PORTMEIRIONGROUP PLC

Interim Statement 2013

Stock code: PMP

Welcome to
Portmeirion Group PLC

Portmeirion Group PLC is a British company, based in Stoke-on-Trent. We are a significant force in the homewares industry, a market leader in high quality and innovatively designed tableware, cookware, giftware and tabletop accessories. Portmeirion Group encompasses four world leading brands.

Pictured on front cover: Portmeirion Water Garden
Pictured above: Royal Worcester Serendipity Gold

Highlights

Pictured: (clockwise from top left) Portmeirion Botanic Garden, Portmeirion Vintage Kellogg's, Sophie Conran for Portmeirion, Pimpernel Royal Horticultural Society Roses, Spode Christmas Tree and Spode Glen Lodge.

- Revenue of £23.8 million up by 4% on the comparative period (2012: £22.8 million).
- Profit before tax down by 38% to £0.9 million (2012: £1.4 million) largely due to the negative impact of Anti-Dumping Duty on ceramic products imported from China into the EU.
- EBITDA down by 22% to £1.5 million (2012: £2.0 million).
- Earnings per share down by 37% to 6.03p (2012: 9.57p).
- Interim dividend increased by 11% to 5.00 pence per share (2012: 4.50 pence per share).
- Exceptional growth in Korean market.
- Launch of new US website following revamp of UK website early in 2013.
- Strong forward orders for Christmas.
- Production at our Stoke-on-Trent factory is at an all time high.
- Completed £3.9 million purchase of long leasehold interest in warehouse and offices in July 2013.

Contents

Interim Review

"The performance of Portmeirion Group in the first six months of 2013 has been in line with our expectations and we remain confident of the outcome for the full year to 31 December 2013."

Richard J. Steele, Non-executive Chairman

The performance of Portmeirion Group in the first six months of 2013 has been in line with our expectations. The decrease in profit for the period is largely due to the impact of the Anti-Dumping Duty on ceramic products imported from China into the EU and there is further detail on this below; however we remain confident of the outcome for the full year to 31 December 2013.

In 2012 we achieved 41.0% of our full year revenues in the first half year (2011: 41.7% and 2010: 41.2%) and 21.8% of our operating profits in the same period (2011: 21.7% and 2010: 23.5%). Seasonality has long been a feature of our business; as the size of the business has increased the seasonal flex in our operating profits has also increased. The North American market, and in particular the Christmas trading period, are key to our success.

Dividend

The Board is proposing a dividend of 5.00 pence per share (2012: 4.50 pence per share), an increase of 11.1% and in line with the percentage increase in the final dividend for 2012.

The interim dividend will be paid on 1 October 2013. The ex-dividend date will be 4 September 2013 with a record date of 6 September 2013.

We are continuing with our stated policy of the prior year's final dividend percentage change determining the following year's interim dividend percentage change, subject to the needs of the business. The final dividend for 2013 will be determined when we know the results for 2013. We consider that this approach allows us to better allocate dividend increases and payments to take account of the results of our important second half year.

The Board is committed to a progressive dividend policy; our aim is to maintain a sustainable level of dividend cover and to try to increase dividends whenever our prudent forecasts of future trading conditions and business cash needs allow us so to do. Progressive dividend payments to shareholders are a fundamental goal at Portmeirion.

Revenues

Our revenues for the first six months of 2013 were £23.8 million (2012 first half year: £22.8 million, 2012 full year: £55.5 million), 4% higher than the comparative period.

In the United States, historically our largest market, sales declined by 10.3% in local currency and by 8.4% when translated into sterling. In the United Kingdom, historically our second largest market, sales declined by 6.9%; however the UK comparative includes significant sales of Diamond Jubilee products whereas in the current year we expect a benefit to second half UK sales from the birth of His Royal Highness Prince George of Cambridge; initial demand has been encouraging. In South Korea our sales increased by 25.0%. We do not expect this rate of growth to continue in South Korea but we do believe that we will see a good second half performance from this important market.

It is interesting to note that UK sales via the internet, which we started only in 2009, now exceed sales from our largest factory outlet shop. UK internet sales were 22% higher in the first half of 2013 than in the comparative period last year. We have just launched and started selling from our US website for which initial demand is strong.

Profits

Profit before tax has decreased by 38% over the comparative period to £853,000 (2012 first half year: £1,380,000, 2012 full year: £6,595,000); earnings before interest, tax, depreciation and amortisation are £1,544,000 (2012 first half year: £1,988,000, 2012 full year £7,803,000).

Our profits have suffered by over £0.4 million as a result of a protectionist Anti-Dumping Duty imposed by the European Commission on ceramics which we have made for us in China.

Pictured: Portmeirion Botanic Garden Sunflower

While we will continue to bear some Anti-Dumping Duty costs in the second half, we have taken action that will largely mitigate the impact of this duty going forward.

As we continue to drive the business forward to higher annual results we increase the operational gearing and fixed cost base; during our weaker first half year profitability must be sacrificed to achieve the full year outcomes.

Balance Sheet

Our net cash balance as at 30 June 2013 was £5.9 million; this compares with £3.3 million at 30 June 2012 and £7.5 million at 31 December 2012. The seasonal flows in our working capital are such that 31 December is close to our cash high point. Cash balances at 30 June are reducing, as we build stock levels and then debtors to service the important Christmas trade, and reach their lowest point half way through the second half. We pay our final dividend for the previous year in May.

Stock balances were £12.6 million at 30 June 2013; this compares to £11.6 million at 31 December 2012 and £14.3 million at 30 June 2012. It is a feature of our business that we have to build stock levels prior to our second half year. We are rigorous and prudent in our stock valuation policies.

On 11 July 2013, and therefore not reflected in these figures, we invested £3.9 million including costs to acquire the long leasehold of the warehouse in Stoke-on-Trent which we had already been occupying for a number of years at an annual rental of £306,000. The consideration came from the available cash resources of the Group.

Production

We have increased production in the UK at our Stoke-on-Trent factory in preparation for the second half; new volume records were set in June 2013 when we achieved over 150,000 pieces per week. Five years ago we were producing 85,000 pieces per week from the same factory. Our people have done a wonderful job from a site which has been developed piecemeal over more than a century. Not only has volume increased, but quality has continued to improve, with best production exceeding 95%.

Our Stoke-on-Trent factory produces the finest earthenware. We source our porcelain, bone china, glassware, fabrics, tablemats etc. from all around the world. Our quality standards are at the same high level for own production as they are for sourced products.

Products and Brands

Continuous product development is a key strategy at Portmeirion. New patterns launched at shows in the UK, Europe and North America already this year include Portmeirion Botanic Garden Sunflower, Portmeirion Water Garden, Spode Glen Lodge, Spode Delamere Rural, Portmeirion Agapanthus and Spode and Royal Worcester celebratory ware for the recent birth of His Royal Highness Prince George of Cambridge.

Portmeirion Botanic Garden retains its position as the pre-eminent worldwide earthenware pattern. No other earthenware pattern has such a level of sales, geographic penetration, history, recognition and daily use as Botanic Garden.

Product development supports our brands. The brands enable product development.

Outlook

We have it all to do in our important second half year, as usual for our seasonal business. We have strong forward orders for Christmas. Our four brands are stronger than ever, our designs are world beating, our quality standards are thorough, our financial position is robust and our people are ready.

We remain confident for the future; our strategy remains unchanged.

Richard J. Steele
Non-executive Chairman

Lawrence F. Bryan
Chief Executive

Independent Review Report

to Portmeirion Group PLC

Introduction

We have been engaged by Portmeirion Group PLC to review the interim financial information for the six months ended 30 June 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the reconciliation of movement in shareholders' equity and related notes 1 to 8. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

Respective responsibilities of directors and auditors

The interim statement, including the interim financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim statement in accordance with the AIM Rules issued by the London Stock Exchange, which require that the interim statement must be prepared and presented in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility is to express to the Company a conclusion on the interim financial information in the interim statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information in the interim statement for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the AIM Rules issued by the London Stock Exchange.

Mazars LLP
Chartered Accountants
45 Church Street
Birmingham
B3 2RT
31 July 2013

Notes: (a) The maintenance and integrity of the Portmeirion Group PLC website is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim statement since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Income Statement

Unaudited

	Notes	**Six months to 30 June 2013 £'000**	*Six months to 30 June 2012 £'000	*Year to 31 December 2012 £'000
Revenue	2	**23,789**	22,790	55,525
Operating costs		**(22,809)**	(21,341)	(48,870)
Operating profit		**980**	1,449	6,655
Investment revenue		**22**	19	39
Finance costs	3	**(187)**	(139)	(261)
Share of results of associated undertakings		**38**	51	162
Profit before tax		**853**	1,380	6,595
Tax	4	**(220)**	(398)	(1,709)
Profit for the period attributable to equity holders		**633**	982	4,886
Earnings per share	6	**6.03p**	9.57p	47.28p
Diluted earnings per share	6	**5.98p**	9.41p	46.60p
Dividends proposed and paid per share	5	**5.00p**	4.50p	21.80p

All the above figures relate to continuing operations.

* Restated – see note 1.

Consolidated Statement of Comprehensive Income

Unaudited

	Six months to 30 June 2013 £'000	*Six months to 30 June 2012 £'000	*Year to 31 December 2012 £'000
Profit for the period	**633**	982	4,886
Exchange differences on translation of foreign operations	**419**	(91)	(304)
Actuarial gain/(loss) on defined benefit pension scheme	**-**	78	(677)
Deferred tax on other comprehensive income	**-**	(18)	(43)
Other comprehensive income for the period	**419**	(31)	(1,024)
Total comprehensive income for the period attributable to equity holders	**1,052**	951	3,862

* Restated – see note 1.

Consolidated Balance Sheet

Unaudited

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Non-current assets			
Intangible assets	**1,525**	1,719	1,609
Property, plant and equipment	**5,629**	5,812	5,662
Interests in associates	**1,734**	1,583	1,687
Deferred tax asset	**747**	768	816
Total non-current assets	**9,635**	9,882	9,774
Current assets			
Inventories	**12,644**	14,261	11,622
Trade and other receivables	**8,792**	7,532	9,611
Cash and cash equivalents	**5,876**	3,310	7,450
Total current assets	**27,312**	25,103	28,683
Total assets	**36,947**	34,985	38,457
Current liabilities			
Trade and other payables	**(5,450)**	(5,795)	(5,697)
Current income tax liabilities	**(549)**	(532)	(940)
Total current liabilities	**(5,999)**	(6,327)	(6,637)
Non-current liabilities			
Pension scheme deficit	**(4,653)**	(4,495)	(4,955)
Grant received	**(20)**	(39)	(18)
Total non-current liabilities	**(4,673)**	(4,534)	(4,973)
Total liabilities	**(10,672)**	(10,861)	(11,610)
Net assets	**26,275**	24,124	26,847
Equity			
Called up share capital	**548**	539	541
Share premium account	**6,375**	5,676	5,802
Investment in own shares	**(1,179)**	(771)	(767)
Share-based payment reserve	**674**	518	601
Translation reserve	**1,202**	1,031	783
Retained earnings	**18,655**	17,131	19,887
Total equity	**26,275**	24,124	26,847

Consolidated Statement of Cash Flows

Unaudited

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012 £'000
Operating profit	**980**	1,449	6,655
Adjustments for:			
Depreciation of property, plant and equipment	**425**	410	881
Amortisation of intangible assets	**139**	129	267
Contributions to defined benefit pension scheme	**(400)**	(400)	(800)
Charge for share-based payments	**73**	89	172
Exchange gain/(loss)	**64**	14	(53)
Profit on sale of tangible fixed assets	**(1)**	(14)	(36)
Operating cash flows before movements in working capital	**1,280**	1,677	7,086
(Increase)/decrease in inventories	**(788)**	(1,847)	692
Decrease/(increase) in receivables	**920**	(53)	(2,165)
Decrease in payables	**(390)**	(1,026)	(1,086)
Cash generated from/(absorbed by) operations	**1,022**	(1,249)	4,527
Interest paid	**(14)**	(29)	(52)
Income taxes paid	**(527)**	(616)	(1,527)
Net cash inflow/(outflow) from operating activities	**481**	(1,894)	2,948
Investing activities			
Interest received	**14**	12	15
Proceeds on disposal of property, plant and equipment	**34**	14	56
Purchase of property, plant and equipment	**(370)**	(256)	(626)
Purchase of intangible assets	**(55)**	(29)	(57)
Net cash outflow from investing activities	**(377)**	(259)	(612)
Financing activities			
Equity dividends paid	**(1,842)**	(1,610)	(2,078)
Shares issued under employee share schemes	**722**	297	429
Purchase of own shares	**(577)**	–	–
Net cash outflow from financing activities	**(1,697)**	(1,313)	(1,649)
Net (decrease)/increase in cash and cash equivalents	**(1,593)**	(3,466)	687
Cash and cash equivalents at beginning of period	**7,450**	6,777	6,777
Effect of foreign exchange rate changes	**19**	(1)	(14)
Cash and cash equivalents at end of period	**5,876**	3,310	7,450

Reconciliation of Movement in Shareholders' Equity

Unaudited

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012 £'000
Opening balance	**26,847**	24,397	24,397
Total comprehensive income for the period	**1,052**	951	3,862
Dividends paid	**(1,842)**	(1,610)	(2,078)
Shares issued under employee share schemes	**722**	297	429
Purchase of own shares	**(577)**	–	–
Increase in share-based payment reserve	**73**	89	172
Deferred tax on share-based payment	**-**	–	65
Closing balance	**26,275**	24,124	26,847

Notes to the Interim Financial Information

1. Basis of preparation

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 but has been reviewed by the auditors in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 31 December 2012, prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)), have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with IFRS on the historical cost basis, except that derivative financial instruments are stated at their fair value. There are a number of new accounting standards, amendments to existing standards and interpretations which are mandatory for the year ending 31 December 2013. No changes arising from new or revised accounting standards have had a material impact on the consolidated financial statements of the Group other than the adoption of IAS 19 (2011).

IAS 19 (2011) requires the return on defined benefit pension plan assets recognised in the income statement to be calculated by applying the same rate as that used to discount the plan's liabilities, rather than using the long-term expected rate of return. The impact of adopting this amended standard is a reduction in profit after tax for the year ended 31 December 2012 of £119,000 (six months ended 30 June 2012: reduction of £60,000) and an increase in other comprehensive income of the same amount. The comparative financial information presented has been amended accordingly.

2. Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the products:

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012 £'000
United Kingdom	**6,210**	6,671	14,915
United States	**6,015**	6,566	20,215
South Korea	**7,298**	5,837	12,135
Rest of the World	**4,266**	3,716	8,260
	23,789	22,790	55,525

3. Finance costs

	Six months to 30 June 2013 £'000	*Six months to 30 June 2012 £'000	*Year to 31 December 2012 £'000
Interest paid	**21**	9	26
Realised losses on financial derivatives	**8**	25	25
Unrealised losses on financial derivatives	**60**	–	–
Defined benefit pension scheme - other finance costs	**98**	105	210
	187	139	261

* Restated – see note 1.

4. Taxation

Tax for the interim period is charged at 25.8% (year to 31 December 2012: 25.9%) representing the best estimate of the weighted average annual corporation tax rate expected for the full year. Deferred tax has been calculated at a rate of 23%.

5. Dividend

A dividend of 5.00p (2012: 4.50p) per ordinary share will be paid on 1 October 2013 to shareholders on the register on 6 September 2013.

6. Earnings per share

The earnings per share is calculated on profit after tax of £633,000 (June 2012: £982,000; December 2012: £4,886,000) and the weighted average number of ordinary shares of 10,491,426 (June 2012: 10,263,083; December 2012: 10,334,605) in issue during the period. The share options in existence during the six months ended 30 June 2013 have a dilutive effect. Diluted earnings per share is calculated on earnings of £633,000 (June 2012: £982,000; December 2012: £4,886,000) and the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares of 10,581,509 (June 2012: 10,432,891; December 2012: 10,485,688).

7. Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012 £'000
Operating profit	**980**	1,449	6,655
Add back:			
Depreciation	**425**	410	881
Amortisation	**139**	129	267
Earnings before interest, tax, depreciation and amortisation	**1,544**	1,988	7,803

8. Post balance sheet event

On 11 July 2013, the Group acquired the long leasehold interest, to expire in May 2156, of a 64,000 sq. ft. warehouse and offices, which it currently occupies, located in Stoke-on-Trent for £3.9 million to be paid from existing cash resources.

Company Information

Board of Directors

Richard J. Steele BCOM FCA CTA	Non-executive Chairman
Lawrence F. Bryan BA	Chief Executive
Brett W.J. Phillips BSc ACA	Group Finance Director
Philip E. Atherton	Group Sales and Marketing Director
Barbara Thomas Judge CBE BA JD	Non-executive Director
Janis Kong OBE BSc	Non-executive Director

Company Secretary
Brett W.J. Phillips BSc ACA

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Pictured: Spode Blue Room Royal Baby Collection

Portmeirion Group Patterns
Details of Portmeirion Group patterns are available on our retail websites at www.portmeiriongroup.com. Pictured on page 1 are Portmeirion Vintage Kellogg's mugs which are produced under licence from Kellogg Company. The Royal Worcester and Pimpernel Royal Horticultural Society Roses ranges are produced under licence from RHS Enterprises Limited.

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