

Chair's statement

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Anita Frew
Chair

Delivering for all of our stakeholders

2020 will be remembered as the year of the global COVID-19 pandemic which has left its mark on us all. On behalf of the Board, I would like to thank all our employees around the world for their continued commitment to one another and to our customers, which has been remarkable amidst these challenges.

I am particularly proud of the role we are playing delivering critical components of the first approved COVID-19 vaccine that is helping to pull us through this crisis. More generally, the pandemic has demonstrated the resilience of Croda's culture and business model.

I am sure I am not alone in feeling deep sympathy for everyone touched by the terrible impact of the virus. In everything we have done this year we have endeavoured to treat our stakeholders fairly and live up to our Purpose of using Smart science to improve lives™.

A resilient performance

In the first few months of the pandemic, the Board met weekly to consider Croda's response to the crisis, which has been both

rigorous and compassionate. In line with investor focus on business continuity, we undertook extensive scenario testing which confirmed Croda would remain profitable, cash generative and have sufficient liquidity to absorb extended uncertainty.

Croda's business model has proved to be even more resilient than the scenarios we tested. Core Business sales for the year increased by 2.2% to £1,293.9m (2019: £1,265.9m). Adjusted profit before tax reduced by 6.7% to £300.6m (2019: £322.1m). Life Sciences delivered an outstanding performance through organic growth and acquisition, most notably in the Health Care business. Personal Care and Performance Technologies were both significantly affected by lockdowns in response to COVID-19 but sales recovered well during the second half year. The benefits of recovery, together with the full-year impact of recent acquisitions and the COVID-19 vaccine contract, are expected to support profitable growth across the business.

COVID-19 has been the focus of 2020 but we also recognise that the other big crises facing the planet have not gone away. At the beginning of this year we outlined our



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Commitment to be Climate, Land and People Positive by 2030. Despite the pandemic, we have made a strong start on the journey to become the most sustainable supplier of innovative ingredients, helping to provide solutions to some of the world's biggest challenges.

A year for compassion, fairness and flexibility

We have confidence in our ability to deliver our Purpose and Commitment because of the team we have and the way we work. The Board has an important role to play in promoting a culture that ensures Croda's long-term success. This year, in addition to the relentless focus on the safety of our colleagues and promoting diversity across the business, we have focused on defining the values that make us different as a company. Our distinctive values-led culture governs how we work with one another and guides our relationship with others. We recognise that we operate in an ecosystem where our success and our positive impact on the world are dependent on how we work with all of our stakeholders.

This year we knew that the COVID-19 crisis would create challenges for stakeholders across our entire ecosystem, from our employee colleagues to small suppliers, large customers and the local communities where we operate. Among other efforts, we have ensured that our colleagues can work from home or in COVID-secure workplaces. None of our colleagues was put on furlough and we moved quickly to provide reassurance that we had no plans to reduce numbers or reduce pay and benefits as a result of the pandemic. We also recognised that some employees needed to balance caring responsibilities and work, so encouraged everyone to work flexibly.

We worked with our colleagues to support their local communities and offered struggling customers and suppliers more flexible payment terms to help them weather the financial impacts. We also continued to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly. This has been a year when compassion, fairness and agility to respond have all been essential.

Driving value through our Purpose and strategy

Our agile approach and resilient business model also allowed us to look beyond the immediate pandemic and plan for the long term. Over the summer, the Board and Executive defined Group strategic priorities that will deliver longer-term growth. Alongside sustainability, the disruptive impact of digital and the opportunities in emerging markets are driving our thinking, and, whilst our long-term strategy has not changed, we have accelerated the delivery of some immediate priorities.

Our strong balance sheet, low leverage and robust liquidity allowed us to invest with confidence to accelerate delivery of our strategy of enhancing future sales and profit in consumer-facing markets. We invested over £120m in organic capital expansion, with a particular focus in growing Health Care and innovation, and over £850m in two acquisitions into key market adjacencies. Firstly, in support of our near-term priority to scale drug delivery, we acquired Avanti Polar Lipids, whose lipid-based technologies are

key to new patient health applications including mRNA-based vaccines and drugs to fight COVID-19. Then, in November, we acquired Iberchem, a global flavours and fragrances business, in line with our priority to deliver fast growth in emerging markets, particularly China. This acquisition was part-funded by an equity placing, 75% of which was taken up by existing shareholders, whom we would like to thank for their ongoing support.

By reinforcing Croda's leading position in high-growth niches, such as consumer care and patient health, we are targeting more consistent organic revenue growth. This will complement our world-class margins and strong cash generation as part of our compelling proposition to shareholders. This year, our resilient performance, combined with prudent leverage and dividend distribution over many years, enabled us to pay dividends to shareholders and propose a full year dividend of 91.0p (2019: 90.0p).

Refreshing the Board

Following the retirement of Alan Ferguson at the Annual General Meeting last April, John Ramsay has taken over as Chair of the Audit Committee and Helena Ganczakowski has become Senior Independent Director. I would like to thank Alan for his excellent insight and unfailing support during my time as Chair, and my fellow Board members for their ongoing commitment, energy and experience under extraordinary circumstances in 2020.

Difficult times often cause us to step back and look again at our priorities. This year, when I step back and consider our performance, I am inspired by the strength of the Croda culture, the commitment of our employees pulling in the same direction and our ecosystem of supportive stakeholders. I am excited by the potential this promises for the future.



Anita Frew
Chair

Playing a critical role in the Pfizer-BioNTech COVID-19 vaccine

Steve Burgess, Chief Scientific Officer at Avanti Polar Lipids said: "We are delighted to be playing a critical role in the scale-up of the Pfizer-BioNTech COVID-19 vaccine, achieved in

unprecedented time and now being delivered at pace. It's an exciting moment in the development of lipid drug delivery systems for next-generation pharmaceuticals. It's also a

great example of the benefits of Avanti and Croda coming together, combining our expertise in lipids that enable drug products to be delivered into the body with Croda's ability to refine the

complex processes to produce the volumes necessary for roll out worldwide. We are proud to be on the Pfizer-BioNTech team and playing our part in this pioneering science."



Drug discovery and research

Phase I to IV clinical trials

Regulatory review and approval

Commercialisation and scale-up

1.

Before the COVID-19 outbreak, Avanti supplied R&D quantities of lipid-based drug delivery technologies to pharmaceutical companies developing mRNA drugs

2.

With the COVID-19 outbreak, mRNA vaccine candidates were fast-tracked to phase II clinical trials. Avanti became a key supplier of lipid-based delivery components to the highest quality and pharmaceutical regulatory standards known as GMP or Good Manufacturing Practice

3.

Prior to Croda's acquisition of Avanti in August 2020, Avanti needed a scale-up partner and engaged Croda to access health care R&D capability and lipid production capacity

4.

Croda rapidly re-designed the component production process and scaled-up GMP-compliant production in four months to support phase III trials. This drew on our experience of manufacturing drug delivery systems and involved redeploying R&D and engineering capability as well as fast-tracking £10m of capital expenditure

5.

Croda/Avanti secured a contract to supply delivery system components to Pfizer-BioNTech for the COVID-19 vaccine

6.

Pfizer-BioNTech COVID-19 vaccine approved by regulators initially in the UK and USA; Croda/Avanti playing critical role in scale-up of the vaccine that has been achieved in unprecedented time and is now being delivered at pace