For immediate release **30 August 2018**

CHURCHILL CHINA plc
("Churchill China" or the "Company" or the "Group")

INTERIM RESULTS
For the six months ended 30 June 2018

Churchill China plc (AIM: CHH), the manufacturer of innovative performance ceramic products serving hospitality markets worldwide, is pleased to announce its interim results for the six months ended 30 June 2018.

Key Highlights:

- Group revenue up 6% to £27.2m (H1 2017: £25.8m)
  - Constant currency growth 6% (H1 2017: 2%)
  - Hospitality revenue growth 9% (H1 2017: 8%)
  - Group export revenues up 17% (H1 2017: 19%)
  - Exports now represent 63% (H1 2017: 57%) of Group revenue
- Operating profit up 22% to £3.3m (H1 2017: £2.7m)
- Operating margin 11.9% (H1 2017: 10.3%)
  - Further conversion of standard to added value product
- Profit before tax up 24% to £3.3m (H1 2017: £2.7m)
- Earnings per share up 24% to 24.4p (H1 2017: 19.6p)
- Interim dividend up 18% to 8.7p (H1 2017: 7.4p)
- Cash generated from operations £1.7m (H1 2017: £1.1m)
- Good progress against strategic objectives

Alan McWalter, Chairman of Churchill China, commented:
"I am pleased to report that Churchill has again delivered a strong performance in the first six months of the year with increased revenues and margins contributing to good profit growth and continued progress against our strategic targets."

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This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR)

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that Churchill has again delivered a strong performance in the first six months of the year with increased revenues and margins contributing to good profit growth and continued progress against our strategic targets. We have increased our sales into Hospitality and export markets and have again improved margins following further conversion of standard to added value products.

Churchill benefits from a strong position in attractive and growing markets. Our business supplies differentiated, technical performance products into markets that demonstrate a high level of repeat sales where we enjoy long term relationships with our customers. We have continued to both maintain a strong financial position and to deliver increased dividends to shareholders.

Financial Review

Total revenues increased by 6% to £27.2m (H1 2017: £25.8m). In constant currency, revenues increased by 6% (H1 2017: 2%). Export sales were £2.3m (16%) higher. UK sales reduced, as expected, across our business by £0.9m. Growth in Hospitality revenue has more than offset lower Retail sales as the balance of our business changes. Hospitality revenues now represent over 90% of our total sales.

Gross margins have improved as the proportion of our revenue from sales of added value product has increased. This allows ongoing investment in sales, market and product development and enables us to deliver increased operating margins and return to shareholders. The gain in operating margin from 10.3% to 11.9% continues the improving trend established several years ago. Operating profit increased by 22% to £3.3m (H1 2017: £2.7m).

Earnings before interest, tax, depreciation and amortisation increased by 15% to £4.2m (H1 2017: £3.6m).

Profit before tax rose by 24% to £3.3m (H1 2017: £2.7m), mainly as a result of our improved operating profit. The first half year is increasingly important within our overall annual performance as our business becomes more orientated towards export markets where demand is generally evenly split between the first and second half years.

Earnings per share improved by 24% to 24.4p (2016: 19.6p)

Cash flows have again been strong, operating cash generation was £1.7m (H1 2017: £1.1m). The seasonal increase in working capital in the first half year was in line with 2017 comparatives, with a small reduction in inventory levels. The cash spend on capital projects was £0.9m (H1 2017: £1.1m). We expect capital spend in the second half year to rise with the completion of a number of projects. At the end of the period, net cash and deposit balances were £13.7m (H1 2017: £10.3m, 2017: £15.6m).

Dividend

The Board is pleased to declare an 18% increase in the interim dividend to 8.7p per share (2017: 7.4p). This increase reflects the increasing importance of the first half year to our overall profitability. Our policy remains to raise dividends in line with growth in long term profit growth and we are pleased that we have once again been able to provide an increase in the cash return to shareholders. The interim dividend will be paid on 5 October 2018 to shareholders on the register on 14 September 2018, with the ex-dividend date being 13 September 2018.

Business

Overall revenues have continued to grow steadily in line with our strategic aims and were 6% ahead of the comparable period last year at £27.2m (2017 H1 £25.8m). Underlying growth before the impact of currency changes was higher at 6% (2017 H1: 2%) with continued progress in Hospitality more than offsetting a further anticipated contraction in Retail activity. Exports now represent 63% of Group revenues.

Total sales to our Hospitality customers increased by £2.0m (9%) and reached a new record of £24.8m (2017 H1: £22.8m). Hospitality sales now represent over 90% of Group revenue.

We have continued to make good progress in export markets. The positive momentum established in Europe over several years has delivered further strong growth with good penetration across major markets. We have also seen further progress in the Rest of the World area where we have invested additional senior management resource. Overall Hospitality export sales grew by 19% on both a reported and constant currency basis. Our success in export is driven by the continued introduction of innovative and differentiated added value products, which constitute a higher proportion of our sales outside the UK.

UK revenues continue to be relatively weak reflecting low levels of new investment by end users, although consumer spending on eating out remains at reasonable levels. Revenues in this market have reduced by 5%, a slightly improved rate than the reduction seen in the second half of 2017. We have also discontinued lower margin distribution arrangements in glassware. We continue to benefit from a high level of replacement sales from long established customer relationships.

The proportion of revenue represented by added value products has again increased following the successful launch of new products within our Stonecast and Studio Prints ranges, continuing the progress made in the last five years. Further carefully targeted new additions are planned in the second half year and again in 2019.

Retail continued to perform in line with our strategic targets. Revenues were £0.5m lower at £2.4m (2017 H1: £2.9m) with the majority of the reduction attributable to a weaker UK market. Export sales have continued to perform well.

Our strategy continues to be built around the core requirements of the growing hospitality market worldwide. Our products meet the high technical, shape and surface design requirements of professional end users and we provide a market leading level of service. There is further potential to increase the proportion of added value products within our overall revenues through continued innovation. Whilst we have made significant progress in growing our export sales, we still enjoy a relatively low market share outside of the UK, again giving us confidence that we can continue to improve our revenues.

Operations

Our manufacturing and logistics operations have responded well to the challenge presented by the development of our business as a result of product range growth, innovation and the maintenance of high service levels across a wider geography. Our manufacturing strategy is closely aligned to our sales and marketing plans.

As in 2017, capital expenditure has been relatively low in the first half year. A number of projects linked to our strategic objectives are expected to be completed in the second half year which will increase our ability to manufacture added value product, to provide additional kiln capacity and to improve the flexibility of our operations.

People

We have continued to target the improvement of skills and flexibility across our workforce and we have made significant progress in both enhancing current capabilities and in understanding the future manpower needs of our business. When we are focused on delivering sales and operational targets it is often easy to underestimate the contribution made by our employees as a whole to their achievement. We value the skill and commitment shown by our workforce and I thank them for their continued support and effort.

Prospects

The first half year's results show further strong progress against our strategic targets. We continue to invest in our business with the expectation that this will provide future revenue and profit growth.

The focus of our strategy remains continued innovation in added value products and further investment across the business to allow us to extend the breadth of the markets we serve and continue to grow our market share.

We recognise that there is a considerable degree of uncertainty in the current business climate and we are reflecting this in our forward plans. We believe we have a sustainable, long term business model based on providing exceptional service to hospitality markets worldwide from a differentiated product range meeting high technical performance standards. These markets are characterised by high levels of replacement sales. We believe our core strategy remains robust and flexible enough to meet future challenges.

We remain confident in our performance against our targets both in relation to 2018 and in the longer term.

Alan McWalter
Chairman
30 August 2018

Churchill China plc
Consolidated Income Statement
for the six months ended 30 June 2018

	Note	**Unaudited Six months to 30 June 2018 £000**	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Revenue		**27,247**	25,796	53,530
		===========	===========	===========
Operating profit before exceptional item	1	**3,254**	2,668	7,460
Exceptional item – profit on disposal		**-**	-	315
Operating Profit		**3,254**	2,668	7,775
Share of results of associate company		**92**	82	159
Finance income	2	**46**	33	66
Finance costs	2	**(90)**	(123)	(225)
		------------------	------------------	------------------
Profit before exceptional item and income tax		**3,302**	2,660	7,460
Exceptional item – profit on disposal		**-**	-	315
Profit before income tax		**3,302**	2,660	7,775
Income tax expense	3	**(626)**	(516)	(1,361)
		------------------	------------------	------------------
Profit for the period		**2,676**	2,144	6,414
		===========	===========	===========

		Pence per Share	Pence per share	Pence per share
Adjusted basic earnings per ordinary share	4	**24.4**	19.6	55.3
Adjusted diluted earnings per ordinary share	4	**24.2**	19.4	54.8
Basic earnings per ordinary share	4	**24.4**	19.6	58.4
Diluted earnings per ordinary share	4	**24.2**	19.4	57.9

All the above figures relate to continuing operations

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2018

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Other comprehensive income / (expense)			
Items that will not be reclassified to profit and loss:			
Actuarial gain on retirement benefit obligations	**-**	-	1,344
Items that may be reclassified subsequently to profit and loss			
Exchange differences	**(11)**	(19)	(33)
	---------------	--------------	---------------
Other comprehensive income / (expense)	**(11)**	(19)	1,311
Profit for the period	**2,676**	2,144	6,414
	---------------	---------------	----------------
Total comprehensive income for the period	**2,665**	2,125	7,725
	==========	==========	==========
Attributable to:			
Equity holders of the Company	**2,665**	2,125	7,725
	==========	==========	==========

All above figures relate to continuing operations

Churchill China plc
Consolidated Balance Sheets
as at 30 June 2018

	Unaudited 30 June 2018 £000	Unaudited 30 June 2017 £000	Audited 31 December 2017 £000
Assets			
Non Current assets			
Property, plant and equipment	**14,520**	15,050	14,542
Intangible assets	**93**	59	101
Investment in associate	**1,639**	1,470	1,547
Deferred income tax assets	**1,066**	1,570	1,197
	17,318	18,149	17,387
Current assets			
Inventories	**9,706**	9,655	9,816
Trade and other receivables	**9,220**	9,589	8,650
Other financial assets	**4,506**	5,129	3,000
Cash and cash equivalents	**9,230**	5,226	12,577
	32,662	29,599	34,043
Total assets	**49,980**	47,748	51,430
Liabilities			
Current liabilities			
Trade and other payables	**(8,617)**	(9,075)	(10,024)
Current income tax liabilities	**(716)**	(658)	(831)
Total current liabilities	**(9,333)**	(9,733)	(10,855)
Non current liabilities			
Deferred income tax liabilities	**(765)**	(810)	(775)
Retirement benefit obligations	**(5,282)**	(8,139)	(5,907)
Total non current liabilities	**(6,047)**	(8,949)	(6,682)
Total liabilities	**(15,380)**	(18,682)	(17,537)
Net assets	**34,600**	29,066	33,893
Shareholders' equity			
Issued share capital	**1,103**	1,103	1,103
Share premium account	**2,348**	2,348	2,348
Treasury shares	**(530)**	(484)	(579)
Other reserves	**1,534**	1,476	1,565
Retained earnings	**30,145**	24,623	29,456
	34,600	29,066	33,893

Churchill China plc

Consolidated Statement of Changes in Equity

as at 30 June 2018

	Retained earnings £000	Share capital £000	Share premium £000	Treasury shares £000	Other reserves £000	Total £000
Balance at 1 January 2017	24,205	1,103	2,348	(575)	1,544	**28,625**
Comprehensive income						
Profit for the period	2,144	-	-	-	-	**2,144**
Other comprehensive income						
Depreciation transfer - gross	5	-	-	-	(5)	-
Depreciation transfer - tax	(1)	-	-	-	1	-
Currency translation	-	-	-	-	(19)	**(19)**
Total comprehensive income	2,148	-	-	-	(23)	**2,125**
Transactions with owners						
Dividends	(1,621)	-	-	-	-	**(1,621)**
Share based payment	123	-	-	-	(45)	**78**
Deferred Tax – Share based payment	32	-	-	-	-	**32**
Treasury shares	(264)	-	-	91	-	**(173)**
Total transactions with owners	(1,730)	-	-	91	(45)	**(1,684)**
Balance at 30 June 2017	24,623	1,103	2,348	(484)	1,476	**29,066**
Comprehensive income						
Profit for the period	4,270	-	-	-	-	**4,270**
Other comprehensive income						
Depreciation transfer - gross	7	-	-	-	(7)	-
Depreciation transfer - tax	(1)	-	-	-	1	-
Remeasurements o f post employment benefit obligations – net of tax	1,344					**1,344**
Currency translation	-	-	-	-	(14)	**(14)**
Total comprehensive income	5,620	-	-	-	20	**5,600**
Transactions with owners						
Dividends	(812)	-	-	-	-	**(812)**
Proceeds of share issue	-	-	-	3	-	**3**
Share based payment	-	-	-	-	109	**109**
Deferred tax - Share based payment	25	-	-	-	-	**25**
Treasury shares	-	-	-	(98)	-	**(98)**
Total transactions with owners	(787)	-	-	(98)	109	**(773)**
Balance at 31 December 2017	29,456	1,103	2,348	(579)	1,565	**33,893**
Comprehensive income						
Profit for the period	2,676	-	-	-	-	**2,676**
Other comprehensive income						
Depreciation transfer – gross	5	-	-	-	(5)	-
Depreciation transfer – tax	(1)	-	-	-	1	-
Currency translation	-	-	-	-	(11)	**(11)**
Total comprehensive income	2,680	-	-	-	(15)	**2,665**
Transactions with owners						
Dividends	(1,886)	-	-	-	-	**(1,886)**
Proceeds of share issue	-	-	-	3	-	**3**
Share based payment	137	-	-	-	(16)	**121**
Deferred tax - Share based payment	(8)	-	-	-	-	**(8)**
Treasury shares	(234)	-	-	46	-	**(188)**
Total transactions with owners	(1,991)	-	-	49	(16)	**(1,958)**
Balance at 30 June 2018	**30,145**	**1,103**	**2,348**	**(530)**	**1,534**	**34,600**

Churchill China plc
Consolidated Cash Flow Statement
for the six months ended 30 June 2018

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Cash flows from operating activities			
Cash generated from operations (note 5)	**1,686**	1,089	7,743
Interest received	**46**	33	66
Interest paid	**-**	-	-
Income tax paid	**(628)**	(614)	(1,198)
Net cash generated from operating activities	**1,104**	508	6,611
Investing activities			
Purchases of property, plant and equipment	**(867)**	(1,105)	(2,155)
Proceeds on disposal of property, plant and equipment	**47**	25	1,139
Purchases of intangible assets	**(53)**	(17)	(54)
Net cash used in investing activities	**(873)**	(1,097)	(1,070)
Financing activities			
Issue of ordinary shares	**3**	3	3
Purchase of treasury shares	**(188)**	(176)	(271)
Dividends paid	**(1,886)**	(1,621)	(2,433)
Net (purchase) / sale of other financial assets	**(1,506)**	(2,124)	5
Net cash used in financing activities	**(3,577)**	(3,918)	(2,696)
Net (decrease) / increase in cash and cash equivalents	**(3,346)**	(4,507)	2,845
Cash and cash equivalents at the beginning of the year	**12,577**	9,734	9,734
Exchange loss on cash and cash equivalents	**(1)**	(1)	(2)
Cash and cash equivalents at the end of the year	**9,230**	5,226	12,577

1. Segmental analysis

for the six months ended 30 June 2018

The figures given below analyse Group revenue between markets and geographic regions.

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Revenue			
Hospitality	**24,852**	22,838	47,395
Retail	**2,395**	2,958	6,135
	27,247	25,796	53,530
Revenue			
United Kingdom	**10,173**	11,067	24,016
Rest of Europe	**10,958**	8,989	17,688
North America	**3,071**	2,897	6,470
Rest of the World	**3,045**	2,843	5,356
	27,247	25,796	53,530

2. Finance income and costs

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Finance income			
Other interest receivable	**46**	33	66
Finance income	**46**	33	66
Finance cost			
Interest on pension scheme	**(90)**	(123)	(225)
Finance costs	**(90)**	(123)	(225)

The interest cost arising from pension schemes is a non cash item.

3. Income tax expense

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Current taxation	**513**	420	1,177
Deferred taxation	**113**	96	184
Income tax expense	**626**	516	1,361

4. Earnings per ordinary share

Basic earnings per ordinary share is based on the profit after taxation of £2,676,000 (June 2017: £2,144,000; December 2017: £6,414,000) and on 10,964,570 (June 2017: 10,958,489; December 2017: 10,964,462) ordinary shares, being the weighted average number of ordinary shares in issue during the period. Adjusted earnings per ordinary share is calculated after adjusting for the post tax effect of the exceptional profit on disposal in 2017.

Diluted basic earnings per ordinary share is based on the profit after taxation of £2,676,000 (June 2017: £2,144,000; December 2017: £6,414,000) and on 11,066,621 (June 2017: 11,056,040; December 2017: 11,062,013) ordinary shares, being the weighted average number of ordinary shares in issue during the period of 10,964,570 (June 2017: 10,958,489; December 2017: 10,964,462) increased by 102,051 (June 2017: 97,551; December 2017: 97,551) shares, being the weighted average number of ordinary shares which would have been issued if the outstanding options to acquire shares in the Group had been exercised at the average price during the period. Adjusted diluted earnings per ordinary share is calculated after adjusting for the post tax effect of the exceptional profit on disposal in 2017.

5. Reconciliation of operating profit to net cash inflow from continuing activities

	Unaudited Six months to 30 June 2018 £000	Unaudited Six months to 30 June 2017 £000	Audited Twelve months to 31 December 2017 £000
Cash flow from operations			
Operating profit	**3,254**	2,668	7,775
Adjustments for			
Depreciation	**913**	945	1,621
(Profit) / loss on disposal of property, plant and equipment	**(4)**	3	(317)
Charge for share based payment	**121**	78	187
Decrease in retirement benefit obligations	**(715)**	(715)	(1,430)
Changes in working capital			
Inventory	**110**	(553)	(714)
Trade and other receivables	**(585)**	(127)	785
Trade and other payables	**(1,408)**	(1,210)	(164)
Cash inflow from operations	**1,686**	1,089	7,743

6. Basis of preparation and accounting policies

The interim financial information for the period to 30 June 2018 has not been audited or reviewed and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Company's statutory accounts for the year ended 31 December 2017, 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 statements have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, under the historical cost convention as modified by the revaluation of land and buildings, available for sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through the profit and loss account. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as were applied in the Group's last audited financial statements, except in relation to the adoption of IFRS 15 'Revenue from Customers' and IFRS 9 'Financial Instruments', effective from 1 January 2018. The adoption of these standards has not led to any changes in the interim financial statements.

7. Share buybacks

The Company bought back 20,000 shares during the first six months of the year and may consider making further ad hoc share buybacks going forward at the discretion of the Board and subject to the shareholder authorities approved at the 2018 Annual General Meeting.

The half-yearly report and this announcement will be available shortly on the Company's website: www.churchill1795.com