Press Release

CRODA

24 July 2019

Results for the six months ended 30 June 2019

Resilient performance despite subdued market conditions

Croda International Plc ("Croda" or the "Group"), the speciality chemical company that creates high performance ingredients and technologies relied upon by industries and consumers globally, today announces its half year results for the six months ended 30 June 2019.

Adjusted[1] results		**Half year ended 30 June**			
		2019	**2018**	**% change reported rate**	**% change constant rate[2]**
Sales – Core Business[3]	£m	657.9	642.2	+2.4%	(0.4)%
Operating profit	£m	179.4	178.5	+0.5%	(0.6)%
Profit before tax	£m	170.6	175.0	(2.5)%	(3.5)%
Basic EPS	pence	98.2	100.2	(2.0)%	(3.0)%
Return on sales[4]	%	25.1%	25.4%	(0.3)%pts	n/a
Free cash flow[5]	£m	94.5	62.2	+51.9%	n/a

Group highlights (adjusted, constant currency):

- Core Business sales in line with prior year, despite subdued market conditions and strong prior year comparators
- Operating profit unchanged, with stronger gross margin
- Profit before tax slightly lower, due to higher interest charge, following special dividend and previous investments
- Improving cash generation – free cash flow up more than 50%, capital investment reducing
- Healthy innovation pipeline – New & Protected Product (NPP) sales increased to 28.3% (2018: 27.7%)
- Significant new capacity on stream over next 12 months to support organic growth – North America biosurfactant plant to add significant capacity later in Q3
- Recent technology acquisitions progressing well.

Sector performance (adjusted, constant currency):

- Excellent performance in Life Sciences, driven by strength of Health and Crop Care platforms – sales up 13.0% and return on sales improved to 30.6% (2018: 29.9%)
- Personal Care weakness in US and North Asia, primarily due to the trade dispute, with continued growth across rest of sector. Sales 3.6% lower with modest decline in return on sales to 33.3% (2018: 34.1%)
- Performance Technologies lower due to soft markets in automotive and polymers – sales reduced by 6.0% and return on sales declined to 18.0% (2018: 19.3%).

Reported results (IFRS)		**Half year ended 30 June**		
		2019	**2018**	**% change**
Sales	£million	714.7	702.8	+1.7%
Operating profit	£million	175.0	174.3	+0.5%
Profit before tax	£million	166.2	170.8	(2.7)%
Basic earnings per share (EPS)	Pence	95.6	97.5	(1.9)%
Ordinary dividend per share	Pence	39.5	38.0	+3.9%

Group reported results (IFRS, reported currency):

- Sales up 1.7% - favourable benefit from weaker Sterling
- Operating profit broadly flat
- Interim dividend increased by 3.9% to 39.5 pence.

Commenting on the results, Steve Foots, Chief Executive Officer, said:

"We have delivered a resilient performance in challenging market conditions and against strong prior year comparatives, testament to Croda's focused strategy. Although Personal Care was significantly impacted by the US/China trade dispute and new sales legislation in China, we saw growth across the rest of the sector. An excellent performance in Life Sciences ensured overall progress in consumer markets, whilst Performance Technologies slowed in line with the wider industry, due to softer end markets in automotive and polymers.

"We have a strong pipeline, a robust business model and a strategy to leverage innovation, customer intimacy and sustainability. Life Sciences is expected to show continued progress and in Personal Care we anticipate the US remaining subdued while Asia recovers progressively. Performance Technologies is likely to remain softer until end markets improve. Based on the current challenging economic conditions remaining unchanged, overall we expect a slight improvement in performance in the second half of the year versus the prior year comparator."

Further information

A presentation for investors and analysts will be held at 0900 BST on 24 July 2019 at Farmers & Fletchers In the City, 3 Cloth Street, London EC1A 7LD. The presentation will be webcast on www.croda.com

Sector financial summary

Sales		**Half year ended 30 June**			
		2019	**2018**	**% change reported rate**	**% change constant rate**
Personal Care	£m	246.8	247.7	(0.4)%	(3.6)%
Life Sciences	£m	184.3	158.6	+16.2%	+13.0%
Performance Technologies	£m	226.8	235.9	(3.9)%	(6.0)%
Core Business	**£m**	**657.9**	**642.2**	**+2.4%**	**(0.4)%**
Industrial Chemicals	£m	56.8	60.6	(6.3)%	(7.4)%
Group	**£m**	**714.7**	**702.8**	**+1.7%**	**(1.0)%**

Adjusted operating profit		**Half year ended 30 June**			
		2019	**2018**	**% change reported rate**	**% change constant rate**
Personal Care	£m	82.1	84.4	(2.7)%	(4.6)%
Life Sciences	£m	56.4	47.4	+19.0%	+19.0%
Performance Technologies	£m	40.8	45.6	(10.5)%	(11.2)%
Core Business	**£m**	**179.3**	**177.4**	**+1.1%**	**+0.0%**
Industrial Chemicals	£m	0.1	1.1	(90.9)%	(100.0)%
Adjusted operating profit	**£m**	**179.4**	**178.5**	**+0.5%**	**(0.6)%**
Interest	£m	(8.8)	(3.5)	(151.4)%	(142.9)%
Adjusted profit before tax	**£m**	**170.6**	**175.0**	**(2.5)%**	**(3.5)%**

Notes

[1]Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists the reader by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of

operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

[2]Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency rates are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review.

[3]The Core Business comprises Personal Care, Life Sciences and Performance Technologies.

[4]Return on sales is adjusted operating profit divided by sales.

[5]Free cash flow is cash generated before acquisitions, dividends and other cash movements, as set out in the Finance Review.

Other non-statutory terms are defined in the 'Alternative performance measures' section of the Finance Review.

GROUP PERFORMANCE REVIEW

Resilient performance despite subdued market conditions

Sales and operating profit in the first half of the year were unchanged despite subdued market conditions, significantly impacted by the major trade dispute between China and the US and increased macroeconomic uncertainties. An excellent performance in Life Sciences reflects the strength and appeal of our growing platforms in Health and Crop Care and the success of our organic and acquisition strategies. Against a strong comparative period, Personal Care slowed in the US and North Asia due to the uncertainty caused by the ongoing US/China trade dispute, with customers becoming much more cautious in purchasing. Sales continued to grow in the rest of the sector. In line with the wider industry, Performance Technologies was impacted by slower end markets in automotive and polymers, whilst continuing to innovate towards higher technology, sustainable markets.

Despite these subdued market conditions, sales in the Core Business rose by 2.4% in reported currency to £657.9m (2018: £642.2m) and reduced by 0.4% in constant currency. Adjusted operating profit in the Core Business increased by 1.1% in reported currency to £179.3m (2018: £177.4m) and was unchanged in constant currency.

Gross margin continued to increase, offsetting lower volume. This was supported by our continued focus on innovation, with NPP sales reaching 28.3% (2018: 27.7%); the current project pipeline is exciting. We have invested for future growth, with significant new capacity in high return projects due on stream over the next 12 months. These include expanding in high purity excipients in Health Care, growing our industry leading Beauty Actives platform and increasing our Smart Materials facility, as well as commissioning our North America biosurfactant plant later in the third quarter and which creates significant opportunities by creating sustainable ingredients for our customers. We are also developing our recent technology acquisitions, to deliver shareholder value in future years. The fundamentals of the markets in which we operate are strong and we are aligned with the key megatrends driving future growth.

Cash generation continues to improve; free cash flow was up over 50% to £94.5m (2018: £62.2m), as capital investment normalised with completion of construction of our North American biosurfactant project. With low leverage and strong cash generation, this creates opportunities for investment for future growth and returns.

Return on sales, in reported currency, remained solid, declining by 30 basis points to 25.1% (2018: 25.4%). With a higher interest charge, following the increased investment, acquisition of Biosector and special dividend to shareholders, in reported currency adjusted profit before tax reduced by 2.5% to £170.6m (2018: £175.0m) and adjusted basic earnings per share (EPS) were 2.0% lower at 98.2 pence (2018: 100.2p).

We paid a special dividend of over £150m in May and have increased the interim dividend by 3.9% to 39.5 pence (2018: 38.0p).

Reported results (IFRS)

The weakening of Sterling benefitted results on a reported currency basis. Sales at reported rates increased 1.7% to £714.7m (2018: £702.8m), whilst profit before tax on an IFRS basis decreased by 2.7% to £166.2m (2018: £170.8m). This was after a charge for exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition of £4.4m (2018: £4.2m). IFRS basic EPS decreased by 1.9% to 95.6p (2018: 97.5p).

First half sector performance
The standout performance was in Life Sciences, with excellent sales growth accompanied by a stronger margin. Sales grew by 13.0% and adjusted operating profit by 19.0% in constant currency. Our Health Care platform grew in double digit percentage terms, benefitting from its leading position in drug delivery systems, responding to the more complex demands of the biologic and oncology-driven drug development pipeline. This was supported by the recent vaccine adjuvancy acquisition, our first inorganic investment in Health Care. Growth in Crop Care was also robust in the first half year, growing mid single digit percentage, a testimony to our innovation and global platform in a challenging agricultural market.

Personal Care demand slowed, against particularly strong comparators in 2018, with sales in constant currency 3.6% lower. This was due to weakness in the US and China where the trade war between the two countries has created significant uncertainty, weighing heavily on consumer confidence, together with new legislation on 'Daigou' cross-border selling in China. Away from these geographies, Personal Care sales growth was positive; Western Europe grew by 4% and our industry leading margin remained resilient, with return on sales at 33.3% (2018: 34.1%). We expect the adverse impact to be relatively short-lived, with the sector's strong fundamentals underpinned by innovation, continued proliferation of local, niche brands and consumer demand for sustainable products.

Performance Technologies was adversely affected by significantly weaker automotive and polymer end markets, with constant currency sales 6.0% lower and adjusted operating profit 11.2% lower. This particularly impacted our Smart Materials business, whilst the Energy Technology business was broadly flat in more resilient markets. Despite this short term weakness, the fundamentals for Performance Technologies remain attractive, with a progressive shift in the business towards renewable technologies, greater innovation and sustainable solutions.

Regional performance
Regional performance was mixed. Market conditions in North America were notably tougher, reflecting the US/China trade dispute and lower automotive and consumer product demand. A slow first quarter in Asia reflected uncertainties over macroeconomic growth and changes to selling legislation in China, replaced by modest signs of improvement in the second quarter. By contrast, Latin America delivered strong growth, driven by Crop sales to customers substituting for US production and an improving regional macroeconomic environment. Europe proved resilient, with good consumer growth away from the weak automotive market.

Our purpose – 'Smart Science to Improve Lives™'
Despite current market conditions, Croda is well placed to continue to drive sales and profit growth across the cycle. We are focused on delivering robust top line growth, above the market rate, at industry-leading margins, with a 'capital light' model. We achieve this through a powerful business model – **sustainable products**, with over 60% of our raw materials sourced from naturals; **a balanced global footprint**, with 33 manufacturing plants and sales operations in 38 countries; **a dynamic innovation engine**, where we have invested in 34 customer innovation centres globally; and **an unrivalled local direct selling capability**, serving over 17,000 customers, both multinational and local.

As announced in our 2018 full year results, we have adopted a new purpose – 'Smart Science to Improve Lives™' to better reflect Croda and our strategy. We contribute towards global environmental and social challenges by applying science to create new, better and sustainably sourced solutions. Building on our heritage of producing sustainable ingredients from natural resources, Croda aims to be a leading sustainable speciality ingredients company, building rich technologies and deep knowledge, offering irresistible innovation and service to our customers, and creating positive change for the planet and society. This will drive superior returns to our shareholders and allow us to set ambitious sustainability goals – for example, in climate action, customer benefit, using even less petrochemical feedstocks, improving health and liberating land for crops.

We are fully aligned with the megatrends which shape our markets and which will drive growth. Life Sciences delivers good health and well-being, through its focus on sickness prevention and cure, and improved crop yields, through more targeted delivery systems to feed a growing population from the same land with less environmental impact. Personal Care is meeting the expectations of consumers with growing incomes demanding clean and natural beauty, whilst protecting the health of consumers through more effective sun screens. Performance Technologies is focusing on renewable technologies, delivering affordable and clean energy, and helping customers meet their climate action goals.

For our businesses, our strategy shapes our investments. We are investing in biosurfactants to replace petrochemicals. We are expanding our high purity health care capacity to meet growing drug demands. Through acquisition, we have created a number of new technology platforms, including sustainable plant and marine organisms for Personal Care, novel surfactants with Enza and biostimulants through Plant Impact. In July we completed our latest technology acquisition, Rewitec, with novel lubricant technology to extend the life of wind turbines, a growing global market addressing renewable energy needs.

We will continue to strengthen Personal Care, expanding our Beauty Actives business and broadening technologies in Beauty Effects, whilst helping customers develop new products through our Beauty Formulation business. Life Sciences will expand to grow. As our fastest growing business, we will continue to scale it through geographic expansion, capital investment and acquisition in adjacent markets and technologies. Performance Technologies will be refined, transforming into a high-tech business with improved margins and growth.

Outlook

We have a strong pipeline, a robust business model and a strategy to leverage innovation, customer intimacy and sustainability. Life Sciences is expected to show continued progress and in Personal Care we anticipate the US remaining subdued while Asia recovers progressively. Performance Technologies is likely to remain softer until end markets improve. Based on the current challenging economic conditions remaining unchanged, overall we expect a slight improvement in performance in the second half of the year versus the prior year comparator.

FIRST HALF SECTOR PERFORMANCE REVIEW

Growth in Personal Care offset by weak US and North Asia

Personal Care demand slowed, against particularly strong comparators in 2018 and trade headwinds impacting the two largest markets. Sales declined by 3.6% and adjusted operating profit by 4.6% in constant currency. In reported currency, sales were broadly flat at £246.8m (2018: £247.7m) with adjusted operating profit 2.7% lower at £82.1m (2018: £84.4m). IFRS operating profit was £81.8m (2018: £83.7m). Return on sales declined modestly to 33.3% (2018: 34.1%), due to the impact of a 6% fall in volume. Sales price/mix continued to improve, up 2 percentage points, reflecting the continued growth of prestige and innovation-driven products.

The trade war between the US and China significantly impacted demand, as customers cut inventories due to the uncertain tariff situation. In the US, consumer spending was squeezed and, in North Asia, new legislation restricting Daigou cross-border selling impacted some local customers. Asia has begun to show some modest recovery and sales with multinational customers continue to grow, as they expand in the region. Away from these short term macro issues in the US and North Asia, which saw local sales 10% lower, Personal Care sales continued in growth, up 4% in Western Europe, 2% in Latin America and 1% in South Asia in constant currency.

The fundamentals for Personal Care are strong with good structural growth, driven by greater consumer spending in emerging markets, supported by our continued resource expansion in Asia, the proliferation of niche and 'Indie' brands targeted at more local and personalised consumer needs, and increasing brand and ingredient innovation. Beauty Actives continues to grow in developed markets, with the prestige cosmetic market remaining confident. This is being supported by recently commissioned additional R&D and manufacturing capacity in Sederma, with a strong innovation pipeline. Beauty Effects, which targets millennial generation consumers, grew sales across Europe and Latin America, and is expanding its range of technologies. Whilst Beauty Formulation, our heritage ingredient portfolio, experienced subdued sales in the first half year, it is partnering to win, with strong multinational relationships, greater formulation capability for regional and local customers and opportunities to leverage sustainability through the new biosurfactant facility. This will be supported by our digital programme, with our increased investment in consumer devices through Cutitronics opening up possibilities in personalisation of products for consumers, whilst accessing significant data on skin health. We are also piloting 'live chat' to help smaller, 'Indie' customers learn about how to formulate with Croda's leading ingredients, increasing our access to an ever growing numbers of customers.

Our innovation pipeline remains exciting, demonstrated through NPP sales of 42% (2018: 42%). Beauty Actives continues to generate greater scientific data to support new product claims. A new generation of peptides supported a major customer's anti-ageing product. IRB by Sederma has launched a sustainable anti-ageing technology created from plant cell culture and Crodarom launched Banana Flower EC, a collaboratively sourced tropical ingredient boosting mood and delivering prebiotic properties. Coupled with organic sourcing of plant extracts, these innovations support the drive towards green beauty and sustainability. In Beauty Effects sensory impact and sustainability are key trends. Crodabond CSA was launched, delivering on-trend claims, reducing colour fade in hair colour applications and creating longer wear benefits in colour cosmetics. As ingredient partner to a major multinational company, we reformulated their entire range of hair colourants to improve consumer experience and colour retention. Our partnership in Moonshine Effect pigments continues to expand our position in colour cosmetics, with the launch of four new products creating striking colour with extraordinary visual impact.

Excellent performance in Life Sciences

Life Sciences delivered an excellent performance, with double digit percentage sales growth accompanied by a stronger margin. Sales grew by 13.0% and adjusted operating profit by 19.0% in constant currency. Health Care was the standout performer, with constant currency sales up 24%, including the Biosector acquisition completed at the end of 2018. Crop Care was also strong, with constant currency sales up 4%. NPP increased to 29% of sector sales, supporting price/mix growth of 9%.

In reported currency, sales increased by 16.2% to £184.3m (2018: £158.6m) and adjusted operating profit was 19.0% higher at £56.4m (2018: £47.4m). IFRS operating profit was £53.1m (2018: £44.9m). Return on sales improved to 30.6% (2018: 29.9%), despite the dilutive impact of recent acquisitions, reflecting the technology-rich, attractive platforms that we have developed in Health and Crop Care.

Life Sciences is a strong business getting stronger. Our strategy is to grow through expansion, delivering exciting sales and margin growth. We are moving to faster growth markets – in delivery systems for Health and Crop Care, in vaccine delivery, in seed enhancement and bio-stimulants, and into other adjacencies where we are looking to invest organically and inorganically. This sector is wholly aligned with UN sustainability goals, whether by ensuring healthy lives through new drugs and vaccines or by supporting zero hunger by creating better agriculture yields and crop protection systems.

Health Care continued to build on its leading market position in high purity excipients, where the removal of impurities eliminates adverse interaction with drug actives, and where demand is driven by the drug development pipeline, rather than macroeconomic conditions. Organic investment will double manufacturing capacity in the US, due to come on stream in 2020. We are also investing in new purification technologies to support a wider range of drugs, broadening our customer base. We are adding sales and technical resource in Asia and continue to obtain monograph approvals conforming with the Chinese Pharmacopeia, allowing us to expand our presence in this key drug market. Our equity investment in SiSaf has seen the launch of ProSilic®, increasing stability, targeting and controlled release of drug actives.

We are also integrating the Biosector acquisition. With 80 years experience in delivering safe and effective vaccine adjuvants for human and veterinary applications, the industry-leading products are widely recognized for their unmatched track record and are manufactured in the only aseptic and GMP compliant adjuvant manufacturing facility in the world. R&D capability has been strengthened through the combination with Croda, where the vaccine and blood products of tomorrow will require new and innovative adjuvants. NanoQuil® is a next generation nanoparticle adjuvant solving customers' issues of stability and production.

Global market conditions were mixed for Crop Care, with the US/China trade dispute adversely impacting sales in both countries, aggravated by severe US weather. However, our investment in creating a global footprint in Crop Protection resulted in significant sales growth in other regions, most notably Latin America, where sales more than doubled.

Crop Care is growing through both organic and inorganic investment. Alongside being the 'go to' company for crop delivery systems, this has led to adjacencies in seed enhancement and biostimulants. Our formulation capability is helping crop science customers better deliver their new actives; in the first half year, we launched a range of capsule suspension formulations which use microcapsules to reduce operator hazards and risks to the natural habitat. Incotec is developing a growing organic product portfolio, including Promotor Organic priming treatments. Its latest innovation in seed upgrading, X-ray eXpress, uses artificial intelligence to automate seed sorting to improve the quality of tomato and pepper seed lots, cutting nursery production time by three weeks. Plant Impact continues to develop new biostimulants for yield enhancement. One of these, Banzai™, enhances the yield of cocoa, supporting greater farm incomes and sustainable crop production in West Africa.

Mixed markets in Performance Technologies

Performance Technologies was adversely impacted by the recent decline in automotive and polymer end-markets and a more cautious inventory position adopted by European and US customers. This primarily impacted our Smart Materials business, with demand in Energy Technologies solid. Sales declined by 6.0% and adjusted operating profit by 11.2% in constant currency. At reported currency, sales declined to £226.8m (2018: £235.9m) while adjusted operating profit fell to £40.8m (2018: £45.6m). IFRS operating profit was £40.0m (2018: £44.6m). Return on sales decreased to 18.0% (2018: 19.3%), with volume 8% lower.

Sales into developing markets in Asia and Eastern Europe were strong. Energy Technologies was also broadly flat, with resilient markets in marine lubricants, renewable energy and the automotive after-market. Smart Materials, which improves the performance of polymer and coatings systems particularly in the automotive sector, was most impacted by the slowdown, with sales 7% lower in constant currency. The smaller Home Care & Water business saw reduced demand in oil exploration.

Although impacted by short term weakness in some markets, the fundamentals for Performance Technologies are good with changes in our end markets continuing to create significant opportunities. Its strategy is to grow by refining the business, progressively moving towards new and high technology markets, with a strong sustainability focus. Reflecting an increasing investment in innovation, NPP increased to 19% (2018: 18%), its highest ever level. Innovation includes improving transmission performance and heat management in electric vehicles and extending lifetime performance of wind turbines. We are also well positioned for 5G cellular developments using adhesives for electronics. The forthcoming commissioning of our North American biosurfactant plant will see new sales into customers' sustainable home care products. Our technology acquisition JD Horizons, with its Flowsolve™ technology, which prevents asphaltenes precipitating in oil exploration and keeps oil flowing, has reached critical mass, with sales having grown ten fold since acquisition in 2014.

Sustainability is a key driver in the technology change which is driving Performance Technologies. Croda is a world leader in Environmentally Acceptable Lubricants, positioning us to meet tighter regulations for better biodegradable marine lubricants. We are also growing through new technology acquisitions; in July 2019, we acquired Rewitec, whose lubricant additives extend the life of wind turbines, a fast growing market in renewable energy. Ionphase, acquired in December 2017, has launched rSTAT3, a permanent anti-static offering excellent UV stability in polymer applications, supplementing its innovative range of electrostatic dissipative solutions for electronic and polymer applications.

Continued portfolio development in Industrial Chemicals
We continued to refine the product portfolio in Industrial Chemicals, reducing volumes of low value co-product and tolling business. In constant currency, sales declined by 7.4%. Our China manufacturing joint venture, Sipo, saw an encouraging improvement in domestic sales and profitability. In reported currency, Industrial Chemicals sales reduced to £56.8m (2018: £60.6m) and adjusted operating profit decreased to break-even (2018: £1.1m). IFRS operating profit was £0.1m (2018: £1.1m).

FINANCE REVIEW

Currency
Currency translation benefitted reported sales and profit in the first half year as Sterling weakened against the US dollar. Sterling averaged US$1.294 (2018: US$1.375) and €1.145 (2018: €1.137). Currency translation increased sales compared to 2018 by £18.9m and adjusted profit before tax by £1.7m.

Sales
Sales in reported currency increased by 1.7% to £714.7m (2018: £702.8m). In constant currency, sales decreased by 1.0%. Acquisitions in Life Sciences added £6.5m.

Sales	£m	%
2018 reported	702.8	-
Underlying growth	(13.5)	(1.9)
Impact of acquisitions	6.5	0.9
2019 at constant currency	695.8	(1.0)
Impact of currency translation	18.9	2.7
2019 reported	714.7	1.7

In the Core Business, constant currency sales decreased by 0.4%, with one working day fewer than in the prior year estimated to have reduced sales by 0.8%. Reduced sales volume, down 5%, offset increased sales price/mix. Sales in Life Sciences grew strongly, with Personal Care impacted by the US/China trade dispute and associated slowing consumer confidence. Key end markets were weaker in Performance Technologies.

Sales in constant currency	% growth
Personal Care	(3.6)
Life Sciences	13.0
Performance Technologies	(6.0)
Core Business	(0.4)
Industrial Chemicals	(7.4)
Group	(1.0)

Adjusted profit
Adjusted operating profit decreased by 0.6% in constant currency to £179.4m (2018: £178.5m). This included the impact of adopting IFRS16 'Leases', which had no material impact on adjusted profit. Return on sales reduced by 30 basis points to 25.1% (2018: 25.4%) in reported currency.

Adjusted operating profit	£m	%
2018 reported	178.5	-
Underlying growth	(0.6)	(0.3)
Impact of acquisitions	(0.5)	(0.3)
2019 at constant currency	177.4	(0.6)
Impact of currency translation	2.0	1.1
2019 reported	179.4	0.5

Adjusted operating profit grew strongly in Life Sciences, whilst declining modestly in Personal Care and decreasing in Performance Technologies.

	Half year 2019		Half year 2018
	Reported rates	Constant rates	Reported rates
Personal Care	82.1	80.5	84.4
Life Sciences	56.4	56.4	47.4
Performance Technologies	40.8	40.5	45.6
Core Business	179.3	177.4	177.4
Industrial Chemicals	0.1	-	1.1
Group	179.4	177.4	178.5

The net interest charge increased to £8.8m (2018: £3.5m) at reported rates. The prior year period benefitted from capitalisation of interest on the North American bio-surfactant plant, construction of which was materially completed in June 2018 when capitalisation of interest therefore stopped. In addition, 2019 saw higher debt from the payment of the special dividend announced in February 2019 and the acquisition of Biosector in December 2018. As a result, adjusted profit before tax reduced to £170.6m (2018: £175.0m*)*.

	Half year (reported rates)	
	2019	2018
Sales	714.7	702.8
Operating costs	(535.3)	(524.3)
Adjusted operating profit	179.4	178.5
Net interest charge	(8.8)	(3.5)
Adjusted profit before tax	170.6	175.0

The effective tax rate on this profit was unchanged at 24.8% (2018: 24.8%). There were no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Adjusted profit for the half year at reported rates was £128.3m (2018: £131.6m) and adjusted basic earnings per share (EPS) at reported rates were slightly lower at 98.2p (2018: 100.2p).

IFRS profit

IFRS profit is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition. The charge for these before tax was £4.4m (2018: £4.2m). Acquisition costs were £0.1m (2018: £1.3m) and the charge for amortisation of intangible assets was £4.3m (2018: £2.9m), with no exceptional items (2018: £nil). The profit before tax on an IFRS basis was £166.2m (2018: £170.8m), the profit after tax on an IFRS basis was £124.8m (2018: £128.0m) and basic EPS were 95.6p (2018: 97.5p).

	Half year ended 30 June	
	2019	2018
Adjusted profit before tax	170.6	175.0
Exceptional items, acquisition costs & intangibles	(4.4)	(4.2)
Profit before tax (IFRS)	166.2	170.8
Tax	(41.4)	(42.8)
Profit after tax (IFRS)	124.8	128.0

Cash management

Delivering good cash generation is core to Croda's strategy and the first half year saw free cash flow improve by over 50% to £94.5m (2018: £62.2m), through increased EBITDA, reduced capital expenditure and improved working capital management. This cash generation is available to invest in future growth – through R&D, acquisition and increased production capacity - and to pay increased dividends. During the first half year, over £200m was returned to shareholders through the ordinary final 2018 and the special dividend.

	Half year ended 30 June	
	2019	2018
Adjusted operating profit	179.4	178.5
Depreciation and amortisation	30.5	24.5
EBITDA	209.9	203.0
Working capital	(27.9)	(57.9)
Net capital expenditure	(41.5)	(54.8)
Lease payments	(4.3)	(0.5)
Non-cash pension expense	1.5	3.4
Interest & tax	(43.2)	(31.0)
Free cash flow	94.5	62.2
Dividends	(216.1)	(60.5)
Acquisitions	0.3	(15.5)
Other cash movements	(8.9)	4.4
Net cash flow	(130.2)	(9.4)

After currency translation and including leases under the newly adopted accounting standard IFRS16 (which increased net debt at 1 January 2019 by £45.8m), net debt increased to £603.7m (31 December 2018: £471.3m). The leverage ratio increased to 1.5 times (31 December 2018 restated: 1.2x) and remains substantially below the maximum covenant level under the Group's lending facilities of at least 3 times.

During the first half year, the Group added to its term debt, issuing £233m of US Private Placement Notes (USPP) with maturities of 8 to 10 years at attractive pricing. This included replacing US$100m of Notes maturing in January 2020, with drawing of these replacement Notes deferred until that date. The USPP programme provides approximately £420m of long duration, term loans, in addition to the Group's committed bank facilities and leases. These facilities provide ample liquidity to meet the Group's immediate plans at a relatively low interest cost. At 30 June 2019 the Group had £396.9m (30 June 2018: £407.6m) of cash and undrawn committed credit facilities available.

Dividend and capital allocation
Croda seeks to deliver high quality profits, measured through a superior return on capital, earnings growth and strong cash returns. The Group's capital allocation policy is to:

1) **Reinvest for growth** – we invest in organic capital expenditure, product innovation and expansion in attractive geographic markets to drive sales and profit growth. This in turn delivers a superior return on capital. During the first half of 2019, capital investment continued to reduce, following completion of construction of our North America biosurfactant project;
2) **Provide regular returns to shareholders** – we pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle. The Board has increased the interim dividend by 3.9% to 39.5p (2018: 38.0p);
3) **Acquire promising technologies** – we have identified a number of exciting technologies to supplement organic growth in existing and adjacent markets. Some of these will be acquired, either as nascent opportunities for future scale-up or as larger complementary acquisitions. In July 2019, we completed the acquisition of Rewitec, an exciting renewable energy technology business; and
4) **Maintain an appropriate balance sheet and return excess capital –** we maintain an appropriate balance sheet to meet future investment and trading requirements. We target leverage of 1.0 to 1.5x (excluding retirement benefit schemes), although we are prepared to move above this range if circumstances warrant. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to fund our investment opportunities. We returned over £150m to shareholders by way of a special dividend in May 2019.

Retirement benefits
The post-tax deficit on retirement benefit plans at 30 June 2019, measured on an accounting valuation basis under IAS19, increased to £43.3m (31 December 2018: £12.4m), due to lower corporate bond yields. Cash funding of the various plans is driven by the schemes' ongoing actuarial valuation reviews. No deficit funding payments are currently required to the Group's largest pension scheme, the UK Croda Pension Scheme.

Alternative performance measures
We use a number of alternative performance measures to assist in presenting information in this statement in an easily analysable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include:

- *Constant currency results*: these reflect current year performance for existing business translated at the prior year's average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in this Finance Review;
- *Adjusted results*: these are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results;
- *Return on sales*: this is adjusted operating profit divided by sales, at reported currency;

- *Net debt*: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and obligations under all lease liabilities;
- *Leverage*: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is adjusted operating profit plus depreciation and amortisation;
- *Free cash flow:* comprises EBITDA less movements in working capital, net capital expenditure, non-cash pension expense, and interest and tax payments;
- *Gross margin:* sales less material costs divided by sales.

Other matters
The principal risks and uncertainties facing the Group were set out in the Group's financial statements for the year ended 31 December 2018. There have been no changes in the Group's principal risks and uncertainties, risk management processes or policies since the year end. Related party transactions during the period are set out in note 10.

Statement of Directors' Responsibilities
The Directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The Directors of Croda International Plc at 30 June 2019 were as follows (a list of current Directors is maintained on the Croda website: www.croda.com):

Anita Frew (Chairman)
Steve Foots (Chief Executive Officer)
Roberto Cirillo
Alan Ferguson
Jacqui Ferguson
Dr Helena Ganczakowski
Professor Keith Layden
Jez Maiden.

By order of the Board

Steve Foots	**Jez Maiden**
Group Chief Executive	Group Finance Director

INDEPENDENT REVIEW REPORT TO CRODA INTERNATIONAL PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Group condensed interim income statement, Group condensed interim statement of comprehensive income and expense, Group condensed interim balance sheet, Group condensed interim statement of changes in equity, Group condensed interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Chris Hearld
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

24 July 2019

Croda International Plc

Interim announcement of trading results for the six months ended 30 June 2019

Group condensed interim income statement

			First half 2019			First half 2018			Full year 2018	
		Adjusted	Adjustments[1]	Reported Total	Adjusted	Adjustments[1]	Reported Total	Adjusted	Adjustments[1]	Reported Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	2	**714.7**	**-**	**714.7**	702.8	-	702.8	1,386.9	-	1,386.9
Cost of sales		**(446.0)**	**-**	**(446.0)**	(428.5)	-	(428.5)	(864.6)	-	(864.6)
Gross profit		**268.7**	**-**	**268.7**	274.3	-	274.3	522.3	-	522.3
Operating costs		**(89.3)**	**(4.4)**	**(93.7)**	(95.8)	(4.2)	(100.0)	(179.8)	(13.7)	(193.5)
Operating profit	2	**179.4**	**(4.4)**	**175.0**	178.5	(4.2)	174.3	342.5	(13.7)	328.8
Financial costs	3	**(9.1)**	**-**	**(9.1)**	(4.2)	-	(4.2)	(12.1)	-	(12.1)
Financial income	3	**0.3**	**-**	**0.3**	0.7	-	0.7	1.1	-	1.1
Profit before tax		**170.6**	**(4.4)**	**166.2**	175.0	(4.2)	170.8	331.5	(13.7)	317.8
Tax		**(42.3)**	**0.9**	**(41.4)**	(43.4)	0.6	(42.8)	(81.6)	2.1	(79.5)
Profit after tax for the period		**128.3**	**(3.5)**	**124.8**	131.6	(3.6)	128.0	249.9	(11.6)	238.3
Attributable to:										
Non-controlling interests		**-**	**-**	**-**	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Owners of the parent		**128.3**	**(3.5)**	**124.8**	131.7	(3.6)	128.1	250.1	(11.6)	238.5
		128.3	**(3.5**	**124.8**	131.6	(3.6)	128.0	249.9	(11.6)	238.3

[1] Adjustments = exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon

	Pence per share Adjusted	Pence per share Total	Pence per Share Adjusted	Pence per Share Total	Pence per Share Adjusted	Pence per Share Total
Earnings per 10.61p ordinary share						
Basic	**98.2**	**95.6**	100.2	97.5	190.2	181.4
Diluted	**97.9**	**95.3**	99.7	97.0	189.2	180.4
Ordinary dividends paid in the period						
Interim		**-**		-		38.00
Final		**49.00**		46.00		46.00
Special		**115.00**		-		-

Group condensed interim statement of comprehensive income and expense

	2019	2018	2018
	First half £m	First half £m	Full year £m
Profit for the period	**124.8**	128.0	238.3
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	**(36.0)**	11.5	22.6
Tax on items that will not be reclassified	**6.3**	(2.0)	(4.9)
	(29.7)	9.5	17.7
Items that may be reclassified subsequently to profit or loss:			
Currency translation	**(1.5)**	(1.5)	14.9
Other comprehensive (expense)/income for the period	**(31.2)**	8.0	32.6
Total comprehensive income for the period	**93.6**	136.0	270.9
Attributable to:			
Non-controlling interests	**-**	-	(0.1)
Owners of the parent	**93.6**	136.0	271.0
	93.6	136.0	270.9
Arising from:			
Continuing operations	**93.6**	136.0	270.9
	93.6	136.0	270.9

Group condensed interim balance sheet

	Note	**At 30 June 2019 £m**	At 31 December 2018 £m
Assets			
Non-current assets			
Intangible assets		**449.1**	454.9
Property, plant and equipment	5	**791.1**	780.3
Right of use assets		**52.1**	-
Investments		**4.5**	4.8
Deferred tax assets		**36.4**	56.2
Retirement benefit assets		**5.3**	24.6
		1,338.5	1,320.8
Current assets			
Inventories		**286.7**	287.2
Trade and other receivables		**254.9**	233.6
Cash and cash equivalents		**73.8**	71.2
		615.4	592.0
Liabilities			
Current liabilities			
Trade and other payables		**(184.4)**	(190.5)
Borrowings and other financial liabilities		**(107.6)**	(49.2)
Lease liabilities		**(8.2)**	-
Provisions		**(2.8)**	(4.0)
Current tax liabilities		**(49.9)**	(47.9)
		(352.9)	(291.6)
Net current assets		**262.5**	300.4
Non-current liabilities			
Borrowings and other financial liabilities		**(521.4)**	(447.5)
Lease liabilities		**(40.3)**	-
Other payables		**(0.8)**	(0.8)
Retirement benefit liabilities		**(61.0)**	(43.1)
Provisions		**(7.1)**	(7.1)
Deferred tax liabilities		**(101.9)**	(124.7)
		(732.5)	(623.2)
Net assets		**868.5**	998.0
Equity attributable to owners of the parent		**861.0**	990.5
Non-controlling interests in equity		**7.5**	7.5
Total equity		**868.5**	998.0

Group condensed interim statement of changes in equity

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	15.1	93.3	53.9	660.0	7.6	829.9
Profit for the period	-	-	-	128.1	(0.1)	128.0
Other comprehensive (expense)/income	-	-	(1.6)	9.5	0.1	8.0
Transactions with owners:						
Dividends on equity shares	-	-	-	(60.5)	-	(60.5)
Share-based payments	-	-	-	3.0	-	3.0
Transactions in own shares	-	-	-	(0.9)	-	(0.9)
Total transactions with owners	**-**	**-**	**-**	**(58.4)**	**-**	**(58.4)**
Total equity at 30 June 2018	**15.1**	**93.3**	**52.3**	**739.2**	**7.6**	**907.5**
At 1 January 2019	15.1	93.3	68.7	813.4	7.5	998.0
Profit for the period	-	-	-	124.8	-	124.8
Other comprehensive (expense)/income	-	-	(1.5)	(29.7)	-	(31.2)
Transactions with owners:						
Dividends on equity shares	-	-	-	(216.1)	-	(216.1)
Share-based payments	-	-	-	(0.3)	-	(0.3)
Transactions in own shares	-	-	-	(6.7)	-	(6.7)
Total transactions with owners	**-**	**-**	**-**	**(223.1)**	**-**	**(223.1)**
Total equity at 30 June 2019	**15.1**	**93.3**	**67.2**	**685.4**	**7.5**	**868.5**

Other reserves comprise the Capital Redemption Reserve of £0.9m (30 June 2018: £0.9m) and the Translation Reserve of £66.3m (30 June 2018: £51.4m).

Group condensed interim statement of cash flows

	Note	**2019 First half £m**	2018 First half £m	2018 Full year £m
Cash flows from operating activities				
Continuing operations				
Operating profit		**175.0**	174.3	328.8
Adjustments for:				
Depreciation and amortisation		**34.8**	27.4	56.2
Profit on disposal of property, plant and equipment		**(2.8)**	(0.1)	(0.1)
Changes in working capital		**(27.9)**	(57.9)	(69.3)
Non-cash pension expense		**1.5**	3.4	8.7
Share of loss of associate		**0.3**	0.1	0.2
Share based payments		**1.6**	7.2	8.3
Cash paid against operating provisions		**(0.7)**	(0.4)	(1.1)
Cash generated from operations		**181.8**	154.0	331.7
Interest paid		**(7.9)**	(7.1)	(14.7)
Tax paid		**(35.6)**	(24.6)	(55.0)
Net cash generated from operating activities		**138.3**	122.3	262.0
Cash flows from investing activities				
Acquisition of subsidiaries		**0.3**	(15.5)	(79.3)
Acquisition of associates and other investments		**-**	-	(3.2)
Purchase of property, plant and equipment		**(42.7)**	(54.0)	(100.2)
Purchase of intangible assets		**(1.7)**	(1.1)	(3.4)
Proceeds from sale of property, plant and equipment		**2.9**	0.3	0.5
Proceeds from sale of other investments		**-**	0.4	0.4
Cash paid against non-operating provisions		**(0.5)**	(0.6)	(1.0)
Interest received		**0.3**	0.7	1.1
Net cash used in investing activities		**(41.4)**	(69.8)	(185.1)
Cash flows from financing activities				
New borrowings		**225.5**	70.5	437.1
Repayment of borrowings		**(74.2)**	(58.5)	(421.9)
Net transactions in own shares		**(6.7)**	(0.9)	0.4
Dividends paid to equity shareholders	4	**(216.1)**	(60.5)	(110.5)
Payment of lease liabilities (2018: Capital element of finance lease payments)		**(4.3)**	(0.5)	(0.5)
Net cash used in financing activities		**(75.8)**	(49.9)	(95.4)
Net movement in cash and cash equivalents		**21.1**	2.6	(18.5)
Cash and cash equivalents brought forward		**40.3**	54.9	54.9
Exchange differences		**(1.4)**	0.7	3.9
Cash and cash equivalents carried forward		**60.0**	58.2	40.3
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**73.8**	73.0	71.2
Bank overdrafts		**(13.8)**	(14.8)	(30.9)
		60.0	58.2	40.3

A reconciliation of the cash flows above to the movements in net debt is shown in note 6.

Notes to the Interim Financial Statement

1. a. General information

The Company is a public limited company (Plc) incorporated and domiciled in the UK. The address of its registered office is Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA. The Company is listed on the London Stock Exchange. This consolidated interim report was approved for issue on 24 July 2019. The financial information included in this interim financial report for the six months ended 30 June 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2018 is also unaudited. The comparative figures for the year ended 31 December 2018 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, did not contain an emphasis of matter paragraph and did not make a statement under section 498 of the Companies Act 2006. These Group condensed interim financial statements have been reviewed, not audited.

b. Basis of preparation

This consolidated interim financial report for the six months ended 30 June 2019 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 `Interim Financial Reporting' (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2018, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Going concern basis

After making enquiries, and having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

c. Accounting policies

(i) The Group adopted IFRS 16 'Leases' from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. It replaces IAS 17, under which lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 includes optional exemptions which can be applied for certain short-term and low value leases.

The net impact of the new standard on the Group's profit or financial gearing is not material. Accordingly, the Group has adopted the simplified approach permitted under IFRS 16 and has therefore not restated prior year comparators and no adjustment has been recognised in the opening balance of equity at the date of initial application. Right of use asset values were set equal to lease liabilities at the date of transition. The Group has adopted recognition exemptions for short-term and low value leases and has elected to apply the practical expedient available for all leases which end within 12 months of the date of transition (accounting for as short-term leases).

1c. Accounting policies continued

On initial application, the Group recorded right of use assets and lease liabilities with a value of £45.8m. This exceeded the £35.6m non-cancellable lease commitments reported as at 31 December 2018 under IAS 17 due to extension options reasonably certain to be exercised. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

The recognised right of use assets relate to the following types of assets:

	At 30 June 2019 £m	At 1 January 2019 £m
Land and buildings	**44.5**	43.1
Plant and equipment	**7.6**	2.7
Total right of use assets	**52.1**	45.8

(ii) Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's financial statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the Group's financial statements for the year ended 31 December 2019.

Leases

When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, more typically, the Group's incremental borrowing rate (when the implicit rate cannot be readily determined).

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or changes in the Group's assessment of whether a purchase, extension or termination option is reasonably certain to be exercised.

The Group adopts recognition exemptions for short-term (less than 12 months) and low value leases and elects not to separate lease components from any associated fixed non-lease components.

Other matters

For details on the principal risks and uncertainties facing the Group refer to note 9.
For information on related party transactions during the period refer to note 10.

2. Segmental information

The Group's sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis.

There are no significant seasonal variations which impact the split of revenue between the first and second half of the financial year.

Adjustments in the Group Income Statement of £4.4m (30 June 2018: £4.2m) relate to acquisition costs and amortisation of intangible assets arising on acquisition. The adjustments relate to our segments as follows: Personal Care £0.3m (30 June 2018: £0.7m), Life Sciences £3.3m (30 June 2018: £2.5m), Performance Technologies £0.8m (30 June 2018: £1.0m) and Industrial Chemicals £Nil (30 June 2018: £Nil).

	2019 First half £m	2018 First half £m	2018 Full year £m
Revenue			
Personal Care	**246.8**	247.7	487.8
Life Sciences	**184.3**	158.6	324.5
Performance Technologies	**226.8**	235.9	456.4
Core Business	**657.9**	642.2	1,268.7
Industrial Chemicals	**56.8**	60.6	118.2
	714.7	702.8	1,386.9
Adjusted operating profit			
Personal Care	**82.1**	84.4	160.3
Life Sciences	**56.4**	47.4	95.8
Performance Technologies	**40.8**	45.6	85.2
Core Business	**179.3**	177.4	341.3
Industrial Chemicals	**0.1**	1.1	1.2
	179.4	178.5	342.5
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	**(4.4)**	(4.2)	(13.7)
Total Group operating profit	**175.0**	174.3	328.8

2. Segmental information continued

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group's Executive Committee.

	Europe £m	North America £m	Latin America £m	Asia £m	Reported Total £m
Revenue					
First half 2019					
Personal Care	**88.2**	**71.2**	**29.9**	**57.5**	**246.8**
Life Sciences	**75.2**	**50.0**	**32.9**	**26.2**	**184.3**
Performance Technologies	**110.5**	**57.7**	**14.0**	**44.6**	**226.8**
Core Business	**273.9**	**178.9**	**76.8**	**128.3**	**657.9**
Industrial Chemicals	**28.1**	**6.8**	**0.9**	**21.0**	**56.8**
	302.0	**185.7**	**77.7**	**149.3**	**714.7**
Revenue					
First half 2018					
Personal Care	86.4	72.5	27.5	61.3	247.7
Life Sciences	64.9	48.6	21.0	24.1	158.6
Performance Technologies	118.0	63.6	14.1	40.2	235.9
Core Business	269.3	184.7	62.6	125.6	642.2
Industrial Chemicals	32.0	5.2	1.5	21.9	60.6
	301.3	189.9	64.1	147.5	702.8

3. Net financial costs

	2019 First half £m	2018 First half £m	2018 Full year £m
Financial costs			
Bank interest payable	**(8.6)**	(7.1)	(14.8)
Capitalised interest	-	3.2	3.3
Lease interest	**(0.4)**	-	-
Net interest on retirement benefit liabilities	**(0.1)**	(0.3)	(0.6)
	(9.1)	(4.2)	(12.1)
Financial income			
Bank interest receivable and similar income	**0.3**	0.7	1.1
Net financial costs	**(8.8)**	(3.5)	(11.0)

4. Dividends paid

	Pence per share	2019 First half £m	2018 First half £m	2018 Full year £m
Ordinary				
2017 Final – paid May 2018	46.00	**-**	60.5	60.4
2018 Interim – paid October 2018	38.00	**-**	-	50.0
2018 Final – paid May 2019	49.00	**64.6**	-	-
2018 Special – paid May 2019	115.00	**151.5**	-	-
		216.1	60.5	110.4
Preference (paid June and December)		**0.0**	0.0	0.1
		216.1	60.5	110.5

An interim dividend in respect of 2019 of 39.5p per share, amounting to a total dividend of £50.8m, was declared by the Directors at their meeting on 23 July 2019. This interim report does not reflect the 2019 interim dividend payable. The dividend will be paid on 2 October 2019 to shareholders registered on 23 August 2019.

5. Property, plant and equipment

	2019 First half £m	2018 First half £m	2018 Full year £m
Opening net book amount	**780.3**	684.0	684.0
Exchange differences	**(2.0)**	6.2	26.2
Additions	**42.7**	57.2	103.5
Acquisitions	**-**	0.5	15.4
Disposals, write offs and reclassifications	**(4.7)**	(0.2)	(0.7)
Depreciation charge for period	**(25.2)**	(23.6)	(48.1)
Closing net book amount	**791.1**	724.1	780.3

Reclassifications in the period primarily relate to long-term lease assets reclassified from Property, plant and equipment to Right of use assets.

At 30 June 2019 the Group had contracted capital expenditure commitments of £31.7m (30 June 2018: £26.4m).

6. Reconciliation to net debt

	2019 First half £m	2018 First half £m	2018 Full year £m
Net movement in cash and cash equivalents	**21.1**	2.6	(18.5)
Net movement in borrowings and other financial liabilities	**(147.0)**	(11.5)	(14.7)
Change in net debt from cash flows	**(125.9)**	(8.9)	(33.2)
Non-cash movement in lease liabilities	**(52.0)**	(0.5)	(0.7)
Exchange differences	**(0.3)**	(2.2)	(10.1)
	(178.2)	(11.6)	(44.0)
Net debt brought forward	**(425.5)**	(381.5)	(381.5)
Net debt carried forward	**(603.7)**	(393.1)	(425.5)

7. Accounting estimates and judgements

The Group's significant accounting policies under IFRS have been established by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period.

The critical accounting judgements required when preparing the Group's accounts are as follows:

Provisions

The Group has recognised potential environmental liabilities and other provisions. The Group's assessment of whether constructive or legal obligation has arisen from a past event (and can be measured reliably) is a key judgement in determining the appropriate accounting treatment.

At 30 June 2019, the Group has an environmental provision of £9.4m (31 December 2018: £9.9m) in respect of soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors expect that the balance will be utilised within ten years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure.

The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

The critical accounting estimates and assumptions required when preparing the Group's accounts are as follows:

Post-retirement benefits

The Group's principal retirement benefit schemes are of the defined benefit type. Recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be prudent and in line with consensus opinion.

7. Accounting estimates and judgements continued

The Group's net retirement benefit liabilities have increased by £37.2m in the first half of 2019 to £55.7m. This movement comprises £1.5m of service costs in excess of contributions, £0.1m of net financial costs and £36.0m due to changes in actuarial assumptions and the market value of assets, offset by a currency translation gain of £0.4m.

Taxation

The Group is subject to corporate income taxes in numerous jurisdictions. Significant judgement is often required in determining the worldwide expense and liability for such taxes, including consideration of the potential impact of transfer pricing. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Goodwill and fair value of assets acquired

Management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying Cash Generating Units ('CGUs'). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU. Critical assumptions include the rate of growth in EBITDA and the selection of appropriate discount rates.

Recoverable amounts currently exceed carrying values including goodwill. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above.

8. Contingent liabilities

The Group is subject to various claims which arise in the course of business. These contingent liabilities are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group.

The Group is also involved in certain environmental legal actions and proceedings. Whilst the Group cannot predict the outcome of any current or future actions or proceedings with any certainty, it currently believes the likelihood of any material liabilities to be low, and that the liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows. The Group also considers it has insurance in place in relation to any significant contingent liabilities. The environmental actions and proceedings the Group is subject to relate to a discontinued business in the USA and are a matter of public record.

9. Principal risks and uncertainties

Financial risk factors

The Group's activities expose it to a variety of financial risks; currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all sectors and regional operating units to enable prompt identification of financial risks so that appropriate action may be taken. In the management definition of capital the Group includes ordinary and preference share capital and net debt.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements for the year ended 31 December 2018. There have been no changes in the Group's risk management processes or policies since the year end.

Financial instruments

Financial instruments measured at fair value use the following hierarchy;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classed as level 2 with the exception of other investments and finance lease obligations, which are classed as level 3.

Fair values

For financial instruments with a remaining life of greater than one-year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short-term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

Prior to 2016, the Group did not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differed from book value was the US$100m fixed rate ten year bond that was issued in 2010. On the 27 June 2016, the Group issued £100m and €100m of fixed rate bonds. On the 6 June 2019, the Group issued a further £65m, €50m and $60m of fixed rate bonds.

9. Principal risks and uncertainties continued

The book value and fair values of these bonds can be found in the table below.

	Book Value First half 2019 £m	**Fair value First half 2019 £m**	Book Value Full year 2018 £m	Fair value Full year 2018 £m
US$100m fixed rate 10 year bond	**78.6**	**79.3**	78.8	76.5
€30m fixed rate 7 year bond	**26.8**	**27.8**	27.1	27.7
€70m fixed rate 10 year bond	**62.6**	**67.1**	63.1	65.3
£30m fixed rate 7 year bond	**30.0**	**30.6**	30.0	30.4
£70m fixed rate 10 year bond	**70.0**	**73.1**	70.0	71.4
€50m fixed rate 8 year bond	**44.7**	**47.1**	-	-
£65m fixed rate 8 year bond	**65.0**	**66.2**	-	-
$60m fixed rate 10 year bond	**47.1**	**48.9**	-	-

10. Related party transactions

The Group has not entered into any related party transactions in the first six months of the year, except for Directors' and key management compensation.