

# Croda International Plc

Results for 6 months to  
30 June 2007

# Financial Review

# Summary

“The Group has performed well across all areas of the business...”

- Uniqema repositioning plans on track
- 23.0% rise in pre-tax profits
- 11.3% rise in earnings per share
- 4.95p interim dividend, up 6.5%

# Basis of preparation

- Continuing businesses
  - 2006 re-stated to treat Baxenden as continuing
- Discontinued operations
  - Food Services sold to AAK in June 2007
  - Application Chemicals sold to Shell in March 2006

# Croda Food Services

- 2006 turnover £17m
- 2006 operating profit £0.8m
- Sold for £7.4m to AAK

# Repositioning Uniqema

- Integration completed December 2006
- We've been moving Uniqema up the value chain, discontinuing certain low margin product lines and increasing the prices on all others.
- As expected this has led to volume declines but has created capacity to sell more speciality products.
- So far the synergy cost reductions have been driven mainly by headcount savings and better buying. As we move into the second half, the benefits of the distributor culling and exit from the UPS transport arrangements plus other restructuring initiatives will increase.

## Uniqema synergies

- The target for 2007 was to achieve an exit rate of £11m cost savings with the full £20m running rate being achieved during 2008.
- We are on track.

## Reporting Uniqema - Continuing turnover by segment

£m	2007	2006
Consumer Care	196.1	113.5
Industrial Specialities	276.3	43.1
<b>Total</b>	<b>472.4</b>	<b>156.6</b>

- Consumer Care comprises 'Old Croda' Consumer Care plus Uniqema specialities excluding lubricants
- Industrial Specialities includes 'Old Croda' plastics additives and Seatons plus oleochemicals and lubricants ex Uniqema



## Continuing turnover by destination

£m	2007	2006
Europe	225.4	63.6
Americas	159.5	60.6
Asia	66.7	21.9
Rest of World	20.8	10.5
<b>Total</b>	<b>472.4</b>	<b>156.6</b>

## Underlying turnover – change on prior year

Volume	-6.5%
Mix/price	+8.5%
<b>Constant currency</b>	<b>+2.0%</b>
Currency	-5.5%
<b>Total</b>	<b>-3.5%</b>

- Volume decline as we de-market by increasing prices
- Price increases/mix effects boost turnover across group
- Net constant currency turnover **gain**
- 5.5% adverse currency movement – likely to continue at around this level in H2 at current exchange rates

# Continuing operating profit

£m	2007	2006	inc
<b>Consumer Care</b>	<b>37.3</b>	<b>23.8</b>	
ROS	19.0%	21.0%	
<b>Industrial Specialities</b>	<b>8.9</b>	<b>4.3</b>	
ROS	3.2%	10.2%	
<b>Total</b>	<b>46.2</b>	<b>28.1</b>	<b>+64.4%</b>
ROS	9.8%	17.9%	

## Continuing pre-tax profit

£m	2007	2006	inc
Operating profit	46.2	28.1	+ 64.4%
Interest	(11.5)	0.1	
<b>Pre tax profit</b>	<b>34.7</b>	<b>28.2</b>	<b>+ 23.0%</b>

## Continuing earnings per share

	2007	2006	inc
Pre tax profit (£m)	34.7	28.2	+ 23.0%
Tax Rate	35.2%	34.8%	
Average shares in issue (No. m)	134.4	122.4	
<b>EPS</b>	<b>16.7p</b>	<b>15.0p</b>	<b>+ 11.3%</b>

## Interim dividend

	2007	2006	inc
EPS	16.7p	15.0p	+ 11.3%
Interim Dividend	4.95p	4.65p	+6.5%

## Cash flow – non trading items

- Net debt increased £64.3m since December 2006. The key elements of this movement are:
  - Contributions to the pension fund over and above the service cost of £29.6m
  - Cash restructuring costs of £8.0m
  - Payments to ICI for inherited cash and the working capital adjustment totalling £26.4m
  - Cash contributions from ICI to fund pension liabilities totalling £7.5m
  - Proceeds from the sale of Croda Food Services to AAK totalling £7.1m net of costs

## Cash flow – trading

- June activity levels are higher than December naturally increasing working capital
- As we cull distributors we capture their margin but also pick up their working capital
- Strong EBITDA cash generation
- Capex well controlled at levels in line with depreciation



## Operating cash flow

£m	2007	2006
Operating profit	46.2	28.1
Depreciation	15.7	6.7
Working capital movement	(37.3)	(7.6)
Other/pension top up	(35.7)	(0.7)
Discontinued operations	1.0	0.6
<b>Operating Cash Flow</b>	<b>(10.1)</b>	<b>27.1</b>

**Strong EBITDA generation but working capital outflows and contributions to the pension fund**

## Free cash flow

£m	2007	2006
Operating cash flow	(10.1)	27.1
Net interest paid	(9.7)	(1.3)
Tax paid	(6.9)	(10.1)
<b>Free cash flow</b>	<b>(26.7)</b>	<b>15.7</b>

**More interest but lower tax paid as a result of the Uniqema acquisition**

## Net cash flow

£m	2007	2006
Free cash flow	(26.7)	15.7
Capex	(16.0)	(6.0)
Business/asset sales	8.0	4.8
Provisions	(0.6)	-
Share buyback/issue	1.6	(18.8)
Dividends paid	(13.2)	(11.6)
Other	(17.4)	1.0
<b>Total</b>	<b>(64.3)</b>	<b>(14.9)</b>

## Net debt

- Net debt £394.2m
  - Have hedged currency assets through currency borrowings
    - US \$130m
    - €145m
  - Have fixed interest rates on £100m at 6.44% for three years

## IAS19 pension deficit

£m	Jun'07	Dec'06
Market value of assets	558.2	521.0
Value of liabilities	(614.8)	(661.5)
Gross deficit	(56.6)	(140.5)
Funding level	90.8%	78.8%
Deficit net of deferred tax	(35.8)	(106.8)

- Funding level increases to 91% due to cash contributions, equity market performance and increased discount rates.

# Balance sheet

£m	2007	2006
Operating assets	628.7	203.1
Retirement benefits	(56.6)	(82.3)
<b>Net debt</b>	<b>(394.2)</b>	<b>(39.1)</b>
Net assets	177.9	81.7

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# The New Croda



# New structure Consumer Care

Products - Actives, Alkoxylates, Anionics, Esters,  
Lanolins, Plant Extracts, Proteins, Quats

Plants -	Brazil	Campinas
	France	Chanac, <b>Chocques</b> , Paris
	India	<b>Thane</b>
	Indonesia	<b>Cikarang</b>
	Japan	Shiga
	Singapore	Jurong Island
	South Korea	<b>Woobang</b>
	Spain	<b>Mevisa</b>
	UK	Leek, Rawcliffe Bridge, Widnes, <b>Wilton</b>
	USA	<b>Atlas Point</b> , Mill Hall

# New structure Consumer Care

Sales Approx £400m

Sales by market

Administered regionally

Increased footprint in the Americas, Asia and Europe

## New structure Industrial Specialities

Products - Fatty Acids, Glycerine, Polymerised Fatty Acids, Plastics Additives, Lubricants

Plants -	Bromborough	UK
	Hull	UK
	Chicago	USA
	Cremona	Italy
	Emmerich	Germany
	Gouda	Holland
	Klang	Malaysia

External sales approx £550m

# New Structure

## Global sales units

### Americas

Argentina  
Brazil  
Canada  
Chile  
Colombia  
Mexico  
USA (6)

### Europe

Belgium  
Czech Republic  
France  
Germany  
Holland  
Hungary  
Italy  
Poland  
Russia  
Spain  
Sweden  
UK

### Asia/Africa/M East

Australia  
China  
Dubai  
Egypt  
Hong Kong  
India  
Indonesia  
Japan  
Malaysia  
Philippines  
Singapore  
South Africa  
South Korea  
Taiwan  
Thailand  
Vietnam  
Zimbabwe

# Integration/restructuring

- In place by 1 January 2007 – on target
- Some IT integration may take us into Q4 2007 – but minor issue
- All leavers notified by end 2006
- Cumulative headcount reduction:
  - end 2006 - 47
  - end 2007 - 191
  - end 2008 - 290
- Head offices discontinued in Atlas Point, Gouda, Wilton
- Retained only 3 of top 11 Uniqema management

# Synergies

- Routes to market
- Products – to “better” markets
- Technologies – market focus
- Operations – range rationalisation
- Facilities – plan developed
- Supply chain/raw materials
- Global sales operations
- **£20m fully delivered through 2008**

# Distribution

- 1 major contract cancelled from 1 April 2007
- 2 major contracts cancelled from 1 July 2007
- 1 more to be cancelled in 2007
- Centralised European transport contract cancelled in H1 2007
- Selling units fully equipped to take all above in house

# Pricing and repositioning

- In 2006, 'Old' Croda achieved solid price increases
- In 2006 'Old' Uniqema didn't
- The process of demarketing on price started with price increases issued in November 2006
- Further increases implemented January 2007 and May/June 2007
- So far, so good
- Any loss of low/no margin business will reduce our reliance on toll manufacture and add value



# Pricing and repositioning

- Repositioning in better markets and correct pricing will create the greatest long term value from the acquisition
- Customer base still well fragmented

	<b>Old Croda</b>	<b>New Croda</b>
Biggest customer	3.4%	3.5%
Top Ten	18.8%	13.5%

## New products

- Enterprise Technologies launched two new ranges for Personal Care in 2006
- 'Old' Croda, including Sederma, launched a record number of new products in 2006
- 'Old' Uniqema has a number of under/unexploited technologies, which have been moved into Enterprise Technologies
- The pipeline is exciting for 2007 and beyond

# Innovation you can build on <sup>TM</sup>

A business model dedicated to providing unique, exciting and specialised solutions based on proven technology backed by tested performance claims that lead to market successes.

Innovation that leads to Niche Successes!

# Niche Success!

## The Detangling Conditioner

Incroquat Behenyl TMS and TMS-50 revolutionised the conditioner market and created a \$500 million per year hair category



# Niche Success!

## The Answer for Acne!

Arlasolve™ DMI, through its unique targeted delivery capabilities, creates the #1 selling acne product in the US



# Niche Success!



## Stay Young Forever!

Matrixyl™ provides the efficacy to the best anti-wrinkle product on the market, as reported by consumers\*

*\*Consumer Reports, Jan 2007 and 60 millions de consommateurs, Sept 2006*

## Niche Success!



### Plumper, More Kissable Lips

MaxiLip™, the #1 lip volumising ingredient on the market, provides the “plumping power” to create more luscious lips without cosmetic surgery

## Niche Success!

### Shield Your Hair from the Heat!

Crodasone W acts as an invisible shield to protect hair from the damage caused by blow-drying. So you can have your style and keep your hair healthy!





# Niche Success!

## Luxurious Foam Without DEA

Promidium 2 creates luxurious body washes with plush foam that hold fragrance well, creating a revolution in personal cleansing. Turn your shower in a spa-like experience!

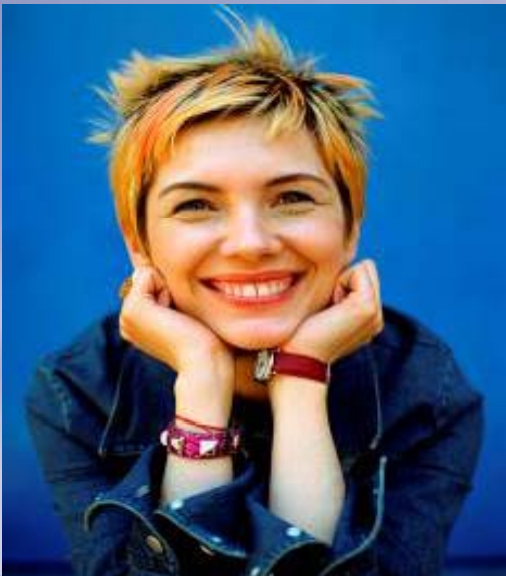


# Niche Successes for Tomorrow

## Longer, Lasting, Truer Hair Colour

Crodafos HCE provides longer-lasting, more vibrant colour that lasts and lasts

(no matter what the shade)



# Niche Successes for Tomorrow

## Feed Your Hair!

Incroquat 18-MEA derivatives and Arlasilk™ Phospholipid EFA replenish the natural lipids of the hair lost through environmental stress, daily grooming and salon treatments.



# Niche Successes for Tomorrow

Advanced sun protection – the next generation



Non-whitening stable inorganic sunscreens that provide complete UV protection

Solaveil™ CT Series ideal for daily wear products – provides an SPF of 15 and is truly transparent

# Niche Successes for Tomorrow

## A Beautiful Glow

Arlasolve™ DMI-PC creates even deposition of colour for a beautiful tan all year round without concerns about UV



# Niche Successes for Tomorrow



## Strengthen Your Hair!

Keravis creates stronger, healthier hair and repairs hair that has been damaged

# Niche Successes for Tomorrow

## Complexion Perfexion™

Skin brightening and toning products without hydroquinone – smooth skin tone and even-out blotchiness

- Arlatone™ Dioic DCA
- Lumiskin™



# Outlook

- Uniqema integration complete. Repositioning on track with further benefits to come through in H2
- Continued focus on speciality, high margin products
- Strong product pipeline
- Confident of further good progress across the business in H2



# The New Croda

# Bigger and Better