14 June 2018

PZ Cussons Plc
(the "Group")

TRADING UPDATE

PZ Cussons Plc, a leading international consumer products group, today issues the following trading update in respect of the year ended 31 May 2018.

Overview

Within our interim results announcement in January, we reported that performance in the first half of the year had been constrained by trading conditions in the UK and Nigeria. In our trading update in March we reported that trading conditions in these two markets remained difficult and that we expected profit before tax for the full year to be in the range of £80 million to £85 million.

During the last few months of the year, performance in the UK has been in line with our revised expectations and, whilst trading conditions in Nigeria have tightened further, expected profit before tax for the full year will be in the range previously indicated, albeit towards the bottom end of the range.

Results in the Group's other markets remain robust with performance in Australia, Indonesia and the Group's beauty division ahead of the prior year.

Africa

In Nigeria, whilst higher oil prices have contributed to increased foreign exchange reserves and a relatively stable exchange rate regime, liquidity has not flowed down into the economy. In addition, wage inflation has continued to remain well behind the significant cost inflation of recent years, resulting in consumer discretionary income under pressure with subdued buying levels.

As a result, the usual peak season uplift has not materialised resulting in volumes, prices and margins being impacted across most areas of the Nigerian portfolio.

There has been no structural change in the landscape of the categories in which we operate with brand shares remaining strong. The lower profitability is therefore a reflection of a weaker overall market with total volumes, prices and margins all lower.

Asia

In Australia, profitability of the business has continued to improve with new product launches and margin improvement initiatives across the key categories of Personal Care, Home Care, Beauty and Food & Nutrition.

In Indonesia, profitability has been good with mix improvement across both the core Cussons Baby range as well as from recent new product launches under Imperial Leather and Cussons Kids.

Europe

Revenue and profitability in the UK washing and bathing division have been affected by the tightening UK retail landscape, with consumers shopping more cautiously as a result of economic uncertainty and inflation out-stripping wage growth. Whilst new product launches have been well received, these have not been sufficient to compensate for the wider volume and margin shortfall.

The Beauty division has performed well across all brands of St Tropez, Sanctuary, Charles Worthington and Fudge, with good growth in particular coming from the US market.

Initiatives

As outlined in March, there are a number of initiatives underway to improve the efficiency of the business:

- A further optimisation of the Group's operating model. This will further reduce the overhead base, as well as improve the speed at which new products are brought to market. The cash cost will be circa £10 million over the next two years, offset by lower capital expenditure requirements.
- A further optimisation of the Group's product portfolio in Nigeria across the HPC (Home and Personal Care) and Nutricima (milk) businesses. The objective is to restore margins in the HPC business and restore the Nutricima business to profitability.
- A re-prioritisation of the Group's new product pipeline in all markets to focus on fewer, bigger projects requiring lower levels of complexity.
- A review of product costs across all categories with a focus on areas such as packaging reduction and in conjunction with a drive to reduce plastic consumption.
- An evaluation of other growth opportunities utilising the Group's product portfolio and distribution capability.

Outlook

It is expected that macro conditions will remain challenging with general elections in Nigeria and Indonesia falling in the second half of the new financial year. At the same time, commodity costs and exchange rates are expected to remain volatile.

Against this backdrop, we believe the initiatives outlined above, together with management actions being undertaken, will strengthen the Group's brand portfolio to better withstand the subdued levels of consumer confidence and higher levels of competitive intensity which are being faced in most markets.

The Group's balance sheet remains strong with closing net debt at circa 1.5 x EBITDA.

Final Results

Final results for the year ended 31 May 2018 will be announced on Tuesday 24 July 2018.

Notes

1. As a result of the evolvement of the foreign exchange market in Nigeria, with effect from 31 May 2018 the Group will move from translating the balance sheets of its Nigerian operations from the CBN rate to the recently introduced NIFEX exchange rate. Results from the new financial year beginning 1 June 2018 will be translated at the average NIFEX rate for the relevant reporting period. This change will result in an exceptional charge of circa £7.0m to be accounted for in the financial year to 31 May 2018.

2. Distributable reserves: the Board has become aware of an issue concerning technical compliance with the Companies Act 2006 in respect of the payment of certain past interim dividends. The Group has on some occasions not lodged interim accounts with Companies House to show that dividends were supported by sufficient distributable reserves available at parent company level. The Group's historic reported trading results and financial condition are entirely unaffected but the Board proposes to put a resolution to shareholders at its 2018 annual general meeting to address this past issue.

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