

## **Vita Group – 30 June 2018 Half-Year Statement**

The Vita Group (“Vita”) is pleased to provide an update on its performance for the first-half of 2018. The information contained in this statement is unaudited.

### **OWNERSHIP**

As previously announced, on 10 May 2018 funds managed by Strategic Value Partners, LLC completed its acquisition of Vita and became the sole owner.

### **TRADING ACTIVITY**

In the first-half, sales have shown a 9% increase on prior year. This was largely attributable to pricing actions in response to the significant increase in raw material costs, driven principally by toluene diisocyanate (TDI) pricing at the end to 2017 and start of 2018. These actions ensured margins have been restored to normal levels and EBITDA\* has increased vs H1 2017.

The business has seen the longest sustained increase in raw material costs in its history through 2016 and 2017 and this continued into the start of 2018. However as the business exits H1 the industry has finally started to see some price stability as new raw material capacity finally comes on stream.

Vita continues to seek opportunities to deliver sustainable long-term growth, both from product range enhancements and from geographic expansion. A new technical conversion unit has been established in Poland to serve an existing customer relocating to this region and the growing Eastern European market. Investment has been deployed in Western European plants, with a number of initiatives planned.

### **EMPLOYEES**

Training and engaging with our employees is a cornerstone of Vita's business. The roll out of ‘Vita Towards Zero’, a behavioural safety initiative, has continued in 2018. This is part of a major health and safety campaign that includes a company-wide set of safety standards summarising how safety, health and environmental policies and procedures are applied within our businesses. Each standard is supported by policies and guidance notes. Face to face and online training are ongoing and will be delivered at all businesses during the remainder of 2018.

Vita has continued to provide company-wide compliance support and training on Economic Sanctions and Trade, GDPR, Purchasing and Marketing Code of Ethics, Anti-Bribery and Corruption, Competition Law, Confidentiality and Whistleblowing policies. This training has been completed by all senior managers, customer facing and procurement employees.

### **OUTLOOK**

Vita’s financial position remains strong with the new financial structure in place and liquidity is robust, however the macroeconomic outlook remains uncertain. The business has improved profitability following on from the unprecedented raw material environment experienced over the last 18 months and new investments are being made to further improve the business and drive growth.

A significant proportion of Vita's business serves markets in Europe. There are mixed indications of the trend in general economic activity in Western European countries but the indications of a sustained upturn in Eastern Europe continue.

With limited cross border sales in Comfort markets, the short-term impact of Brexit on Vita's businesses should be limited to any change in UK consumer confidence and any possible effect on certain supply chains. While the exact terms of the deal remain uncertain, Vita is making a full risk assessment and will put in place plans to mitigate any identified impacts.

Continuing the effective management of the critical equation of volume: pricing: mix and margin is key to Vita's success and will be instrumental in delivering financial performance. The macroeconomic background, and in particular consumer confidence, has an influence on business volumes and thus revenues and profitability. European economic stability and business confidence levels are also important factors in driving demand in most of our markets. Vita will, as ever, continue to seek productivity improvements to help offset cost inflation and protect competitiveness. Business expansion through new geographic markets and product development is expected to drive modest growth.

\*Earnings before finance costs, taxation, depreciation, exceptional items, impairments and amortisation (EBITDA)