Croda International Plc
2018 Half Year Results

July 2018
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.

Adjusted results

Unless otherwise stated, all performance data refers to adjusted results. These are stated before exceptional items (including discontinued business costs), acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

Constant currency results

All data is at reported currency rates unless otherwise stated. Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year’s average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year’s average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review.

Non-statutory terms are defined in the ‘Alternative Performance Measures’ section of the Finance Review in the Half Year Results Statement. The Core Business comprises Personal Care, Life Sciences and Performance Technologies.
Growth strategy delivering

- **Growing the Core**
  - Record profit
  - Robust top line momentum - all Core Business sectors and geographies
  - Further improvement in return on sales

- **Stretching the Growth**
  - Relentless innovation
  - Technology acquisitions
  - Robust financial platform and stronger free cash flow generation
  - Interim dividend increased by 8.6% to 38.0 pence
Growing the Core

Robust sales growth

- Core Business: +4.7%
- Group: +3.6%

Improved profitability

- Return on sales: 25.4%
- Year on year change: +50 bps

Excellent EPS growth

- Adjusted Basic EPS: 100.2p
- Growth: +12.0%

Performance reflects three strong businesses

Sales and EPS growth in constant currency
Broad-based sales growth

All Core Business sectors

- Personal Care: 9.3%
- Life Sciences: 2.3%
- Performance Technologies: 1.7%

Supported by relentless innovation

- FY '12: 20.5%
- HY '18: 27.7%

All regions

- Europe: 4%
- North America: 5%
- Asia: 6%
- LatAm: 5%

NPP is New & Protected Products. Sales growth by region in Core Business. Growth in constant currency.

Innovation you can build on™
Excellent sales growth in Personal Care

Sales and operating profit growth in constant currency

Innovation you can build on™

Sales growth

- +9.3% Sales
- +6.1% Profit

Industry-leading return on sales

- 34.1% YOY change
  - -60 bps

Innovation-led growth

- Customer barriers to entry reducing
- Indie revolution increasing pace
- Multinational customer activity increasing
- Actives, Effects & Formulation businesses all strong
- Double digit percentage sales growth from innovation
- NPP exceeded 42% of sector sales (2017: 40%)
Resilient performance in Life Sciences

Strong sales growth in Crop

- Non-API: +7.4% sales, +1.8% profit
- API: -5.1% sales, +2.3% profit

Resilient return on sales

- YOY change: +29.9%, -50 bps

Robust growth offsetting specific headwinds

- Strong growth in Crop Protection
- Incotec delivering superior returns - on course for 20% return on sales
- Crop Care expanding in China, US & Brazil
- Exciting opportunity in Biostimulants
- Strong excipient sales in Health Care offsetting API exit

Sales and operating profit growth in constant currency. API refers to North America Active Pharmaceutical Ingredient contract exited in 2017.
Impressive profit growth in Performance Technologies

Transition to higher value

- +15.2% profit growth
- +1.7% sales growth

Strong mix improvement

- Return on sales: 19.3%
- YOY change: +230 bps

Growing innovation pipeline

- Driving ‘value over volume’
- Better profitability in strategic growth areas - Smart Materials & Energy Technologies
- Improving knowledge intensity
- Leveraging sustainability profile
- New technology opportunities with IonPhasE

Sales and operating profit growth in constant currency

Innovation you can build on™
<table>
<thead>
<tr>
<th>£m</th>
<th>2018 reported</th>
<th>Reported currency change</th>
<th>Constant currency change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>702.8</td>
<td>(0.6)%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>178.5</td>
<td>1.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Net interest</td>
<td>(3.5)</td>
<td>42.6%</td>
<td>41.0%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>175.0</td>
<td>3.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>IFRS profit before tax</td>
<td>170.8</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>100.2p</td>
<td>7.3%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Interim dividend declared</td>
<td>38.0p</td>
<td>8.6%</td>
<td></td>
</tr>
</tbody>
</table>
Growing the Core
Robust top line momentum

Core Business sales growth

H1 '17  H2 '17  H1 '18
4.4%  6.8%  4.7%

A powerful business model

- Top-line momentum seen in 2017 has carried strongly into 2018
- Exceptional market positions, leading technologies & focused innovation
- Volume growth across consumer businesses
- Continued investment in new market opportunities & technologies

Growth in constant currency
Core Business sales +4.7%
Robust volume growth in consumer businesses

- Personal Care: high performing sector – growth driven equally by volume and price/mix
- Life Sciences: impact from API exit offset by volume growth, particularly in Crop
- Performance Technologies: transition to high value - significant volume decline, sharper mix reflecting premium products
- Raw material price increases fully recovered

Growth in constant currency
Continued profit progress

Growth in operating profit

- Personal Care: +£5m
- Life Sciences: +£1m
- Performance Technologies: +£6m
- Group: +£11m
Excellent EPS growth driven by Core Business & tax

**Basic EPS, p**

- **HY ’17**: 93.4
- **Sales growth**: +3.6%
- **Operating margin**: +2.4%
- **Interest**: +1.7%
- **Tax rate**: +4.3%
- **FX**: -4.7%
- **HY ’18**: 100.2

Constant currency PBT +7.7%
Robust financial platform for future growth & returns

### Net capital investment

<table>
<thead>
<tr>
<th></th>
<th>HY '17</th>
<th>HY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£41m</td>
<td>£55m</td>
</tr>
<tr>
<td>Bio</td>
<td>£30m</td>
<td>£30m</td>
</tr>
<tr>
<td>Other</td>
<td>£1m</td>
<td>£25m</td>
</tr>
</tbody>
</table>

### Free cash flow

<table>
<thead>
<tr>
<th></th>
<th>HY '17</th>
<th>HY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£41m</td>
<td>£63m</td>
</tr>
</tbody>
</table>

### Net debt/leverage

<table>
<thead>
<tr>
<th></th>
<th>FY '17</th>
<th>HY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£382m</td>
<td>£393m</td>
</tr>
</tbody>
</table>

### No pension deficit funding required

<table>
<thead>
<tr>
<th></th>
<th>FY '17</th>
<th>HY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£21m</td>
<td>£16m</td>
</tr>
</tbody>
</table>

IAS19 pension deficit post-tax
Connecting to faster growth markets

Grow the Core

Stretch the Growth

<table>
<thead>
<tr>
<th>Premium niches</th>
<th>R&amp;D</th>
<th>Smart partnering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability</td>
<td>Tech acquisitions</td>
<td>Digitalisation</td>
</tr>
</tbody>
</table>

Innovation you can build on™
Sustainability Megatrend shaping our markets

- Beauty & Ageing
- Health & Wellbeing
- Living in balance with the planet’s resources
- Energy Revolution
- Unprecedented Technology Change
- Circular Economy
...and driving our growth

Growth in product sustainability claims shows number of products launched with a sustainability claim in Personal & Beauty Care (Source: Mintel - Global New Product Database custom report Jan ’18)

Innovation you can build on™
Innovation you can build on™

Personal Care: Growth through innovation driven by Sustainability Megatrend

- Personal Care: Growth through innovation driven by Sustainability Megatrend

- 65% of sales globally generated by brands whose marketing conveyed commitment to environmental and/or social value

- NPP growth
  - 2014
  - 2017

- NPP 42% of sales

- Ethical sourcing
  - RSPO

- Sun protection
  - Solaveil™

- Anti pollution
  - CityStem™

- Biosurfactants
  - ECO Range

Global sales sourced from Nielsen – ‘The Sustainability Imperative 2015’
Life Sciences: Sustainability driving performance improvement

60% increase in agricultural productivity required in next 30 years to ensure food security for growing population.

- **Drift reduction**
  - Atplus™
  - 2016

- **Optimised protection**
  - Incotec
  - 2017

- **Yield enhancement**
  - Biostimulants
  - 2018

- **High purity**
  - Excipients
  - 2018

**NPP growth**

- NPP 28% of sales

- 2014
- 2017

Agricultural productivity sourced from United Nations Population Division and Food & Agriculture Organisation
Performance Technologies: Sustainability creating new markets

A reduction in Greenhouse Gas emissions by 2050 will drive innovation for clean and low-carbon technologies.

- Anti-microbial coatings: MyCroFence™
- Reduced emissions: Perfad™
- Thermal energy storage: CrodaTherm™
- Water purity: Hyperm™

NPP 18% of sales

Greenhouse Gas emissions sourced from EU Committee - '2050 low-carbon economy roadmap'
Our significant projects are driven by Sustainability

Recent investment in capacity supporting future growth
...as are our technology-led acquisitions

IRB
Market: Personal Care

Nautilus
Markets: Personal Care, Life Sciences, Performance Technologies

Enza Biotech
Markets: Personal Care, Life Sciences, Performance Technologies

Incotec
Market: Life Sciences

Plant Impact
Market: Life Sciences

IonPhasE
Market: Performance Technologies
A powerful business model delivering superior returns

**Priorities unchanged**

- Deliver consistent top and bottom line growth
- Increase the proportion of protected innovation
- Accelerate the capture of new sustainable technologies

**Outlook**

- Encouraging momentum in consumer businesses
- Successfully transitioning Performance Technologies
- Improving cash generation
- Underpins confidence in full year
Additional material
## Strong financial performance, strong Sustainability performance

<table>
<thead>
<tr>
<th>Profit before tax</th>
<th>% of energy from non-fossil fuel sources</th>
<th>Total waste sent to landfill (Te)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£60.9m in 2007</td>
<td>2007 3.9% 2017 24.1%</td>
<td>9,111 in 2007 1,771 in 2017</td>
</tr>
<tr>
<td>£320.3m in 2017</td>
<td></td>
<td>This reduction would fill 560 average household waste trucks</td>
</tr>
</tbody>
</table>

### Total water usage (m³)

- **13,239,672** in 2007
- **8,011,330** in 2017

This reduction would fill 2,090 Olympic swimming pools

### Total energy generated through investment in site renewable energy projects (GJ)

- **2,350,000** between 2007 and 2017

Equivalent to powering over 179,000 average UK homes for a year

### Highlights of external recognition

- FTSE4Good
- CDP
- Natural Capital Decoupling Leader 2014
- britain’s most admired companies 2017/18 winner
- THE TOP COMPANIES for graduates to work for

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Source: Croda 2017 Sustainability Report
## Sales growth

<table>
<thead>
<tr>
<th>%</th>
<th>H1 2017</th>
<th>H2 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>2.3%</td>
<td>8.2%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>0.8%</td>
<td>8.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Performance Tech.</td>
<td>9.1%</td>
<td>4.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>4.4%</td>
<td>6.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Industrial Chems.</td>
<td>(1.1)%</td>
<td>(6.8)%</td>
<td>(7.0)%</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>3.8%</td>
<td>5.4%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Sales growth in constant currency
## Income statement

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2017 Reported</th>
<th>H2 2017 Reported</th>
<th>H1 2018 Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>707.3</td>
<td>665.8</td>
<td>702.8</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>175.8</td>
<td>156.4</td>
<td>178.5</td>
</tr>
<tr>
<td>Net interest</td>
<td>(6.1)</td>
<td>(5.8)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>169.7</td>
<td>150.6</td>
<td>175.0</td>
</tr>
<tr>
<td>Exceptionals, acquisition costs &amp; intangibles</td>
<td>(1.7)</td>
<td>(4.5)</td>
<td>(4.2)</td>
</tr>
<tr>
<td>IFRS profit before tax</td>
<td>168.0</td>
<td>146.1</td>
<td>170.8</td>
</tr>
<tr>
<td>Return on sales</td>
<td>24.9%</td>
<td>23.5%</td>
<td>25.4%</td>
</tr>
</tbody>
</table>
## Retirement benefit deficit (IAS19 basis)

<table>
<thead>
<tr>
<th>£m</th>
<th>31 December 2017</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of assets</td>
<td>1,304.8</td>
<td>1,283.1</td>
</tr>
<tr>
<td>Value of liabilities</td>
<td>(1,335.3)</td>
<td>(1,306.1)</td>
</tr>
<tr>
<td>Deficit pre tax</td>
<td>(30.5)</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>9.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Deficit post tax</td>
<td>(21.1)</td>
<td>(15.6)</td>
</tr>
</tbody>
</table>
Good capital discipline

Capital Policy

- Reinvest to grow
  - 1.5x depreciation typically

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

- Disciplined approach to acquisitions

Excess capital returned
- 1-1.5x leverage

Leverage at 30 June 2018 - 1.0x

Leverage excludes retirement benefit deficit