PORTMEIRION GROUP PLC

Interim Statement 2015

Stock code: PMP

WELCOME

PORTMEIRION GROUP PLC IS A BRITISH COMPANY BASED IN STOKE-ON-TRENT. WE ARE A MARKET LEADER IN HIGH QUALITY AND INNOVATIVELY DESIGNED TABLEWARE, COOKWARE, GIFTWARE AND TABLETOP ACCESSORIES. PORTMEIRION GROUP ENCOMPASSES FOUR WORLD LEADING BRANDS.

CONTENTS

Visit **www.portmeiriongroup.com**

Pictured right: Alfresco Pomona.
Pictured on front cover: Sophie Conran for Portmeirion.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue of £27.9 million up by 14% on the comparative period (2014: £24.5 million).
- Profit before tax up by 45% to £1.8 million (2014: £1.2 million).
- EBITDA up by 23% to £2.3 million (2014: £1.9 million).
- Earnings per share up by 41% to 13.01p (2014: 9.21p).
- Interim dividend increased by 11% to 6.10 pence per share (2014: 5.50 pence per share).

OPERATIONAL HIGHLIGHTS

- Strong sales growth in UK, USA and other export markets.
- The £1.5 million project to expand production capacity is on track with the new kiln expected to be commissioned in final quarter of 2015.
- Production at our Stoke-on-Trent factory continuing at record levels with average of 155,000 best pieces per week for H1 (full year 2014: 150,000).
- Strong order book for H2.

Pictured: Portmeirion Botanic Garden.

Pictured: New kiln currently being installed in our Stoke-on-Trent factory.

INTERIM REVIEW

Pictured left:
Lawrence F. Bryan
Chief Executive

Pictured right:
Richard J. Steele
Non-executive Chairman

"THE PERFORMANCE OF PORTMEIRION GROUP IN THE FIRST SIX MONTHS OF 2015 HAS BEEN STRONG. WE REMAIN CONFIDENT OF THE OUTCOME FOR THE FULL YEAR TO 31 DECEMBER 2015."

Interim Review

The performance of Portmeirion Group for the first six months of 2015 has been very encouraging. However, it is too early to imply second half increases at a similar level. Our results for the full year are always significantly weighted towards the second half. In 2014 the first half year revenues were 40% of the full year, and pre-tax profits were 16% of the full year, similarly the percentages for 2013 were 41% for revenue and 12% for pre-tax profits. Accordingly, we remain confident for the full year.

Dividends

The Board is declaring an interim dividend of 6.10 pence per share (2014: 5.50 pence per share), an increase of 11% (2014: 10%) which is broadly in line with the percentage increase in the final dividend for the prior year.

The interim dividend will be paid on 1 October 2015. The ex-dividend date will be 3 September 2015 with a record date of 4 September 2015.

We continue with our long held policy of having any increase in the interim dividend determined by the increase in the prior year final dividend, rather than be a presage for the following final dividend, subject to the needs of the business. The final dividend will be determined when we know the results for 2015. This approach allows us to better allocate dividend increases and payments taking account of our important second half year's performance.

The Board is committed to a progressive dividend policy. It is a core part of our strategy underpinned by the principle that a company exists for the benefit of its shareholders. Our consistently held aim is to maintain a sustainable level of dividend cover whilst increasing dividends whenever our reasoned views of future trading conditions and business cash needs allow us so to do. We have increased our dividend for six consecutive years.

Revenues

Our revenues for the first six months of 2015 were £27.9 million (2014 first half year: £24.5 million), 14% higher than the comparative period. The 2014 full year revenues were £61.4 million. At a constant

US dollar exchange rate our total revenue increase would have been 10%.

The United States, our largest market on a full year basis, increased by 12% in local currency and by 22% when translated into sterling as it continued the recovery which we noted in last year's figures. In the United Kingdom, our second largest market on a full year basis, we achieved a sales increase of 16%. Included in the above sales increases, our direct online sales into the United States and the United Kingdom increased by 43% compared to last year.

South Korea had been growing consistently for us for fifteen years. However, this year the growth stalled and this market dropped by 16%. The economic conditions in South Korea have toughened but we remain confident of our long term prospects there. Elsewhere in our Asian markets there has been some notably strong performances including India whose growth in revenue has been 58%. It is one of the strengths of Portmeirion that we are not overly dependent upon any one geographic area.

Profits

Profit before tax has increased by 45% over the comparative period to £1,757,000 (2014 first half year: £1,213,000, 2014 full year: £7,611,000); earnings before interest, taxation, depreciation and amortisation increased by 23% to £2,307,000 (2014 first half year: £1,872,000, 2014 full year £8,871,000). Our first half year profits are not a reliable indicator for our full year profits.

We do not yet have any final resolution of the Anti-Dumping Duty imposed on us by the European Commission in 2012. We continue to pursue this matter through the legal processes as it has cost cumulative profits over £1.7 million. If we successfully resolve this to our satisfaction then we will treat any prior year repayment as an exceptional item.

Balance Sheet

Our net cash balance at 30 June 2015 was £3.4 million; this compares with £2.7 million at 30 June 2014 and £5.9 million at 31 December 2014. Our seasonal working capital swings always mean that our half year cash balances are below our year end cash balances.

We have invested in our stock balances with our important second half year sales targets to be met. Stocks are standing at £17.1 million at 30 June 2015; this compares with £14.5 million at 30 June 2014 and £15.5 million at 31 December 2014. The level of stockholdings is a major opportunity. Our stock valuation policies are prudent, rigorous and consistently applied.

The major capital expenditure on production capacity expansion which we announced earlier this year has already absorbed £1.0 million, total capital expenditure for the year will nearly double this level. £1.4 million of cash was used to purchase our own shares to satisfy employee share and incentive schemes in future years.

Production

In January 2015 we announced a major capital expenditure scheme in our Stoke-on-Trent factory at a cost of £1.5 million. This includes a new continuous tunnel kiln, the first that we have installed since 2002. This work is well underway and running to schedule with an anticipated kiln commissioning date in the fourth quarter of 2015.

Whilst the new kiln and associated expenditure will lift our production capacity significantly when fully installed we have continued to grow production incrementally; average weekly production for the first half year was over 155,000 best pieces per week, some 5% above the same level last year.

Our Stoke-on-Trent factory produces the finest English earthenware, a body for which we have a worldwide reputation and which is extensively used in Portmeirion and Spode patterns. We source our other ceramic bodies from elsewhere in Stoke and all over the world; they are all subject to our stringent quality standards.

Products and Brands

Pictures, descriptions, prices and availabilities of our current patterns can be found at www.portmeirion.co.uk, www.spode.co.uk, www.royalworcester.co.uk, www.pimpernelinternational.co.uk and for customers in the United States at www.portmeirion.com. Online purchasing is also available at these sites.

We have continued to extend our existing patterns and to develop new patterns for all our markets. Within Portmeirion we have Alfresco Pomona, in Spode we have variations on our Delamere patterns including Bouquet, Lakeside and Rural. Our new Ted Baker ranges have been well received around the world.

Outlook

As ever, our second half year remains key to our full year performance; we are ready. Our brands, quality standards, people, production facilities, logistics, designs and finances are all in good order.

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

Richard J. Steele
Non-executive Chairman

Lawrence Bryan

Lawrence F. Bryan
Chief Executive
5 August 2015

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 2015, 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 2015 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
5 August 2015

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 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Revenue	2	**27,863**	24,525	61,370
Operating costs		**(26,153)**	(23,293)	(53,811)
Operating profit		**1,710**	1,232	7,559
Interest income		**46**	46	16
Finance costs	3	**(80)**	(64)	(152)
Share of results of associated undertakings		**81**	(1)	188
Profit before tax		**1,757**	1,213	7,611
Tax	4	**(394)**	(241)	(1,538)
Profit for the period attributable to equity holders		**1,363**	972	6,073
Earnings per share	6	**13.01p**	9.21p	57.64p
Diluted earnings per share	6	**12.90p**	9.17p	57.30p
Dividends proposed and paid per share	5	**6.10p**	5.50p	26.50p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNAUDITED

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Profit for the period	**1,363**	972	6,073
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme liability	**–**	–	(2,455)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	**–**	–	491
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(38)**	(249)	368
Deferred tax relating to items that may be reclassified subsequently to profit or loss	**–**	–	45
Other comprehensive income for the period	**(38)**	(249)	(1,551)
Total comprehensive income for the period attributable to equity holders	**1,325**	723	4,522

CONSOLIDATED BALANCE SHEET UNAUDITED

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Non-current assets			
Intangible assets	**1,102**	1,305	1,177
Property, plant and equipment	**9,657**	9,033	9,168
Interests in associates	**1,911**	1,656	1,854
Deferred tax asset	**738**	151	832
Total non-current assets	**13,408**	12,145	13,031
Current assets			
Inventories	**17,111**	14,497	15,544
Trade and other receivables	**7,840**	8,332	10,772
Cash and cash equivalents	**3,371**	2,748	5,905
Total current assets	**28,322**	25,577	32,221
Total assets	**41,730**	37,722	45,252
Current liabilities			
Trade and other payables	**(6,580)**	(5,365)	(6,856)
Current income tax liabilities	**(506)**	(633)	(1,196)
Total current liabilities	**(7,086)**	(5,998)	(8,052)
Non-current liabilities			
Pension scheme deficit	**(3,684)**	(2,051)	(4,153)
Total non-current liabilities	**(3,684)**	(2,051)	(4,153)
Total liabilities	**(10,770)**	(8,049)	(12,205)
Net assets	**30,960**	29,673	33,047
Equity			
Called up share capital	**550**	549	549
Share premium account	**6,560**	6,456	6,456
Investment in own shares	**(3,169)**	(1,814)	(1,814)
Share-based payment reserve	**375**	829	292
Translation reserve	**974**	350	1,012
Retained earnings	**25,670**	23,303	26,552
Total equity	**30,960**	29,673	33,047

CONSOLIDATED STATEMENT OF CASH FLOWS UNAUDITED

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Operating profit	**1,710**	1,232	7,559
Adjustments for:			
Depreciation of property, plant and equipment	**503**	488	1,001
Amortisation of intangible assets	**94**	152	311
Contributions to defined benefit pension scheme	**(537)**	(400)	(800)
Charge for share-based payments	**83**	87	194
Exchange gain/(loss)	**28**	9	(20)
Operating cash flows before movements in working capital	**1,881**	1,568	8,245
Increase in inventories	**(1,649)**	(2,950)	(3,506)
Decrease in receivables	**2,990**	2,593	332
(Decrease)/increase in payables	**(242)**	(1,034)	316
Cash generated from operations	**2,980**	177	5,387
Interest paid	**(22)**	(29)	(59)
Income taxes paid	**(990)**	(678)	(1,525)
Net cash inflow/(outflow) from operating activities	**1,968**	(530)	3,803
Investing activities			
Interest received	**11**	12	16
Proceeds on disposal of property, plant and equipment	**2**	–	16
Purchase of property, plant and equipment	**(996)**	(257)	(860)
Purchase of intangible assets	**(19)**	(38)	(69)
Net cash outflow from investing activities	**(1,002)**	(283)	(897)
Financing activities			
Equity dividends paid	**(2,216)**	(2,008)	(2,587)
Shares issued under employee share schemes	**125**	86	86
Purchase of own shares	**(1,404)**	(716)	(716)
Net cash outflow from financing activities	**(3,495)**	(2,638)	(3,217)
Net decrease in cash and cash equivalents	**(2,529)**	(3,451)	(311)
Cash and cash equivalents at beginning of period	**5,905**	6,205	6,205
Effect of foreign exchange rate changes	**(5)**	(6)	11
Cash and cash equivalents at end of period	**3,371**	2,748	5,905

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' EQUITY UNAUDITED

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Opening balance	33,047	31,501	31,501
Total comprehensive income for the period	1,325	723	4,522
Dividends paid	(2,216)	(2,008)	(2,587)
Shares issued under employee share schemes	125	86	86
Purchase of own shares	(1,404)	(716)	(716)
Increase in share-based payment reserve	83	87	194
Deferred tax on share-based payment	–	–	47
Closing balance	30,960	29,673	33,047

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 2014, 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 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
United Kingdom	**7,711**	6,637	15,939
United States	**7,074**	5,784	20,052
South Korea	**6,034**	7,210	15,077
Rest of the World	**7,044**	4,894	10,302
	27,863	24,525	61,370

3. Finance costs

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Interest paid	**9**	14	43
Realised losses on financial derivatives	**3**	3	3
Unrealised losses on financial derivatives	**–**	–	12
Defined benefit pension scheme - other finance costs	**68**	47	94
	80	64	152

4. Taxation

Tax for the interim period is charged at 22.4% (year to 31 December 2014: 20.2%) 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 6.10p (2014: 5.50p) per ordinary share will be paid on 1 October 2015 to shareholders on the register on 4 September 2015.

6. Earnings per share

The earnings per share is calculated on profit after tax of £1,363,000 (June 2014: £972,000; December 2014: £6,073,000) and the weighted average number of ordinary shares of 10,477,109 (June 2014: 10,556,134; December 2014: 10,535,950) in issue during the period. The share options in existence during the six months ended 30 June 2015 have a dilutive effect. Diluted earnings per share is calculated on earnings of £1,363,000 (June 2014: £972,000; December 2014: 6,073,000) and the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares of 10,565,507 (June 2014: 10,605,438; December 2014: 10,598,258).

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

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Operating profit	**1,710**	1,232	7,559
Add back:			
Depreciation	**503**	488	1,001
Amortisation	**94**	152	311
Earnings before interest, tax, depreciation and amortisation	**2,307**	1,872	8,871

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

Registered Office and Number
London Road
Stoke-on-Trent
ST4 7QQ

Tel: +44 (0) 1782 744721
Fax: +44 (0) 1782 744061

www.portmeiriongroup.com
Registered number: 124842

Auditors
Mazars LLP
45 Church Street
Birmingham
B3 2RT

Nominated Adviser and Broker
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Joint Broker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300* (UK)
+44 (0) 208 639 3399
(Outside UK)

Fax: +44 (0) 208 639 2220

Email: shareholderenquiries@capita.co.uk
www.capitaassetservices.com

* Calls cost 10p per minute plus network extras. Lines open between 9:00 am and 5:30 pm, Monday–Friday excl. bank holidays

Solicitors
Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

Freeths LLP
Federation House
Station Road
Stoke-on-Trent
ST4 2SA

Financial PR Advisers
Bell Pottinger
6th Floor, Holborn Gate
330 High Holborn
London
WC1V 7QD

Tel: +44 (0) 20 3772 2500
Fax: +44 (0) 20 3772 2501

Email: info@bellpottinger.com

Pictured: Spode Christmas Jubilee.

PORTMEIRION®

Spode®

ROYAL
WORCESTER®
ESTABLISHED 1751

pimpernel®

Portmeirion Group PLC
London Road
Stoke-on-Trent
ST4 7QQ

Tel: +44 (0) 1782 744721
Fax: +44 (0) 1782 744061

www.portmeiriongroup.com

INVESTORS IN PEOPLE | Silver

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2011

IIYP INVESTMENT IN YOUNG PEOPLE ACCREDITED