27 March 2012

PZ Cussons Plc
(the "Group")

Interim Management Statement

PZ Cussons Plc today issues the following interim management statement which covers the period 25th January 2012 to 26th March 2012.

Overview of financial performance and position

Overall trading during the period in all markets, except Nigeria, has been in line with management expectations. Profitability in Nigeria has been affected by a continuation of the economic and social tensions in the country which were highlighted at the time of the interim results in January.

Performance for the balance of the year in all markets excluding Nigeria is expected to be in line with expectations. Given the importance of Nigeria to the Group, the impact of the continuing tensions in the country will be significant, resulting in the Group's overall performance being some way below expectations.

The Group's balance sheet remains strong despite higher levels of working capital principally due to higher inventories being carried in Nigeria.

The Group today also announces a planned supply chain optimisation project, further details of which are set out below.

Trading Update

Europe

In the UK washing and bathing division, performance has been robust, despite trading conditions remaining challenging with high ongoing levels of promotional activity. New product launches across the portfolio of Imperial Leather, Original Source and Carex continue to be well received.

The beauty division has continued to perform well with further new product launches during the period across the portfolio of Sanctuary, St Tropez and Charles Worthington. The Fudge hair care brand, acquired in January, has performed well post acquisition with integration plans on schedule.

Performance in Poland and Greece has been in line with expectations.

Asia

The positive momentum in Indonesia has continued with further growth in revenue and profitability during the period.

Whist trading conditions in Australia remain challenging, measures to address the underperformance of the business are being successfully implemented with operating results improving on a monthly basis. These plans will be further supported by the supply chain optimisation project detailed below.

Africa

At the time of the interim results in January, the Group stated that it was closely monitoring the economic and social tensions in the Group's largest market of Nigeria which could impact the year-end out-turn. The two key issues that were adversely affecting performance have continued to date. Social instability in the North of the country has continued with sales rates in some Northern states being affected by local disruption and uncertainty. At the same time, the removal of the fuel duty subsidy in January has led to lower consumer disposable income, higher transport costs and port disruption which have adversely affected sales and costs during the period. This impact is in addition to the previously reported disruption from the week long national strike that took place in January.

Construction of the palm oil refinery with Wilmar in Nigeria is on track with completion due by the end of the calendar year.

Supply Chain Optimisation Project

As part of the Group's supply chain strategy, and following a number of years of rising raw material costs together with significant ongoing wage inflation in emerging markets, the Group has been developing programmes to ensure that its supply chain cost base remains at a competitive level.

As a result, a supply chain optimisation project is being implemented over the next twelve months, which will significantly reduce the overhead footprint of the Group’s manufacturing activities. There are two components to the project:

First, in order to move to a variable cost model for its developed market homecare businesses, the Group today announces an intention to close its manufacturing facilities in Australia with supply being outsourced to third parties, and an intention to review and restructure its manufacturing facilities in Poland.

Second, it intends to reduce the supply chain overhead at a number of other manufacturing facilities. This includes an intention to close its manufacturing facilities in Ghana, with supply being moved to third parties as well as to the Group’s Nigerian facilities, as well as other optimisation projects in Africa and Asia.

The total cash cost of these initiatives will be approximately £19m for redundancy and other associated items, with a payback expected within three years. There will be a further non-cash charge of approximately £20m for asset write downs. Both amounts will be treated as exceptional charges in the current financial year.

The benefits of this project will begin to be seen in the new financial year through lower supply chain overheads, the mitigation of the impact of further wage inflation and the avoidance of the high capital maintenance cost that would have been associated with any closed or restructured facilities.

Outlook

The trading environment for the remainder of the current financial year remains challenging in most markets given continued pressures on consumer spending power, continued high levels of promotional activity in developed markets and high input costs, and the issues specific to Nigeria. Despite these challenges, positive revenue growth is being achieved in most markets, supported by a high level of new product development.

Performance for the balance of the year in all markets excluding Nigeria is expected to be in line with expectations. Given the importance of Nigeria to the Group, the impact of the continuing tensions in the country will be significant, resulting in the Group's overall performance being some way below expectations.

Despite the current challenges in Nigeria, the removal of the fuel duty subsidy is expected to be beneficial for the medium term macroeconomic health of the country. Looking ahead to the new financial year commencing 1 June, the Group is expected to return to profitable growth in all markets including Nigeria, supported by the benefits of the supply chain optimisation project.

A further trading update will be made on 14th June 2012 after the close of the financial year.

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