

Press Release

31 October 2017

Trading Update for the Third Quarter 2017

Continued organic growth driven by Personal Care; full year outlook affirmed

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 third quarter 2017, ended 30 September 2017 ('Q3' or 'the quarter').

Continued organic growth – Core Business constant currency sales up 5.7%

The improved sales trend seen in the first half of 2017 continued through Q3 with Group constant currency sales up 4.4% in the quarter and 4.0% year to date. Across the three core sectors (the 'Core Business'), constant currency sales in Q3 grew 5.7% (up 4.8% year to date). This was driven by a strengthening performance in Personal Care, with constant currency sales up 7.5%, building on the recovery seen in the first half of the year; Performance Technologies recorded another robust performance, with sales up 7.0%; and Life Sciences achieved modest sales growth, up 0.7%.

In reported currency, Q3 Group sales grew 6.1% to £334.6million (Q3 2016: £315.3m), including a 1.7% benefit from currency translation. Year to date sales were 12.8% higher, including a currency translation benefit of 8.8%. Q3 profit margin increased slightly over prior year, reflecting improved product mix and pricing, with a successful focus on growing value ahead of volume.

Expanding in fast growth geographies

In the Core Business (measured in constant currency) action taken to restore growth to North America continued to benefit performance across all sectors, with sales up 8% in the quarter. Asia maintained its strong momentum, growing sales by 6%, reflecting the benefits of increased proximity to local and regional customers following the transfer of distributor sales to our direct selling model. Sales in Europe grew by 7%, benefiting from robust demand in Personal Care. Macro-economic conditions in Latin America remained challenging, with sales 2% lower, although there are some signs of improvement emerging.

Strengthening Personal Care sales driven by growth in all regions

Sales in Personal Care strengthened, with constant currency sales up 7.5% in the quarter (and 4.1% year to date). This reflected a good performance across all three businesses: continued strong sales growth in our market leading Beauty Actives business; innovation in fast growth niches in hair, solar and skin treatments by the recently established Beauty Effects team; and a return to growth in Beauty Formulations, our heritage ingredient portfolio, enabled by a focus on targeted innovation and competitive product positioning. We are significantly enhancing innovation facilities and increasing production capacity at Sederma, which will benefit Beauty Actives from 2018. Recent technology acquisitions and investments, including Inventiva encapsulation, Enza Biotech, Cutitronics skin health and an enhanced digital platform for 'Indie' customers, will provide a platform for further growth.

Steady progress in Life Sciences

In Life Sciences constant currency sales increased in Q3 by 0.7% (0.8% year to date) and by 2.4% excluding our North American generic API contract. We have continued to make good progress refining the Health Care and Seed Enhancement businesses, whilst returning to growth in Crop Protection. Growth in high purity Health Care delivery systems continued and we committed to a significant expansion in capacity, as customers adopt these higher value excipients to deliver performance improvement in complex drug formulations. During the quarter, we completed the integration of Incotec and the associated rationalisation programme, including closure of the last of the identified sub-scale seed operations, in Japan. Going forward, the business will focus on growing sales through innovation, with our first Croda/Incotec product launch, Disco® AG Clear L-650, already performing well and a new R&D centre creating a pipeline of opportunities through

greater customer collaboration. Crop Protection had a stronger quarter, built on increased innovation and customer partnering.

Continued robust growth in Performance Technologies

Performance Technologies continued its strong start to the year, with constant currency sales in Q3 up 7.0% (and up 8.4% year to date). This reflects a strategy of driving value ahead of volume, through greater innovation and higher value add products, coupled with selective demarketing of less differentiated products, particularly in oil and gas markets. We also completed the recovery of higher raw material prices from the first half of the year. These actions will help the sector deliver its medium term return on sales target, through its focus on the faster growth premium markets of Smart Materials and Energy Technologies.

Solid financial performance

Croda's balance sheet remains robust, with net debt at the end of Q3 broadly unchanged from the half year. Capital investment is at its peak, with our innovative North American bio-surfactants plant expected to commission towards the end of the year.

Outlook affirmed

Commenting on the trading update, Steve Foots, Chief Executive Officer, said:

"We continue successfully to deliver on our priorities for 2017 - driving profitability through premium, faster growth market niches; improving performance in less differentiated markets; and making progress towards our target increases in return on sales in Life Sciences and Performance Technologies. The combination of good top line growth and margin in Q3 gives us confidence in delivering our expectations for the full year."

Further information

A conference call for investors and analysts will be held at 0800 GMT on 31 October 2017. Dial in +44 20 3139 4830, conference ID 18016230#.

	First half %	Third quarter %	Year to date %
2017 constant currency sales			
Personal Care	2.3	7.5	4.1
Life Sciences	0.8	0.7	0.8
Performance Technologies	9.1	7.0	8.4
Core Business	4.4	5.7	4.8
Industrial Chemicals	(1.1)	(6.1)	(2.8)
Group	3.8	4.4	4.0

Underlying sales were in line with constant currency sales, with no material impact from acquisitions.

	First half %	Third quarter %	Year to date %
2017 reported currency sales			
Personal Care	14.9	9.0	12.9
Life Sciences	13.1	2.0	9.4
Performance Technologies	21.7	9.1	17.4
Core Business	16.9	7.3	13.6
Industrial Chemicals	10.1	(4.2)	5.1
Group	16.2	6.1	12.8

Non statutory financial terms and other definitions are as follows:

Constant currency sales: these reflect current year results for existing business translated at the prior year period's average exchange rates, and include 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.

Underlying sales: these reflect constant currency values adjusted to exclude the impact of acquisitions.

Return on sales or profit margin: this is adjusted operating profit divided by sales. Adjusted operating profit is profit before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition.

Net debt: this comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and obligations under finance leases.

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

API: Active Pharmaceutical Ingredient.