22 July 2014

Croda International Plc

Interim results for the six months to 30 June 2014

Underlying progress in a tough environment

H1 Highlights	H1 2014	H1 2013 restated*	% Change Reported	% Change Constant currency
Sales	**£537.4m**	£562.7m	-4.5%	+2.3%
Consumer Care	**£291.8m**	£312.8m	-6.7%	+0.3%
Performance Technologies	**£182.3m**	£185.3m	-1.6%	+4.8%
Industrial Chemicals	**£63.3m**	£64.6m	-2.0%	+5.3%
Adjusted operating profit[1]	**£132.3m**	£139.2m	-5.0%	+0.5%
Consumer Care	**£95.2m**	£99.1m	-3.9%	+2.2%
Performance Technologies	**£34.4m**	£34.2m	+0.6%	+4.1%
Industrial Chemicals	**£2.7m**	£5.9m	-54.2%	-45.8%
Operating profit	**£132.1m**	£139.1m	-5.0%	+0.4%
Adjusted profit before tax[1]	**£125.3m**	£133.2m	-5.9%	-0.2%
Profit before tax	**£125.1m**	£133.1m	-6.0%	-0.3%
Adjusted earnings per share[1]	**64.6p**	68.2p	-5.3%	+0.3%
Basic earnings per share	**64.5p**	68.1p	-5.3%	+0.2%
Dividend per share	**29.5p**	29.0p	+1.7%	

H1 sales trends	Underlying	Acquisitions	Constant currency	Currency translation	Total
Consumer Care	0.0%	+0.3%	+0.3%	-7.1%	**-6.7%**
Performance Technologies	+3.1%	+1.7%	+4.8%	-6.4%	**-1.6%**
Industrial Chemicals	-1.6%	+6.9%	+5.3%	-7.3%	**-2.0%**
Total	**+0.8%**	**+1.5%**	**+2.3%**	**-6.8%**	**-4.5%**

- **Constant Currency sales up 2.3%**
  - Consumer Care up 0.3%: stronger second quarter reverses first quarter declines
  - Performance Technologies up 4.8%: Strong underlying growth in Asia plus Sipo
  - Industrial Chemicals up 5.3% with lower underlying sales countered by the Sipo acquisition
- **Underlying sales growth in New and Protected Products (NPP) and tight control of costs sustaining margin growth in core divisions**
  - NPP +8%, Differentiated +1%, Tail: -11%
  - Consumer Care return on sales increased to 32.6% (H1 2013: 31.7%)
  - Performance Technologies return on sales increased to 18.9% (H1 2013: 18.5%)
  - 5 of 8 core sectors achieved their underlying sales growth target in quarter two
- **Significant impact from currency on results**
  - Currency translation reduces sales by £38.3m (6.8%)
  - Currency translation and transaction costs reduce operating profit by £11.4m
- **Organisation structure change**
  - Three business groups announced in May covering Personal Care, Health Care & Crop Care and Performance Technologies & Industrial Chemicals

    - Each combines sales, marketing and research resources into dedicated global teams to accelerate sales growth
- **Partnership with Par Pharmaceutical announced**
- **£99.2m free cash flow generation**
- **Interim dividend increased 1.7% to 29.5p**

[1] Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition

*2013 comparatives have been restated for the reallocation of toll processing activities from Performance Technologies to Industrial Chemicals

Constant currency growth rates reflect changes in income from continuing operations translated at constant rates of exchange.

Underlying growth rates reflect changes in income from continuing operations translated at constant rates of exchange excluding the effect of acquisitions.

Q2 Highlights	Q2 2014	Q2 2013 restated*	% Change Reported	% Change Constant currency
Sales	**£263.4m**	£279.6m	-5.8%	+1.8%
Consumer Care	**£143.4m**	£154.4m	-7.1%	+0.8%
Performance Technologies	**£88.5m**	£91.4m	-3.2%	+4.0%
Industrial Chemicals	**£31.5m**	£33.8m	-6.8%	+0.8%
Adjusted operating profit[1]	**£63.6m**	£71.2m	-10.7%	-4.8%
Consumer Care	**£45.8m**	£49.9m	-8.2%	-1.2%
Performance Technologies	**£16.6m**	£18.2m	-8.8%	-4.9%
Industrial Chemicals	**£1.2m**	£3.1m	-61.3%	-56.3%
Adjusted profit before tax[1]	**£60.1m**	£68.1m	-11.7%	-5.6%

Q2 sales trends	Underlying	Acquisitions	Constant currency	Currency translation	**Total**
Consumer Care	+0.6%	+0.2%	+0.8%	-7.9%	**-7.1%**
Performance Technologies	+2.7%	+1.3%	+4.0%	-7.2%	**-3.2%**
Industrial Chemicals	-5.7%	+6.5%	+0.8%	-7.6%	**-6.8%**
Total	**+0.5%**	**+1.3%**	**+1.8%**	**-7.6%**	**-5.8%**

- **Consumer Care returned to constant currency sales growth (+0.8%) in the second quarter**
    - Sales declines moderated slightly in Personal Care, while Health and Crop Care grew underlying sales above minimum target of 5%

- **Continued constant currency sales growth in Performance Technologies (+4%)**
    - Polymer Additives, Lubricants and Home Care all achieved underlying sales growth above minimum target of 4%;
    - Geo Technologies underlying growth slightly below target;
    - Coatings and Polymers experienced underlying sales declines as raw material prices fell
    - Benefit of Sipo acquisition

- **Industrial Chemicals sales and profitability significantly weaker than Q1**
    - Weak commodity prices and lower level of toll processing

- **Very strong cash generation continued in Q2**

Commenting on the results Martin Flower, Chairman, said:

"Our performance in the first half of the year was behind our initial expectations as weak consumer demand in Europe impacted the business, particularly in Personal Care. Despite this, we saw strong underlying revenue growth from New and Protected Products, leading to improved margins in both our core divisions. Differentiated products also made progress although demand for commodity products in the tail was much weaker. In addition, we have made good progress in a number of growth markets, especially Asia which achieved 8% underlying sales growth.

We expect the new organisation structure to deliver sustained sales growth in future.

Robust cash generation continues to underpin investment in R&D, new technologies and capacity and a number of new growth initiatives in health and skin actives will come on stream in the second half.

While we still expect to achieve underlying profit progress in 2014, as outlined in our pre-close trading statement, pre-tax profits are now expected to come in below those attained in 2013".

For further information, please contact:

Steve Foots, Group Chief Executive **Tel: 01405 860551**
Sean Christie, Group Finance Director

Charlie Armitstead / Rosie Oddy, Pendomer Communications **Tel: 0203 603 5220**

The company will broadcast the meeting with analysts live in an audiocast commencing at 9:00 AM on the company's website at www.croda.com.

Chief Executive's review

Interim results

Our performance in the first half of the year was behind our initial expectations as weak consumer demand in Europe impacted the business, particularly in Personal Care. Currency headwinds have also been more significant than originally anticipated primarily due to sterling and the euro's relative strength versus the rest of the world's currencies. Currency translation and transaction effects reduced reported sales by £38.3m (translation) and operating profit by £11.4m (£7.8m translation, £3.6m transaction) in the half.

As a result, constant currency sales growth was up 2.3% overall but reported sales were down 4.5% at £537.4m (2013: £562.7m).

Geographically, the picture was mixed. Consumer demand remained very weak in Western Europe, leading to a 1.9% decline in constant currency sales in that region. Encouragingly, we saw North America return to growth with a 1.9% uplift in constant currency sales. Trading in some South American economies remains difficult and constant currency sales declined 1.7% in the region but returned to growth in quarter two after a difficult start. We returned to growth in EEMEA with a 2.0% increase in constant currency sales. Our highest growth came in Asia where we are seeing the benefits of the increased investment we have made in the region in recent years (8.0% underlying growth, 15.4% constant currency including Sipo).

Our revenues from New and Protected Products (NPP) remain strong with underlying growth of 8% and this, together with tight control of costs has helped to improve margin growth in our core divisions. We also saw underlying growth of 1% in differentiated products. However, at the very bottom of our product portfolio, weak commodity prices and lower levels of toll processing meant that underlying sales in the tail were down 11%. Five of our eight core product sectors achieved their underlying sales growth targets in the second quarter.

Our margins increased in both Consumer Care and Performance Technologies but lower commodity market prices and lower levels of toll processing reduced margins in Industrial Chemicals. The currency transaction effect resulted in slightly reduced margins overall, with dollar denominated sales of products manufactured in Europe contributing the majority of this adverse movement. The acquisition of Sipo also depressed the group margin. Overall return on sales was down 10 basis points at 24.6%.

Constant currency operating profit increased 0.5% but post currency impact, the reported figure declined 5.0% to £132.3m (2013: £139.2m).

Group pre-tax profit declined 5.9% to £125.3m (2013: £133.2m), with financing costs increasing due to the acquisition of Sipo in the second half of 2013. Constant currency pre-tax profit decreased by 0.2% versus the previous year.

Our tax rate continued to reduce relative to the first six months of 2013 due to lower rates in the UK and increasing sales to countries with lower corporate tax regimes. As a result, reported earnings per share decreased by 5.3% to 64.6p (2013: 68.2p), less than the decline in pre-tax profit. On a constant currency translation basis EPS increased 0.3%.

Organisation structure change

In order to catalyse faster sales growth and sharpen innovation further still we have re shaped the organisation. Key elements of the organisation change include the creation of three global business groups: Personal Care, Health Care & Crop Care and Performance Technologies and Industrial Chemicals. The new structure combines sales, marketing and research by sector into dedicated global teams with full executive committee responsibility for top and bottom line financial performance, whilst retaining very strong regional strength and local focus. The new structure was announced in May and is now being embedded into the organisation.

Approval to manufacture the generic version of Lovaza®

Our partner, Par Pharmaceuticals, has received final approval from the U.S. Food and Drug Administration for its generic version of Lovaza®. Croda will manufacture this product in its Leek facility in the UK. We believe that this product has good growth prospects and we will provide more information when the product is launched.

Consumer Care

Constant currency Consumer Care sales were up 0.3% for the half, with growth in quarter two reversing the declines seen in the first quarter. We continue to see strong constant currency growth in Health Care and we also saw constant currency growth in Crop Care in the half despite a slow start to the year. Weak consumer demand in Europe continues to depress Personal Care's performance although NPP growth remained strong in all regions. After currency translation, reported sales in Consumer Care were down 6.7% at £291.8m (2013: £312.8m).

Return on sales increased 90 basis points to 32.6% largely as a result of strong underlying growth in NPP.

Operating profit was down 3.9% at £95.2m (2013: £99.1m). Constant currency operating profit was up 2.2%.

Performance Technologies

Constant currency sales growth in the half for Performance Technologies was up 4.8% with Lubricants, Polymer Additives and Geo Technologies all achieving our 4% minimum underlying growth target for the sector. Sales in Home Care were weak in most territories and reduced prices as a result of falling raw material costs caused a slight decline in Coatings and Polymers' turnover despite an underlying increase in volumes. Growth was seen in all reporting regions apart from the Americas. The acquisition last year of Sipo added a further 1.7% to growth. After 6.4% adverse currency translation, reported sales were down 1.6% at £182.3m (2013: £185.3m).

Return on sales increased 40 basis points to 18.9% despite the acquisition of Sipo, again reflecting the robust NPP element of the product portfolio in the sector.

Reported operating profit increased 0.6% to £34.4m (2013: £34.2m) despite the significant adverse effects of currency translation and transaction. Constant currency profit growth was 4.1%.

Industrial Chemicals

Constant currency sales were up 5.3% in the half as the impact of weak commodity market pricing and significant reductions in toll processing activities was more than offset by the acquisition of Sipo. Reported sales were £63.3m, down 2.0% versus the previous year (2013: £64.6m).

Return on sales fell 480 basis points to 4.3% (2013: 9.1%) reflecting the effect of Sipo on the mix weak commodity margins for our by-products and adverse currency transaction effects.

Operating profit was down 54.2% at £2.7m, reflecting all the above factors (2013: £5.9m). Constant currency translation operating profit was down 45.8%.

Quarter two results

We saw much weaker underlying sales in Europe during quarter two in contrast to improving trends elsewhere in the world.

7.6% adverse currency translation reduced sales by £21.3m in quarter two.

Consumer Care constant currency sales returned to growth (+0.8%) in the second quarter with most of the uplift coming from Crop Care.

Constant currency Performance Technology sales grew 4.0% in the second quarter with three of the business areas (Polymer Additives, Lubricants and Home Care) achieving underlying sales target growth of 4%.

Constant currency sales increased 0.8% in Industrial Chemicals with the acquisition of Sipo masking very significant shortfalls in Europe. We saw reasonably good constant currency growth in most other regions.

Group operating profit reduced 10.7% (-4.8% constant currency) in quarter two to £63.6m (2013:£71.2m) with adverse currency and a weak European trading environment being the main contributors.

Cash flow
Croda continues to be very cash generative with free cash flow of £99.2m (2013: £111.7m). After company contributions to the Group's pension funds of £22.0m more than the service cost, a £48.1m 2013 final dividend payment, net debt still decreased slightly versus the year end position.

Balance sheet
Net debt stood at £202.0m (31 December 2013: £202.2m).

The pre-tax pension deficit reduced to £132.6m (31 December 2013: £135.8m) mainly as a result of £28.4m company contributions to the schemes. The next triennial review falls later this year.

We have recently refinanced our core banking arrangements, putting in place a £400m debt facility with a number of banks which runs to July 2019. This takes our total committed facilities to £485m.

Interim dividend
The interim dividend has been increased by 1.7% to 29.5p (2013: 29.0p).

Outlook
Market trends remain difficult to read and visibility remains limited. Adverse currency effects are expected to be at similar levels in quarter three to those seen in the second quarter. However, we do expect to make underlying sales and profit progress in the second half and beyond as the new technologies we have developed come on stream and our momentum in the growth economies continues to build. We remain confident that our strategy and our chosen markets will deliver future growth.

Whilst we still expect to achieve underlying profit progress in 2014, pre-tax profits are now expected to come in below those attained in 2013.

Steve Foots
Group Chief Executive

Statement of directors' responsibilities

The directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The directors of Croda International Plc at 30 June 2014 are listed in the Group's Annual Report and Accounts for the year ended 31 December 2013. A list of current directors is maintained on the Croda website: www.croda.com.

By order of the Board

Steve Foots
Group Chief Executive

Sean Christie
Group Finance Director

22 July 2014

Independent review report to Croda International Plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed the condensed interim financial statements, defined below, in the half-yearly financial report of Croda International Plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed interim financial statements, which are prepared by Croda International Plc, comprise:

- the condensed interim income statement and condensed interim statement of comprehensive income and expense for the six months ended 30 June 2014;
- the condensed interim balance sheet as at 30 June 2014;
- the condensed interim statement of changes in equity for the period then ended;
- the condensed interim statement of cash flows for the period then ended; and
- the explanatory notes to the condensed interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial statements.

Responsibilities for the condensed interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the condensed interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Croda International Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers LLP
Chartered Accountants
22 July 2014
Leeds

Croda International Plc

Interim announcement of trading results for the six months ended 30 June 2014

Group interim income statement

	Note	Unaudited £m H1 2014 Before Adjustments	H1 2014 Adjustments[1]	H1 2014 Total	Unaudited £m H1 2013 Before Adjustments	H1 2013 Adjustments[1]	H1 2013 Total	Audited £m 2013 Before Adjustments	2013 Adjustments[1]	2013 Total
Revenue	2	**537.4**	**-**	**537.4**	562.7	-	562.7	1,077.0	-	1,077.0
Cost of sales		**(359.5)**	**-**	**(359.5)**	(368.4)	-	(368.4)	(713.9)	-	(713.9)
Gross profit		**177.9**	**-**	**177.9**	194.3	-	194.3	363.1	-	363.1
Operating costs		**(45.6)**	**(0.2)**	**(45.8)**	(55.1)	(0.1)	(55.2)	(98.5)	(1.3)	(99.8)
Operating profit	2	**132.3**	**(0.2)**	**132.1**	139.2	(0.1)	139.1	264.6	(1.3)	263.3
Financial costs	3	**(7.3)**	**-**	**(7.3)**	(6.8)	-	(6.8)	(14.5)	-	(14.5)
Financial income	3	**0.3**	**-**	**0.3**	0.8	-	0.8	1.3	-	1.3
Profit before tax		**125.3**	**(0.2)**	**125.1**	133.2	(0.1)	133.1	251.4	(1.3)	250.1
Tax		**(37.8)**	**-**	**(37.8)**	(41.1)	-	(41.1)	(72.2)	-	(72.2)
Profit after tax from continuing operations		**87.5**	**(0.2)**	**87.3**	92.1	(0.1)	92.0	179.2	(1.3)	177.9
Attributable to:										
Non-controlling interests				**(0.1)**			-			0.4
Owners of the parent				**87.4**			92.0			177.5
				87.3			92.0			177.9

[1] **Adjustments = exceptional items, acquisition costs and amortisation or write off of intangible assets arising on acquisition**

	Pence per share Adjusted	Pence per share Total	Pence per Share Adjusted	Pence per Share Total	Pence per Share Adjusted	Pence per Share Total
Earnings per 10p share						
Basic	**64.6**	**64.5**	68.2	68.1	132.2	131.2
Diluted	**64.1**	**63.9**	67.3	67.2	131.0	130.1
Ordinary dividends						
Interim		**29.5**		29.0		29.0
Final						35.5

Group interim statement of comprehensive income and expense

	Unaudited £m		Audited £m
	2014	2013	2013
	First half	First half	Full year
Profit for the period	**87.3**	92.0	177.9
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**(17.7)**	15.7	(6.4)
Tax on items that will not be reclassified	**2.8**	(5.4)	(4.1)
	(14.9)	10.3	(10.5)
Items that may be reclassified subsequently to profit or loss			
Currency translation	**(5.8)**	2.5	(19.4)
	(5.8)	2.5	(19.4)
Other comprehensive (expense)/income for the period net of tax	**(20.7)**	12.8	(29.9)
Total comprehensive income for the period	**66.6**	104.8	148.0
Attributable to:			
Owners of the parent	**67.1**	104.8	148.0
Non-controlling interests	**(0.5)**	-	-
	66.6	104.8	148.0
Arising from:			
Continuing operations	**66.6**	104.8	148.0

Group condensed interim balance sheet

	Note	**Unaudited £m At 30 June 2014**	Audited £m At 31 December 2013
Assets			
Non-current assets			
Intangible assets		**239.1**	239.5
Property, plant and equipment	5	**359.8**	362.6
Investments		**0.9**	0.8
Deferred tax assets		**45.5**	47.1
		645.3	650.0
Current assets			
Inventories		**195.3**	192.8
Trade and other receivables		**165.9**	136.7
Cash and cash equivalents		**48.9**	37.5
		410.1	367.0
Liabilities			
Current liabilities			
Trade and other payables		**(134.2)**	(126.5)
Borrowings and other financial liabilities		**(17.1)**	(26.6)
Provisions		**(4.8)**	(6.8)
Current tax liabilities		**(40.0)**	(31.9)
		(196.1)	(191.8)
Net current assets		**214.0**	175.2
Non-current liabilities			
Borrowings and other financial liabilities		**(233.8)**	(213.1)
Other payables		**(2.1)**	(2.6)
Retirement benefit liabilities		**(132.6)**	(135.8)
Provisions		**(11.6)**	(12.3)
Deferred tax liabilities		**(41.4)**	(42.0)
		(421.5)	(405.8)
Net assets		**437.8**	419.4
Shareholders' equity		**432.0**	413.1
Non-controlling interests in equity		**5.8**	6.3
Total equity		**437.8**	419.4

Group condensed interim statement of changes in equity

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
Audited						
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**
Unaudited						
At 1 January 2014	15.1	93.3	0.5	304.2	6.3	419.4
Profit for the period attributable to equity shareholders	-	-	-	87.4	(0.1)	87.3
Other comprehensive expense	-	-	(5.4)	(14.9)	(0.4)	(20.7)
Transactions with owners:						
Dividends on equity shares	-	-	-	(48.1)	-	(48.1)
Share based payments	-	-	-	(0.1)	-	(0.1)
Total transactions with owners	**-**	**-**	**-**	**(48.2)**	**-**	**(48.2)**
Total equity at 30 June 2014	**15.1**	**93.3**	**(4.9)**	**328.5**	**5.8**	**437.8**

Other reserves comprise the Capital Redemption Reserve of £0.9m (31 December 2013: £0.9m) and the Translation Reserve of £(5.8)m (31 December 2013: £(0.4m)).

Group condensed interim statement of cash flows

	Note	Unaudited £m 2014 First half £m	2013 First half £m	Audited £m 2013 Full year £m
Cash flows from operating activities				
Continuing operations				
Operating profit		**132.1**	139.1	263.3
Adjustments for:				
Depreciation and amortisation		**17.7**	16.6	33.9
Changes in working capital		**(26.6)**	(23.4)	(3.0)
Pension fund contributions in excess of service cost		**(22.0)**	(38.8)	(41.2)
Share based payments		**(3.7)**	3.3	0.9
Movement on provisions		**(0.3)**	(1.3)	(2.8)
Cash generated from continuing operations		**97.2**	95.5	251.1
Discontinued operations		**-**	(1.0)	-
Interest paid		**(4.9)**	(4.4)	(9.7)
Tax paid		**(25.3)**	(23.9)	(50.1)
Net cash generated by operating activities		**67.0**	66.2	191.3
Cash flows from investing activities				
Acquisition of subsidiaries		**(0.6)**	(7.9)	(38.1)
Purchase of property, plant and equipment		**(22.7)**	(19.6)	(44.5)
Purchase of intangible assets		**(1.5)**	(0.2)	(1.7)
Proceeds from sale of property, plant and equipment		**0.3**	0.2	0.7
Cash paid against non-operating provisions		**(0.4)**	(1.3)	(3.4)
Interest received		**0.3**	0.8	1.3
Net cash absorbed by investing activities		**(24.6)**	(28.0)	(85.7)
Cash flows from financing activities				
New borrowings		**174.4**	-	-
Repayment of borrowings		**(147.8)**	(12.9)	(47.7)
Net transactions in own shares		**-**	0.1	0.9
Dividends paid to equity shareholders	4	**(48.1)**	(44.3)	(83.6)
Other		**-**	(0.2)	(0.4)
Net cash absorbed by financing activities		**(21.5)**	(57.3)	(130.8)
Net movement in cash and cash equivalents		**20.9**	(19.1)	(25.2)
Cash and cash equivalents brought forward		**23.0**	50.2	50.2
Exchange differences		**0.3**	1.3	(2.0)
Cash and cash equivalents carried forward		**44.2**	32.4	23.0
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**48.9**	36.0	37.5
Bank overdrafts		**(4.7)**	(3.6)	(14.5)
		44.2	32.4	23.0

A reconciliation of the cash flows above to the movements in net debt is shown in note 6.

Notes to the preliminary announcement

1. a. General information

The Company is a public limited company (Plc) incorporated and domiciled in the UK. The address of its registered office is Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA. The Company is listed on the London Stock Exchange. This consolidated interim report was approved for issue on 21 July 2014. The financial information included in this interim financial report for the six months ended 30 June 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2013 is also unaudited. The comparative figures for the year ended 31 December 2013 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, did not contain an emphasis of matter paragraph and did not make a statement under section 498 of the Companies Act 2006.

b. Basis of preparation

This interim financial report for the six months ended 30 June 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 `Interim Financial Reporting' (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2013, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Restatement of comparatives

From 1 January 2014 the Group's refrigerant lubricant business, which mainly relates to toll manufacture we undertake, has been included within our Industrial Chemicals segment to align with a change in the underlying management and reporting of the business line. The business was previously included within Performance Technologies. The comparatives for 2013 have been restated accordingly, with £17.9m of revenue and £0.3m of operating profit switching between the two segments for the first half of 2013 and £31.9m of revenue and £0.3m of operating profit for the full year.

Going concern basis

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim financial statements.

c. Accounting policies

The accounting policies adopted in preparing this report are consistent with those used in the Group's financial statements for the year ended 31 December 2013 as described in those statements.

There are no new standards, amendments to existing standards or interpretations issued but not effective for the financial year beginning 1 January 2014 that have been early adopted, nor are any expected to have a material impact on the Group when they do become effective.

Tax policy

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

2. Segmental information

The Group is organised on a worldwide basis into three main business segments, relating to the manufacture and sale of the Group's products which are destined for the markets of Consumer Care, Performance Technologies or Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables. All operating costs of the Group are allocated between segments.

	2014 First half £m	2013 First half £m restated	2013 Full year £m restated
Revenue – continuing operations			
Consumer Care	**291.8**	312.8	593.2
Performance Technologies	**182.3**	185.3	355.2
Industrial Chemicals	**63.3**	64.6	128.6
	537.4	562.7	1,077.0
Adjusted operating profit – continuing operations			
Consumer Care	**95.2**	99.1	191.2
Performance Technologies	**34.4**	34.2	62.7
Industrial Chemicals	**2.7**	5.9	10.7
	132.3	139.2	264.6
Acquisition costs and amortisation of intangible assets arising on acquisition	**(0.2)**	(0.1)	(1.3)
Total Group operating profit from continuing operations	**132.1**	139.1	263.3

3. Net financial costs

	2014 First half £m	2013 First half £m	2013 Full year £m
Financial costs			
Bank interest payable	**(4.9)**	(4.4)	(9.7)
Expected return on pension scheme assets less interest on scheme liabilities	**(2.4)**	(2.4)	(4.8)
	(7.3)	(6.8)	(14.5)
Financial income			
Bank and other interest receivable	**0.3**	0.8	1.3
	0.3	0.8	1.3
Net financial costs	**(7.0)**	(6.0)	(13.2)

4. Dividends paid

	Pence per share	2014 First half £m	2013 First half £m	2013 Full year £m
Ordinary				
2012 Final – paid May 2013	32.75	**-**	44.3	44.3
2013 Interim – paid October 2013	29.00	**-**	-	39.2
2013 Final – paid May 2014	35.50	**48.1**	-	-
		48.1	44.3	83.5
Preference (paid June and December)		**-**	-	0.1
		48.1	44.3	83.6

An interim dividend in respect of 2014 of 29.5p per share, amounting to a total dividend of £40.0m, was declared by the directors at their meeting on 21 July 2014. This interim report does not reflect the 2014 interim dividend payable. The dividend will be paid on 30 September 2014 to shareholders registered on 29 August 2014.

5. Property, plant and equipment

	2014 First half £m	2013 First half £m	2013 Full year £m
Opening net book amount	**362.6**	338.3	338.3
Exchange differences	**(8.0)**	10.8	(8.1)
Additions	**22.7**	19.6	44.9
Acquisitions	**-**	-	21.7
Disposals and write offs	**(0.8)**	(0.2)	(1.9)
Depreciation charge for period	**(16.7)**	(15.8)	(32.3)
Closing net book amount	**359.8**	352.7	362.6

At 30 June 2014 the Group had contracted capital expenditure commitments of £21.6m (2013: £11.7m).

6. Reconciliation to net debt

	2014 First half £m	2013 First half £m	2013 Full year £m
Net movement in cash and cash equivalents	**20.9**	(19.1)	(25.2)
Movement in debt and lease financing	**(26.6)**	13.1	48.1
Change in net debt from cash flows	**(5.7)**	(6.0)	22.9
Loans in acquired businesses	**-**	-	(16.8)
New finance lease contracts	**-**	(0.2)	(0.4)
Exchange differences	**5.9**	(8.4)	(0.2)
	0.2	(14.6)	5.5
Net debt brought forward	**(202.2)**	(207.7)	(207.7)
Net debt carried forward	**(202.0)**	(222.3)	(202.2)

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 30 June 2014, the Group has an environmental provision of £13.6m (31 December 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. Management has also assessed the worst possible case for each exposure and is confident that the Group's financial position would not be significantly affected if each case were to require this worst case settlement. 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 £3.2m in the first half of 2014 to £132.6m. This movement is made up of £22.0m of contributions in excess of service cost and a currency translation gain of £1.3m, offset by £2.4m of net financial costs and £17.7m due to changes in actuarial assumptions.

8. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £59.0m (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 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 which are not covered by insurance to be low, and that the liability, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows.

9. Principal risks and uncertainties

Financial risk factors

The Group's activities expose it to a variety of financial risks; currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements for the year ended 31 December 2013. There have been no changes in the Group's risk management processes or policies since the year end.

Financial instruments

The Group accounts for financial instruments in accordance with IFRS 13. This standard requires disclosure of fair value measurements by level of the following hierarchy;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

- Inputs for the asset of liability that are not based on observable market data (that is, unobservable inputs) (level 3).

None of the Group's financial instruments are held at fair value.

Fair values

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

The Group does not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differs from book value is the $100m ten year fixed rate loan note that was issued in 2012. At 30 June 2014 the fair value of the loan note was £63.8m (31 December 2013: £65.5m) compared to a book value of £58.8m (31 December 2013: £60.4m).

10. Related party transactions

The Group has not entered into any related party transactions in the first six months of the year.

11. Business combinations

On 23 May 2013, the Group acquired the assets of Arizona Chemical's Specialty Products business for £7.8m.

On 6 August 2013, the Group acquired 65% of the share capital of Sichuan Sipo Chemical Co. Ltd ("Sipo"), a non-listed natural speciality chemicals manufacturer based in Mianyang City, Sichuan Province, China.

There have been no revisions to the provisional fair value assessments of these acquisitions.