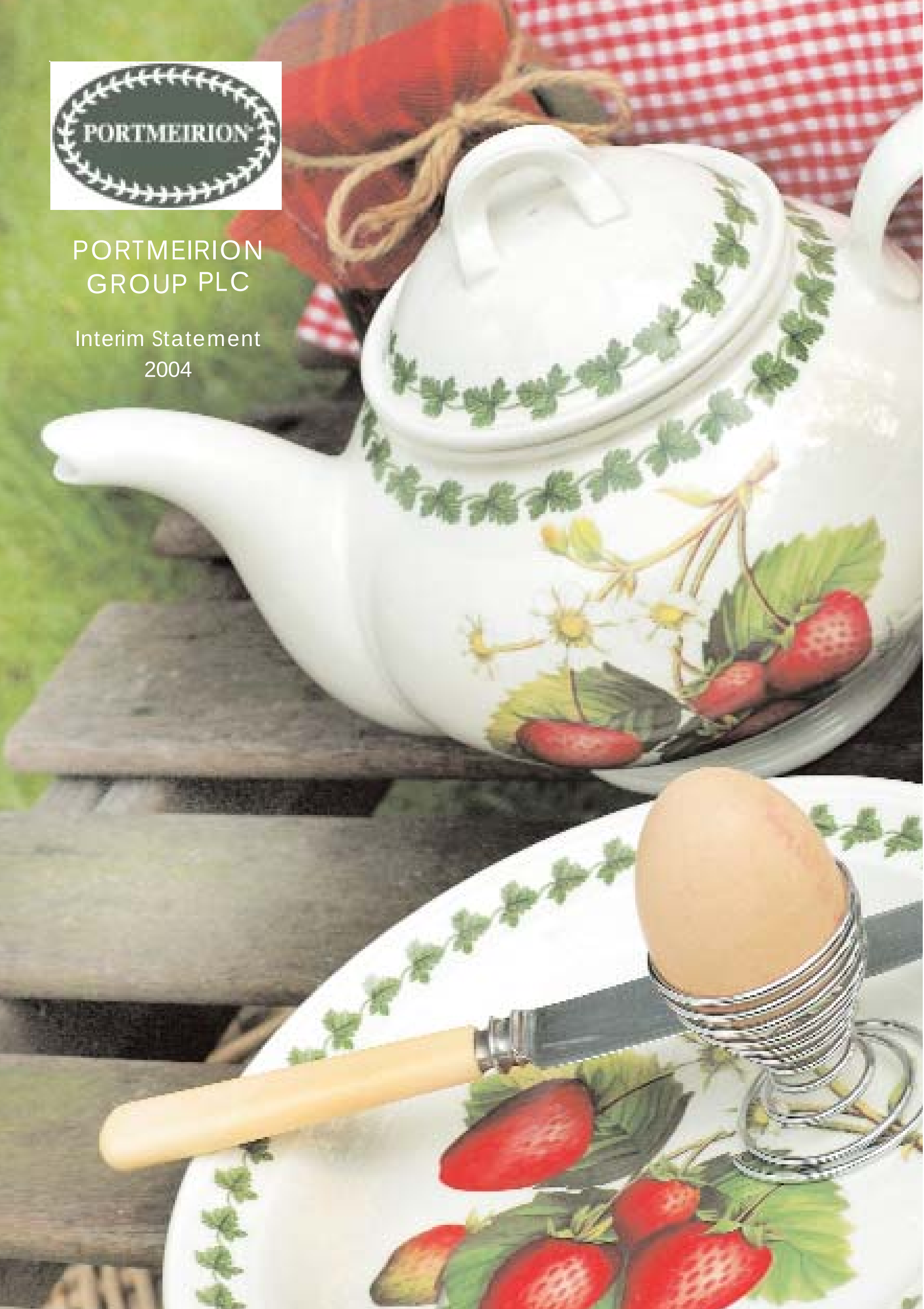
PORTMEIRION GROUP PLC

Interim Statement
2004



COMPANY INFORMATION

Board of Directors

Arthur W. Ralley	*Chairman*
Lawrence F. Bryan BA	*Chief Executive*
Euan S. Cooper-Willis MA	*Non-executive Director*
Janis Kong OBE	*Non-executive Director*
Brett W. J. Phillips BSc ACA	*Finance Director*
Richard J. Steele BCOM FCA ATII	*Senior Non-executive Director*
Barbara S. Thomas BA JD	*Non-executive Director*

Secretary

Brett W. J. Phillips BSc ACA

Registered Office and Number

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Registered Number 124842

Registrars

Capita Registrars
Northern House
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CHAIRMAN'S STATEMENT

Financial Highlights:

	First Half 2004 £000's	First Half 2003 £000's	Increase/ (Decrease) %
Turnover	13,392	13,211	1.4
(Loss)/Profit before tax	(364)	506	(171.9)
(Loss)/Earnings per share – Basic	(2.30p)	3.07p	(174.9)
Interim dividend per share	3.30p	3.30p	–

Results

Sales increased only by 1.4% compared to last year's in a very difficult first half. The adverse dollar exchange rate, additional costs of pension fund contributions and early production problems in respect of a new product range in the first quarter resulted in a first half pre-tax loss of £364,000, compared with a first half pre-tax profit of £506,000 last year.

Dividend

Given the strong balance sheet, the Board has decided to declare an unchanged interim dividend of 3.30p payable on 1 October 2004, to shareholders on the register on 17 September 2004.

Trading Performance

The improvement in Group sales has been slower than anticipated. Following the sales decrease of 7.2% in 2003, sales in the first quarter of 2004 were 1% lower than the same period in 2003. Sales in the second quarter then improved showing a 3.6% increase over the equivalent period in 2003, and resulting in the first half overall increase of 1.4%.

It is encouraging to report that sales in our US market have shown a major improvement, being 22% ahead of last year in dollar terms. However, this translates to a 14% increase when converted to sterling because of the weakened dollar. Sales in the UK were 4% ahead of last year, but with higher than planned levels of discounting in order to achieve this increase, resulting in reduced gross margins during the 6 month period. Sales in Korea again showed good progress, being 14% ahead of last year. However, sales to Europe and the rest of the world all recorded significant reductions, and in total Group sales for the 6 months were below management's expectations.

Production margins were much improved in the second quarter of the 2004 financial year, following initial production problems with the introduction of a new range in the first quarter. I expect production margins for the second half to be stabilised at this improved level.

As reported in the Group trading statement made on 28 July 2004, these factors, together with the previously reported additional costs of pension fund contributions and the ongoing negative impact of exchange rates, have resulted in the first half pre-tax loss. Consequently, the Board has lowered its expectations as to the Group's trading performance for the full year to December 2004.

The ceramic tableware market continues to be fiercely competitive, with overall selling price deflation in our main markets: - the UK and the US. Our response in launching the lower priced imported Portmeirion Studio range has been successful, and is contributing significantly to the improvement in US sales. Portmeirion Studio ranges will continue to be expanded for both the US and the UK markets, and represent a major opportunity to acquire incremental sales, targeting new markets by producing Portmeirion designed products, manufactured in lower cost countries. The focus will be to maintain production of our very successful classic ranges in the UK. However, the emphasis will be on ensuring that productivity is consistently improved.

In the light of current trading conditions and prospects, the Board has reviewed its capital expenditure plans. The substantial capital expenditure planned over the next three years, to build a new distribution centre and expanded manufacturing facilities, will be significantly reduced. This will preserve the Company's strong balance sheet and cash resources. The Group will go ahead with the acquisition of a new distribution centre, essential for future development, by leasing an appropriate building. The expenditure on internal equipment is expected to be approximately £3.0 million.

Current Trading and Prospects

I expect trading conditions to remain difficult, and indeed sales in July were below expectation, although the order book is encouraging. Sales and profitability in the second half are normally greater than the first half, with additional sales of gift products and glassware. August also sees the launch of a superb new high specification range of cookware, designed and co-branded with Aga. This range complements and fits the Aga cooker range, and will be retailed in their stand-alone retail outlets, in addition to our regular distribution outlets. This style of cookware will also be launched in the US as Portmeirion "Fire and Ice". Our performance in the US is expected to continue its much improved trend. However, I can only be cautious about prospects for the second half of the year.

The Group will now be focusing on repositioning its activities. It will continue to develop and diversify its product range, based on excellent design and quality and it will take advantage of manufacturing sources wherever appropriate around the world, in order to win new business in new markets. The Board also expects to strengthen the Group's management team by introducing appropriate expertise where necessary.

While this repositioning takes place, the Group will plan its investments so as to protect its strong balance sheet and, so far as possible, maintain dividends.

Arthur Ralley
Chairman
12 August 2004

INDEPENDENT REVIEW REPORT TO PORTMEIRION GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 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 them 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

12 August 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	**Six Months to 30.6.04 £000's**	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
Turnover – continuing operations	6	**13,392**	13,211	28,512
Raw materials and operating costs		**(13,915)**	(12,885)	(26,665)
Operating (loss)/profit – continuing operations		**(523)**	326	1,847
Share of profit of associated undertakings		**71**	87	216
Interest receivable and similar income		**110**	93	174
Impairment of investment in associated undertaking		**–**	–	(234)
Interest payable and similar charges		**(22)**	–	–
(Loss)/profit on ordinary activities before taxation		**(364)**	506	2,003
Taxation on (loss)/profit on ordinary activities		**124**	(187)	(697)
(Loss)/profit for the period		**(240)**	319	1,306
Dividends		**(344)**	(344)	(1,381)
Retained loss for the period		**(584)**	(25)	(75)
(Loss)/earnings per share	4	**(2.30p)**	3.07p	12.54p
Diluted (loss)/earnings per share	4	**(2.30p)**	3.06p	12.53p
Dividend per share	5	**3.30p**	3.30p	13.25p

See notes on pages 8 and 9

CONSOLIDATED BALANCE SHEET

	As at 30.6.04		As at 30.6.03		As at 31.12.03	
	£000's	£000's	£000's	£000's	£000's	£000's
Fixed assets						
Tangible assets		**7,618**		7,984		7,872
Investments		**1,476**		1,632		1,460
		9,094		9,616		9,332
Current assets						
Stocks	**6,962**		7,104		6,775	
Debtors	**5,721**		5,265		4,868	
Cash at bank and in hand	**5,123**		6,142		7,228	
	17,806		18,511		18,871	
Creditors: amounts falling due within one year	**(3,439)**		(3,548)		(3,932)	
Net current assets		**14,367**		14,963		14,939
Total assets less current liabilities		**23,461**		24,579		24,271
Provisions for liabilities and charges		**(310)**		(162)		(307)
Net assets		**23,151**		24,417		23,964
Capital and reserves						
Called up share capital		**521**		521		521
Share premium account		**4,580**		4,580		4,580
Treasury shares		**(202)**		–		–
Profit and loss account		**18,252**		19,316		18,863
Equity shareholders' funds		**23,151**		24,417		23,964

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Six Months to 30.6.04 £000's**	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
Cash flow from operating activities	8	**(446)**	(244)	1,852
Returns on investments and servicing of finance	9	**73**	99	173
Taxation		**(249)**	(176)	(431)
Capital expenditure and financial investments	9	**(245)**	(214)	(697)
Equity dividends paid		**(1,036)**	(1,035)	(1,381)
Cash outflow before use of liquid resources and financing		**(1,903)**	(1,570)	(484)
Management of liquid resources		**2,435**	1,155	420
Financing	9	**(202)**	34	34
Increase/(decrease) in cash in the period		**330**	(381)	(30)

Note to consolidated cash flow statement: Reconciliation of net cash flow to movement in net funds

	Notes	**Six Months to 30.6.04 £000's**	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
Increase/(decrease) in cash in the period		**330**	(381)	(30)
Cash inflow from decrease in liquid resources		**(2,435)**	(1,155)	(420)
Net funds at 1st January		**7,228**	7,678	7,678
Net funds at period end	7	**5,123**	6,142	7,228

See notes on pages 8 and 9

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six Months to 30.6.04 £000's	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
(Loss)/profit for the period	**(240)**	319	1,306
Currency translation differences	**(27)**	61	(342)
Total recognised gains and losses for the period	**(267)**	380	964

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six Months to 30.6.04 £000's	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
(Loss)/profit for the period	**(240)**	319	1,306
Dividends	**(344)**	(344)	(1,381)
Currency translation differences	**(27)**	61	(342)
Shares issued under employee share schemes	**–**	34	34
Purchase of treasury shares	**(202)**	–	–
Net (reduction)/addition to shareholders' funds	**(813)**	70	(383)
Opening shareholders' funds	**23,964**	24,347	24,347
Closing shareholders' funds	**23,151**	24,417	23,964

NOTES

1. The consolidated profit and loss account for the six months ended 30 June 2004, the consolidated balance sheet at that date, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the notes to the financial information, have been reviewed by the auditors but not audited. The consolidated profit and loss account for the six months ended 30 June 2003 and the consolidated balance sheet at that date have also been reviewed by the auditors but not audited.

2. The comparative figures for the financial year ended 31 December 2003 are not the Group's statutory accounts for that year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

3. This Interim Statement has been prepared in accordance with the accounting policies set out in the Group's 2003 Report and Accounts.

4. The earnings per share are calculated on a loss of £240,000 (2003 – earnings of £319,000) and the weighted average number of Ordinary shares of 10,421,230 (2003 – 10,406,114) in issue during the period. As the effect of share options is anti-dilutive for the six months ended 30 June 2004, the anti-dilutive share options have been excluded from the calculation of diluted weighted average number of Ordinary shares. The diluted earnings per share under FRS 14 for the six months ended 30 June 2003 are calculated on earnings of £319,000 and a weighted average number of Ordinary shares in issue adjusted to assume conversion of all dilutive potential Ordinary Shares which is 10,409,295.

5. A dividend of 3.3p (2003 – 3.3p) per Ordinary share will be paid on 1 October 2004 to shareholders on the register on 17 September 2004.

6. Turnover by destination

	Six Months to 30.6.04 £000's	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
United Kingdom	**5,552**	5,337	12,055
North America	**4,728**	4,255	9,920
European Union	**730**	1,402	1,873
Far East	**2,196**	1,938	4,099
Rest of the World	**186**	279	565
	13,392	13,211	28,512

7. Analysis of net funds

	As at 30.6.04 £000's	As at 30.6.03 £000's	As at 31.12.03 £000's
Cash in hand, at bank	**1,494**	813	1,164
Short term money market deposits	**3,629**	5,329	6,064
Total	**5,123**	6,142	7,228

NOTES (continued)

8. Reconciliation of operating profit to operating cash flows

	Six Months to 30.6.04 £000's	Six Months to 30.6.03 £000's	Year to 31.12.03 £000's
Operating (loss)/profit	**(523)**	326	1,847
Depreciation	**494**	487	950
Exchange gain/(loss)	**13**	11	(305)
(Profit)/loss on sale of tangible fixed assets	**(2)**	(30)	35
Increase in stocks	**(187)**	(909)	(580)
(Increase)/decrease in debtors	**(563)**	415	611
Increase/(decrease) in creditors	**322**	(544)	(706)
Net cash (outflow)/inflow from operating activities	**(446)**	(244)	1,852

All of the above relate to continuing operations.

9. Analysis of cash flows for headings netted in the cash flow statement

	Six Months to 30.6.04		Six Months to 30.6.03		Year to 31.12.03	
	£000's	**£000's**	£000's	£000's	£000's	£000's
Returns on investments and servicing of finance						
Interest received	**95**		99		173	
Interest paid	**(22)**		–		–	
Net cash inflow from returns on investments and servicing of finance		**73**		99		173
Capital expenditure and financial investments						
Purchase of tangible fixed assets	**(262)**		(285)		(801)	
Sale of tangible fixed assets	**17**		71		104	
Net cash outflow for capital expenditure and financial investments		**(245)**		(214)		(697)
Financing						
Issue of Ordinary shares under share option schemes	**–**		34		34	
Purchase of treasury shares	**(202)**		–		–	
Net cash (outflow)/inflow from financing		**(202)**		**34**		**34**

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