



ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

PPK Group Limited – ASX Code: PPK

Thursday 11 June 2015

MARKET UPDATE

PPK Group Limited (ASX: PPK) today announced it expects to report an operating Net Profit After Tax (NPAT) in the range of \$0.2M to \$0.6M for the year ending 30 June 2015.

The forecast operating after tax loss for the second half of approximately \$0.6M to \$1.0M reflects a \$4.3M profit on the sale of our Dandenong South property being offset by:

- a) the under performance of our mining businesses
- b) a \$2.0M one-off (non-cash) charge associated with the write off of research and development expenditures; and
- c) costs associated with the closure of the Nowra facility.

PPK Chairman Robin Levison noted that the forecast result reflects:

An excellent performance from the Property and Investments division – with substantial profits on the sale of the Dandenong South property. Unfortunately, this is completely offset by the under performance of our mining equipment business attributed to;

- a) extremely difficult economic conditions for our customers resulting in
 - a. a number of customers putting their mines into care & maintenance – resulting in virtually no capital expenditure and minimal operating expenditure; and
 - b. where mines are operating, continued capital constraints for our customers meaning they are not purchasing or replacing capital equipment. Three separate capital sales of PPK equipment worth approximately \$3.0M, anticipated for this half, have recently been deferred;
- b) slower than anticipated revenue growth from recent acquisitions and business growth initiatives; and
- c) costs associated with disputes from a recent acquisition.

Further, a review of projects for the development of new products prompted a reassessment of their carrying value. As a result PPK will take a non-cash charge expected to be in the order of \$2.0 million in recognition of the diminution in the value of historical R&D assets carried on the PPK Balance Sheet. Comprehensive details of this impairment charge will be provided in our full year accounts for 2015.

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Commenting on these matters, Robin Levison said:

“The coal mining industry in Australia continues to be subdued – our Australian customers are experiencing extremely difficult trading conditions and this directly impacts our performance. Absent the welcome sale of one Coaltram to a customer in China, PPK saw no capital sales in the half. That an excellent outcome from the sale of our Dandenong South property is completely offset by under performance in our mining equipment business is particularly disappointing. While it is difficult to pick the bottom of the market and resultant upswing, the poor economic and trading conditions in the Australian mining industry generally and the Australian underground coal mining industry in particular may continue into the second half of this decade. Paradoxically, Australia continues to ‘cut’ record tonnes of coal. In this environment, PPK’s mining businesses will:

- a) focus on expanding our Parts and Consumables Sales; and
- b) look to diversify our markets with particular emphasis on our newly established China Office.

Through our international agreements and contacts, we believe that we are well positioned to do this.

“In addition, the PPK Board has determined that it will continue to actively seek property and investment opportunities. A number of property investment and development opportunities are currently under consideration”.

For further information contact:

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