

RNS Number:8570J

Portmeirion Group PLC

17 March 2005

PORTMEIRION GROUP PLC

RESULTS FOR YEAR ENDED

31ST DECEMBER 2004

CHAIRMAN'S STATEMENT

Financial summary for the year

|   | 2004    |       |
|---|---------|-------|
|   | £000's  |       |
| 2003  |         |       |
| £000's  |         |       |
| Turnover  | 27,686  |       |
| 28,512  |         |       |
| -----   | -----   | ----- |
| -----   |         |       |
| Pre-tax (loss)/profit before operating exceptionals | (398)   |       |
| 2,003   |         |       |
| -----   | -----   | ----- |
| -----   |         |       |
| Pre-tax (loss)/profit after operating exceptionals  | (1,591) |       |
| 2,003   |         |       |

|                                 |          |       |
|---------------------------------|----------|-------|
| -----                           | -----    | ----- |
| -----                           |          | ----- |
| Basic (loss)/earnings per share | (10.99p) |       |
| 12.54p                          |          |       |
| -----                           | -----    | ----- |
| -----                           |          | ----- |
| Dividends per share             | 13.25p   |       |
| 13.25p                          |          |       |
| -----                           | -----    | ----- |
| -----                           |          | ----- |

Sales for the year were £27.686 million, 2.9% below the previous year. If Group

sales are compared on a like for like exchange rate, sales in 2004 were 0.5%

greater than the previous year.

The loss before taxation, and before operating exceptional items, of £0.398 million compares with a profit of £2.003 million for the previous year.

Operating exceptional asset write-downs of £1.193 million, arising from planned

reorganisation, bring the total loss for the year to £1.591 million.

The Board is recommending a final dividend of 9.95p bringing the total to 13.25p

for the year. This is unchanged from 2003.

#### Results for the Year

The major factors that caused the Group to fall into a modest loss before tax

and operating exceptionals were:

- A slight fall in annual sales, in a very challenging retail environment.
- A further fall in the value of the US dollar, which has cost the Group £0.5million in the year.
- A first full year contribution of £0.35 million to the Group's defined benefit pension scheme, which was closed in 1999. This contribution is now ongoing.

The operating exceptional non-cash costs of £1.193.million have been incurred

primarily as a result of the major reorganisation of the Group's manufacturing

and warehouse facilities, referred to in the announcement of 4th November 2004.

The Group has also included in this figure asset write-downs of £236k associated

with the planned closure of its Japanese subsidiary.

Sales in the UK were 1.7% lower than the previous year, in the face of intense

low-cost competition from product ranges sourced overseas. Some 1.5% of margin

had to be sacrificed to maintain this level of sales.

Sales in the US grew by 17%. This excellent improvement is, however, reduced to

6.6% when converted into sterling at the higher exchange rate. The improvement

in the US was mainly the result of the new lower priced PS Portmeirion Studio

ranges that accounted for some \$2.0 million incremental sales. I believe we can

continue to make progress in the US with additional products designed in the US

specifically for their market. However, the weakened dollar continues to undermine our efforts.

The Group's policy is to sell US dollars forward, since the US has traditionally

accounted for at least 35% of total sales. The Group sells up to 1 year in advance, for between 70% and 80% of expected currency requirements. In 2003 the

average rate of conversion was \$1.5199, in 2004 it was \$1.6691 and for 2005 the

Group is hedged at \$1.7848. This further fall in the value of the US dollar is

likely to cost a further £0.5 million of pre-tax profit this year.

Sales in all our other export markets were below the previous year. The most

significant was Korea, where, after several years of significant growth, sales

fell by 4.7%. However, I expect the Group's sales to return to growth in Korea

during 2005. The other major reduction in sales was in Italy, with a fall of

40%, due to a change of distributor in this market. Again, I expect sales to

increase this year in Italy.

Since the Group has maintained a strong balance sheet the Board has decided to

recommend that the dividend for the full year be maintained at 13.25p.

The Board believes that the Group must adapt evermore rapidly to the changes

that have so negatively affected the ceramic manufacturing industry in the UK.

Although the programme of product diversification over the last few years has

helped, UK manufactured ceramics still account for 80% of Group sales. In order

to return to healthy sales growth and profitability, the Board has embarked upon

a programme of major reorganisation.

#### Product Strategy

Under the PORTMEIRION brand, the Group will continue to develop lower-priced

ranges, sourced overseas, to meet the intense low-cost competition now dominating the UK and US markets. The Group will continue to diversify into complementary housewares, such as glassware, gifts and placemats. I expect sourced products to increase from 20% to 50% of an increased sales level in the

next 3 years. Since most imported products are bought in US dollars, this has

the additional advantage of contributing to a natural hedge against a fluctuating exchange rate.

The Group will continue to expand the very successful and well-established classic ranges. Initiatives such as the freezer to oven cookware range, designed

in conjunction with Aga and decorated with classic Portmeirion designs, have

been a notable success in a difficult year.

#### Manufacturing & Warehouse Reorganisation

As announced on the 4th November 2004, the Group is reducing its UK manufacturing, warehousing and distribution operations from 4 sites to 2, while maintaining current production capacity.

Progress since the announcement has been good. The consolidation of the smaller

manufacturing site into the larger main site is underway, and I expect this move

to be completed during the first half of the year.

The Group currently operates from 2 warehouse sites. The plans to move to a new

purpose-built and larger warehouse early in 2006 with modern handling equipment

are well advanced.

The total expenditure, including capital, on the reorganisation, which will result in the closure of 2 freehold sites, is planned to be under £1.0 million

in 2005. However, proceeds from the sale of the 2 sites are expected to exceed

this.

The anticipated reduction in operating costs will be approximately £0.5 million

per annum, with full effect from 2006.

This reorganisation will ensure that the Group improves productivity in manufacturing, warehousing and distribution, so as to meet the increasing competitive challenges.

#### Management Structure

The reorganisation has resulted in a modest reduction in the size of the management team and workforce. However, I believe there is a major opportunity

to increase sales to non-US export markets, which have suffered a decline in the

last few years. To this end the Group has appointed a new Sales Director, Export

Sales Manager, and Marketing Manager. I am confident that this new team will

have a positive impact in existing markets, and in opening up new markets, such

as China and Russia.

#### Current Trading & Prospects

I expect 2005 to be a year of radical repositioning of the Company, which will

result in less dependence on UK ceramic manufacturing in the future.

Sales so far in 2005 are slightly below the same period of 2004, and I think it

is unrealistic to expect significant sales growth this year given the challenging environment we face. With improved efficiencies and tight cost control, I do believe the Group can bring about a significant improvement in

performance.

With new, targeted product ranges and the bulk of the reorganisation completed,

I expect significant progress from 2006 onward.

I would like to thank the management team and the whole workforce for their contribution in 2004, in meeting the challenges of a difficult year, and in helping to reposition the Group to meet the challenges we face.



Arthur Ralley

Chairman

16 March 2005

For further information please contact:

Arthur Ralley, Chairman

Brett Phillips, Group Finance Director

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PORTMEIRION GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2004

|        | Before<br>exceptional<br>items | Operating<br>exceptional<br>items | Total  |
|--------|--------------------------------|-----------------------------------|--------|
|        | 2004                           | 2004                              | 2004   |
| £000's | £000's                         | £000's                            | £000's |
| Total  |                                |                                   |        |
| 2003   |                                |                                   |        |

Turnover - continuing

|  |   |          |         |          |
|--|---|----------|---------|----------|
| operations<br>28,512   | 3 | 27,686   | -       | 27,686   |
| Raw materials and operating<br>costs<br>(26,665)                 |   | (28,418) | (1,193) | (29,611) |
| -----  |   | -----    | -----   | -----    |
| Operating (loss)/profit -<br>continuing operations<br>1,847      |   | (732)    | (1,193) | (1,925)  |
| Share of profit of associated<br>undertakings<br>216             |   | 145      | -       | 145      |
| Interest receivable and<br>similar income<br>174                 |   | 211      | -       | 211      |
| Interest payable and<br>similar<br>-                             |   | (22)     | -       | (22)     |
| charges  |   |          |         |          |
| Impairment of investment in<br>associated undertaking<br>(234)   |   | -        | -       | -        |
| -----  |   | -----    | -----   | -----    |
| (Loss)/profit on ordinary<br>activities before taxation<br>2,003 |   | (398)    | (1,193) | (1,591)  |

|  |   |          |    |
|--|---|----------|----|
| Taxation on (loss)/profit on<br>ordinary activities<br>(697)   |   | 454      |    |
| -----  |   | -----    | -- |
| (Loss)/profit on ordinary<br>activities after taxation<br>being the (loss)/profit for<br>the financial year<br>1,306 |   | (1,137)  |    |
| Dividends paid and proposed<br>(1,381)   |   | (1,371)  |    |
| -----  |   | -----    | -- |
| Retained loss for the<br>financial year<br>(75)  |   | (2,508)  |    |
| =====  |   | =====    |    |
| (Loss)/earnings per share<br>12.54p  | 4 | (10.99p) |    |
| =====  |   | =====    |    |
| Diluted (loss)/earnings per  |   |          |    |

|        |   |          |
|--------|---|----------|
| share  | 4 | (10.99p) |
| 12.53p |   |          |

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|                     |   |        |
|---------------------|---|--------|
| Dividends per share | 5 | 13.25p |
| 13.25p              |   |        |

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See notes

PORTMEIRION GROUP PLC

CONSOLIDATED BALANCE SHEET

As at 31st December 2004

| 2003            | 2004   |        |        |
|-----------------|--------|--------|--------|
|                 | £000's | £000's | £000's |
| £000's          |        |        |        |
| Fixed assets    |        |        |        |
| Tangible assets |        | 6,279  |        |
| 7,872           |        |        |        |

|                                |         |        |         |
|--------------------------------|---------|--------|---------|
| Investments                    |         | 1,544  |         |
| 1,460                          |         |        |         |
|                                |         | -----  | ----    |
| ---                            |         |        |         |
|                                |         | 7,823  |         |
| 9,332                          |         |        |         |
| Current assets                 |         |        |         |
| Stocks                         | 6,054   |        | 6,775   |
| Debtors                        | 5,926   |        | 4,868   |
| Cash at bank and in hand       | 4,859   |        | 7,228   |
|                                |         | -----  | -----   |
|                                | 16,839  |        | 18,871  |
| Creditors: amounts falling due |         |        |         |
| within one year                | (3,680) |        | (3,932) |
|                                |         | -----  | -----   |
| Net current assets             |         | 13,159 |         |
| 14,939                         |         |        |         |
|                                |         | -----  | ----    |
| ---                            |         |        |         |
| Total assets less current      |         |        |         |
| liabilities                    |         | 20,982 |         |
| 24,271                         |         |        |         |
| Provisions for liabilities and |         |        |         |

|                            |        |       |
|----------------------------|--------|-------|
| charges                    | (19)   |       |
| (307)                      |        |       |
|                            |        | ----- |
| ---                        |        | ----- |
| Net assets                 | 20,963 |       |
| 23,964                     |        |       |
|                            |        | ===== |
| =====                      |        |       |
| Capital and reserves       |        |       |
| Called up share capital    | 521    |       |
| 521                        |        |       |
| Share premium account      | 4,580  |       |
| 4,580                      |        |       |
| Treasury shares            | (202)  |       |
| -                          |        |       |
| Profit and loss account    | 16,064 |       |
| 18,863                     |        |       |
|                            |        | ----- |
| ---                        |        | ----- |
| Equity shareholders' funds | 20,963 |       |
| 23,964                     |        |       |
|                            |        | ===== |
| =====                      |        |       |

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2004

| 2003  |       | 2004    |
|---|-------|---------|
| £000's  | Notes | £000's  |
| Cash inflow from operating activities<br>1,852            | 7     | 48      |
| Returns on investments and servicing<br>of finance<br>173 | 8     | 171     |
| Taxation<br>(431)   |       | (604)   |
| Capital expenditure and financial<br>investment<br>(697)  | 8     | (414)   |
| Equity dividends paid<br>(1,381)                          |       | (1,368) |
| ---   |       | -----   |
| Cash outflow before use of liquid                         |       | ----    |

|                                  |  |         |
|----------------------------------|--|---------|
| resources and financing<br>(484) |  | (2,167) |
|----------------------------------|--|---------|

|                                       |  |       |
|---------------------------------------|--|-------|
| Management of liquid resources<br>420 |  | 2,560 |
|---------------------------------------|--|-------|

|                 |   |       |
|-----------------|---|-------|
| Financing<br>34 | 8 | (202) |
|-----------------|---|-------|

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|   |   |     |
|---|---|-----|
| Increase/(decrease) in cash in the year<br>(30) | 6 | 191 |
|---|---|-----|

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Reconciliation of net cash flow to movement in net funds

2003

2004

£000's

£000's

|   |  |     |
|---|--|-----|
| Increase/(decrease) in cash in the year<br>(30) |  | 191 |
|---|--|-----|

Cash inflow from decrease in liquid

|                    |  |         |
|--------------------|--|---------|
| resources<br>(420) |  | (2,560) |
|--------------------|--|---------|



|                            |       |      |
|----------------------------|-------|------|
| Net funds at 1st January   | 7,228 |      |
| 7,678                      |       |      |
| ---                        | ----- | ---- |
| Net funds at 31st December | 4,859 |      |
| 7,228                      |       |      |
| =====                      | ===== |      |

PORTMEIRION GROUP PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st December 2004

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|                                       |         |    |
|---------------------------------------|---------|----|
|                                       | 2004    |    |
| 2003                                  |         |    |
|                                       | £000's  |    |
| £000's                                |         |    |
| (Loss)/profit for the financial year  | (1,137) |    |
| 1,306                                 |         |    |
| Currency translation differences      | (291)   |    |
| (342)                                 |         |    |
| -----                                 | -----   | -- |
| Total recognised gains and losses for |         |    |

|                    |         |
|--------------------|---------|
| the financial year | (1,428) |
| 964                |         |

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RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|      |      |
|------|------|
| 2003 | 2004 |
|------|------|

|        |        |
|--------|--------|
| £000's | £000's |
|--------|--------|

|                                      |         |
|--------------------------------------|---------|
| (Loss)/profit for the financial year | (1,137) |
| 1,306                                |         |

|           |         |
|-----------|---------|
| Dividends | (1,371) |
| (1,381)   |         |

|                                  |       |
|----------------------------------|-------|
| Currency translation differences | (291) |
| (342)                            |       |

|  |   |
|--|---|
| Shares issued under employee share schemes | - |
| 34   |   |

|                             |       |
|-----------------------------|-------|
| Purchase of treasury shares | (202) |
| -                           |       |

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|                                      |         |
|--------------------------------------|---------|
| Net reduction to shareholders' funds | (3,001) |
| (383)                                |         |

|                             |        |    |
|-----------------------------|--------|----|
| Opening shareholders' funds | 23,964 |    |
| 24,347                      |        |    |
| -----                       | -----  | -- |
|                             |        |    |
| Closing shareholders' funds | 20,963 |    |
| 23,964                      |        |    |
|                             | =====  |    |
| =====                       |        |    |

PORTMEIRION GROUP PLC

#### NOTES

1. The financial information set out above does not constitute the Company's

statutory accounts for the years ended 31st December 2004 and 2003 but is

derived from those accounts. Statutory accounts for 2003, which have been

delivered to the Registrar of Companies, contain an unqualified audit opinion and did not contain a statement under Section 237(2) or (3) of the

Companies Act 1985. Statutory accounts for the year ended 31st December 2004 on which the auditors have given an unqualified opinion and do not

contain a statement under Section 237(2) or (3) of the Companies Act 1985

will be delivered to the Registrar of Companies in due course. This announcement was approved by the Board of Directors on 16th March 2005.

## 2. Operating exceptional items

A review of the Group's cost base and profitability has led to the decision to consolidate manufacturing onto one site in Stoke-on-Trent and

to close down the Group's subsidiary in Japan and two retail outlets in the UK. The resultant write-down of fixed assets and stocks has been included in operating costs but has been treated as exceptional. These exceptional costs are:

|                            | 2004   | 2003   |
|----------------------------|--------|--------|
|                            | £000's | £000's |
| Write down of fixed assets | 977    | -      |
| Write down of stocks       | 216    | -      |
|                            | -----  | -----  |
|                            | 1,193  | -      |

3. Turnover by destination

|                   | =====  | =====  |
|-------------------|--------|--------|
|                   | 2004   | 2003   |
|                   | £000's | £000's |
| United Kingdom    | 11,848 | 12,055 |
| North America     | 10,256 | 9,920  |
| European Union    | 1,338  | 1,873  |
| Far East          | 3,913  | 4,099  |
| Rest of the World | 331    | 565    |
|                   | -----  | -----  |
|                   | 27,686 | 28,512 |
|                   | =====  | =====  |

4. (Loss)/earnings per share

Basic

The basic (loss)/earnings per share are calculated by dividing the loss after taxation of £1,137,000 (2003 - profits of £1,306,000) by the weighted average number of Ordinary shares in issue during the year of

10,350,192 (2003 - 10,414,918).

Diluted

The diluted (loss)/earnings per share is calculated in accordance with Financial Reporting Standard 14 (FRS 14). This calculation uses a weighted

average number of Ordinary shares in issue adjusted to assume conversion

of all dilutive potential Ordinary shares and is shown below:

| 2003                            |                        |            | 2004      |           |       |
|---------------------------------|------------------------|------------|-----------|-----------|-------|
| Weighted                        | Earnings               |            | Weighted  | Loss      |       |
| Earnings                        | Number of              | per Share  | Number of | per Share |       |
| £                               | Shares                 | (Pence)    | Shares    | (Pence)   |       |
| Basic (loss)/earnings per share | (1,137,000)            | 10,350,192 |           | (10.99)   |       |
| 1,306,000                       | 10,414,918             | 12.54      |           |           |       |
| Effect of dilutive securities:  |                        |            |           |           |       |
| -                               | employee share options | -          | -         | -         | -     |
| -                               | 6,000                  | -          |           |           |       |
| -----                           | -----                  | -----      | -----     | -----     | ----- |
| Diluted (loss)/earnings         |                        |            |           |           |       |
| per share                       | (1,137,000)            | 10,350,192 |           | (10.99)   |       |
| 1,306,000                       | 10,420,918             | 12.53      |           |           |       |

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FRS 14 requires presentation of diluted earnings per share when a company could be

called upon to issue shares that would decrease net profit or increase net loss per

share. For a loss making company with outstanding share options, net loss per share

would only be increased by the exercise of out-of-the-money options. Since it seems

inappropriate to assume that option holders would act irrationally and there are no

other diluting future share issues, diluted loss per share equals basic loss per

share.

## 5. Dividends

The Directors propose the payment of a final dividend of 9.95p (2003 - 9.95p) per

Ordinary share on 20th May 2005 to shareholders on the register on 29th April

2005.

## 6. Analysis of net

funds

|         | At 31st                                   | At 1st       |
|---------|---|--------------|
| Cash    | December 2004                             | January 2004 |
| flow    | December 2004                             | January 2004 |
| £000's  | £000's                                    | £000's       |
| 191     | Cash in hand, at bank<br>1,355            | 1,164        |
| (2,560) | Short term money market deposits<br>3,504 | 6,064        |
| -----   | -----                                     | -----        |
| (2,369) | Total<br>4,859                            | 7,228        |
| =====   | =====                                     | =====        |

Short term money market deposits include deposits of up to 30 days maturity and are included within

cash in the Group's balance sheet.

#### 7. Reconciliation of operating (loss)/profit to operating cash

flows



|   | 2004    |
|---|---------|
| 2003  |         |
|   | £000's  |
| £000's  |         |
| Operating (loss)/profit                         | (1,925) |
| 1,847   |         |
| Depreciation                                    | 987     |
| 950   |         |
| Impairment of tangible fixed assets - operating | 977     |
| -   |         |
| exceptional                                     |         |
| Exchange loss                                   | (248)   |
| (305)   |         |
| (Profit)/loss on sale of tangible fixed         | (3)     |
| 35  |         |
| assets  |         |
| Decrease/(increase) in stocks                   | 721     |
| (580)   |         |
| (Increase)/decrease in debtors                  | (441)   |
| 611   |         |
| Decrease in creditors                           | (20)    |
| (706)   |         |
| -----   | -----   |
| -----   | -       |
| Net cash inflow from operating                  | 48      |
| 1,852   |         |
| activities                                      | =====   |
| =====   |         |

All of the above relate to continuing operations.

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

|  | 2004   | 2003   |
|--|--------|--------|
|  | £000's | £000's |
| Returns on investments and servicing of finance                      |        |        |
| Interest received  | 193    | 173    |
| Interest paid  | (22)   | -      |
|  | -----  | -----  |
| Net cash inflow from returns on investments and servicing of finance |        | 171    |
| 173  |        |        |
|  |        | =====  |
| =====  |        |        |
| Capital expenditure and financial investment                         |        |        |
| Purchase of tangible fixed assets                                    | (437)  | (801)  |
| Sale of tangible fixed assets  | 23     | 104    |
|  | -----  | -----  |
| Net cash outflow for capital   |        |        |

expenditure

and financial investments  
(697)

(414)

=====

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Financing

Issue of Ordinary shares under share

-

34

option schemes

Purchase of treasury shares

(202)

-

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-----

Net cash (outflow)/inflow from  
34

(202)

financing

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