

TRADING UPDATE

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Swallowfield PLC
11 July 2018

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Swallowfield plc
("Swallowfield" or the "Group")

Trading Update

Swallowfield plc, a market leader in the development, formulation and supply of personal care and beauty products, including its own portfolio of brands, provides a trading update for the 53 weeks to 30 June 2018.

The Board is pleased to announce that overall the Group has traded broadly in line with expectations for the full year. We expect Group revenues to be similar to those reported in the prior year, driven by a strong double-digit growth in our Brands business and single digit decline in our Contract Manufacturing business. We expect Group pre-tax profit for the full year to be significantly ahead of that reported last year, driven by the strong performance of our Brands business and reflecting a reduction in LTIP charges, with underlying operating profit marginally behind last year.

Our Brands business has increased revenues by 16% over the prior year and full year profitability will be significantly above both management's expectations and the prior year as a result of improving margins. The business continues to demonstrate strong momentum and the recent acquisition of the men's hair styling brand 'Fish' has been successfully integrated into our portfolio and is trading well.

As expected, revenue in our Contract Manufacturing business has declined during the year, against very strong prior year comparisons. In line with the industry, the business has also been adversely affected by material cost inflation and this, combined with a slower than anticipated start-up of the three major new contracts previously highlighted, has resulted in significantly reduced operating margins in the financial year. Actions are underway to mitigate the material cost increases and the new contracts are now in full production and expected to contribute positively to future growth.

The acquisition of the Fish brand, deferred consideration for Brand Architects, along with the maturing of LTIP awards and the timing impact of cash receipts from customer sales, have resulted in an increase in the Group's net debt position to £11m as at 30 June. The Company expects net debt to reduce significantly early in the new financial year.

We remain confident in the prospects for the new financial year and we expect our Brands business to continue to grow strongly. Whilst cost pressures are anticipated to continue, we expect our Contract Manufacturing business to return to stronger profitability, as a result of current actions on costs and driven by growth from the new contracts.

Tim Perman, Chief Executive of Swallowfield, commented:

'I am pleased to be taking over the role of Chief Executive at an exciting time in the Group's development. I have been hugely impressed with the extensive range of opportunities presented by the Swallowfield business and the strength and commitment of the team. I believe this leaves us well positioned for future profitable growth'.

Notice of results

The Group expects to announce its full year results for the 53 weeks ended 30 June 2018 on 25 September 2018.

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