Cautionary statement & definitions

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, 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 Full Year Results Statement.

The Core Business comprises Personal Care, Life Sciences and Performance Technologies.
Performance
A resilient performance…

• Subdued market conditions
  ➢ Trade war
  ➢ Daigou
  ➢ Automotive
  ➢ Destocking

• Sales & operating profit slightly behind
• Robust profit performance in consumer markets
• Weaker in industrial markets
• Continued innovation, robust margin and strong cash generation
... from a strong business model

- **Sales**: £1,377.7m (Unchanged)
- **Margin**: 24.7%
- **Profit**: £339.7m (Operating profit)
- **Cash**: £201.7m (Free cash flow)

- **Revenue**: -0.7%
- **Return on sales**: Unchanged
- **Operating profit**: -0.8%
- **Free cash flow**: +30.2%
2019: Sector summary

Personal Care

- Slower US cosmetics market – now trading in line
- North Asia Daigou and China legislation - lapped
- Improving sales trend & strong profit maintained

Life Sciences

- Speciality excipient opportunity increasing
- Well balanced growth in Crop Protection business
- Disappointing Seed Enhancement sales

Performance Technologies

- Slower, in line with wider sector
- Industrial markets weak
- Progress in new technologies
Financial performance
### 2019: Adjusted results

<table>
<thead>
<tr>
<th>£m</th>
<th>2019</th>
<th>2018</th>
<th>% change</th>
<th>% change constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,377.7</td>
<td>1,386.9</td>
<td>(0.7)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>339.7</td>
<td>342.5</td>
<td>(0.8)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>322.1</td>
<td>331.5</td>
<td>(2.8)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>24.7%</td>
<td>24.7%</td>
<td>0.0%pts</td>
<td></td>
</tr>
<tr>
<td>Basic EPS</td>
<td>185.0</td>
<td>190.2</td>
<td>(2.7)</td>
<td></td>
</tr>
<tr>
<td>Ordinary dividend declared</td>
<td>90.0p</td>
<td>87.0p</td>
<td>+3.4%</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>201.7</td>
<td>154.9</td>
<td>+30.2%</td>
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</tr>
</tbody>
</table>
## 2019: IFRS reported results

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted PBT</td>
<td></td>
<td>322.1</td>
<td>331.5</td>
</tr>
<tr>
<td>Exceptional items</td>
<td></td>
<td>(10.7)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td></td>
<td>(0.3)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td></td>
<td>(8.8)</td>
<td>(6.1)</td>
</tr>
<tr>
<td><strong>Reported PBT</strong></td>
<td></td>
<td>302.3</td>
<td>317.8</td>
</tr>
<tr>
<td>Basic EPS</td>
<td></td>
<td>172.8p</td>
<td>181.4p</td>
</tr>
</tbody>
</table>
Sales slightly lower but strong price/mix benefit

Sales, £m

<table>
<thead>
<tr>
<th></th>
<th>FY18 reported currency</th>
<th>Price/mix</th>
<th>Volume Core business</th>
<th>M&amp;A</th>
<th>Industrial Chemicals</th>
<th>Currency translation</th>
<th>FY19 reported currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, £m</td>
<td>1,386.9</td>
<td>+3%</td>
<td>-6%</td>
<td>+1%</td>
<td>-1%</td>
<td>+2%</td>
<td>1,377.7</td>
</tr>
<tr>
<td>Constant currency sales</td>
<td>-3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2019: Sector sales and profit

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change in sales %</th>
<th>Change in operating profit £m</th>
<th>Return on sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>(3)%</td>
<td>+2</td>
<td>+50bps</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>6%</td>
<td>+11</td>
<td>+110bps</td>
</tr>
<tr>
<td>Performance Technologies</td>
<td>(7)%</td>
<td>(16)</td>
<td>-260bps</td>
</tr>
<tr>
<td>Group</td>
<td>(3)%</td>
<td>(3)</td>
<td>Unchanged</td>
</tr>
</tbody>
</table>

Sales in constant currency

Smart Science to Improve Lives™
2019 performance
Personal Care

Croda Personal Care sales recovery in Q4…

%  
Q1: -1  
Q2: -6  
Q3: -5  
Q4: +1

…while US consumer sales remained soft*

%  
Q1: +1  
Q2: 0  
Q3: 0  
Q4: -1

Personal Care
• Weak Q1-3: trade headwinds
• Soft consumer demand in US – destocking
• North Asia weak – Daigou & China legislation
• Q4 global sales recovery

Beauty Actives
+ Modest sales growth
+ R&D and Biotech expansion

Beauty Effects
+ Good sales growth – solar protection
+ Broadening platform / Indie growth

Beauty Formulation
- Weak sales: MNCs / regional
+ ECO Biosurfactants launched
2019 performance
Life Sciences

Performance

Life Sciences
- Record year, softer H2
- Richer sales mix

Health Care
- Strong growth in speciality excipients
- New capacity investment
- Biosector integration

Crop Protection
- Ahead of market growth
- LatAm demand offset North America weakness
- Sales delay in Plant Impact

Seed Enhancement
- PaddyRise launched in Asia
- Disappointing demand in NA / China

Sales growth

Constant currency sales & operating profit
2019 performance
Performance Technologies

- Disappointing after several years of strong profit growth
- Economic uncertainty & weak demand

Smart Materials
- Poor global automotive demand: sales -7%
- Exit sales rate improving
- Investing in higher tech polymer capacity

Energy Technologies
- 5% lower sales – solid H1 followed by broader weakness
- Rewitec renewable energy acquisition

Other
- Weak oil & gas
- Growing sustainability platform in fabrics

Constant currency sales

Smart Science to Improve Lives™
Disciplined cost management supporting reinvestment

Underlying cost base, £m*

<table>
<thead>
<tr>
<th>Component</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinvestment</td>
<td>7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6</td>
</tr>
<tr>
<td>Pensions</td>
<td>3</td>
</tr>
<tr>
<td>Cost savings</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Underlying change</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

- Cost base remains lean
- Efficiencies delivered in 2019 to offset sales weakness
- 2020 target savings will be reinvested to deliver growth
- Operating reinvestment: China, digital, sales & innovation in Personal Care & Life Sciences
- Capital reinvestment (additional depreciation): Capacity coming on stream in speciality excipients, advanced polymer technologies, China manufacturing, botanical ingredients
- ECO plant on stream

*Underlying cost base covering production component of cost of sales, together with operating costs. Excludes impact of inflation, ECO plant, incentive costs and overheads in stock. Presented in constant currency.
2019: Free cash flow improved 30%

- Total dividends paid £267m
- Net debt £548m (2018: £426m)
- Leverage ratio 1.4x (2018: 1.1x)
- Debt facilities fully refinanced – ‘green’ bank revolver

EBITDA includes impact of adopting IFRS16
2020: Additional financial information

• Currency translation
  • 2019 average rates: $1.278
    €1.141
  • Average impact: £0.9m per $cent
    £0.6m per €cent

  } Represents 65% of typical currency exposure

• If 2020 FX rates were unchanged from today ($1.30, €1.20), estimated negative impact on sales of 4% and PBT of 3%

• Voluntary exit from Crop products: -2%pt impact on Life Sciences sales

• Impact of Covid-19
Strategy with Purpose: Creating New Markets
Our ambitious sustainability commitment

By 2030
Climate, Land & People positive

Climate positive
Enable more carbon to be saved than we emit

Land positive
Enable more land to be saved than we use to grow our bio-based materials

People positive
Apply our innovations to increase our positive impact on society

Innovation, technology & customer-driven

Our priority UN SDGs

Creating new markets

- **Life Sciences**: Expand to grow
- **Personal Care**: Strengthen to grow
- **Performance Technologies**: Refine to grow
Life Sciences: Expand to grow Speciality excipients in drug development

Trend
Move to biologics

Growth market
9/10 top selling drugs are biologics
7 new speciality excipients in 2019

Technology
Speciality excipients

Differentiation
Speciality Excipient: potency, purity, stability
Standard Excipient: multiple API degradation
Life Sciences: Expand to grow Vaccine development

Trend
- HIV
- Tuberculosis
- Malaria

Demand for new vaccines

Growth market

Importance of adjuvants increasing

Adjuvants 10% CAGR

Technology

Next generation saponin adjuvants

Differentiation

Gold standard vaccine adjuvant facility

% vaccines launched with adjuvant

1925 1960 1980 2000 2020
Life Sciences: Expand to grow
Crop yield improvement

**Trend**
Feed growing population with less land

**Growth market**
- 80% of rice to be locally produced by 2023
- Supporting farmers to be self-sufficient

**Technology**
- PaddyRise seed treatment

**Differentiation**
+24%
- Increased crop yield

Smart Science to Improve Lives™
CRODA
Personal Care: Strengthen to grow
Bio-based surfactants

Trend

Clean & sustainable

Technology

Bio-based surfactants

Growth market

Sustainable Launches in Personal Care

+56% CAGR

Differentiation

First mover advantage

Growth market source: Mintel GNPD 2020. The USDA Certified Biobased Product label is a certification mark of the U.S. Department of Agriculture. USDA BioPreferred is a registered trademark of the U.S. Department of Agriculture.
Personal Care: Strengthen to grow Bio-actives in premium skin care

Trend

Clean beauty

Growth market

IRB sales growth

+26% CAGR


Technology

Plant cell culture

Differentiation

Skin lifting with Majestem™

T0

T3 weeks

Sagging

Tightening

Smart Science to Improve Lives™
Performance Technologies: Refine to grow Sustainable fashion

Trend

Extending the active life of 50% of UK clothing by 9 months would save:
- 8% Carbon
- 10% Water
- 4% Waste

Move away from throwaway fashion

Technology

Bio-polymers

Differentiation

Coltide™ Radiance extends life of clothes

Growth market

Sustainable launches in Fabric Care

Increasing environmental claims


+6% CAGR

2 washes in Coltide Radiance

2 washes in regular treatment

Trend: Data from WRAP 2017 report “Valuing Our Clothes: the cost of UK fashion”. Growth markets: Number of launches claiming environmentally friendly product/packaging, recycling or carbon neutral for global Fabric Care (source: Mintel GNPD Feb 2020). Differentiation: Pictures of denim at 1000x magnification
## Outlook

<table>
<thead>
<tr>
<th>Strategy in place</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong business model</td>
<td>• Further progress in consumer markets</td>
</tr>
<tr>
<td>• Sustainable Purpose</td>
<td>• Industrial markets weak but stable</td>
</tr>
<tr>
<td>• Expand to grow Life Sciences</td>
<td>• Growth second half weighted</td>
</tr>
<tr>
<td>• Strengthen to grow Personal Care</td>
<td>• Healthy innovation pipeline</td>
</tr>
<tr>
<td>• Refine to grow Performance Technologies</td>
<td>• Progress from recent investments</td>
</tr>
</tbody>
</table>
Additional material
Investing to minimise our negative impact...

- **Social solar**
  
  Roof space donated for community solar

- **Moving away from less sustainable chemistries**
  
  Discontinued global sales of APEs

- **Reducing water use at our sites**
  
  90% groundwater reduction in Japan

- **Decarbonising our processes**
  
  Infrastructure investment for green electricity use

- **Eliminating deforestation**
  
  Founder member of Action for Sustainable Derivatives coalition

- **Decoupling environmental impact from financial performance**
  
  Progress on safety & environmental targets since 2015

- **Total water withdrawal down 14%**
- **VOC emissions down 14%**
- **Waste to landfill down 27%**
- **TRIR target of 0.6 met a year early**

---

Smart Science to Improve Lives™

CRODA
... and maximise our positive impact

Smart science improving lives in Togo
- Sun care filters and expertise given to National Association of Albinos

Increasing our innovation in sustainability-led niches
- New technical centre in Shanghai

Increasing vaccine efficacy
- Adjuvant capacity expansion in Denmark

Improving working conditions through supplier partnerships
- Banana flower extract from Mayotte

Focusing on diversity and inclusion
- Targeting balanced shortlists for recruitment globally

Using smart science to assess our impacts against the UN SDGs
- Sustainability Impact Assessment tool developed
<table>
<thead>
<tr>
<th>Category</th>
<th>H1 2019</th>
<th>H2 2019</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>(3.6)%</td>
<td>(2.3)%</td>
<td>(3.0)%</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>13.0%</td>
<td>(0.9)%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Performance Technologies</td>
<td>(6.0)%</td>
<td>(8.6)%</td>
<td>(7.3)%</td>
</tr>
<tr>
<td>Core Business</td>
<td>(0.4)%</td>
<td>(4.2)%</td>
<td>(2.3)%</td>
</tr>
<tr>
<td>Industrial Chemicals</td>
<td>(7.4)%</td>
<td>(5.7)%</td>
<td>(6.6)%</td>
</tr>
<tr>
<td>Group</td>
<td>(1.0)%</td>
<td>(4.3)%</td>
<td>(2.6)%</td>
</tr>
</tbody>
</table>

Constant currency
## Retirement benefit analysis (IAS19 basis)

<table>
<thead>
<tr>
<th>£m</th>
<th>31 Dec 2018</th>
<th>31 Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of assets</td>
<td>1,272.7</td>
<td>1,390.8</td>
</tr>
<tr>
<td>Value of liabilities</td>
<td>(1,291.2)</td>
<td>(1,465.8)</td>
</tr>
<tr>
<td>Deficit pre tax</td>
<td>(18.5)</td>
<td>(75.0)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>6.1</td>
<td>14.9</td>
</tr>
<tr>
<td>Deficit post tax</td>
<td>(12.4)</td>
<td>(60.1)</td>
</tr>
</tbody>
</table>
Capital allocation model

Capital Policy
- Reinvest to grow ~1.5x depreciation
- Regular dividend 40-50% EPS payout
- Disciplined acquisition approach
- Excess capital returned 1-1.5x leverage

Leverage at 31 Dec 2019: 1.4x

Leverage excludes retirement benefit deficit