from the issuance of share capital	8	7
Payment of deferred contingent consideration	(1,832)	(1,023)
Acquisitions, net of cash required	(359)	(7,225)
Proceeds from sale of discontinued operations	111	-
Net cash provided used in investing activities	(4,992)	(13,169)
Financing activities		
Dividends paid	(4,462)	-
Repayment of loans and finance leases	(3,126)	(1,984)
Drawdown of loans	5,137	5,441
Net cash provided (used in)/by financing activities	(2,451)	3,457
Effect of foreign exchange rate changes on cash	180	(346)
Net decrease in cash and cash equivalents	(5,361)	(333)
Cash and cash equivalents at the beginning of the year	17,045	16,368
Cash and cash equivalents at the end of the period	11,684	16,035

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2021

	Share capital €'000	Share premium €'000	Merger reserve €'000	Un- denominated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interests €'000	Unaudited Total equity €'000
Balances at 1 July 2020	2,117	67,647	(17,393)	39	1,945	(7,602)	81,084	127,817	1,275	129,092
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	8,022	8,022	5	8,027
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	(431)	-	(431)	-	(431)
Other	-	-	-	-	-	-	156	156	-	156
Total comprehensive income							8,178	7,747	5	7,752
Transactions with Shareholders:										
Share-based payments	-	-	-	-	314	-	-	314	-	314
Dividend payment	-	-	-	-	-	-	(2,222)	(2,222)	-	(2,222)
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	-	(720)	(720)	(1,280)	(2,000)
Balances at 31 December 2020	2,117	67,647	(17,393)	39	2,259	(8,033)	86,300	132,936	-	132,936
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	6,357	6,357	-	6,357
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	1,340	-	1,340	-	1,340
Total comprehensive income							6,357	7,697	-	7,697
Transactions with Shareholders:										
Equity-settled share-based payments	8	-	-	-	-	-	-	8	-	8
Share-based payments	-	-	-	-	159	-	-	159	-	159
Dividend payment	-	-	-	-	-	-	(4,462)	(4,462)	-	(4,462)
Balances at 30 June 2021	2,125	67,647	(17,393)	39	2,418	(6,693)	88,195	136,338	-	136,338

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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 2021 (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 9 August 2021.

2. BASIS OF PREPARATION

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 2020 as set out in the 2020 Annual Report (the “2020 Accounts”). The Interim Financial Statements do, however, include selected explanatory notes to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2020, extracts from which are included in these Interim Financial Statements, were prepared under IFRS as adopted by the EU and will be filed with the Registrar of Companies together with the Company’s 2020 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 2020 Accounts.

3. USE OF 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 judgements, 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 2020 Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

There have been no changes in significant accounting policies applied in these interim financial statements, they are the same as those applied in the last annual audited financial statements.

5. FINANCIAL REPORTING IMPACT DUE TO THE COVID-19 PANDEMIC:

a) Government Grants

The Group received government grants in certain countries where the Group operates. These grants differ in structure from country to country but primarily relate to personnel costs. During the six months ended 30 June 2021, when the terms attached to the grants were complied with, the grant was recognised in general and selling expenses in the consolidated income statement.

b) Expected Credit losses

The Group has not witnessed any trends in its analysis of its customers that would indicate an adjustment to its trade receivables as at the 30 June 2021 due to the COVID-19 pandemic.

c) Inventory

The Group has not experienced any material impact on its valuation of inventory as of 30 June 2021, that can be directly attributable to the COVID-19 pandemic.

d) Risk Assessment

The Mincon Group's operations are spread globally. This brings various exposures, such as trading and financial, and strategic risks. The primary trading risks would encompass operational, legal, regulatory and compliance. Strategic risks would cover long term risks effecting the business such as evolving industry trends, technological advancements, and global economic developments. Financial risks extend to but are not limited to pricing risks, currency risks, interest rate volatility and taxation risks. The risk of managing COVID-19 is encompassed with the abovementioned risks and therefore the Group considers its management of these risks as a whole.

6. REVENUE

	H1 2021 €'000	H1 2020 €'000
Product revenue:		
Sale of Mincon product	57,390	55,565
Sale of third-party product	9,610	9,089
Total revenue	67,000	64,654

7. 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, Sweden, Finland, South Africa, UK, Australia, the United States and Canada and sales offices in other locations including Australia, South Africa, Finland, Spain, Namibia, France, Sweden, Canada, 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 2021 €'000	H1 2020 €'000
Region:		
Europe, Middle East, Africa	38,340	32,573
Americas	20,010	21,509
Asia Pacific	8,650	10,572
Total revenue from continuing operations	67,000	64,654

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

	30 June 2021 €'000	31 December 2020 €'000
Region:		
Europe, Middle East, Africa	64,072	60,159
Americas	12,795	11,310
Asia Pacific	10,918	11,338
Total non-current assets⁽¹⁾	87,785	82,807

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. 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 2021 €'000	H1 2020 €'000
Raw materials	18,651	17,517
Third party product purchases	7,111	7,122
Employee costs	9,751	8,438
Depreciation	2,259	2,024
Impairment of finished goods inventory	-	257
Other	6,322	5,839
Total cost of sales	44,094	41,197

The level of finished goods inventory impairment within cost of sales amounted to €NIL (30 June 2020: €257,000).

General and selling expenses

	H1 2021 €'000	H1 2020 €'000
Employee costs	9,343	8,880
Depreciation	1,183	1,125
Acquisition and related costs	-	343
Other	4,876	4,846
Total other operating costs	15,402	15,194

The Group provides for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group considers all receivables fully recoverable.

8. COST OF SALES AND OPERATING EXPENSES (CONTINUED)

Employee information

	H1 2021 €'000	H1 2020 €'000
Wages and salaries	16,255	14,591
Social security costs	1,935	1,648
Pension costs of defined contribution plans	745	763
Share-based payments (note 13)	159	316
Total employee costs	19,094	17,318

The Group capitalised payroll costs of €295,000 in H1 2021 in relation to research and development.

The average number of employees was as follows:

	H1 2021 €'000	H1 2020 €'000
Sales and distribution	126	126
General and administration	71	61
Manufacturing, service and development	370	340
Average number of persons employed	567	527

9. ACQUISITIONS AND DISPOSALS

Acquisitions

In January 2021, Mincon acquired Hammer Drilling Rigs (HDR), a specialist in supply of hard rock drilling attachments based in the USA, for a consideration of €2.1 million. This was made up of a cash consideration of €275,000 and deferred consideration of €1.8 million.

In June 2021, Mincon acquired Campbell's Welding & Fabrication, for a consideration of €421,000. This was made up of a cash consideration of €84,000 and deferred consideration of €337,000.

A. Consideration transferred for Intellectual Property

	HDR €'000	Campbell's Welding & Fabrication €'000	Total €'000
Cash	275	84	359
Deferred contingent consideration	1,785	337	2,122
Total consideration transferred	2,060	421	2,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. INCOME TAX

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2021 was 20% (30 June 2020: 17%). The effective rate of tax is forecast at 20% for 2021. The tax charge for the six months ended 30 June 2021 of €1.6 million (30 June 2020: €1.3 million) includes deferred tax 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 2021 €'000	31 December 2020 €'000
Current tax prepayments	248	311
Current tax payable	(1,241)	(1,508)
Net current tax	(993)	(1,197)

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

	30 June 2021 €'000	31 December 2020 €'000
Deferred tax asset	615	1,093
Deferred tax liability	(1,034)	(1,832)
Net deferred tax	(419)	(739)

11. SHARE CAPITAL

Allotted, called- up and fully paid up shares	Number	€'000
01 January 2021	211,675,024	2,117
Allotted in March 2021	516,128	5
Allotted in April 2021	281,261	3
30 June 2021	212,472,413	2,125

Share issuances

On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Euronext Dublin and the Alternative Investment Market (AIM) of the London Stock Exchange.

In March 2021, 516,128 Restricted Share Awards (RSAs) met the vesting conditions set down by the board of directors and were allotted to the recipients of the awards.

In April 2021, a further 281,261 Restricted Share Awards (RSAs) met the vesting conditions set down by the board of directors and were allotted to the recipients of the awards.

12. 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 years ended 30 June:

	H1 2021	H1 2020
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	6,357	6,198
Denominator (Number):		
Basic shares outstanding	212,472,413	211,675,024
Restricted share awards	-	844,000
Restricted share options	6,041,000	3,981,000
Diluted weighted average shares outstanding	218,513,413	216,500,024
Earnings per Ordinary Share		
Basic earnings per share, €	2.99c	2.93c
Diluted earnings per share, €	2.91c	2.86c

13. SHARE BASED PAYMENT

The vesting conditions of the scheme state that the minimum growth in EPS shall be CPI plus 5% per annum, compounded annually, over the relevant three accounting years up to the share award of 100% of the participants basic salary. Where awards have been granted to a participant in excess of 100% of their basic salary, the performance condition for the element that is in excess of 100% of basic salary is that the minimum growth in EPS shall be CPI plus 10% per annum, compounded annually, over the three accounting years.

Reconciliation of outstanding share options	Number of Awards in thousand
Outstanding on 1 January 2021	844
Forfeited during the year	(47)
Exercised during the year	(797)
Granted during the year	-
Outstanding at 30 June 2021	-

Reconciliation of outstanding share options	Number of Options in thousands
Outstanding on 1 January 2021	3,981
Forfeited during the year	-
Exercised during the year	-
Granted during the year	2,060
Outstanding at 30 June 2021	6,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

	Acquisition of intellectual property €'000	Product development €'000	Goodwill €'000	Total €'000
Balance at 1 January 2021	-	5,847	31,140	36,987
Investments / Internally developed	-	419	-	419
Acquisitions	2,481	-	-	2,481
Disposals	-	-	-	-
Amortisation of intellectual property	(145)	-	-	(145)
Impairment of goodwill	-	-	-	-
Foreign currency translation differences	42	-	509	551
Balance at 30 June 2021	2,378	6,266	31,649	40,293

15. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure in the first half-year amounted to €4.5 million (30 June 2020 €9.8 million), of which €2.5 million was invested in plant and equipment (30 June 2020 €4.5 million) and €2 million in ROU assets (30 June 2020 €5.3 million). The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	H1 2021 €'000	H1 2020 €'000
Cost of sales	2,259	2,024
Operating Costs	1,183	1,125
Total depreciation charge for property, plant and equipment	3,442	3,149

16. INVENTORY

	30 June 2021 €'000	31 December 2020 €'000
Finished goods and work-in-progress	46,339	42,326
Capital equipment	532	504
Raw materials	11,343	10,187
Total inventory	58,214	53,017

The Group recorded an impairment of €NIL against inventory to take account of net realisable value during the period ended 30 June 2021 (30 June 2020: €257,000).

17. TRADE AND OTHER RECEIVABLES

	30 June 2021 €'000	31 December 2020 €'000
Gross receivable	23,553	21,830
Provision for impairment	(1,305)	(1,190)
Net trade and other receivables	22,248	20,640

	Provision for impairment €'000
Balance at 1 January 2021	(1,190)
Additions	(115)
Balance at 30 June 2021	(1,305)

	30 June 2021 €'000	31 December 2020 €'000
Less than 60 days	20,499	17,878
61 to 90 days	1,271	1,350
Greater than 90 days	478	1,412
Net trade and other receivables	22,248	20,640

At 30 June 2021, €1.7 million (8%) of trade receivables balance were past due but not impaired (31 December 2020, €3.8 million (13%).

18. LOANS, BORROWINGS AND LEASE LIABILITIES

	Maturity	30 June 2021 €'000	31 December 2020 €'000
Loans and borrowings	2021-2034	14,231	11,090
Lease liabilities	2021-2026	5,407	5,494
ROU lease liability	2021-2029	6,081	5,027
Total Loans, borrowings and lease liabilities		25,719	21,611
Current		8,981	6,822
Non-current		16,738	14,789

The Group has a number of bank loans and lease liabilities in Ireland, the United Kingdom, USA, Sweden, Peru, Australia, Namibia and Chile with a mixture of variable and fixed interest rates. The Group has been in compliance with all debt agreements during the periods presented. The loan agreements in Ireland carry restrictive financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. 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 2020 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 2021 and 31 December 2020 were as follows:

	30 June 2021 €'000	31 December 2020 €'000
Cash and cash equivalents	11,684	17,045
Loans and borrowings	25,719	21,611
Shareholders' equity	136,338	132,936

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 manages some of its transaction exposure by matching cash inflows and outflows of the same currencies. The Group does not engage in hedging transactions and therefore any movements in the primary transactional currencies will impact profitability. The Group continues to monitor appropriateness of this policy.

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.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Foreign currency risk (continued)

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, Swedish krona, British Pound and Canadian dollar.

The Group has material subsidiaries with a functional currency other than the euro, such as US dollar, Australian dollar, South African rand, Canadian dollar, British pound and Swedish krona.

In 2021, 56% (2020: 67%) of Mincon's revenue €67 million (30 June 2020: €64 million) was generated in AUD, SEK and USD. The majority of the Group's manufacturing base has a Euro, US dollar or Swedish krona 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. The changes in the South African Rand, Australian Dollar, Swedish Krona and British Pound have either weakened or strengthened, resulting in a foreign exchange loss being recognised in other comprehensive income and a significant movement in 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 2021 Closing	H1 2021 Average	31 December 2020 Closing	H1 2020 Average
Euro exchange rates				
US Dollar	1.19	1.20	1.22	1.12
Australian Dollar	1.58	1.56	1.59	1.65
Canadian Dollar	1.47	1.50	1.56	1.53
Great British Pound	0.86	0.87	0.89	0.90
South African Rand	16.98	17.51	17.91	18.31
Swedish Krona	10.13	10.12	10.06	10.48

There has been no material change in the Group's currency exposure since 31 December 2020. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

c) Fair values

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 not dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2021 are as follows:

	Deferred contingent consideration €'000
Balance at 1 January 2021	4,723
Arising on acquisition	2,122
Cash payment	(1,832)
Fair value movement	1
Foreign currency translation differences	40
Balance at 30 June 2021	5,054

20. COMMITMENTS

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 30 June 2021:

	Total €'000
Contracted for	2,705
Not contracted for	2,227
Total	4,932

21. LITIGATION

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

22. RELATED PARTIES

The Group has relationships with its subsidiaries, directors and senior key management personnel. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

As at 30 June 2021, the share capital of Mincon Group plc was 56.32% owned by Kingbell Company (31 December 2020 56.54%), this company is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. The Group paid the final dividend for 2020 in June 2021, Kingbell Company receive €2.5 million.

There were no other related party transactions in the half year ended 30 June 2021 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 2020 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

23. EVENTS AFTER THE REPORTING DATE

Dividend

On 5 August 2021, the Board of Mincon Group plc approved the payment of an interim dividend in the amount of €0.0105 (1.05 cent) per ordinary share. This amounts to a dividend payment of €2.2m which will be paid on 10 September 2021 to shareholders on the register at the close of business on 20 August 2021.

Acquisition of Attakroc Inc

On the 28th July 2021, the Group completed the acquisition of Attakroc Inc., a reseller of drilling consumables for a consideration of CAD\$2.7 million. The goodwill arising on acquisition is circa €700,000, with expected 2021 revenue of CAD\$1.2 million.

24. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2021 on 09 August 2021.