PG p.l.c.

Half-Yearly Report
31 October 2018

Half-yearly directors' report

Trading performance

During the six-month period ended 31 October 2018, the Group registered a turnover of €51.2 million compared to €48.7 million in the comparative period for 2017, representing a growth of 5.0%.

Increases in turnover were registered in the Group's supermarket and associated retail operations (12.3%). Pama Shopping Village continued to grow in popularity, while encouraging levels of growth are also being recorded at Pavi Shopping Complex in response to the ongoing refurbishment program, which is now in its final stages. The growth within this sector is also being felt by third party tenants, with a corresponding increase in the Group's rental income.

In contrast to the above, turnover in the Group's Zara and Zara Home franchise operations decreased by 35% as the Group's main outlet in this sector, in Sliema, was closed for expansion and refurbishment. Normal operations at this major outlet were effectively brought to a close in mid-June, followed by an extensive sale designed to dispose of all clothing stock prior to the store's closure in mid-July. The store opened again on 28 November 2018.

The overall gross profit earned by the Group during the period amounted to €7.5 million compared to €7.2 million in 2017. Operating margins at the two supermarkets have improved as a result of the higher turnover and the resulting enhanced efficiency, supplemented by the growth in rentals. These efficiencies have served to offset the impact of the decrease in sales from franchise operations, that typically carry higher margins.

The Group's sales, marketing and administrative expenses, net of sundry income, amounted to €1.7 million in the six months ended 31 October 2018, compared to €1.4 million in 2017. Increases were recorded in marketing and in staff related costs.

As a result of the above, the Group's operating profit amounted to €5.8 million, in line with 2017. This is a positive outcome, where the Group has successfully offset the impact of the unavoidable temporary disruption in its franchise operations through growth elsewhere.

The tax charge for the period represented an effective tax rate of 25% (33% in 2017), reflecting the lower tax rate of 15% incurred on rental income. After deducting finance costs and taxation, the Group registered a profit for the period of €4.1 million compared to €3.7 million in the comparative period in 2017.

Capital expenditure during the six months ended 31 October 2018 amounted to €8.2 million and was focused in the main on the refurbishment of Pavi Supermarket and on the major works in hand at the Zara store. Cash generated from operations during the same period totalled €5.1 million. A loan of €9 million has been contracted by the Group to finance the Sliema Zara store refurbishment project on a long term basis, further strengthening the Group's liquidity, and this loan was drawn subsequent to 31 October 2018. PG plc remains well positioned to pursue new growth opportunities while retaining a strong element of resilience.

Trading prospects and plans

The Zara store in Sliema was successfully inaugurated on 11 December 2018 and has to date proved a major retail attraction. As expected, the project benefited in its first few days from a favourable novelty factor. As such it is too early to make firm long term predictions on its commercial outcome, even if the initial indications are favourable and augur well for the future.

The Directors are also encouraged by the results obtained from the continued refurbishment and upgrade at Pavi Supermarket, which as already noted above, has been well received by its clients. This project is now in its final stages and is expected to be completed early in 2019.

In the meantime, the Group's operations continue to benefit from a favourable economic environment, even if competition has intensified.

The board's expectations at the commencement of this financial year were that the Group's results would in the first six months reflect a reduction in profitability caused by the temporary cessation of the Zara franchise operations in Sliema. Our expectation was that once the store would reopen in November as planned, the Group would be well placed to recover lost ground in the second half of the year.

The results reported during the first six months have exceeded the Board's expectations. Given this performance, and the favourable circumstances already explained above, the Directors are cautiously optimistic that the Group will deliver improved results for the full financial year ending on 30 April 2019 when compared to the financial year 2018.

The PG Group went public in 2017 with a recently inaugurated shopping village at Pama and with two stores one at Pavi and one at the Alhambra site which required refurbishment and more effective use of space. At the time, the Group had announced its intention to modernise and expand, and to bring all its locations to the same standard. With the opening of the new Zara store, and with the refurbishment of the Pavi Supermarket, the Group will have attained this major objective, enabling it to focus better on new initiatives in future.

Dividends

On 3 December 2018, the board of directors resolved to distribute a net interim dividend of €1.7million in respect of the financial year ending 30 April 2019, payable on 10 December 2018, to the ordinary shareholders who were on the Register of Members of the company as at 30 November 2018. The interim dividend was paid out of taxed profits and is equivalent to €0.01574 net (€0.02422 gross) per ordinary share.

On behalf of the Board

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Registered office:
PG Group Head Offices,
PAMA Shopping Village,
Valleta Road,
Mosta,
Malta

18 December 2018

Condensed consolidated statement of financial position

	As at 31 October 2018 €'000 (unaudited)	As at 30 April 2018 €'000 (audited)
ASSETS		
Non-current assets	**70,713**	63,049
Current assets	**13,755**	15,755
Total assets	**84,468**	78,804
EQUITY AND LIABILITIES		
Total equity	**35,372**	33,785
Total non-current liabilities	**20,845**	21,650
Total current liabilities	**28,251**	23,369
Total liabilities	**49,096**	45,019
Total equity and liabilities	**84,468**	78,804

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

The condensed interim financial information on pages 3 to 10 were authorised for issue by the board of directors on 18 December 2018 and were signed on its behalf by:

John Zarb
Chairman

Paul Gauci
Executive Vice-Chairman

Condensed consolidated statement of comprehensive income

	Note	Six-months ended 31 October	
		2018	2017
		€'000	€'000
		(unaudited)	(unaudited)
Revenue		**51,189**	48,734
Gross profit		**7,528**	7,207
Operating profit		**5,781**	5,769
Finance costs		**(290)**	(297)
Share of results of associates		**49**	35
Profit before tax		**5,540**	5,507
Tax expense		**(1,403)**	(1,817)
Profit for the period		**4,137**	3,690
Earnings per share	4	**0.038**	0.034

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of changes in equity

	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 May 2017	27,000	825	27,825
Comprehensive income			
Profit for the period - total comprehensive income	-	3,690	3,690
Balance at 31 October 2017	**27,000**	**4,515**	**31,515**
Balance at 1 May 2018	27,000	6,785	33,785
Comprehensive income			
Profit for the period - total comprehensive income	-	4,137	4,137
Transactions with owners			
Dividends for the period	-	(2,550)	(2,550)
Balance at 31 October 2018	**27,000**	**8,372**	**35,372**

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows

	Six-months ended 31 October	
	2018	2017
	€'000	€'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**5,129**	3,967
Net cash used in investing activities	**(4,717)**	(183)
Net cash used in financing activities	**(3,165)**	(588)
Movement in cash and cash equivalents	**(2,753)**	3,196
Cash and cash equivalents at beginning of period	**65**	(3,645)
Cash and cash equivalents at end of period	**(2,688)**	(449)

The notes on pages 7 to 9 are an integral part of this interim condensed consolidated financial information.

Notes to the half-yearly report

1. Basis of preparation

This report is being published pursuant to the terms of Chapter 5 of the Listing Rules and the Prevention of Financial Markets Abuse Act 2005.

The financial information being published has been extracted from the PG group's unaudited interim financial statements for the six months ended 31 October 2018, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 – Interim Financial Reporting). In terms of Listing Rule 5.75.5, this interim report has not been audited by the group's independent auditors.

2. Significant accounting policies

The accounting policies applied in the preparation of the half-yearly report are consistent with those of the annual financial statements for the year ended 30 April 2018, as described in those financial statements, updated for the adoption of new or amended standards. A number of new or amended standards became applicable for the current reporting period and the group has adopted the following standards:

IFRS 9 'Financial Instruments', and IFRS 15 'Revenue from contracts with customers'.

The impact of the adoption of these standards did not have any material impact on the group's performance and recognised assets and liabilities and did not require retrospective adjustments.

New standards not yet effective during the period

IFRS 16 will take effect on 1 January 2019, but the Group would be obliged to adopt the standard in the financial year starting 1 May 2019. The standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The group's senior management is presently assessing the impact of the standard.

3. Segmental information

The group's operations consist of the management of supermarket operations and associated retail operations, together with the operation, in Malta, of the Zara and Zara Home franchises (the franchise operations). These operations are carried out, predominantly, on the local market. An analysis by business segment of the group's turnover and operating profit for this reporting period is set out below:

Group	Supermarkets and associated retail operations €'000	Franchise operations €'000	**Group €'000**
Period ended 31 October 2018			
Revenue	49,827	5,426	**55,253**
Less: inter-segmental sales	(3,539)	(525)	**(4,064)**
	46,288	4,901	**51,189**
Segment results	5,191	590	**5,781**
Net finance costs			**(290)**
Share of associates results			**49**
Profit before tax			**5,540**
Tax expense			**(1,403)**
Profit for the period			**4,137**
Period ended 31 October 2017			
Revenue	43,839	8,178	**52,017**
Less: inter-segmental sales	(2,644)	(639)	**(3,283)**
	41,195	7,539	**48,734**
Segment results	4,362	1,407	**5,769**
Net finance costs			**(297)**
Share of associates results			**35**
Profit before tax			**5,507**
Tax expense			**(1,817)**
Profit for the period			**3,690**

Director's statement pursuant to Listing Rule 5.75.3

I hereby confirm that to the best of my knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the group as at 31 October 2018, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

2. the interim directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

John Zarb
Chairman