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# Croda International Plc

Results for the 6 months to  
30 June 2011

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# Financial Review

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# Summary

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- Continuing sales up 9.3%
  - Consumer Care sales up 11.0% to £293.6m
  - Industrial Specialities sales up 7.5% to £266.0m
  
- Pre tax profit from continuing operations up 30.1% to £124.8m
  - Record profits in both Consumer Care and Industrial Specialities
  - Despite adverse currency translation and strong 2010 comparatives
  
- £25.1m returned to shareholders via buyback programme
  
- New dividend policy announced
  - Interim dividend increased 153.8% to 24.75p
  - Full year dividend pay-out to be 40% to 50% of post tax earnings

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# Sales trends by quarter

## Price/volume/currency

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	Q1	Q2	H1
	2011	2011	2011
Price and mix	+16.1%	+13.9%	+14.9%
Volume	-0.5%	-5.4%	-3.0%
<b>Underlying</b>	<b>+15.6%</b>	<b>+8.5%</b>	<b>+11.9%</b>
Currency	-2.4%	-2.8%	-2.6%
<b>Continuing sales</b>	<b>+13.2%</b>	<b>+5.7%</b>	<b>+9.3%</b>

- Prices increased 1 January and 1 April 2011
- Strong 2010 comparatives
  - Industrial Specialities particularly robust in H1 2010
  - Gulf spill clean-up and very strong Crop performance in Q2 2010

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# Sales trends by quarter

## Sector split

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	Q1	Q2	H1
	2011	2011	2011
Consumer Care	+14.2%	+8.1%	+11.0%
Industrial Specialities	+12.1%	+3.3%	+7.5%
<b>Continuing sales</b>	<b>+13.2%</b>	<b>+5.7%</b>	<b>+9.3%</b>

- Consumer Care
  - Tough Q2 2010 comparatives in Crop Care
- Industrial Specialities
  - 2010 Gulf of Mexico clean-up Q2 Geo Technologies

# Continuing turnover by destination

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- Europe very strong, particularly Consumer Care
- US sales flat – Gulf clean-up 2010, currency translation and exit from the last major Uniqema distributor
- Emerging markets 31% of sales

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# Continuing Consumer Care

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£m	2011	2010	Inc
Turnover	293.6	264.4	+11.0%
Operating Profit	88.0	71.1	+23.8%
ROS	30.0%	26.9%	

- Strong growth on top of record 2010
  - All business areas ahead with Crop showing the strongest growth
  - Sales growth despite adverse currency translation
  - Volumes flat - Strong 2010 comparatives
- Profits and margins well up on 2010 as we continue to launch innovative products in all areas

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# Continuing Industrial Specialities

£m	2011	2010	Inc
Turnover	266.0	247.5	+7.5%
Operating Profit	37.3	29.4	+26.9%
ROS	14.0%	11.9%	

- Sales up 7.5%
  - Lubricant Additives and Coatings and Polymers saw the strongest growth
  - Commodities also strong - reason for adverse mix in IS
  - Geo Technologies (Gulf cleanup) and Home Care sales down
- 27% Operating profit growth - even stronger than Consumer Care
  - Moving products upmarket

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# Continuing operating profit up 25%

£m	2011	2010	Inc
Turnover	559.6	511.9	+9.3%
Operating Profit	125.3	100.5	+24.7%
ROS	22.4%	19.6%	

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# Pre-tax profit up 30%

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£m	2011	2010	Inc
Continuing operating profit	125.3	100.5	+24.7%
Interest	(0.5)	(4.6)	
<b>Continuing pre-tax profit</b>	<b>124.8</b>	<b>95.9</b>	<b>+30.1%</b>

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# Earnings per share up 31%

£m	2011	2010	Inc
Continuing Pre-tax profit	124.8	95.9	+30.1%
Tax rate	32.4%	33.2%	
Number of shares (m)	136.3	136.0	
<b>Continuing EPS</b>	<b>61.9p</b>	<b>47.1p</b>	<b>+31.4%</b>

- Buyback late in the half, so had little effect on the average number of shares.
- Reduced tax rate adds to EPS uplift

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# New dividend policy

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- Croda is generating a lot of cash
- The Board have decided to revise the dividend policy
- **Aim to pay out 40-50% of sustainable earnings each year in dividends**
  - Will pay out 40% of first half earnings in the interim dividend
  - Will use the final dividend to top up to the 40-50% full year pay-out ratio
  
- £50m buyback will continue to end of 2011

# Interim dividend up 154%

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	2011	2010	Inc
Continuing EPS	61.9p	47.1p	+31.4%
<b>Dividend</b>	<b>24.75p</b>	<b>9.75p</b>	<b>+153.8%</b>
Cover	2.5x	4.8x	
Pay out ratio	40%	21%	

- Interim dividend 40% of first half earnings
  - **Results in a 153.8% increase in 2011 interim dividend to 24.75p**

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# Share buyback

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Number of shares bought	1.3m
<b>Total consideration</b>	<b>£25.1m</b>
Average price per share	£18.74

- Target buyback: £50m in 2011
- Started Q2, halfway there

# Group free cash flow - £64.1m

£m	2011	2010
EBITDA	141.3	116.7
Working capital movement	(51.9)	(32.9)
<b>Cash from operations</b>	<b>89.4</b>	<b>83.8</b>
Capital expenditure	(25.3)	(19.5)
<b>Free cash flow</b>	<b>64.1</b>	<b>64.3</b>

- Very strong EBITDA generation
- Inflation and US distributor termination increases working capital
- Likely to spend approximately £60m capex in 2011

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# Group net cash flow

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£m	2011	2010
<b>Free cash flow</b>	<b>64.1</b>	<b>64.3</b>
Excess pension contributions	(8.1)	(8.0)
Share purchases/issue	(22.6)	0.6
Share based payments	5.5	4.5
Dividends paid	(34.5)	(20.5)
Interest	(4.5)	(5.0)
Tax	(29.1)	(24.8)
M&A	3.1	16.6
Other (mainly restructuring)	(4.6)	(12.5)
<b>Net cash flow</b>	<b>(30.7)</b>	<b>15.2</b>
Exchange differences	(2.3)	3.6
<b>Change in net debt</b>	<b>(33.0)</b>	<b>18.8</b>

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# Net Debt

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£m	2011	2010	Covenant
Net debt	253.3	269.7	
Committed facilities	477.0	496.5	
Committed headroom	223.7	226.8	
Rolling Net debt/EBITDA*	0.9x	1.3x	<3.0x
Rolling EBITDA interest cover*	34.4x	17.1x	>4.0x

\* As per loan covenant calculations

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# Net Debt : currencies and hedging

- Net debt £253.3m of which:
  - Currency borrowings
    - US\$124m (Dec 2010: US\$108m)
      - Includes \$100m 10 year bond fixed at 5.94%
    - €113m (Dec 2010: €120m)

# Pension Fund: IAS19

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£m	2011 June 30	2010 December 31
Market value of assets	662.6	641.9
Value of liabilities	(798.7)	(789.7)
Gross deficit	(136.1)	(147.8)
Tax credit	39.0	42.9
Deficit after tax	(97.1)	(104.9)
<b>Gross funding level</b>	<b>83.0%</b>	<b>81.3%</b>

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**Croda**  
**Unique in**  
**Speciality Chemicals**

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# A Truly Unique Speciality Chemical Company

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Croda is a truly unique speciality chemical company with:

- A long term strategy
- A focus on organic growth
- A focus on margins
- A focus on cash generation
- A focus on shareholder returns

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# Strategic Focus

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- Long term
- Focus on growth markets
- Relentless innovation
- High barriers to entry
- Passionate customer service

# Consistent Organic Growth

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- Underlying revenue at between 5 – 10% p.a. for more than 10 years
- Profit growing faster
- Identifying niche markets
- Applying novel technologies

# Continuous Margin Improvement

- Through constant innovation
- Through a laser like focus on future customer needs
- Through passing on cost increases, fully and swiftly
- Through direct global customer contact
- Through continuing control of costs



# Strong Cash Generation

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- Continuous increase in EBITDA
- “Bottom slicing” means only moderate capital demands
- Super efficient IT and Administration functions

# Key Strengths

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- Renewable raw materials
- Emerging markets with stellar growth
- “Specialisation” of the industrial portfolio
- Global marketing/technical network
- Strong cash flow

# Our People

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- A team of world class people at all levels all over the world
- A young, dynamic and passionate team with shared vision and values
- Highly experienced senior management team with deep understanding of Croda's strategy and culture
- Genuine focus on our impact on society and the environment

# Innovation

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- The key to constant organic growth
- Apparent in all that we do, not just in science
- Enterprise Technology investing more and more in nascent companies/technologies

# New Product - Natragem

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## **Green Trend**

Natural and Organic is the fastest growing market within Personal Care and represents over 2% of the Global market.

**Natragem™ Range** provides effective solutions to emulsification and solubilisation and is ideal for formulations with a green positioning.

## **Green Benefits**

- Approved natural by Ecocert
- Cold processable
- Ultimately biodegradable
- Low aquatic toxicity
- Free from petrochemicals

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# New Product - Terraquat BD

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- Terraquat BD is a patented, ultimately biodegradable, “green”, hair conditioning agent for use in shampoos and conditioners
  - Environmentally friendly
  - Not harmful to aquatic environments
  - Provides exceptional hair feel
  - Contributes outstanding detangling and conditioning to the hair

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# New Product - Resistem™

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Plant stem cell-based anti-ageing bodyguard Resistem™ helps the skin to build its own anti-ageing defence system

- Stem cell culture of extract of Globularia Cordiofolia
- Helps reduce the level of pro-ageing agents and local micro-inflammation
- Enhances natural skin glow

# New Product - Atplus 401 NPF

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- Atplus 401 NPF is a nonylphenol replacement that addresses the need in agricultural products for nonylphenol-free adjuvants
  - Compatible in high salt concentration surfactants
  - Designed for concentrated fertilizer solutions
  - Wetting agent in concentrated ammonium sulfate solutions intended for dilution in herbicide spray mixtures containing glyphosate

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# New Product - Zephyrym PD 4974

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- Zephyrym PD 4974 stabilises difficult to disperse iron oxide pigments in colourants and coatings
  - Dramatically improves stability
  - Enhances colour development
  - Reduces need for thickeners

# New Product - Hypermer 2800

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Allows an extra level of performance for inverse emulsion polymerisation that is difficult to accomplish with conventional emulsifiers

- Flocculation for water treatment and mineral processing
- Additive for paper processing
- Higher molecular weight polymeric emulsifier
- Can be used at reduced levels
- Allows emulsions at 45-50% solids (before distillation)

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# A Strong Track Record

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- Business has been reshaped to become a world leading Speciality Chemicals Company
  - Since 1999 we have disposed of 25 businesses and 38 sites
  - Total proceeds of nearly £300m
- Highly successful acquisition of Uniqema in 2006
- Consistent track record of year-on-year profit growth
  - 2001 FY PBT was £31.7m > 2011 H1 PBT was £124.8m
- Continuous growth in dividend since 1998
  - In 2001, H1 dividend was 3.85p > 2011 H1 dividend is 24.75p
- **A robust strategy is in place to continue strong organic growth**

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# Outlook

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- Strong demand in Consumer Care
- Reshaping the Industrial Specialities business continues to improve margins
- Raw materials increases slowing
- Innovation accelerating
- New plants coming on stream
- Steve Foots and his team will continue the growth strategy
- I wish I were 10 years younger!

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# Appendix 1: 2010 by quarter

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£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 profit</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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## Appendix 2: 2011 by quarter

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£m	Q1	Q2	Half
Consumer Care	146.3	147.3	293.6
Industrial Specialities	131.6	134.4	266.0
<b>Continuing turnover</b>	<b>277.9</b>	<b>281.7</b>	<b>559.6</b>
Consumer Care	42.4	45.6	88.0
Industrial Specialities	18.5	18.8	37.3
<b>Continuing operating profit</b>	<b>60.9</b>	<b>64.4</b>	<b>125.3</b>
Interest	(0.2)	(0.3)	(0.5)
<b>Continuing pre-tax profit</b>	<b>60.7</b>	<b>64.1</b>	<b>124.8</b>