Press Release

CRODA

25 July 2018

Results for the six months ended 30 June 2018

Growth strategy delivering – sales momentum in Core Business

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 2018.

Reported results

Reported results (IFRS)		**Half year ended 30 June**		
		2018	**2017**	**% change**
Sales	£million	702.8	707.3	(0.6)%
Operating profit	£million	174.3	174.1	+0.1%
Profit before tax	£million	170.8	168.0	+1.7%
Basic earnings per share (EPS)	Pence	97.5	92.4	+5.5%
Ordinary dividend per share	Pence	38.0	35.0	+8.6%

- Sales 0.6% lower at reported currency, after adverse impact of stronger Sterling on translation of 4.1%
- Profit before tax up 1.7% at reported currency, after adverse 4.6% impact from currency translation
- Basic earnings per share (EPS) up 5.5% at reported currency, including benefit of lower tax rate in US
- Interim dividend increased by 8.6% to 38.0 pence

Adjusted[1] results

Adjusted results		**Half year ended 30 June**			
		2018	**2017**	**% change**	**% change constant rate[2]**
Sales	£million	702.8	707.3	(0.6)%	+3.6%
Operating profit	£million	178.5	175.8	+1.5%	+6.0%
Profit before tax	£million	175.0	169.7	+3.1%	+7.7%
Basic EPS	pence	100.2	93.4	+7.3%	+12.0%
Return on sales	%	25.4%	24.9%	+0.5%pts	n/a
Free cash flow	£million	62.7	40.5	+54.8%	n/a

[1]Adjusted results are stated before exceptional items, acquisition costs and amortization of intangible assets arising on acquisition, and tax thereon, as set out in note 1 below
[2]Constant currency results reflect current year performance translated at the prior year's average exchange rate, as set out in note 2 below

- **Growing the Core**
    - Record profit - profit before tax up 7.7% and basic EPS up 12.0%, at constant currency[2]
    - Robust top line momentum - Core Business sales up 4.7% at constant currency, demonstrating healthy demand in all three businesses
    - Further improvement in profitability - return on sales up 50 basis points to 25.4%
    - Stronger free cash generation – over 50% increase in free cash flow, driven by end of capital investment ramp and lower tax
- **Stretching the Growth**
    - Continued investment: two technology acquisitions completed during the period, supporting strategy to accelerate top-line growth through disruptive technologies, new market adjacencies and smart R&D
    - Innovation in new products: increased sales of New and Protected Products (NPP) in Personal Care and through technology acquisitions, offset by impact of product exits in Life Sciences and Performance Technologies. NPP sales increased to 27.7% (2017: 27.5%)

Sector results (adjusted basis)

- **Three strong businesses**
  - Excellent sales growth in **Personal Care**, up 9.3% at constant currency. Operating profit growth of 6.1% at constant currency
  - Resilient **Life Sciences** performance despite headwinds, with sales up 2.3% (+7.4% excluding impact of API contract withdrawal) and operating profit up 1.8%, at constant currency
  - Impressive profit growth in **Performance Technologies**, with operating profit 15.2% higher on sales up 1.7%, at constant currency. With its transition to higher value add products, the sector is on target to achieve its medium term return on sales target of 20%.

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

"This is a strong first half performance. We are delivering our strategy of 'Growing the Core', driving top line organic growth at industry leading margins to achieve superior returns. Alongside this, we are 'Stretching the Growth', accelerating delivery across our markets by investing in disruptive technologies and exciting new growth opportunities. We have encouraging momentum in our consumer businesses and Performance Technologies has delivered double digit percentage profit growth for the third successive year, strong progress that is supported by improving cash generation, underpinning confidence for the full year."

Further information

A presentation for investors and analysts will be held at 0930 BST on 25 July 2018 at Farmers & Fletchers In the City, 3 Cloth Street, London EC1A 7LD. The presentation will be webcast on www.croda.com

Notes

[1]Adjusted results are stated before exceptional items (including discontinued business costs), 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.

[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.

Non-statutory terms are defined in the 'Alternative Performance Measures' section of the Finance Review. The Core Business comprises Personal Care, Life Sciences and Performance Technologies.

Sector financial summary

Sales		Half year ended 30 June			
		2018	**2017**	**% change**	**% change constant rate**
Personal Care	£m	247.7	238.3	+3.9%	+9.3%
Life Sciences	£m	158.6	162.4	(2.3)%	+2.3%
Performance Technologies	£m	235.9	239.9	(1.7)%	+1.7%
Core Business	**£m**	**642.2**	**640.6**	**+0.2%**	**+4.7%**
Industrial Chemicals	£m	60.6	66.7	(9.1)%	(7.0)%
Group	**£m**	**702.8**	**707.3**	**(0.6)%**	**+3.6%**

Adjusted operating profit		Half year ended 30 June			
		2018	**2017**	**% change**	**% change constant rate**
Personal Care	£m	84.4	82.6	+2.2%	+6.1%
Life Sciences	£m	47.4	49.3	(3.9)%	+1.8%
Performance Technologies	£m	45.6	40.9	+11.5%	+15.2%
Core Business	**£m**	**177.4**	**172.8**	**+2.7%**	**+7.0%**
Industrial Chemicals	£m	1.1	3.0	(63.3)%	(50.0)%
Adjusted operating profit	**£m**	**178.5**	**175.8**	**+1.5%**	**+6.0%**
Interest	£m	(3.5)	(6.1)	(42.6)%	(41.0)%
Adjusted profit before tax	**£m**	**175.0**	**169.7**	**+3.1%**	**+7.7%**

GROUP PERFORMANCE REVIEW

Results are stated in adjusted[1] terms and growth at constant currency[2] rates unless otherwise stated. Alternative performance measures are defined in the Finance Review.

Growth strategy delivering

The first half of 2018 has seen strong progress delivering our organic growth strategy – we call it ‘Growing the Core’. We are driving top line organic growth at industry leading margins to achieve superior returns for shareholders. We have built on our exceptional market positions, leading technologies and focused innovation to drive profit growth and improve cash generation. We have continued to invest in new market opportunities and technologies to support future growth. As a result, in our Core Business we are delivering robust sales growth, strong profit growth and improved returns.

The top-line momentum seen in 2017 has continued through the first half of 2018. Sales in the Core Business increased 4.7%, reflecting volume growth across the Group’s consumer businesses. Personal Care was the standout performer, with the Crop Care business in Life Sciences also growing well. Performance Technologies reduced sales volume in lower margin products as it continued to transition to stronger returns.

Profit grew faster than sales, in line with our ‘value over volume’ philosophy. Operating profit increased by 6.0% and return on sales increased by 50 basis points to 25.4% (2017: 24.9%). Profit before tax increased by 7.7% to £175.0m. Basic earnings per share (EPS) grew by 12.0%, benefitting from a lower tax rate.

Solid progress in reported results (IFRS)

The strengthening of Sterling adversely impacted sales and profit on a reported currency basis. Although sales at reported rates reduced slightly to £702.8m (2017: £707.3m), profit before tax on an IFRS basis increased by 1.7% to £170.8m (2017: £168.0m) and IFRS basic EPS increased by 5.5% to 97.5p (2017: 92.4p). With free cash generation improving, as we complete our recent capital investment ramp, the interim ordinary dividend has been increased by 8.6% to 38.0p (2017: 35.0p).

Growing the Core

We continue to deliver year on year progress. This is centred on delivering our strategy to connect to faster growth markets through two areas – ‘Growing the Core’ and ‘Stretching the Growth’.

‘Growing the Core’ focuses 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 29 manufacturing plants and sales operations in 37 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. This model drives profit growth ahead of sales growth ahead of volume growth.

Stretching the Growth

'Stretching the Growth' focuses on accelerating sales in our core markets; creating more technology, NPP and intellectual property; and taking a disciplined approach to capital allocation. The result is investment in high return opportunities and robust cash conversion to create capital return optionality, all driving superior shareholder returns.

In the first half year we achieved good progress in delivering this strategy. After some delays, we are approaching the end of the commissioning phase for our major capital investment in North America, which will introduce sustainable bio-surfactants to our markets. We continue to invest in disruptive technologies in core markets and exciting market adjacencies. We completed the acquisition of Nautilus, a marine biotechnology company which has potential applications in Personal Care Beauty Actives and other markets. In Life Sciences, we added a biostimulants business, Plant Impact, a complementary technology to our existing Crop Care business. Our open innovation programme, working with university and small enterprise partners, continues to supplement our in-house R&D investment. This included the launch of Poretect by Sederma with a Canadian partner and Atplus DRT-6000, developed in conjunction with the University of Nebraska, for spray drift control in Crop Care. We increased the number of innovation centres, opening a Beijing Crop Care lab and Singapore tribology lab for Performance Technologies, enabling us to work closer still with local customers to meet consumer needs. Our smart partnering initiative saw the launch in May of an exciting range of innovative special effect pigments for the premium colour cosmetics market.

This strategy is delivering. In the first half of the year, we delivered growth in profit before tax of 7.7%, ahead of sales growth of 3.6%, with a significant improvement in our product mix. Group NPP sales increased to 27.7% (2017: 27.5%), with strong growth in Personal Care. Customer reformulation led to reduced NPP sales in Life Sciences, whilst NPP was flat in Performance Technologies.

Three strong legs of growth

We have three strong legs of growth in our Core Business. Personal Care achieved an excellent performance, with sales up 9.3%. There was growth in all business segments and in all customer groups, with improved demand from multinationals, and with 'Indie' and local customers continuing to perform well. Return on sales remains industry-leading at 34.1% (2017: 34.7%), despite the impact of mix and transactional currency headwinds on European sales into US dollar denominated markets.

Performance in Life Sciences was resilient. Sales rose 2.3% and operating profit 1.8%, with strong growth in Crop Protection and Seed Enhancement, together with encouraging progress in high purity excipients in Health Care. These more than offset the headwinds – an adverse impact from the Active Pharmaceutical Ingredient (API) contract we exited in 2017, together with an initial loss following the acquisition of Plant Impact, an exciting entry into the biostimulants market. Excluding the API exit, sales in Life Sciences rose by 7.4%.

Performance Technologies continued its transition to a more profitable product portfolio. It progressed towards its medium-term return on sales target of 20%, significantly reducing volume of low value-add products and improving pricing and product mix. Sales rose by 1.7% and profit by 15.2%, demonstrating the success of this strategy.

Robust growth across all regions

We saw good organic sales growth in our Core Business across all geographic regions. Sales in North America rose 5%, with an excellent performance in Personal Care. In Asia, sales were 6% ahead, with increased proximity to local and regional customers, and China and Japan particularly strong. The market in Europe was solid with sales up 4%, including successful integration of our 2017 acquisition of IonPhasE and good growth in newer geographic markets in Eastern Europe, Middle East and Africa. Latin America continued to recover, with sales growing 5%, despite a difficult macroeconomic environment, benefitting from recent investment to expand production capacity in Brazil to meet local customer needs.

Robust financial platform and reducing capital investment

Our balance sheet is robust, giving flexibility for organic investment, acquisitions and returns to shareholders. As we reach the end of a period of significant capital expenditure, with the commissioning of our industry-leading bio-surfactant plant in North America, our free cash flow improved in the first half year to £62.7m (2017: £40.5m). We continue to invest in technology acquisitions, to further enhance innovation and supplement our in-house R&D capabilities, spending over £150m in the last three years. Our leverage (the ratio of net debt to EBITDA) remains prudent at 1.0 times (2017: 1.0x).

Outlook affirmed

We are delivering our strategy of 'Growing the Core', driving top line organic growth at industry leading margins to achieve superior returns. Alongside this, we are 'Stretching the Growth', accelerating delivery across our markets by investing in disruptive technologies and exciting new growth opportunities. We have encouraging momentum in our consumer businesses and Performance Technologies has delivered double digit percentage profit growth for the third successive year, strong progress that is supported by improving cash generation, underpinning confidence for the full year.

SECTOR PERFORMANCE REVIEW

Excellent sales growth in Personal Care

Personal Care delivered an excellent performance in the first half of the year. Sales grew by 9.3% and adjusted operating profit by 6.1% in constant currency. Demand was strong across all three business units and in all customer groups. Growth was driven equally by volume increase and better price/mix, the latter reflecting raw material price recovery and richer innovation sales. NPP exceeded 42% of total sector sales (2017: 40%), with future innovation set to benefit from recent acquisitions and technology investments, including Enza and Cutitronics.

In reported currency, sales increased to £247.7m (2017: £238.3m) and adjusted operating profit increased to £84.4m (2017: £82.6m). Return on sales declined slightly to 34.1% (2017: 34.7%), due to the impact of mix and transactional currency impact of stronger Euro and Sterling on our Europe-manufactured sales into US dollar denominated markets.

Beauty Actives saw sales rise double digit percentage, benefitting from capacity expansion at Sederma commissioned during the first half of the year. Our innovative plant extract range of botanical ingredients from Crodarom included the launch of 'Green Caviar', a sustainable skin hydration ingredient produced from algae. The trend towards more sustainable and ethical sourcing of ingredients supported growth of plant cell products from IRB by Sederma. Opportunities are being developed through our newly acquired marine biotechnology company, Nautilus, which sustainably uses microbial biodiversity to create novel actives and ingredients.

Beauty Effects is a new, high return business, similar to Beauty Actives, focused on the creation of ingredients for instant impact and skin effects, particularly popular with the Millennial Generation of customers. Sales of the Solaveil™ solar protection range grew, including the launch of Solaveil™ XT-200, an inorganic UV active and a better performing, sustainable alternative to organic UV filters. Our smart partnership with pigments innovator Glassflake developed and launched a range of Moonshine™ ingredients, a new offering in colour cosmetics, in less than 12 months.

Beauty Formulation continued to improve sales momentum. A commercially sharper approach, together with improved engagement with multinational customers, has seen the successful development and differentiation of our heritage ingredients portfolio, with Croda ingredients being formulated into several major relaunches. New ingredient launches included Cropure™ Mango Butter, an excellent natural moisturiser extracted from mango seed, and Cithrol™ PGTL, a 100% bio-based, efficient and versatile water in oil emulsifier which allows our customers to formulate creams with excellent sensory performance. Local customers continue to grow, as we identify and leverage exciting trends in the industry, such as Japanese and Korean beauty. Our digital programme is developing tools to meet the needs of a growing number of agile 'Indie' brands.

Resilient performance in Life Sciences

Life Sciences delivered a resilient performance, with strong growth in the mainstream business offsetting headwinds from the 2017 exit of the North American API contract and added costs from acquisition. Sales grew by 2.3% and adjusted operating profit by 1.8% in constant currency. Adjusted for the API exit, sales were 7.4% higher. Demand was robust across Crop Protection, Seed Enhancement and Health Care excipients, growing volume by 3% overall. NPP reduced due to customer reformulation but the innovation pipeline is robust, as we become a more technology focused strategic supplier to our customers.

In reported currency, sales reduced to £158.6m (2017: £162.4m) and adjusted operating profit was £47.4m (2017: £49.3m), reflecting the adverse impact of APIs and acquisition. Return on sales was only marginally lower at 29.9% (2017: 30.4%), despite an operating loss at Plant Impact due to it having only early stage sales.

Sales volume grew in Crop Care, driven by investment in innovation, faster growth markets and expanding collaboration with crop science customers, both multinational and local. In Seed Enhancement, Incotec is focused on growth, benefitting from recent investment in better innovation, and is on track to achieve our 20% return on sales objective within three years of acquisition. Sales have been driven by industry-leading positions in priming and film coating, including Disco® AG Clear L-650, a new field crop encrustment product developed for the US corn market. Investment in manufacturing, together with a new technical laboratory, have positioned Incotec for faster growth in this key region.

We opened a new Crop Protection and Seed Enhancement laboratory in China, a territory with excellent growth opportunities. Globally, Crop Protection delivered excellent sales growth and good margin improvement. It benefitted from expansion of local manufacture in Brazil, providing opportunities to grow with multinational customers and adding innovative offerings for local customers. These technologies help customers deliver more complex, efficient and safer formulations that minimise the impact on the environment.

The acquisition of Plant Impact added a new leg to Crop Care. It introduces exciting opportunities in biostimulants, a new market adjacency for Croda. Reflecting its pre-acquisition performance, we anticipate a limited operating loss for Plant Impact in 2018 whilst sales are developed.

Health Care saw good excipient sales growth, helping offset the API exit. New product launches included Crodamol™ GMCC, an excipient used in nutritional and pharmaceutical applications, and Crodamol™ CCC, specifically created for use in pharmaceutical skin care preparations. We are investing £27m in North America to expand manufacturing of high purity excipients. Demand for complex drug delivery systems continues to grow rapidly, supported by a rich customer innovation pipeline. Asia is a region where, historically, we have been underweight. We are driving growth as we expand our regional presence. Our programme to create Chinese monograph compliant products and support the local registration of high purity systems is making good progress.

Impressive profit growth in Performance Technologies

Performance Technologies made further progress as part of its transition to a higher value business. Sales grew by only 1.7% but adjusted operating profit growth was impressive, up 15.2% in constant currency. Volume declined significantly, 9% lower, whilst price/mix improved by 11%, as low margin business was shed, improving mix, and price increases recovered raw material inflation. NPP remained flat.

At reported currency, sales declined slightly to £235.9m (2017: £239.9m) while adjusted operating profit increased to £45.6m (2017: £40.9m), the third consecutive year of double digit percentage profit growth. Return on sales increased strongly, up 230 basis points to 19.3% (2017: 17.0%), on target to achieve our medium term return on sales target for the sector of 20%.

Performance Technologies continues to drive ‘value over volume’. Profitability has continued to improve in the strategic growth businesses of Smart Materials and Energy Technologies, supported by the recent acquisition of IonPhasE. Technology change will make these Performance Technologies markets increasingly attractive for Croda, supported by customers increasingly looking to improve their sustainability profile using Croda ingredients. As part of our ‘Stretching the Growth’ strategy, we are improving knowledge intensity, strengthening expertise in sales, marketing and technical resources, whilst reducing the capital we deploy in asset intensity. In addition, we have improved testing capability, to generate better application data and support new novel niches. In digital, we are running e-commerce trials to expand our customer reach. We continue to broaden our customer base beyond its traditional European heartland, into North America and Asia, with the opening of a new laboratory in Singapore during the first half year.

In Smart Materials, IonPhasE has made a positive start since its acquisition in December 2017. There was good sales growth in the first half year, distribution arrangements have been exited and sales transitioned to Croda’s global sales teams, and new opportunities developed by adding this new technology to our existing product portfolio. A £27m investment to expand polymer additive manufacturing capacity in the UK is on track.

Energy Technologies has a developing pipeline of innovative flow assurance products. In the marine market, demand for environmentally friendly lubricants continued to grow, with additional opportunities in renewable energy markets.

Home Care and Water Treatment reduced low margin sales to the oil and gas markets, compared to a strong prior year comparator. We continued to selectively develop our presence in Home Care; commissioning of the North American plant will see the launch of our ‘Eco’ range of biosurfactants.

Continued portfolio refinement 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 7.0%, equally split between lower volume and reduced commodity prices, with market conditions in China remaining weak. In reported currency, sales declined to £60.6m (2017: £66.7m) and adjusted operating profit decreased to £1.1m (2017: £3.0m).

FINANCE REVIEW

Currency

Currency translation adversely impacted both reported sales and profit in the first half year as Sterling strengthened, particularly against the US dollar. Sterling averaged US$1.375 (2017: US$1.260) and €1.137 (2017: €1.162). Currency translation reduced sales compared to 2017 by £29.7m and adjusted profit before tax by £7.8m.

Sales

Sales in reported currency declined by 0.6% to £702.8m (2017: £707.3m). In constant currency, sales increased by 3.6%. The acquisitions of IonPhasE and Plant Impact added £5.3m.

Sales	£m	%
2017 reported	707.3	-
Underlying growth	19.9	2.8
Impact of acquisitions	5.3	0.8
2018 at constant currency	732.5	3.6
Impact of currency translation	(29.7)	(4.2)
2018 reported	702.8	(0.6)

In the Core Business, constant currency sales increased by 4.7%, with lower sales volume, down 4%, more than offset by increased sales price/mix, up 9%, reflecting the impact of improved product mix, innovation and some limited raw material price recovery.

Sales in constant currency	% growth
Personal Care	9.3
Life Sciences	2.3
Performance Technologies	1.7
Core Business	4.7
Industrial Chemicals	(7.0)
Group	3.6

Adjusted profit

Adjusted operating profit increased to £178.5m (2017: £175.8m), a 6.0% increase in constant currency.

Adjusted operating profit	£m	%
2017 reported	175.8	-
Underlying growth	13.0	7.4
Impact of acquisitions	(2.4)	(1.4)
2018 at constant currency	186.4	6.0
Impact of currency translation	(7.9)	(4.5)
2018 reported	178.5	1.5

This growth in adjusted operating profit in constant currency was delivered through profit improvement across all Core Business sectors. Return on sales increased by 50 basis points to 25.4% (2017: 24.9%).

	Half year 2018		Half year 2017
Adjusted operating profit	Reported rates £m	Constant rates £m	Reported rates £m
Personal Care	84.4	87.6	82.6
Life Sciences	47.4	50.2	49.3
Performance Technologies	45.6	47.1	40.9
Core Business	177.4	184.9	172.8
Industrial Chemicals	1.1	1.5	3.0
Group	178.5	186.4	175.8

The net interest charge decreased to £3.5m (2017: £6.1m) at reported rates, with an increase in capitalised interest on the construction of the North American bio-surfactant plant and a reduction in interest on pensions. Adjusted profit before tax increased to £175.0m (2017: £169.7m*).*

	Half year (reported rates)	
Summary income statement	2018 £m	2017 £m
Sales	702.8	707.3
Operating costs	(524.3)	(531.5)
Adjusted operating profit	178.5	175.8
Net interest charge	(3.5)	(6.1)
Adjusted profit before tax	175.0	169.7

The effective tax rate on this profit reduced to 24.8% (2017: 27.7%), reflecting a lower US Federal rate of 21.0% (2017: 35.0%). There were no other significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Adjusted profit after tax for the half year was £131.6m (2017: £122.7m) and adjusted basic EPS increased to 100.2p (2017: 93.4p).

IFRS profit

Adjusted profit is stated before exceptional items (including discontinued business costs), 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.

The charge before tax for exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition was £4.2m (2017: £1.7m). This increase is due to £1.2m of acquisition expenses and £1.3m amortisation relating to recently acquired businesses. After deducting this charge, the profit before tax on an IFRS basis was £170.8m (2017: £168.0m). The profit after tax on an IFRS basis was £128.0m (2017: £121.4m) and basic EPS were 97.5p (2017: 92.4p).

	Half year ended 30 June	
Income statement	**2018 £m**	**2017 £m**
Adjusted profit before tax	175.0	169.7
Exceptional items, acquisition costs & intangibles	(4.2)	(1.7)
Profit before tax (IFRS)	170.8	168.0
Tax	(42.8)	(46.6)
Profit after tax (IFRS)	128.0	121.4

Cash management

Delivering good cash generation is core to Croda's strategy. This cash is used to invest in R&D, faster growth technologies, both organically and by acquisition, to expand production capacity and to pay increased dividends. EBITDA increased to £203.0m (2017: £200.4m). Net capital expenditure has begun to decline, as we approach the end of the commissioning of the North America bio-surfactants plant, to £54.8m (2017: £70.8m). Working capital increased by £57.9m, an increase of 11 days, reflecting higher inventories to support stronger sales growth, with this increase likely to reverse somewhat in the second half of the year. Free cash flow increased by more than 50% to £62.7m (2017: £40.5m).

	Half year ended 30 June	
Cash flow	**2018 £m**	**2017 £m**
Adjusted operating profit	178.5	175.8
Depreciation and amortisation	24.5	24.6
EBITDA	203.0	200.4
Working capital	(57.9)	(34.5)
Net capital expenditure	(54.8)	(70.8)
Non-cash pension expense	3.4	1.6
Interest & tax	(31.0)	(56.2)
Free cash flow	62.7	40.5
Dividends	(60.5)	(54.1)
Acquisitions	(15.5)	-
Other cash movements	4.4	4.2
Net cash flow	(8.9)	(9.4)

After currency translation, net debt increased slightly to £393.1m (2017: £367.6m). The leverage ratio (the ratio of net debt to EBITDA) remained at 1.0 times (2017: 1.0x) and remains substantially below the maximum covenant level under the Group's lending facilities of 3 times.

There were no material changes to committed debt facilities during the first half of the year. These facilities provide ample liquidity to meet the Group's immediate plans at a relatively low interest cost. At 30 June 2018 the Group had £407.6m (2017: £452.0m) of cash and undrawn committed credit facilities available.

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

1) **Reinvest for growth** – we reinvest in capital projects to grow sales, increase product innovation and expand in attractive geographic markets, delivering a superior ROIC. During the first half of 2018 capital investment was over twice depreciation, funding asset replacement and new investment in key technologies, all of which should support future ROIC;
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 8.6% to 38.0p (2017: 35.0p);
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 'bolt ons'. During the first half of 2018 we completed the acquisitions of Nautilus and Plant Impact; 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 to 1.5 times (excluding deficits on retirement benefit schemes), although we are prepared to move above this range if circumstances warrant and will consider further returns to shareholders in the event that leverage falls below the target range.

Retirement benefits
The post-tax deficit on retirement benefit plans at 30 June 2018, measured on an accounting valuation basis under IAS19, was broadly flat at £15.6m (31 December 2017: £21.1m). Cash funding of the various plans within the Group is driven by the schemes' ongoing actuarial valuation reviews. The latest valuation of the Group's largest pension scheme, the UK Croda Pension Scheme, as at 30 September 2017 showed a surplus on a Technical Provisions basis. As a result, no deficit funding payments are currently required.

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 the Finance Review;
- *Adjusted results*: these are stated before exceptional items (including discontinued business costs), 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;
- *Return on Invested Capital (ROIC)*: this is adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes;
- *Net debt*: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and obligations under finance leases;
- *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.

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 2017. 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 2018 were as follows:

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

A list of current Directors is maintained on the Croda website: www.croda.com

By order of the Board

Steve Foots
Group Chief Executive

Jez Maiden
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 2018 which comprises 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 2018 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

25 July 2018

Croda International Plc

Interim announcement of trading results for the six months ended 30 June 2018

Group condensed interim income statement

		First half 2018			First half 2017			Full year 2017		
		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	702.8	-	702.8	707.3	-	707.3	1,373.1	-	1,373.1
Cost of sales		(428.5)	-	(428.5)	(435.1)	-	(435.1)	(855.7)	-	(855.7)
Gross profit		274.3	-	274.3	272.2	-	272.2	517.4	-	517.4
Operating costs		(95.8)	(4.2)	(100.0)	(96.4)	(1.7)	(98.1)	(185.2)	(6.2)	(191.4)
Operating profit	2	178.5	(4.2)	174.3	175.8	(1.7)	174.1	332.2	(6.2)	326.0
Financial costs	3	(4.2)	-	(4.2)	(6.3)	-	(6.3)	(12.5)	-	(12.5)
Financial income	3	0.7	-	0.7	0.2	-	0.2	0.6	-	0.6
Profit before tax		175.0	(4.2)	170.8	169.7	(1.7)	168.0	320.3	(6.2)	314.1
Tax		(43.4)	0.6	(42.8)	(47.0)	0.4	(46.6)	(85.9)	8.5	(77.4)
Profit after tax for the period		131.6	(3.6)	128.0	122.7	(1.3)	121.4	234.4	2.3	236.7
Attributable to:										
Non-controlling interests				(0.1)			0.3			(0.3)
Owners of the parent				128.1			121.1			237.0
				128.0			121.4			236.7

[1] Adjustments = exceptional items (including discontinued business costs), 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 10.36p share						
Basic	100.2	97.5	93.4	92.4	179.0	180.8
Diluted	99.7	97.0	92.5	91.5	177.3	179.0
Ordinary dividends						
Interim		38.00		35.00		35.00
Final						41.25

Group condensed interim statement of comprehensive income and expense

	2018 **First half** **£m**	2017 First half £m	2017 Full year £m
Profit for the period	**128.0**	121.4	236.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	**11.5**	44.3	121.9
Tax on items that will not be reclassified	**(2.0)**	(9.2)	(23.8)
	9.5	35.1	98.1
Items that may be reclassified subsequently to profit or loss:			
Currency translation	**(1.5)**	(11.8)	(22.6)
Other comprehensive income for the period	**8.0**	23.3	75.5
Total comprehensive income for the period	**136.0**	144.7	312.2
Attributable to:			
Non-controlling interests	**-**	-	(0.6)
Owners of the parent	**136.0**	144.7	312.8
	136.0	144.7	312.2
Arising from:			
Continuing operations	**136.0**	144.7	313.9
Discontinued operations	**-**	-	(1.7)
	136.0	144.7	312.2

Group condensed interim balance sheet

	Note	**At 30 June 2018 £m**	At 31 December 2017 £m
Assets			
Non-current assets			
Intangible assets		**401.2**	386.3
Property, plant and equipment	5	**724.1**	684.0
Investments		**1.7**	2.2
Deferred tax assets		**35.1**	33.1
Retirement benefit assets		**28.5**	19.1
		1,190.6	1,124.7
Current assets			
Inventories		**281.9**	258.5
Trade and other receivables		**229.4**	202.2
Cash and cash equivalents		**73.0**	63.3
		584.3	524.0
Liabilities			
Current liabilities			
Trade and other payables		**(203.8)**	(201.4)
Borrowings and other financial liabilities		**(29.7)**	(18.4)
Provisions		**(4.2)**	(5.2)
Current tax liabilities		**(49.5)**	(45.9)
		(287.2)	(270.9)
Net current assets		**297.1**	253.1
Non-current liabilities			
Borrowings and other financial liabilities		**(436.4)**	(426.4)
Other payables		**(0.8)**	(1.1)
Retirement benefit liabilities		**(51.5)**	(49.6)
Provisions		**(7.6)**	(7.4)
Deferred tax liabilities		**(83.9)**	(63.4)
		(580.2)	(547.9)
Net assets		**907.5**	829.9
Equity attributable to owners of the parent		**899.9**	822.3
Non-controlling interests in equity		**7.6**	7.6
Total equity		**907.5**	829.9

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 2017	15.1	93.3	76.2	416.0	8.2	608.8
Profit for the period	-	-	-	121.1	0.3	121.4
Other comprehensive (expense)/income	-	-	(11.5)	35.1	(0.3)	23.3
Transactions with owners:						
Dividends on equity shares	-	-	-	(54.1)	-	(54.1)
Share-based payments	-	-	-	2.7	-	2.7
Transactions in own shares	-	-	-	(0.5)	-	(0.5)
Total transactions with owners	**-**	**-**	**-**	**(51.9)**	**-**	**(51.9)**
Total equity at 30 June 2017	**15.1**	**93.3**	**64.7**	**520.3**	**8.2**	**701.6**
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**

Other reserves comprise the Capital Redemption Reserve of £0.9m (30 June 2017: £0.9m) and the Translation Reserve of £51.4m (30 June 2017: £63.8m).

Group condensed interim statement of cash flows

	Note	**2018 First half £m**	2017 First half £m	2017 Full year £m
Cash flows from operating activities				
Continuing operations				
Operating profit		**174.3**	174.1	326.0
Adjustments for:				
Depreciation and amortisation		**27.4**	26.2	53.3
(Profit)/loss on disposal of property, plant and equipment		**(0.1)**	1.1	1.5
Changes in working capital		**(57.9)**	(34.5)	(33.3)
Non-cash pension expense		**3.4**	1.6	3.4
Share of loss of associate		**0.1**	-	0.1
Share based payments		**7.2**	5.9	9.2
Movement on provisions		**(0.4)**	(1.7)	(0.9)
Cash generated from operations		**154.0**	172.7	359.3
Interest paid		**(7.1)**	(6.7)	(13.9)
Tax paid		**(24.6)**	(49.7)	(82.9)
Net cash generated from operating activities		**122.3**	116.3	262.5
Cash flows from investing activities				
Acquisition of subsidiaries		**(15.5)**	-	(29.0)
Acquisition of associates		**-**	-	(1.4)
Purchase of property, plant and equipment		**(54.0)**	(70.1)	(155.8)
Purchase of intangible assets		**(1.1)**	(1.2)	(3.5)
Proceeds from sale of property, plant and equipment		**0.3**	0.5	2.1
Proceeds from sale of other investments		**0.4**	-	-
Cash paid against non-operating provisions		**(0.6)**	(0.5)	(2.5)
Interest received		**0.7**	0.2	0.6
Net cash used in investing activities		**(69.8)**	(71.1)	(189.5)
Cash flows from financing activities				
New borrowings		**70.5**	58.0	359.3
Repayment of borrowings		**(58.5)**	(67.1)	(331.8)
Transactions in own shares		**(0.9)**	(0.5)	0.7
Dividends paid to equity shareholders	4	**(60.5)**	(54.1)	(100.0)
Capital element of finance lease payments		**(0.5)**	(0.4)	(0.8)
Net cash used in financing activities		**(49.9)**	(64.1)	(72.6)
Net movement in cash and cash equivalents		**2.6**	(18.9)	0.4
Cash and cash equivalents brought forward		**54.9**	56.4	56.4
Exchange differences		**0.7**	0.3	(1.9)
Cash and cash equivalents carried forward		**58.2**	37.8	54.9
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**73.0**	61.6	63.3
Bank overdrafts		**(14.8)**	(23.8)	(8.4)
		58.2	37.8	54.9

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 25 July 2018. The financial information included in this interim financial report for the six months ended 30 June 2018 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 2017 is also unaudited. The comparative figures for the year ended 31 December 2017 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 2018 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 2017, 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 following standards have been adopted by the Group for the first time for the financial year commencing 1 January 2018:

IFRS 15 'Revenue from contracts' requires revenue to be recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. It replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The impact of the new standard on the Group's revenue and profit is not material. This reflects the relatively non-complex and largely standardised terms and conditions applicable to the Group's revenue contracts. Accordingly, the Group has not restated prior year comparators and no adjustment has been recognised in the opening balance of equity at the date of initial application.

IFRS 9 'Financial Instruments' replaced the classification and measurement models for financial instruments in IAS 39 with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Consistent with the non-complex nature of the Group's financial instruments, the impact of the new standard is not material and therefore the Group has not restated prior year comparators. The Group has amended its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected loss model (consistent with the simplified approach under IFRS 9).

1c. Accounting policies continued

(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 2017. The changes in accounting policies are also expected to be reflected in the Group's financial statements for the year ended 31 December 2018.

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes inter-company sales. The Group recognises revenue when it transfers control over a product or service to a customer.

Sale of goods

The principal activity from which the Group generates revenue is the supply of products to customers from its various manufacturing sites and warehouses, and in some limited instances from consignment inventory held on customer sites. Products are supplied under a variety of standard terms and conditions, and in each case, revenue is recognised when contractual performance obligations between the Group and the customer are satisfied. This will typically be on dispatch or delivery. When sales discount and rebate arrangements result in variable consideration, appropriate provisions are recognised as a deduction from revenue at the point of sale. The Group typically uses the expected value method for estimating variable consideration, reflecting that such contracts have similar characteristics and a range of possible outcomes.

Royalties, licenses and profit sharing arrangements

Revenues are recognised when performance obligations between the Group and the customer are satisfied in accordance with the substance of the underlying contract.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprises balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Tax policy

Taxes on income in interim periods are accrued using the tax rate that would be applicable to the expected total Group annual profit or loss.

(iii) The following new standard is effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the standard in preparing these interim consolidated financial statements:

IFRS 16 'Leases' will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The IASB has included an optional exemption for lessees for certain short term leases and leases of low value assets. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group will complete its IFRS 16 implementation work over the next six months, having already undertaken a significant review.

The new standard will result in most of the Group's current operating leases (as defined under IAS 17) being recognised on balance sheet. As at 31 December 2017, the Group had non-cancellable operating lease commitments of £30.7m.

1c. Accounting policies continued

However, the Group has not yet fully determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows, although the impact on the latter will not be material based on our detailed estimates. Some existing operating lease commitments are expected to be covered by the exemption for short term and low value leases, whilst other commitments under IAS 17 will be extended under the IFRS 16 definition of a lease term.

The Group does not intend to restate prior year comparators when the new standard is adopted, with lease asset values being set equal to lease liabilities at the date of transition in line with the 'simplified approach' under IFRS 16.

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 £4.2m (30 June 2017: £1.7m) relate to acquisition costs and amortisation of intangible assets arising on acquisition. The adjustments relate to our segments as follows: Personal Care £0.7m (30 June 2017: £0.2m), Life Sciences £2.5m (30 June 2017: £1.4m), Performance Technologies £1.0m (30 June 2017: £0.1m) and Industrial Chemicals £Nil (30 June 2017: £Nil).

2. Segmental information continued

	2018 First half £m	2017 First half £m	2017 Full year £m
Revenue			
Personal Care	**247.7**	238.3	466.6
Life Sciences	**158.6**	162.4	322.6
Performance Technologies	**235.9**	239.9	456.9
Industrial Chemicals	**60.6**	66.7	127.0
	702.8	707.3	1,373.1
Adjusted operating profit			
Personal Care	**84.4**	82.6	155.5
Life Sciences	**47.4**	49.3	97.0
Performance Technologies	**45.6**	40.9	75.4
Industrial Chemicals	**1.1**	3.0	4.3
	178.5	175.8	332.2
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	**(4.2)**	(1.7)	(6.2)
Total Group operating profit	**174.3**	174.1	326.0

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 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**
Industrial Chemicals	**32.0**	**5.2**	**1.5**	**21.9**	**60.6**
	301.3	**189.9**	**64.1**	**147.5**	**702.8**
Revenue					
First half 2017					
Personal Care	81.8	68.9	29.1	58.5	238.3
Life Sciences	62.3	55.9	20.1	24.1	162.4
Performance Technologies	113.5	67.1	16.2	43.1	239.9
Industrial Chemicals	32.3	7.5	2.1	24.8	66.7
	289.9	199.4	67.5	150.5	707.3

3. Net financial costs

	2018 First half £m	2017 First half £m	2017 Full year £m
Financial costs			
Bank interest payable	**(7.1)**	(6.7)	(13.9)
Capitalised interest	**3.2**	2.2	5.0
Net interest on retirement benefit liabilities	**(0.3)**	(1.8)	(3.6)
	(4.2)	(6.3)	(12.5)
Financial income			
Bank interest receivable and similar income	**0.7**	0.2	0.6
Net financial costs	**(3.5)**	(6.1)	(11.9)

4. Dividends paid

	Pence per share	2018 First half £m	2017 First half £m	2017 Full year £m
Ordinary				
2016 Final – paid June 2017	41.25	**-**	54.1	54.1
2017 Interim – paid October 2017	35.00	**-**	-	45.8
2017 Final – paid May 2018	46.00	**60.5**	-	-
		60.5	54.1	99.9
Preference (paid June and December)		**0.0**	0.0	0.1
		60.5	54.1	100.0

An interim dividend in respect of 2018 of 38.00p per share, amounting to a total dividend of £50.0m, was declared by the Directors at their meeting on 24 July 2018. This interim report does not reflect the 2018 interim dividend payable. The dividend will be paid on 3 October 2018 to shareholders registered on 24 August 2018.

5. Property, plant and equipment

	2018 First half £m	2017 First half £m	2017 Full year £m
Opening net book amount	**684.0**	598.1	598.1
Exchange differences	**6.2**	(14.8)	(26.9)
Additions	**57.2**	72.3	160.8
Acquisitions	**0.5**	-	3.0
Disposals and write offs	**(0.2)**	(1.8)	(3.1)
Depreciation charge for period	**(23.6)**	(23.6)	(47.9)
Closing net book amount	**724.1**	630.2	684.0

At 30 June 2018 the Group had contracted capital expenditure commitments of £26.4m (30 June 2017: £40.7m).

6. Reconciliation to net debt

	2018 First half £m	2017 First half £m	2017 Full year £m
Net movement in cash and cash equivalents	**2.6**	(18.9)	0.4
Movement in debt and lease financing	**(11.5)**	9.5	(26.7)
Change in net debt from cash flows	**(8.9)**	(9.4)	(26.3)
New finance lease contracts	**(0.5)**	(0.4)	(0.7)
Exchange differences	**(2.2)**	6.3	9.6
	(11.6)	(3.5)	(17.4)
Net debt brought forward	**(381.5)**	(364.1)	(364.1)
Net debt carried forward	**(393.1)**	(367.6)	(381.5)

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

Provisions

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

At 30 June 2018, the Group has an environmental provision of £9.8m (31 December 2017: £10.2m) 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 consider 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.

7. Accounting estimates and judgements continued

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.

Goodwill and fair value of assets acquired

The Group tests annually whether goodwill has suffered any impairment and the carrying value of goodwill in the Group balance sheet has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates and judgements, such as those around future trading and cash flows, however as recoverable amounts significantly exceed carrying values including goodwill, there is no impairment within a wide range of assumptions.

Retirement benefit liabilities

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. 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. The discount rate applied to the Group's UK scheme is based on Towers Watson's Rate: link model. Total Group retirement benefit liabilities have decreased by £7.5m in the first half of 2018 to £23.0m. This movement comprises £3.4m of service costs in excess of contributions, £0.3m of net financial costs and a £0.3m currency translation loss, offset by £11.5m due to changes in actuarial assumptions and the market value of assets.

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. 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.

8. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £90.4m (31 December 2017: £91.2m).

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 legal and environmental 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.

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 2017. There have been no changes in the Group's risk management processes or policies since the year end.

Financial instruments

IFRS 13 requires disclosure of the Group's financial instruments measured at fair value by level of 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 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 new fixed rate bonds. The book value and fair values of these bonds can be found in the table below.

	Book Value First half 2018 £m	**Fair value First half 2018 £m**	Book Value Full year 2017 £m	Fair value Full year 2017 £m
US$100m fixed rate 10 year bond	**75.8**	**77.1**	73.9	76.4
€30m fixed rate 7 year bond	**26.5**	**26.5**	26.6	27.0
€70m fixed rate 10 year bond	**61.9**	**63.7**	62.1	63.1
£30m fixed rate 7 year bond	**30.0**	**30.3**	30.0	30.5
£70m fixed rate 10 year bond	**70.0**	**70.8**	70.0	71.4

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.

11. Business combinations

On the 11 January 2018, the Group acquired Nautilus Biosciences Canada Inc for a total consideration, inclusive of net debt, of £5.6m. This marine biotechnology company that uses marine microbial biodiversity to discover novel actives and materials, innovative science that will be used in applications across all our market sectors.

On 27 March 2018, the Group acquired Plant Impact Plc for a total consideration, inclusive of net debt, of £9.3m. Plant Impact researches and develops crop enhancement chemistry to improve crop yield and quality. This acquisition represents an exciting opportunity in combination with the Group's existing Crop Protection and Seed Enhancement market sectors.