

Press Release

26 April 2017

Trading Update for the First Quarter 2017

Improved sales growth with strong and stable profit margin

Croda International Plc ('Croda' or the 'Group'), the speciality chemical company that creates high performance ingredients and technologies relied upon by industries and consumers globally, today updates on its trading during the first quarter 2017, ended 31 March 2017 ('Q1' or 'the quarter').

Improved sales growth – constant currency sales up 4.9%

The improving sales trend seen in the fourth quarter of 2016 has continued in Q1. Constant currency sales increased by 4.9%, driven by strong organic growth. Reported currency sales increased by 19.1% to £365.5 million (Q1 2016: £306.8m), reflecting Sterling's continued weakness. The later timing of Easter is estimated to have benefited sales by approximately 1.5%.

Constant currency sales across the three principal sectors (the 'Core Business') rose by 5.3%. Personal Care delivered an encouraging return to sales growth, Life Sciences grew excluding APIs and Performance Technologies produced an exceptionally strong performance. Innovation continued to drive growth of New and Protected Products ('NPP'), with our Open Innovation programme increasing to nearly 300 partners and new external funding secured alongside our own investment. Return on sales in the Core Business was strong and stable, with profit growing in line with the Board's expectations.

Strong growth in Asia and Europe supported by improving trend in the Americas

The Core Business saw Asia sales increase by 11% in constant currency. Personal Care benefited from the conversion of distributor sales to our direct selling model and Performance Technologies expanded across the region. The market in Europe remained robust with constant currency sales up 8%, reflecting momentum in all three sectors and the timing of Easter. Our actions to improve performance in North America are showing progress, with constant currency sales only 1% lower and up 3% excluding the adverse effect of lower API sales. The weak sales trend in Latin America continued to moderate, with constant currency sales flat on the prior year.

Return to sales growth in Personal Care

Q1 saw encouraging top line progress in Personal Care, which has now seen five successive months of growth. Constant currency sales increased by 4.6%, driven by a record sales performance in our market-leading Actives business, with growth in our bio-technology platform and from last year's encapsulation delivery systems acquisition, where we are investing in new capacity. Sederma launched the latest member of its flagship Matrixyl® range of anti-ageing peptides – Matrixyl® Morphomics™. The Personal Care sales performance was supported by a return to modest growth in the Specialties business, through completion of our distributor exit programme; investment in our innovation-rich hair, solar and skin portfolio, including the launch of the latest Solaveil™ Clarus transparent sunscreen for Asian-led trends; and continuing development and differentiation of our heritage formulation ingredients. Top line performance in the Americas also stabilised. Growth continued to be strong in our regional and local customers, supported by increasing collaboration with the new independent, or 'Indie', customers.

Continued progress in Life Sciences

As expected, sales in Life Sciences were 1.9% lower in constant currency, reflecting the final tough prior year comparator for our North American API contract, where sales have now stabilised at the anticipated, reduced level. Excluding this contract, constant currency sales rose 2.2%. The remainder of the Health Care business delivered good growth, led by demand for high purity excipients for complex drug delivery systems, supported by new data packages for an expanded range of pharmaceutical applications. Sales in Crop Care were broadly unchanged whilst profitability is benefiting from a richer product mix. This included innovation collaboration with agrochemical customers in Crop Protection, leveraging our drift reduction technology.

Incotec benefitted from pricing and cost synergies, together with our investment in a new R&D centre in the Netherlands, driving innovative seed enhancement solutions.

Excellent growth in Performance Technologies

Performance Technologies had an exceptional start to 2017 with Q1 sales growth of 11.7% in constant currency, reflecting healthy market demand. Robust sales in Lubricants were supported by strong export sales from the UK in Polymer Additives. A surge in demand in GeoTechnologies reflected a recovery in oil production, although product mix remains soft. Momentum in Asia and North America continued to reduce the sector's concentration in European markets. MyCroFence™, our patented antimicrobial coatings solution, was commercially launched and Incroslip™ SL, our novel slip additive, secured food contact approval. Both projects offer exciting development potential.

Robust financial platform

Croda's superior free cash generation continued in Q1 and net debt reduced from year end, despite increased capital investment. Construction of our industry-leading biosurfactants plant remains on track for commissioning towards the end of 2017. Our financial platform is robust and supportive of future growth and continued shareholder value creation.

Outlook affirmed

As set out at our full year results in February, our priorities for 2017 are to drive profitability through a greater focus on premium, faster growth niches; improve performance in less differentiated markets; and progress towards our return on sales targets in Performance Technologies and Incotec. We are encouraged by the Group's performance in the first quarter and, whilst we expect the exceptional sales growth seen in Performance Technologies to moderate, we remain on track to deliver continued profitable progress through 2017.

Q1 sales growth data

	Reported sales %	Constant currency sales %
Q1 2017 versus Q1 2016		
Personal Care	19.3	4.6
Life Sciences	11.4	(1.9)
Performance Technologies	26.5	11.7
Core Business	19.6	5.3
Industrial Chemicals	15.1	1.9
Group	19.1	4.9

Excluding the impact of the acquisition of Inventiva, Personal Care sales increased by 19.2% at reported currency. There were no other acquisition impacts in Q1.

Further information

A conference call for investors and analysts will be held at 0830 BST on 26 April 2017. Dial in +44 20 3139 4830, conference ID 45591147#.

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Non statutory financial terms and other definitions are as follows:

Constant currency sales: external sales by country of destination translated at the prior year period's average exchange rates, including the impact of acquisitions. Sales in Latin America are primarily based in US dollars, which is used as the functional currency for constant currency sales translation.

Return on sales or profit margin: adjusted operating profit divided by sales.

Free cash flow: as presented in the Finance Report of the 2016 full year results.

Core Business: comprises Personal Care, Life Sciences and Performance Technologies.

API: Active Pharmaceutical Ingredient.