
Croda International Plc

Results for the 6 months to
30 June 2010

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Financial Review

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Summary

- Continuing sales up 27.6%
 - Consumer Care sales up 13.7% to £264.3m
 - Industrial Specialities sales up 46.3% to £251.8m
- Pre tax profit from continuing operations up 107.8% to £96.2m
 - Record profits in both Consumer Care and Industrial Specialities
 - Target margin achieved in Industrial Specialities
- Net debt reduced by £18.8m to £269.7m
- Emmerich disposal completed
- Dividend increased 50% to 9.75p

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Emmerich disposal

- Last big commodity site from Uniqema acquisition
 - 2008 turnover £90m
 - Operating loss £2.1m
- Speciality turnover retained (small)
- Proceeds Eur 60.5m
- £0.9m profit on disposal

Accounting for recent disposals/closures

£m	2010	2009
Turnover	36.4	60.9
Operating loss	(1.9)	(5.9)
Post tax loss	(1.3)	(4.9)
Gross proceeds	49.6	-
Profit/(loss) on sale/closure	0.9	(34.2)

- Emmerich (sale) and Bromborough (closure) treated as discontinued
- Wilton (closure) treated as continuing business

- Emmerich proceeds include £28.9m of assumed pension liabilities

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Sales trends by quarter

Price/volume/currency

	Q1	Q2	H1
	2010	2010	2010
Price and mix	-6.9%	+4.1%	-1.7%
Volume	+28.8%	+30.7%	+29.8%
Underlying	+21.9%	+34.8%	+28.1%
Currency	-4.3%	+3.6%	-0.5%
Continuing sales	+17.6%	+38.4%	+27.6%

- Prices increased 1 January 2010
- Favourable mix and some additional price increases in Q2 versus Q1
- Volume increase accelerating
- Strong \$ v weak Euro => little net effect

Sales trends by quarter

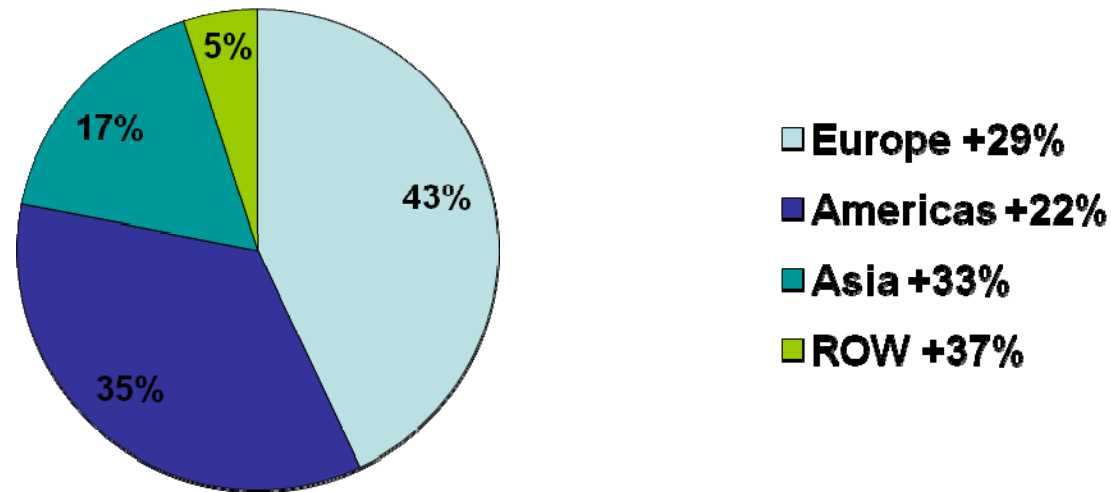
Sector split

	Q1	Q2	H1
	2010	2010	2010
Consumer Care	+1.5%	+27.3%	+13.3%
Industrial Specialities	+41.9%	+51.9%	+47.0%
Continuing sales	+17.6%	+38.4%	+27.6%

- Consumer Care
 - Crop Care uplift in Q2 v 2009 verses decline in Q1
 - Sequential growth: Q2 up 6.0% on Q1
 - Currency translation adverse in Q1 but favourable in Q2
 - Benefit of January price increases similar in each quarter
- Industrial Specialities
 - Absolute sales volumes and value improving sequentially

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Continuing turnover by destination



- Europe reduced following sale of Emmerich
- UK now represents only 5% of turnover

Continuing Consumer Care

£m	2010	2009	Inc
Turnover	264.3	232.4	+13.7%
Operating Profit	71.2	52.8	+34.8%
ROS	26.9%	22.7%	

- Strong growth on top of record 2009
- Margins enhanced by cost savings and high volumes leading to lower overhead rates

Continuing Industrial Specialities

£m	2010	2009	Inc
Turnover	251.8	172.1	+46.3%
Operating Profit	29.6	0.9	n/a
ROS	11.8%	0.5%	

- ROS beats 10% target for first time since Uniqema acquisition

Continuing operating profit up 87.7%

£m	2010	2009	Inc
Turnover	516.1	404.5	+27.6%
Operating Profit	100.8	53.7	+87.7%
ROS	19.5%	13.3%	

- Best ever return on sales since Croda became a Plc in 1964

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Pre-tax profit doubled

£m	2010	2009	Inc
Continuing operating profit	100.8	53.7	+87.7%
Interest	(4.6)	(7.4)	
Continuing pre-tax profit	96.2	46.3	+107.8%
Tax rate	33.2%	34.8%	
Minority interests	(0.2)	(0.2)	
Continuing earnings	64.1	30.0	+113.7%

- Slightly lower tax rate gives earnings growth greater than growth in pre-tax profit

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Earnings per share more than doubled

£m	2010	2009	Inc
Continuing earnings	64.1	30.0	+113.7%
Number of shares (m)	135.8	134.8	
Continuing EPS	47.2p	22.3p	+111.7%

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Interim dividend up 50%

	2010	2009	Inc
Continuing EPS	47.2p	22.3p	+111.7%
Dividend	9.75p	6.50p	+50%

£64.3m group free cash-flow

£m	2010	2009
EBITDA	116.7	66.2
Working capital movement	(32.0)	20.5
Cash from operations	84.7	86.7
Capital expenditure	(20.4)	(18.9)
Free cash flow	64.3	67.8

- **Very strong EBITDA generation**
- **Higher activity levels increase working capital**

Group net cash-flow

£m	2010	2009
Free cash flow	64.3	67.8
Excess pension contributions	(8.0)	(3.8)
Share purchases/issue	0.6	0.2
Share based payments	4.5	1.4
Dividends paid	(20.5)	(18.6)
Interest	(5.0)	(11.5)
Tax	(24.8)	(8.8)
M&A	16.6	3.3
Other (mainly restructuring)	(12.5)	(8.0)
Net cash-flow	15.2	22.0
Exchange differences	3.6	25.0
Change in net debt	18.8	47.0

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Net Debt

£m	2010	2009	Covenant
Net debt	269.7	351.1	
Committed facilities	496.5	442.4	
Committed headroom	226.8	91.3	
Rolling Net debt/EBITDA*	1.3x	2.4x	<3.0x
Rolling EBITDA interest cover*	17.1x	7.6x	>4.0x

* As per bank covenant calculation

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Net Debt : currencies and hedging

- Net debt £269.7m of which:
 - Currency borrowings
 - US\$100m (Dec 2009: US\$100m)
 - 10 year bond fixed at 5.94%
 - €120m (Dec 2009: €138m)

Pension Fund: IAS19

£m	2010 June 30	2009 December 31
Market value of assets	574.6	573.9
Value of liabilities	(775.8)	(777.4)
Gross deficit	(201.2)	(203.5)
Tax credit	63.2	53.5
Deficit after tax	(138.0)	(150.0)
Gross funding level	74.1%	73.8%

- The liabilities haven't move much despite the benefit of the sale of Emmerich but our deferred tax position has improved (the Emmerich pension deficit had no tax relief) bringing the post tax deficit down £12m to £138m

Disposals since Uniqema acquisition

	Proceeds	Turnover	EBITDA	Multiple
CFS	7.4	17.0	1.3	5.7x
Reflubes	62.0	38.6	4.0	15.5x
Klang *	9.8	28.2	1.0	9.8x
Baxenden	13.0	n/a	1.1	11.8x
Chicago *	46.7	87.9	7.3	6.4x
Emmerich *	49.6	90.4	-0.3	n/a
Total	188.5	262.1	14.4	13.1x

* Uniqema commodity sites

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Closures since Uniqema acquisition

- Bromborough *
 - Discontinued
 - 2008: turnover £45.3m, EBITDA £3.8m (last full year's trading)
 - Site value/working capital release covered cash costs of closure

- Wilton
 - Site closed, business transferred to other Croda operations

* Uniqema commodity site

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Improving mix

	Consumer Care	Industrial Specialities ex Commodities	Commodities
H1 2007	41%	34%	25%
H1 2010	51%	43%	6%

- Significant move away from basic commodities towards high value, high margin speciality product areas
- Remaining commodities are mainly by-products from Speciality manufacture.

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Dramatic EBITDA improvement since the acquisition of Uniqema

	Turnover	EBITDA
Croda '05	305	66
Uniqema '05	625	49
Pro forma total	930	115
Disposals/discontinued	(307)	(18)
Post disposals/discontinued	623	97
Last 12 months	932	202

- Underlying sales increase
- Improved mix
- Cost savings
- Distributor margin capture
- Disposals/site closures

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SAME TURNOVER, 6 FEWER PRODUCTION SITES!

Future Growth – A Robust Strategy

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Current Trend Growth Can Continue

Current Growth

- We grew our sales substantially in the first half of 2010
 - In all of our chosen end markets
 - In all regions
 - In all our focus products

Future Growth Targets

- Underlying sales growth 5-10% per annum
- Profit growth to exceed sales growth
- Consumer Care ROS target 20% +
- Industrial Specialities ROS target 15% +

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How?

1. Through a leading position in our chosen end markets and niche product areas, all of which are growing above GDP
2. Through innovation and ensuring that our pipeline is stronger every year
3. Through continued investment:
 - In people
 - In new technologies
 - In plants and facilities
4. Through selective corporate activity

End Market Growth

- All our end markets are growing:
 - Personal Care Global 3-4% p.a.
 - Health Care Naturals > 5% p.a.
 - Crop Care Naturals > 5% p.a.
 - Lubricant Additives Naturals > 5%p.a.
 - Coatings Additives “Green” > 5% p.a.
 - Geotech Naturals > 5% p.a.
 - Polymer Additives 2-3% p.a.
 - Home Care 2-3% p.a.

Innovation Growth

- Pipeline is stronger than ever
- Hundreds of new products successfully launched in last 5 years
- No “Blockbusters” \Rightarrow low risk
- Open innovation trend from customers
- Unrivalled customer contact gives us truly market focused innovation
- Ensures margin expansion

Growth Through Investment

- **In People**

- We have built world class technical teams in all regions and across all business sectors
- More great chemists join us every year
- Crucial to ensure future innovation

- **In Technologies**

- Enterprise Technology unit continues to expand co-operation with universities, companies and research institutions across the world
- 2 major projects transferred from ET to the mainstream business in 2010

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Growth Through Investment

- **New Biotechnology plant commissioned at Ditton site**
 - A multimillion pound unit: on time and on budget
 - Most sophisticated speciality unit in the UK, perhaps globally
 - Focus on high margin ingredients for Health Care and Personal Care
 - Will make a profit in 2011

- **New Cosmetic Polymer Plant at Rawcliffe Bridge site**
 - Will be complete early 2012
 - Fast growing niche in Personal Care
 - Applications in Hair Care, Skin Care and Health Care
 - High value products with ever widening markets

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Growth Through Investment

- **Continuous Lanolin Process commissioned at Rawcliffe Bridge site**
 - Our first ever manufactured product 85 years ago
 - We are the global market leader in lanolin and derivatives
 - This new, in house designed technology is faster but, more importantly, gives significant yield improvement
 - We aim to remain No. 1 in a growth sector

- **New refining plant for lipids on stream early 2011 at Leek site**
 - The higher the concentration, the higher the margin
 - In house technology provides world class quality and purity
 - Market expected to increase by 60% from 2008 to 2013

Selective Corporate Activity

- Major restructuring virtually complete with sale of Emmerich fatty acids business
- Croda is once again a true speciality chemical company
- We continue to seek acquisitions that meet our criteria to bring new technologies and/or new customers

Outlook

- Demand remains robust in Consumer Care
- Industrial Specialities continues to recover from the global meltdown
- Volumes growing, but still only just ahead of early 2008
- Prices increased 1 July globally due to input cost inflation
- Continuing cost reduction across all our business processes
- Further progress expected in H2 2010 against tougher comparatives

Appendix 1: 2009 by quarter

£m	Q1	Q2	Q3	Q4	2008
Consumer Care	126.1	106.3	113.1	109.6	453.1
Industrial Specialities	64.3	87.8	98.4	102.2	372.2
Continuing turnover	210.4	194.1	209.5	211.8	825.8
Consumer Care	28.7	24.1	24.6	26.2	103.6
Industrial Specialities	(0.4)	1.3	8.5	9.0	18.4
Continuing operating profit	28.3	25.4	33.1	35.2	122.0
Interest	(4.6)	(2.8)	(2.8)	(3.3)	(13.5)
Continuing pre-tax	23.7	22.6	30.3	31.9	108.5

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Appendix 2: 2010 by quarter

£m	Q1	Q2	Half
Consumer Care	128.0	136.3	264.3
Industrial Specialities	119.5	132.3	251.8
Continuing turnover	247.5	268.6	516.1
Consumer Care	34.7	36.5	71.2
Industrial Specialities	11.4	18.2	29.6
Continuing operating profit	46.1	54.7	100.8
Interest	(2.7)	(1.9)	(4.6)
Continuing pre-tax	43.4	52.8	96.2

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