PORTMEIRIONGROUP PLC

Interim Statement 2014

Stock code: PMP

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.

Contents

Pictured on front cover: Spode Delamere Rural
Pictured above: Sophie Conran for Portmeirion

Highlights

Pictured: Spode Christmas Tree

Pictured: Royal Worcester Essentials Black & White textiles

Pictured: Portmeirion Exotic Botanic Garden

Pictured: Portmeirion Peppa Pig

- Revenue of £24.5 million up by 3% on the comparative period (2013: £23.8 million).
- Profit before tax up by 42% to £1.2 million (2013: £0.9 million).
- EBITDA up by 21% to £1.9 million (2013: £1.5 million).
- Earnings per share up by 53% to 9.21p (2013: 6.03p).
- Interim dividend increased by 10% to 5.50 pence per share (2013: 5.00 pence per share).

- Sales growth of 7% in UK driven by increase in online sales of more than 50%.
- Production at our Stoke-on-Trent factory continuing at record levels with average of 147,000 pieces per week for H1 (full year 2013: 128,000 pieces per week).
- Strong order book for H2.

Interim Review

Richard J. Steele
Non-executive Chairman

Lawrence F. Bryan
Chief Executive

"The performance of Portmeirion Group in the first six months of 2014 has been in line with our expectations and we remain confident of the outcome for the full year to 31 December 2014."

Richard J. Steele

The performance of Portmeirion Group for the first six months of 2014 has been in line with our expectations.

We have previously commented on why our first half year is an inappropriate guide for the full year. This is mainly because of the operational gearing inherent in a manufacturing business with a heavy reliance on second half sales. Our US market, which is particularly biased towards the second half and the Christmas trading period, is fundamental to the success of our business.

Dividend

The Board is proposing a dividend of 5.50 pence per share (2013: 5.00 pence per share), an increase of 10% which is in line with the percentage increase in the final dividend for 2013.

The interim dividend will be paid on 1 October 2014. The ex-dividend date will be 3 September 2014 with a record date of 5 September 2014.

We are continuing with our policy of having the interim dividend determined by the prior final dividend, rather than being a presage for the following final, subject to the needs of the business. The final dividend will be determined when we know the results for 2014. This approach allows us to better allocate dividend increases and payments taking account of our important second half year so as to provide optimum payments to shareholders.

The Board is committed to a progressive dividend policy. It is a core part of our strategy. Our longstanding aim is to maintain a sustainable level of dividend cover whilst increasing dividends whenever our prudent views of future trading conditions and business cash needs allow us so to do. We have increased our dividend for five consecutive years.

Revenues

Our revenues for the first six months of 2014 were £24.5 million (2013 first half year: £23.8 million), 3.1% higher than the comparative period. The 2013 full year revenues were £58.3 million.

In the United States, our largest market on a full year basis, sales increased by 4.0% in local currency, however, when translated into sterling the sales were 3.8% lower as sterling has strengthened against the US dollar since last year. In the United Kingdom, our second largest market on a full year basis, sales increased by 6.9% and South Korea, our third largest market, was slightly down on last year by 1.2%.

We continue to generate revenue through online sales. In the UK, our own direct online sales increased by more than 50% in the period under review from £346,000 to £529,000 due to refined online marketing. In the US we achieved US$400,000 of online sales having only launched this new website in the second half of 2013.

Profits

Profit before tax has increased by 42% over the comparative period to £1,213,000 (2013 first half year: £853,000, 2013 full year: £7,009,000); earnings before interest, tax, depreciation and amortisation are £1,872,000 (2013 first half year: £1,544,000, 2013 full year: £8,257,000).

We have continued to suffer from the protectionist Anti-Dumping Duty imposed on us by the European Commission. This cost us over £300,000 in the first half of 2014, similar to the cost suffered during the same period last year. We expect the full year costs to be at least double the first half figure. This cost is manageable and we continue to explore opportunities to reduce it.

Balance Sheet

Our net cash balance at 30 June 2014 was £2.7 million; this compares with £5.9 million at 30 June 2013 and £6.2 million at 31 December 2013. In July 2013 we invested £3.9 million of cash in the long leasehold of our Stoke-on-Trent warehouse, so this amount is reflected in the reduction in cash balances compared to 30 June 2013.

As is normal in our trading pattern we are investing in our stock balances with our important second half year to deliver. Stocks at 30 June 2014 were £14.5 million which compares to £12.6 million at 30 June 2013 and £11.7 million at 31 December 2013. Our stock valuation policies are prudent, rigorous and consistently applied.

During the half year we have paid £716,000 to purchase our own shares at an average price of £7.45 each. These are held to satisfy employee share and incentive scheme awards in future years.

We paid £0.4 million into our long closed defined benefit pension scheme in the first half year; this is the same amount as in the comparative period last year. We will pay a total of £0.8 million in 2014.

Pictured: Spode Blue Italian

Production

Our management team have once again achieved record levels of production from our Stoke-on-Trent factory. Average weekly output of best pieces amounted to 147,000 in the first six months of this year, this compares to the full year average of 128,000 per week in 2013 and 92,000 per week in 2008. We continue to set ourselves challenging targets and then surpass them.

Our Stoke-on-Trent factory produces the finest English earthenware, a product for which we have a worldwide reputation. We source our porcelain, bone china, cookware, glassware, fabrics, tablemats and cutlery from all over the world and from the best of factories – all of which are inspected by us. All the products which we sell with our brand names on are subject to our quality standards.

Products and Brands

Pictures of our current patterns can be found at www.portmeirion.co.uk, www.spode.co.uk, www.royalworcester.co.uk and www.pimpernelinternational.co.uk.
Online purchasing is also available at these sites.

We have continued to develop new patterns and extensions to existing patterns. During the year we have launched Portmeirion Agapanthus and Portmeirion Agapanthus Stripe, we have added a wonderful Poppy motif to Portmeirion Botanic Garden and Sophie Conran for Portmeirion has enjoyed range extensions including a Christmas Collection and additional items for the exciting ceramic coated metal cookware range. Kiwi motifs now feature within Portmeirion Pomona. Ambiance and Coast are two new contemporary patterns.

Spode Delamere Rural takes the well established Spode Woodland pattern to a new colourway, and nearly two hundred years after it was first introduced we can still find exciting new items for the Spode Blue Italian pattern.

Outlook

Our second half year remains the key for our full year results. We have strong forward orders for the second half year. Our four brands are stronger than ever, our designs are world beating, our quality standards do not compromise, our financial position is robust and our people are ready.

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

Lawrence Bryan

Richard J. Steele
Non-executive Chairman
30 July 2014

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 2014, 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 7. 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 2014 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
30 July 2014

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 2014 £'000**	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Revenue	2	**24,525**	23,789	58,295
Operating costs		**(23,293)**	(22,809)	(51,233)
Operating profit		**1,232**	980	7,062
Investment revenue		**46**	22	52
Finance costs	3	**(64)**	(187)	(246)
Share of results of associated undertakings		**(1)**	38	141
Profit before tax		**1,213**	853	7,009
Tax	4	**(241)**	(220)	(1,400)
Profit for the period attributable to equity holders		**972**	633	5,609
Earnings per share	6	**9.21p**	6.03p	53.26p
Diluted earnings per share	6	**9.17p**	5.98p	52.84p
Dividends proposed and paid per share	5	**5.50p**	5.00p	24.00p

All the above figures relate to continuing operations.

Consolidated Statement of Comprehensive Income
Unaudited

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Profit for the period	**972**	633	5,609
Exchange differences on translation of foreign operations	**(249)**	419	(156)
Actuarial gain on defined benefit pension scheme	**–**	–	1,947
Deferred tax on other comprehensive income	**–**	–	(688)
Other comprehensive income for the period	**(249)**	419	1,103
Total comprehensive income for the period attributable to equity holders	**723**	1,052	6,712

Consolidated Balance Sheet

Unaudited

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Non-current assets			
Intangible assets	**1,305**	1,525	1,419
Property, plant and equipment	**9,033**	5,629	9,285
Interests in associates	**1,656**	1,734	1,778
Deferred tax asset	**151**	747	222
Total non-current assets	**12,145**	9,635	12,704
Current assets			
Inventories	**14,497**	12,644	11,713
Trade and other receivables	**8,332**	8,792	10,889
Cash and cash equivalents	**2,748**	5,876	6,205
Total current assets	**25,577**	27,312	28,807
Total assets	**37,722**	36,947	41,511
Current liabilities			
Trade and other payables	**(5,365)**	(5,450)	(6,465)
Current income tax liabilities	**(633)**	(549)	(1,141)
Total current liabilities	**(5,998)**	(5,999)	(7,606)
Non-current liabilities			
Pension scheme deficit	**(2,051)**	(4,653)	(2,404)
Grant received	**–**	(20)	–
Total non-current liabilities	**(2,051)**	(4,673)	(2,404)
Total liabilities	**(8,049)**	(10,672)	(10,010)
Net assets	**29,673**	26,275	31,501
Equity			
Called up share capital	**549**	548	548
Share premium account	**6,456**	6,375	6,375
Investment in own shares	**(1,814)**	(1,179)	(1,139)
Share-based payment reserve	**829**	674	742
Translation reserve	**350**	1,202	599
Retained earnings	**23,303**	18,655	24,376
Total equity	**29,673**	26,275	31,501

Consolidated Statement of Cash Flows

Unaudited

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Operating profit	**1,232**	980	7,062
Adjustments for:			
Depreciation of property, plant and equipment	**488**	425	906
Amortisation of intangible assets	**152**	139	289
Contributions to defined benefit pension scheme	**(400)**	(400)	(800)
Charge for share-based payments	**87**	73	141
Exchange gain	**9**	64	37
Profit on sale of tangible fixed assets	**–**	(1)	(9)
Operating cash flows before movements in working capital	**1,568**	1,280	7,626
Increase in inventories	**(2,950)**	(788)	(200)
Decrease/(increase) in receivables	**2,593**	920	(1,369)
(Decrease)/increase in payables	**(1,034)**	(390)	771
Cash generated from operations	**177**	1,022	6,828
Interest paid	**(29)**	(14)	(30)
Income taxes paid	**(678)**	(527)	(1,261)
Net cash (outflow)/inflow from operating activities	**(530)**	481	5,537
Investing activities			
Interest received	**12**	14	76
Proceeds on disposal of property, plant and equipment	**–**	34	46
Purchase of property, plant and equipment	**(257)**	(370)	(4,579)
Purchase of intangible assets	**(38)**	(55)	(99)
Net cash outflow from investing activities	**(283)**	(377)	(4,556)
Financing activities			
Equity dividends paid	**(2,008)**	(1,842)	(2,376)
Shares issued under employee share schemes	**86**	722	722
Purchase of own shares	**(716)**	(577)	(577)
Net cash outflow from financing activities	**(2,638)**	(1,697)	(2,231)
Net decrease in cash and cash equivalents	**(3,451)**	(1,593)	(1,250)
Cash and cash equivalents at beginning of period	**6,205**	7,450	7,450
Effect of foreign exchange rate changes	**(6)**	19	5
Cash and cash equivalents at end of period	**2,748**	5,876	6,205

Reconciliation of Movement in Shareholders' Equity

Unaudited

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Opening balance	**31,501**	26,847	26,847
Total comprehensive income for the period	**723**	1,052	6,712
Dividends paid	**(2,008)**	(1,842)	(2,376)
Shares issued under employee share schemes	**86**	722	722
Purchase of own shares	**(716)**	(577)	(577)
Increase in share-based payment reserve	**87**	73	141
Deferred tax on share-based payment	**–**	–	32
Closing balance	**29,673**	26,275	31,501

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 2013, 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. The same accounting policies, presentation and methods of computation are followed in the interim financial information as were applied in the Group's last annual audited financial statements.

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 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
United Kingdom	**6,637**	6,210	15,435
United States	**5,784**	6,015	19,854
South Korea	**7,210**	7,298	14,783
Rest of the World	**4,894**	4,266	8,223
	24,525	23,789	58,295

3. Finance costs

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Interest paid	**14**	21	43
Realised losses on financial derivatives	**3**	8	7
Unrealised losses on financial derivatives	**–**	60	–
Defined benefit pension scheme - other finance costs	**47**	98	196
	64	187	246

4. Taxation

Tax for the interim period is charged at 19.9% (year to 31 December 2013: 20.0%) 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 20%.

5. Dividend

A dividend of 5.50p (2013: 5.00p) per ordinary share will be paid on 1 October 2014 to shareholders on the register on 5 September 2014.

6. Earnings per share

The earnings per share is calculated on profit after tax of £972,000 (June 2013: £633,000; December 2013: £5,609,000) and the weighted average number of ordinary shares of 10,556,134 (June 2013: 10,491,426; December 2013: 10,531,715) in issue during the period. The share options in existence during the six months ended 30 June 2014 have a dilutive effect. Diluted earnings per share is calculated on earnings of £972,000 (June 2013: £633,000; December 2013: £5,609,000) and the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares of 10,605,438 (June 2013: 10,581,509; December 2013: 10,614,087).

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

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Operating profit	**1,232**	980	7,062
Add back:			
Depreciation	**488**	425	906
Amortisation	**152**	139	289
Earnings before interest, tax, depreciation and amortisation	**1,872**	1,544	8,257

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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Portmeirion Group Patterns
Details of Portmeirion Group patterns are available on our retail websites at www.portmeiriongroup.com. Pictured on page 1 are items from the Portmeirion Peppa Pig range which is produced under licence from Entertainment One UK Limited.

Pictured: Portmeirion and Pimpernel Coast

PORTMEIRION®

Spode®

ROYAL WORCESTER®
ESTABLISHED 1751

pimpernel®

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