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# Croda International Plc

Results for the 12 months to  
31 December 2009

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# Chairman

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# Financial Review

# Summary

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- Record profits despite major recession
  - Continuing pre-tax profit up 10.5% to £106.4m
- Very strong Q4 trading
  - Consumer Care profits up 10.4% to £26.5m
  - Industrial Specialities profits up £6.4m to £7.7m
  - Group pre-tax profit of £30.9m, ahead of last year by 44.4%
  - Group ROS: 14.8%
- £109.6m debt reduction, net debt down to £288.5m
- Dividend up 8.9% to 21.5p

## Q4 trading

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£m	2009	2008	Inc
Consumer Care	114.1	109.2	+4.5%
Industrial Specialities	116.5	102.4	+13.8%
<b>Continuing sales</b>	<b>230.6</b>	<b>211.6</b>	<b>9.0%</b>
Consumer Care	26.5	24.0	+10.4%
Industrial Specialities	7.7	1.3	++
<b>Continuing operating profit</b>	<b>34.2</b>	<b>25.3</b>	<b>+35.2%</b>
Return on sales	14.8%	12.0%	

Consumer Care - double digit profit growth despite tough 2008 comparatives

Industrial Specialities - better performance since June

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# Sales trends by quarter

## Price/volume/currency

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	Q1	Q2	Q3	Q4	Year
Price/mix	+8.0%	-1.8%	-5.5%	-14.2%	-1.6%
Volume	-26.2%	-19.4%	-3.4%	+19.0%	-9.6%
<b>Underlying</b>	<b>-18.2%</b>	<b>-21.2%</b>	<b>-8.9%</b>	<b>+4.8%</b>	<b>-11.2%</b>
Currency	+20.1%	+12.4%	+10.0%	+4.2%	+11.8%
<b>Continuing sales</b>	<b>+1.9%</b>	<b>-8.8%</b>	<b>+1.1%</b>	<b>+9.0%</b>	<b>+0.6%</b>

- Negative price/mix is due to proportion of Industrial Specialities in the overall mix and falling commodity prices.
- Industrial Speciality volumes very strong in Q4
- Year on year currency translation negative in December

# Sales trends by quarter

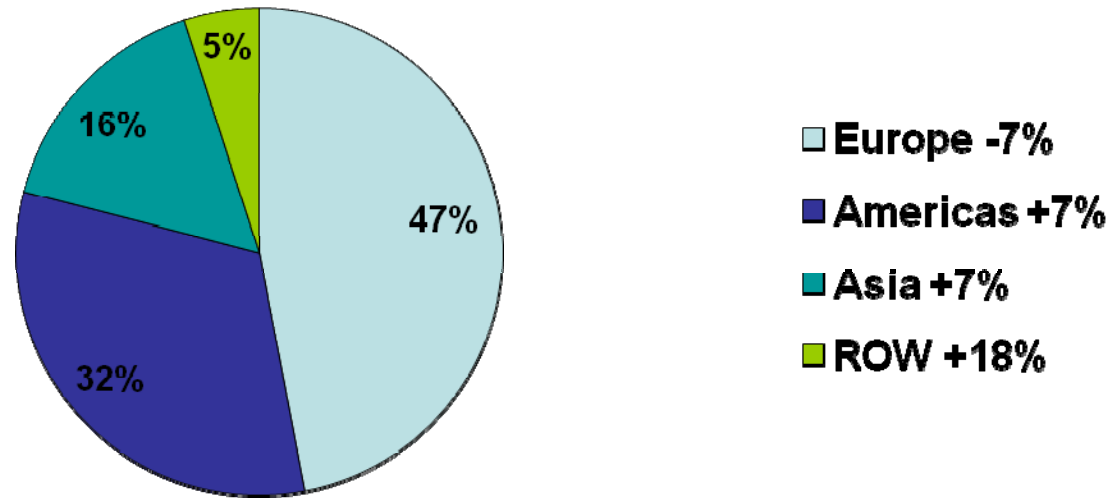
## Sector split

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	Q1	Q2	Q3	Q4	Year
Consumer Care	+27.6%	+5.8%	+10.1%	+4.5%	+11.8%
Industrial Specialities	-18.6%	-20.0%	-6.2%	+13.8%	-9.0%
<b>Continuing Sales</b>	<b>+1.9%</b>	<b>-8.8%</b>	<b>+1.1%</b>	<b>+9.0%</b>	<b>+0.6%</b>

- Consumer Care - record sales for each quarter following a strong 2008
  - Crop Care strong growth Q1 versus 2008 but negative thereafter
- Industrial Specialities - destocking ended Q2. Q4 moves to post recession 2008 comparatives

# Continuing turnover by destination



- Main remaining commodity business (weak H1 volumes, falling prices) is in Europe leading to sales decline in that region
- Growth in all other regions



# Continuing Consumer Care

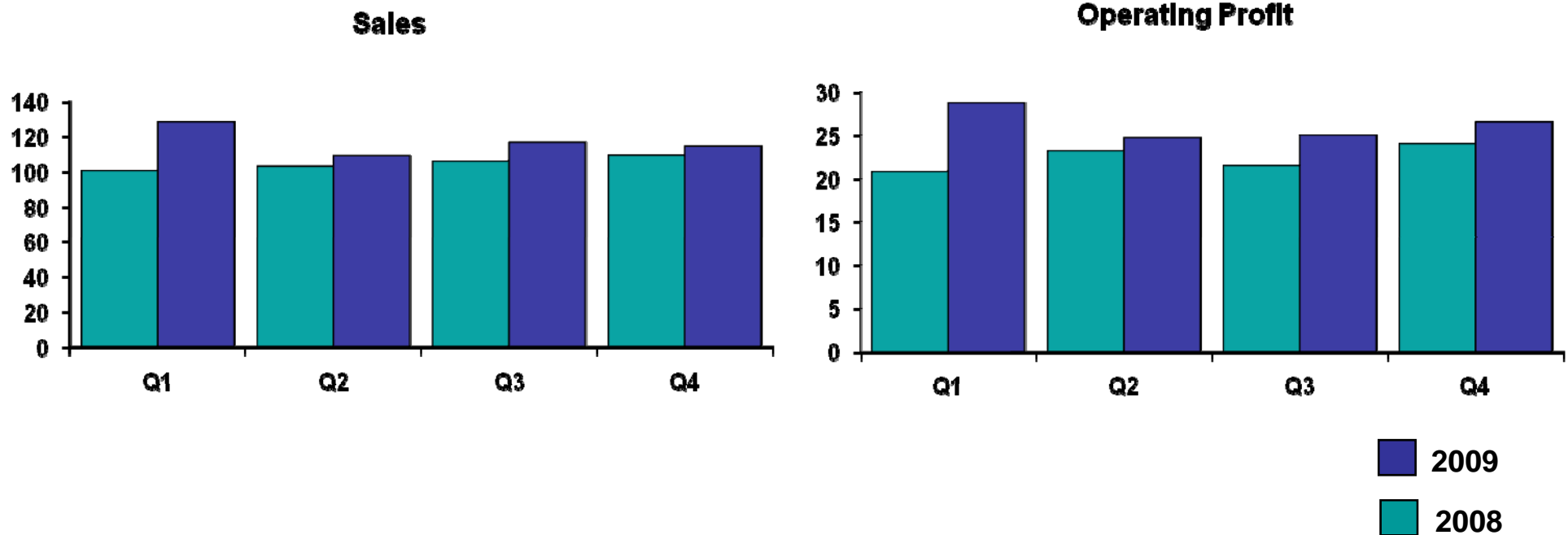
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£m	2009	2008	Inc
Turnover	467.7	418.4	+11.8%
Operating Profit	104.9	89.5	+17.2%
ROS	22.4%	21.4%	

- Double digit sales and profit growth plus improved return on sales.
- Personal Care and Healthcare sales both above trend, Crop Care only saw a small sales increase. Commodity sales in this sector down.

# Consumer Care trends (£m)

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Consistent sales and profit performance across the quarters  
Q1 2009 boosted by very strong Crop Care

# Continuing Industrial Specialities

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£m	2009	2008	Inc
Turnover	448.5	492.7	-9.0%
Operating Profit	15.0	23.1	-35.1%
ROS	3.3%	4.7%	

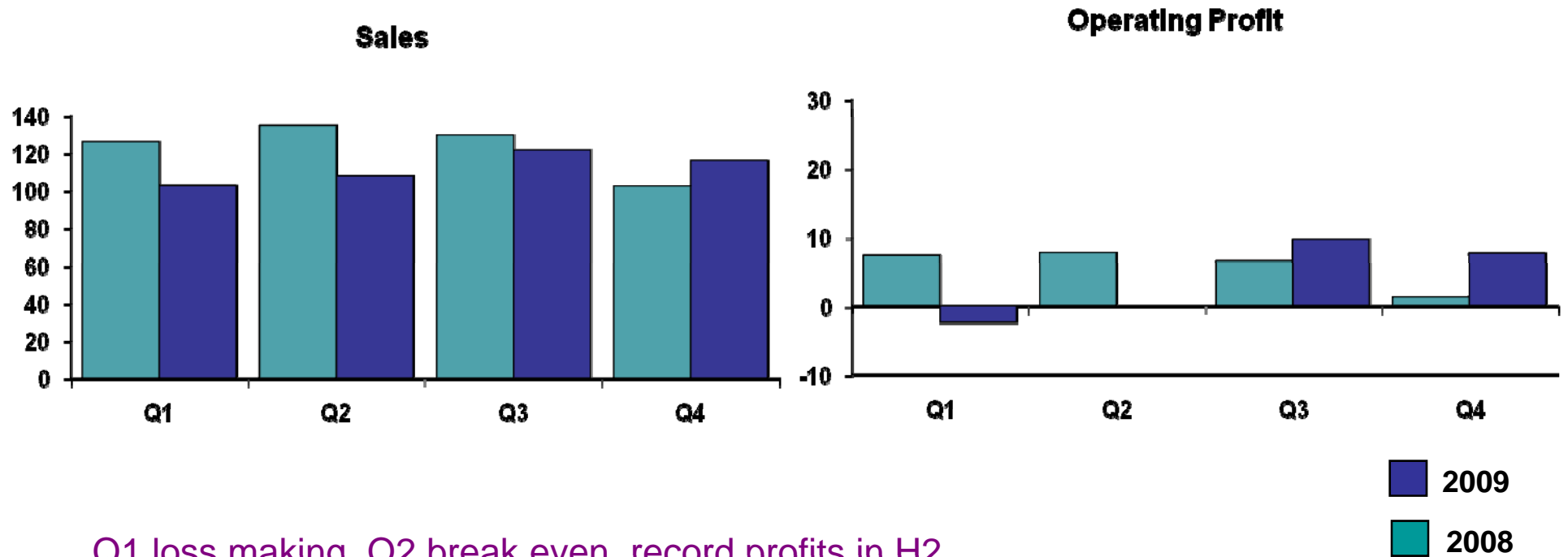
- De-stocking and lack of glycerine windfall took their toll on H1
- H2 rebounded strongly, producing record half year profits
- Continuing commodity turnover down to £135.8m (2008: £165.1m)
  - Plus the Bromborough commodity turnover in discontinued

## £8.2m adverse Glycerine impact v 2008

	£m
Q1	-3.6
Q2	-3.0
Q3	-1.2
Q4	-0.4

- In H1 2008, an imbalance between supply and demand led to extremely high prices for glycerine and a profit 'windfall' in that year

# Industrial Specialities trends (£m)



## Continuing operating profit up 6.5%

£m	2009	2008	Inc
Turnover	916.2	911.1	+0.6%
Operating Profit	119.9	112.6	+6.5%
ROS	13.1%	12.4%	

- 0.7 percentage point margin increase boosts ROS to 13.1%
  - Post Uniqema deal in 2006, ROS was 7.5%

## Continuing pre-tax profit up 10.5%

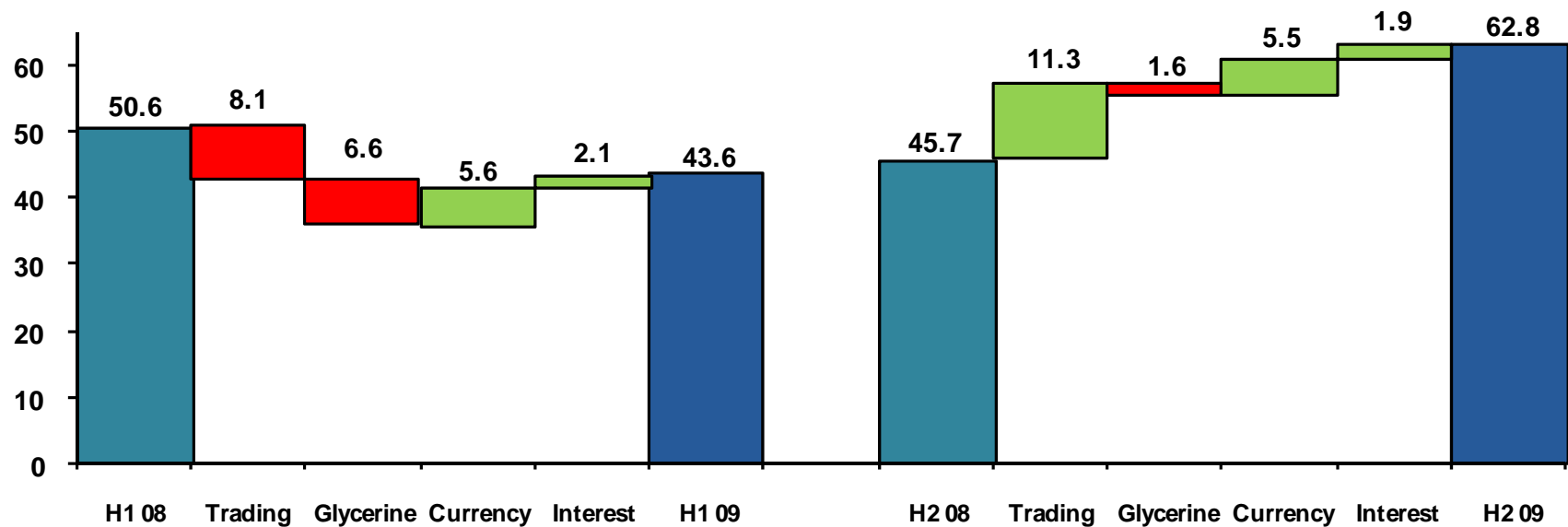
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£m	2009	2008	Inc
Continuing operating profit	119.9	112.6	+6.5%
Interest	(13.5)	(16.3)	
<b>Continuing pre-tax profit</b>	<b>106.4</b>	<b>96.3</b>	<b>+10.5%</b>

- Lower debt levels and interest rates lead to reduced interest costs, boosting continuing pre-tax profit to a 10.5% uplift versus 2008. Despite:
  - Lower pension funding credit £0.7m (2008: £7.1m). **Non cash**
  - IFRS2 charge increasing to £6.9m (2008: £3.0m) due to share price performance. **Largely non cash**
  - Loss of 2008's £8.2m glycerine price windfall
- Favourable currency translation of £11.1m versus 2008

# Pre-tax profit bridge (£m)

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H1 pre-tax profit down 13.8%, H2 up 37.4%



# Discontinued

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£m	2009	2008
Turnover	29.6	91.5
Operating profit	(5.1)	6.8
Post tax	(3.7)	5.0
Gross proceeds	4.2	59.8
Loss on sale/closure	(29.0)	(8.6)

- 2009: Bromborough and legacy site sale,
- 2008: Bromborough, Chicago, Baxenden
- Bromborough cash closure costs: £9.8m, non cash: £24.3m
- £10m realised from working capital offsets Bromborough cash costs

# Wilton – Closed January 2010

- Exceptional Item £17.2m less tax £2.1m
  - Cash closure costs £12.1m
  - Asset write off and non-cash £5.1m
- Benefit £5m+ pa from 2011
- Treated as continuing as the majority of turnover has been retained and transferred to other Croda Sites

## Continuing earnings per share up 10.4%

£m	2009	2008	Inc
Continuing pre-tax profit	106.4	96.3	+10.5%
Tax	32.5%	32.7%	
Continuing post tax profit	71.8	64.8	
Number of shares (m)	135.0	134.4	
<b>EPS</b>	<b>53.0p</b>	<b>48.0p</b>	<b>+10.4%</b>

Marginal changes to tax rate and shares in issue result in a 10.4% increase earnings per share

# Dividend up 8.9%

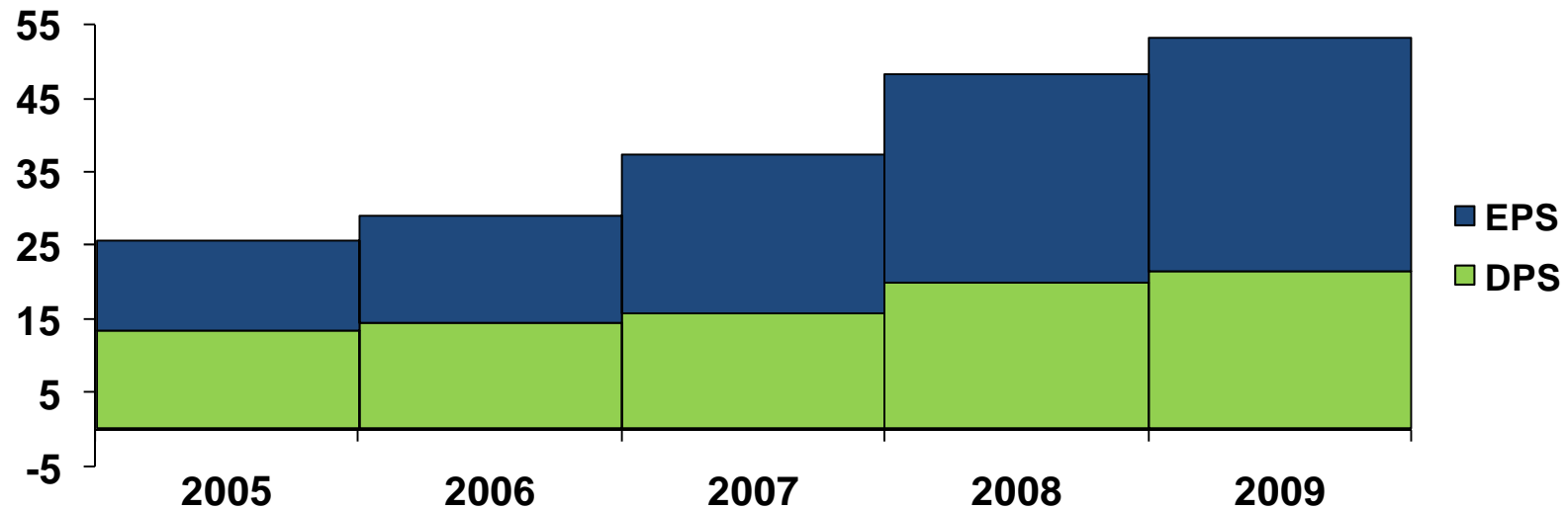
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	2009	2008	Inc
EPS	53.0p	48.0p	+10.4%
<b>Dividend</b>	<b>21.50p</b>	<b>19.75p</b>	<b>+8.9%</b>
Cover	2.5x	2.4x	

- Dividend cover improves to 2.5x

# Continuing EPS and dividend

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- Steady progression in earnings.
- Dividend increases now more closely aligned to current year earnings growth

# Free Cash-flow £179m

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£m	2009	2008
EBITDA	150.5	153.4
Associate profit	-	(0.3)
Working capital movement	68.6	(8.2)
<b>Cash from operations</b>	<b>219.1</b>	<b>144.9</b>
Capital expenditure	(39.8)	(52.0)
<b>Free cash flow</b>	<b>179.3</b>	<b>92.9</b>

- Free cash flow almost doubled to £179m
  - Strong EBITDA generation
  - Significant working capital release as global distributor restructuring ends
  - Capex 1.1x depreciation

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NB All figures include discontinued operations

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# Net Cash flow

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£m	2009	2008
<b>Free cash flow</b>	<b>179.3</b>	<b>92.9</b>
Excess pension contributions	(16.6)	(8.9)
Share purchases/issue	1.6	0.6
Dividends paid	(27.1)	(22.9)
Interest	(19.9)	(20.9)
Tax	(21.5)	(41.3)
M&A	2.7	45.3
Other (mainly restructuring)	(10.6)	(16.4)
<b>Net cash flow</b>	<b>87.9</b>	<b>28.4</b>
Exchange differences	21.7	(60.5)
<b>Change in net debt</b>	<b>109.6</b>	<b>(32.1)</b>

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# Net Debt reduced by £109.6m

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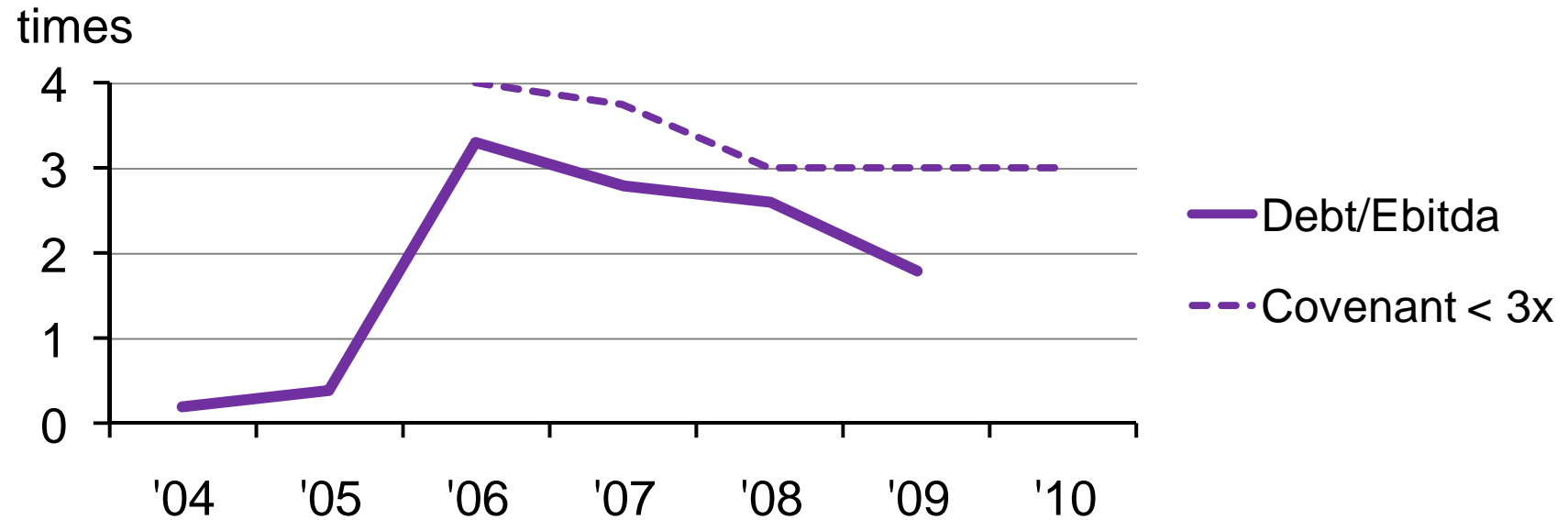
£m	2009	2008
<b>Net debt</b>	<b>288.5</b>	<b>398.1</b>
Committed facilities	452.0	476.0
Committed headroom	163.5	77.9
Net debt/EBITDA	1.8x	2.6x
EBITDA interest cover	11.3x	9.3x

- Committed headroom and covenant ratios improve significantly
- Net debt at £288.5m
- **Additional \$100m committed 10 year, fixed rate (5.94%) loan drawn down in January 2010**



# Bank covenants

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Falling net debt and rising underlying EBITDA lead to reduction in key debt metric

# Net Debt : currencies and hedging

- Net debt £288.5m:
  - Main currency borrowings
    - US\$100m (2008: US\$145m)
      - 10 year fixed rate bond at 5.94%
    - €137.5m (2008: €150m)
      - Floating rate

## Pension Fund (IAS19 basis)

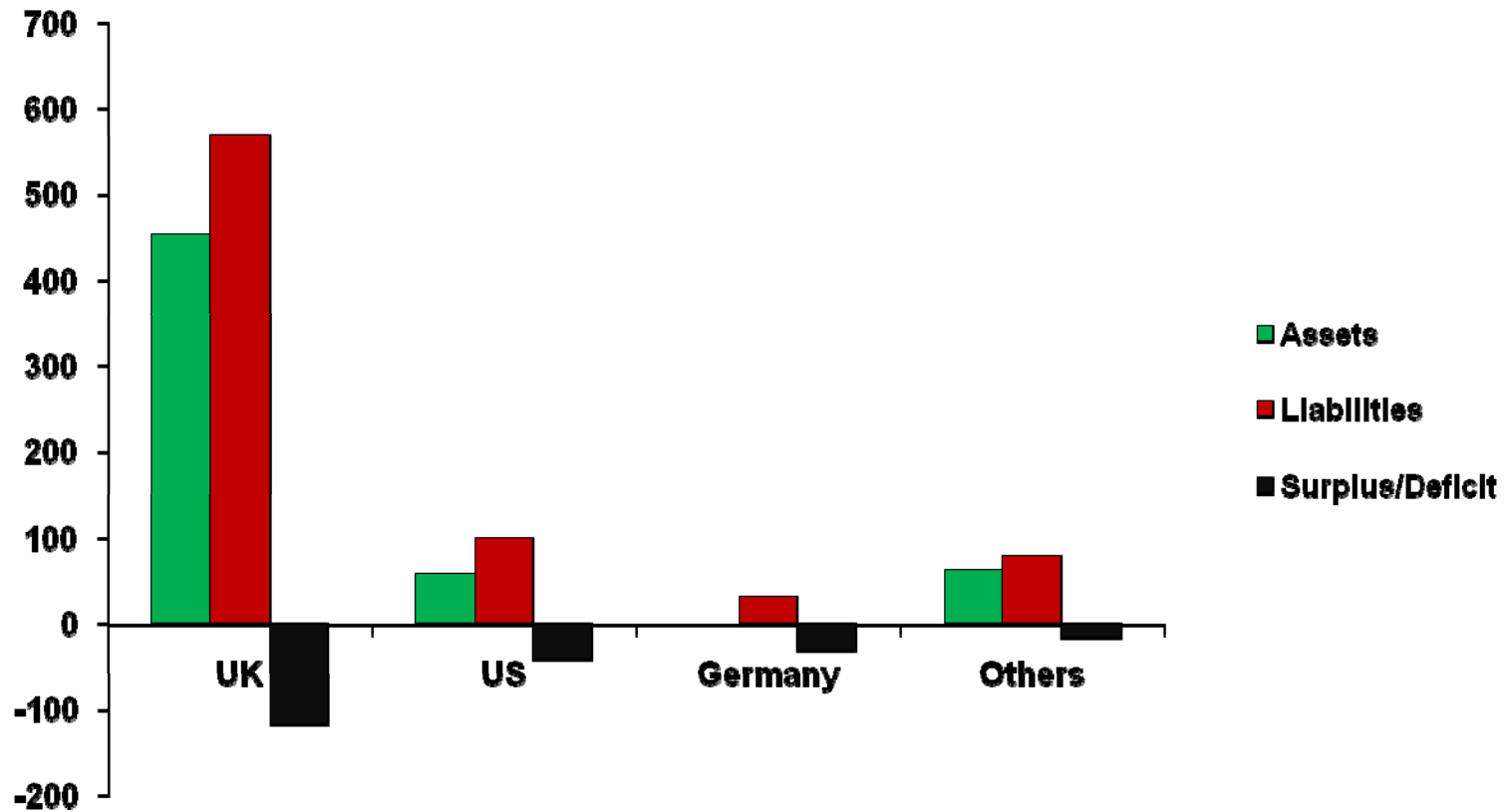
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£m	2009	2008
Market value of assets	577.0	520.8
Value of liabilities	(780.5)	(609.3)
<b>Gross deficit</b>	<b>(203.5)</b>	<b>(88.5)</b>
Deferred tax credit	53.5	25.1
<b>Net deficit</b>	<b>(150.0)</b>	<b>(63.4)</b>
Funding level	73.9%	85.5%

- Deficit slightly higher (£13.8m) than June 2009 update, despite increase in asset values, as corporate bond rate driven discount rates fall, increasing the NPV of the liabilities

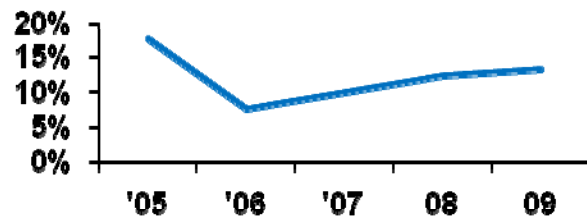
# Pensions: state of main funds

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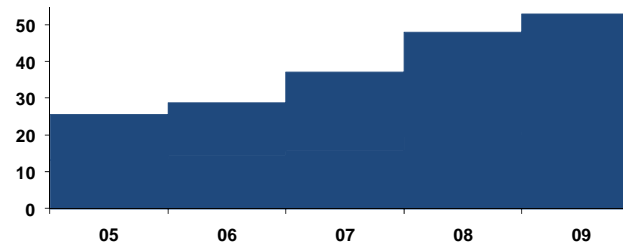


# Financial KPI trends

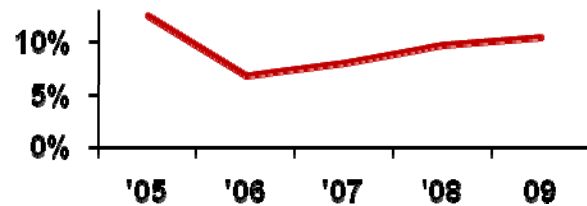
**Return on sales**  
Target 15%



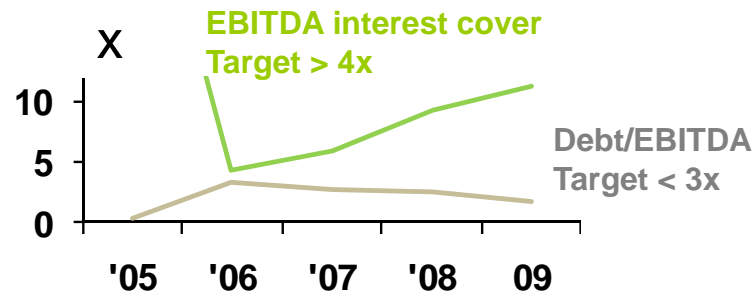
**eps growth**  
Target 5-10% pa



**ROIC**  
Target > WACC



**Debt ratios**



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# Croda

## Focus on Growth Markets

# Personal Care

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- Global market at retail £144 billion
- Ingredients market circa £4.5 billion
- Growing at 3-4% p.a.
- Mega trends of vanity and ageing population

Croda is the global market leader in speciality ingredients with true innovation

# Demanding More from Skin Care

- As life demands more, consumers demand more from their skin care regimes
- Combining nutritional supplementation with topical skin care systems, represents the next generation in skin regimes
- A new holistic approach to skin care, RevitElix and RevitElix Nutra nourish and revitalise skin from inside and out for younger, beautiful and healthy looking skin



RevitElix™ &  
RevitElix Nutra

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# Needing more from Skin Care

- 100% naturally derived, vegetarian friendly source of Omega 3, 6 & 9
- Available in 2 forms that perform independently
  - Topical skin care – RevitElix
  - Nutritional Supplement – RevitElix Nutra
- Typical Usage
  - Nutritional                      2g per day
  - Topical                              5 – 10% w/w



RevitElix™ &  
RevitElix Nutra

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# Health Care

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- Lipids market (Omega 3) growing at 15-25% p.a. (£600m+)
- Excipients market growing at 4% p.a. (£3 billion)
- Animal Health market growing at 5% p.a. (£18 billion)
- Mega trends of wellness and ageing population

Croda is the market leader in high end nutritional lipids and growing rapidly in pharmaceutical and animal health applications

# Omega 3 and Functional Foods

- Croda enters the functional food arena
  - A world leading supplier of omega 3
  - Recognised market growth in this area
  - Increased consumer awareness
  - A tastier omega 3 option



# Introducing Omelife™ Smooth

- Healthy and Natural
- Delivering on-pack Health Claims
- High Potency
- Tasteless and Odourless
- Flexibility across applications



## Bakery Products

Breads, Muffins, Nutritional Bars, Frozen Dough



## Cereal Products

Muesli, Cereal Bars



## Drinks

Fruit Juices, Smoothies, Nutritional Shots



## Dairy Products

Yoghurts, Milk, Ice Cream



## Savoury Products

Soups, Pizza Bases, Salad Dressings, Houmous

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# Crop Care

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- Adjuvant/surfactant market worth >£500 million
- Growing at >GDP
- Mega trend is the need for improved crop yields to feed a rapidly growing world population

Croda is the fastest growing supplier of sustainable adjuvant/surfactant products

# Introducing Atlox 4915

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- Polymeric amphoteric dispersant
- 100% active
- Amber liquid ca. neutral pH
- Patent applied for
  
- Polymeric exemption for REACH
- EPA 40 CFR 180 status : imminent regulation as a low risk polymer
- Registration in other jurisdictions will follow

# Performance benefits

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- Outstanding performance in high electrolyte concentrations, particularly glyphosate
- Prevents agglomeration of the active ingredient in combination herbicide formulations designed to overcome glyphosate resistance and broaden spectrum of activity
- Enables stable herbicide SC in glyphosate (acid equivalent) concentrations of 300g/L
- Excellent dilution into 1000 ppm hard water and 5% ammonium sulphate solution

# Other Markets

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## Polymer Additives

Market leader in slip agents for polyolefins

## Home Care

Growing market share in “green” additives

## Lubricants

Growing market share in synthetic “green” lubricant additives

## Coatings

Growing market for low VOC/low environmental impact additives

## Geotech

Rapidly growing market for sustainable solutions in mining, oilfield and water treatment



# Croda's Market Position

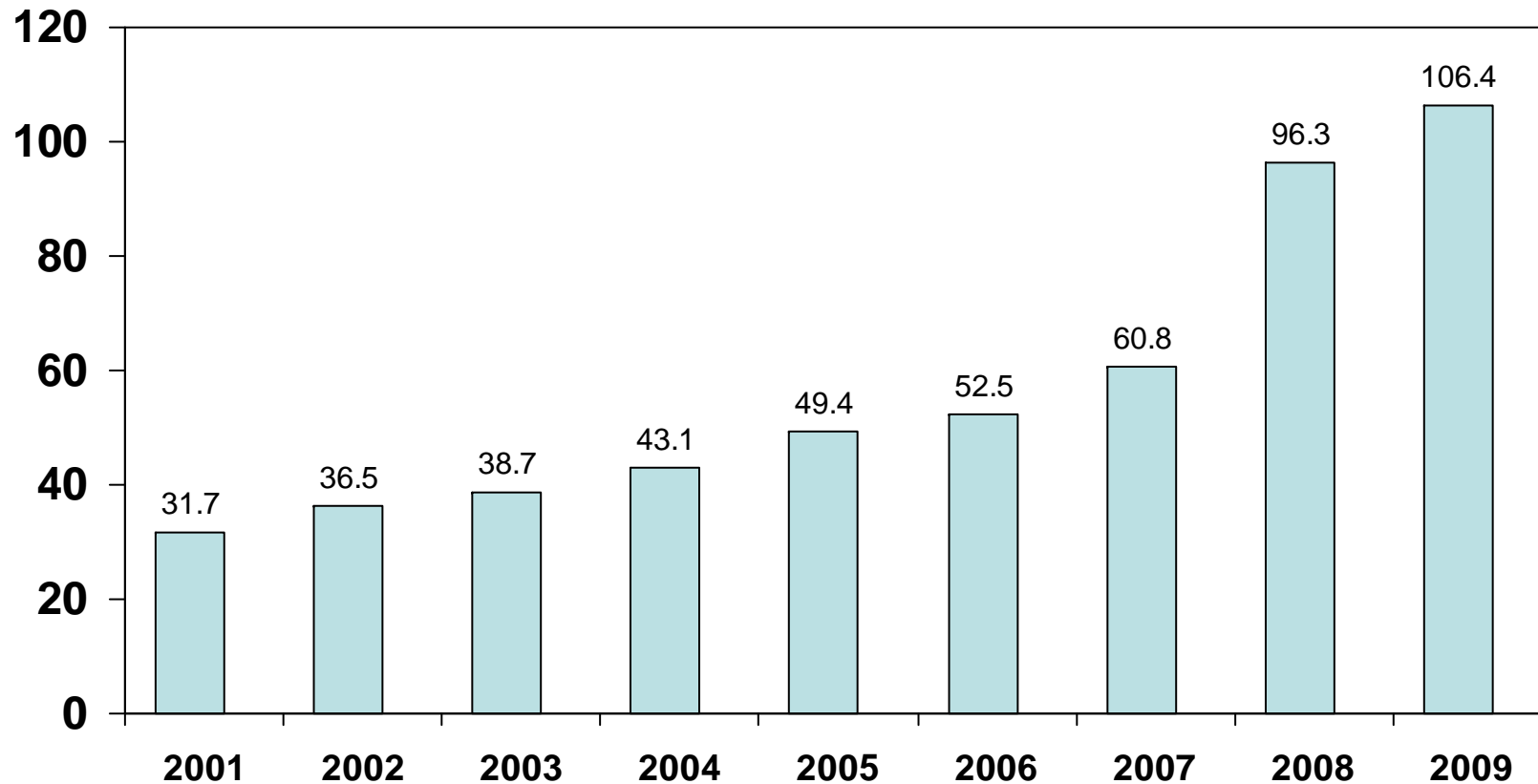
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- Innovation leadership
- Customer intimacy
- True pricing power
- Global reach

# Long Term Profit Record\*

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PBT £m



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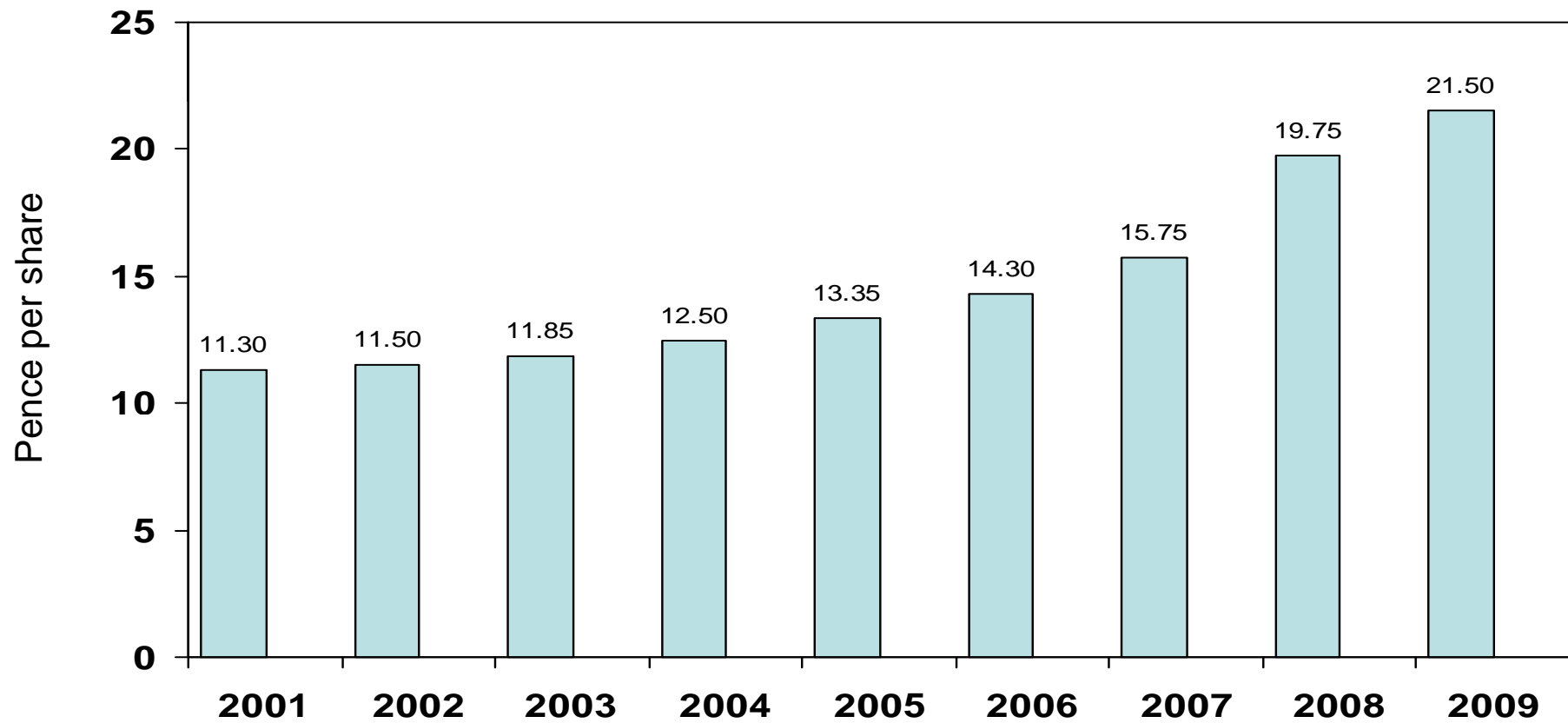
Source: Croda Annual Accounts

\* Profit represents profit before tax for continuing operations based on the last year of full comparative reporting

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# Long Term DPS Growth

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# How?

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- Focus on markets
- Clear, simple, consistent strategy
- Resilient business model
- Great people
- Great products
- Constant change/renewal

# Outlook

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- Consumer Care demand continues to be strong
- Industrial Specialities demand rebounding from all time low
- Innovation increasing
- Increased focus on specialities with the closure of the Bromborough fatty acid site
- Excellent underlying January sales and significant progress expected in 2010

## Appendix 1: 2009 by quarter

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£m	Q1	Q2	Q3	Q4	2009
Consumer Care	128.2	108.9	116.5	114.1	467.7
Industrial Specialities	102.6	107.8	121.6	116.5	448.5
<b>Continuing turnover</b>	<b>230.8</b>	<b>216.7</b>	<b>238.1</b>	<b>230.6</b>	<b>916.2</b>
Consumer Care	28.7	24.7	25.0	26.5	104.9
Industrial Specialities	(2.4)	0.0	9.7	7.7	15.0
<b>Continuing operating profit</b>	<b>26.3</b>	<b>24.7</b>	<b>34.7</b>	<b>34.2</b>	<b>119.9</b>
Interest	(4.6)	(2.8)	(2.8)	(3.3)	(13.5)
<b>Continuing pre-tax</b>	<b>21.7</b>	<b>21.9</b>	<b>31.9</b>	<b>30.9</b>	<b>106.4</b>

## Appendix 2: 2008 by quarter

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£m	Q1	Q2	Q3	Q4	2008
Consumer Care	100.5	102.9	105.8	109.2	418.4
Industrial Specialities	126.0	134.7	129.6	102.4	492.7
<b>Continuing turnover</b>	<b>226.5</b>	<b>237.6</b>	<b>235.4</b>	<b>211.6</b>	<b>911.1</b>
Consumer Care	20.8	23.2	21.5	24.0	89.5
Industrial Specialities	7.4	7.8	6.6	1.3	23.1
<b>Continuing operating profit</b>	<b>28.2</b>	<b>31.0</b>	<b>28.1</b>	<b>25.3</b>	<b>112.6</b>
Interest	(4.2)	(4.4)	(3.6)	(3.9)	(16.3)
<b>Continuing pre-tax</b>	<b>24.0</b>	<b>26.6</b>	<b>24.3</b>	<b>21.4</b>	<b>96.3</b>