
Croda International Plc 2018 Half Year Results

July 2018

Cautionary statement and definitions

Cautionary statement

This review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Adjusted results

Unless otherwise stated, all performance data refers to 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.

Constant currency results

All data is at reported currency rates unless otherwise stated. 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 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.

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

Our Performance



Steve Fouts – Group Chief Executive

Innovation you can build on™

CRODA

Growth strategy delivering

- **Growing the Core**
 - Record profit
 - Robust top line momentum - all Core Business sectors and geographies
 - Further improvement in return on sales
- **Stretching the Growth**
 - Relentless innovation
 - Technology acquisitions
- Robust financial platform and stronger free cash flow generation
- Interim dividend increased by 8.6% to 38.0 pence

Growing the Core

Robust sales growth

Core Business

+4.7%

+3.6%

Group

Improved profitability

Return on sales

25.4%

+50 bps

Year on year change

Excellent EPS growth

Adjusted Basic EPS

100.2p

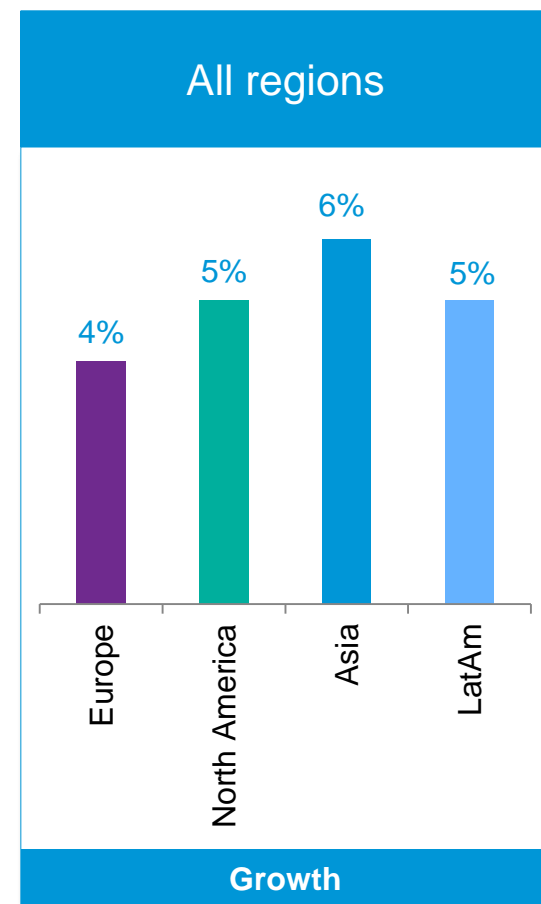
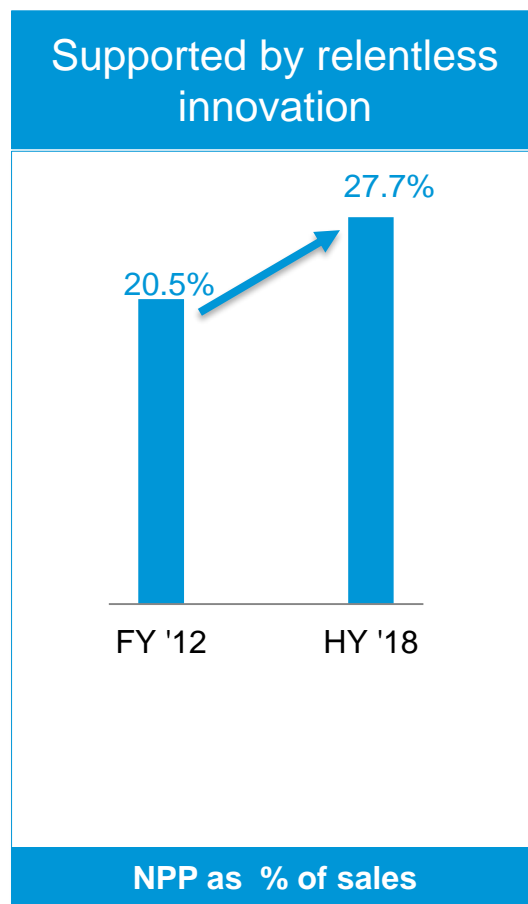
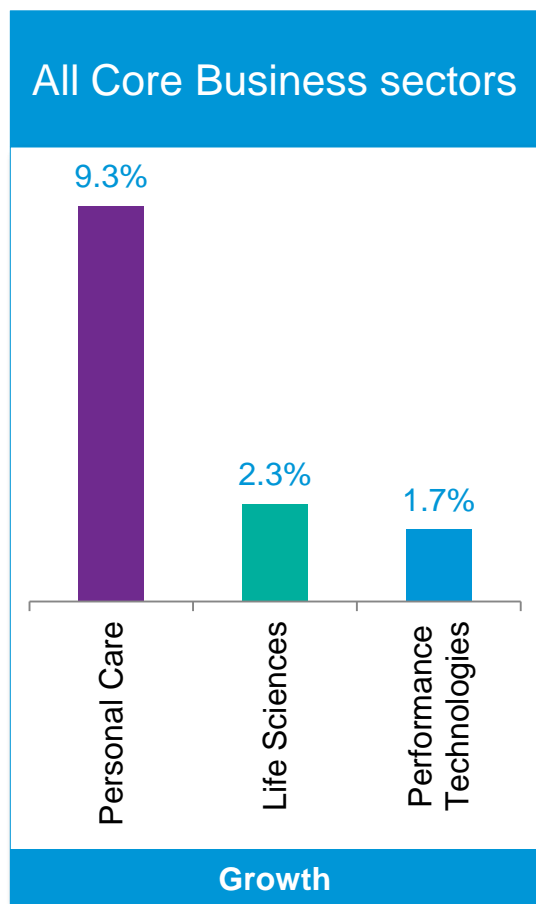
+12.0%

Growth

Performance reflects three strong businesses

Sales and EPS growth in constant currency

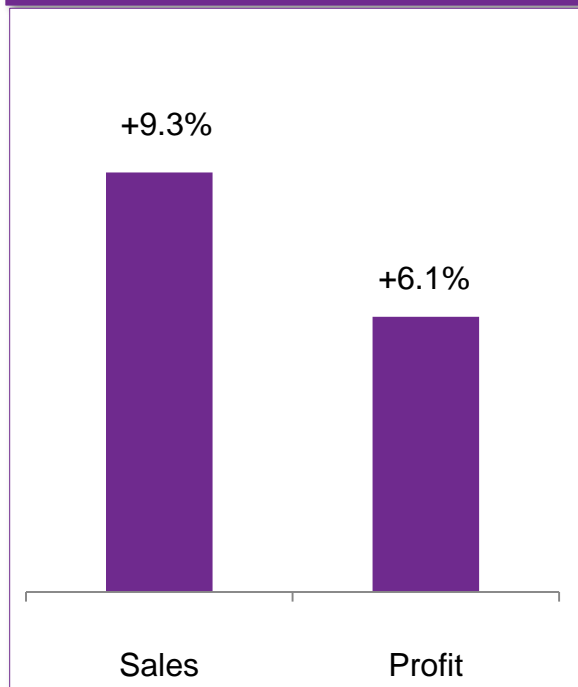
Broad-based sales growth



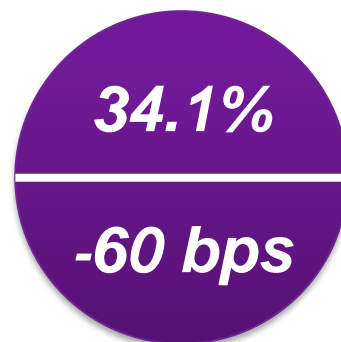
NPP is New & Protected Products. Sales growth by region in Core Business. Growth in constant currency.

Excellent sales growth in Personal Care

Sales growth



Industry-leading return on sales



YOY change

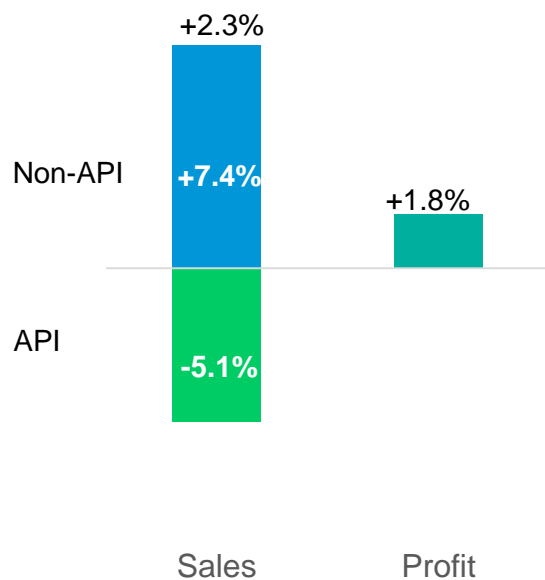
Innovation-led growth

- Customer barriers to entry reducing
- Indie revolution increasing pace
- Multinational customer activity increasing
- Actives, Effects & Formulation businesses all strong
- Double digit percentage sales growth from innovation
- NPP exceeded 42% of sector sales (2017: 40%)

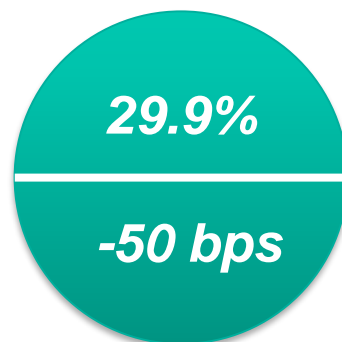
Sales and operating profit growth in constant currency

Resilient performance in Life Sciences

Strong sales growth in Crop



Resilient return on sales



YOY change

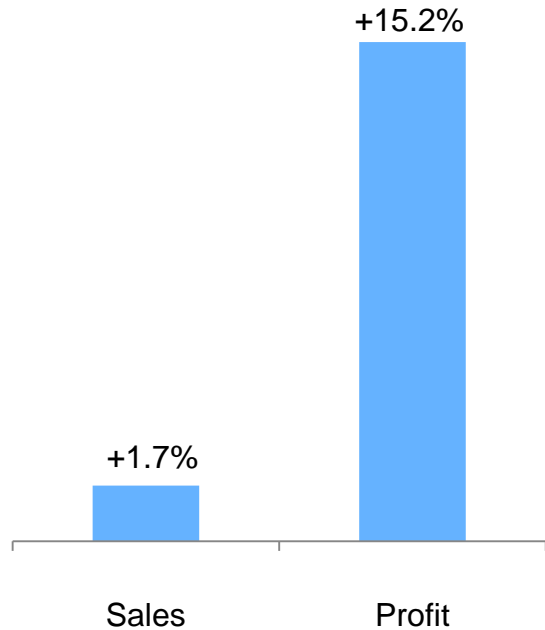
Robust growth offsetting specific headwinds

- Strong growth in Crop Protection
- Incotec delivering superior returns - on course for 20% return on sales
- Crop Care expanding in China, US & Brazil
- Exciting opportunity in Biostimulants
- Strong excipient sales in Health Care offsetting API exit

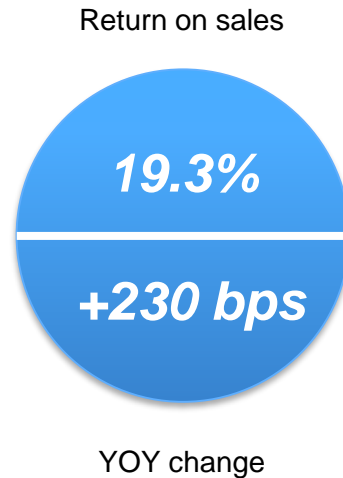
Sales and operating profit growth in constant currency. API refers to North America Active Pharmaceutical Ingredient contract exited in 2017.

Impressive profit growth in Performance Technologies

Transition to higher value



Strong mix improvement



Growing innovation pipeline

- Driving 'value over volume'
- Better profitability in strategic growth areas - Smart Materials & Energy Technologies
- Improving knowledge intensity
- Leveraging sustainability profile
- New technology opportunities with IonPhasE

Sales and operating profit growth in constant currency

Financial Performance



Jez Maiden – Group Finance Director

Consistent top and bottom line growth

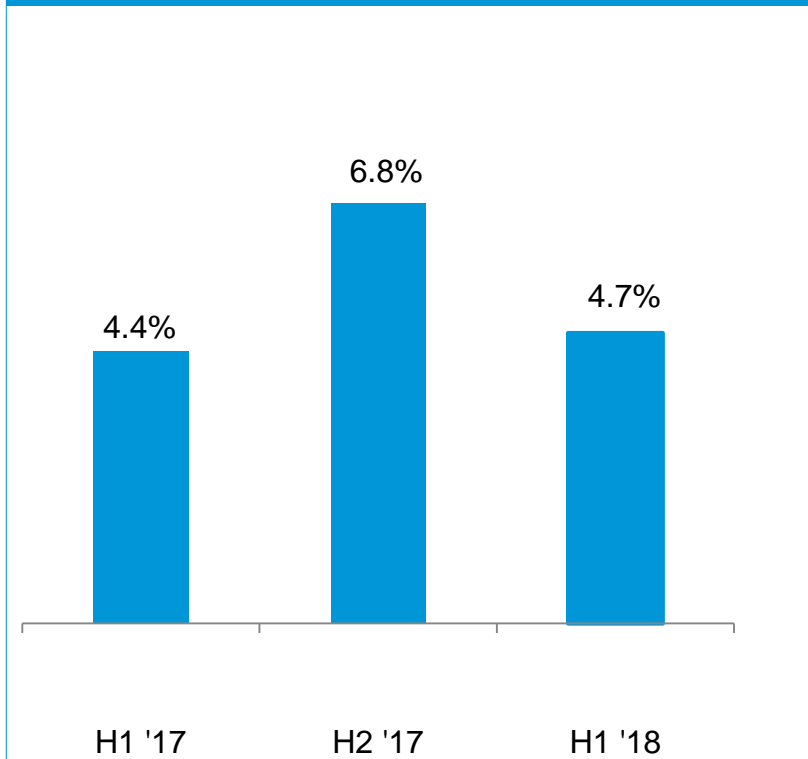
£m	2018 reported	Reported currency change	Constant currency change
Sales	702.8	(0.6)%	3.6%
Operating profit	178.5	1.5%	6.0%
Net interest	(3.5)	42.6%	41.0%
Profit before tax	175.0	3.1%	7.7%
IFRS profit before tax	170.8	1.7%	
Adjusted EPS	100.2p	7.3%	12.0%
Interim dividend declared	38.0p	8.6%	

Positive percentage indicates favourable variance

Growing the Core

Robust top line momentum

Core Business sales growth

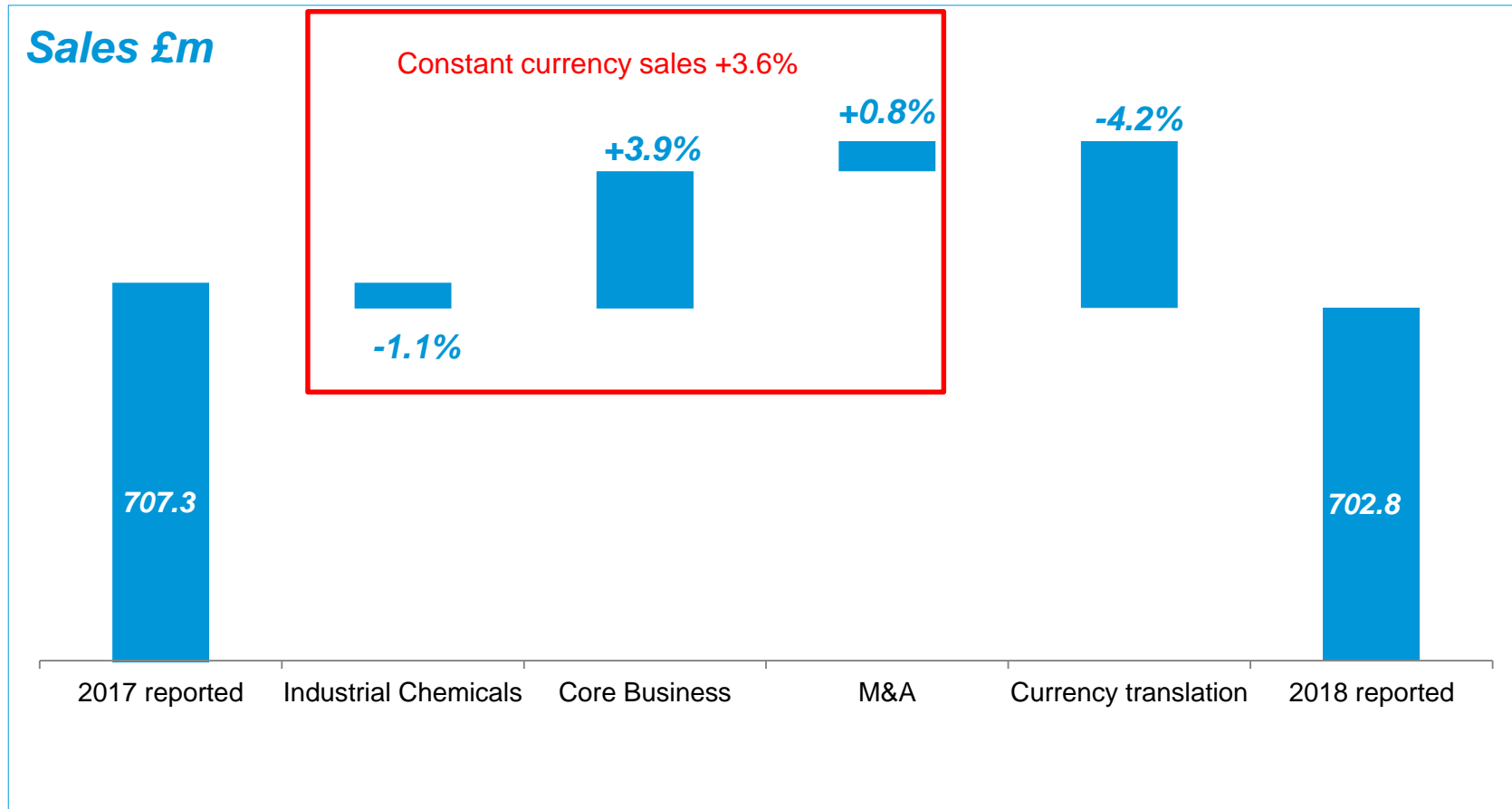


Growth in constant currency

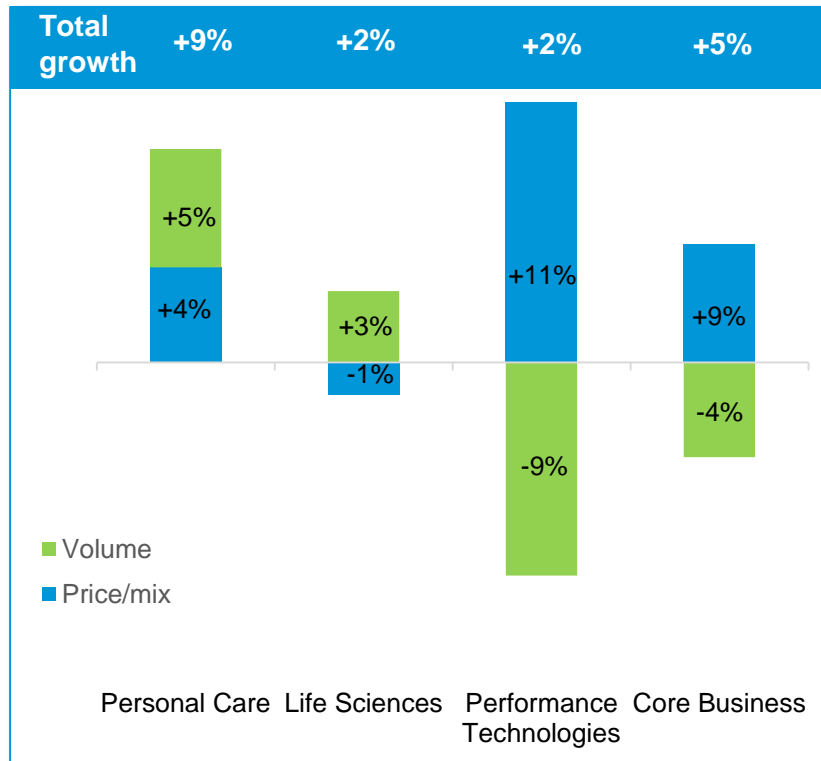
A powerful business model

- Top-line momentum seen in 2017 has carried strongly into 2018
- Exceptional market positions, leading technologies & focused innovation
- Volume growth across consumer businesses
- Continued investment in new market opportunities & technologies

Core Business sales +4.7%



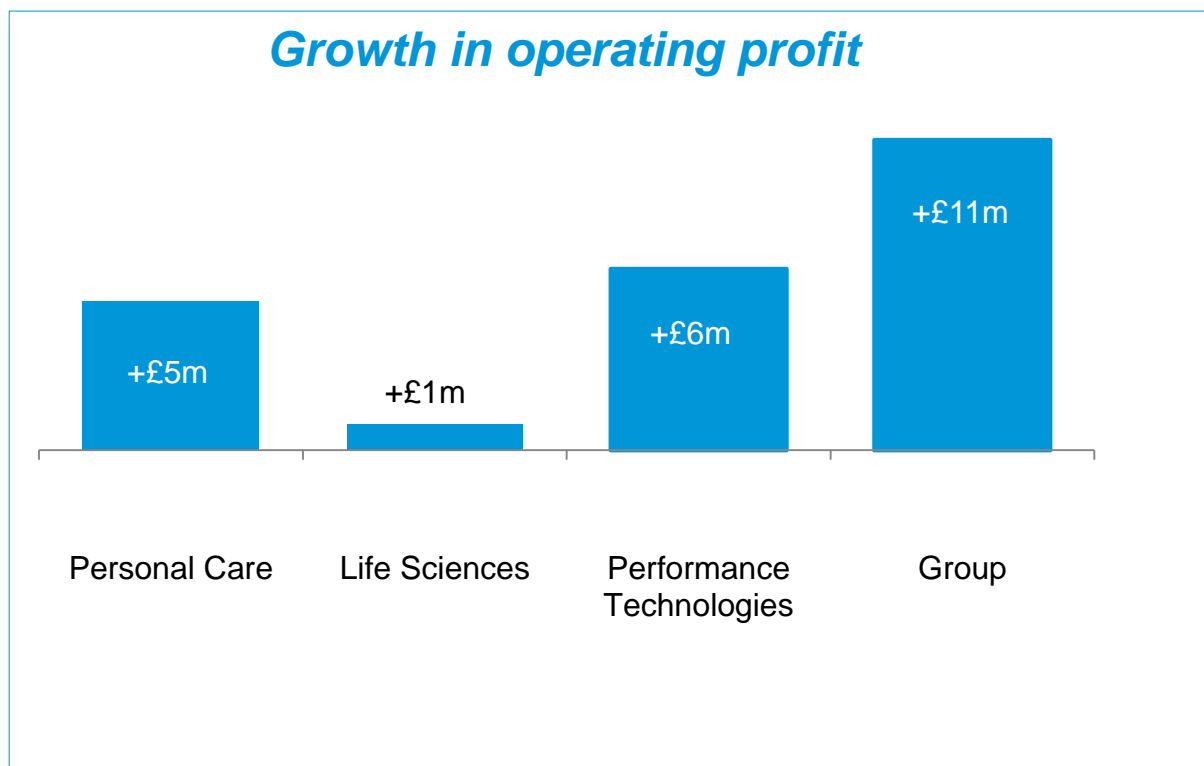
Robust volume growth in consumer businesses



- Personal Care: high performing sector – growth driven equally by volume and price/mix
- Life Sciences: impact from API exit offset by volume growth, particularly in Crop
- Performance Technologies: transition to high value - significant volume decline, sharper mix reflecting premium products
- Raw material price increases fully recovered

Growth in constant currency

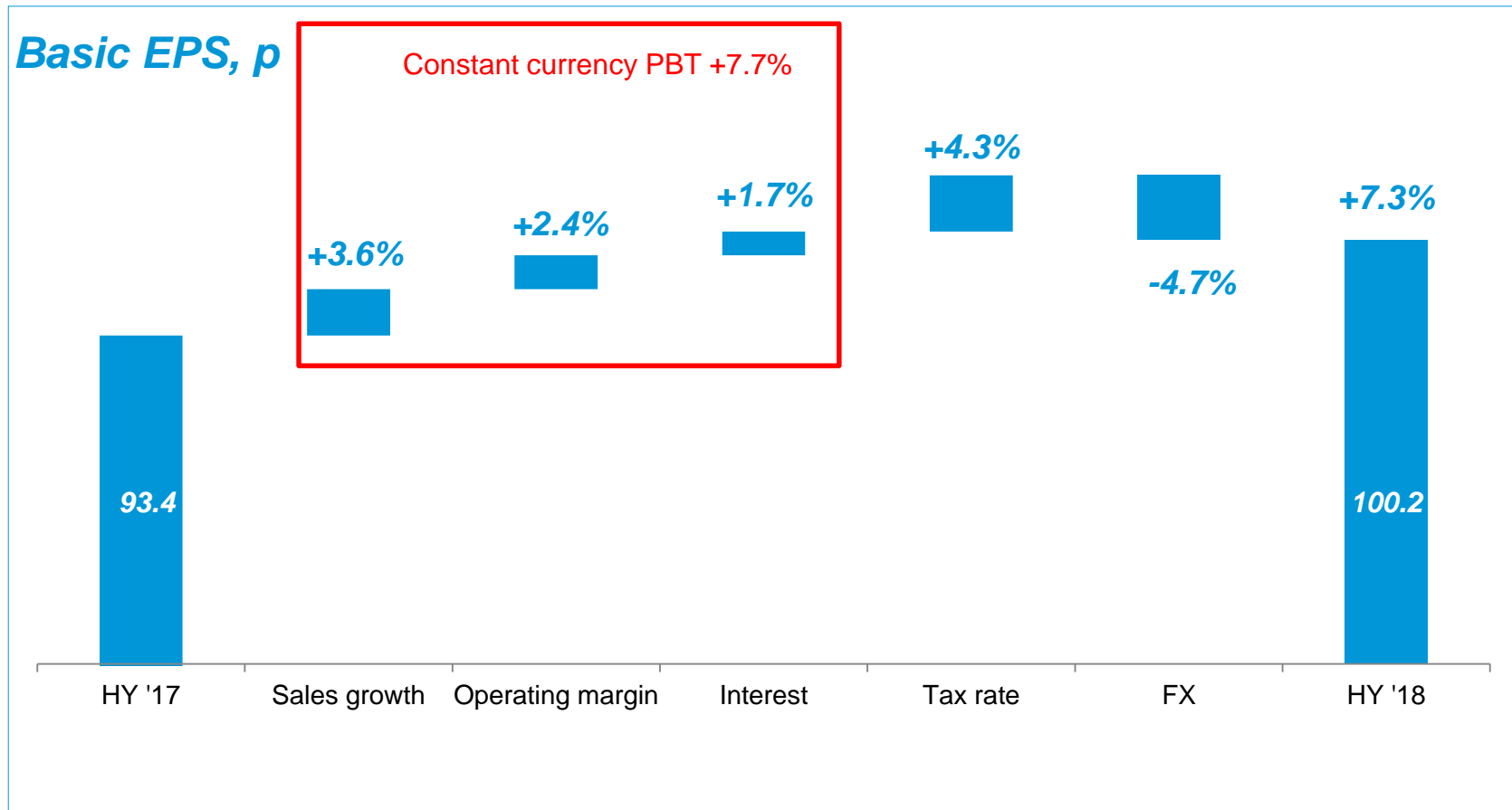
Continued profit progress



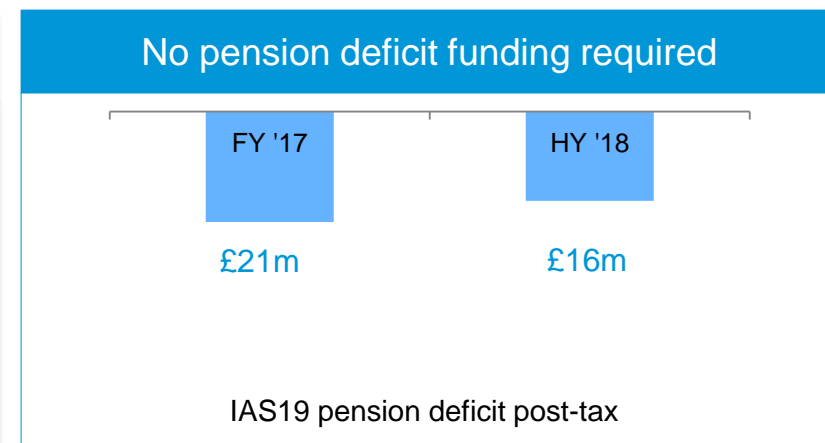
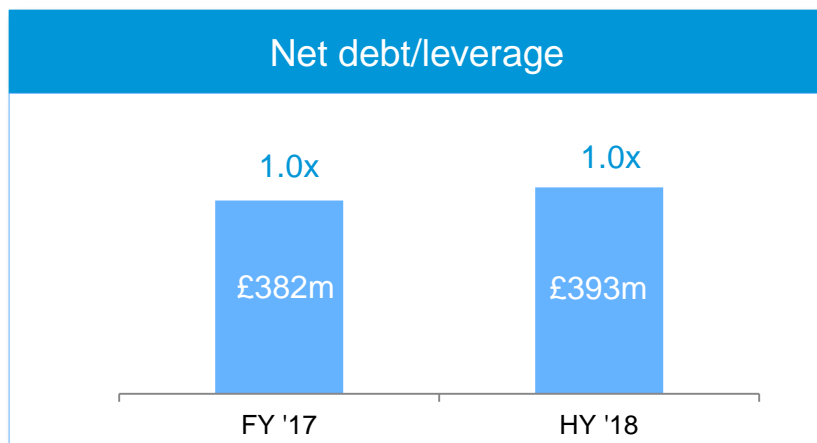
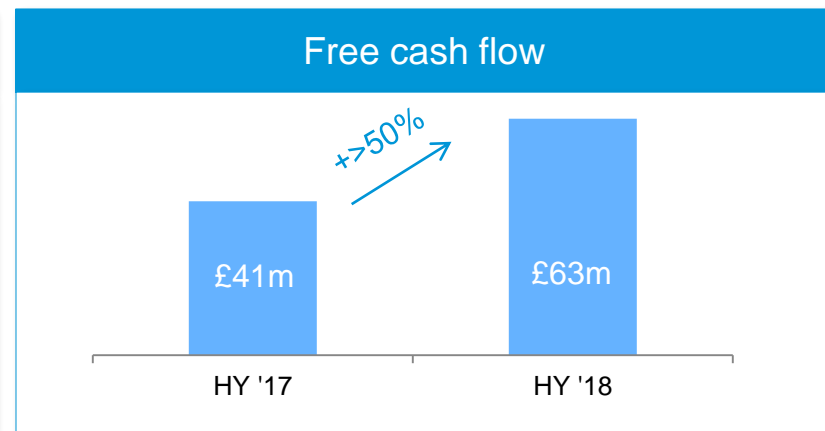
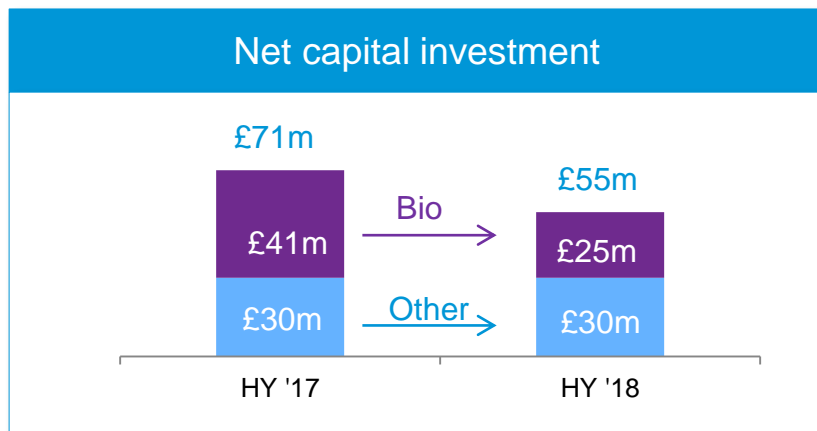
Constant currency

Group includes Industrial Chemicals

Excellent EPS growth driven by Core Business & tax



Robust financial platform for future growth & returns



Connecting to faster growth markets



Grow the Core

Stretch the Growth

Sustainability Megatrend shaping our markets



Beauty & Ageing



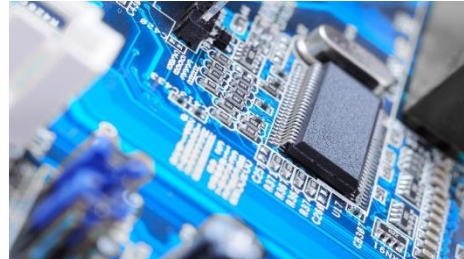
Health & Wellbeing



Living in balance with the planet's resources



Energy Revolution



Unprecedented Technology Change

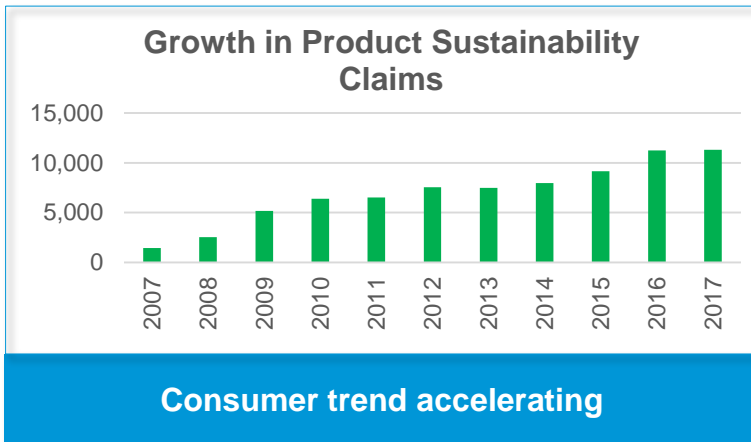


Circular Economy

...and driving our growth

Ten years of Sustainability Reporting

UN Sustainable Development Goals



- Industry leader
- Strong track record
- Powerful growth driver

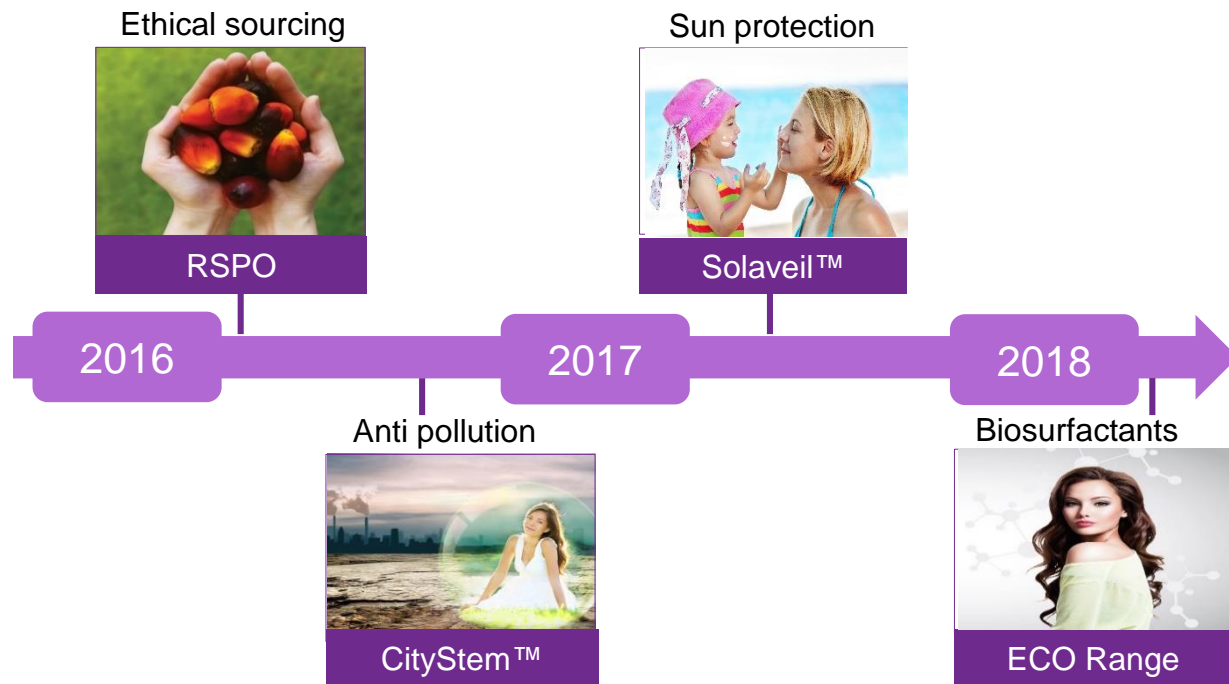
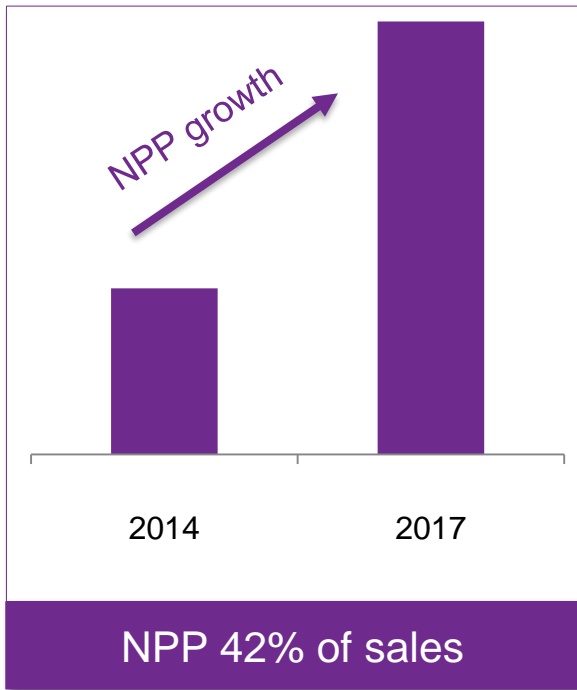
At the heart of everything we do

Growth in product sustainability claims shows number of products launched with a sustainability claim in Personal & Beauty Care (Source: Mintel - Global New Product Database custom report Jan '18)

Personal Care: Growth through innovation driven by Sustainability Megatrend



65% of sales globally generated by brands whose marketing conveyed commitment to environmental and/or social value



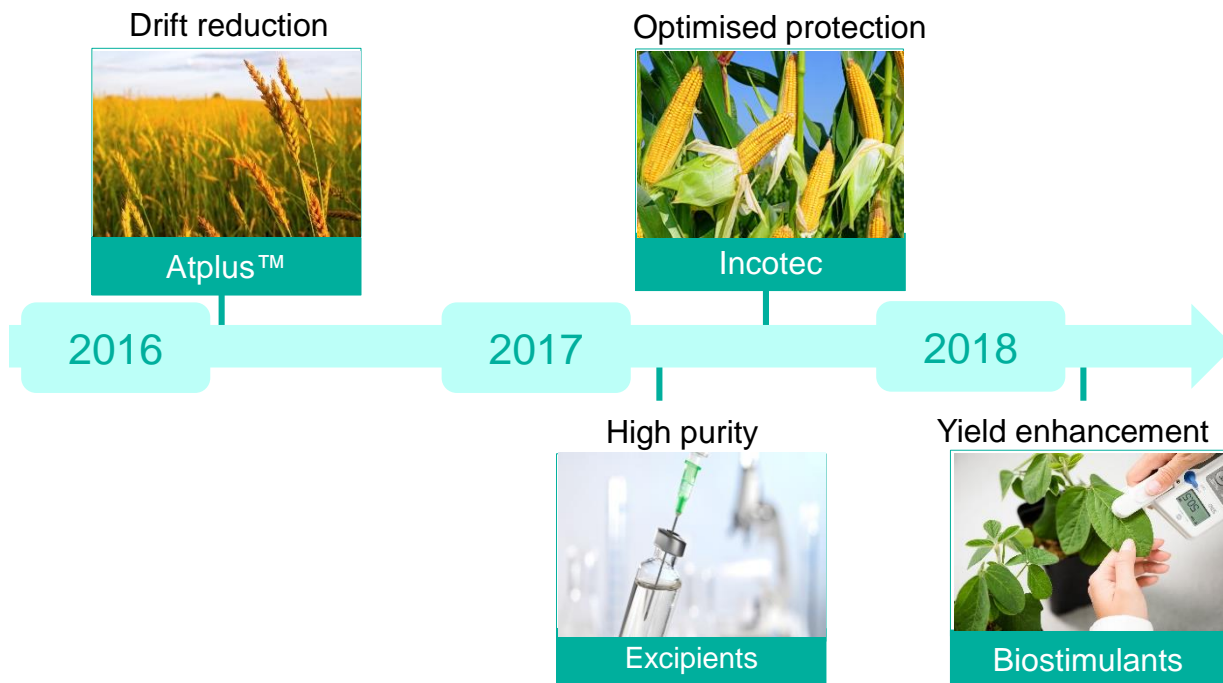
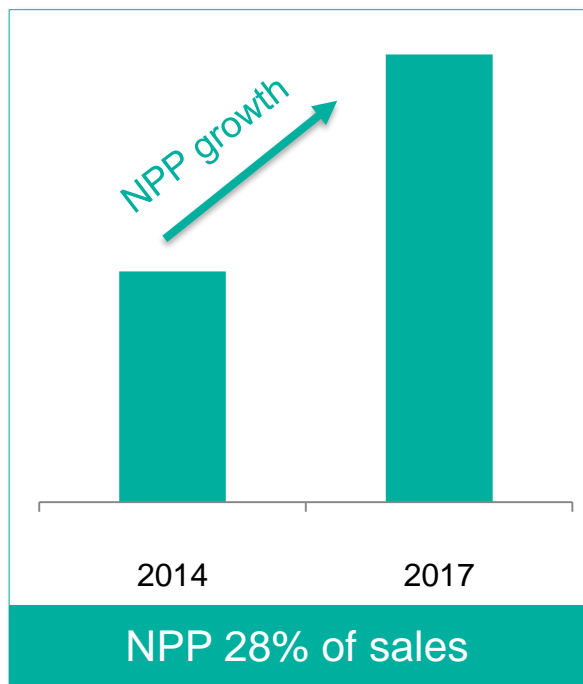
Global sales sourced from Nielsen – 'The Sustainability Imperative 2015'

Life Sciences: Sustainability driving performance improvement



60%

increase in agricultural productivity required in next 30 years to ensure food security for growing population



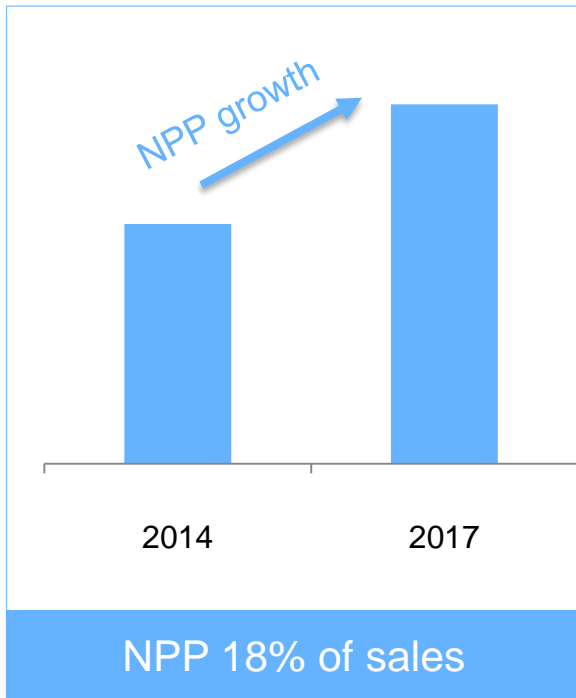
Agricultural productivity sourced from United Nations Population Division and Food & Agriculture Organisation

Performance Technologies: Sustainability creating new markets



>80%

reduction in Greenhouse Gas emissions by 2050 will drive innovation for clean and low-carbon technologies



Anti-microbial coatings



MyCroFence™

2016

Reduced emissions



Perfad™

2017

Thermal energy storage



CrodaTherm™

2018

Water purity



Hypermer™

Greenhouse Gas emissions sourced from EU Committee - '2050 low-carbon economy roadmap'

Our significant projects are driven by Sustainability

2018

2019

2020

Biosurfactants plant



Markets: Personal Care and Home Care

Incotec expansion: US & China



Market: Life Sciences

Skin actives: Sederma expansion



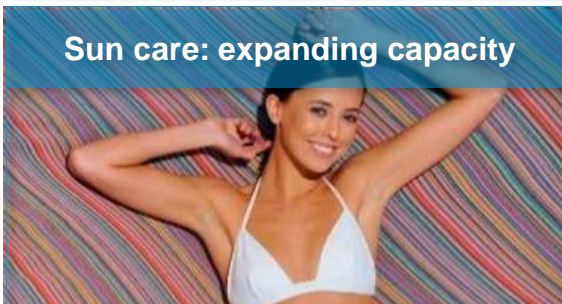
Market: Personal Care

High purity excipients: doubling capacity



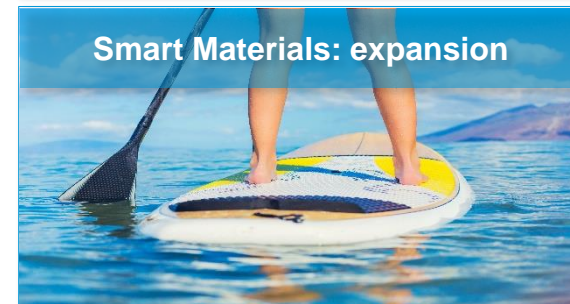
Market: Life Sciences

Sun care: expanding capacity



Market: Personal Care

Smart Materials: expansion



Market: Performance Technologies

Recent investment in capacity supporting future growth

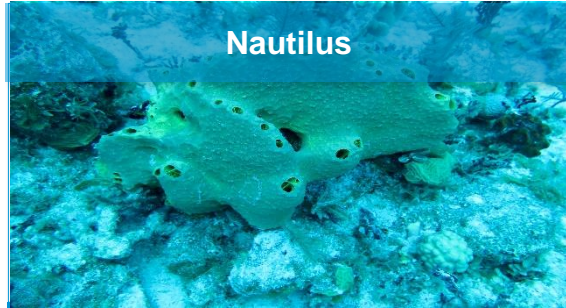
...as are our technology-led acquisitions

IRB



Market: Personal Care

Nautilus



Markets: Personal Care, Life Sciences, Performance Technologies

Enza Biotech



Markets: Personal Care, Life Sciences, Performance Technologies

Incotec



Market: Life Sciences

Plant Impact



Market: Life Sciences

IonPhase



Market: Performance Technologies

A powerful business model delivering superior returns

Priorities unchanged



Deliver consistent top and bottom line growth



Increase the proportion of protected innovation



Accelerate the capture of new sustainable technologies

Outlook

- Encouraging momentum in consumer businesses
- Successfully transitioning Performance Technologies
- Improving cash generation
- Underpins confidence in full year

Additional material



Innovation you can build on™

CRODA

Strong financial performance, strong Sustainability performance

Profit before tax

£60.9m in 2007
£320.3m in 2017



% of energy from non-fossil fuel sources



Our increasing use of non-fossil energy has avoided burning the equivalent of over 900,000 barrels of oil since 2007

Total waste sent to landfill (Te)

9,111 in 2007
1,771 in 2017

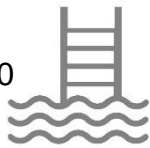


This reduction would fill 560 average household waste trucks

Total water usage (m³)

13,239,672 in 2007
8,011,330 in 2017

This reduction would fill 2,090 Olympic swimming pools



Total energy generated through investment in site renewable energy projects (GJ)

2,350,000
between 2007 and 2017

Equivalent to powering over 179,000 average UK homes for a year



Highlights of external recognition



Source: Croda 2017 Sustainability Report

Sales growth

%	H1 2017	H2 2017	H1 2018
Personal Care	2.3%	8.2%	9.3%
Life Sciences	0.8%	8.2%	2.3%
Performance Technologies	9.1%	4.3%	1.7%
Core Business	4.4%	6.8%	4.7%
Industrial Chemicals	(1.1)%	(6.8)%	(7.0)%
Group	3.8%	5.4%	3.6%

Sales growth in constant currency

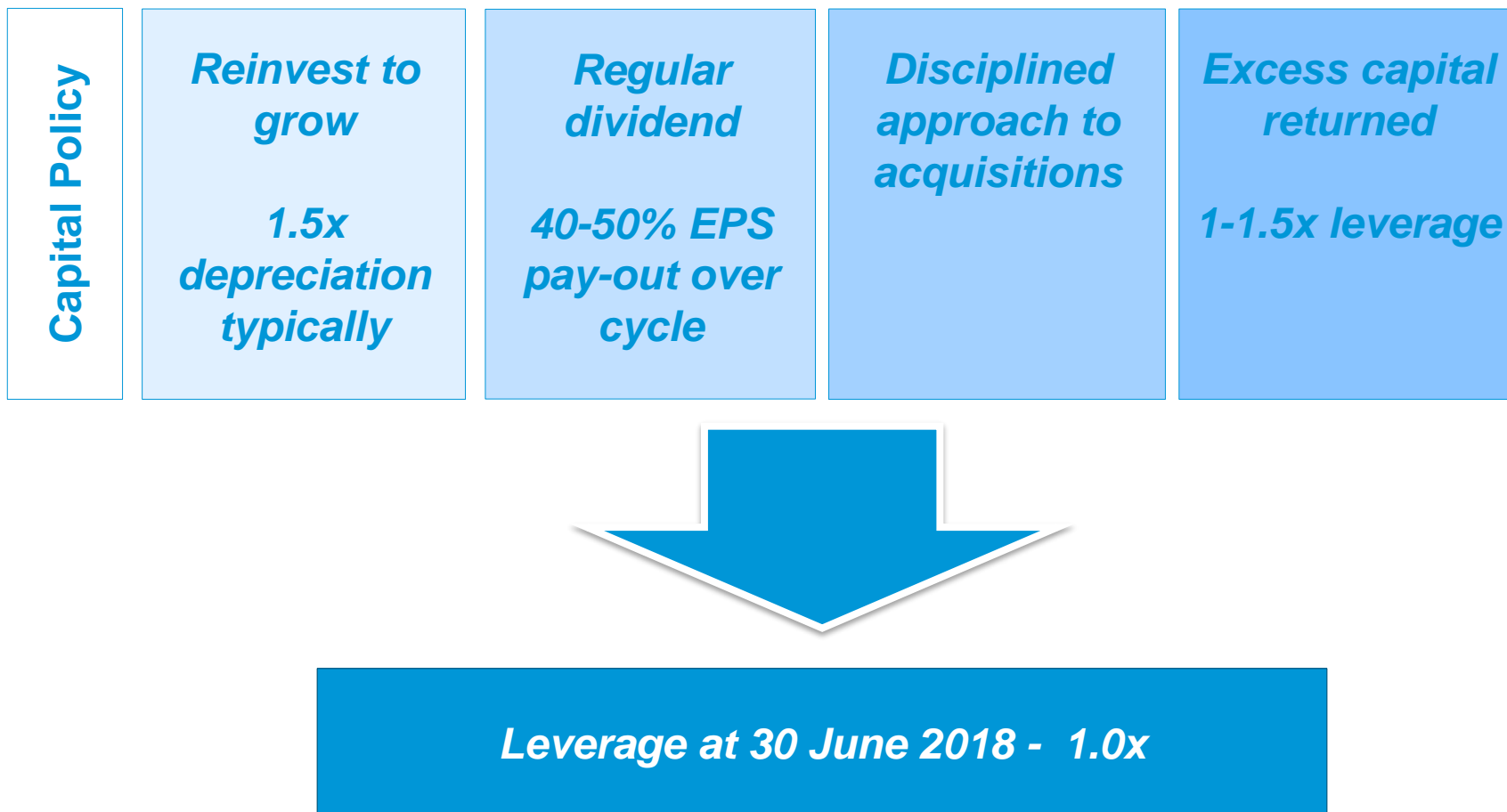
Income statement

£m	H1 2017 Reported	H2 2017 Reported	H1 2018 Reported
Revenue	707.3	665.8	702.8
Adjusted operating profit	175.8	156.4	178.5
Net interest	(6.1)	(5.8)	(3.5)
Adjusted profit before tax	169.7	150.6	175.0
Exceptionals, acquisition costs & intangibles	(1.7)	(4.5)	(4.2)
IFRS profit before tax	168.0	146.1	170.8
Return on sales	24.9%	23.5%	25.4%

Retirement benefit deficit (IAS 19 basis)

£m	31 December 2017	30 June 2018
Market value of assets	1,304.8	1,283.1
Value of liabilities	(1,335.3)	(1,306.1)
Deficit pre tax	(30.5)	(23.0)
Deferred tax	9.4	7.4
Deficit post tax	(21.1)	(15.6)

Good capital discipline



Leverage excludes retirement benefit deficit