CRODA

Press Release

30 July 2024

Results for the six months ended 30 June 2024

Group performance in line with expectations reflecting more stable market conditions and operational progress

Croda International Plc ("Croda" or the "Group") announces its half year results for the six months ended 30 June 2024.

Highlights

	Statutory results (IFRS)			Adjusted results			
Half year ended 30 June	**H124**	H123	change	**H124**	H123	Constant currency change	change
Sales (£m)	815.9	880.9	(7.4)%	815.9	880.9	(4.4)%	(7.4)%
Operating profit (£m)	114.4	130.2	(12.1)%	135.6	175.8	(18.9)%	(22.9)%
Operating margin (%)				16.6	20.0	–	(3.4)ppts
Profit before tax (£m)	106.1	128.7	(17.6)%	127.3	174.3	(23.2)%	(27.0)%
Basic earnings per share (p)	57.2	63.1	(9.4)%	68.8	92.9	–	(25.9)%
Ordinary dividend per share (p)	47.0	47.0	0.0%				
Free cash flow (£m)				122.7	72.8*	–	68.5%
Net debt (£m)				507.9	349.3	–	(45.4)%

Sales growth %	Change v H123	Change v H123 constant currency	Change v H223 ex CV19[1]
Consumer Care	3%	6%	9%
Life Sciences	(19)%	(16)%	(2)%
Industrial Specialties	(17)%	(14)%	21%
Group	(7)%	(4)%	7%

% changes are comparisons with reported H123 results unless stated. For a reconciliation of % changes compared with H223 results see Sector performance section. [1]Life Sciences and Group sales exclude £48m of lipid sales for CV19 vaccine applications in Q4 2023. Where explicitly stated, constant currency comparisons remove the impact of currency translation into Sterling, the Group's reporting currency. *H123 free cash flow has been restated in line with the definition on p3.

Group performance in line with expectations

- **Sequential improvement in Group sales (v H223) driven by Consumer Care and Industrial Specialties**
    - Consumer Care growing in all regions at constant currency
    - Weaker than anticipated sales in Life Sciences impacted by lower Crop Protection demand; Pharma sales up 3% vs H223 ex CV19 lipids despite continued destocking in consumer health
    - Positive sequential sales growth in Industrial Specialties enhancing efficiency of manufacturing model
    - New and Protected Product (NPP) sales up to 36% (H123: 34%), reflecting higher demand for innovation

- **Sequential improvement in adjusted operating margin (ex CV19 lipids) driven by higher sales volumes, increased capacity utilisation, price discipline and robust cost control**
    - 16.6% adjusted operating margin (H123: 20.0%); 1.6 percentage points higher than H223 (ex CV19 lipids)
    - £106.1m IFRS profit before tax (H123: £128.7m)
    - £127.3m adjusted profit before tax (H123: £174.3m) or £133.8m at constant currency

- **Strong cashflow with working capital inflow and lower capex; continued balance sheet strength**
    - Free cash flow up 69% to £122.7m (H123 (restated): £72.8m); £43.5m working capital inflow
    - Net debt fell to £507.9m (31 Dec 23: £537.6m); resilient balance sheet 1.4x levered
    - Interim dividend maintained at 47.0p (H123: 47.0p); focused on delivering returns from recent investments

Portfolio well positioned for earnings growth

- **Consumer Care growing in key markets with increasing demand for sustainable ingredients**
    - Strong Beauty Actives growth especially in China driven by sales to local and regional customers
    - Sequential improvement in Beauty Care sales due to more stable demand and regained sales in USA
    - F&F continuing to grow ahead of 'tier one' peers

- Home Care innovation driving double-digit percentage sales growth

- **Life Sciences impacted by lower Crop Protection demand and destocking in consumer health; higher sales in strategic Pharma platforms**
  - Sales of delivery systems for nucleic acid and protein-based drugs growing as customer pipelines expand
  - New drug delivery technologies coming to market; e.g. novel lipid-based adjuvants contributing sales
  - Innovating to develop sustainable Crop Protection solutions despite continued destocking

- **Continued operational progress**
  - Strengthening senior team with appointments of Group Chief Financial Officer and President Life Sciences
  - New organisational structure delivering customer, employee and efficiency benefits
  - Robust cost control expected to benefit Group margin by about half a percentage point this year

Sales	**H124 £m**	Price/mix	Volume	Acquisition	Constant currency change	Currency	H123 £m	Change
Consumer Care	468.4	(8.5)%	13.7%	1.1%	6.3%	(3.5)%	455.6	2.8%
Life Sciences	246.2	(1.2)%	(16.7)%	1.5%	(16.4)%	(2.4)%	303.2	(18.8)%
Industrial Specialties	101.3	(9.7)%	(4.4)%	0.0%	(14.1)%	(2.8)%	122.1	(16.9)%
Group	815.9	(5.2)%	(0.2)%	1.0%	(4.4)%	(3.0)%	880.9	(7.4)%

Sales	**H124 £m**	H223 £m	Change	H223 ex CV19 £m[1]	Change[1]
Consumer Care	468.4	430.5	8.8%	430.5	8.8%
Life Sciences	246.2	299.1	(17.7)%	251.1	(1.9)%
Industrial Specialties	101.3	84.0	20.6%	84.0	20.6%
Group	815.9	813.6	0.3%	765.6	6.6%

[1] Life Sciences and Group sales exclude £48m of lipid sales for CV19 vaccine applications in Q4 2023. They are excluded from this growth calculation to give a more informative comparator to the underlying business, as no CV19 lipid sales are expected in 2024.

Adjusted profit	**H124 £m**	Underlying growth £m	Acquisition impact £m	Constant currency change	Currency impact £m	H123 £m	Change
Consumer Care	82.5	(8.5)	(0.1)	(9.0)%	(4.1)	95.2	(13.3)%
Life Sciences	45.0	(24.3)	(0.6)	(34.4)%	(2.4)	72.3	(37.8)%
Industrial Specialties	8.1	0.2	-	2.4%	(0.4)	8.3	(2.4)%
Operating profit	135.6	(32.6)	(0.7)	(18.9)%	(6.9)	175.8	(22.9)%
Net interest	(8.3)					(1.5)	
Profit before tax	127.3					174.3	

Steve Foots, Chief Executive Officer, commented:

“Group performance was in line with expectations in the first half year, with further progress in Consumer Care, key strategic Pharma platforms and Industrial Specialties. The Group returned to year-on-year growth in the second quarter, helped by more stable market conditions, price discipline and continued operational progress. Our sales of innovative products increased to record levels and robust cost control is enabling us to deliver improving operating margins.

“We’ve seen continued momentum in higher growth areas where we have focused recent investment, testament to our strategy to realign the portfolio towards the megatrends shaping our industry. In particular our strong relationships with local and regional customers is driving growth as they innovate and grow quickly. And with customer pipelines continuing to expand across biologics, vaccines and nucleic acid-based drugs, our strategic focus areas in Pharma will support accelerating growth for Croda in due course.

“We are focused on strengthening the Group through implementing our strategy with cost and capital discipline, to deliver strong earnings growth in the future and significant value for our shareholders.”

Outlook

We are encouraged by first half performance in Consumer Care, key strategic Pharma platforms and Industrial Specialties, with improving operating margins driven by higher sales volumes, price discipline and robust cost control. However, with a weaker than anticipated performance in Life Sciences due to continued destocking in Crop Protection and consumer health, and no signs of an immediate recovery in Crop Protection, we now expect Group adjusted profit before tax to be between £260m and £280m in full year 2024 at constant currency[2].

Further information:

A pre-recorded analyst presentation and accompanying slides are now available at: www.croda.com/investors/. The pre-recorded presentation will be played via webcast at 0900 BST on 30 July 2024; this will then be followed by a live Q&A at 0930 BST. Please register via at www.croda.com/investors/.

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Notes:

[1]CV19 lipids comprise lipid sales for Covid-19 vaccine applications which totalled £48m in the second half of 2023. They are excluded from this growth calculation to give a more informative comparator to the underlying business, as no CV19 lipid sales are expected in 2024.

[2]Constant currency expectations are based on the Group's average exchange rates through 2023. H124 adjusted profit before tax was adversely impacted by £6.5m due to strengthening Sterling. Assuming 1 July 2024 exchange rates for the remainder of the year, we estimate translation would have a further £5m adverse impact on Group adjusted profit before tax in the second half of the year. The Group's exchange rate sensitivity analysis in provided in the Financial performance section.

Alternative Performance Measures (APMs): We use a number of APMs to assist in presenting information in this statement. We use such measures consistently at the half year and full year, and reconcile them as appropriate. Whilst the Board believes the APMs used provide a meaningful basis upon which to analyse the Group's financial performance and position, which is helpful to the reader, it notes that APMs have certain limitations, including the exclusion of significant recurring items, and may not be directly comparable with similarly titled measures presented by other companies.

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. Constant currency results are the primary measure used by management to monitor the performance of overseas business units, since they remove the impact of currency translation into Sterling, the Group's reporting currency, over which those overseas units have no control. Constant currency results are similarly useful to shareholders in understanding the performance of the Group excluding the impact of movements in currency translation over which the Group has no control. Constant currency results are reconciled to reported results in the review of financial performance below. The APMs are calculated as follows:
    a. For constant currency profit, translation is performed using the entity reporting currency before the application of IAS 29 hyperinflation and any associated one-off foreign exchange gains or losses;
    b. 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;
- Underlying results: these reflect constant currency values adjusted to exclude acquisitions in the first year of impact. They are used by management to measure the performance of each sector before the benefit of acquisitions are included, in order to assess the organic performance of the sector, thereby providing a consistent basis on which to make year-on-year comparison. They are seen as similarly useful to shareholders in assessing the performance of the business. Underlying results are reconciled to reported results in the Financial performance section below;
- Adjusted results: these are stated before exceptional items (as disclosed in the review of financial performance below) 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 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;
- Operating margin or return on sales: this is adjusted operating profit divided by sales, at reported currency. Management uses the measure to assess the profitability of each sector and the Group, as part of its drive to grow profit by more than sales value, in turn by more than sales volume as set out in the Group performance section below;
- Net debt: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities. Management uses this measure to monitor debt funding levels and compliance with the Group's funding covenants which also use this measure. It believes that net debt is a helpful additional measure for shareholders in assessing the risk to equity holders and the capacity to invest more capital in the business;
- Leverage ratio: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted to include EBITDA from acquisitions or disposals in the last 12 month period. EBITDA is adjusted operating profit plus depreciation and amortisation. Calculations and reconciliations are provided in the five year record of the Group's Annual Report. The Board monitors the leverage ratio against the Group's debt funding covenants and overall appetite for funding risk, in approving capital expenditure and acquisitions. It believes that the APM is a helpful additional measure for shareholders in assessing the risk to equity holders and the capacity to invest more capital in the business;
- Free cash flow: comprises net cash generated from operating activities adjusted for the cash effect of exceptional items less net capital expenditure and payment of lease liabilities, plus interest received. The definition of free cash flow was revised in the prior year to better align with the most directly reconcilable line in the Group's IFRS cash flow statement. The Board uses free cash flow to monitor the Group's overall cash generation capability, to assess the ability of the Company to pay dividends and to finance future expansion, and, as such, it believes this is useful to shareholders in their assessment of the Group's performance;
- New and Protected Products (NPP): these are products which are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics. NPP is used by management to measure and assess the level of innovation across the Group.

Croda International Plc
Group performance

We use a number of APMs to assist in presenting information in this statement which are defined on page 3. Percentage changes are comparisons with reported H123 results unless stated. For a reconciliation of % changes compared with H223 results see Sector performance section. Where explicitly stated, constant currency comparisons remove the impact of currency translation into Sterling, the Group's reporting currency.

Group performance in line with expectations with sequential sales and margin improvement (ex CV19 lipids)

The Group's performance in the first half of the year was in line with expectations, driven by strong Consumer Care sales volumes and a steady sequential improvement in Industrial Specialties sales offset by continued weakness in Life Sciences.

Group sales were £815.9m (H123: £880.9m), with volume flat, price/mix down 5%, a 1% contribution from the Solus Biotech acquisition which completed in July 2023, and a 3% headwind from foreign exchange, leading to reported sales down 7%.

The 4% reduction in sales at constant currency comprised a 6% increase in Consumer Care, a 16% reduction in Life Sciences and a 14% reduction in Industrial Specialties. After record results in 2021 and 2022 when Croda significantly benefitted from CV19-related sales and customers building up inventory levels, Group performance has been impacted by prolonged industry-wide destocking and weaker economic conditions.

Encouragingly, customer inventories and demand have become more stable in Consumer Care and Industrial Specialties, with Consumer Care sales up by 9% compared with the second half of last year, and Industrial Specialties up 21% on the same basis. In Life Sciences, destocking has continued in crop protection and consumer health markets, but sequential sales growth in Pharma compared with H2 last year (excluding CV19 lipids) and improving orders provide some encouraging signs. Overall, the Group returned to sales growth in the second quarter compared with Q2 last year.

Raw material costs have continued to fall in the period, ending the half approximately 4% lower on average than on 1 January 2024, following around a 12% reduction in 2023. Raw material costs now appear to have "bottomed out" with the significant fall over the last 18 months facilitating lower prices to customers in certain markets, in turn helping to drive the recovery in sales volumes and higher levels of manufacturing site utilisation. Importantly, the margin that we make in our sales prices on these raw materials has remained robust and broadly in line with the pre-pandemic period.

Group adjusted operating profit margin was below the prior period at 16.6% (H123: 20.0%) but was 1.6 percentage points higher than in the second half of 2023 (excluding CV19 lipid sales), improving more quickly than anticipated. This was due to better capacity utilisation, pricing discipline and robust cost control reflecting our focus on "controlling what we can control". Ongoing margin expansion will come from higher sales volumes and improved price/mix, helped further by a continued recovery in post-pandemic demand. Profit before tax (on an IFRS basis) was £106.1m (H123: £128.7m) and adjusted profit before tax was £127.3m (H123: £174.3m) or £133.8m at constant currency, with foreign exchange rates reducing reported PBT by £6.5m.

With low utilisation rates at our larger manufacturing sites negatively impacting margins over the last 18 months, sales volumes and efficiencies are a focus for Croda. However, fundamentally we remain a high value-added ingredients business, differentiated by innovation and focused on value over volume. The technology trends driving our future growth have not changed with a continued transition to sustainable ingredients and biologics demanding high levels of innovation. We have successfully realigned our portfolio with these megatrends, supported by continued investment in R&D and carefully considered capacity expansion, and we are now focused on driving earnings growth to deliver returns on recent investments.

Our innovation pipelines are expanding, with customers continuing to invest in new product development. Sales of new and protected products (NPP) grew to 36% of total sales (H123: 34%) and we saw continued increases in the proportion of NPP sales in Consumer Care and Life Sciences. Total NPP sales grew 2% at constant currency.

For us, sustainability has a direct link to commercial value because we provide customers with ingredient options, often unique to Croda, that help them meet their own sustainability commitments. Demand is increasing for our ingredients that are differentiated by their sustainability characteristics with sales of ECO surfactants, for example, continuing to grow. We continue to be recognised for our sustainability leadership with further improvements in our sector-leading CDP and FTSE4Good scores, alongside our 'Triple A' rating from MSCI.

Sector summary

Consumer Care – growing in key markets

Consumer Care increased sales to £468.4m (H123: £455.6m), up 3% on a reported basis, 6% at constant currency and 9% compared with the second half of 2023. Second quarter sales were up 6% compared with the same period last year.

Reported sales growth was driven by a recovery in sales volumes, which were up 14%, with price/mix 9% lower as a result of lower prices and the mix impact of some more tactical business, particularly in Beauty Care. Acquisitions added 1% from sales of ceramides following the Solus Biotech acquisition, whilst foreign currency translation was a 4% headwind. There was a notable 9% increase in constant currency sales to local and regional customers who are innovating and growing quickly.

NPP sales grew 11% at constant currency and improved to 42% of total sales (H123: 40%), reflecting customer investment in new product development and our focus on innovation to drive the continued differentiation of our ingredient portfolio. Sustainability continues to influence customer buying behaviour as illustrated by strong demand for our bio-based ECO surfactants as well as good interest in our new biotech-derived surfactants. We are also leveraging our leadership position in sustainability with carbon footprint data now available for over 80% of product codes in Beauty Care, and recently launched for Beauty Actives and Home Care, enabling customers to quantify the benefits associated with using our ingredients in their products.

IFRS operating profit was £68.9m (H123: £79.2m) and adjusted operating profit was £82.5m (H123: £95.2m). Adjusted operating profit margin was below the prior period at 17.6% (H123: 20.9%) but was 2.5 percentage points higher than in the second half of 2023.

All regions delivered higher sales on a constant currency basis. Sales in the key Asian markets of China, India and South Korea continued to grow strongly including double-digit percentage growth in China, with Asia the primary focus of Consumer Care investment.

By business unit, 9% sales growth in Beauty Actives was led by Asia, where the business benefits from its strong relationships with local and regional customers, particularly in China. Following our acquisition of Solus Biotech in July 2023, we have made good progress implementing our growth plan for its fermentation-derived active ingredients, integrating the business with our South Korean operations, exiting distributor relationships and leveraging Croda’s global selling network as well as our formulation expertise.

Beauty Care sales were down 6%, but up 9% compared with the second half of last year, with performance in North America benefitting from regained share previously lost due to our inability to meet all of the demand for certain ingredients at the peak of restocking in 2022.

Our Fragrances and Flavours (F&F) business has continued to grow ahead of ‘tier one’ peers, with sales up 13%, reflecting its niche positioning with local and regional customers outside North America and Europe.

Home Care also delivered continued double-digit percentage growth in sales, which were up 15%, due to its focus on innovative ingredients differentiated by sustainability, including ECO surfactants and our range of biopolymers which extend the life of fabrics.

Life Sciences – impacted by destocking in Crop Protection and consumer health

Life Sciences sales were down 19% to £246.2m (H123: £303.2m), or by 16% in constant currency, principally reflecting the exceptional Crop Protection performance in early 2023 before destocking began. Sales of NPP improved to 33% of total sales (H123: 31%) as our strategic focus areas in Pharma grew more quickly than sales for consumer health applications and with a lower proportion of Crop Protection sales.

On a reported basis, volume was 17% lower while price/mix fell 1%. Acquisitions added 2% due to sales of phospholipids following the Solus Biotech acquisition, and foreign currency translation was a 2% headwind.

Whilst Life Sciences has continued to be impacted by destocking in crop protection and consumer health markets, sequential sales growth in Pharma compared with H2 last year (excluding CV19 lipid sales) and improving orders provide some encouraging signs. Despite adverse FX, reported Pharma sales were up 3% compared with the second half of last year (ex CV19 lipids), with second quarter sales in 2024 higher than in quarter one.

IFRS operating profit was £37.6m (H123: £63.6m) and adjusted operating profit was £45.0m (H123: £72.3m). The resulting adjusted operating profit margin of 18.3% (H123: 23.8%) continued to be negatively impacted by low sales volumes in Crop Protection partially offset by robust cost control.

In Pharma, some of the challenges that faced healthcare markets in 2023, such as CV19 normalisation and destocking in consumer health, continued into the first half of this year. Lower CV19 demand adversely impacted Adjuvant Systems and destocking primarily affected our consumer health business. Sales of delivery systems for nucleic acid and protein-based drugs, both strategic focus areas for Croda, have continued to grow. We are making further progress building industry-leading positions in high-growth markets, and customer pipelines across biologics, vaccines and nucleic acid-based drugs are continuing to expand. We are also bringing new drug delivery technologies to market as planned, including novel lipid-based adjuvants, which are already contributing sales.

In Crop Protection, sales were down 33% against a strong prior year comparator and were 2% lower than the second half of last year with the absence of a positive inflection in demand. Following an exceptional 2022, when Crop Protection delivered ~50% sales growth, agriculture markets have subsequently seen a prolonged period of destocking compounded by weather and flooding issues in the period, and by stable-but-lower commodity prices. As a result, while some customer inventory levels are now lower than in 2023, we have not yet seen a normalisation in order cycles, however the seasonality of planting cycles provides a further opportunity for improved demand in quarter four. We are focused on innovation and developing sustainable crop care solutions to meet customers' immediate and longer-term needs. Sales were 10% lower in Seed Enhancement, a seasonally second half weighted business, but sales of microplastic-free seed coatings grew strongly reflecting Croda's market-leading position and the EU's decision to ban the use of microplastics in seed coatings by 2028.

Industrial Specialties – contributing to the efficiency of our shared manufacturing sites

Croda's Industrial Specialties business plays an important role in our Group manufacturing model, contributing to the efficiency of our shared manufacturing site model by helping to optimise utilisation rates, maximising sales into niche value-added industrial applications using Croda's core chemistries, and operating a supply contract to the new owner of the industrial businesses that we divested in June 2022.

Industrial Specialties sales were down 17% to £101.3m (H123: £122.1m), with both volumes and price/mix lower, against strong 2023 comparators with market conditions progressively weakening through 2023. Sequentially, sales improved by 21% compared with the second half of 2023 with improving volumes and positive mix, and Q2 sales were higher than Q1.

IFRS operating profit was £7.9m (H123: a loss of £12.6m) and adjusted operating profit was £8.1m (H123: £8.3m). The resulting adjusted operating profit margin was 8.0% (H123: 6.8%), a 6.7 percentage point improvement on the second half of 2023.

Regional summary

Key drivers of performance were similar globally, with higher Consumer Care sales in every region particularly to local and regional customers but Life Sciences behind, and operating margins stronger than anticipated. Asia led the way in Consumer Care with North America delivering a good performance as Beauty Care demand returned. In Life Sciences, Crop Protection was weak in all regions, but saw some improvement towards the end of the period particularly in Latin America. Pharma performance varied depending on the sales profile in the region, with North America the most robust due its emphasis on biologic drug development, and Latin America the weakest with its focus on over-the-counter consumer health applications.

Continued balance sheet strength

Our focus on cash flow management continues to deliver excellent results with improved free cash flow of £122.7m (H123 (restated): £72.8m) including a working capital inflow of £43.5m (H123: £9.7m outflow) more than offsetting lower profit.

Enhanced by this improved free cash flow, our balance sheet remains strong with our debt leverage ratio within our target range of one to two times at 1.4x. This is enabling disciplined investment in our portfolio in line with our capital allocation policy (as outlined in the Finance performance section below) and accompanying returns criteria.

In Life Sciences, we are investing in a new applications centre for Nucleic Acid Delivery in Singapore as well continued investment in R&D capabilities at the Alabaster site in the USA acquired with Avanti. We are investing £175m in the period 2021 to 2025 to add Pharma manufacturing capacity, with the US and UK Governments co-investing up to an additional £75m combined, and we have invested ~£120m in the programme to date.

Reflecting the strategic focus on high-growth markets in Asia, the principal capital expenditure projects in Consumer Care are a new surfactants plant in Dahej, India, due to be commissioned in early 2025, and a combined Beauty Actives and F&F manufacturing facility in Guangzhou to grow domestic sales in China.

Given the challenging market conditions, we reviewed the pace of in-flight capital expenditure projects to carefully consider phasing. First half capital expenditure of £69.7m (H123: £76.1m) was broadly in line with our guidance of ~£150m for the full year. We are expecting a similar level of capital expenditure in 2025 as the Pharma investment programme concludes, after which annual capex should trend downwards as a percentage of sales as we utilise the capacity we have built and investment in future capacity is highly selective.

Closing net debt was £507.9m (31 Dec 2023: £537.6m) resulting in a debt leverage ratio of 1.4x (31 Dec 2023: 1.3x), towards the lower end of our one to two times target range and providing continued resilience and optionality.

Following the significant portfolio transition in recent years, our focus is now on delivering returns from recent investments, and we would expect any acquisitions in the near term to be focused on small adjacent technologies. Building on our record of consistent distribution to shareholders, the Board is proposing to maintain the interim dividend flat at 47.0p (H123: 47.0p).

Proven strategy

Portfolio well positioned for earnings growth

Croda is built on strong fundamentals, including a clear Purpose: Smart science to improve lives™, a unique culture and a successful business model focused on relentless innovation. We provide mission-critical, novel ingredients that represent a fraction of customers' costs but are vital to the performance of their products. With a portfolio aligned with long-term technology trends, our strategy is well established and supported by consistent investment.

Despite ongoing challenging conditions in some of our markets, the technology trends that will drive our future growth have not changed, namely the demand for sustainable ingredients and the continued transition from small molecule active ingredients to large molecule biologics. Through active portfolio management we have successfully realigned our portfolio with these megatrends and our approach is now to extract value from recent acquisitions and to drive earnings growth.

Our strategy is to combine market-leading innovation with sustainability leadership to deliver profit growth, ahead of sales growth and ahead of cost growth. Innovation is our key differentiator, creating new market and technology niches. Our R&D teams now report directly into Consumer Care and Life Sciences, ensuring that our priorities are customer-driven and aligned with unmet needs. We have stepped up our rate of internal innovation within Croda and through more external partnerships to access world-leading expertise in technologies like biotech, in total filing more than 50 new patents in the first half year. Customer demand for our innovation-led approach is evidenced by further growth in the proportion of New and Protected Products that we sell, more engagement with global brands on new product development, and increased sample requests.

As well as offering a current portfolio of sustainable ingredients that provide customers with practical options to meet their sustainability commitments, we are applying our innovation to create new sustainable ingredients and reduce emissions, supported by best-in-class validation data to enable customer decision-making. We can demonstrate the benefits of using our ingredients with cradle-to-gate product-level carbon footprint data now available for ingredients in Life Sciences and Industrial Specialties as well as Consumer Care, enabling customers to quantify the positive impact on the carbon footprint of their products. As we work towards achieving our 2030 goals, we are reviewing our sustainability strategy to focus on those commitments that deliver the most significant benefits to our customers whilst also having the most positive impacts on the planet and its people.

Focused on innovation-led growth in Consumer Care and Life Sciences

In Consumer Care, our leadership in innovative and sustainable ingredients, and the breadth and diversity of our ingredient portfolio, customer base and geographic reach are our key strengths. With the continued fragmentation of Consumer Care markets, our ability to support local and regional customers, which represent over 78% of sales (H123: 77%), is a particularly important source of competitive advantage as these customers innovate and grow quickly. Our strategy is to localise the delivery of innovation to meet the specific requirements of consumers in each region, "widen the gap" in our sustainability leadership, and prioritise selected countries, notably China and India, where we are growing strongly.

In Life Sciences, the move to biologics is the principal technology trend in both pharmaceutical and agriculture markets over the next decade. Through execution of our strategy, we have established our Crop Protection business as innovation partner for delivery systems to meet the sustainability challenges of conventional pesticide delivery while creating new systems specifically to support the move to biopesticides which will be an important structural driver of medium-term growth.

In Pharma, we have established an industry-leading position in empowering biologics delivery, with a business that has excellent competitive positioning across three technology platforms: Protein and Small Molecule Delivery which has an industry-leading portfolio of speciality high purity excipients; Adjuvant Systems which is the only independent supplier with the portfolio of adjuvants needed for future vaccine applications; and Nucleic Acid Delivery which has a unique portfolio of over 2,000 lipids and polymers used as delivery systems for nucleic acid-based drugs. Pharma is focused on segments with the highest innovation needs presenting opportunities for strong growth at high margins. It has a well-diversified risk portfolio combining both near and medium-term growth opportunities with novel technologies generating revenue at every stage of the development cycle of new drugs spanning discovery through to commercial supply.

Continued operational progress

We are focused on delivery, enhancing our leadership, driving operational efficiencies, and ensuring rigorous cost control to continue our long record of strong performance and progressive shareholder returns.

Focused on leadership and engagement

Reflecting our focus on talent and succession, we have recently appointed two senior leaders to our Executive Committee from outside Croda who have directly relevant sector experience and will join us next year. On 1 July 2024, we announced the appointment of Stephen Oxley as Chief Financial Officer (CFO) and Executive Director. Stephen is currently CFO of Johnson Matthey Plc, and has valuable experience in setting and executing strategy, enhancing business performance, transformation and corporate transactions. We have also recently appointed Thomas Riermeier as President of Life Sciences, who joins us from Evonik Industries AG where he has run the Health Care business with responsibility for drug substances, drug delivery and products, and health solutions, including lipid delivery systems for nucleic acid-based vaccines and drugs.

We are focused on employee engagement, ensuring that we listen to our people and act on their feedback, seeking to build on already strong engagement levels illustrated by an 83% completion rate and 68% overall engagement score in the recent survey. Most employees have a financial stake in Croda's success through high levels of share ownership, which remain at over 80% in the UK and over 70% elsewhere, aided by our Free Share Plan.

Focused on operational efficiencies

A new organisational structure has been in place since the start of 2024 which makes Consumer Care and Life Sciences fully accountable for strategy and performance. The new organisation has clarified accountabilities, is ensuring we deliver more quickly and effectively for our customers and has simplified our structure for employees. Whilst the motivation for the change was not to reduce costs, the new structure is more efficient, and we are on track to deliver annual cost savings of £9m from 2025.

We are constantly evaluating opportunities to drive efficiency savings by simplifying our business processes and improving the way we work. We have established a centre of operational excellence to drive improvements with near-term impact such as a review of all indirect procurement, to reduce the amount we spend on external services, and a review of our storage and distribution network. Other workstreams will deliver sustained benefits to our operational effectiveness over the longer term including the use of artificial intelligence, data analytics, online ordering tools and a multi-year SAP upgrade. These workstreams are already positively impacting our customer net promoter score which is currently +34, with scores for 'ease of doing business' showing notable improvements.

Facilitated by the new organisational structure, we are accelerating the integration of recent acquisitions to drive cost synergies, alongside the growth synergies that are already progressing well. Integration activities include a focus on consolidation of our site footprint and adsorption into our established infrastructure, such as the closure of an office providing administrative support to our Seed Enhancement business in China. We have also closed an acquired laboratory in Sweden whilst retaining the associated intellectual property and scientific expertise.

Continuous cost discipline and strict control of discretionary expenditure is playing an important role in maximising efficiencies and our earnings, alongside the prioritisation of customer-facing activities to drive sales volumes and strong capital discipline. Many of the self-help measures that we have introduced are the right thing to do for the business over the longer term as well as having a positive impact on Group operating margin this year. We will review our cost base further on completion of our annual strategic planning process in the second half of the year.

Outlook

We are encouraged by first half performance in Consumer Care, key strategic Pharma platforms and Industrial Specialties, with improving operating margins driven by higher sales volumes, price discipline and robust cost control. However, with a weaker than anticipated performance in Life Sciences due to continued destocking in Crop Protection and consumer health, and no signs of an immediate recovery in Crop Protection, we now expect Group adjusted profit before tax to be between £260m and £280m in full year 2024 at constant currency. Croda will provide an update on third quarter sales performance on Monday 11 November 2024.

Technical foreign exchange guidance

Constant currency expectations are based on the Group's average exchange rates through 2023 which were US$1.243 and €1.149. The US Dollar and the Euro represent approximately 65% of the Group's currency translation exposure. We estimate that the average annual currency translation impact on adjusted operating profit is £1m per Dollar cent movement per annum and £1m per Euro cent movement per annum. H124 adjusted profit before tax was adversely impacted by £6.5m due to strengthening Sterling. Assuming 1 July 2024 exchange rates for the remainder of the year, we estimate translation would have a further £5m adverse impact on Group adjusted profit before tax in the second half of the year.

Non-financial performance

Higher sales of New and Protected Products reflecting strong customer demand for innovation

Croda is a high value-added ingredients business, differentiated by innovation and focused on value over volume. Our principal measure of innovation is sales of New and Protected Products (NPP) which are defined as sales protected by virtue of being newly launched, protected by intellectual property or by unique quality characteristics. We measure both NPP sales as a proportion of total sales and NPP sales growth.

NPP sales increased to 36% of total sales (H123: 34%), driven by continued increases in the proportion of NPP sales in Consumer Care and Life Sciences.

In Consumer Care, NPP improved to 42% of total sales (H123: 40%), reflecting customer investment in new product development and our focus on innovation to drive the continued differentiation of our ingredient portfolio. In Life Sciences, sales of NPP improved to 33% of total sales (H123: 31%) as our strategic focus areas in Pharma grew more quickly than sales for consumer health applications, and with a lower proportion of Crop Protection sales.

Group NPP sales grew 2% at constant currency, driven by an 11% constant currency increase in Consumer Care, with all four business units in Consumer Care growing NPP sales on that basis.

Continued recognition for our sustainability leadership

For Croda, sustainability has a direct link to commercial value because we provide customers with ingredient options often unique to Croda that help them meet their own sustainability commitments. We continue to be recognised for our sustainability leadership in the most robust global rankings. This includes CDP – which rates us A- across their key Climate, Forest and Water metrics with a further improvement in scores achieved this year, by MSCI – which rates us "triple A," and by FTSE4Good – which recognised our environmental leadership with a further improvement in our score in the period.

We use smart science to create high performance ingredients that improve lives and aim to have positive global impacts on climate, nature, and society in line with our commitment to be Climate, Land and People Positive by 2030, with interim targets set for 2024.

To be *Climate Positive*, the use of our ingredients will enable consumers to avoid more carbon than is associated with our operations and supply chain. Delivering on our carbon emission reduction targets will ensure we contribute to limiting the global temperature rise to no more than 1.5°C above pre-industrial levels. In line with our verified science-based target (SBT), we will reduce operational greenhouse gas emissions by 46.2% between 2018 and 2030. Our scope 1 and 2 emissions were 57,517 tonnes CO_2e (H123: 54,257 CO_2e (restated)), and we are on track to meet both our 2024 interim target and our 2030 SBT.

We are already *Land Positive*, saving more land through the use of our crop protection, biostimulant and seed enhancement technologies, than is used to grow our bio-based raw materials, and our target now is to save at least 200,000 hectares more land per year in 2030 than in our 2019 baseline. We are also committed to bringing 10 technological breakthroughs to market in Agriculture by 2024 and are on-track to meet this interim goal. In 2022, we announced our aspiration to build on our Land Positive Commitment to contribute to a Nature Positive world with our focus currently on understanding our impacts and dependencies on nature.

Our *People Positive* objective covers both our employees and wider society. We focus on using our smart science to improve more lives globally, with the Croda Foundation committing £4.4m in project funding since it was founded as a charity in 2021. Reflecting our absolute commitment to be a safe company for our communities and our employees, we have set a stronger safety target to reduce our Total Recordable Incident Rate ("TRIR") to 0.3 by 2025. The rate fell to 0.57 (H123: 0.83.)

Financial performance

Currency translation

Sterling strengthened against both the US Dollar, at US$1.266 (H123: US$1.234) and against the Euro, at €1.170 (H123: €1.141). Currency translation reduced sales by £27.0m and adjusted operating profit by £6.9m. This was driven by both the strength of Sterling against the US Dollar and the Euro (which together represent approximately 65% of the Group's currency translation exposure) and by the impact of changes in exchange rates for other smaller currencies including the effect of the application of IAS 29 ('Financial Reporting in Hyperinflationary Economies') to reporting in Argentina and Turkey. We estimate that the average annual currency translation impact on adjusted operating profit is £1m per Dollar cent movement per annum and £1m per Euro cent movement per annum.

Sales

Sales	**H124 £m**	Price/mix	Volume	Acquisition	Constant currency change	Currency	H123 £m	Change
Consumer Care	468.4	(8.5)%	13.7%	1.1%	6.3%	(3.5)%	455.6	2.8%
Life Sciences	246.2	(1.2)%	(16.7)%	1.5%	(16.4)%	(2.4)%	303.2	(18.8)%
Industrial Specialties	101.3	(9.7)%	(4.4)%	0.0%	(14.1)%	(2.8)%	122.1	(16.9)%
Group	815.9	(5.2)%	(0.2)%	1.0%	(4.4)%	(3.0)%	880.9	(7.4)%

Group sales were down 7% to £815.9m (H123: £880.9m), with volume flat, price/mix down 5%, a 1% contribution from the Solus Biotech acquisition completed in July 2023, and a 3% headwind from foreign exchange.

The 4% reduction in sales at constant currency comprised a 6% increase in Consumer Care with Life Sciences and Industrial Specialties lower by 16% and 14% respectively. After record results in 2021 and 2022 when Croda significantly benefitted from CV19-related sales and customers building up inventory levels, Group performance has been impacted by prolonged industry-wide destocking and weaker economic conditions.

Sequential sales improving

Sales	**H124 £m**	H223 £m	Change	H223 ex CV19 £m[1]	Change[1]
Consumer Care	468.4	430.5	8.8%	430.5	8.8%
Life Sciences	246.2	299.1	(17.7)%	251.1	(1.9)%
Industrial Specialties	101.3	84.0	20.6%	84.0	20.6%
Group	815.9	813.6	0.3%	765.6	6.6%

[1] Life Sciences and Group sales exclude £48m of lipid sales for CV19 vaccine applications in Q4 2023. They are excluded from this growth calculation to give a more informative comparator to the underlying business, as no CV19 lipid sales are expected in 2024.

Customer ingredient inventories and demand have become more stable in Consumer Care and Industrial Specialties, with Consumer Care sales up by 9% compared with the second half of last year, and Industrial Specialties up 21% on the same basis. In Life Sciences, destocking has continued in crop protection and consumer health markets but sequential sales growth in Pharma compared with H2 last year (excluding CV19 lipids), and improving orders provide some encouraging signs.

Quarterly sales performance

Overall, the Group returned to growth in the second quarter compared with the prior year with sales in Consumer Care 6% higher. In comparison with the first quarter of 2024, second quarter sales were down 2% in Consumer Care due to the impact of a strong January on first quarter sales but increased 2% in Life Sciences driven by Pharma and by 3% in Industrial Specialties as sales continued to recover.

Sales £m	**Consumer Care**	**Life Sciences**	**Industrial Specialties**	**Group**	**Life Sciences (ex-CV19)***	**Group (ex-CV19)***
Q1 2023	236.8	170.8	69.1	476.7	170.8	476.7
Q2 2023	218.8	132.4	53.0	404.2	132.4	404.2
Q3 2023	218.2	125.0	43.7	386.9	125.0	386.9
Q4 2023	212.3	174.1	40.3	426.7	126.1	378.7
Q1 2024	236.8	121.8	49.9	408.5	121.8	408.5
Q2 2024	231.6	124.4	51.4	407.4	124.4	407.4
H1 2023	455.6	303.2	122.1	880.9	303.2	880.9
H2 2023	430.5	299.1	84.0	813.6	251.1	765.6
H1 2024	468.4	246.2	101.3	815.9	246.2	815.9

*Life Sciences and Group sales exclude £48m of lipid sales for CV19 vaccine applications in Q4 2023. They are excluded from this growth calculation to give a more informative comparator to the underlying business, as no CV19 lipid sales are expected in 2024.

Profit and margin

	H124			H123		
	IFRS £m	**Adjustments £m**	**Adjusted £m**	IFRS £m	Adjustments £m	Adjusted £m
Sales	815.9	-	815.9	880.9	-	880.9
Cost of sales	(448.7)	-	(448.7)	(498.4)	-	(498.4)
Gross profit	367.2	-	367.2	382.5	-	382.5
Operating costs	(252.8)	(21.2)	(231.6)	(252.3)	(45.6)	(206.7)
Operating profit	114.4	(21.2)	135.6	130.2	(45.6)	175.8
Net interest charge	(8.3)	-	(8.3)	(1.5)	-	(1.5)
Profit before tax	106.1	(21.2)	127.3	128.7	(45.6)	174.3
Tax	(26.0)	4.9	(30.9)	(40.3)	4.0	(44.3)
Profit after tax	80.1	(16.3)	96.4	88.4	(41.6)	130.0

	H124			H123		
Operating profit/(loss)	**IFRS £m**	**Adjustments £m**	**Adjusted £m**	IFRS £m	Adjustments £m	Adjusted £m
Consumer Care	68.9	(13.6)	82.5	79.2	(16.0)	95.2
Life Sciences	37.6	(7.4)	45.0	63.6	(8.7)	72.3
Industrial Specialties	7.9	(0.2)	8.1	(12.6)	(20.9)	8.3
Group	114.4	(21.2)	135.6	130.2	(45.6)	175.8

Adjustments	**H124 £m**	H123 £m
Business acquisition costs	–	(7.7)
Restructuring costs	(2.4)	–
Impairments	–	(20.8)
Amortisation of intangible assets arising on acquisition	(18.8)	(17.1)
Total adjustments	(21.2)	(45.6)

Adjusted profit	**H124 £m**	Underlying growth £m	Acquisition impact £m	Constant currency change	Currency impact £m	H123 £m	Change
Consumer Care	82.5	(8.5)	(0.1)	(9.0)%	(4.1)	95.2	(13.3)%
Life Sciences	45.0	(24.3)	(0.6)	(34.4)%	(2.4)	72.3	(37.8)%
Industrial Specialties	8.1	0.2	-	2.4%	(0.4)	8.3	(2.4)%
Operating profit	135.6	(32.6)	(0.7)	(18.9)%	(6.9)	175.8	(22.9)%
Net interest	(8.3)					(1.5)	
Profit before tax	127.3					174.3	

Cost of sales benefitted from a reduction in raw material costs, which ended the half year ~4% lower on average than 1 January 2024, in addition to the ~12% reduction in 2023. Compared with the second half of last year, people and freight costs were higher as anticipated, and energy costs were broadly flat.

IFRS operating profit was £114.4m (H123: £130.2m). IFRS operating profit included a charge for adjusting items of £21.2m (H123: £45.6m), comprising an £18.8m (H123: £17.1m) charge for amortisation of acquired intangibles and continuing restructuring costs associated with changes to the Group's operating model of £2.4m (H123: £nil).

Group adjusted operating profit was £135.6m (H123: £175.8m). The operating profit margin was 16.6% (H123: 20.0%) due to weaker price/mix and the partial unwind of the benefit we saw in 2023 from a negligible variable remuneration charge. The operating margin was 1.6 percentage points higher than in the second half of 2023 (excluding CV19 lipid sales), improving more quickly than anticipated. This was due to better capacity utilisation and robust cost discipline reflecting our focus on "controlling what we can control" with the self-help measures that we have introduced expected to benefit Group operating margin by approximately half a percentage point this year compared with initial expectations.

Net finance costs were £8.3m (H123: £1.5m) and we expect net finance costs to be approximately £20m for 2024, at the top end of our previously anticipated range. Profit before tax (on an IFRS basis) was £106.1m (H123: £128.7m) and adjusted profit before tax was £127.3m or £133.8m at constant currency. The effective tax rate on adjusted profit was 24.3% (H123: 25.4%) and the effective tax rate on IFRS profit was 24.5% (H123: 31.3%). IFRS basic earnings per share (EPS) were 57.2p (H123: 63.1p) and adjusted basic EPS were 68.8p (H123: 92.9p).

Strong free cash flow generation

Cash flow	Six months ended 30 June H124 £m	Restated H123 £m
Adjusted operating profit	135.6	175.8
Depreciation and amortisation	48.9	43.4
EBITDA	184.5	219.2
Working capital	43.5	(9.7)
Interest & tax paid	(33.4)	(52.3)
Non-cash pension expense	0.9	(1.7)
Share-based payments	1.5	(3.6)
Other cash movements	(2.5)	(7.7)
Net cash generated from operating activities	194.5	144.2
Net capital expenditure	(69.7)	(76.1)
Interest received	2.3	5.0
Payment of lease liabilities	(8.8)	(8.0)
Exceptional items cash outflow add back	4.4	7.7
Free cash flow	122.7	72.8
Dividends	(86.6)	(85.1)
Acquisitions	–	(35.1)
Business disposal	–	(4.4)
Exceptional items cash outflow	(4.4)	(4.6)
Other cash movements	(3.5)	(10.3)
Net cash flow	28.2	(66.7)
Net movement in borrowings	14.5	150.7
Net movement in cash and cash equivalents	42.7	84.0

Our focus on cash flow management continues to deliver excellent results with improved free cash flow of £122.7m (H123 (restated): £72.8m) including a working capital inflow of £43.5m (H123: £9.7m outflow). This working capital inflow was primarily driven by the timing of a £48m payment for CV19 lipids shipped in the final quarter of 2023, as well as careful working capital management which enabled a modest inventory rebuild to support future demand without an associated cash outflow.

Continued balance sheet strength

Enhanced by improved free cash flow, our balance sheet remains strong. This is enabling disciplined investment in our portfolio in line with our capital allocation policy which is to:

- Reinvest for growth – investment in organic capital expenditure to drive shareholder value creation through new capacity, product innovation and expansion in attractive geographic markets to drive sales and profit growth;
- Provide regular returns to shareholders – pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle;
- Acquire disruptive technologies – target technology acquisitions in existing and adjacent markets: and,
- Maintain an appropriate balance sheet and return excess capital – maintain an appropriate balance sheet to meet future investment and trading requirements, targeting a leverage ratio of 1 to 2x over the medium-term cycle. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities.

Given the challenging market conditions, we reviewed the pace of in-flight capital expenditure projects to carefully consider phasing. First half capital expenditure of £69.7m (H123: £76.1m) was broadly in line with our guidance of ~£150m for the full year. We are expecting a similar level of capital expenditure in 2025 as the Pharma investment programme concludes, after which annual capex should trend downwards as a percentage of sales as we utilise the capacity we have built and investment in future capacity is highly selective.

Following the significant portfolio transition in recent years, our focus is now on delivering returns from recent investments, and we would expect any acquisitions in the near term to be focused on small adjacent technologies. Building on our record of consistent distribution to shareholders, the Board is proposing to maintain the interim dividend flat at 47p (H123: 47p).

Closing net debt fell to £507.9m (31 Dec 23: £537.6m), with a leverage ratio of 1.4x EBITDA (31 Dec 23: 1.3x), within our 1-2x target range. As at 30 June 2024, the Group had committed funding in place of £1,045.9m, with undrawn long-term committed facilities of £364.8m and £209.3m in cash.

Retirement benefits

The post-tax asset on retirement benefit plans at 30 June 2024, measured on an accounting valuation basis under IAS19, was £94.1m (31 December 2023: £64.9m). Cash funding of the various plans is driven by the schemes' ongoing actuarial valuations. The triennial actuarial valuation of the largest pension plan, the UK Croda Pension Scheme, was performed as at 30 September 2023 and indicated that funding position of the scheme had significantly improved. The scheme was 120.6% funded on a technical provisions basis. Consequently, the cash cost of providing benefits has fallen and no deficit recovery plan is required.

Sector performance

Consumer Care – growing in key markets

Consumer Care	Change v H123	Change v H223
Beauty Actives sales	9%	11%
Beauty Care sales	(6)%	9%
Fragrances and Flavours sales	13%	8%
Home Care sales	15%	3%
Total Consumer Care sales	3%	9%

Consumer Care	**H124 £m**	H123 £m	Change	Constant currency change	H223 £m	Change
Sales	468.4	455.6	3%	6%	430.5	9%
Adjusted operating profit	82.5	95.2	(13)%	(9)%	65.1	27%
Adjusted operating margin	17.6%	20.9%	(3.3)ppts		15.1%	2.5ppts

Consumer Care increased sales to £468.4m (H123: £455.6m), up 3% on a reported basis, 6% at constant currency and 9% compared with the second half of 2023. Second quarter sales were up 6% compared with the same period last year.

Sales growth was driven by a recovery in sales volumes, which were up 14%, reflecting more stable customer inventory levels. Price/mix was 9% lower due to the impact of lower prices and the mix impact of some more tactical business, particularly in Beauty Care. Acquisitions added 1% from sales of ceramides following the Solus Biotech acquisition, whilst foreign currency translation was a 4% headwind.

There was a notable 9% increase in constant currency sales to local and regional customers who are innovating and growing quickly.

NPP sales grew at 11% in constant currency and improved to 42% of total sales (H123: 40%) reflecting customer investment in new product development and our focus on innovation to drive the continued differentiation of our ingredient portfolio. Sustainability continues to influence customer buying behaviour as illustrated by further strong growth of our ECO bio-based surfactants, as well as good interest in our new biotech-derived surfactants. We are also leveraging our leadership position in sustainability with carbon footprint data now available for over 80% of product codes in Beauty Care, and newly launched in Beauty Actives and Home Care, enabling customers to quantify the benefits associated with using our ingredients in their products.

IFRS operating profit was £68.9m (H123: £79.2m) and adjusted operating profit was £82.5m (H123: £95.2m). Adjusted operating profit margin was below the prior period at 17.6% (H123: 20.9%) but was 2.5 percentage points higher than in the second half of 2023, recovering more quickly than anticipated.

All regions delivered higher sales on a constant currency basis. Sales in the key Asian markets of China, India and South Korea continued to grow strongly with the Asia region remaining the primary focus of Consumer Care investment. While our direct sales into China have continued to grow, driven by our excellent relationships with regional customers, a broad-based recovery in Chinese consumer spending and travel would underpin improved global demand for consumer care products.

Consumer Care comprises four business units. **Beauty Actives** is a leader in peptides – the most effective ingredient for preventing skin ageing, and biotech-derived ingredients such as plant cell cultures and now ceramides. The business delivered 9% sales growth, or 11% compared with the second half of 2023, led by the sale of peptides and a strong increase in sales to Asia which has been the focus of our recent investment. Sales growth in Asia included a double-digit percentage increase in China where the business has excellent relationships with regional customers which are winning market share. Growth in India was also strong, illustrating the continued premiumisation of consumer markets there. Whilst peptides drove the sales growth, most new launches were biotech-based ingredients which offer excellent efficacy combined with sustainability benefits. Recent launches have included an anti-aging active with its origins in marine biotechnology, and two active ingredients derived from plant cell cultures, one that restores natural skin glow and the other that fades age spots caused by the sun.

Following our acquisition of Solus Biotech in July 2023, we have made good progress implementing our growth plan for its biotech-derived active ingredients, integrating the business with our South Korean operations and exiting all distributor agreements. We are accelerating global sales by leveraging Croda's global selling network with dedicated business development leads in each region. The new team is also collaborating with our Beauty Actives experts in Paris to launch ceramides that are easier for customers to formulate.

Beauty Care is the largest business unit in Consumer Care, comprising "effect" ingredients, such as hair care proteins and mineral sunscreens – where we are already a market leader, and "formulation" ingredients many of which are differentiated by their sustainability profile, supported by data about their carbon footprint. We are accelerating innovation to enhance portfolio differentiation, with NPP sales growing as a proportion of total Beauty Care sales, whilst also managing sales volumes in the bottom ~20% of the portfolio where there is less differentiation to underpin consistent plant utilisation. Sales fell 6%, as higher sales volumes were offset by weaker price/mix against a prior period that included a strong first quarter, but were 9% ahead of the second half of 2023. Sales were up in North America in constant currency benefitting from regained sales previously lost due to our inability to meet all of the demand for certain ingredients at the peak of restocking in 2022. Performance also benefitted from our focus on contract manufacturers as an additional route to local and regional companies, who we can support through our expertise in trends and formulation. Our sustainable surfactant options grew particularly well with ECO being formulated into to a leading baby brand for the first time. Asia was the strongest region where we are supporting growth with investment, including a new surfactants plant in Dahej, India, due to be commissioned in early 2025.

Fragrances and Flavours (F&F) continued to grow ahead of 'tier one' peers, delivering 13% sales growth, benefitting from its niche positioning with local and regional customers outside North America and Europe. This growth was well balanced across both Fragrances and Flavours and was driven by a combination of higher sales with existing customers and new customer wins. Sales synergies are delivering additional benefits, for example with significant Croda ingredient sales expected this year to F&F's largest customer based in the Middle East. Innovation continues to ramp up with 475 new fragrance references launching each month, and new technologies such as microencapsulation and malodour control "opening doors" to new customers. To sustain strong growth, we are investing to expand fine fragrances at our dedicated facility in Grasse in France, opening a new R&D centre in Dubai, and building a new manufacturing facility in China which will be joint with Beauty Actives.

Home Care is focused on bringing Croda's ingredients to selective premium home care markets. This is delivered through two technology platforms which provide improved efficacy and sustainability: fabric care, with proteins that increase the lifetime of clothes; and household care, with sustainable alternatives to fossil-based surfactants. The business delivered continued double-digit percentage growth, with sales up 15%, as we won new customers for our fabric care proteins beyond the foundation multinational brands, and new applications drove continued growth of ECO surfactants, for example, with their inclusion in a launch of a new environmentally friendly laundry sheet.

Life Sciences – continued progress building industry-leading positions in high-growth markets

Life Sciences	Change v H123	Change v H223	Ex CV19* Change v H223
Pharma sales	(11)%	(24)%	3%
Crop Protection sales	(33)%	(2)%	(2)%
Seed Enhancement sales	(10)%	(17)%	(17)%
Total Life Sciences sales	(19)%	(18)%	(2)%

Life Sciences	**H124 £m**	H123 £m	Change	Constant currency change	H223 £m	Change	H223 Ex CV19* £m	Change*
Sales	246.2	303.2	(19)%	(16)%	299.1	(18)%	251.1	(2)%
Adjusted operating profit	45.0	72.3	(38)%	(34)%	78.0	(42)%		
Adjusted operating margin	18.3%	23.8%	(5.5)ppts		26.1%	(7.8)ppts		

*Life Sciences and Group sales exclude £48m of lipid sales for CV19 vaccine applications in Q4 2023. They are excluded from this growth calculation to give a more informative comparator to the underlying business, as no CV19 lipid sales are expected in 2024.

Life Sciences sales were down 19% to £246.2m (H123: £303.2m), or by 16% in constant currency, principally reflecting the very strong Crop Protection performance in the first quarter of 2023 before destocking began in the second quarter. They fell by 2% compared with the second half of 2023 ex CV19 lipids. NPP improved to 33% of total sales (H123: 31%) as our strategic focus areas in Pharma grew more quickly than sales for consumer health applications, and with Crop Protection a lower proportion of sales.

On a reported basis, volume was 17% lower while price/mix fell 1%. Acquisitions added 2% due to sales of phospholipids following the Solus Biotech acquisition, and foreign currency translation was an 2% headwind.

Whilst Life Sciences has continued to be impacted by destocking in crop protection and consumer health markets, sequential sales growth in Pharma compared with H2 last year (ex CV19 lipids) and improving orders provide some encouraging signs. Despite adverse FX, Pharma sales were up 3% compared with the second half of last year (ex CV19 lipids), with second quarter sales in 2024 higher than in quarter one.

IFRS operating profit was £37.6m (H123: £63.6m) and adjusted operating profit was £45.0m (H123: £72.3m). The resulting adjusted operating profit margin of 18.3% (H123: 23.8%) continued to be negatively impacted by low sales volumes in Crop Protection, partially offset by robust cost control.

In Life Sciences, the move to biologics is the key structural driver of growth in both pharmaceutical and agriculture markets over the next decade. Through execution of our strategy, we have established our Agriculture business as innovation partner for delivery systems, creating new systems specifically for the delivery of biopesticides and meeting the sustainability challenges of conventional pesticide delivery. In Pharma, we have established an industry-leading position in empowering biologics delivery, acquiring and entering partnerships with businesses with critical knowledge and technology, then building scale through capital expenditure in partnership with national governments. This approach has ensured our Pharma business has excellent competitive positioning focused on segments with the highest innovation needs and a broad, well diversified portfolio. Thomas Riermeier has recently been appointed Life Sciences President and will join us from Evonik Industries AG where he has run their Health Care business with responsibility for drug substances, drug delivery and products, and health solutions, including lipid delivery systems for nucleic acid-based vaccines and drugs.

In **Pharma**, sales declined 11%, as some of the challenges that faced healthcare markets in 2023, such as CV19 normalisation and destocking in consumer health, continued into the first half of this year. Lower CV19 demand adversely impacted Adjuvant Systems and destocking primarily affected our consumer health business where customer products are normally sold over-the-counter. Both of these effects appear to be easing with Pharma sales up 3% compared with the second half of last year (ex CV19 lipids), including an increase in sales for Consumer Health applications. Sales of delivery systems for nucleic acid and protein-based drugs, both strategic focus areas for Croda, have continued to grow.

We are making further progress building industry-leading positions in high-growth markets, with customer pipelines across biologics, vaccines and nucleic acid-based drugs continuing to expand, and new Croda drug delivery technologies brought to market as planned.

- *Protein and Small Molecule Delivery* has an industry-leading portfolio of speciality high purity excipients. Following the Solus Biotech acquisition, sales of naturally derived phospholipids are developing well, both for intravenous nutrition and as delivery systems for pharma actives. Virodex, our first bioprocessing aid and a superior alternative to a competitor product that is now banned in Europe, is already contributing sales and is in validation phase with eight pharma customers.
- *Adjuvant Systems* is the only independent supplier with the portfolio of adjuvants needed for future vaccine applications, in a market where current systems are owned by individual vaccine companies so are not available for licensing. Our newly-launched proprietary lipid-based adjuvants are now sampled into 80 projects and will contribute meaningful sales in the second half year as a customer's clinical trials progress towards regulatory drug submission. Future growth will also benefit from recent partnerships for the supply of sustainable squalene and saponin adjuvants.
- *Nucleic Acid Delivery* has a unique portfolio of over 2,000 lipids and polymers used as delivery systems for nucleic acid-based drugs. As pharma industry drug pipelines continue to expand, our business continues to grow due to its leading position in the supply of lipids and other materials for drug discovery and clinical trials. Accelerating medium-term growth will be driven by the commercialisation of new mRNA vaccines for infectious diseases – where we are working closely with 'big pharma' companies driving this development, oncology applications – which require more targeted delivery systems, and gene editing therapies.

Our principal R&D investments include a new applications centre for Nucleic Acid Delivery in Singapore and continued investment in the Alabaster site in the USA acquired with Avanti. We are also investing £175m in the period 2021 to 2025 to add multi-purpose manufacturing capacity that will enable our next stage of growth, with the US and UK Governments co-investing up to an additional £75m combined, and we have invested over ~£120m in the programme to date.

In **Crop Protection**, sales declined 33% principally reflecting the very strong performance in early 2023 before customers began reducing inventory levels, and were 2% lower than the second half of last year with the absence of positive inflection in demand. Following an exceptional 2022, when Crop Protection delivered ~50% sales growth, agriculture markets have subsequently seen a prolonged period of destocking compounded by weather and flooding issues in the first half year, and by stable-but-lower prices for soy, wheat and corn. As a result, while some customer inventory levels are now lower than in 2023, we have not yet seen a normalisation in order cycles, however the seasonality of planting cycles provides a further opportunity for improved demand in quarter four. We remain focused on innovation and developing sustainable crop care solutions to meet customers' immediate and longer-term needs which will support recovery when markets improve. We are meeting the sustainability challenges of conventional pesticide delivery by developing ingredients for drone application. Following an excellent response from customers in China, our bespoke product for drone application is now available across Asia with good interest from our major customers. We have also secured initial sales of our first dedicated delivery system for biopesticides.

Sales were 10% lower in Seed Enhancement, a seasonally second half weighted business, impacted by adverse weather conditions in the Americas, with a better second half anticipated. Sales of microplastic-free (MPF) seed coatings grew strongly reflecting Croda's market-leading position and the EU's decision to ban the use of microplastics in seed coatings by 2028. Our MPF coatings are now being sold across Europe, North America and Latin America, where they are also in final test stages with major seed companies.

Industrial Specialties – contributing to the efficiency of our shared manufacturing sites

Industrial Specialties	**H124 £m**	H123 £m	Change	Constant currency change	H223 £m	Change
Sales	101.3	122.1	(17)%	(14)%	84.0	21%
Adjusted operating profit	8.1	8.3	(2)%	2%	1.1	636%
Adjusted operating margin	8.0%	6.8%	1.2ppts		1.3%	6.7ppts

Croda's Industrial Specialties business plays an important role in our Group manufacturing model, contributing to the efficiency of our shared manufacturing site model by helping to optimise utilisation rates, maximising sales into value-added industrial applications using Croda's core chemistries, and operating a supply contract to the new owner of the industrial business that we divested in June 2022.

Industrial Specialties sales were £101.3m (H123: £122.1m), a 17% reduction with both volumes and price/mix lower, against a 2023 comparator when market conditions progressively weakened through the year. Sequentially, reported sales improved by 21% compared with the second half of 2023 with improving volumes and positive mix, and both direct and supply agreement sales growing well. Second quarter sales were also higher than in quarter one.

IFRS operating profit was £7.9m (H123: a loss of £12.6m) and adjusted operating profit was £8.1m (H123: £8.3m). The resulting operating profit margin was 8.0% (H123: 6.8%), a 6.7 percentage point improvement on the second half of 2023.

Other matters

Principal risks

Our risk management processes, policies and the principal risks and uncertainties facing the Group were set out on pages 51 to 57 of the Group's Annual Report and Accounts for the year ended 31 December 2023. Our risk management processes and policies remain largely consistent, with minor adjustments being made in conjunction with the ongoing deployment of new integrated risk management software. There have been no changes in the Group's principal risks and uncertainties. The Group's principal risks as reported in the financial statements for the year ended 31 December 2023 were revenue generation; product and technology innovation and protection; digital technology innovation; delivering sustainable solutions – Climate Land, and People Positive; management of business change; our people – culture, wellbeing, talent development and retention; product quality; loss of significant manufacturing site; ethics and compliance; and security of business information and networks.

During our periodic risk reviews, we confirmed that all principal risks reported remain relevant and no new principal risks were identified.

Statement of Directors' Responsibilities

The Directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34 as adopted for use in the UK 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 2024 were as follows (a list of current Directors is maintained on the Croda website: www.croda.com):

Danuta Gray (Chair)
Steve Foots (Group Chief Executive)
Ian Bull
Roberto Cirillo
Jacqui Ferguson
Chris Good
Julie Kim
Professor Keith Layden
Nawal Ouzren
John Ramsay

By order of the Board

Steve Foots
Group Chief Executive

Independent Review Report to Croda International Plc

Conclusion

We have been engaged by Croda International PLC ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the Group Condensed Interim Income Statement, Group Condensed Interim Statement of Comprehensive Income, 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 2024 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

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. The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. 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 for use in the UK. In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review 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.

Ian Griffiths
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

29 July 2024

Croda International Plc
Interim announcement of trading results for the six months ended 30 June 2024
Group Condensed Interim Income Statement

		First half 2024			First half 2023			Full year 2023		
	Note	Adjusted £m	Adjustments £m	Reported Total £m	Adjusted £m	Adjustments £m	Reported Total £m	Adjusted £m	Adjustments £m	Reported Total £m
Revenue	2	815.9	–	815.9	880.9	–	880.9	1,694.5	–	1,694.5
Cost of sales		(448.7)	–	(448.7)	(498.4)	–	(498.4)	(964.5)	–	(964.5)
Gross profit		367.2	–	367.2	382.5	–	382.5	730.0	–	730.0
Operating costs		(231.6)	(21.2)	(252.8)	(206.7)	(45.6)	(252.3)	(410.0)	(72.5)	(482.5)
Operating profit	2	135.6	(21.2)	114.4	175.8	(45.6)	130.2	320.0	(72.5)	247.5
Financial costs	3	(12.8)	–	(12.8)	(6.5)	–	(6.5)	(26.0)	–	(26.0)
Financial income	3	4.5	–	4.5	5.0	–	5.0	14.8	–	14.8
Profit before tax		127.3	(21.2)	106.1	174.3	(45.6)	128.7	308.8	(72.5)	236.3
Tax		(30.9)	4.9	(26.0)	(44.3)	4.0	(40.3)	(73.7)	9.5	(64.2)
Profit after tax for the period		96.4	(16.3)	80.1	130.0	(41.6)	88.4	235.1	(63.0)	172.1
Attributable to:										
Non-controlling interests		0.3	–	0.3	0.3	–	0.3	1.1	–	1.1
Owners of the parent		96.1	(16.3)	79.8	129.7	(41.6)	88.1	234.0	(63.0)	171.0
		96.4	(16.3)	80.1	130.0	(41.6)	88.4	235.1	(63.0)	172.1

Adjustments relate to exceptional items, amortisation of intangible assets arising on acquisition and the tax thereon. Details are disclosed in note 2.

		Pence Adjusted	Pence Reported Total	Pence Adjusted	Pence Reported Total	Pence Adjusted	Pence Reported Total
Earnings per 10.61p ordinary share							
Basic		68.8	57.2	92.9	63.1	167.6	122.5
Diluted		68.8	57.2	92.8	63.0	167.4	122.3
Ordinary dividends paid in the period							
Interim	4		–		–		47.0
Final	4		62.0		61.0		61.0

Group Condensed Interim Statement of Comprehensive Income

	2024 First half £m	2023 First half £m	2023 Full year £m
Profit after tax for the period	80.1	88.4	172.1
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-retirement benefit obligations	37.5	(10.9)	(23.3)
Tax on items that will not be reclassified	(9.3)	2.8	5.5
	28.2	(8.1)	(17.8)
Items that have been or may be reclassified subsequently to profit or loss:			
Currency translation	(52.8)	(69.8)	(58.4)
Cash flow hedging	–	(20.8)	(19.3)
	(52.8)	(90.6)	(77.7)
Other comprehensive expense for the period	(24.6)	(98.7)	(95.5)
Total comprehensive income/(expense) for the period	55.5	(10.3)	76.6
Attributable to:			
Non-controlling interests	0.1	(0.8)	0.1
Owners of the parent	55.4	(9.5)	76.5
	55.5	(10.3)	76.6
Arising from:			
Continuing operations	55.5	(10.3)	76.6

Group Condensed Interim Balance Sheet

	Note	**At 30 June 2024 £m**	At 31 December 2023 £m
Assets			
Non-current assets			
Intangible assets	5	1,357.0	1,408.5
Property, plant and equipment	6	1,046.6	1,044.0
Right of use assets		84.4	87.5
Investments		1.9	1.9
Deferred tax assets		17.2	14.4
Retirement benefit assets	8	151.7	113.5
		2,658.8	2,669.8
Current assets			
Inventories		357.4	341.2
Trade and other receivables		353.9	395.7
Cash and cash equivalents		209.3	172.5
		920.6	909.4
Liabilities			
Current liabilities			
Trade and other payables		(267.1)	(252.0)
Borrowings and other financial liabilities		(30.1)	(36.7)
Lease liabilities		(14.1)	(13.7)
Provisions		(6.5)	(8.6)
Current tax liabilities		(20.2)	(9.2)
		(338.0)	(320.2)
Net current assets		582.6	589.2
Non-current liabilities			
Borrowings and other financial liabilities		(604.3)	(588.4)
Lease liabilities		(68.7)	(71.3)
Other payables		(1.1)	(1.1)
Retirement benefit liabilities	8	(26.0)	(26.8)
Provisions		(9.4)	(10.5)
Deferred tax liabilities		(196.1)	(192.8)
		(905.6)	(890.9)
Net assets		2,335.8	2,368.1
Equity attributable to owners of the parent		2,321.2	2,352.5
Non-controlling interests in equity		14.6	15.6
Total equity		2,335.8	2,368.1

Group Condensed Interim Statement of Changes in Equity

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2023		15.1	707.7	47.1	1,645.7	15.5	2,431.1
Profit after tax for the period		–	–	–	88.1	0.3	88.4
Other comprehensive expense for the period		–	–	(89.5)	(8.1)	(1.1)	(98.7)
Total comprehensive (expense)/income for the period		–	–	(89.5)	80.0	(0.8)	(10.3)
Transactions with owners:							
Dividends on equity shares	4	–	–	–	(85.1)	–	(85.1)
Share-based payments		–	–	–	1.6	–	1.6
Transactions in own shares		–	–	–	(9.8)	–	(9.8)
Total transactions with owners		–	–	–	(93.3)	–	(93.3)
Total equity at 30 June 2023		15.1	707.7	(42.4)	1,632.4	14.7	2,327.5
At 1 January 2024		15.1	707.7	(10.3)	1,640.0	15.6	2,368.1
Profit after tax for the period		–	–	–	79.8	0.3	80.1
Other comprehensive (expense)/income for the period		–	–	(52.6)	28.2	(0.2)	(24.6)
Total comprehensive (expense)/income for the period		–	–	(52.6)	108.0	0.1	55.5
Transactions with owners:							
Dividends on equity shares	4	–	–	–	(86.6)	–	(86.6)
Share-based payments		–	–	–	1.7	–	1.7
Transactions in own shares		–	–	–	(1.8)	–	(1.8)
Total transactions with owners		–	–	–	(86.7)	–	(86.7)
Changes in ownership interests:							
Dividends paid to non-controlling interest		–	–	–	–	(1.1)	(1.1)
Total changes in ownership interests						(1.1)	(1.1)
Total equity at 30 June 2024		15.1	707.7	(62.9)	1,661.3	14.6	2,335.8

Other reserves include the Capital Redemption Reserve of £0.9m (30 June 2023: £0.9m), the Hedging Reserve of £nil (30 June 2023: £(20.8)m) and the Translation Reserve of £(63.8)m (30 June 2023: £(22.5)m).

Group Condensed Interim Statement of Cash Flows

	Note	2024 First half £m	2023 First half £m	2023 Full year £m
Cash generated by operations				
Operating profit		114.4	130.2	247.5
Adjustments for:				
Depreciation and amortisation		67.7	60.5	126.2
Impairments of intangible assets and property, plant and equipment		–	21.8	22.0
Impairment of investment		–	–	1.5
Loss on derivatives		–	–	4.6
(Profit)/loss on disposal and write-offs of intangible assets and property, plant and equipment		(0.1)	(0.5)	0.2
Net provisions charged/(released)		2.0	(0.2)	5.6
Share-based payments		1.5	(3.6)	(4.2)
Non-cash pension expense		0.9	(1.7)	(4.4)
Net-monetary adjustment		2.4	–	6.3
Cash paid against operating provisions		(4.4)	(0.3)	(3.4)
Movement in inventories		(24.5)	30.4	117.8
Movement in receivables		25.0	0.5	(19.0)
Movement in payables		43.0	(40.6)	(69.7)
Cash generated by operations		227.9	196.5	431.0
Interest paid		(11.3)	(7.9)	(24.2)
Tax paid		(22.1)	(44.4)	(69.3)
Net cash generated from operating activities		194.5	144.2	337.5
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		–	–	(204.3)
Payment of contingent consideration		–	(7.2)	(9.6)
Purchase of property, plant and equipment		(95.5)	(81.8)	(180.4)
Receipt of government grant		26.7	6.5	10.9
Purchase of other intangible assets		(1.7)	(5.8)	(8.6)
Proceeds from sale of property, plant and equipment		0.8	1.0	4.0
Tax paid on business disposals		–	(4.4)	(4.6)
Settlement of derivatives		–	(20.8)	(23.9)
Cash paid against non-operating provisions		(0.6)	(0.5)	(1.6)
Interest received		2.3	5.0	8.3
Net cash used from investing activities		(68.0)	(108.0)	(409.8)
Cash flows from financing activities				
New borrowings		80.7	215.7	336.0
Repayment of borrowings		(66.2)	(65.0)	(210.9)
Payment of lease liabilities		(8.8)	(8.0)	(17.0)
Net transactions in own shares		(1.8)	(9.8)	(9.8)
Dividends paid to equity shareholders	4	(86.6)	(85.1)	(150.7)
Dividends paid to non-controlling interests		(1.1)	–	–
Net cash (used)/generated from financing activities		(83.8)	47.8	(52.4)
Net movement in cash and cash equivalents		42.7	84.0	(124.7)
Cash and cash equivalents brought forward		150.2	281.6	281.6
Exchange differences		(3.2)	(6.9)	(6.7)
Cash and cash equivalents carried forward		189.7	358.7	150.2
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		209.3	379.5	172.5
Bank overdrafts		(19.6)	(20.8)	(22.3)
		189.7	358.7	150.2

A reconciliation of the cash flows above to the movements in net debt is shown in note 7.

Notes to the Interim Financial Statements

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 29 July 2024. The financial information included in this interim financial report for the six months ended 30 June 2024 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 2023 is also unaudited. The comparative figures for the year ended 31 December 2023 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 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK.

Tax charged within the six months ended 30 June 2024 has been calculated by applying the effective rate of tax which is expected to apply, on a jurisdiction by jurisdiction basis, to the Group for the year ending 31 December 2024 using rates substantively enacted by 30 June 2024 as required by IAS 34 'Interim Financial Reporting'.

The annual financial statements of the Group for the year ended 31 December 2023 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2023, which were prepared in accordance with the requirements of the Companies Act 2006 ("Adopted IFRSs") and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Going concern basis

The condensed consolidated financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

At 30 June 2024 the Group had £1,045.9m of committed debt facilities available from its banking group, USPP bondholders and lease providers, with principal maturities between 2026 and 2030, of which £364.8m (30 June 2023: £367.7m) was undrawn, together with cash balances of £209.3m (30 June 2023: £379.5m).

The Directors have reviewed the liquidity and covenant forecasts for the Group's going concern assessment period covering at least 12 months from the date of approval of the condensed consolidated financial statements. Based on these forecasts, the Group continues to have significant liquidity headroom and strong financial covenant headroom under its debt facilities.

A reverse stress testing scenario has been performed which assesses that adjusted operating profit would need to fall by approximately 80% to trigger an event of default as at 31 December 2025, before consideration of available actions to conserve cash. The Directors do not consider this a plausible scenario. The Directors are therefore satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of approval of the condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

c. Accounting policies

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 2023.

A number of amendments to accounting standards are effective from 1 January 2024 but they do not have a material effect on the Group's financial statements.

2. Segmental information

The Group's sales, marketing and research activities are organised into three global market sectors, being Consumer Care, Life Sciences and Industrial Specialties. 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.

	2024 First half £m	2023 First half £m	2023 Full year £m
Income statement			
Revenue			
Consumer Care	468.4	455.6	886.1
Life Sciences	246.2	303.2	602.3
Industrial Specialties	101.3	122.1	206.1
Total Group revenue	815.9	880.9	1,694.5
Adjusted operating profit			
Consumer Care	82.5	95.2	160.3
Life Sciences	45.0	72.3	150.3
Industrial Specialties	8.1	8.3	9.4
Total Group operating profit (before exceptional items and amortisation of intangible assets arising on acquisition)	135.6	175.8	320.0
Exceptional items and amortisation of intangible assets arising on acquisition	(21.2)	(45.6)	(72.5)
Total Group operating profit	114.4	130.2	247.5

In the following table, revenue has been disaggregated by sector and destination.

	Europe, Middle East & Africa £m	**North America £m**	**Latin America £m**	**Asia £m**	**Reported Total £m**
Revenue					
First half 2024					
Consumer Care	198.0	100.2	48.2	122.0	468.4
Life Sciences	89.2	73.9	35.3	47.8	246.2
Industrial Specialties	36.7	20.7	4.0	39.9	101.3
Total Group revenue	323.9	194.8	87.5	209.7	815.9
Revenue					
First half 2023					
Consumer Care	196.7	99.0	44.3	115.6	455.6
Life Sciences	107.9	92.1	50.4	52.8	303.2
Industrial Specialties	46.7	20.8	5.5	49.1	122.1
Total Group revenue	351.3	211.9	100.2	217.5	880.9

Adjustments

	2024 First half £m	2023 First half £m	2023 Full year £m
Exceptional items – operating profit			
Business acquisition costs	–	(7.7)	(9.6)
Restructuring costs	(2.4)	–	(5.4)
Goodwill impairment	–	(20.8)	(20.8)
Exceptional items	(2.4)	(28.5)	(35.8)
Amortisation of intangible assets arising on acquisition	(18.8)	(17.1)	(36.7)
Total adjustments	(21.2)	(45.6)	(72.5)

The exceptional items in the current year relate to restructuring costs associated with changes in the Group's operating model as detailed in the Group's 2023 Annual Report and Accounts. These costs were treated as exceptional in 2023 due to the significance of the programme. Total exceptional costs associated with the restructuring since its commencement now amount to £7.8m. The exceptional items in the prior half year related to a goodwill impairment to the carrying value of the Chinese SIPO joint venture in Industrial Specialties and acquisition costs. The adjustments to operating profit relate to our segments as follows: Consumer Care £13.6m (30 June 2023: £16.0m), Life Sciences £7.4m (30 June 2023: £8.7m) and Industrial Specialties £0.2m (30 June 2023: £20.9m).

3. Net financial costs

	2024 First half £m	2023 First half £m	2023 Full year £m
Financial costs			
Interest payable on borrowings	11.0	4.7	20.2
Interest on lease liabilities	1.4	1.2	2.6
Other bank loans and overdrafts	0.4	0.6	3.1
Preference share dividend	–	–	0.1
	12.8	6.5	26.0
Financial income			
Bank interest receivable and similar income	(2.4)	(2.3)	(9.4)
Net interest on post-retirement benefits	(2.1)	(2.7)	(5.4)
	(4.5)	(5.0)	(14.8)
Net financial costs	8.3	1.5	11.2

4. Dividends

	Pence per share	2024 First half £m	2023 First half £m	2023 Full year £m
Ordinary				
2022 final, paid May 2023	61.0	–	85.1	85.1
2023 interim, paid October 2023	47.0	–	–	65.6
2023 final, paid May 2024	62.0	86.6	–	–
		86.6	85.1	150.7

An interim dividend in respect of 2024 of 47.0p per share, amounting to a total dividend of £65.6m, was declared by the Directors at their meeting on 25 July 2024. This interim report does not reflect the 2024 interim dividend payable. The dividend will be paid on 8 October 2024 to shareholders registered on 6 September 2024.

5. Intangible assets

	2024 First half £m	2023 First half £m	2023 Full year £m
Opening net book amount	1,408.5	1,253.2	1,253.2
Exchange differences	(33.7)	(31.6)	(24.7)
Additions	1.9	5.8	8.8
Acquisitions	–	–	233.8
Disposals and write offs	–	(0.1)	(1.0)
Reclassifications from property, plant and equipment	1.7	0.4	0.2
Amortisation charge for the period	(21.4)	(18.8)	(41.0)
Impairments	–	(20.8)	(20.8)
Closing net book amount	1,357.0	1,188.1	1,408.5

6. Property, plant and equipment

	2024 First half £m	2023 First half £m	2023 Full year £m
Opening net book amount	1,044.0	964.5	964.5
Exchange differences	(9.3)	(34.2)	(37.4)
Additions	52.3	75.3	181.1
Acquisitions	–	–	9.2
Disposals and write offs	(0.6)	(0.4)	(2.3)
Reclassifications to intangible assets	(1.7)	(0.4)	(0.2)
Depreciation charge for the period	(38.1)	(34.3)	(69.7)
Impairments	–	(1.0)	(1.2)
Closing net book amount	1,046.6	969.5	1,044.0

During the period the Group received government grant funding of £21.2m (FY 2023: £18.3m) relating to the US cGMP scale up project and UK Pharma production capacity expansion project. Grant income is deducted from the cost of the associated asset within the additions line above.

7. Reconciliation to net debt

	2024 First half £m	2023 First half £m	2023 Full year £m
Net movement in cash and cash equivalents	42.7	84.0	(124.7)
Net movement in borrowings and other financial liabilities	(5.7)	(142.7)	(108.1)
Change in net debt from cash flows	37.0	(58.7)	(232.8)
Non-cash movement in lease liabilities	(7.7)	(4.4)	(6.1)
Non-cash preference shares reclassification	–	–	(12.9)
Exchange differences	0.4	9.0	9.4
	29.7	(54.1)	(242.4)
Net debt brought forward	(537.6)	(295.2)	(295.2)
Net debt carried forward	(507.9)	(349.3)	(537.6)

8. Significant accounting judgements and estimates

The Group's significant accounting policies under UK-adopted international accounting standards have been set 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 UK-adopted international accounting standards an estimate or judgement may be considered significant if it has a significant effect on the amounts recognised in the financial statements or if the estimates have a risk of material adjustment to assets and liabilities within the next financial year.

No significant accounting judgements have been required when preparing the Group’s accounts.

The significant accounting estimates 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 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 appropriate and in line with consensus opinion.

The majority of the remeasurement gain in the period relates to the Group’s UK pension scheme primarily a rise in corporate bond yields increasing the discount rate to 5.1% (31 December 2023: 4.5%), partly offset by a reduction in the value of the scheme’s assets. The majority of the Group’s retirement benefit asset relates to the Group’s UK pension scheme. The UK pension scheme is open to future accrual and therefore the surplus is recognised on the basis that this could be recovered through a reduction in future service contributions.

	2024 First half £m	2023 Full year £m
Opening net retirement benefit surplus	86.7	100.1
Current service cost	(5.4)	(10.0)
Net interest income	2.1	5.4
Employer contributions	4.7	14.2
Benefits paid	–	0.2
Exchange differences	0.1	0.5
Remeasurements	37.5	(23.3)
Acquisitions	–	(0.4)
Closing net retirement benefit surplus	125.7	86.7
Total market value of assets	936.4	967.1
Present value of scheme liabilities	(798.1)	(867.3)
Net pension plan asset	138.3	99.8
Post-employment medical benefits	(12.6)	(13.1)
Net retirement benefit surplus	125.7	86.7
Analysed in the balance sheet as:		
Retirement benefit assets	151.7	113.5
Retirement benefit liabilities	(26.0)	(26.8)
Net retirement benefit surplus	125.7	86.7

8. Critical accounting judgements and key sources of estimation uncertainty continued

Post-retirement benefits (continued)

The triennial actuarial valuation of the largest pension plan, the UK Croda Pension Scheme, was performed as at 30 September 2023 and indicated that funding position of the scheme had significantly improved. The scheme was 120.6% funded on a technical provisions basis. Consequently, the cash cost of providing benefits has fallen and no deficit recovery plan is required.

Goodwill impairment

Management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill, or more frequently if impairment indicators are identified. This review is performed in the second half of the year. However, the Group is also required to assess for any impairment triggers at each reporting date.

At 30 June 2024, management have performed an assessment for potential impairment triggers across the Group's CGUs and Operating Segments including consideration of current performance and future expectations, and no material impairment indicators were identified. This review included the Flavours and Croda Korea CGUs which were identified as significant accounting estimates as part of the Group's Annual Report and Accounts.

9. Financial instruments

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 businesses 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 2023. There have been no changes in the Group's risk management processes or policies since the year end.

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 contingent consideration and other investments, which are classed as level 3.

9. Financial instruments continued

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 (excluding contingent consideration which is discounted using a risk-adjusted discount rate). 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.

In January 2020 the existing US$100m fixed rate 10 year note matured and was repaid, this was replaced with a new US$100m fixed rate 10 year note (27 January 2020). On 27 June 2016, the Group issued £100m (£70m and £30m) and €100m (€70m and €30m) of fixed rate notes. On 6 June 2019, the Group issued a further £65m, €50m and US$60m of fixed rate notes. In June 2023, the existing £30m and €30m fixed rate 7 year notes matured and were repaid.

The table below details a comparison of the Group's financial assets and liabilities where book values and fair values differ.

	Book value First half 2024 £m	**Fair value First half 2024 £m**	Book value Full year 2023 £m	Fair value Full year 2023 £m
US$100m 3.75% fixed rate 10 year note	(79.1)	(70.3)	(78.5)	(71.5)
€70m 1.43% fixed rate 10 year note	(59.3)	(56.7)	(60.8)	(58.2)
£70m 2.80% fixed rate 10 year note	(70.0)	(66.2)	(70.0)	(66.1)
€50m 1.18% fixed rate 8 year note	(42.3)	(39.6)	(43.5)	(40.9)
£65m 2.46% fixed rate 8 year note	(65.0)	(59.5)	(65.0)	(59.8)
US$60m 3.70% fixed rate 10 year note	(47.5)	(43.7)	(47.1)	(43.7)

10. Related party transactions

The Group has no related party transactions in the first six months of the year, with the exception of remuneration paid to key management and Directors.