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# Croda International Plc

Results for the 12 months to  
31 December 2010

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# Chairman

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# Financial Review

# Summary

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- In 2010 Consumer Care and Industrial Specialities achieved strong growth and record results
  - Continuing turnover up 21% to £1002m
  - Continuing pre tax profit up 78% to £192m
  
- Strong Q4 results despite challenging 2009 comparatives
  - Continuing turnover up 13% to £237m
  - Continuing pre tax profit up 54% to £49m
  
- Dividend increased 63% to 35.0p
  
- Share buyback announced
  
- Emmerich sold for €55m, completing Uniqema restructuring programme
  
- Asian joint ventures restructured
  - Cikarang (Indonesia) now 100% subsidiary following acquisition of 40% stake for \$1.6m
  - Woobang (Korea) shares sold to JV partner for £2.2m
  
- Net debt reduced by £68m to £220m
  - New bank facilities negotiated

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# Discontinued

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£m	2010	2009
Turnover	46.6	118.3
Operating loss	(1.4)	(6.7)
Post tax	(0.9)	(4.6)
Gross proceeds	46.5	4.2
Profit/(loss) on sale/closure	2.1	(29.0)

- 2009: Bromborough closure and legacy site sale
- 2010: Emmerich sold to KLK. Bromborough site sold. Korean JV share sold January 2011 treated as discontinued, £2.2m gross proceeds not included above.

# Strong Q4 trading

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£m	2010	2009	Inc
Consumer Care	123.8	109.6	+13.0%
Industrial Specialities	113.6	100.3	+13.3%
<b>Continuing sales</b>	<b>237.4</b>	<b>209.9</b>	<b>+13.1%</b>
Consumer Care	32.9	26.2	+25.6%
Industrial Specialities	16.5	8.8	+87.5%
<b>Continuing operating profit</b>	<b>49.4</b>	<b>35.0</b>	<b>+41.1%</b>
Return on sales	20.8%	16.7%	

Consumer Care – sales and profit growth despite tough 2009 comparatives

Industrial Specialities – continuing strong underlying trends plus improving portfolio

# Sales trends by quarter

## Price/volume/currency

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	Q1	Q2	Q3	Q4	Year
Price/mix	-7.2%	+7.8%	+4.1%	+5.9%	+3.0%
Volume	+29.0%	+25.0%	+12.4%	+5.7%	+17.4%
<b>Underlying</b>	<b>+21.8%</b>	<b>+32.8%</b>	<b>+16.5%</b>	<b>+11.6%</b>	<b>+20.4%</b>
Currency	-4.3%	+3.5%	+2.0%	+1.5%	+0.7%
<b>Continuing sales</b>	<b>+17.5%</b>	<b>+36.3%</b>	<b>+18.5%</b>	<b>+13.1%</b>	<b>+21.1%</b>

- Negative price/mix in Q1 is due to proportion of Industrial Specialities in the overall mix.
  - IS volume growth especially strong relative to CC in Q1
- Selling prices increased in January and July
- Quarterly volume uplift reduces sequentially as comparatives get tougher post recession
- Negligible overall currency effect

# Sales volume trends by quarter: 2 year growth

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	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
2010 v 2009	+29%	+25%	+12%	+6%	+17%
2009 v 2008	-28%	-24%	-7%	+14%	-13%
<b>2 year growth</b>	<b>-7%</b>	<b>-5%</b>	<b>+5%</b>	<b>+20%</b>	<b>+2%</b>

- 2 year growth is sequentially improving



# Sales trends by quarter

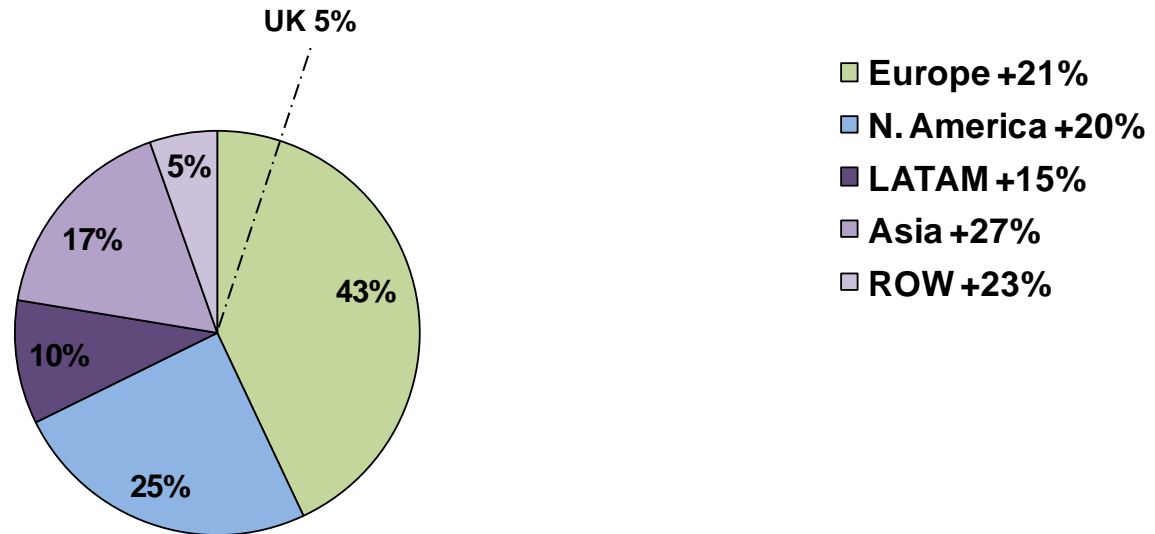
## Sector split

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	Q1	Q2	Q3	Q4	Year
Consumer Care	+1.6%	+28.2%	+15.4%	+13.0%	+14.0%
Industrial Specialities	+41.8%	+45.9%	+22.9%	+13.3%	+29.7%
<b>Continuing sales</b>	<b>+17.5%</b>	<b>+36.3%</b>	<b>+18.5%</b>	<b>+13.1%</b>	<b>+21.1%</b>

- Consumer Care - record sales for each quarter, building on strong 2009 performance
- Industrial Specialities – comparatives got tougher in Q3/Q4 as industrial markets moved out of recession and de-stocking ended in 2009

# Continuing turnover by destination



- Strong growth in all regions
- LATAM/Asia/ROW account for 32% of group sales

# Continuing Consumer Care

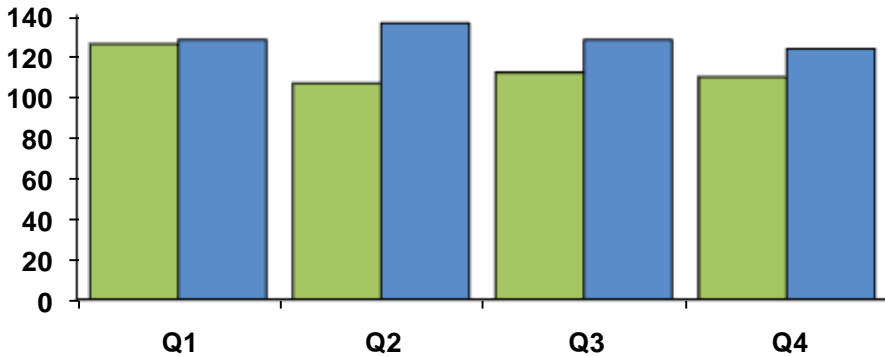
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£m	2010	2009	Inc
Turnover	516.4	453.1	+14.0%
Operating Profit	136.5	103.6	+31.8%
ROS	26.4%	22.9%	

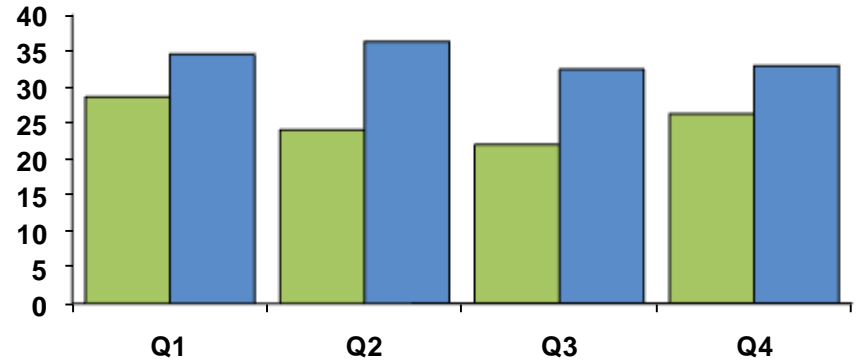
- Double digit sales and profit growth plus improved return on sales
- All 3 business areas saw double digit sales growth
  - Personal Care: high end/salon products performing particularly well
  - Health Care: capacity constrained in 2010, new Omega 3 investment live in H1 2011
  - Crop Care: particularly strong in US/Europe

# Consumer Care trends (£m)

Sales



Operating Profit



■ 2010  
■ 2009

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

# Continuing Industrial Specialities

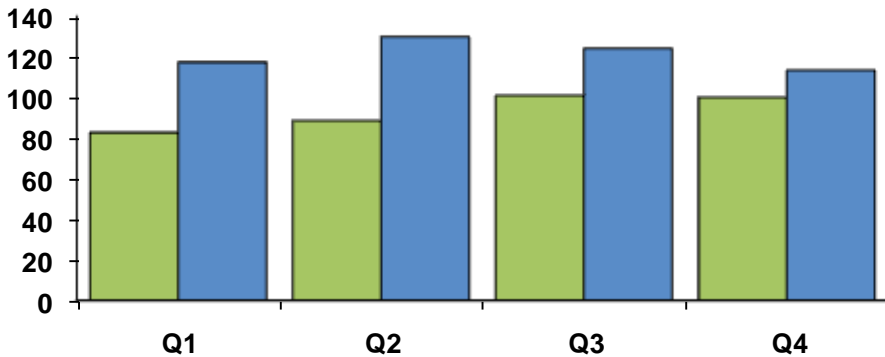
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£m	2010	2009	Inc
Turnover	485.5	374.4	+29.7%
Operating Profit	62.1	17.9	+246.9%
ROS	12.8%	4.8%	

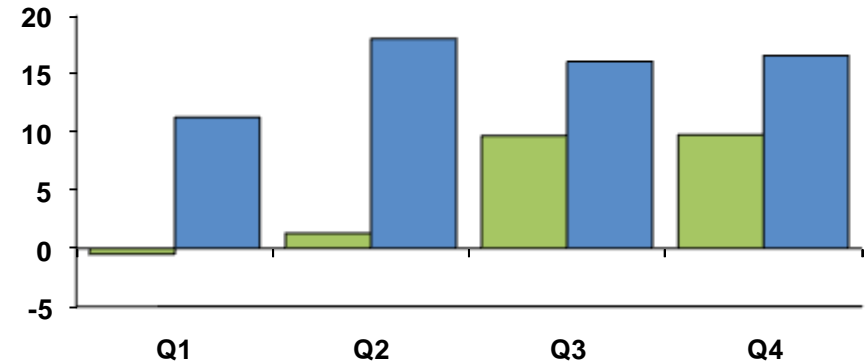
- Good progress towards 15% ROS target
- All business areas made significant progress in the year
  - Polymer Additives: Doubled sales in China despite capacity constraints
  - Geotech: “Windfall” from Gulf of Mexico, countered by capacity constraints elsewhere
  - Lubricants: Strong demand for high performance green products
  - Home Care: Especially strong in US with green agenda
  - Coatings and Polymers: Particularly strong growth in Asia with novel products for electronics and solar power

# Industrial Speciality trends (£m)

Sales



Operating Profit



2010  
2009

H1 2009 depressed by global recession/destocking  
2010 much more consistent

# Continuing operating profit up 64%

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£m	2010	2009	Inc
Turnover	1001.9	827.5	+21.1%
Operating Profit	198.6	121.5	+63.5%
ROS	19.8%	14.7%	

- Sales and margin led operating profit increase

# Continuing pre-tax profit up 78%

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£m	2010	2009	Inc
Continuing operating profit	198.6	121.5	+63.5%
Interest	(6.3)	(13.5)	
<b>Continuing pre-tax profit</b>	<b>192.3</b>	<b>108.0</b>	<b>+78.1%</b>

- Lower debt levels and interest rates plus reduced pension liabilities lead to reduced interest costs, boosting continuing pre-tax profit



# Continuing earnings per share up 77%

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£m	2010	2009	Inc
Continuing pre-tax profit	192.3	108.0	+78.1%
Tax	32.5%	32.7%	
Continuing post tax profit	129.8	72.7	
Number of shares (m)	136.0	135.0	
<b>EPS</b>	<b>95.4p</b>	<b>53.8p</b>	<b>+77.3%</b>

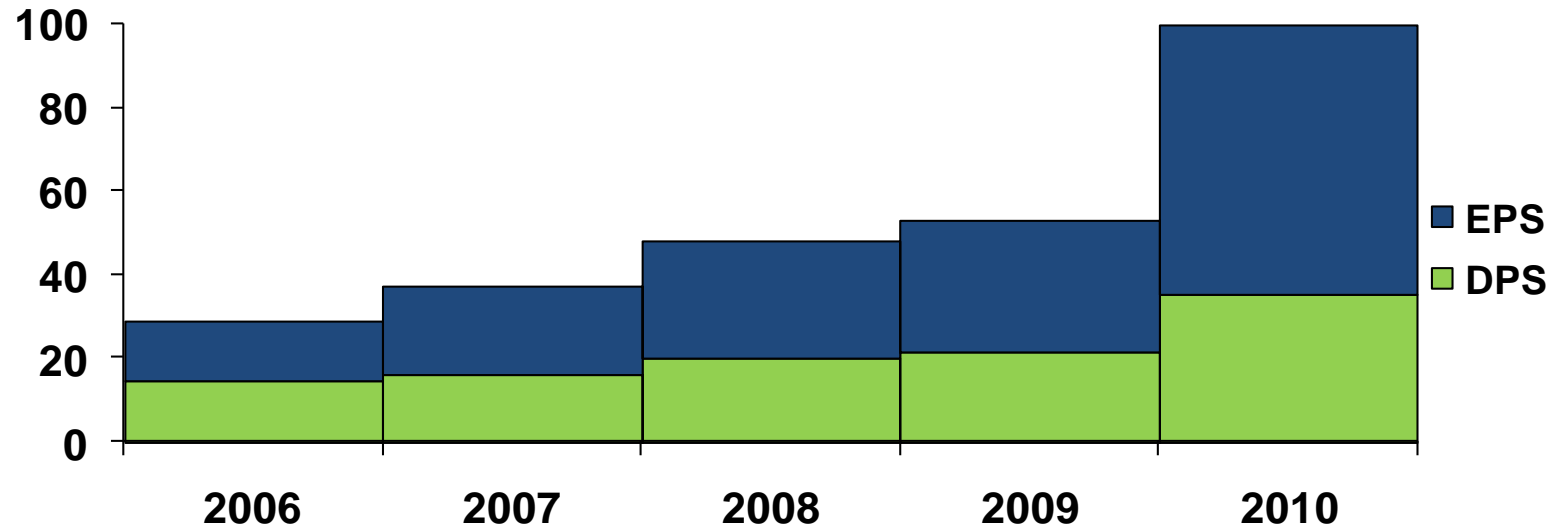
Marginal changes to tax rate and shares in issue result in a 77% increase in earnings per share

# Dividend up 63% to 35p

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	2010	2009	Inc
EPS	95.4p	53.8p	+77.3%
<b>Dividend</b>	<b>35.0p</b>	<b>21.5p</b>	<b>+62.8%</b>
Cover	2.7x	2.5x	

# Continuing EPS and dividend



- Steady progression in earnings, 2009 depressed by recession
- Dividend increases now more closely aligned to current year earnings growth

# Free cash flow £168m

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£m	2010	2009
EBITDA	231.6	150.5
Working capital movement	(22.0)	68.6
<b>Cash from operations</b>	<b>209.6</b>	<b>219.1</b>
Capital expenditure	(41.3)	(39.8)
<b>Free cash flow</b>	<b>168.3</b>	<b>179.3</b>

- Another year of strong cash generation
  - Strong EBITDA
  - Working capital increases as activity levels rise – but increase less than sales growth
  - Capex 1.2x depreciation

NB All figures include discontinued operations

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# Net cash flow £64m

£m	2010	2009
<b>Free cash flow</b>	<b>168.3</b>	<b>179.3</b>
Excess pension contributions	(16.7)	(16.6)
Share purchases/issue	2.1	1.6
Dividends paid	(33.7)	(27.1)
Interest	(9.9)	(19.9)
Tax	(45.9)	(21.5)
M&A	13.1	2.7
Other (mainly restructuring)	(13.2)	(10.6)
<b>Net cash flow</b>	<b>64.1</b>	<b>87.9</b>
Exchange differences	4.1	21.7
<b>Change in net debt</b>	<b>68.2</b>	<b>109.6</b>

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# Net debt reduced by £68m

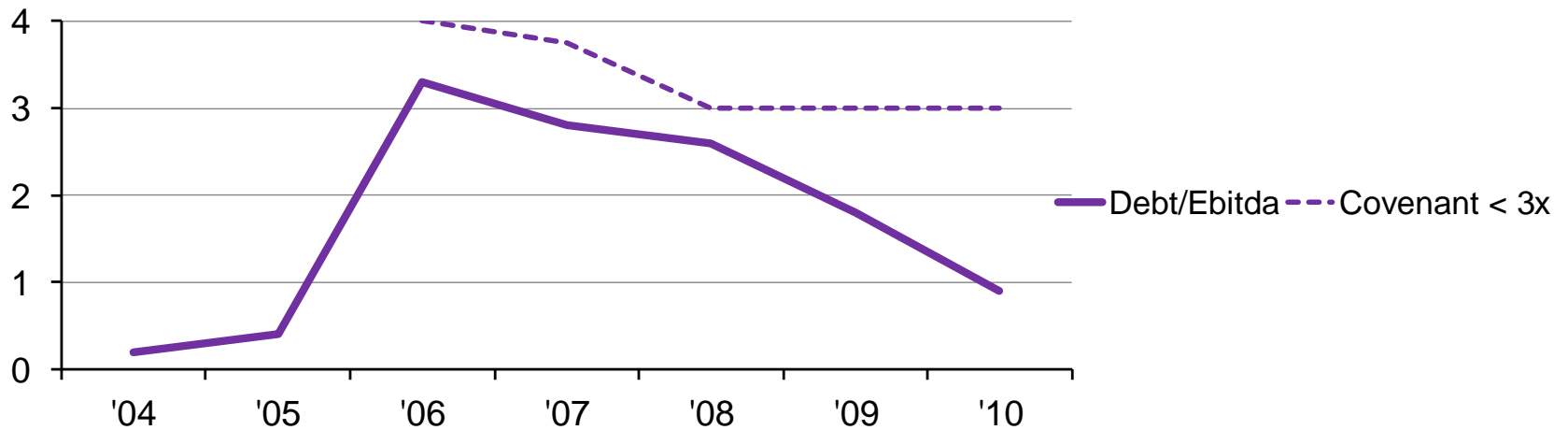
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£m	2010	2009
<b>Net debt</b>	<b>220.3</b>	<b>288.5</b>
Committed facilities	473.8	452.0
Committed headroom	253.4	163.8
Net debt/EBITDA	<1.0x	1.8x
EBITDA interest cover	36.7x	11.3x

- Committed headroom and covenant ratios improve significantly
- Net debt at £220.3m
- \$100m committed 10 year, fixed rate (5.94%) loan drawn down in January 2010
- New committed bank facilities negotiated in November. Run to May 2015

# Bank covenants

times



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

# Net debt : currencies and hedging

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- Net debt £220.3m
  - Main currency borrowings
    - US\$108m (2009: US\$145m)
      - \$100m 10 year fixed rate bond at 5.94%
    - €120m (2009: €138m)
      - Floating rate



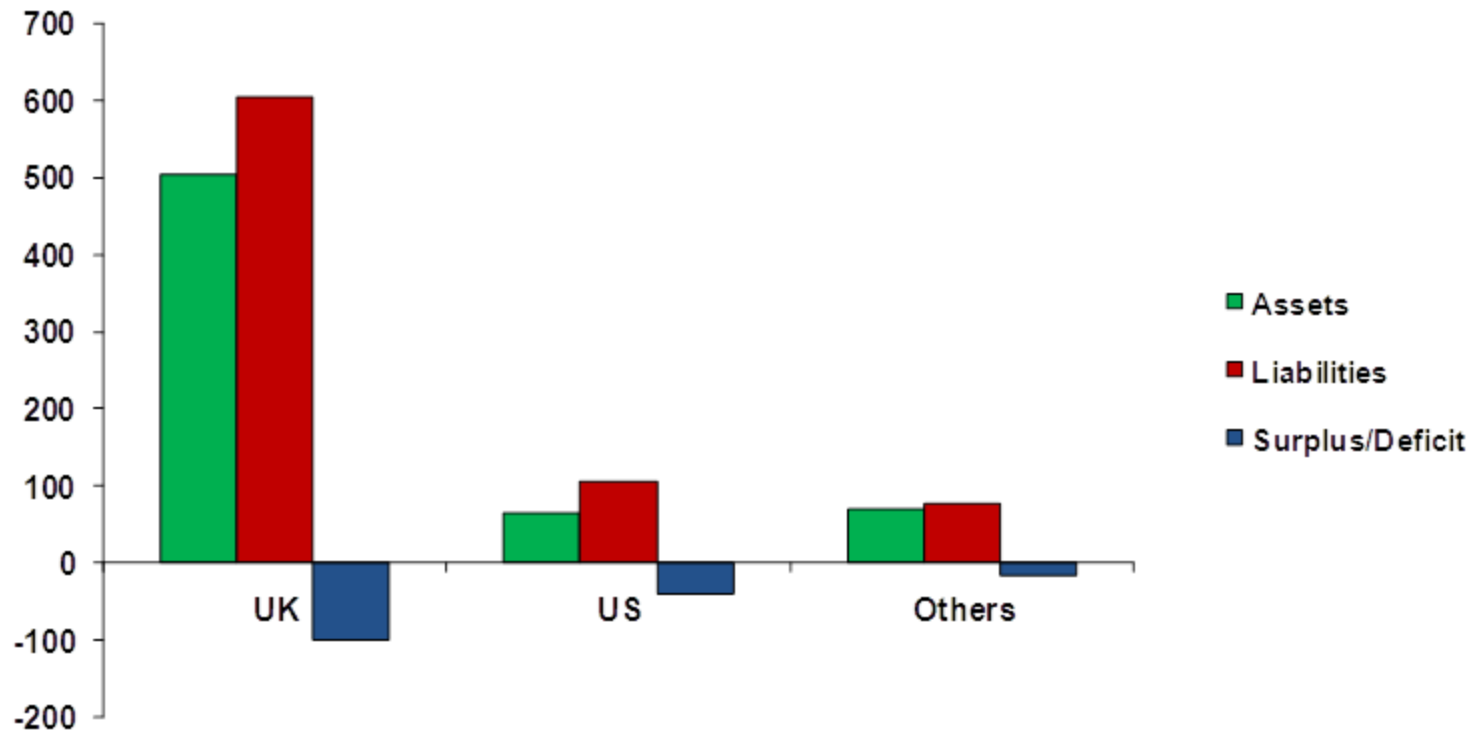
# Pension Fund (IAS19 basis)

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£m	2010	2009
Market value of assets	641.9	577.0
Value of liabilities	(789.7)	(780.5)
<b>Gross deficit</b>	<b>(147.8)</b>	<b>(203.5)</b>
Deferred tax credit	42.9	53.5
<b>Net deficit</b>	<b>(104.9)</b>	<b>(150.0)</b>
Funding level	81.3%	73.9%

- Deficit reduced significantly
  - Emmerich sale, company contributions, equity market gains

# Pensions: state of main funds



German liabilities acquired by KLK with Emmerich

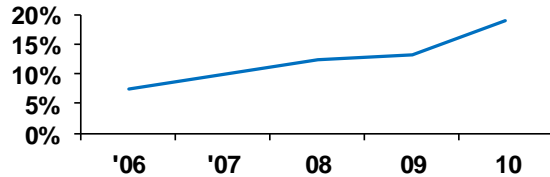
# Share buyback

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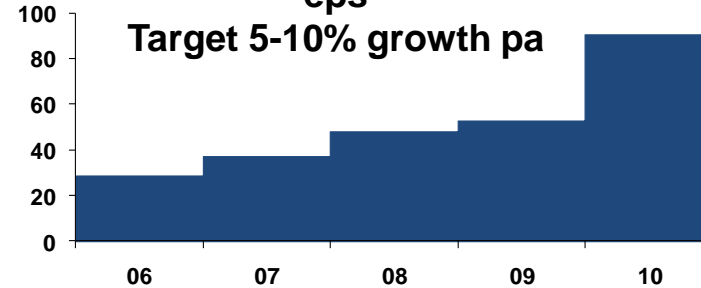
- Net debt 1x EBITDA and falling
- See this as minimum level for debt
- Progressive underlying dividend policy in place
- Would rather invest surplus in the Croda story BUT
  - Attractive M&A opportunities are rare
  - Practical limit to annual internal capital spend
- Share buyback
  - Relatively informal process, subject to M&A and capex levels
  - Expect to buy shares worth around £50m in the next 12 months
  - Permissions already in place for up to 10% of equity per annum

# Financial 5 year KPI trends

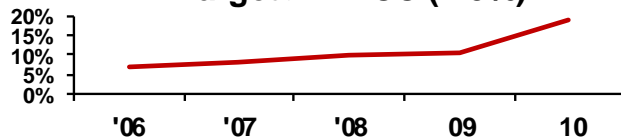
**Return on sales**  
minimum 15%



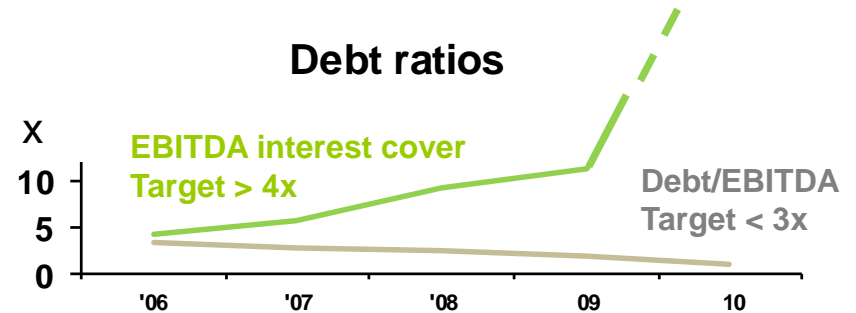
**eps**  
Target 5-10% growth pa



**ROIC**  
Target > WACC (7.5%)



**Debt ratios**



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# Robust Strategy for Strong Organic Growth

# Robust strategy for strong organic growth

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- **Leading position in growth markets**
  - Exposed to high value, high margin speciality product niches
- **Proven track record and reputation for innovation**
  - New product pipeline consistently strong
- **Pricing power**
  - Ensures we can continue to protect profitability
- **High barriers to entry**
  - Global exposure and reach
  - Regulation
  - Intellectual Property
- **Major restructuring post Uniqema virtually complete**
  - Croda is a true speciality chemical company

# Current growth trend can continue

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## Current Growth

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

## Future Growth Targets

- We expect to grow our underlying sales at 5-10% per annum
- We expect profit growth to exceed sales growth
- Consumer Care ROS target 20% +
- Industrial Specialities ROS target 15% +

# How?

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1. By continuing to exploit our 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 remains consistently strong
3. Through continued investment:
  - In people
  - In new technologies
  - In plants and facilities
4. Through selective corporate activity



# Innovation growth

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- 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

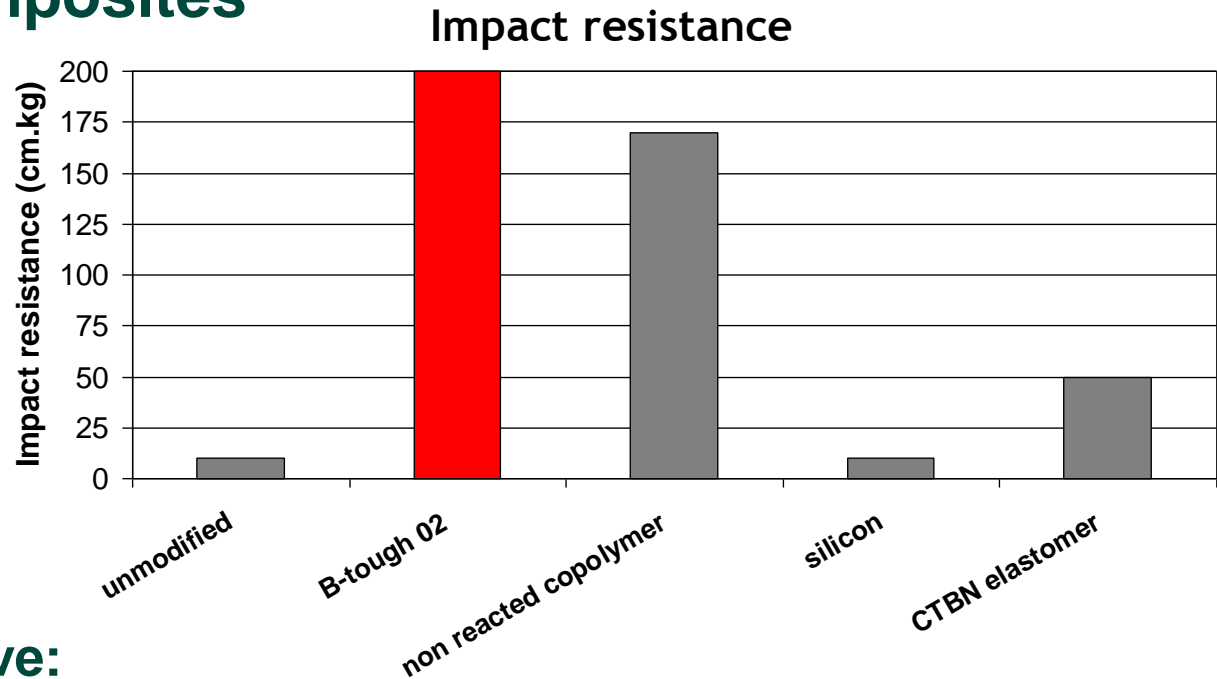
# Lubricant additive innovation



- Polymeric speciality friction modifiers
  - Extremely low levels of friction
  - Quantifiable fuel efficiency benefits
- Hypermer technology in new applications
- New development for US based customer with improvements in fuel economy over existing engine oil technology

# Coatings and Polymers innovation

## Toughness and impact resistance for Coatings/ Adhesives/Composites



### B-tough™ additive:

- superior performance
- easy to apply
- opens new markets

# Polymer Additives innovation

## ***Solasorb™***



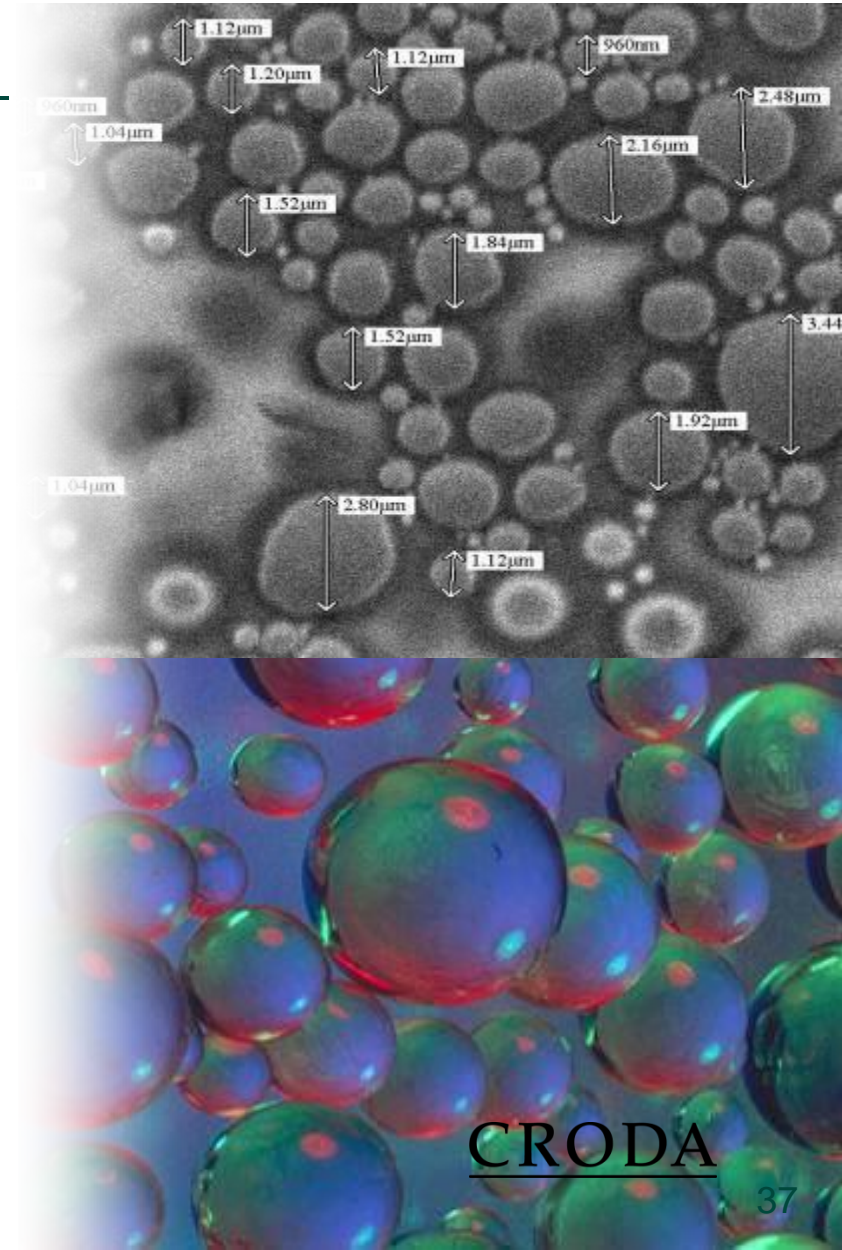
Reduces UV induced colour fade in food and beverages

- Working with major sports beverage manufacturer
- Colour fade virtually eliminated
- Longer shelf life and brand appeal
- Vitamin loss can also be counteracted with Solasorb technology

# Geo Tech innovation

## Anfomul 40XX – The next generation

- **Patented technology**
  - Liquid polymers to enhance the performance of our emulsifiers in emulsion explosives
- **Double wall**
  - Stabilise the water phase as well as the oil phase (PIBSA/SMO)
  - Can quadruple the shelf life/ stability



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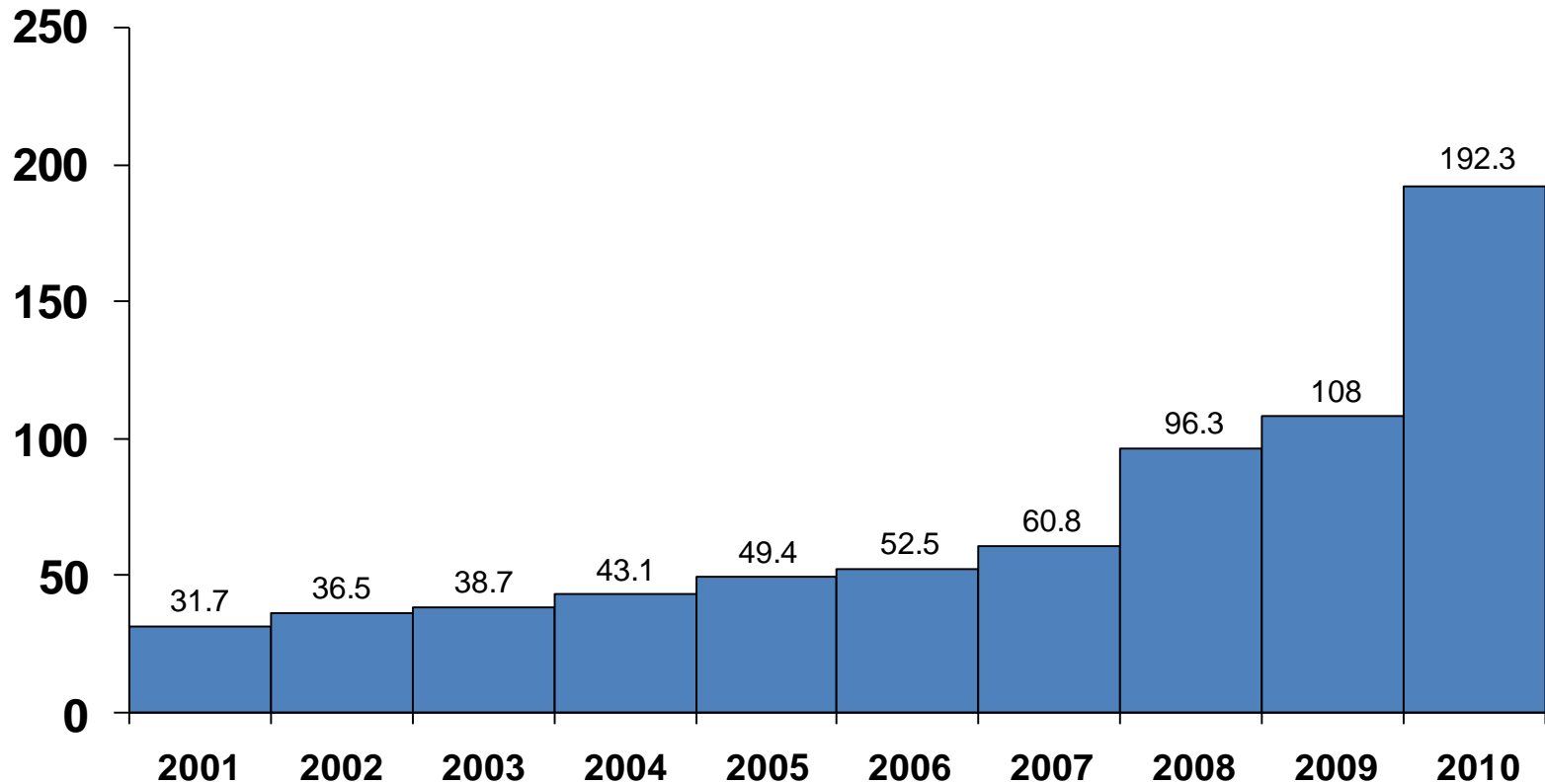
# Growth through investment

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- 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

# Long term profit record\*

PBT £m

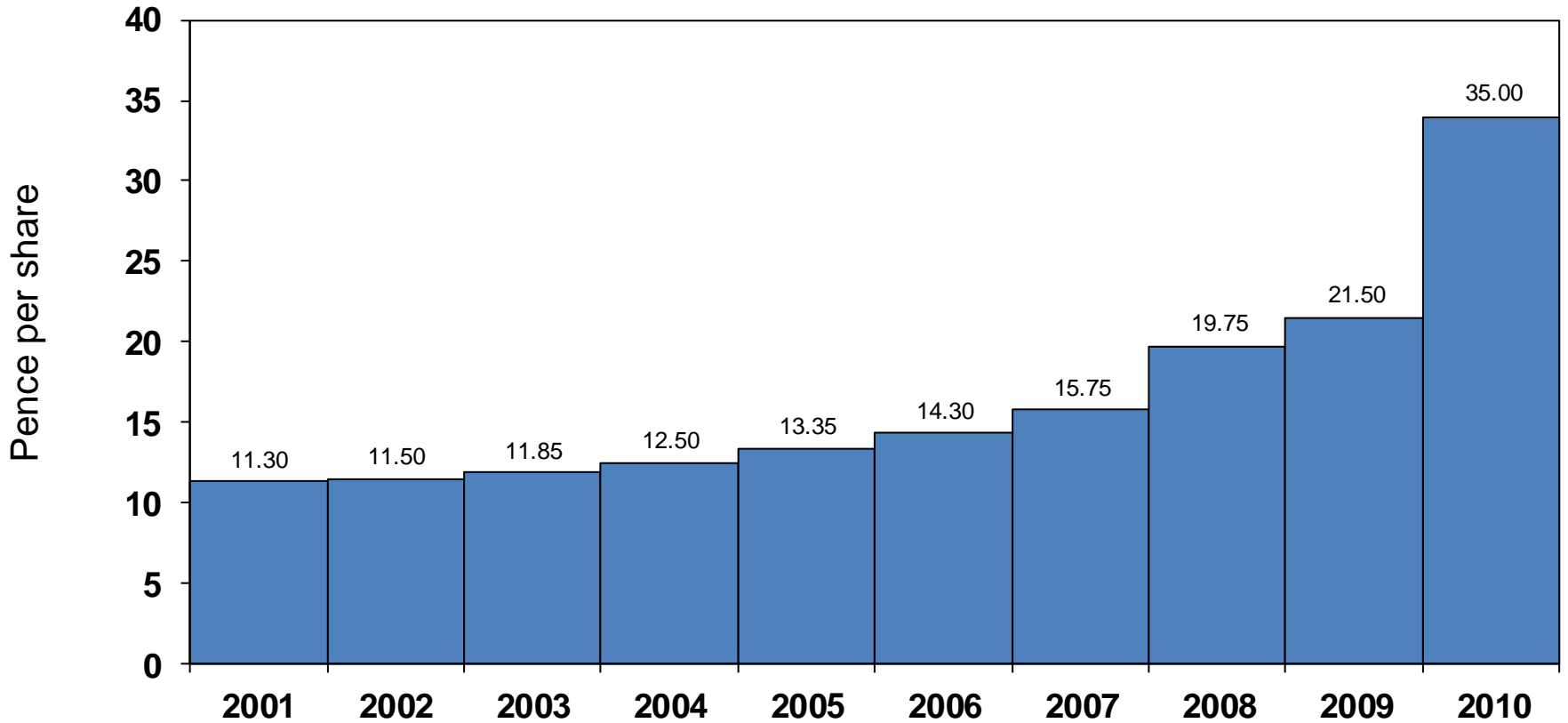


Source: Croda Annual Accounts

\* 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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# Outlook

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- Strong start to 2011
  - Strong trading performance during the fourth quarter has continued
- Significant raw material inflation
  - Further price increases in place to protect profitability
- Changing competitor landscape
  - Higher capex to ensure we can capitalise on opportunities
- New product pipeline remains strong and innovation is accelerating
- Share buyback programme will commence
- Confident of further progress in both divisions

# Appendix 1: 2009 by quarter

£m	Q1	Q2	Q3	Q4	Full year
Consumer Care	126.1	106.3	111.1	109.6	453.1
Industrial Specialities	82.8	89.2	102.1	100.3	374.4
<b>Continuing turnover</b>	<b>208.9</b>	<b>195.5</b>	<b>213.2</b>	<b>209.9</b>	<b>827.5</b>
Consumer Care	28.7	24.1	24.6	26.2	103.6
Industrial Specialities	(0.5)	1.2	8.4	8.8	17.9
<b>Continuing operating profit</b>	<b>28.2</b>	<b>25.3</b>	<b>33.0</b>	<b>35.0</b>	<b>121.5</b>
Interest	(4.6)	(2.8)	(2.8)	(3.3)	(13.5)
<b>Continuing pre-tax</b>	<b>23.6</b>	<b>22.5</b>	<b>30.2</b>	<b>31.7</b>	<b>108.0</b>

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## Appendix 2: 2010 by quarter

£m	Q1	Q2	Q3	Q4	2010
Consumer Care	128.1	136.3	128.2	123.8	516.4
Industrial Specialities	117.4	130.1	124.4	113.6	485.5
<b>Continuing turnover</b>	<b>245.5</b>	<b>266.4</b>	<b>252.6</b>	<b>237.4</b>	<b>1,001.9</b>
Consumer Care	34.7	36.4	32.5	32.9	136.5
Industrial Specialities	11.3	18.1	16.2	16.5	62.1
<b>Continuing operating profit</b>	<b>46.0</b>	<b>54.5</b>	<b>48.7</b>	<b>49.4</b>	<b>198.6</b>
Interest	(2.7)	(1.9)	(1.2)	(0.5)	(6.3)
<b>Continuing pre-tax</b>	<b>43.3</b>	<b>52.6</b>	<b>47.5</b>	<b>48.9</b>	<b>192.3</b>

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