RNS Number : 5703I
Mincon Group Plc
08 August 2023

Mincon Group plc
("Mincon" or the "Group")

2023 Half Year Financial Results

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 2023.

H1 2023 Key Financial Highlights:

	H1 2023	**H1 2022**
• **Revenue**	**€80.6 million**	**€85.1 million**
- *Of which Mincon manufactured product*	*€67.2 million*	*€70.9 million*
- *Of which Non-Mincon manufactured product*	*€13.4 million*	*€14.2 million*
• **Gross Profit**	**€25.6 million**	**€27.1 million**
• **EBITDA**	**€11.8 million**	**€12.7million**
• **Operating Profit**	**€7.8 million**	**€8.8 million**

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

"H1 2023 has been a challenging period for Mincon with our revenue behind the same period in the prior year, primarily due to a shortfall in our sales to the mining industry and FX headwinds. This performance in the sector is down to several factors but mainly due to reduced exploration activity and certain larger customers taking advantage of improved freight conditions to reduce inventories. We are, however, working on regaining some of this revenue with some positive drilling results from customer testing that we are doing in all our regions, most notably in APAC.

In positive news, it is very pleasing to see that we have consolidated the gains we made last year in the construction sector, and more importantly, the revenue mix includes a higher proportion of smaller projects, which gives a more sustainable spread to the business. It is notable that there continues to be a strong pipeline of large projects that we are looking to land in H2 and beyond. Our sales into the water well/geothermal well drilling market are up, driven by gains in EME and the Americas.

As a result of the lower mining revenues, we have looked closely at our costs and have taken selective, targeted action to reduce costs where appropriate. The results of this cost reduction exercise will be seen in H2, which should help us to recover margins. In July, we announced the appointment of Tom Purcell to the role of COO for the Group. Most recently, Tom has been leading a project to reduce our inventories across the Group and we are pleased to report that we have started to make good progress in this area.

I am pleased to report that our sustainability report for 2022 will be published in conjunction with these results. This will show that we have achieved initial progress on our ambitious goals to reduce scope 1 and 2 emissions. It also indicates that our biggest challenge and opportunity to reduce emissions is around the end-use of our products. This has been well known to us for many years and is what has driven our ambition and engineering innovations to focus on the drilling efficiency of our products, whether it be through increased rate of drilling, longer product life or reliability.

These attributes are particularly noticeable with some of the new product develpoment projects that we have been working on, such as our Greenhammer system. We have engaged with a major rig manufacturer on a collaboration to prove out the system by converting one of their rigs and testing it at a location in the US. This is an attractive location as the largest rig population suitable for conversion to Greenhammer is in this market. Another attractive feature of this collaboration is the service footprint that we both have in this market. We remain heavily focused on getting the system running in Western Australia and expect the system to return to operation in the coming month at the gold mine where we have been carrying out drilling in recent months.

Another project which can deliver positive efficiency gains is our large hammer and bit project that we have been testing in Malaysia. We have had excellent performance figures when it has been run and we have been onsite a number of times to see the system in action. We see a great opportunity to push this out to the large diameter drilling market to replace incumbent systems that have much lower productivity with resulting higher emissions.

Our Subsea project has been gathering momentum and at our recent AGM we made a presentation to assembled shareholders and guests in conjunction with our collaboration partners, Subsea Micropiles. We had very positive feedback from this event, and we have commenced the assembly of the subsea rig at our facility in Shannon. We are working hard to have the subsea testing underway within the next six months. There remains an enormous opportunity for Mincon with this exciting project on the successful completion of our collaboration with Subsea Micropiles and our University partners.

These transformational product development projects as well as the continuous improvement initiatives we are engaged in across our product lines give us confidence about the future of our business. To ensure we are adequately positioned to capitalise on these opportunities, we invested a further €4.3 million in property, plant and equipment during the period, which includes a step-change in efficiency gains with a new heat treatment facility at our Shannon plant. This will be followed up with the commissioning of a new manufacturing building at our Shannon site and installing purpose-built robotic machining cells in the extension to cater for the growth opportunities we see.

Conclusion

While the first half of 2023 has been challenging, we are confident that our focus on the efficiency of our production facilities but, more importantly, the efficient products we have today as well as those in development, will ensure that we can grow and thrive in the longer term.

In the short term we expect to deliver revenue growth in H2, while also realising the benefits of our cost reduction program to deliver a much improved margin in H2 2023 over H1 2023. We are also confident that we will continue with the progress we are making on inventory reduction in H2 2023. I feel privileged to work with the global Mincon team and look forward to delivering on the platform that we have created."

Joseph Purcell
Chief Executive Officer

Key financial commentary

Market Industries and Product Mix

Revenue in the first half of 2023 contracted by 5%, due to a decrease in our mining industry revenue and currency headwinds. Foreign exchange movements represented 3% of the reduction in reported revenue, most notably due to the South African Rand weakening during Q2 2023.

Industry mix (by revenue)

	H1 2023	*H1 2022*
• Mining	43%	48%
• Construction	39%	37%
• Waterwell / Geothermal	18%	15%

Our revenue from the mining industry contracted by 15% during the period, with revenues down in three out of our four geographic regions. The largest contraction in our mining revenue was in the Europe & Middle East region, down 72% versus the same period in the prior year. We have received fewer orders from one large customer in this region due to their inventory reduction strategy. Since the beginning of the war in Ukraine, emerging mining opportunities for the Group in Eastern Europe and further East into Asia, have unfortunately been significantly affected, a disappointing result given we had been making positive traction in the mining industry in those areas in recent years.

Our mining revenue in Africa contracted by 11%, however this has mostly been driven by the weakening in the South African Rand during the period. Excluding FX impacts, our Africa region business contracted by 1% in the period due mainly to reduced activity in the exploration sector. Mining in our APAC region also contracted in the period and is behind H1 2022 revenue by 22%.

Our revenue in the construction industry was flat during the period, however this has been on the back of significant growth in this industry, year on year, since 2019. The Americas region, where we have seen the largest growth in this industry over the last few years, contracted by 2% in this period, due to the absence of any new large construction project and FX headwinds. The focus during H1 2023 has been on winning smaller projects as they provide the Group with a steadier income stream and reduced complexity in controlling working capital. Large construction projects will remain an important part in our construction growth however, and there continues to be a healthy pipeline of projects which we will selectively target.

Our Europe & Middle East region had construction revenue growth of 8% during the period, this has been due to our expanded footprint in Northern Europe. Our other regions are continuing to develop the industry for our products.

Our revenue in the waterwell/geothermal industry grew by 10% in the period. We experienced positive growth in North America and Northern Europe where we earn the vast majority of our revenue in this industry.

Earnings

Our earnings have been impacted due to lower revenue earned in the period, though our gross margin percentage is consistent with H1 2022. This is due to price increases that were implemented in H2 2022, and measures taken to protect our margins during this reported period.

In line with our inventory reduction ambitions, we have decreased our manufacturing output in H1 2023 versus the same period in the prior year. However, our margins have been temporarily impacted as a result.

Decreased revenue together with our inventory reduction program has had an impact on our gross margin versus the first quarter of the year due to less manufactured product in our factories. As a result, our manufacturing plants are not fully utilising their capacity and manufacturing overheads are spread across less factory output, thus impacting our consolidated gross margin.

To mitigate this impact on our margin we have implemented a cost reduction program across our factories and our operations, to maximise efficiency in manufacturing and to rightsize costs in subsidiaries to match their revenue. That program has continued into H2 2023, and we will see the full benefits at the end of this year and into 2024.

Earnings *(continued)*

We have also reduced our subcontract manufacturing significantly in the period and this has given some relief to our factories, enabling us to increase the volume of Mincon-manufactured product through our manufacturing plants and thus benefiting our gross margin.

Our operating employee costs are flat on H1 2022, though we have reduced our headcount in administration and sales. Total costs associated with employees exiting the business in H1 2023 was €0.7 million and that cost was recorded within our operating employee costs. As a result of these actions, we expect to see a considerable saving in employee costs in H2 2023.

Our finance costs have increased in the period reflecting increased interest costs on our borrowings as a result of the wider change in the interest rate environment as central banks take action to address inflation. The Group has a number of bank loans and lease liabilities with a mixture of variable and fixed interest rates.

Balance Sheet and Cash

Our cash generated from operations has increased significantly over the same period from the prior year although the impact from movements in debtor balances and the timing of orders in the first half has resulted in a lower closing cash position at the end of the period. This is due to where we earned our revenues in the first half of the year and we expect this debtor position to unwind in the coming months.

As previously noted in our discussion on new business development initiatives, we have commissioned €4.3 million of property plant and equipment in the period. This is mostly from large capex projects over the past eighteen months, including the new heat treatment facilities in Shannon.

We have implemented a Group-wide inventory reduction program, with the goal of reducing our overall inventory levels in terms of months. Targets have been set for each subsidiary in the Group with timelines attached. We expect to make inroads in our goals on this important project for the Group by the end of this year.

We borrowed further in the first half of 2023. This is mostly in relation to our capital equipment program. The borrowings over capital equipment commissioning are in relation to our Subsea project. We plan to borrow further in H2 2023 to see out our large capex projects.

During the period we paid €0.4 million for historical acquisitions. We also paid a final year dividend for 2022 of €2.2 million in June 2023. The Board of Mincon has approved the payment of an interim dividend in the amount of €0.0105 (1.05 cent) per ordinary share, which will be paid to shareholders in December 2023.

For further information, please contact:

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Mincon Group plc
2023 Half Year Financial Results

Condensed consolidated income statement
For the 6 months ended 30 June 2023

	Notes	Unaudited H1 2023 €'000	Unaudited H1 2022 €'000
Continuing operations			
Revenue	6	80,585	85,168
Cost of sales	8	(54,940)	(58,106)
Gross profit		**25,645**	**27,062**
Operating costs	8	(17,863)	(18,238)

Operating costs	8	(17,863)	(18,238)
Operating profit		**7,782**	**8,824**
Finance income		19	11
Finance cost		(1,175)	(623)
Foreign exchange gain/(loss)		(503)	835
Movement on deferred consideration		4	10
Profit before tax		**6,127**	**9,057**
Income tax expense		(1,228)	(2,527)
Profit for the period		**4,899**	**6,530**

Earnings per Ordinary Share			
Basic earnings per share	12	2.31c	3.07c
Diluted earnings per share	12	2.28c	2.99c

Condensed consolidated statement of comprehensive income
For the 6 months ended 30 June 2023

	Unaudited 2023 H1 €'000	**Unaudited 2022 H1 €'000**
Profit for the period	4,899	6,530
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation - foreign operations	(2,840)	3,814
Other comprehensive (loss)/profit for the period	(2,840)	3,814
Total comprehensive income for the period	**2,059**	**10,344**

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

Consolidated statement of financial position
As at 30 June 2023

	Unaudited 30 June 2023	**31 December 2022**

	Notes	€'000	€'000
Non-Current Assets			
Intangible assets and goodwill	14	39,503	40,109
Property, plant and equipment	15	52,777	53,004
Deferred tax asset	10	2,446	2,050
Total Non-Current Assets		**94,726**	**95,163**
Current Assets			
Inventory and capital equipment	16	76,064	76,911
Trade and other receivables	17	30,467	23,872
Prepayments and other current assets		12,717	12,727
Current tax asset	10	314	305
Cash and cash equivalents		12,673	15,939
Total Current Assets		**132,235**	**129,754**
Total Assets		**226,961**	**224,917**
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	2,669	2,505
Foreign currency translation reserve		(8,426)	(5,586)
Retained earnings		107,117	104,449
Total Equity		**153,778**	**153,786**
Non-Current Liabilities			
Loans and borrowings	18	28,787	26,971
Deferred tax liability	10	2,091	2,046
Deferred consideration	19	1,498	1,705
Other liabilities		849	833
Total Non-Current Liabilities		**33,225**	**31,555**
Current Liabilities			
Loans and borrowings	18	15,280	14,973
Trade and other payables		14,711	14,420
Accrued and other liabilities		8,537	8,699
Current tax liability	10	1,430	1,484
Total Current Liabilities		**39,958**	**39,576**
Total Liabilities		**73,183**	**71,131**
Total Equity and Liabilities		**226,961**	**224,917**

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

Condensed consolidated statement of cash flows
For the 6 months ended 30 June 2023

	Unaudited H1 2023 €'000	**Unaudited H1 2022 €'000**
Operating activities:		
Profit for the period	4,899	6,530
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	3,974	3,890
Amortisation of internally generated intangible asset	242	-
Amortisation of intellectual property	108	92
Movement on deferred consideration	(4)	(10)
Finance cost	1,175	623
Finance income	(19)	(11)
Loss on sale of property, plant & equipment	11	154
Income tax expense	1,228	2,527
Other non-cash movements	510	(831)
	12,124	12,964
Changes in trade and other receivables	(7,272)	(3,396)
Changes in prepayments and other assets	(119)	(3,333)
Changes in inventory	(814)	(9,362)
Changes in trade and other payables	650	4,599
Cash provided by operations	4,569	1,472
Interest received	19	11
Interest paid	(1,175)	(623)
Income taxes paid	(1,462)	(1,793)

Income taxes paid	[illegible]	[illegible]
Net cash provided by/(used in) operating activities	**1,951**	**(933)**
Investing activities		
Purchase of property, plant and equipment	(4,278)	(2,327)
Proceeds from the sale of property, plant and equipment	288	605
Investment in intangible assets	-	(286)
Acquisitions, net of cash required	-	(1,014)
Payment of deferred consideration	(203)	(204)
Investment in acquired intangible assets	(158)	(147)
Net cash provided used in investing activities	**(4,351)**	**(3,373)**
Financing activities		
Dividends paid	(2,231)	(2,231)
Repayment of borrowings	(2,569)	(1,162)
Repayment of lease liabilities	(2,112)	(1,349)
Drawdown of loans	6,472	5,159
Net cash provided (used in)/by financing activities	**(440)**	**417**
Effect of foreign exchange rate changes on cash	(426)	171
Net decrease in cash and cash equivalents	**(3,266)**	**(3,718)**
Cash and cash equivalents at the beginning of the year	15,939	19,049
Cash and cash equivalents at the end of the period	**12,673**	**15,331**

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 2023

	Share capital €'000	**Share premium €'000**	**Merger reserve €'000**	**Un-denominated capital €'000**	**Share based payment reserve €'000**
Balances at 1 July 2022	**2,125**	**67,647**	**(17,393)**	**39**	**2,959**
Comprehensive income:					
Profit for the period	-	-	-	-	-
Other comprehensive income:					
Foreign currency translation	-	-	-	-	-
Total comprehensive income					
Transactions with Shareholders:					
Share-based payments	-	-	-	-	(454)
Dividend payment	-	-	-	-	-
Total transactions with Shareholders	**-**	**-**	**-**	**-**	**(454)**
Balances at 31 December 2022	**2,125**	**67,647**	**(17,393)**	**39**	**2,505**
Comprehensive income:					
Profit for the period	-	-	-	-	-
Other comprehensive income:					
Foreign currency translation	-	-	-	-	-
Total comprehensive income					
Transactions with Shareholders:					
Share-based payments	-	-	-	-	164
Dividend payment	-	-	,-	-	-
Total transactions with Shareholders	-	-	-	-	164
Balances at 30 June 2023	**2,125**	**67,647**	**(17,393)**	**39**	**2,669**

The accompanying notes are an integral part of these financial statement

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 2023 (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 2023.

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 2022 as set out in the 2022 Annual Report (the "2022 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 2022, 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 2022 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 2022 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 2022 Financial Statements.

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 2023, 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 2023 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 2023, 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 2023 €'000	H1 2022 €'000
Product revenue:		
Sale of Mincon product	67,190	70,906
Sale of third-party product	13,395	14,262
Total revenue	**80,585**	**85,168**

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.

7. Operating Segments *(continued)*

Revenue by region (by location of customers):

	H1 2023 €'000	H1 2022 €'000
Region:		
Europe, Middle East, Africa	38,021	42,805
Americas	34,894	33,649
Australasia	7,670	8,714
Total revenue from continuing operations	**80,585**	**85,168**

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

	30 June 2023 €'000	31 December 2022 €'000
Region:		
Europe, Middle East, Africa	63,646	63,109
Americas	17,265	17,752
Australasia	11,369	12,252
Total non-current assets(1)	**92,280**	**93,113**

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

8. Cost of Sales and operating expenses

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

Cost of sales

	H1 2023 €'000	H1 2022 €'000
Raw materials	22,364	22,621
Third-party product purchases	10,073	10,886
Employee costs	11,347	11,599
Depreciation	2,643	2,628
In bound costs on purchases	1,744	2,512
Energy costs	1,449	1,562
Maintenance of machinery	832	1,000
Subcontracting	2,612	3,860
Amortisation of product development	242	-
Other	1,634	1,438
Total cost of sales	**54,940**	**58,106**

Operating costs

	H1 2023 €'000	H1 2022 €'000
Employee costs	10,857	10,835
Depreciation	1,331	1,262
Amortisation of acquired IP	108	91
Travel	889	918
Other	4,678	5,132
Total other operating costs	**17,863**	**18,238**

The Group recognised €32,000 in Government Grants during H1 2023 (H1 2022: €194,000). These grants differ in structure from country to country, they primarily relate to personnel costs.

Employee information

	H1 2023 €'000	H1 2022 €'000
Wages and salaries	19,450	18,817
Social security costs	1,426	2,278
Pension costs of defined contribution plans	1,164	1,075
Share based payments (note 13)	164	264
Total employee costs	**22,204**	**22,434**

The average number of employees was as follows:

	H1 2023 Number	H1 2022 Number
Sales and distribution	138	135
General and administration	80	80
Manufacturing, service and development	406	416
Average number of persons employed	**624**	**631**

9. Acquisitions and disposals

Acquisitions

During 2023, Mincon Group Plc made no new 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 acquisitions

	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**

10. Income Tax

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2023 was 20% (30 June 2022: 28%). The effective rate of tax is forecast at 20% for 2023. The tax charge for the six months ended 30 June 2023 of €1.2 million (30 June 2022: €2.5 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 2023 €'000	**31 December 2022 €'000**
Current tax prepayments	314	305
Current tax payable	(1,430)	(1,484)
Net current tax	(1,116)	(1,179)

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

	30 June 2023 €'000	**31 December 2022 €'000**
Deferred tax asset	2,446	2,050
Deferred tax liability	(2,091)	(2,046)
Net deferred tax	355	4

11. Share capital

Allotted, called- up and fully paid up shares	**Number**	**€000**
01 January 2023	212,472,413	2,125
30 June 2023	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 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 202
Numerator (amounts in €'000):	
Profit attributable to owners of the Parent	4,8
Denominator (Number):	
Basic shares outstanding	212,472,4
Restricted share options	2,780,0
Diluted weighted average shares outstanding	215,252,4
Earnings per Ordinary Share	
Basic earnings per share, €	2.3
Diluted earnings per share, €	2.2

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 2023	2,030
Forfeited during the period	(120)
Exercised during the period	-
Granted during the period	715
Outstanding at 30 June 2023	**2,625**

Reconciliation of outstanding share awards	**Number of Options in thousands**
Outstanding on 1 January 2023	-
Forfeited during the period	-
Exercised during the period	-
Granted during the period	155
Outstanding at 30 June 2023	**155**

14. Intangible Assets

	Internally generated intangible assets €'000	**Goodwill €'000**	**Acquired intellectual property €'000**	**Total €'000**
Balance at 1 January 2023	**7,150**	**32,328**	**631**	**40,109**
Acquired intellectual property	-	-	158	**158**
Amortisation of intellectual property	-	-	(108)	**(108)**
Amortisation of product development	(242)	-	-	**(242)**
Foreign currency translation differences	-	(399)	(15)	**(414)**
Balance at 30 June 2023	**6,908**	**31,929**	**666**	**39,503**

15. Property, Plant and Equipment

Capital expenditure in the first half-year amounted to €4.3 million (30 June 2022: €2.3 million), of which €4.1 million was invested in plant and equipment (30 June 2022: €1.9 million) and €800,000 million in ROU assets (30 June 2022: €400,000). The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	H1 2023 €'000	**H1 2022 €'000**
Cost of sales	2,643	2,628
Operating Costs	1,331	1,262
Total depreciation charge for property, plant and equipment	**3,974**	**3,890**

16. Inventory

	30 June 2023 €'000	31 December 2022 €'000
Finished goods	48,244	47,983
Work-in-progress	12,215	12,943
Raw materials	15,605	15,985
Total inventory	**76,064**	**76,911**

The Group recorded an impairment of €58,000 against inventory to take account of net realisable value during the period ended 30 June 2023 (30 June 2022: €87,000).

17. Trade and other receivables

	30 June 2023 €'000	31 December 2022 €'000
Gross receivable	31,750	24,975
Provision for impairment	(1,283)	(1,103)
Net trade and other receivables	**30,467**	**23,872**

	Provision for impairment €'000
Balance at 1 January 2023	(1,103)
Additions	(180)
Balance at 30 June 2023	(1,283)

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 30 June 2023.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance €'000
Current (not past due)	1.2%	23,318	280
1-30 days past due	6.2%	4,293	266
31-60 days past due	12%	2,289	271
61 to 90 days	14.5%	1,618	235
More than 90 days past due	100%	232	231
Net trade and other receivables		31,750	1,283

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

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance €'000
Current (not past due)	1%	17,929	179
1-30 days past due	5%	4,245	211
31-60 days past due	13%	1,459	189

[illegible]	[illegible]	[illegible]	
61 to 90 days	21%	1,034	216
More than 90 days past due	100%	308	308
Net trade and other receivables		24,975	1,103

18. Loans, borrowings and lease liabilities

	Maturity	30 June 2023 €'000	31 December 2022 €'000
Loans and borrowings	2023-2037	34,531	30,848
Lease liabilities	2023-2032	9,536	11,096
Total Loans, borrowings and lease liabilities		**44,067**	**41,944**
Current		15,280	14,973
Non-current		28,787	26,971

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 2022 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 2023 and 31 December 2022 were as follows:

	30 June 2023 €'000	31 December 2022 €'000
Cash and cash equivalents	12,673	15,939
Loans and borrowings	44,067	41,944
Shareholders' equity	153,778	153,786

19. 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 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 2023, 56% (2022: 58%) of Mincon's revenue €81 million (30 June 2022: €85 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.

Euro exchange rates	30 June 2023 Closing	H1 2023 Average	31 December 2022 Closing	H1 2022 Average
US Dollar	1.09	1.08	1.07	1.05
Australian Dollar	1.64	1.60	1.57	1.52
Canadian Dollar	1.44	1.46	1.45	1.37
Great British Pound	0.86	0.88	0.88	0.85
South African Rand	20.50	19.67	18.18	17.19
Swedish Krona	11.79	11.33	11.15	10.63

There has been no material change in the Group's currency exposure since 31 December 2022. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

19. Financial Risk Management *(continued)*

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 2023 are as follows:

	Deferred consideration €'000
Balance at 1 January 2023	**1,705**
Cash payment	(203)
Fair value movement	(4)
Balance at 30 June 2023	**1,498**

20. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 30 June 2023:

	Total €'000
Contracted for	2,104
Not contracted for	28
Total	2,132

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 2023, the share capital of Mincon Group plc was 56.32% owned by Kingbell Company (31 December 2022 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 2022 in June 2023, Kingbell Company receive €1.3 million.

There were no other related party transactions in the half year ended 30 June 2023 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 2022 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 3 August 2023, 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 08 December 2023 to shareholders on the register at the close of business on 17 November 2023.

24. Approval of financial statements

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2023 on 08 August 2023.

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