

Croda International Plc

Results for the 12 months to 31 December 2007

Chairman

Financial Review

Summary

- **Impressive profit and margin performance across all divisions**
 - **14.1% underlying profit growth in addition to synergies**
 - **Inflation fully recovered. Average price increase 12.3%**
- **Uniqema acquisition a tremendous success**
 - **£17m synergy benefit in 2007 results**
 - **Total synergies now forecast to be £30m+**
- **Total pre-tax profit up 37.1% to £74.7m**
- **EPS up 28.4% to 37.1p**
- **Dividend up 10.1% to 15.75p**

Before exceptional items

Basis of preparation of presentation

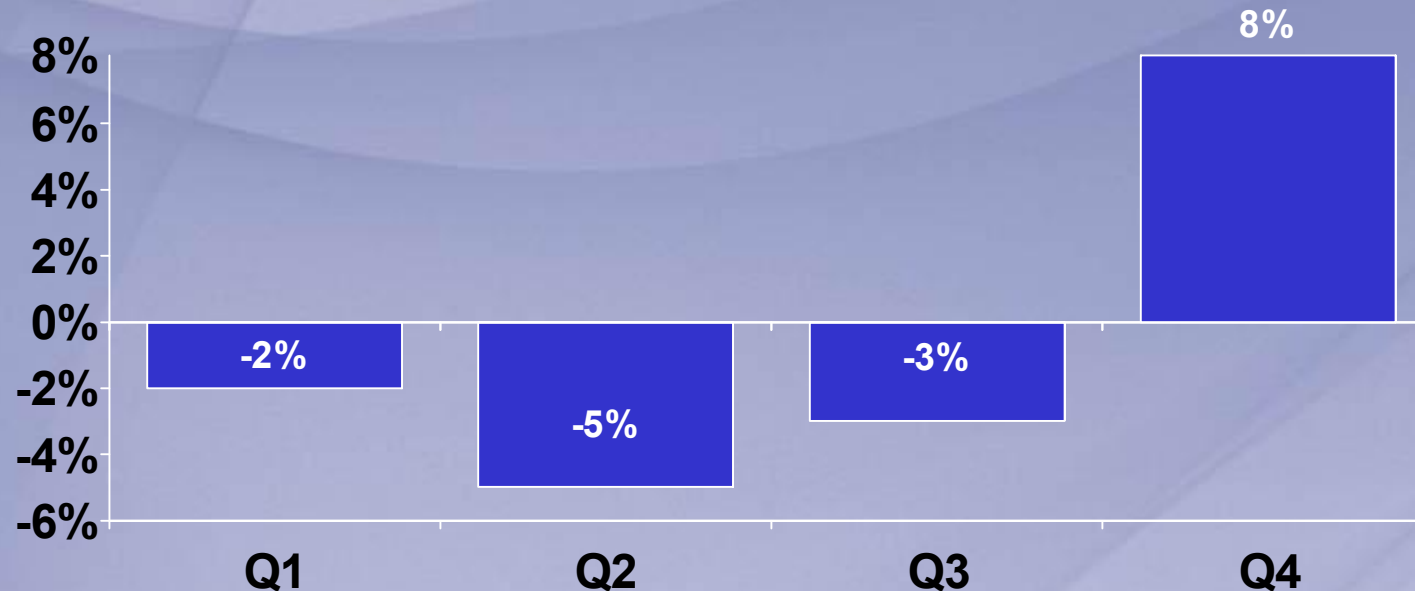
- **Croda and Uniqema results fully integrated**
 - **Continuing businesses**
 - Consumer Care
 - Industrial Specialities
 - **Discontinued businesses**
 - CFS, Refrigeration Lubricants, Klang
- **All figures are on a pre-exceptional basis**

Discontinued businesses

£m	2007	2006
	Reported	Reported
Turnover	64.0	42.9
Operating profit	8.2	2.0
Post tax	5.9	1.5

- CFS, Refrigeration Lubricants, Klang sold during 2007 for £77m
- Strong profit progress in discontinued businesses enabled high valuations to be achieved
- Additional exceptional £41m net profit after tax on disposal

Continuing turnover down 0.6% to £886m on like for like basis



- Declines due to shedding unprofitable Uniqema business and adverse currency translation
- Strengthening position through the year
- Improving trend within Q4 also

Percentage uplift versus corresponding quarter in 2006

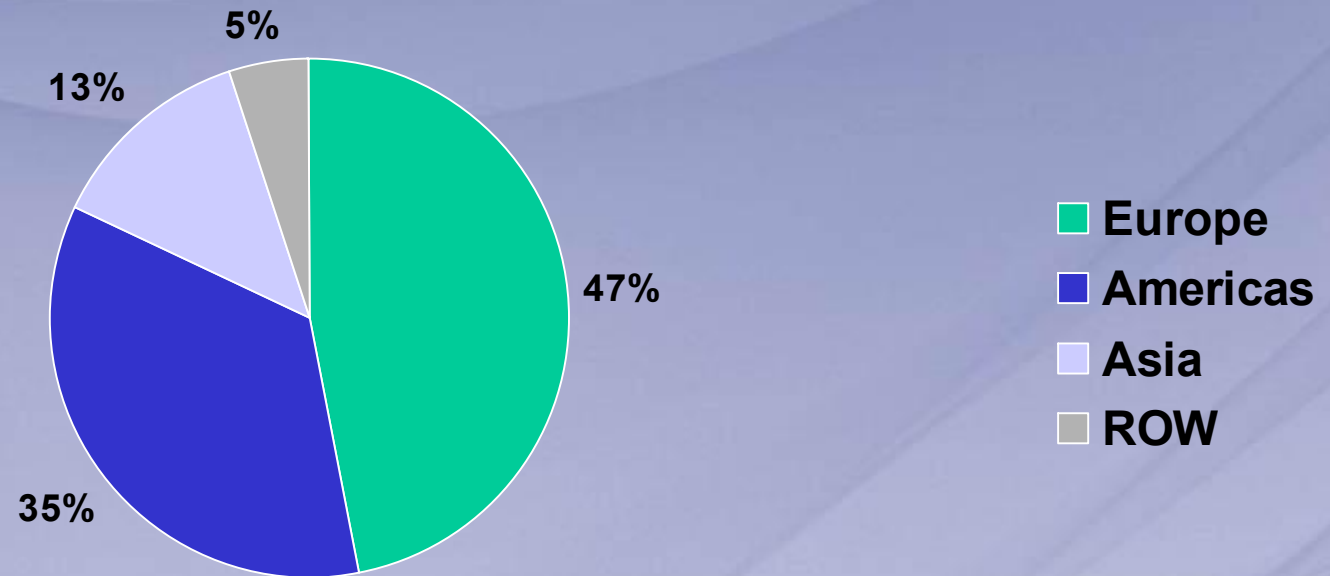
Sales trends by half

£110m price increases

	H1	H2	Year
Average price	+9.9%	+14.8%	+12.3%
Volume	-7.5%	-11.1%	-9.2%
Underlying	+2.4%	+3.7%	+3.0%
Currency	-5.5%	-1.7%	-3.6%
Continuing sales	-3.1%	+2.0%	-0.6%

- H1 revised to account for subsequent disposals
- Inflation more than fully recovered
- Q4 average price is up 15.0% on 2006
- Another round of price increases in January 2008
- Quarterly trends shown in appendix 1

Continuing turnover by destination



- £886.1m continuing turnover
- Little change in relative split since 2006
- UK turnover <10% of the total

Continuing business

32% profit increase, 2.5 percentage points of margin gained

£m	2007 Reported	2006 Reported	2006 Inc full Year Uniqema	Inc
Turnover	886.1	480.1	891.7	-0.6%
Operating Profit	88.7	59.7	67.2	32.0%
ROS	10.0%	12.4%	7.5%	

Continuing operating profit bridge (£m)

Proforma operating profit up 32%



- Uniqema made £7.5m operating profit in the continuing businesses pre acquisition
- £17m synergies achieved in 2007, £2m in 2006, net increase £15m
- On top of synergies, trading is ahead by £9.5m (14.1%)

Synergies: Bigger and faster

- £17m achieved in 2007
 - Raw material price equalisation £2.4m
 - Headcount savings £5.6m
 - Distributors/Logistics £2.9m
 - Others (IT/Insurance/consultancy etc) £6.1m
- Exit rate £20m+ achieved one year earlier than planned

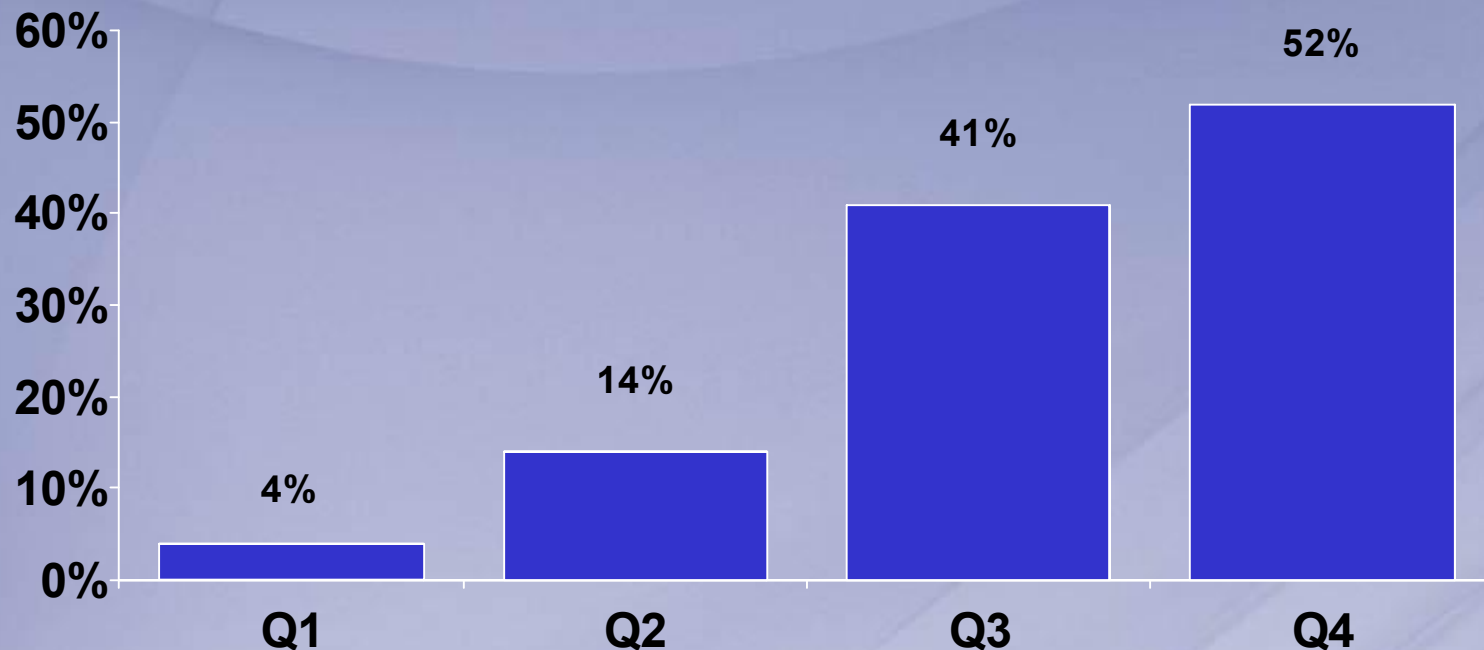
Continuing pre-tax profit up 26.7%

£m	2007 Reported	2006 Reported	Inc
Continuing operating profit	88.7	59.7	+48.6%
Interest	(22.2)	(7.2)	
Continuing pre-tax profit	66.5	52.5	+26.7%
Tax rate	33.5%	33.3%	
Discontinued post tax	5.9	1.5	
Profit for the year	50.1	36.5	+37.3%

- Total pre tax profit £74.7m, up 37.1%

Continuing pre-tax profit up 26.7%

Percentage uplift versus corresponding quarter in 2006



- Q4 is first quarter with full Uniqema comparatives

Earnings per share up 28.4%

£m	2007 Reported	2006 Reported	% Inc
Profit for the year	50.1	36.5	+37.3%
Number of shares (m)	134.6	126.0	
EPS	37.1p	28.9p	+28.4%

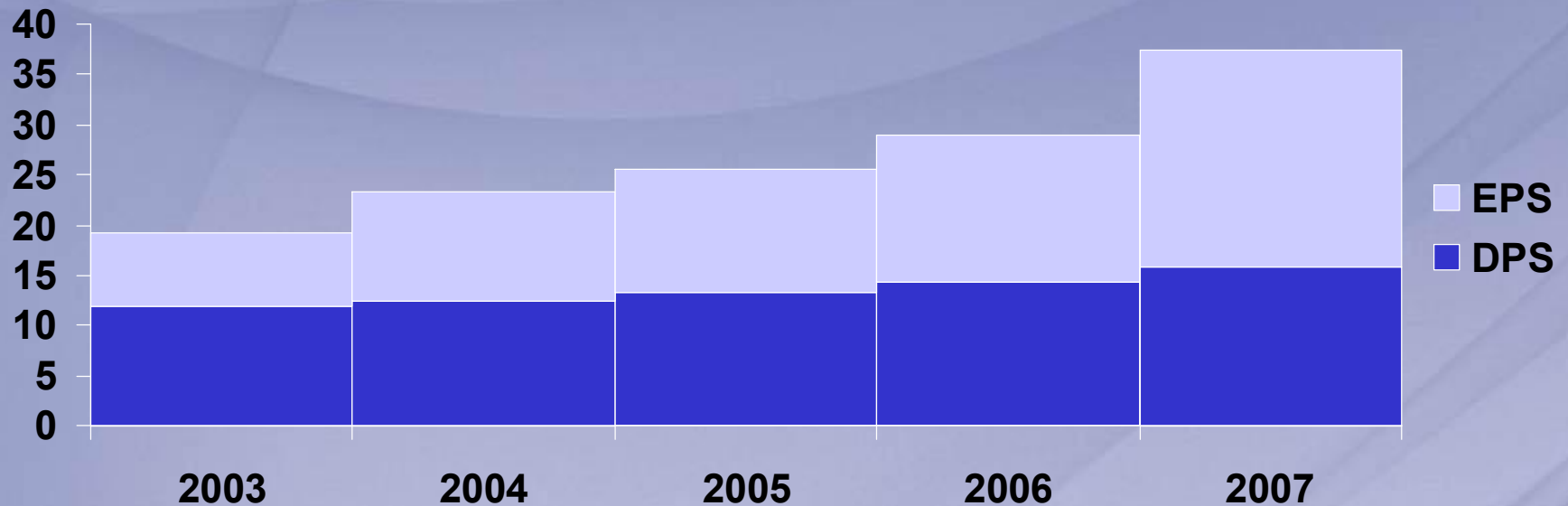
- Number of shares increased following 2006 placing

Dividend up 10%

	2007	2006	% Inc
	Reported	Reported	
EPS	37.1p	28.9p	+28.4%
Dividend	15.75p	14.30p	+10.1%
Cover	2.4x	2.0x	

- Proposed final dividend is 10.8p, up 11.9%
- Cover moves to 2.4x

EPS and dividend



- Steady progression in earnings. In the past we sought to build cover
- **Dividend increases more closely aligned to earnings growth in future**

Exceptional items

Aggregate of 2006 and 2007 a net credit!

- 2 year re-structuring credit £8.8m
 - 2006: (£28.5m)
 - 2007: £37.3m
- Profit on disposal £41m
- Additional termination payments to distributors
 - More turnover being repatriated
 - Distributors were more profitable than we had anticipated

Free Cash-flow

£m	2007	2006
EBITDA	128.4	82.1
Associate profit	(1.1)	(1.3)
Working capital movement	(60.0)	3.1
Free cash flow	67.3	83.9

- **Strong EBITDA generation**
- **£60m working capital outflow**
 - **Inflation**
 - **Very buoyant November/December sales**
 - **Addition of distributor working capital**

Net Cash-flow

£m	2007	2006
Free cash flow	67.3	83.9
Capital expenditure	(38.1)	(22.6)
Excess pension contributions	(70.0)	(11.3)
Share purchases/issue	(2.4)	42.4
Dividends paid	(19.8)	(17.2)
Interest	(23.7)	(10.1)
Tax	(14.2)	(19.1)
M&A	83.4	(353.0)
Other (mainly restructuring)	(18.6)	1.3
Net cash-flow	(36.1)	(305.7)

Net Debt

- Net debt £366.0m of which:
 - Currency Borrowings
 - US\$180m
 - €150m
 - £100m fixed sterling at 6.44%

Balance Sheet

£m	2007	2006
Operating assets	645.0	616.2
Pension deficit	(59.3)	(159.9)
Net debt	(366.0)	(329.9)
Net assets	219.7	126.4

- 2006 net debt included benefit of £27m inherited cash/working capital adjustment owed to ICI

Pension Fund

£m	2007	2006
Market value of assets	584.3	499.4
Value of liabilities	(643.6)	(659.3)
Gross deficit	(59.3)	(159.9)
Funding level	90.8%	75.7%

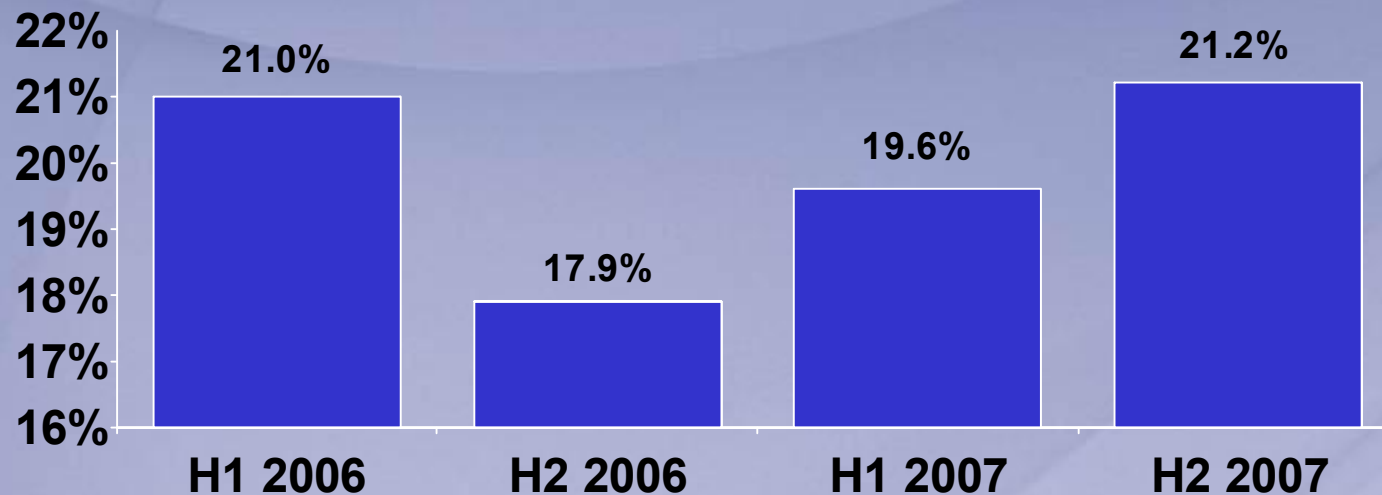
- Deficit reduced significantly
 - Cash contributions to the fund totalled £70.0m in addition to regular charge
 - Equity markets
 - Higher bond rates

Continuing Consumer Care

£m	2007	2006
Turnover	351.1	264.1
Operating Profit	71.7	50.8
ROS	20.4%	19.2%

- **Combined Croda and Uniqema business.**
- **Full year margins back over 20%**
- **Comparatives contain 4 months of lower margin Uniqema**

Consumer Care Margin Progression



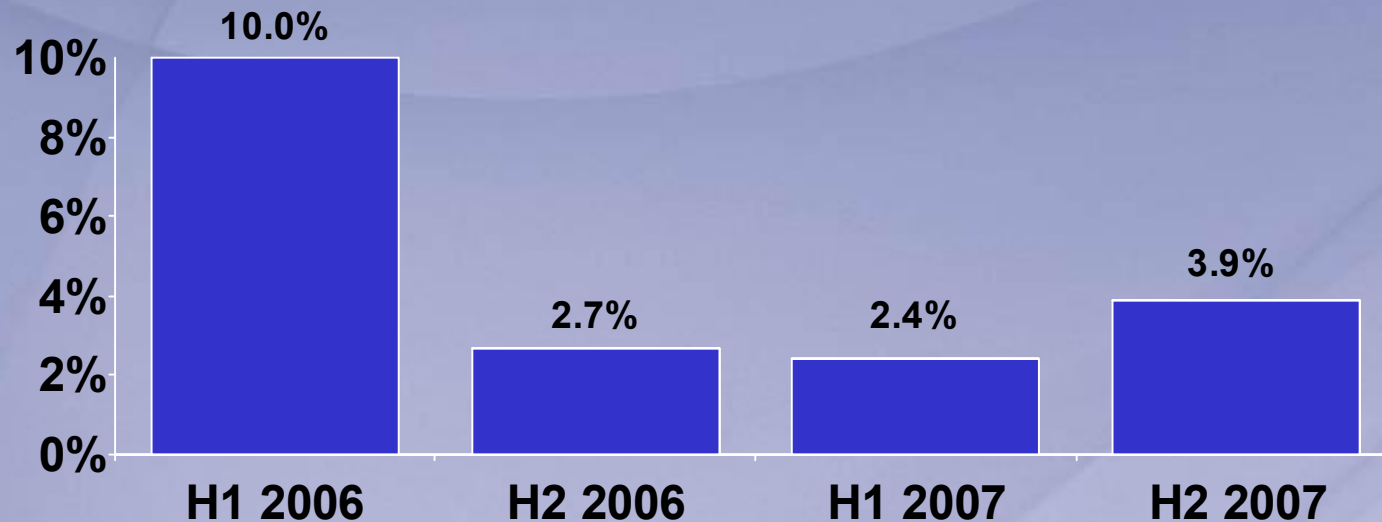
- H1 2006 pre Uniqema
- H2 2006 4 months Uniqema
- H2 2007 above pre Uniqema margins

Continuing Industrial Specialities

£m	2007	2006
Turnover	535.0	216.0
Operating Profit	17.0	8.9
ROS	3.2%	4.1%

- Combined Polymer Additives, Coatings Additives, Lubricant Additives businesses plus Base Oleochemicals
- 2006 only contains 4 months of lower margin Uniqema

Industrial Specialities Margin Progression



- H1 2006 pre Uniqema
- H2 2006 4 months Uniqema
- **Good underlying margin progression – more to come**

Glycerine

- In the short term glycerine prices are rising
 - New formulations driving demand for this relatively cheap raw material (sweeteners, plasticisers, solubilisers)
 - Bio diesel plants are struggling, limiting supply. This is likely to be temporary as governments introduce minimum biodiesel targets
- Croda produces around 40,000 tonnes of glycerine per annum as a by-product
- Current prices are over Euro 1000/T
- £2m benefit in 2007, should be more in H1 2008
- Market expecting prices to fall later in the year

How Did We Do It?

Successful Integration & Restructuring

- 3 disposals
- Sites down from 25 → 22
- Headcount down from 4,060 → 3,670
- Market focus replaced production focus
- Sales & marketing teams fully integrated
- 6 overlapping offices closed
- IT systems almost aligned, fully by mid 2008
- **One Team One Goal**

Global Strength

- Croda operates in 36 countries
- Production in all major regions
- R&D in all major regions
- Favourable demographics
 - Ageing population
 - Sustainability

Consumer Care

Sales £ 351.1m

Operating Profit £ 71.7m

Sectors:

Personal Care

Health Care

Crop Care

Home Care

Revenue Growth Target – 2 x Global GDP

Industrial Specialities

Sales	£ 535.0m
Operating Profit	£ 17.0m

Sectors:

Base Oleochemicals

Polymer Additives

Lubricant Additives

Coatings Additives

Revenue Growth Target – 1.5 x Global GDP

Future Synergies

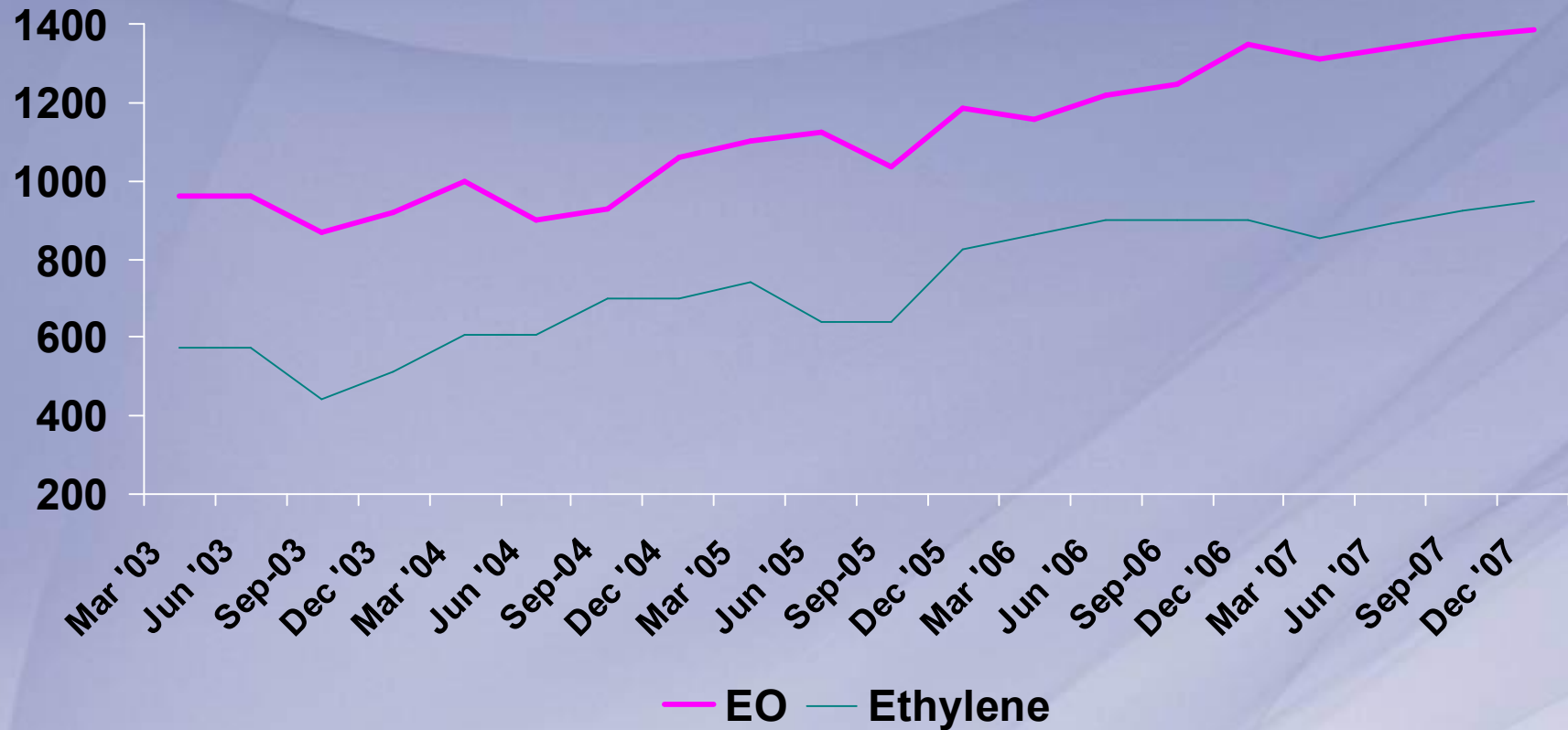
- Current run rate £20m per annum
- Target run rate end 2008 above £30m per annum
- Where from?
 - More distributors
 - More headcount
 - Best practice – energy, yields, logistics, etc.
- Quick payback capital expenditure

Pricing Policy

1. Our products and intellectual property add value to our customers' products
2. We expect a fair price for our products
3. We will endeavour to increase selling prices in line with cost increases
4. We will continuously improve our product portfolio in terms of margin
5. We will walk away from low margin business

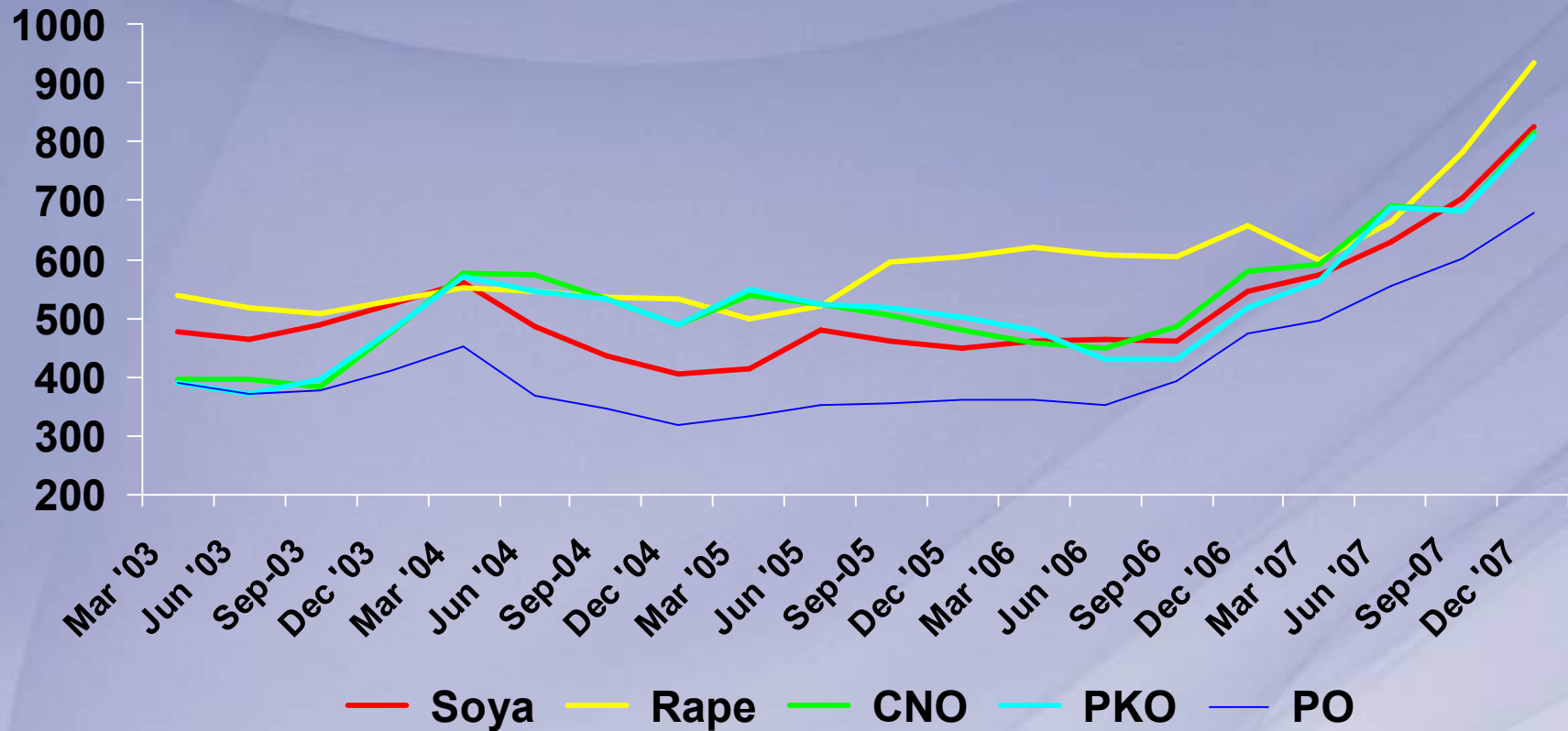
Raw Material Costs

Euro/tonne



Raw Material Costs

Euro/tonne



Pricing Achievements

- Average price improvements in 2007 + 12%
- Business walked away from circa £80m
- Some customers have “accepted” five price increases since November 2006
- Further increase in January 2008

Innovation

Not Only Personal Care

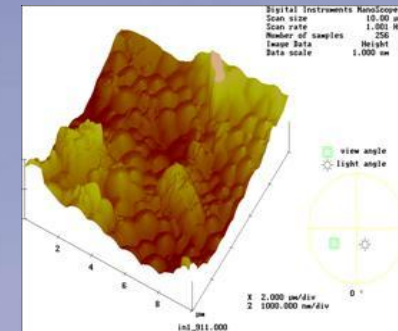
Atlox™ Semkote - Adding value to seeds

Atlox Semkote – the benefits

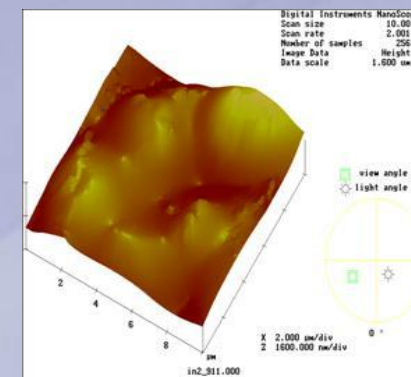
- Maintains health of seeds during storage, transport & germination
- Sustained release of actives & nutrients
- Reduces environmental hazards, as dust-off & rub-off minimised
- Cost-effective:
 - Farmer – higher yields obtained
 - Seed treater – more efficient use of active ingredients

Microscopic images show that **Atlox Semkote** polymers form good continuous films with all solids surrounded by polymer

Bad film: polymer particles only partly coalesced, solids not completely covered



Good film with Atlox Semkote: all solids surrounded by polymer - tests show controlled release of actives



Biodegradable “Stern Tube” Lubricant

- Lubricants used in the marine environment are treated with ever increasing concern.
- One such application is stern tube lubrication.
- Where the propeller shaft passes through the hull of a ship it is supported by a bearing housed in the stern tube.
- Bearings requires high performance lubrication for the harsh conditions - vibration, water ingress, etc.
- Lubricant can mix with the sea water in this application and is easily lost to the environment – **typically 3000lts in system.**
- Croda offers high performance esters for the formulation of fully biodegradable stern tube lubricants – ensuring minimal environmental impact.



A Spring in the Step



Pripol™ dimer technology provides leading footwear brands with renewable and patented polyol content to deliver:

- a durable, water resistant microcellular polyurethane sole and
- a major advance in sustainability

Incromega V3

- Vegetable source of the omega 3 stearidonic acid.
- Launched in the USA in 2007, due for launch in Europe May 2008.
- Enables Croda to target the lucrative vegetarian omega 3 market



CO₂ Dry Cleaning

- Environmentally friendly process
- Kinder to clothes
- Eliminates use of chlorinated solvents (PERC)
- Collaboration between Croda and Linde
- Supply of detergents and pretreatments
- Nordic Swan and Blue Angel awards



Outlook

“Confident of delivering further progress, in line with our expectations for 2008”

- Strong start to 2008
- Expect US and UK consumer markets to be uninspiring
- Further input cost inflation and price increases anticipated
- Internal momentum
 - More synergies
 - H1 benefit from rising refined glycerine prices
- Margin targets
 - Consumer Care: 20%+
 - Industrial Specialities: 10%
- Continued organic growth

Appendix 1: Quarterly sales trends

	Q1	Q2	Q3	Q4
Average price	+7.6%	+12.2%	+14.6%	+15.0%
Volume	-2.5%	-12.6%	-13.6%	-8.4%
Underlying	+5.1%	-0.5%	+1.0%	+6.6%
Currency	-6.6%	-4.4%	-4.0%	+0.9%
Continuing sales	-1.5%	-4.9%	-3.0%	+7.5%

- Q4 also passes anniversary of initial 5% Uniqema price moves in November 2006

Appendix 2: Half year results split

	H1	H2	Year
Consumer Care	183.4	167.7	351.1
Industrial Specialities	257.7	277.3	535.0
Continuing turnover	441.1	445.0	886.1
Consumer Care	36.0	35.7	71.7
Industrial Specialities	6.2	10.8	17.0
Continuing operating profit	42.2	46.5	88.7
Interest	(11.6)	(10.6)	(22.2)
Continuing pre-tax	30.6	35.9	66.5

- H1 Restated for discontinued activities in H2

Appendix 3: Definitions

- **Continuing**
 - Excluding disposals made in 2006 and 2007
- **Continuing with 2006 pro-forma comparatives**
 - 2007: Continuing
 - 2006: Continuing plus 8 months pro-forma Uniqema trading pre acquisition
- **Underlying**
 - Continuing with 2006 pro-forma comparatives translated on a constant currency basis