The Driller's Choice

MINCON
HALF YEAR FINANCIAL RESULTS 2022

OPTIMISING PERFORMANCE

CONTENTS

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 2022.

MINCON GROUP PLC 2022 HALF YEAR FINANCIAL RESULTS

"Our manufacturing strength has grown, enabling us to reduce backlogs as we manage our strong order books. Our strong market presence across the globe has ensured that our customers get the service that they should expect."

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

H1 2022 KEY FINANCIAL HIGHLIGHTS (COMPARISON TO H1 2021):		
Revenue	**up 27%**	**to €85.1 million**
– Of which Mincon manufactured product	up 24%	to €70.9 million
– Of which non-Mincon manufactured product	up 48%	to €14.2 million
Gross Profit	**up 18%**	**to €27.1 million**
EBITDA	**up 15%**	**to €12.7 million**
Operating Profit	**up 18%**	**to €8.8 million**

"We carried forward the momentum from H2 2021 into this period with 27% revenue growth over H1 2021. This was achieved by continuing to catch up on our strong order books for all our markets, with growth achieved across all three Industries of mining, construction, and waterwell/geothermal.

The revenue growth was achieved by increased output from our factories as a result of investment in 2021 in new capacity, as well as the acquisition of Attakroc and Spartan Drilling Tools in North America. A particularly pleasing aspect of the growth was the increase in construction revenue, most notably from the delivery of products to a large contract in the USA.

The strong growth in revenue has been accompanied by some pressure on our margins, consistent with the trends noted in our final 2021 results and Q1 2022 trading update, due to cost increases across many fronts, but particularly in raw materials and energy, as well as freight, partly arising from the use of air freight to reduce our order backlog.Sea freight conditions remain challenging, with no improvement in sight, so we will continue our current policy of holding high levels of finished goods inventory so that we can give our customers the excellent service that they expect from Mincon.

On a more positive note, there has been a recent reduction in the constraints around raw material availability, which has enabled us to start unwinding raw material inventories, due to better supply conditions. We have implemented price increases, and these are starting to take effect, but constant vigilance is required to keep up with the pace of the cost inflationary pressures that we are seeing.

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

On the product development front, we have made some good progress on the Greenhammer, and I am very pleased to report that we are in discussions with a major mining contractor in Western Australia on commercialising the system and we hope to have a further update on this shortly. This is the culmination of many years of development work, and we are confident that it can have a significant impact on both Mincon and hard rock surface mining more generally. This Greenhammer development has not gone unnoticed by the mining industry in Western Australia, who are keen to monitor the performance of this new system.

In other product development news, once Malaysia re-opened for travel, we made a trip to see how our large hammer and bit prototype had coped with the drilling conditions. We were pleased to see that they were in excellent condition which augurs well for the future of this product for large diameter drilling.

Our Subsea project progresses well, and we have successfully developed a small-scale prototype water-powered hammer and bit. This is an important early step, as this design will be the cornerstone of our offering, once we can develop a commercial solution on successful completion of the Disruptive Technologies Innovation Fund (DTIF) project on which we are working with our consortium partners.

On the topic of sustainability, I am very pleased that Pirita Mikkanen joined our board in March this year. Pirita brings a wealth of experience in sustainability and energy efficiency which are important near-term considerations for Mincon, and she has agreed to take the chair of our newly formed Environment and Sustainability board sub-committee.

One of the first tasks of the committee was the oversight and approval of our first sustainability report which will be published later this month.

CONCLUSION

While global conditions remain challenging, we are tackling and overcoming the difficulties presented. We have introduced price increases throughout the period and as these take effect they will ease the pressure on margins in H2 2022. Our engineering skillsets continue to deliver, and our ambition has been reinforced by the progress on this front. Our manufacturing strength has grown, enabling us to reduce backlogs as we manage our strong order books. Our strong market presence across the globe has ensured that our customers get the service that they should expect. I would like to acknowledge the efforts of all my colleagues in ensuring this strong performance for the first half of 2022 and continuing our growth for the rest of the year."

Joseph Purcell
Chief Executive Officer

KEY FINANCIAL COMMENTARY

MARKET INDUSTRIES AND PRODUCT MIX

We have achieved strong revenue growth of 27% in this reported period. The vast majority of our growth has been organic with a contribution from currency tailwinds, supported by a solid performance from our H2 2021 acquisition. We had positive revenue growth across our three industries.

Our revenue from the construction industry grew by 55% in the period, mostly due to large construction projects in North America. Additionally, we experienced encouraging growth in Europe & Middle East region as we rolled out improved product performance for the construction industry. We have expanded our footprint in the construction industry, and we began invoicing outside of our two main construction industry regions of the Americas and Europe & Middle East. Though the amount invoiced is not yet of a substantial size, it is encouraging for the future, as our products and service offering to this industry becomes more widely known. The strong US dollar performance in this period also added to the growth of our construction revenue.

Mining is our largest industry; it has been the mainstay of our four regions over the past decade. We gained further inroads in market share with substantial organic revenue growth in H1 2022. Overall growth in mining revenue, including acquisitions, was 18% for the Group during the period. As the Covid-19 restrictions eased at the end of Q1 2022, it gave us the opportunity to grow our revenue in the Africa region. We have also had strong organic mining revenue growth in North America, along with a contribution from H2 2021 and H1 2022 acquisitions. Our mining revenue in the Europe & Middle East region increased during the period albeit with the suspension of supply to Russian customers at the end of February this year. Australasia mining revenue contracted during the period as the customer mix changed in the region. Currency tailwinds also played a material part in our mining revenue growth for the Group during this period.

The waterwell/geothermal industry is a significant and important industry for Mincon. It is mostly concentrated in two of our four regions, the Americas, and Europe & Middle East. We experienced positive waterwell/geothermal revenue growth in the Americas as the industry there recovers from the pandemic. Revenue in the Europe & Middle East region was flat for H1 2022. Most of the revenue we earn within the waterwell/geothermal industry in the Europe & Middle East region is through supplying the geothermal industry, and that industry has not extended past H1 2021 levels in this period.

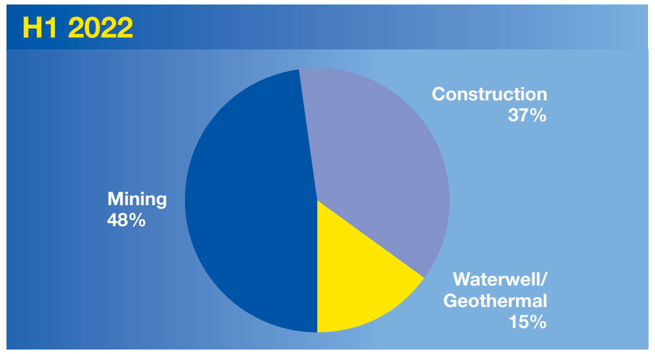
The revenue earned by our H2 2021 acquisition has mostly contributed to the increase in non-Mincon manufactured product revenue. However, this acquisition is transitioning, where possible, to sell more Mincon products while reducing its non-Mincon manufactured inventory. Our increase in revenue to the mining industry is partially made up of non-Mincon product sales, due to the nature of mining in certain regions, and that has also contributed to the change in product mix percentage for the period.

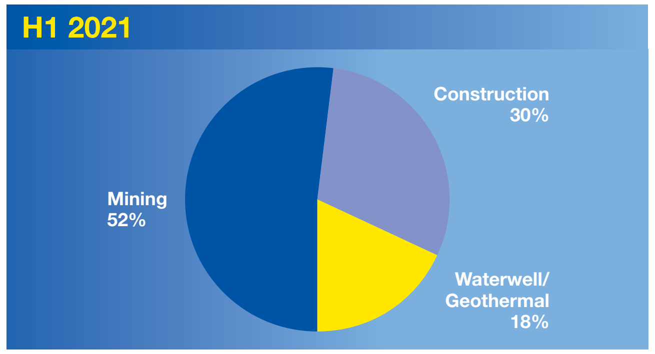
EARNINGS

Inflationary factors have had a large impact on our input costs during the reporting period. We have experienced inflation on all fronts; in manufacturing, procurement of non-Mincon manufactured product, employee costs and operational costs in the regions in which we operate. We have sought to increase prices for our product and traded product to mitigate the pressure on our margins, however in some cases, there is a lag between cost increases and price increases, and therefore we have absorbed some of the increased costs during the period.

The price increases we have introduced have been rolled out gradually across the regions, with the majority of planned increases being fully introduced towards the end of the period which has eased the pressure on our margins. The increased sales volume of Mincon manufactured product has also contributed to some easing on margin pressure, as our fixed overheads, such as depreciation and fixed rents, are spread across a larger manufactured volume.

Industry mix (by revenue)





KEY FINANCIAL COMMENTARY CONTINUED

The increase in our raw material costs has had the most significant impact on our manufacturing margin for the period. The cost increase is mostly due to our raw material suppliers passing on their increased production energy costs to their customers.

Our own manufacturing energy costs also significantly increased in H1 2022, particularly in our European manufacturing plants, as these costs soared across the region. We are commissioning a more energy efficient heat treatment plant in our Shannon factory in H2 2022, and once commissioned this will play a part in offsetting some of these cost increases incurred in H1 2022.

Due to the increase in demand for our products in the period, our manufacturing lead times increased. To ensure timely delivery to our customers, we continued to transport high volumes of our own product by air. We also outsourced some manufacturing to ease the pressure within the factories. As we roll out further capacity in H2 2022, we should be able to bring further manufacturing back in-house and thus increase our manufacturing margin.

Operating costs, excluding acquisitions, have increased also due to inflationary pressures, particularly employee costs across all regions, as we endeavour to retain key employees. With the easing of Covid-19 travel restrictions during the period, our sales team took the opportunity to visit our overseas customers and to visit new customers to ensure we maintain strong customer relationships. This increased travel activity, together with the increase in post-pandemic travel costs, and an increase the number of in customers, has led to a considerable operational cost increase for the Group in this period.

As a result of these inflationary cost increases during the period, the Group achieved a lower gross margin percentage versus the prior period. However, through the anticipated impact of passing on price increases to customers, raw material supply pressures unwinding and a normalisation of product mix with the sale of more Mincon-produced product, the Group is confident of improving this margin performance in the second half of the year.

BALANCE SHEET AND CASH

With the sharp increased demand for our product over the reported period, we have experienced a rise in working capital requirements and this has significantly reduced cash generated from our operating activities.

We have been developing new manufacturing techniques with key plant partners, while also developing property to increase our manufacturing footprint. We have used the cash generated from our operations to fund these important projects for the future development of the Group.

We remain prudent in our approach to borrowing, particularly during inflationary periods. However, we have borrowed further across the Group in the period and have used this additional lending to finance the commissioning of plant and equipment in our factories, and to support our working capital requirements in the regions where we have experienced a surge in demand for our products.

Our concerns in relation to our supply chain are easing as raw material supplies are becoming more available in most areas in which we manufacture. As this trend continues across the Group, we are prepared to reduce the level of raw materials held in terms of the number of weeks being carried.

Sea freight conditions remain challenging and thus we are holding larger amounts of Mincon manufactured inventory, and until these issues within that industry ease we will continue to hold buffer stocks of our own inventory.

During the period we paid €1 million for current year acquisitions and €0.4 million for historical acquisitions. We also paid a final year dividend for 2021 of €2.2 million towards the end of this period.

The Board of Mincon has approved the payment of an interim dividend in the amount of 1.05 cent per ordinary share, which will be paid on 9 September 2022 to shareholders on the register at the close of business on 19 August 2022.

08 AUGUST 2022
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GROUP FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June 2022

	Notes	Unaudited H1 2022 €'000	Unaudited H1 2021 €'000
Continuing operations			
Revenue	6	85,168	67,000
Cost of sales	8	(58,106)	(44,094)
Gross profit		**27,062**	**22,906**
Operating costs	8	(18,238)	(15,402)
Operating profit		**8,824**	**7,504**
Finance income		11	15
Finance cost		(623)	(406)
Foreign exchange gain/(loss)		835	868
Movement on deferred consideration		10	(1)
Profit before tax		**9,057**	**7,980**
Income tax expense		(2,527)	(1,623)
Profit for the period		**6,530**	**6,357**
Earnings per Ordinary Share			
Basic earnings per share	12	3.07c	2.99c
Diluted earnings per share	12	2.99c	2.91c

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2022

	Unaudited 2022 H1 €'000	Unaudited 2021 H1 €'000
Profit for the period	**6,530**	**6,357**
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	3,814	1,340
Other comprehensive profit for the period	3,814	1,340
Total comprehensive income for the period	**10,344**	**7,697**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	Unaudited 30 June 2022 €'000	31 December 2021 €'000
Non-Current Assets			
Intangible assets and goodwill	14	41,423	40,157
Property, plant and equipment	15	51,167	50,660
Deferred tax asset	10	1,089	1,075
Total Non-Current Assets		**93,679**	**91,892**
Current Assets			
Inventory and capital equipment	16	74,560	63,050
Trade and other receivables	17	29,328	25,110
Prepayments and other current assets		12,347	8,822
Current tax asset	10	75	521
Cash and cash equivalents		15,331	19,049
Total Current Assets		**131,641**	**116,552**
Total Assets		**225,320**	**208,444**
Equity			
Ordinary share capital	11	2,125	2,125
Share premium		67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve	13	2,959	2,695
Foreign currency translation reserve		(1,354)	(5,168)
Retained earnings		98,506	94,207
Total Equity		**152,529**	**144,152**
Non-Current Liabilities			
Loans and borrowings	18	24,303	23,265
Deferred tax liability	10	1,897	1,622
Deferred consideration	19	4,123	4,224
Other liabilities		801	852
Total Non-Current Liabilities		**31,124**	**29,963**
Current Liabilities			
Loans and borrowings	18	13,430	11,205
Trade and other payables		19,199	15,683
Accrued and other liabilities		7,676	6,027
Current tax liability	10	1,362	1,414
Total Current Liabilities		**41,667**	**34,329**
Total Liabilities		**72,791**	**64,292**
Total Equity and Liabilities		**225,320**	**208,444**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2022

	Unaudited H1 2022 €'000	Unaudited H1 2021 €'000
Operating activities:		
Profit for the period	6,530	6,357
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	3,890	3,442
Amortisation of intangible asset	92	145
Movement on deferred consideration	(10)	1
Finance cost	623	406
Finance income	(11)	(15)
Loss/(Gain) on sale of property, plant & equipment	154	(78)
Income tax expense	2,527	1,623
Other non-cash movements	(831)	(881)
	12,964	**11,000**
Changes in trade and other receivables	(3,396)	(1,193)
Changes in prepayments and other assets	(3,333)	(3,274)
Changes in inventory	(9,362)	(4,179)
Changes in trade and other payables	4,599	2,085
Cash provided by operations	1,472	4,439
Interest received	11	15
Interest paid	(623)	(406)
Income taxes paid	(1,793)	(2,146)
Net cash provided (used in)/ by operating activities	**(933)**	**1,902**
Investing activities		
Purchase of property, plant and equipment	(2,327)	(2,501)
Proceeds from the sale of property, plant and equipment	605	-
Investment in intangible assets	(286)	(419)
Proceeds from the issuance of share capital	-	8
Acquisitions, net of cash required	(1,014)	-
Payment of deferred consideration	(204)	(1,832)
Investment in acquired intangible assets	(147)	(359)
Proceeds from sale of discontinued operations	-	111
Net cash provided by /(used in) investing activities	**(3,373)**	**(4,992)**
Financing activities		
Dividends paid	(2,231)	(4,462)
Repayment of borrowings	(1,162)	(1,392)
Repayment of lease liabilities	(1,349)	(1,734)
Drawdown of loans	5,159	5,137
Net cash provided (used in) financing activities	**417**	**(2,451)**
Effect of foreign exchange rate changes on cash	171	180
Net decrease in cash and cash equivalents	**(3,718)**	**(5,361)**
Cash and cash equivalents at the beginning of the year	19,049	17,045
Cash and cash equivalents at the end of the period	**15,331**	**11,684**

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 2022

	Share capital €'000	Share premium €'000	Merger reserve €'000	Un-denom-inated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Unaudited Total equity €'000
Balances at 1 July 2021	**2,125**	**67,647**	**(17,393)**	**39**	**2,418**	**(6,693)**	**88,195**	**136,338**
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	8,243	8,243
Other comprehensive income/(:								
Foreign currency translation	-	-	-	-	-	1,525	-	1,525
Total comprehensive income						**1,525**	**8,243**	**9,768**
Transactions with Shareholders:								
Share-based payments	-	-	-	-	277	-	-	277
Dividend payment	-	-	-	-	-	-	(2,231)	(2,231)
Total transactions with Shareholders	-	-	-	-	277	-	(2,331)	**(1,954)**
Balances at 31 December 2021	**2,125**	**67,647**	**(17,393)**	**39**	**2,695**	**(5,168)**	**94,207**	**144,152**
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	6,530	6,530
Other comprehensive income:								
Foreign currency translation	-	-	-	-	-	3,814	-	3,814
Total comprehensive income						**3,814**	6,530	**10,344**
Transactions with Shareholders:								
Share-based payments	-	-	-	-	264	-	-	264
Dividend payment	-	-	-	-	-	-	(2,231)	(2,231)
Total transactions with Shareholders	-	-	-	-	264	-	(2,231	**(1,967)**
Balances at 30 June 2022	**2,125**	**67,647**	**(17,393)**	**39**	**2,959**	**(1,354)**	**98,506**	**152,529**

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

NOTES TO THE CONSOLIDATED INTERIM 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 2022 (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 8 August 2022.

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 2021 as set out in the 2021 Annual Report (the “2021 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 2021, 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 2021 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 2021 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 2021 Financial Statements.

NOTES TO THE CONSOLIDATED INTERIM 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 2022, when the terms attached to the grants were complied with, the grant was recognised in operating costs 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 2022 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 2022, 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 2022 €'000	H1 2021 €'000
Product revenue:		
Sale of Mincon product	70,906	57,390
Sale of third-party product	14,262	9,610
Total revenue	**85,168**	**67,000**

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 2022 €'000	H1 2021 €'000
Region:		
Europe, Middle East, Africa	42,805	38,340
Americas	33,649	20,010
Australasia	8,714	8,650
Total revenue from continuing operations	**85,168**	**67,000**

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

	30 June 2022 €'000	31 December 2021 €'000
Region:		
Europe, Middle East, Africa	64,745	64,297
Americas	16,026	14,682
Australasia	11,819	11,838
Total non-current assets[(1)]	**92,590**	**90,817**

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

8. COST OF SALES AND OPERATING EXPENSES

Included within cost of sales, operating costs were the following major components:

Cost of sales

	H1 2022 €'000	H1 2021 €'000
Raw materials	22,621	17,633
Third-party product purchases	10,886	7,111
Employee costs	11,599	9,751
Depreciation	2,628	2,259
In bound costs on purchases	2,512	1,767
Energy costs	1,562	999
Maintenance of machinery	1,000	767
Subcontracting	3,860	2,852
Other	1,438	955
Total cost of sales	**58,106**	**44,094**

Operating costs

	H1 2022 €'000	H1 2021 €'000
Employee costs	10,835	9,343
Depreciation	1,262	1,183
Amortisation of acquired IP	91	145
Travel	918	499
Other	5,132	4,232
Total other operating costs	**18,238**	**15,402**

The Group recognised €194,000 in Government Grants during H1 2022 (H1 2021: €307,000). These grants differ in structure from country to country, they primarily relate to personnel costs.

Employee information

	H1 2022 €'000	H1 2021 €'000
Wages and salaries	18,817	16,255
Social security costs	2,278	1,935
Pension costs of defined contribution plans	1,075	745
Share based payments (note 13)	264	159
Total employee costs	**22,434**	**19,094**

The Group capitalised payroll costs of €151,000 in H1 2022 in relation to research and development.

8. COST OF SALES AND OPERATING EXPENSES (CONTINUED)

The average number of employees was as follows:

	H1 2022 €'000	H1 2021 €'000
Sales and distribution	135	126
General and administration	80	71
Manufacturing, service and development	416	370
Average number of persons employed	**631**	**567**

9. ACQUISITIONS AND DISPOSALS

Acquisitions

In January 2022, Mincon acquired 100% shareholding in Spartan Drilling Tools, a manufacturer of drill pipe and related products based in the USA for a consideration of €1,014,000.

A. Consideration transferred for Intellectual Property

	Spartan Drilling Tools €'000	Total €'000
Cash	1,014	**1,014**
Total consideration transferred	1,014	**1,014**

B. Goodwill

	Spartan Drilling Tools €'000	Total €'000
Consideration transferred	1,014	**1,014**
Fair value of identifiable net assets	(815)	**(815)**
Goodwill	199	**199**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

10. INCOME TAX

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2022 was 28% (30 June 2021: 20%). The effective rate of tax is forecast at 25% for 2021. The tax charge for the six months ended 30 June 2022 of €2.5 million (30 June 2021: €1.6 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 2022 €'000	31 December 2021 €'000
Current tax prepayments	75	521
Current tax payable	(1,362)	(1,414)
Net current tax	(1,287)	(893)

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

	30 June 2022 €'000	31 December 2021 €'000
Deferred tax asset	1,089	1,075
Deferred tax liability	(1,897)	(1,622)
Net deferred tax	(808)	(547)

11. SHARE CAPITAL

Allotted, called- up and fully paid up shares	Number	€'000
01 January 2022	212,472,413	2,125
30 June 2022	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.

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 2022	H1 2021
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	6,530	6,357
Denominator (Number):		
Basic shares outstanding	212,472,413	212,472,413
Restricted share awards	5,820,000	6,041,000
Diluted weighted average shares outstanding	218,292,413	218,513,413
Earnings per Ordinary Share		
Basic earnings per share, €	3.07c	2.99c
Diluted earnings per share, €	2.99c	2.91c

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 Options in thousands
Outstanding on 1 January 2022	5,820
Forfeited during the period	-
Exercised during the period	-
Granted during the period	-
Outstanding at 30 June 2022	**5,820**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

	Product development €'000	Goodwill €'000	Acquired intellectual property €'000	Total €'000
Balance at 1 January 2022	**6,986**	**32,545**	**626**	**40,157**
Internally developed	286	-	-	**286**
Acquisitions	-	199	-	**199**
Acquired intellectual property	-	-	147	**147**
Amortisation of intellectual property	-	-	(92)	**(92)**
Foreign currency translation differences	-	665	61	**726**
Balance at 30 June 2022	**7,272**	**33,409**	**742**	**41,423**

15. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure in the first half-year amounted to €2.3 million (30 June 2021: €4.5 million), of which €1.9 million was invested in plant and equipment (30 June 2021: €2.5 million) and €400,000 million in ROU assets (30 June 2021: €2 million). The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	H1 2022 €'000	H1 2021 €'000
Cost of sales	2,628	2,259
Operating Costs	1,262	1,183
Total depreciation charge for property, plant and equipment	**3,890**	**3,442**

16. INVENTORY

	30 June 2022 €'000	31 December 2021 €'000
Finished goods	46,795	42,396
Work-in-progress	13,145	9,596
Raw materials	14,620	11,058
Total inventory	**74,560**	**63,050**

The Group recorded an impairment of €87,000 against inventory to take account of net realisable value during the period ended 30 June 2022 (30 June 2021: €NIL).

17. TRADE AND OTHER RECEIVABLES

	30 June 2022 €'000	31 December 2021 €'000
Gross receivable	30,562	26,047
Provision for impairment	(1,234)	(937)
Net trade and other receivables	**29,328**	**25,110**

	Provision for impairment €'000
Balance at 1 January 2022	(937)
Additions	(297)
Balance at 30 June 2022	**(1,234)**

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 31 June 2022.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance €'000
Current (not past due)	1%	22,314	223
1-30 days past due	5%	4,200	209
31-60 days past due	12%	2,683	320
61 to 90 days	23%	1,143	260
More than 90 days past due	100%	222	222
Net trade and other receivables		**30,562**	**1,234**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 31 December 2021.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance €'000
Current (not past due)	1%	19,804	198
1-30 days past due	5%	3,749	187
31-60 days past due	14%	1,649	230
61 to 90 days	17%	628	106
More than 90 days past due	100%	216	216
Net trade and other receivables		**26,047**	**937**

18. LOANS, BORROWINGS AND LEASE LIABILITIES

	Maturity	30 June 2022 €'000	31 December 2021 €'000
Loans and borrowings	2022-2036	27,316	23,391
Lease liabilities	2022-2031	10,417	11,079
Total Loans, borrowings and lease liabilities		**37,733**	**34,470**
Current		13,430	11,205
Non-current		24,303	23,265

The Group has a number of bank loans and lease liabilities with a mixture of variable and fixed interest rates. The Group has not been in default on any of these debt agreements during any of the periods presented. The loans are secured against the assets for which they have been drawn down for.

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 2021 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.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022 and 31 December 2021 were as follows:

	30 June 2022 €'000	31 December 2021 €'000
Cash and cash equivalents	15,331	19,049
Loans and borrowings	37,733	34,470
Shareholders' equity	152,529	144,152

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.

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 2022, 58% (2021: 56%) of Mincon's revenue €85 million (30 June 2021: €67 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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

b) Foreign currency risk (continued)

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.

Euro exchange rates	30 June 2022 Closing	H1 2022 Average	31 December 2021 Closing	H1 2021 Average
US Dollar	1.04	1.09	1.13	1.2
Australian Dollar	1.52	1.52	1.56	1.56
Canadian Dollar	1.35	1.39	1.44	1.5
Great British Pound	0.86	0.84	0.84	0.87
South African Rand	17.02	16.83	18.06	17.51
Swedish Krona	10.7	10.47	10.26	10.12

There has been no material change in the Group's currency exposure since 31 December 2021. 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 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 consideration is not 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 2022 are as follows:

	Deferred consideration €'000
Balance at 1 January 2022	**4,224**
Arising on acquisition	-
Cash payment	(204)
Fair value movement	(10)
Foreign currency translation differences	113
Balance at 30 June 2022	**4,123**

20. COMMITMENTS

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 30 June 2022:

	Total €'000
Contracted for	4,617
Not contracted for	37
Total	**4,654**

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 2022, the share capital of Mincon Group plc was 56.32% owned by Kingbell Company (31 December 2021 56.32%), 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 2021 in June 2022, Kingbell Company receive €1.3 million.

There were no other related party transactions in the half year ended 30 June 2022 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 2021 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 4 August 2022, 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 €2.2 million which will be paid on 09 September 2022 to shareholders on the register at the close of business on 19 August 2022.

24. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2022 on 08 August 2022.

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