24 February 2015

Croda International Plc
Results for the year to 31 December 2014

Improving sales growth in a challenging environment, supported by accelerating innovation

Highlights

- Good progress in a challenging environment
- Top line growth – overall sales up 2.9%*
  - All core sectors returned to growth in second half*
  - Consistently outperforming our markets during second half
- Adjusted operating profit** from 3 core sectors up £2.9m*
- New organisational structure achieving sharper commercial focus and improved customer collaboration
- Strong performance from Life Sciences and Performance Technologies
- Personal Care impacted by challenging first half; improving second half trend
- Accelerating innovation – sales of New & Protected Products up 13%*
- Adjusted profit before tax** £235.4m, 1.7%* lower than 2013
- Strong cash flow supporting investment; net debt reduced to £180.2m
- Full year dividend increased by 1.6% to 65.5p

IFRS results

- Revenue 2.8% lower at £1,046.6m, reflecting adverse currency translation impact
- Operating profit £242.4m (2013: £263.3m) and profit before tax £229.4m (2013: £250.1m)

Financial results

	2014 Reported £m	2014 Constant Currency £m	2013 Restated £m	Constant Currency Change %
Sales				
Personal Care	369.1	**391.6**	392.7	(0.3)
Life Sciences	204.5	**216.4**	200.5	7.9
Performance Technologies	355.2	**375.3**	355.2	5.7
Core sectors	928.8	**983.3**	948.4	3.7
Industrial Chemicals	117.8	**124.7**	128.6	(3.0)
Group	1,046.6	**1,108.0**	1,077.0	2.9
Adjusted operating profit**				
Personal Care	117.3	**124.0**	132.7	(6.6)
Life Sciences	64.7	**67.4**	58.6	15.0
Performance Technologies	63.8	**65.5**	62.7	4.5
Core sectors	245.8	**256.9**	254.0	1.1
Industrial Chemicals	2.6	**3.2**	10.6	(69.8)
Group	248.4	**260.1**	264.6	(1.7)
Adjusted profit before tax**	235.4	**247.1**	251.4	(1.7)
IFRS operating profit	242.4	n/a	263.3	n/a
IFRS profit before tax	229.4	n/a	250.1	n/a
Adjusted earnings per share**	125.2p	**131.4p**	132.2p	(0.6)
Dividends per share	65.5p	**65.5p**	64.5p	1.6

Commenting on the results, Chairman Martin Flower said:

“After a challenging first half of 2014 in difficult market conditions, we delivered improved revenues across all core sectors in the second half of the year. This reflected accelerating innovation, improved trading outside Western Europe and the early benefits of our new organisational structure.

“2015 has started in line with our expectations. Although we expect demand in Europe to remain subdued, we continue to target profitable sales growth for the Group. The Board is confident that our investments in innovation, new capacity and fast growing markets, alongside close collaboration with our customers, will deliver sustained growth over the medium term.”

Notes:

*at constant currency

**Adjusted profit and earnings per share are measured before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and the tax thereon.

Net debt is borrowings and other financial liabilities less cash and cash equivalents.

The 3 core sectors are Personal Care, Life Sciences and Performance Technologies. Life Sciences comprises Health Care and Crop Care. The core sectors exclude Industrial Chemicals, which primarily sells co-streams from other Croda businesses.

Further information:

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The company will broadcast the meeting with analysts in a live audiocast commencing at 8:45 AM on 24 February 2015 on the company’s website at www.croda.com.

CHAIRMAN'S STATEMENT

Our Performance

The trading environment during the first half of the year was challenging, with continuing stagnation in Europe and subdued consumer demand in both our mature and emerging markets. Together with the impact of adverse currency translation, this environment impacted our performance, particularly in Personal Care.

However, as the year progressed, we saw improved revenues across all core sectors. This reflected accelerating innovation, improved trading outside Western Europe, following our recent investments, and the early benefits of our new organisational structure. This recognises the benefits of our focused strategy and the strong foundations we have in place for generating sustained growth.

Overall we made good progress in growing constant currency revenue and broadly protected constant currency profit. However, adjusted pre-tax profit reduced by 6.4% to £235.4m (2013: £251.4m), primarily reflecting adverse currency translation because of the strength of Sterling. Profit before tax for the year was £229.4m (2013: £250.1m). Free cash generation remained strong and our net debt reduced to £180.2m (2013: £202.2m).

Delivering on Strategy

We are differentiating ourselves as a speciality chemicals company that attracts high margin, quality business by developing ground breaking ingredients for attractive niche markets. This was evidenced in 2014 by growing sales of our New and Protected Products (NPP) and constant currency revenue rose on the back of strong customer demand for our innovative ingredients.

Over the last three years, we have invested in high growth, developing markets, and expanded our capabilities outside Europe. The success of this strategy is beginning to show; our performance in Asia was strong throughout the year, and Latin and North America improved progressively in the second half of 2014.

Our growing leadership in sustainability also reaped rewards. As global customers faced growing consumer demand for more sustainable products, they increasingly sought out our ingredients, particularly in relation to our industry leading position in responsibly-sourced certified palm oil derivatives. Sustainable and natural products will continue to be key in driving our growth.

Our focused strategy is delivering. Our improving performance has given us the confidence to invest further in the business. The next three years will see us double capital investment and deliver our biggest ever project, producing sustainable bio-surfactants primarily for the North American market.

Closer to Customers

The improvement in our underlying revenue performance in the second half of the year also underlined the calibre of the Executive Team. They were not thrown off course by the earlier challenges, but remained committed to implementing our stated strategy. They invested in line with our strategic objectives of delivering consistent top and bottom line growth, increasing the proportion of sales of protected products and investing in a sustainable future; made acquisitions that expanded our technology portfolio; strengthened sales and technology in Asia, and moved from a regional to a global organisation.

The new global structure that we implemented during 2014 demonstrates the importance we place on customer intimacy. The former regional model had served us well, but with many of our customers now international, it was time for us to evolve and move with them. Consequently, we are now organised by global market sector. We have split our Consumer Care business into Personal Care and Life Sciences (Health Care and Crop Care), so that each market's different opportunities and challenges can be addressed and a stronger overall performance delivered. In addition, our Performance Technologies sector is driving innovation and developing new regional markets. This reorganisation has given us better market focus and customer alignment to drive additional growth. Our dedicated market sector management teams can now provide the expert advice and support globally that our customers increasingly seek.

Celebrating 50 Years as a Public Company

Since our business was established in 1925, we have been on a remarkable journey of growth and in 2014 we celebrated our 50th year trading as a public company. Back in 1964 we were predominantly a UK business with a market capitalisation of circa £1m. Over the next 50 years, through continuous investment, relentless innovation and our unique culture around the world, we have become the world class international speciality chemical company that we are today. Perhaps one of the best indications of our success comes from looking at the chemical companies listed on the UK stock market in 1964 compared to today: out of 32, we are the only company still there, not only surviving, but prospering.

Best Practice Corporate Governance

Since our last external review in 2012, we have continued to implement positive changes to evolve our corporate governance framework and maintain best practice. In 2014 our second external board evaluation recorded that we had a “mature and collaborative board, focusing on governance, strategy, innovation, global growth, re-structuring and people”. Two years on from the last external review, very good progress has been made in the Board’s work, with greater Non-Executive Director involvement in the Business to ensure that they can add even more value to the CEO and the Executives.

Leadership Changes

On 22 January 2015, after nine years with the Company, Group Finance Director Sean Christie stepped down from the Board. On behalf of the entire Board, I would like to thank Sean for his outstanding contribution to the Company and wish him the very best for the future. Sean was succeeded by Jez Maiden, who has joined from National Express, where he was Group Finance Director for six years. Jez, who has worked extensively in the speciality chemicals sector as a finance director, is already making a valuable contribution to our Company and I would like to formally welcome him to the Board.

Other significant appointments during the year included that of Anthony Fitzpatrick, as our first President of Corporate Development. Anthony, a former investment banker specialising in the chemicals sector, is driving our search for new acquisitions to expand our capabilities. In another strategic investment in our senior team, we recruited a new Group Human Resources Director, Lee Johnson. Meanwhile, I am delighted to say that Helena Ganczakowski, our newest Non-Executive Director, is providing valuable input to the Board since joining in February 2014.

Dividend

The Board has recommended an increase in the final dividend to 36.0p (2013: 35.5p), with a total dividend declared in 2014 up 1.6% to 65.5p (2013: 64.5p). In addition, your Board has set out a clear capital allocation policy, whereby cash generated will be invested in growing the Business organically and by acquisitions, with the surplus returned to shareholders through regular dividends and one off returns within a target level of net debt.

Outlook

2015 has started in line with our expectations. Although we expect demand in Europe to remain subdued, we continue to target profitable sales growth for the Group. The Board is confident that our investments in innovation, new capacity and fast growing markets, alongside close collaboration with our customers, will deliver sustained growth over the medium term

Croda Culture

This is my final Croda Annual Report as I shall be retiring later this year after ten very enjoyable years as Chairman.

I am pleased to report that this great Company is in excellent shape and faces the future with confidence. For me, this confidence stems from Croda's very special culture. It is a company where great emphasis is placed on 'doing the right thing' at all times, on building a sustainable business in every sense and where decisions are not driven by purely short term considerations. This approach is enabled by openness in communication, a willingness to address difficult issues in a timely way and a belief that work should be both satisfying and fun. I have always sensed that Croda employees feel a great pride in their Company as, indeed, do I.

Martin Flower
Chairman

CHIEF EXECUTIVE'S REPORT

Introduction

2014 was a very challenging year for the global chemical industry, with slower emerging and mature markets, consumer confidence fragile and significant exchange rate volatility. In order to move our business closer to our customers, we adopted a new organisational structure in 2014 which created three core market led sectors:

- Personal Care, our largest business, has been steadily returning to growth, driving strong sales from innovation in high value products, expanding into developing markets and providing better support to our international customers;

- Life Sciences has seen strong growth. In Health Care, our high purity drug delivery excipients have seen high demand, with successful product launches also including our Omega 3 pharmaceutical active. Our Crop Care business has continued to grow through innovation partnering with the major global formulators;

- Performance Technologies has delivered consistent growth all year, especially in Asia and North America, and a clear focus on niche technologies where we can drive strong added value.

The new organisation is designed to allow our sales, marketing and research groups, in dedicated sector teams, to work more closely together across the world to serve our current and future customers better. The early signs are encouraging, with many customers, big and small, responding positively to the changes, which build on our established business model. Finally, the new organisation will ensure our relentless investment in innovation continues to deliver what our customers want from Croda; something different.

Headline results

Despite the low growth environment, particularly in Europe, 2014 was a year of further strategic progress. Whilst this environment impacted our performance in the first half, sales improved during the second half of the year as we started to see the benefits of our investments in innovation, R&D and emerging markets.

On a constant currency basis, we saw a progressive return to improved sales growth. On this basis revenue grew by 2.9% in the full year and we saw underlying growth in the second half in all our core market sectors.

On a constant currency basis, adjusted operating profit from the three core sectors increased by £2.9m, with strong profit growth in Life Sciences and Performance Technologies partly offset by weaker profit in Personal Care. Industrial Chemicals, which largely sells co-stream products produced by other Croda businesses, saw profits decline due to weak commodity prices and lower tolling volume.

The relative strength of Sterling had a major impact on the translation of our results for 2014, reducing revenue by 5.7% and adjusted operating profit by 4.5%. As a result, overall revenue declined by 2.8% to £1,046.6m (2013: £1,077.0m). Adjusted operating profit declined by 6.1% to £248.4m (2013: £264.6m). Adjusted pre-tax profit was £235.4m (2013: £251.4m). IFRS profit before tax was £229.4m (2013: £250.1m).

In addition to the significant adverse currency translation and transaction impacts, we saw a subdued Europe, and weak demand for Personal Care products, due to fragile consumer confidence in mature and emerging markets. Our continued commitment to our strategy paid off and, in the second half, it was satisfying to return to an improved underlying sales growth of 3.2%. Nevertheless, Europe continues to be challenging and we have implemented a series of initiatives to streamline, simplify and reduce our cost base in the region. We have a clear focus on driving efficiency savings to help keep us competitive in Europe, whilst reinvesting resource in faster growth markets globally.

Strategy

Our overarching strategic goal is to be a global team working with our customers as their partner of choice, serving them with innovative and differentiated technologies in attractive niche markets in order to increase shareholder value. As we look to 2015 and beyond, we have the right strategy to deliver our three key business objectives:

1. Delivering consistent top and bottom line growth: we are targeting profitable sales growing ahead of our markets, through getting closer to customers and satisfying their unmet needs with differentiated products. We focus on three mega trends: beauty and ageing; health and wellbeing; and sustainability. These are creating many new niche opportunities for both Croda and our customers;

2. Increasing the proportion of NPP sales: we are increasing the output of our innovation, in our ingredients, our processes and our people. Innovation plays a critical role across our operations, differentiating us from our competition, protecting sales and improving margins. We are targeting our fastest growth from NPP, where we create new intellectual property, either through patents or novel processes. We then continue to improve our portfolio of products to keep them differentiated in the market;

3. Investing in a sustainable future: our customers face growing demand from their consumers for sustainable products. Sustainable products can improve performance, increase purity, provide safe use, be readily biodegradable or be made from renewable resources. Over two thirds of Croda's raw materials are naturally sourced and sustainability is embedded across our businesses.

1. Delivering growth

In 2014 we changed our organisational structure from regional to a global market sector basis. Many of our customers are international, so, to align ourselves with them, we need to be organised in the same way. Our global structure will enable us to get closer to our customers, helping us better understand and meet their needs via more aligned R&D and customer service. Our global approach also allows us to leverage our product portfolio across geographies, developing European and North American products for emerging markets to help local and regional customers. Although early days, the initial signs are encouraging. We are thinking more strategically, understanding the complexities of international customers better, responding more quickly to their needs and being increasingly viewed by all our customers as one global team, often working as an extension of their own team.

After a weak start to 2014 in Personal Care, we saw sales improvement during the year driven largely by a pick up in sales in high value products, although the mass market remained weak. The output of our innovation continued to be impressive with sales of NPP growing significantly. Asia performed well throughout the year and North and Latin America recovered well in the second half. Europe remained subdued throughout the year. Overall, Personal Care sales were broadly flat in constant currency but adjusted operating profit reduced 6.6% in constant currency (11.6% on a reported basis) and return on sales declined to 31.8% (2013: 33.8%).

Life Sciences performed well, with revenue growing 7.9% in constant currency (2.0% on a reported basis). This was driven by our Health Care business. We saw strong demand for high purity drug delivery excipients and we started the first sales of our Omega 3 active pharmaceutical ingredient for heart health in the third quarter. Crop Care had a successful year in Asia, but was affected by weak demand arising from extreme weather in North and Latin America and low crop prices. However, the underlying trends remained good, with sales recovering in the second half of the year. Overall, Life Sciences adjusted operating profit increased 15.0% in constant currency (10.4% on a reported basis) and return on sales improved to 31.6% (2013: 29.2%).

In Performance Technologies revenue was up 5.7% in constant currency (unchanged on a reported basis), with Asia and North America particularly buoyant. Return on sales reached 18.0% (2013: 17.7%). Both the Lubricants and Geo Technologies business areas were particularly strong with long term growth potential across these and all other business areas. Overall, Performance

Technologies adjusted operating profit increased 4.5% in constant currency (1.8% on a reported basis).

2. Increasing innovation

A key element of our strategy is delivering world class innovation. This is what sets us apart from our competitors and 2014 was an excellent year for new products. Strong customer demand for these ingredients led to accelerating levels of innovation, with sales of our NPP up 13% in constant currency.

Another milestone was our Health Care partnership with Par Pharmaceuticals (‘Par’) in North America. Par launched a new cardiac drug containing our high purity Omega 3. This is our largest pharmaceutical success to date with Omega 3 and opens up further opportunities.

The growing evidence is that our strategy is working. Two years ago we set out to build our infrastructure by expanding our R&D, sales, marketing and manufacturing capabilities in Asia and Latin America, bringing us closer to our customers and reducing our exposure to Europe. Throughout 2014 we enjoyed very strong growth in Asia and, in the second half, in North America and Latin America.

We continue to invest in differentiation and innovation. In December 2014, we announced a £120m investment in our Atlas Point manufacturing site in North America. This will enable Atlas Point to produce 100% sustainable non-ionic surfactants, by using bio-ethanol rather than petrochemicals to produce ethylene oxide. These plant derived products will create the widest range of bio-based non-ionic surfactants on the market and the first of their kind in North America, at a time when our customers increasingly ask for more sustainable ingredients to meet consumer demand.

Differentiation, innovation and investment were also evident in the acquisitions that brought in new technologies; the launch of niche new products, such as expanding our Matrixyl™ brand that helps leading skin care companies make advanced anti-ageing claims; and our innovation partnerships with SMEs, world leading universities and start-ups.

3. Sustainability

We are passionate about sustainability, both because it is the right thing to do and because it differentiates us in the eyes of our customers. In 2014 we have led the way in offering a wide range of ingredients that support sustainable palm oil, which attracted immediate and growing demand from customers. We have beaten our non-fossil fuel target a year ahead of schedule, with almost 25% of the Group’s energy coming from such sources. These and our planned investments, like those at Atlas Point, will continue to secure our sustainable future and support that of our customers.

We are a knowledge based business and our people are key differentiators. As we grow, we are spending more time in recruiting and retaining people with the best skills to equip the organisation for the challenges that lie ahead. In constantly looking to improve our offering to our customers, we have to build our expertise across all functions, ensuring that we have a pipeline of talented people at all levels of our organisation. Certain characteristics continue to unite our people: they are down to earth, responsive to customer needs, expert about our industries, entrepreneurial and creative, with a special ability to form cross company networks. Those qualities, like the strength of our innovation, are what will continue to differentiate us.

SECTOR PERFORMANCE

Personal Care

Our Personal Care market sector focuses on ingredients for skin, hair, sun and colour cosmetic products. Our broad portfolio includes anti-ageing ingredients for skin, conditioning agents for hair care and metal oxides for UV filters.

Personal Care performed better in the second half of the year, after a slow first six months. Sales growth of our differentiated and higher margin ingredients outstripped the market. Product advances, such as our anti-ageing skin innovations and ‘physical’ sunscreens, which reflect the sun’s rays rather than absorb them, enabled our customers to attract new consumers and grow their brands.

However, the continued weakness in Western Europe and, in the early part of the year, North America, reduced demand for mass market consumer products. Low consumer demand had an inevitable knock-on effect on the sales of our ingredients into consumer brands, particularly those of our less differentiated lines where we faced stronger competition. Full year revenue declined to £369.1m (2013: £392.7m) due to currency translation, but was broadly flat in constant currency terms. Adjusted operating profit was £117.3m (2013: £132.7m), down 6.6% in constant currency, due largely to European and mass market weakness.

As a company, we strive to be closely aligned to our customers. Geographically, we are expanding where they are, as seen by our investment in new Personal Care laboratories and customer training centres in Latin America and Asia. Following the May 2014 announcement of our new global organisation, we restructured the Personal Care management team to better meet customer needs. It is pleasing that customer feedback has already started to reflect our aspirations; that is, that they find dealing with our new organisation more straightforward, focused and rewarding. As our customers look increasingly to their suppliers for expert support, for example on regulatory guidance to enter new markets, having a dedicated global Personal Care team will ensure that we deliver even greater added value.

In 2014, we continued to meet our customers’ strategic needs. In particular, as ethical sourcing becomes increasingly important to consumers, we built on our sustainability credentials, knowledge and offering to help customers meet their internal sustainability targets. The Roundtable on Sustainable Palm Oil (RSPO) certification of our seventh manufacturing site was a particular landmark, as it joins our other six sites that handle sustainable palm based raw materials to provide our customers with certified, environmentally friendly products. By the end of 2014, we had more than 300 customers from all geographical regions purchasing ingredients that support sustainable palm oil.

Life Sciences

Our Life Sciences market sector includes two complementary businesses, Health Care and Crop Care. Health Care delivers high quality ingredients to pharmaceutical and nutritional markets, which include dermatology and animal health. Crop Care provides innovative ingredients to agrochemical companies, who develop products that help farmers achieve superior yields.

Overall, Life Sciences had a good year. Health Care performed well in all markets due to strong sales of speciality excipients and Omega 3 products, particularly our active pharmaceutical ingredient. Crop Care performed very strongly in Asia, although sales were flat in North America and Western Europe, and fell in Latin America due to economic pressures on the agricultural industry and extreme weather. Revenue grew to £204.5m (2013: £200.5m), an increase of 7.9% in constant currency terms. Adjusted operating profit was £64.7m (2013: £58.6m), up 15.0% in constant currency.

In Health Care, our success has largely been due to three key areas. In the Omega 3 arena, we achieved our largest pharmaceutical success to date, both in terms of value and potential, with Par Pharmaceutical launching a cardiac drug to the North American market using our ingredient.

Secondly, our excipients sales, in use across a wider range of pharmaceutical products, including oncology drugs, grew well in North America, France, India and Brazil. Such increased demand reflects the global growth in biotech drugs, which require more complex and higher quality excipients than chemically based medication. Our high purity excipients meet this need perfectly, providing such added benefits as longer shelf life and greater stability.

Lastly, our expertise in the Personal Care sector has contributed to our dermatological success. With more medicines now being sold over the counter, they need to look, taste and smell attractive and, if topical, be easy to apply, which are qualities also common to our skin care and cosmetic lines.

In Crop Care, our recent investment in acrylic polymers manufacturing capability reaped benefits with strong sales of agricultural co-formulants and dispersing agents developed using this technology. During the year, we have been proactively looking for opportunities to acquire other technologies to benefit Crop Care customers.

In line with our global business reorganisation, we developed a strategic approach more aligned to our customers. In Health Care, we worked more closely with premium branded supplement manufacturers, which are a natural fit with our high quality ingredients, and saw the benefit in sales across Europe where premium players are more established. We also continued to reinforce our reputation for expertise and innovation by collaborating with leading universities and customers on several research projects.

Meanwhile, Crop Care moved its focus from medium sized companies to the major global players, with whom we can partner in innovation. We have invested in global account managers, who will help to develop relationships with these multinational businesses and better understand where and how our product portfolio can meet their unmet needs.

Performance Technologies

Performance Technologies delivers innovative ingredients for five growing business areas: Lubricants, Coatings and Polymers, Polymer Additives, Geo Technologies and Home Care.

2014 was a very good year for Performance Technologies, with Lubricants and Geo Technologies doing particularly well, despite challenging economic conditions in many of the regions in which we operate. Asia proved particularly buoyant, as our strategy of investing in faster growing emerging markets continued to reap benefits. Europe and North America also showed growth, although Latin America was slower than expected.

Revenue was unchanged at £355.2m (2013: £355.2m), but grew by 5.7% in constant currency terms. Adjusted operating profit was £63.8m (2013: £62.7m), an increase of 4.5% in constant currency, and return on sales reached 18.0% (2013: 17.7%), well on the way to our target of 20.0%.

Coatings and Polymers ended the year well, although impacted by deflation in raw material prices. This was offset successfully with growth coming from product innovation, including new toughening agents and antimicrobial technology for coating and adhesive applications. Home Care performed modestly in the first half, but improved through its own exciting innovations, including CrystaSense Sapphire™ that enables household cleaning sprays to drip less and clean better.

Other strong innovation launches in 2014 included Geo Technologies' range of demulsifiers with a better environmental profile and Polymer Additives' range of anti-scratch ingredients for automotive parts.

Growing our Performance Technologies business is a key part of our strategy. In August, we announced the acquisition of JD Horizons, an innovator in additive ingredients for the international oil industry. Its product range helps prevent pipeline blockages, strengthening our position in the global oilfield and refinery process chemicals market. Our acquisition of AM Coatings in April brought novel non-leaching antimicrobial technology for coating and adhesive applications.

Close proximity to our customers and expansion in emerging markets is core to our Group strategy. The 2013 acquisition of a majority stake in Sipo, a natural chemicals manufacturer in China, was a significant step towards both goals, and in 2014, we focused on upgrading their manufacturing site. With investment plans on track for 2016, the site will provide extra production capacity for Polymer Additives and Lubricants.

As well as being geographically near to our customers, we pride ourselves on our understanding of, and expertise in, what is important to them. During the year, we recruited more industry experts and increased product application training across our global sales team.

Industrial Chemicals

Industrial Chemicals is a small diverse sector selling to a variety of mostly industrial applications.

2014 was a challenging year for this sector, as it experienced lower sales due to weak commodity prices, particularly for sales of co-stream products from other business areas. Full year revenue declined to £117.8m (2013: £128.6m) and adjusted operating profit was £2.6m (2013: £10.6m).

There were successes, however, such as the launch of CrodaTherm™, our bio-based phase change materials that help maintain a consistent temperature in a range of environments and materials, such as ensuring medical supplies and plant seeds stay cool or keeping buildings warm. The sector remains an important part of our Business, with opportunities for selective future innovation, across niche applications such as additives for catalysts, electronics and advanced ceramics.

Steve Foots
Group Chief Executive

FINANCE REPORT

Overview

2014 was a challenging year for the Business, as weak consumer demand, particularly in Western Europe, and currency headwinds depressed revenue and profit. However, after a particularly difficult first six months, underlying sales trends improved markedly in the second half of the year. A return to underlying revenue growth in all core sectors reflected steady development of high end product sales, benefitting from a robust innovation pipeline, and improved market conditions in North and Latin America. Asia remained strong throughout the year.

The reorganisation of the Business into global market sectors helped deliver a return to top line growth during the year by driving better market focus and customer alignment. From 2014, we are reporting in three core sectors – Personal Care, Life Sciences, Performance Technologies - together with Industrial Chemicals. Personal Care and Life Sciences have been split out of the former Consumer Care business, with each sector having its own dedicated management team. Comparative performance figures have been presented accordingly. The former regional businesses have now been incorporated into each of the global market sectors.

Currency

Revenue and profit were adversely impacted in the year by the strength of Sterling. During 2014 Sterling averaged US$1.646 (2013: US$1.564) and €1.242 (2013: €1.178). Currency translation reduced revenue compared to 2013 by £61.4m and adjusted operating profit by £11.7m. The analysis below focuses on constant currency results (ie excluding the impact of currency translation) to better assess the underlying performance of the Business.

Revenue

Revenue was 2.8% lower at £1,046.6m (2013: £1,077.0m). On a constant currency basis, revenue rose by 2.9%, an underlying revenue increase of £20.9m.

	£m
2013 reported	1,077.0
Underlying growth	20.9
Acquisitions	10.1
2014 at constant currency	**1,108.0**
Impact of currency translation	(61.4)
2014 reported	**1,046.6**

A key driver to this growth came from our focus on delivering world class innovation. We target growth from new products that leverage Croda's unique technical and innovation expertise, and purposely exit old generation 'tail' products with inadequate margins. Sales of NPP, which have higher margins and stronger barriers to entry such as patents and proprietary technology, grew by 13% on a constant currency basis in 2014. We also increased sales of differentiated products by 1% in constant currency; these provide customers with benefits not easily replicated. Lower margin products declined 7% in 2014 due to lower commodity pricing and exit of low value products.

In addition to innovation, we now have a global market sector focus that allows us to serve multinational customers consistently across the world, whilst also leveraging products from our long established European and North American market into newer geographies. Constant currency revenue grew strongly in Life Sciences, up 7.9%, supported by the launch of our high purity Omega 3 pharmaceutical active ingredient. Performance Technologies grew 5.7%, with strong growth in our developing Geo Technologies business and from targeted acquisitions. Conditions in Personal Care were challenging, with constant currency revenue broadly unchanged in the year; however, the second half of the year saw a return to underlying growth, buoyed by gains in Latin America and Asia, together with increased NPP sales, which now account for over 35% of all Personal Care revenue.

Regional conditions remained polarised. Europe continued to be weak, with consumer demand constrained by a lack of growth and deflationary worries outside of the UK. By contrast, growth in

North America improved steadily through 2014, whilst Asia remained strong throughout the year and Latin America improved towards the end of the year. As a result, underlying revenue growth improved to 3.2% in the second half of the year from 0.8% in the first half. Our global development strategy is reducing our dependence on Western Europe, with sales outside the region now representing 63% of Group revenue.

Adjusted profit

Adjusted operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition) was £248.4m (2013: £264.6m).

On a constant currency basis, adjusted operating profit declined by only £4.5m. The major factor was a £7.4m decline in profit in the Industrial Chemicals sector, caused by weak commodity prices depressing margins on sales of our by-products, together with reduced levels of toll processing.

	£m
2013 adjusted operating profit	264.6
Underlying reduction in profit	(4.5)
2014 adjusted operating profit at constant currency	**260.1**
Impact of currency translation	(11.7)
2014 adjusted operating profit	**248.4**

Acquisitions had no material impact on profit in the year.

Constant currency profit from our core market sectors rose by £2.9m, reflecting a strong performance from Life Sciences and Performance Technologies.

Adjusted operating profit	**2014 Reported £m**	**2014 Constant currency £m**	**2013 Reported £m**
Personal Care	117.3	124.0	132.7
Life Sciences	64.7	67.4	58.6
Performance Technologies	63.8	65.5	62.7
Core sectors	**245.8**	**256.9**	**254.0**
Industrial Chemicals	2.6	3.2	10.6
Group	**248.4**	**260.1**	**264.6**

Constant currency profit in Personal Care was lower due to weak consumer demand for mass market products from some of our multinational customers, particularly in Europe, reducing return on sales. Life Sciences achieved strong profit and margin growth, with Health Care benefiting from strong sales growth and Crop Care recovering from a weak start to the year due to extreme weather. Performance Technologies improved profit and margin, with Geo Technologies and Lubricants performing particularly well. Group return on sales was 23.7% (2013: 24.6%), reflecting weaker margins in Personal Care and Industrial Chemicals.

Net interest costs were broadly flat at £13.0m (2013: £13.2m). Adjusted pre-tax profit reduced by 6.4% to £235.4m (2013: £251.4m). This largely reflects the currency translation impact.

The effective tax rate on this profit was 28.0% (2013: 28.7%), reflecting falling corporation tax rates, particularly in the UK. The adjusted profit after tax for the year was £169.6m (2013: £179.2m). Adjusted earnings per share (EPS) were 125.2p (2013: 132.2p).

IFRS profit

On an IFRS basis, operating profit was £242.4m (2013: £263.3m) and profit before tax £229.4m (2013: £250.1m).

Exceptional costs, acquisition costs and amortisation of intangible assets arising on acquisition totalled £6.0m (2013: £1.3m). Exceptional costs related to rationalisation and global reorganisation actions, the former primarily in Europe in response to subdued activity and to redirect resource towards growing regional markets. These costs are excluded in our definition of ‘adjusted operating profit', 'adjusted pre-tax profit' and 'adjusted EPS' as they are infrequent and variable in nature. The Board believes that the adjusted presentation (and the columnar format adopted for the Group Income Statement) assist shareholders in better understanding the underlying performance of the Business. The profit after tax for the year on an IFRS basis was £165.2m (2013: £177.9m).

Cash management

The Group is a strong cash generator. This cash is used to invest in new technologies and expanding existing production capacity to meet growing customer demand. Operating cash flow was £267.1m (2013: £294.2m). Working capital increased due to higher inventory and receivables as sales activity increased towards the end of the year.

In 2014 we invested £65.0m (2013: £46.6m) in capital projects, representing 1.8 times depreciation (2013: 1.4x). This included expansion of our manufacturing site in Singapore to meet growing regional demand; investment in high purity excipient chemistry and GMP facilities in the UK and North America to serve our expanding pharmaceutical market; capacity expansion and initial work on bio-ethylene production for the resurgent North America market; and investment in Europe to meet global export growth.

We also funded £30.2m (2013: £41.2m) of additional pension contributions, primarily to fund the UK and North American scheme deficits.

Free cash flow (before cash dividends and acquisitions) was strong at £114.0m (2013: £147.9m). Dividend payments increased by 5.4% and two small acquisitions were funded to boost technology access in Performance Technologies. Net cash inflow was £20.4m (2013: £5.7m).

Cash generation	**2014 £m**	**2013 £m**
EBITDA	279.4	297.2
Working capital	(12.3)	(3.0)
Operating cash flow	**267.1**	**294.2**
Capital expenditure	(65.0)	(46.6)
Additional pension contributions	(30.2)	(41.2)
Interest & tax	(57.9)	(58.5)
Free cash flow	**114.0**	**147.9**
Dividends	(88.1)	(83.6)
Acquisitions	(1.9)	(54.9)
Other	(3.6)	(3.7)
Net cash flow	**20.4**	**5.7**

Net debt reduced by £22.0m (after currency impacts) to £180.2m (2013: £202.2m), a gearing ratio (net debt:EBITDA) of 0.6 times (2013: 0.7x). Our balance sheet is robust, with gearing well within the maximum covenant level under the Group's debt facilities of 3 times. We refinanced our core bank facility during the year with a £400m revolving credit facility, maturing in 2019. Together with other credit facilities, at 31 December 2014 the Group had £317.4m (2013: £290.7m) of cash and undrawn committed credit available.

Dividends and capital allocation policy

The Company is delivering on its strategy, with a return to improved constant currency revenue growth in its core markets in the second half of the year, world class innovation with a growing proportion of NPP sales, and a platform for investment for future sustainable growth and returns. The proposed full year dividend increase of 1.6% to 65.5p (2013: 64.5p) maintains the Company's long record of dividend growth. The dividend is 1.9 times covered (2013: 2.0x) by adjusted EPS.

Our objective is to maximise long term shareholder returns through a disciplined deployment of cash generated by the Business. To support this, the Board has adopted the following capital allocation policy:

1. Reinvestment for growth: we will invest in capital projects to support growth in product innovation, global sector development and fast growth markets. The Business has a long track

record of delivering an excellent post-tax return on invested capital (ROIC), well in excess of our cost of capital;

2. Regular returns to shareholders: from our strong free cash flow, we will pay a regular dividend to shareholders, in line with our policy of paying out 40 to 50% of adjusted earnings over the business cycle;

3. Acquisition: to supplement our existing innovation and product pipeline, we will continue to explore promising technologies and markets adjacent to, and consistent with, our current capabilities;

4. Gearing and treatment of excess capital: the Board is committed to maintaining an efficient balance sheet, appropriate to the Company's investment requirements. Accordingly, the Board has adopted a target gearing policy range of around 1 to 1.5 times net debt:EBITDA (excluding deficits on retirement benefit schemes), although it is prepared to move outside this range if circumstances warrant. The Board will keep under review the Group's balance sheet in light of this policy and medium term investment requirements, and will return excess capital to shareholders when appropriate.

Retirement benefits

The deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19R, reduced in 2014 to £126.7m (2013: £135.8m), as a combination of deficit funding payments and investment returns more than offset a reduction in discount rates. However, it is the schemes' ongoing actuarial valuation bases that determine any cash deficit payments into the pension plans. The Group's largest pension scheme is in the UK, where the results of the latest triennial valuation are expected to show that the actuarial valuation deficit had been eliminated with the latest deficit payment of £23m in January 2015. As a result, it is expected that further deficit funding payments to this scheme will not be required over the coming three years. In addition, we do not expect that our North American scheme will require any deficit funding in 2015.

Jez Maiden
Group Finance Director

Definitions:
ROIC is adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions and deferred taxes.

Return on sales is adjusted operating profit divided by sales.

Underlying revenue excludes the impact of acquisitions and disposals and is measured at constant currency translation.

Croda International Plc
Preliminary announcement of trading results for the year ended 31 December 2014
Group income statement

	Note	2014 £m Before Adjustments	2014 £m Adjustments[1]	2014 £m Total	2013 £m Before Adjustments	2013 £m Adjustments[1]	2013 £m Total
Revenue	2	**1,046.6**	**-**	**1,046.6**	1,077.0	-	1,077.0
Cost of sales		**(703.0)**	**-**	**(703.0)**	(713.9)	-	(713.9)
Gross profit		**343.6**	**-**	**343.6**	363.1	-	363.1
Operating costs		**(95.2)**	**(6.0)**	**(101.2)**	(98.5)	(1.3)	(99.8)
Operating profit	2	**248.4**	**(6.0)**	**242.4**	264.6	(1.3)	263.3
Financial costs	3	**(13.8)**	**-**	**(13.8)**	(14.5)	-	(14.5)
Financial income	3	**0.8**	**-**	**0.8**	1.3	-	1.3
Profit before tax		**235.4**	**(6.0)**	**229.4**	251.4	(1.3)	250.1
Tax	4	**(65.8)**	**1.6**	**(64.2)**	(72.2)	-	(72.2)
Profit after tax for the year		**169.6**	**(4.4)**	**165.2**	179.2	(1.3)	177.9
Attributable to:							
Non-controlling interests				**(0.1)**			0.4
Owners of the parent				**165.3**			177.5
				165.2			177.9

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

		Pence per share Adjusted		Pence per share Total	Pence per share Adjusted		Pence per Share Total
Earnings per 10p share	5						
Basic		**125.2**		**121.9**	132.2		131.2
Diluted		**124.4**		**121.2**	131.0		130.1
Ordinary dividends	6						
Interim				**29.5**			29.0
Final				**36.0**			35.5

Group statement of comprehensive income and expense for the year ended 31 December 2014

	2014 £m	2013 £m
Profit for the year	**165.2**	177.9
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of post-employment benefit obligations	**(15.7)**	(6.4)
Tax on items that will not be reclassified	**6.0**	(4.1)
	(9.7)	(10.5)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**0.5**	(19.4)
Other comprehensive expense for the year net of tax	**(9.2)**	(29.9)
Total comprehensive income for the year	**156.0**	148.0
Attributable to:		
Non-controlling interests	**(0.1)**	-
Owners of the parent	**156.1**	148.0
	156.0	148.0
Arising from:		
Continuing operations	**156.0**	148.0

Group balance sheet at 31 December 2014

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets		**244.9**	239.5
Property, plant and equipment		**387.8**	362.6
Investments		**0.8**	0.8
Deferred tax assets		**44.9**	47.1
		678.4	650.0
Current assets			
Inventories		**201.0**	192.8
Trade and other receivables		**145.0**	136.7
Cash and cash equivalents		**47.6**	37.5
		393.6	367.0
Liabilities			
Current liabilities			
Trade and other payables		**(127.5)**	(126.5)
Borrowings and other financial liabilities		**(25.9)**	(26.6)
Provisions		**(8.1)**	(6.8)
Current tax liabilities		**(37.4)**	(31.9)
		(198.9)	(191.8)
Net current assets		**194.7**	175.2
Non-current liabilities			
Borrowings and other financial liabilities		**(201.9)**	(213.1)
Other payables		**(1.9)**	(2.6)
Retirement benefit liabilities	7	**(126.7)**	(135.8)
Provisions	7	**(10.2)**	(12.3)
Deferred tax liabilities		**(43.4)**	(42.0)
		(384.1)	(405.8)
Net assets		**489.0**	419.4
Total equity attributable to owners of the parent		**482.9**	413.1
Non-controlling interests in equity		**6.1**	6.3
Total equity		**489.0**	419.4

Group statement of changes in equity for the year ended 31 December 2014

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Non-Controlling Interests £m	Total £m
At 1 January 2013	**15.1**	**93.3**	**19.5**	**216.3**	**0.1**	**344.3**
Profit for the year attributable to equity shareholders	-	-	-	177.5	0.4	177.9
Other comprehensive expense	-	-	(19.0)	(10.5)	(0.4)	(29.9)
Transactions with owners:						
Dividends on equity shares	-	-	-	(83.6)	-	(83.6)
Share based payments	-	-	-	3.6	-	3.6
Consideration received for sale of own shares held in trust	-	-	-	0.9	-	0.9
Total transactions with owners	-	-	-	(79.1)	-	(79.1)
Transactions with non-controlling interests:						
Recognition of non-controlling interest on acquisition	-	-	-	-	6.2	6.2
Total transactions with non-controlling interests	-	-	-	-	6.2	6.2
Total equity at 31 December 2013	**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**
At 1 January 2014	**15.1**	**93.3**	**0.5**	**304.2**	**6.3**	**419.4**
Profit for the year attributable to equity shareholders	-	-	-	165.3	(0.1)	165.2
Other comprehensive income/(expense)	-	-	0.6	(9.7)	(0.1)	(9.2)
Transactions with owners:						
Dividends on equity shares	-	-	-	(88.1)	-	(88.1)
Share based payments	-	-	-	0.6	-	0.6
Consideration received for sale of own shares held in trust	-	-	-	1.1	-	1.1
Total transactions with owners	-	-	-	(86.4)	-	(86.4)
Total equity at 31 December 2014	**15.1**	**93.3**	**1.1**	**373.4**	**6.1**	**489.0**

Other reserves include the Capital Redemption Reserve of £0.9m (2013: £0.9m) and the Translation Reserve of £0.2m (2013: £(0.4)m).

Group statement of cash flows for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Cash generated by operations			
Continuing operations			
Adjusted operating profit		**248.4**	264.6
Exceptional items		**(5.5)**	-
Acquisition costs and amortisation of intangible assets arising on acquisition		**(0.5)**	(1.3)
Operating profit		**242.4**	263.3
Adjustments for:			
Depreciation and amortisation		**37.0**	33.9
Net provisions charged/(credited)		**1.5**	(1.0)
Cash paid against operating provisions		**(1.0)**	(1.8)
Movement in inventories		**(7.2)**	(17.0)
Movement in receivables		**(11.0)**	27.7
Movement in payables		**5.9**	(13.7)
Pension fund contributions in excess of service cost		**(30.2)**	(41.2)
Share based payments		**(4.1)**	0.9
Cash generated by operations		**233.3**	251.1
Interest paid		**(9.4)**	(9.7)
Tax paid		**(49.3)**	(50.1)
Net cash generated by operating activities		**174.6**	191.3
Cash flows from investing activities			
Acquisition of subsidiaries		**(1.9)**	(38.1)
Purchase of property, plant and equipment		**(62.9)**	(44.5)
Purchase of intangible assets		**(1.9)**	(1.7)
Proceeds from sale of property, plant and equipment		**0.3**	0.7
Cash paid against non-operating provisions		**(1.4)**	(3.4)
Interest received		**0.8**	1.3
Net cash absorbed by investing activities		**(67.0)**	,(85.7)
Cash flows from financing activities			
New borrowings		**186.5**	-
Repayment of borrowings		**(184.6)**	(47.7)
Capital element of finance lease repayments		**(0.2)**	(0.4)
Sale of own shares held in trust		**1.1**	0.9
Dividends paid to equity shareholders	6	**(88.1)**	(83.6)
Net cash absorbed by financing activities		**(85.3)**	(130.8)
Net movement in cash and cash equivalents		**22.3**	(25.2)
Cash and cash equivalents brought forward		**23.0**	50.2
Exchange differences		**0.3**	(2.0)
Cash and cash equivalents carried forward		**45.6**	23.0
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**47.6**	37.5
Bank overdrafts		**(2.0)**	(14.5)
		45.6	23.0
Reconciliation to net debt			
Net movement in cash and cash equivalents		**22.3**	(25.2)
Movement in debt and lease financing		**(1.7)**	48.1
Change in net debt from cash flows		**20.6**	22.9
Loans in acquired businesses		**-**	(16.8)
New finance lease contracts		**(0.2)**	(0.4)
Exchange differences		**1.6**	(0.2)
		22.0	5.5
Net debt brought forward		**(202.2)**	(207.7)
Net debt carried forward		**(180.2)**	(202.2)

Notes to the preliminary announcement

1. Basis of preparation

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 December 2014 or 2013, but is derived from those financial statements. Statutory financial statements for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

In preparing this financial information, management has used the principal accounting policies that will be detailed in the Group's Annual Report for 2014 and which are unchanged from the prior year, except as detailed below

Changes in accounting policy and disclosures
(a) New and amended standards adopted by the Group
The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014, none of which have a material impact on the Group:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The impact of IFRS 10 has been assessed and is not considered to have any material impact to the Group financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. This did not have a material impact on the Group financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This did not have a material impact on the Group financial statements.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the Group financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the Group financial statements.

IFRIC 21, ‘Levies’, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. There has been no early adoption of these standards in the preparation of the 2014 consolidated financial statements – IFRS9 and IFRS15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Segmental information

With effect from May 2014, in order to catalyse faster sales growth and sharpen innovation further the Group's business has been reshaped. From this date four global market sectors, Personal Care, Life Sciences which incorporates our Health Care and Crop Care business areas, Performance Technologies and Industrial Chemicals have been created. The new structure combines sales, marketing and research by sector into dedicated global teams. 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. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

Adjustments in the Group Income Statement of £6.0m include £5.5m (2013: £Nil) of costs associated with the reorganisation of the Group during the year (redundancy costs, office closure and asset write off costs). Also included are acquisition costs of £0.2m (2013: £1.0m) and amortisation of intangible assets arising on acquisition of £0.3m (2013:£0.3m). The adjustments relate to our segments as follows: Personal Care £2.0m (2013: £0.1m), Life Sciences £1.1m (2013: £Nil), Performance Technologies £2.2m (2013: £0.7m) and Industrial Chemicals £0.7m (2013: £0.5m).

2. Segmental information (continued)

Income statement

	2014 £m	2013 Restated £m
Revenue		
Personal Care	**369.1**	392.7
Life Sciences	**204.5**	200.5
Performance Technologies	**355.2**	355.2
Industrial Chemicals	**117.8**	128.6
	1,046.6	1,077.0
Adjusted operating profit		
Personal Care	**117.3**	132.7
Life Sciences	**64.7**	58.6
Performance Technologies	**63.8**	62.7
Industrial Chemicals	**2.6**	10.6
	248.4	264.6
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	**(6.0)**	(1.3)
Total Group operating profit	**242.4**	263.3

Total assets

	2014 £m	2013 Restated £m
Personal Care	**454.2**	439.5
Life Sciences	**103.6**	95.2
Performance Technologies	**290.6**	264.3
Industrial Chemicals	**130.3**	132.6
Total segment assets	**978.7**	931.6
Tax assets	**44.9**	47.1
Cash and investments	**48.4**	38.3
Total Group assets	**1,072.0**	1,017.0

3. Net financial cost

	2014 **£m**	2013 £m
Financial costs		
$100m US loan note due 2020	**3.6**	3.8
2010 Club facility due 2015	**2.3**	4.7
2014 Club facility due 2019	**1.9**	-
Net interest on retirement benefit liabilities (note 7)	**4.4**	4.8
Other bank loans and overdrafts	**1.6**	1.2
	13.8	14.5
Financial income		
Bank interest receivable and similar income	**(0.8)**	(1.3)
Net financial costs	**13.0**	13.2

4. Tax on continuing operations

	2014 **£m**	2013 £m
Analysis of tax charge for the year		
United Kingdom current tax	**12.2**	13.9
Overseas current tax	**42.6**	46.0
Deferred tax	**9.4**	12.3
	64.2	72.2

5. Earnings per share

	2014 **p**	2013 p
Adjusted earnings per share[1]	**125.2**	132.2
Impact of exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon	**(3.3)**	(1.0)
Basic earnings per share	**121.9**	131.2

[1] Adjusted earnings per share from continuing operations before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition and the tax thereon.

6. Dividends paid

	Pence per share	2014 £m	2013 £m
Ordinary			
2012 Final – paid May 2013	**32.75**	**-**	44.3
2013 Interim – paid October 2013	**29.00**	**-**	39.2
2013 Final – paid May 2014	**35.50**	**48.0**	-
2014 Interim – paid September 2014	**29.50**	**40.0**	-
		88.0	83.5
Preference (paid June and December)		**0.1**	0.1
		88.1	83.6

The directors are recommending a final dividend of 36.0p per share amounting to a total of £48.8m in respect of the financial year ended 31 December 2014. Subject to shareholder approval, the dividend will be paid on 28 May 2015 to shareholders registered on 1 May 2015. The total proposed dividend for the year ended 31 December 2014 is 65.5p per share amounting to £88.8m.

7. Accounting estimates and judgements

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

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

Provisions

At 31 December 2014, the Group has an environmental provision of £13.2m (2013: £13.9m) in respect of soil and potential ground water contamination on a number of sites.

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

7. Accounting estimates and judgements (continued)

Goodwill and fair value of assets acquired

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

Retirement benefit liabilities

The Group's principal retirement benefit schemes are of the defined benefit type. Recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be prudent and in line with consensus opinion. The discount rate applied to the Group's UK scheme is based on Towers Watson's Rate: link model. Total Group retirement benefit liabilities have reduced by £9.1m in 2014 to £126.7m. This movement is made up of £30.2m of contributions in excess of service cost, experience gains on liabilities of £0.3m, offset by £4.4m of net financial expense, £0.9m of exchange movements and £16.1m due to changes in actuarial assumptions.

Taxation

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

8. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £79.2m (31 December 2013: £72.4m).

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

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

9. Principal risks and uncertainties

We implement a structured risk management framework throughout the Group. This includes a standard set of risk categories, generic risk descriptions and a scoring methodology, together with a process to analyse and manage risk. All our locations use this framework to identify their specific risks. We rank risks by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls we have in place to mitigate each risk. Those risks that pose the greatest threat to our business and score the highest, pre-mitigation are identified as 'key risks'.

All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our business.

Our safety, health, environmental and quality (SHEQ) risks are reviewed and considered by a dedicated committee. This meets quarterly to consider the results of assurance audits over SHEQ controls and to monitor defined and agreed Key Performance Indicators.

Our Key Risks

Risks affect every area of our Business. Their nature and potential impact changes constantly but regular reviews enable us to identify risks that could derail our strategy and to set up controls to mitigate their effects.

We categorise our risks into the following areas:

Strategic	Risks arising from our strategic objectives.
Operational	Risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable, safe and legal business.
Regulatory	
Business systems	Risks relating to IT systems and information security.
Financial	Risks relating to the funding and fiscal security of the Group.

The table below shows the key risks identified in 2014 and any changes in risk ranking from 2013. Our Board and management consider that these pose the greatest threats to our business and they score highest on our pre-mitigation risk table. They fall into categories that relate closely to our business model or sustainability Material Areas. We do, of course, face other risks and uncertainties, but these have been assessed as lower risk, and so are not included here, or are beyond the direct control of the Group. All risks (current and emerging) are reviewed regularly by the Board and the Risk Management Committee: if their possible impact or likelihood increases, they will be reclassified as a key risk.

Our risk management programme can only provide reasonable, not absolute, assurance that key risks are managed to an acceptable level.

How our risk management process evolved in 2014

- We improved the alignment of our sustainability Material Areas with our risks
- We carried out risk assurance reviews of the mitigating controls for certain key risks, based on our 2013 integrated assurance mapping exercise
- We restructured our risk registers in line with our new global organization
- There were detailed presentations on chemical regulatory and product liability risks by the Executive risk owners, in line with our practice of the Board reviewing two key risks each year. These included summaries of the risks themselves, emerging issues, controls and scoring. The Board was able to question the risk owners and gain a deeper understanding of the risks and the controls that operate to mitigate them

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2014
Revenue generation in established and emerging markets *1. Delivering consistent top and bottom line growth*	Failure to follow our customers as they move into emerging markets, or to continue to grow in established markets, will adversely impact delivery against our strategic objective of delivering consistent top and bottom line growth.	Our local sales teams sell directly to customers and maintain excellent relationships at all levels in their organisation. They speak our customers' language, with market and industry training and backgrounds. We have established R&D centres, customer centres and manufacturing closer to our customers.	We moved to a global organisation structure. We have expanded capacity in Asia and Latin America to shorten out customers' supply chains. We have opened up a new sales office in Houston and have created a dedicated EEMEA commercial team separate from Western Europe. We have expanded our R&D groups in China, Singapore, Brazil, France and the UK.
Identification and integration of acquisition targets *1. Delivering consistent top and bottom line growth*	The Group has grown through acquisitions and continues to pursue them to meet its strategic objectives. A failure to identify new business areas or extend our portfolio could impact our ability to grow. Our success in realising the benefits of acquisitions depends on focused due diligence before acquisition, the integration of the acquired businesses, and their performance in relation to expectations.	The new Executive position of President of Corporate Development has a remit to identify new strategic acquisition opportunities and to work closely with our market sector Presidents. Each business area has a strategic plan which includes a review of demand and of potential new opportunities, which are regularly monitored and challenged. Our Technology Investment Group is integrated within our market sectors to identify new technology acquisition opportunities.	We appointed a President of Corporate Development, an Executive position, from April 2014 to identify strategic growth opportunities. Acquisition opportunities have been identified with the full engagement of the market sectors. Responsibility for the integration of our recent acquisitions (Sipo, J D Horizons and A M Coatings) has been assigned to senior managers.
Product and technology innovation *2. Increasing sales of New and Protected products*	Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive innovation will impact on growth.	We have a Chief Technology Officer at Board level. We have identified seven key technology platforms which we believe will drive innovation. We have outstanding technical resources in place, who focus on internal innovation projects. We partner with customers, universities and developers or emerging technologies and invest in external acquisitions to remain at the cutting edge.	Established a new process innovation team from January 2014 to consider differentiated class leading technologies to give our products a technical edge. Globalised the technology group. Two external acquisitions brought new technology and expertise to the Group.
Protect new intellectual property *2. Increasing sales of New and Protected products*	Expansion into new market and technologies has increased our risk of failure to protect our intellectual property, which could undermine our competitive advantage.	We have a dedicated professional Intellectual Property team who participate in the technical and business planning and strategy meetings to identify new products and technologies which may require protection. They monitor our IP and challenge infringements where necessary.	Differentiation and protection of many of our new products, including range of excipients for the pharmaceutical industry.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2014
Employee recruitment, retention and motivation *3. Investing in a sustainable future*	The vision and experience of our knowledgeable and specialist employees is critical to maintaining the Group's success. A lack of appropriately skilled people could adversely impact our ability to perform in line with expectations.	Our framework of development and reward programmes, strong culture and `world class' learning and development opportunities support the retention and career development of the high quality teams we need. All Croda regions offer graduate development programmes, involving stretching and high profile assignments, and our structured development programmes, such as the Croda 2020 network and Leadership development Group, nurture internal talent. Our global appraisal system, Aspire, supports the annual personal review process.	The Executive has focused on developing a people strategy for each of the market sectors which fully supports and aligns with the Business strategy and ensures that Croda's current high retention rates continue. Importantly delivery of the strategy will ensure that the pipeline of talent will continue to be filled.
Succession planning for senior positions *3. Investing in a sustainable future*	We rely on key employees whose vision and knowledge is critical to maintaining our success. If these individuals were to leave with no succession plan in place it would take some time to replace them.	On an annual basis our talent review process considers succession plans for critical roles throughout the organisation. Output and actions arising from these reviews are monitored by the Executive and the Board to ensure that succession planning continues to be a focal point.	Our new Group HR Director, appointed in April 2014, has provided focus and leadership to a renewed and more rigorous succession planning process. Areas of higher risk have been identified and are being addressed.
Product liability claims *3. Investing in a sustainable future*	Croda sells into a number of highly regulated markets. Non-compliance with quality regulations could expose us to liability and reputational damage especially in the light of our commitment to sustainability.	Our Head of Global Quality Assurance leads our quality programme. Many of our sites are EFfCI and GMP certified and several have the EXCiPACT certification. These are demanding quality standards valued by our customers. We work proactively with relevant trade associations to shape future regulation.	The Board reviewed this risk with a presentation from the Executive risk owner. We developed and communicated our new Group Quality manual and policy. Quality reporting is now incorporated into the quarterly Group SHEQ meetings.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2014
Major safety incident **Major environmental incident** *3. Investing in a sustainable future*	We rely on the continued operation of our manufacturing sites around the world. Certain sites are particularly critical to the Group due to their size or what they produce. A major event causing loss of production, or violating safety, health or environmental regulations could limit our operations and expose the Group to liability, cost and reputational damage, especially in the light of our commitment to sustainability and customer service.	We have comprehensive global Safety, Health and Environment (SHE) policies, procedures and guidelines which are defined in the Group SHE manual. Our network of SHE specialists and process safety engineers at each site ensure compliance on a day to day basis, and all site processes undergo a Process Risk Review at five yearly intervals. A rotational SHE assurance programme is undertaken by our specialist audit team to assess compliance with the Group SHE manual with a comprehensive issue follow up process. External audits assess compliance with our OHSAS 18001 and ISO 14001 certifications. The SHEQ steering Group meets quarterly to monitor and review progress against safety and environmental KPIs and targets. We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually. We go beyond the basic regulatory requirements setting stretching safety, health and environmental targets.	The Croda Hazard Study Leader's Academy marked its first full year since its diploma was certified by the University of Derby. A new Group SHE manager appointed to develop and lead our specialist Group SHE audit team. We continued to develop our balanced scorecard of leading and lagging process safety KPIs. These are subject to formal quarterly review by the SHEQ Steering Committee and can provide an early warning system of potential problem areas.
Global raw material shortage *3. Investing in a sustainable future*	An interruption in the supply of key raw materials would significantly affect our operations and financial position. Such a disruption could arise from new, more rigorous legislation or from market shortages.	We have professional buying teams based in our regions. They monitor supply to identify potential future shortages. We look to develop good relationships with our suppliers and to agree long term contracts. To protect supply we aim to source from multiple suppliers. Where this is not possible we build up our own inventories.	Some critical raw material supplies secured to 2016 and beyond. Our significant investment at Atlas Point will enable us to produce our own sustainable non-ionic surfactants by 2017 and reduce our reliance on petrochemical based ethylene oxide as a raw material in due course.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2014
Chemical regulatory compliance *3. Investing in a sustainable future*	As a global chemical producer, Croda operates in highly regulated markets, which are subject to regular change. Violation, or incomplete knowledge, of the appropriate regulations could limit the markets into which we can sell, or expose the Group to fines or penalties.	We have a global team of technical and regulatory specialists who have in depth knowledge of the regional chemical regulatory frameworks within which we operate. They are integral in our new product development processes and can call on the support of local consultants where required in emerging markets. The use of the EHS module in SAP ensures that changes in regulatory requirements are also applied to existing products.	The Board reviewed this risk with a presentation from the Executive risk. We restructured the regulatory team to support the market sectors and to build in depth knowledge of both market sector and regional legislation.
Bribery Act breach by us or our agents and distributors	Croda is subject to UK legislation and the Bribery Act is far reaching in terms of global scope.	We have training and education programmes which are rolled out globally and which all relevant employees are required to complete. Refresher training is required periodically. Completion of gift registers is a requirement for gifts given and received.	A review of agents and distributors contracts was undertaken. Letters were sent to key suppliers to confirm our terms of business. Following our acquisition of SIPO we rolled out a Chinese language version of the online training. We also introduced a Group wide third party hosted whistleblowing service.
Security of business information and assets	As we expand our use of mobile technology and move into emerging markets, which are potentially subject to higher risk, there is a greater chance of losing electronically-stored business information.	Our information security manager monitors our IT services and network, and oversees PC protection, in line with our established policies and processes. Our Internal Audit function reviews these processes annually. Regular penetration testing is undertaken. We go further and identify that corporate knowledge is a valuable asset whether held electronically or not.	We worked with the Government (CPNI) on security and there was a presentation to the Board on the security strategy We continued to make good progress towards obtaining our ISO 27001 certification (Information Security Management). We conducted penetration testing and followed up on actions. We established a new corporate knowledge competency in our appraisal framework.
IT application or system infrastructure failure	Croda relies heavily on IT systems for effective and efficient operations and to communicate globally. A lengthy systems failure would impact our operations and, ultimately, our financial position.	We run our key systems with full parallel processing with regular failover testing. Our disaster recovery plan is tested regularly. IT internal audit reviews and reports to the Audit Committee on the operation of controls annually.	Failover testing carried out regularly with no impact on operations.

Key risk and link to strategy	Potential impact on our business	How we respond	What we have done in 2014
Ineffective management of pension fund	The Group has an open defined benefit pension scheme which constitutes a higher risk than a defined contribution scheme. A change in market conditions could increase future funding requirements and may adversely affect our financial position.	The pension fund investment strategy, developed by the Investment subcommittee of the Trustee Board, delivered with the support of professional advisors. Trained pension fund Trustee directors take professional advice and monitor and review arrangements quarterly. The Company maintains close dialogue with the Trustee Board.	Comprehensive pension risk review undertaken in 2014. The Board reviewed the pension investment risk with a presentation from the Trustee chairman.

10. Related Party Transactions

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

Responsibility Statement of the directors on the Annual Report

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing the group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to
- presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the directors on the Annual Report (continued)

Each of the Directors, whose names and functions will be detailed in the Group's Annual Report for 2014, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report and Strategic Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that they have each taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.