Croda International Plc
2016 Full Year Results

28 February 2017
Cautionary statement

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

Unless otherwise stated, all profit, margin and EPS data refer to ‘adjusted’ results, which can be found on the face of the Group Income Statement in the first column. The definition of adjusted profit is as follows: IFRS result excluding exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon where applicable. The Board believes that the adjusted result gives a clearer presentation of the underlying performance of the Group.
Our Performance

Steve Foots – Group Chief Executive

Innovation you can build on™
Relentless innovation driving record profit

Headline performance (reported currency):

- **Record profit delivered**: adjusted profit before tax up 13.2% at £288.3m
- **Robust sales growth**: up 15.0%, driven by Incotec, innovation and progress in high value markets, together with currency translation
- **Relentless innovation**: sales of New & Protected Products (NPP) up 20% to 27.4% of total sales
- **Excellent margin**: return on sales of 24.0%
- **Strong return on capital**: ROIC at 19.3%
- **Impressive cash generation**: free cash flow over £155m
- **Increased dividend**: full year up 7.2% and special dividend payment of £136m in June 2016
Consistent top and bottom line growth

**Continued sales growth**
- Reported currency: +15.0%
- Constant currency: +3.1%

**Strong return on sales**
- Reported currency: 24.0%
- YOY change: -40 bps

**Robust EPS growth**
- Reported currency: Adjusted basic EPS growth: 155.8p
- Adjusted basic EPS growth: +15.4%

Record NPP sales driving strong bottom line performance
Investment in fast growing niches driving profit in Personal Care

Improving mix driving profit

Class-leading return on sales

Innovation led growth

- Outperformance in Actives
- Softer conditions in Specialities but improving
- Increased innovation and IP
  - NPP at 40% of total sales
  - Inventiva acquired
  - R&D pipeline exciting
- Sustainability and digitalisation creating new opportunities

Sales and profit growth in constant currency. Return on sales in reported currency.
Focused acquisition and clever innovation offsetting API weakness in Life Sciences

19.0% sales growth

Mix effect diluting return on sales

-540 bps

28.1%

Focus on fast growth technologies

- Good performance given API headwind
- Majority of business delivering
- Return on sales strengthening pre-Incotec/APIs
- Outperformance in Crop
- Growth in intelligent delivery systems in Health and Crop
- Incotec repositioned
- Lower profitability in APIs – NA stabilising & growth elsewhere
Improving sales and margin in Performance Technologies

Profitable top line growth

- 1.4% Sales growth
- 12.1% Profit growth

Improving product mix driving return on sales

- 16.4% YOY change
- +40 bps

Increased innovation

- Improving sales trend
- Broad based geographic growth
- All businesses contributing
- Positive momentum in Sipo
- Innovation led growth
- Strong bottom line performance

Sales growth in constant currency. Return on sales in reported currency.
Financial Performance

Jez Maiden – Group Finance Director
Sales growth and continued strong margin driving profit

<table>
<thead>
<tr>
<th>£m</th>
<th>2016</th>
<th>2016 constant currency</th>
<th>2015</th>
<th>Constant currency change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,243.6</td>
<td>1,115.4</td>
<td>1,081.7</td>
<td>+3.1</td>
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<tr>
<td>Operating profit</td>
<td>298.2</td>
<td>276.4</td>
<td>264.2</td>
<td>+4.6</td>
</tr>
<tr>
<td>Net interest</td>
<td>(9.9)</td>
<td>(9.5)</td>
<td>(9.5)</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>288.3</td>
<td>266.9</td>
<td>254.7</td>
<td>+4.8</td>
</tr>
<tr>
<td>IFRS profit before tax</td>
<td>275.7</td>
<td></td>
<td>252.3</td>
<td></td>
</tr>
<tr>
<td>Tax rate (adjusted profit)</td>
<td>28.0%</td>
<td></td>
<td>28.0%</td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>155.8p</td>
<td></td>
<td>135.0p</td>
<td>15.4%*</td>
</tr>
<tr>
<td>Declared ordinary dividend</td>
<td>74.0p</td>
<td></td>
<td>69.0p</td>
<td>7.2%*</td>
</tr>
<tr>
<td>Special dividend paid</td>
<td>100p</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Positive variance indicates favourable impact.
*In reported currency
Sales growth driven by acquisitions and currency

**Group, £m**

- 2015 reported: 1,082
- Industrial Chemicals: (11)
- APIs: (12)
- Organic growth in Core Business: 5
- Acquisitions: 51
- 2016 constant currency: 1,115
- Currency translation: 129
- 2016 reported: 1,244

Innovation you can build on™
Improving sales trend in Core Business

**Strong finish to year**

<table>
<thead>
<tr>
<th>Sales growth</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.4%</td>
<td>-1.5%</td>
<td>-2.5%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

**Planned actions depressed top line growth**

- Distributor exit in Asia
- Lower API sales year on year
- Exited low value-add products in Performance Technologies
- Improving Q4 trend
Continued top line growth in Asia & Europe

- Asia growing strongly
  - Region 22% of Group sales
  - Driven by proximity to local & regional customers and increased customer sophistication

- Europe robust
  - Core Business growing

- North America subdued but improving
  - Lower API sales
  - Better trend across rest of business

- Latin America stabilising in second half
  - Growing in local currency terms

Core Business underlying sales growth in constant currency
EMEA = Europe, Middle East and Africa

Innovation you can build on™
Record level of innovation

- NPP sales 2.6x overall sales growth
- Greater proportion of protected innovation
- Improvement in all Core Business sectors
- Incotec aligned, exciting opportunities

NPP sales as % of Group sales

2012: 20.5%
2013: 21.4%
2014: 23.4%
2015: 26.1%
2016: 27.3%

Fast growth in sun care
Growth in Skin Actives ‘IRB by Sederma’

NPP = New and Protected Products
Constant currency

Innovation you can build on™
### Profit before tax, £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Organic growth and acquisitions</th>
<th>2016 constant currency</th>
<th>Currency translation</th>
<th>2016 reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 reported</td>
<td>12.2</td>
<td>266.9</td>
<td>21.4</td>
<td>288.3</td>
</tr>
<tr>
<td>2016 reported</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Profit growth reflects acquisition, innovation and growth in premium niches
- Incotec acquisition and API reduction diluting return on sales
- Continue to deliver excellent margin and return on capital
All Core Business sectors driving profit growth

- Strong profitability in Personal Care
  - NPP, skin actives & sun care
- Good profitability in Life Sciences
  - Excipients, seed enhancement
- Performance Technologies
  - Increase in innovation
  - Exited low value-add business
- Industrial Chemicals
  - Exited 20,000mt of low value-add products

Shows operating profit growth for sectors and pre-tax profit growth for Group in reported currency
Impressive cash generation continues, funding expansion in fast growing niches

<table>
<thead>
<tr>
<th>£m</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>344.3</td>
<td>302.3</td>
</tr>
<tr>
<td>Working capital</td>
<td>7.2</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Net capital investment</td>
<td>(104.5)</td>
<td>(91.1)</td>
</tr>
<tr>
<td>Additional pension contributions</td>
<td>(10.9)</td>
<td>(18.5)</td>
</tr>
<tr>
<td>Interest and tax</td>
<td>(80.6)</td>
<td>(73.8)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>155.5</strong></td>
<td><strong>117.5</strong></td>
</tr>
<tr>
<td>Dividends</td>
<td>(230.2)</td>
<td>(90.9)</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>(1.4)</td>
<td>(104.0)</td>
</tr>
<tr>
<td>Other (including currency translation)</td>
<td>(28.7)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Movement in net debt</td>
<td>(104.8)</td>
<td>(79.1)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(364.1)</td>
<td>(259.3)</td>
</tr>
<tr>
<td>Leverage</td>
<td>1.1x</td>
<td>0.9x</td>
</tr>
</tbody>
</table>
Strategy continuing to deliver

Steve Foots – Group Chief Executive
Connecting to faster growth markets

Three legs of growth

- Personal Care
- Life Sciences
- Performance Technologies

Faster Growth

- Technologies
- Geographies
- Niches
- Sustainability
Personal Care: Accelerating Innovation in Premium market niches

**Investing in fast growth technologies**
- Skin and hair actives
- Plant stem cells
- Sun care actives
- Encapsulation

**Investing in open innovation**
- Strong collaboration with Universities, SMEs and industry experts
- 10x increase since 2013
- 250 global partners Group wide

**Investing in fast growth niches**
- Citystem™: Pollution Protection
- Croda Plex: Hair Structure & Integrity
- Liquiwax™: Lip Vibrancy & Sensory

**Investing in fast growth geographies**
- Korea: Skin & Hair Care
- Japan: Colour Cosmetics
- Brazil: Hair Care

Constant currency

Innovation you can build on™
## Life Sciences: investing in high value niches

### Investing to scale Life Sciences
- **Sales growth**
  - 2012: 2.5 billion
  - 2016: 3.5 billion (+43%)
- **Key facts**
  - Sales nearly £300m
  - Global scale
  - Strong growth potential
  - Rich IP

### Investing in fast growth technologies
- **NPP as % of sales**
  - 2012: 15%
  - 2016: 31% (+60%)
- **Key actions**
  - Expanding high purity excipients
  - Delivery of complex actives
  - Expanding R&D team

### Investing in fast growth niches
- **Pharmaceutical Delivery**
- **Biopharmaceuticals**
- **Spray Drift**

### Investing in novel seed enhancement technology
- **Vegetable**
- **Field Crop**
- **Open new R&D facility**
- **Investing in the core**
- **Commercialising IP**
- **20% return on sales target**

*Constant currency*
Performance Technologies: Innovation driving improved performance

Improving sales growth

- Strong finish to year
- Investing for future growth
- Return on sales momentum

Investing in fast growth technologies

- Novel slip additives
- Friction modifiers
- Flow assurance
- Advanced materials

Investing in fast growing niches

- Hypermer™
- MyCroFence™
- Zinador™

Advanced Materials
Antimicrobial Paints
Odour Neutralisers

Investing in new geographies

- SIPO expansion underway
- Strong growth in Latam and Asia
- >50% sales outside Europe

Constant currency
Accelerating our customers’ transition to sustainable ingredients

Customers committing to consumers

Investing in new niches

Investing in bio surfactants

More products claiming sustainability*

Lip Care  Facial Cleansers  Air Care

- Unique positioning
- Positive customer interaction
- 100% renewable surfactants
- Lower carbon footprint

*Jan 2017 Mintel GNPD Beauty and Personal Care products launched meeting one or more sustainable label claims
Company logos sourced from corresponding company websites
New niches – our Biosurfactants plant

Enabling customers to build sustainably focused brands

- Croda’s ECO range will be bio-certified
- Will enable customers to build sustainably focused consumer brands without sacrificing performance
- 100% biobased alkoxylates are the missing link

100% renewable
100% bio-based
Made with renewable energy

Croda’s ECO range will be bio-certified
Will enable customers to build sustainably focused consumer brands without sacrificing performance
100% biobased alkoxylates are the missing link
Returns will grow post 2018 launch

**Investment returns**

- Capex $175m
- Commissioning: Q4/2017

<table>
<thead>
<tr>
<th>Demand</th>
<th>Benefit</th>
<th>Payback</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing ‘captive’ use</td>
<td>Increased margin</td>
<td>7 years</td>
<td>~15%</td>
</tr>
<tr>
<td>New ‘white space’</td>
<td>Increased sales</td>
<td>~6 years</td>
<td>~20%</td>
</tr>
</tbody>
</table>

Profitability will increase as new ‘white space’ is developed

Croda ECO: NYSCC Sustainability Award 2017 for the most innovative use of Green Chemistry

Return and payback includes future petro-EO cost increases avoided and will vary with ethylene/bio-ethanol relative pricing, as well as demand
### Key takeaways

**2016 performance**
- Delivered record profit
- Growth in premium market niches
- Relentless innovation driving success
- Expanding in higher growth markets
- Exciting innovation pipeline

**Priorities for 2017**
- Focus on premium, fast growth niches
- Improve performance in less differentiated markets
- Grow margins in Performance Technologies and Incotec
- Improving sales trends
- Confident of continued progress

*Constant currency growth*
## Full year revenue analysis

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 Reported</th>
<th>FY 2016 Constant currency</th>
<th>FY 2015 Reported</th>
<th>% Constant versus 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Care</strong></td>
<td>420.6</td>
<td>374.2</td>
<td>377.3</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Life Sciences</strong></td>
<td>292.2</td>
<td>266.5</td>
<td>223.9</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technologies</strong></td>
<td>402.5</td>
<td>359.7</td>
<td>354.8</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>1,115.3</td>
<td>1,000.4</td>
<td>956.0</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Industrial Chemicals</strong></td>
<td>128.3</td>
<td>115.0</td>
<td>125.7</td>
<td>(8.5)</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>1,243.6</td>
<td>1,115.4</td>
<td>1,081.7</td>
<td>3.1</td>
</tr>
</tbody>
</table>
Underlying sales growth

<table>
<thead>
<tr>
<th>%</th>
<th>H1 2016</th>
<th>H2 2016</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>(0.5)%</td>
<td>(1.4)%</td>
<td>(0.9)%</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>(1.0)%</td>
<td>(6.5)%</td>
<td>(3.7)%</td>
</tr>
<tr>
<td>Performance Technologies</td>
<td>(0.3)%</td>
<td>3.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Core Business</td>
<td>(0.5)%</td>
<td>(0.9)%</td>
<td>(0.7)%</td>
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<tr>
<td>Industrial Chemicals</td>
<td>(12.4)%</td>
<td>(3.9)%</td>
<td>(8.5)%</td>
</tr>
<tr>
<td>Group</td>
<td>(2.0)%</td>
<td>(1.2)%</td>
<td>(1.6)%</td>
</tr>
</tbody>
</table>
## Underlying sales growth

<table>
<thead>
<tr>
<th>%</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>(1.1)%</td>
<td>0.2%</td>
<td>(2.0)%</td>
<td>(0.8)%</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>4.6%</td>
<td>(7.1)%</td>
<td>(8.2)%</td>
<td>(4.9)%</td>
</tr>
<tr>
<td>Performance Technologies</td>
<td>(0.6)%</td>
<td>(0.1)%</td>
<td>0.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>0.4%</td>
<td>(1.5)%</td>
<td>(2.5)%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Industrial Chemicals</td>
<td>(10.7)%</td>
<td>(14.1)%</td>
<td>(6.2)%</td>
<td>(1.4)%</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>(0.9)%</td>
<td>(3.0)%</td>
<td>(2.9)%</td>
<td>0.6%</td>
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</tbody>
</table>
## H1/H2 sales analysis

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H2 2016</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Care</strong></td>
<td>207.4</td>
<td>213.2</td>
<td>420.6</td>
</tr>
<tr>
<td><strong>Life Sciences</strong></td>
<td>143.6</td>
<td>148.6</td>
<td>292.2</td>
</tr>
<tr>
<td><strong>Performance Technologies</strong></td>
<td>195.5</td>
<td>207.0</td>
<td>402.5</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>546.5</td>
<td>568.8</td>
<td>1,115.3</td>
</tr>
<tr>
<td><strong>Industrial Chemicals</strong></td>
<td>62.2</td>
<td>66.1</td>
<td>128.3</td>
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<tr>
<td><strong>Group</strong></td>
<td>608.7</td>
<td>634.9</td>
<td>1,243.6</td>
</tr>
</tbody>
</table>

Reported currency
## H1/H2 operating profit analysis

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H2 2016</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit (£m):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Care</td>
<td>73.1</td>
<td>70.0</td>
<td>143.1</td>
<td>124.5</td>
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<tr>
<td>Life Sciences</td>
<td>40.4</td>
<td>41.6</td>
<td>82.0</td>
<td>75.1</td>
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<tr>
<td>Performance Technologies</td>
<td>35.8</td>
<td>30.4</td>
<td>66.2</td>
<td>56.8</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>149.3</td>
<td>142.0</td>
<td>291.3</td>
<td>256.4</td>
</tr>
<tr>
<td>Industrial Chemicals</td>
<td>3.3</td>
<td>3.6</td>
<td>6.9</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>152.6</td>
<td>145.6</td>
<td>298.2</td>
<td>264.2</td>
</tr>
<tr>
<td><strong>Return on sales (%):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Care</td>
<td>35.2</td>
<td>32.8</td>
<td>34.0</td>
<td>33.0</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>28.1</td>
<td>28.0</td>
<td>28.1</td>
<td>33.5</td>
</tr>
<tr>
<td>Performance Technologies</td>
<td>18.3</td>
<td>14.7</td>
<td>16.4</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>27.3</td>
<td>25.0</td>
<td>26.1</td>
<td>26.8</td>
</tr>
<tr>
<td>Industrial Chemicals</td>
<td>5.3</td>
<td>5.4</td>
<td>5.4</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>25.1</td>
<td>22.9</td>
<td>24.0</td>
<td>24.4</td>
</tr>
</tbody>
</table>

Reported currency
### Retirement benefit deficit (IAS19 basis)

<table>
<thead>
<tr>
<th>£m at 31 December</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of assets</td>
<td>1,229.4</td>
<td>969.6</td>
</tr>
<tr>
<td>Value of liabilities</td>
<td>(1,375.9)</td>
<td>(1,048.4)</td>
</tr>
<tr>
<td><strong>Deficit pre tax</strong></td>
<td>(146.5)</td>
<td>(78.8)</td>
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<tr>
<td>Deferred tax</td>
<td>33.8</td>
<td>22.9</td>
</tr>
<tr>
<td><strong>Deficit post tax</strong></td>
<td>(112.7)</td>
<td>(55.9)</td>
</tr>
</tbody>
</table>
Good capital discipline

Capital Policy

- **Reinvest to grow**
  - 2x typical spend

- **Regular dividend**
  - 40-50% EPS pay-out over cycle

- **Disciplined approach to acquisitions**

- **Excess capital returned**
  - 1-1.5x leverage

**Year-end leverage 1.1x**

Leverage excludes retirement benefit deficit
Currency sensitivity

- Currency translation profit impact:
  - $1 cent = +/- £0.8m  (2016 average: $1.35)
  - €1 cent = +/- £0.5m  (2016 average: €1.22)