**Unaudited Earnings Update for the year ended 30th June 2015, Restructuring and Board Change.**

**11th August 2015**

Further to the announcements on 9th July 2015, the new Executive team of Mercer Group Limited (NZX:MGL) has completed a review of the MGL businesses. As a result of the review, the Company will now focus on (i) further developing its export led food processing technology businesses, (Titan Slicers, the 'Beta' range and other proprietary products), (ii) the commercialisation of its patent protected S-Clave sterilisation technology, and (iii) growing its successful stainless fabrication business.

MGL will therefore explore options for its Interiors businesses, with a view to exiting it at the appropriate time. The Company is also taking appropriate provisions to the carrying value of its assets in both the Interiors and Medical divisions. These provisions, together with intangible asset impairments, amount to $6.0m.

As a result MGL is expecting to announce a deficit before finance costs and tax for the year of $7.8m, with a breakeven underlying EBITDA from those segments considered core operations. More detailed financial information will be available upon release of the audited financials.

A reconciliation of the unaudited EBITDA by segment to deficit before finance costs and taxation is set out below:

| | Year ended 30 June 2014 audited | Year ended 30 June 2015 Underlying unaudited | Restructure unaudited | Reported unaudited |
|---|---|---|---|---|
| Stainless Fabrication excluding Titan | 1.3 | 2.1 | - | 2.1 |
| Titan Slicers | - | (0.8) | - | (0.8) |
| Technologies | 1.0 | - | - | - |
| Corporate | (1.3) | (1.3) | - | (1.3) |
| EBITDA core operations | 1.0 | 0.0 | - | 0.0 |
| Medical | 0.5 | (0.3) | (0.8) | (1.1) |
| Interiors | (0.5) | (0.1) | - | (0.1) |
| EBITDA before restructure / asset impairment | 1.0 | (0.4) | (0.8) | (1.2) |
| Titan Slicer development costs expensed | - | (0.4) | - | (0.4) |
| Restructure costs (tangible asset impairment) | - | - | (1.9) | (1.9) |
| Restructure costs (goodwill impairment) | - | - | (2.7) | (2.7) |
| Intangible asset impairment | - | - | (0.6) | (0.6) |
| Depreciation and amortization | (0.9) | (1.0) | - | (1.0) |
| Surplus (deficit) before finance costs and taxation | 0.1 | (1.8) | (6.0) | (7.8) |

The Stainless Fabrication business generated a strong result in 2015 and is expected to post a record result of $2.1m EBITDA. The business has successfully diversified away from its historical reliance on the dairy industry, and as such has a strong order book and approaches the 2016 financial year with confidence.

As a result of operational issues within the business, the Titan Slicer division has not performed to expectations over the past two years. The sale of two IVS500 slicers failed to complete satisfactorily and have been reversed since the last announcement. Titan Slicer is now expected to lose $1.2m at the EBITDA level in 2015, including expensing development costs of $0.4m. These operational issues have now been resolved; and with a stronger focus on the North American market, through our distributor Nu Meat, and on our home markets in New Zealand and Australia, MGL is confident of solid and tangible progress for Titan in the 2016 financial year.

The Technologies business has continued to advance its development of S-Clave and has achieved its key milestones this year. A recent working visit to our US partner has brought further progress, and the prospects for this disruptive technology remain strong. We continue to have the support of funding from the Callaghan Institute to assist in the development of S-Clave.

In summary, the Board believes that MGL has world class technologies with global application that will now be the prime area of focus, supported by its well established stainless fabrication business. MGL is committed to seeing these technologically driven initiatives deliver profitable and positive outcomes for our shareholders and staff.

The Board announces that Rodger Shepherd has resigned as a Director of MGL.

John Dennehy
Board Chair

For further information contact:

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