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# Croda International Plc

Results for the 6 months to  
30 June 2009

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# Financial Review

# Summary

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- Continuing sales down 3.6%
  - Consumer Care sales up 16.6% to £237.1m
  - Industrial Specialities sales down 19.3% to £210.4m
- Pre tax profit from continuing operations down 13.8% to £43.6m
  - Record Consumer Care profits and robust margin
  - Industrial Speciality losses eliminated in Q2
  - £6.6m reversal of last year's glycerine windfall
- Net debt reduced by £47.0m to £351.1m
- Bromborough and Wilton closures announced
- Dividend increased 4.8% to 6.5p

# Basis of preparation

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Home Care (£m)	2009	2008
Turnover	10.3	10.0
Operating profit	0.7	0.1

- Home Care moved from Consumer Care to Industrial Specialities
  - 2008 figures are re-stated on this basis with quarterly figures in the appendix
- Bromborough treated as discontinued
- All figures shown on continuing, pre-exceptional basis unless otherwise indicated

# Discontinued businesses

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£m	2009	2008
Turnover	17.8	70.4
Operating profit	(3.0)	7.0
Post tax	(3.0)	5.2
Gross proceeds	3.3	59.8
Loss on sale/closure	(34.2)	(9.0)

- Bromborough closure announced April 2009
- Doncaster site sold for £3.3m in H1. (Closed in 2005)
- Associate company, Baxenden, sold to Chemtura for £13m in February 2008
- Chicago Oleochemicals sold to HIG for £46.8m in May 2008

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# Sales trends by quarter

## Price/volume/currency

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	Q1	Q2	H1
	2009	2009	2009
Price and mix	+8.0%	-1.7%	+3.1%
Volume	-26.2%	-19.5%	-22.9%
<b>Underlying</b>	<b>-18.2%</b>	<b>-21.2%</b>	<b>-19.8%</b>
Currency	+20.1%	+12.4%	+16.2%
<b>Continuing sales</b>	<b>+1.9%</b>	<b>-8.8%</b>	<b>-3.6%</b>

- Average price trend dominated by mix CC v IS
  - IS volumes down versus 2008 but improving sequentially
  - Effect of last years price increases diminishing as year progresses
  - Falling fatty acid/glycerine pricing
- Crop volumes weaker Q2 than Q1. IS volumes improving,
  - Easter holiday timing boosts Q1 volumes by 3% & depresses Q2 by a similar amount v 2008
- Currency benefit decreasing

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# Sales trends by quarter

## Sector split

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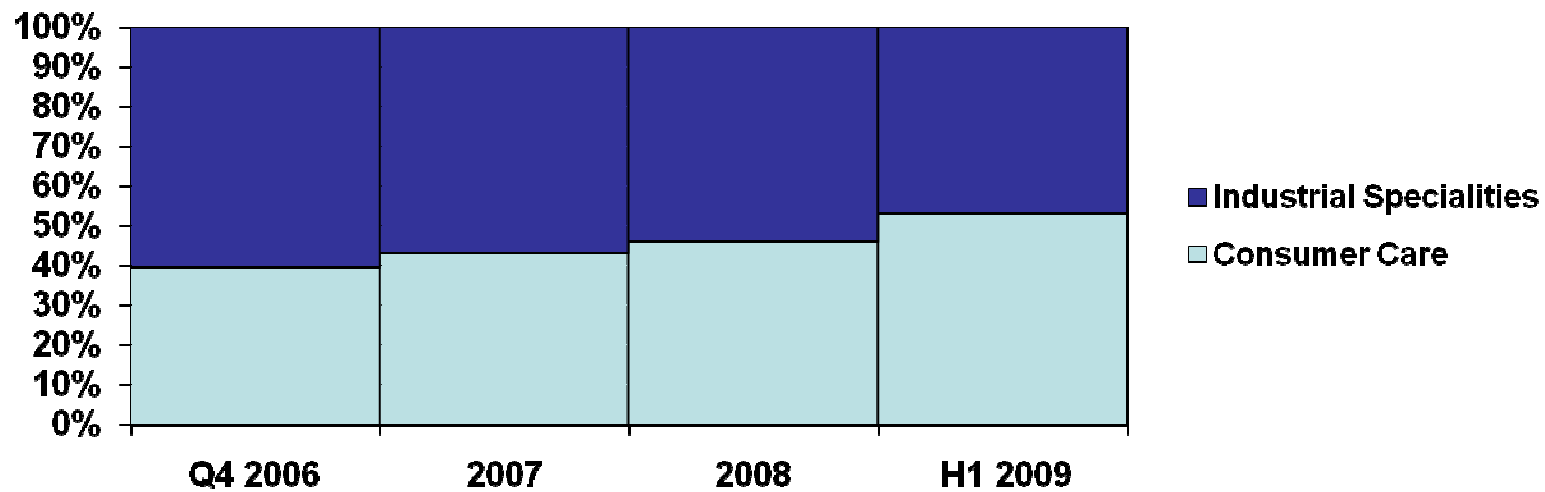
	Q1	Q2	H1
	2009	2009	2009
Consumer Care	+27.6%	+5.8%	+16.6%
Industrial Specialities	-18.6%	-20.0%	-19.3%
<b>Continuing sales</b>	<b>+1.9%</b>	<b>-8.8%</b>	<b>-3.6%</b>

- Consumer Care
  - Stronger comparatives for Q2 than Q1
  - Currency benefit declining
  - Benefit of last year's price increases unwinding
  - Easter holiday timing
  - Crop Care: weaker Q2 volumes
  - Q2 saw volume decline in commodity (fatty acids and glycerine) sales to the sector
- Industrial Specialities
  - Absolute sales volumes and value improving sequentially
  - Output prices lower than 2008 on commodity sales (esp glycerine)

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# Improving sales mix

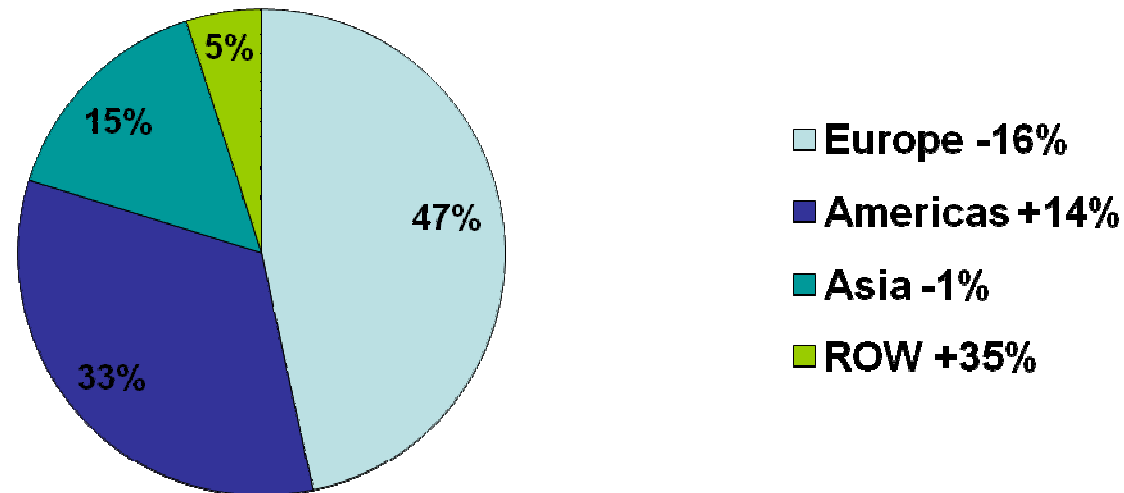
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- CC now represents 53% of turnover, up from 39% immediately after the Uniqema acquisition



# Continuing turnover by destination



- Europe most affected by industrial and commodity sales decline

## £6.6m reduced glycerine pricing v 2008

	£m
Q1	(3.6)
Q2	(3.0)

- Biodiesel driven imbalance between supply and demand for glycerine produced one off windfall profit in H1 2008 which has reversed in 2009
- The majority of this pain was seen in Industrial Specialities but some glycerine is sold into Personal Care and Health Care

# Continuing Consumer Care

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£m	2009	2008	Inc
Turnover	237.1	203.4	+16.6%
Operating Profit	53.4	44.0	+21.4%
ROS	22.5%	21.6%	

- Flat Crop Care Q2 after strong growth Q1
- Big decrease in basic, low value Fatty Acid/Glycerine commodity sales into Personal Care and Health Care sub sectors in Q2
  - Little profit effect of this
- Robust margin performance continues

# Continuing Industrial Specialities

£m	2009	2008	Inc
Turnover	210.4	260.7	-19.3%
Operating Profit	(2.4)	15.2	n/a
ROS	n/a	5.8%	

- Low volumes versus 2008 but improving trend
- Majority of glycerine price decrease felt in Industrial Specialities
- Opening stock of high priced raw materials
- Breakeven Q2, return to profitability in June

# Continuing business

## Operating profit down 13.9%

£m	2009	2008	Inc
Turnover	447.5	464.1	-3.6%
Operating Profit	51.0	59.2	-13.9%
ROS	11.4%	12.8%	

- Sales/profit decline in Industrial Specialities outweighs growth in Consumer Care

# Interest costs reduced

£m	2009	2008
Bank interest	(7.2)	(11.9)
Pension funding interest	(0.2)	3.3
Net interest	(7.4)	(8.6)

- Interest costs reduced
  - Lower underlying interest rates
  - Reduced debt levels
  - Pension funding interest credit lower due to increased pension deficit at start of year (NB non cash)

## Pre-tax profit down 13.8%

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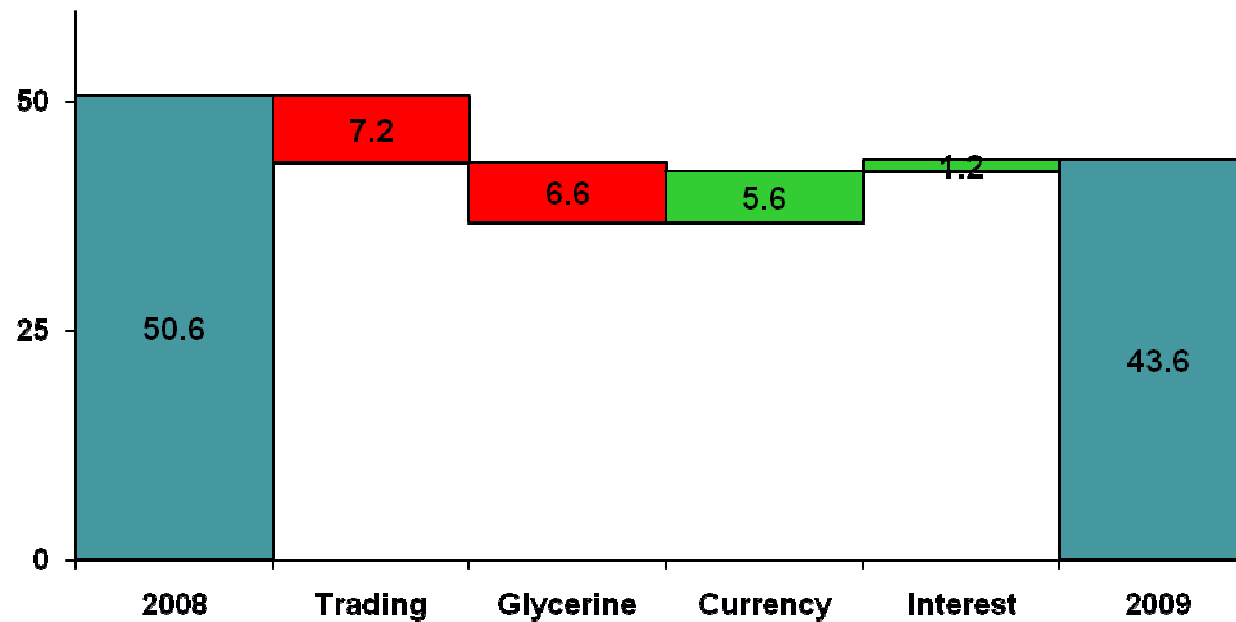
£m	2009	2008	Inc
Continuing operating profit	51.0	59.2	-13.9%
Interest	(7.4)	(8.6)	
<b>Continuing pre-tax profit</b>	<b>43.6</b>	<b>50.6</b>	<b>-13.8%</b>
Tax rate	35.1%	34.8%	
Minority interests	(0.2)	(0.1)	
<b>Continuing earnings</b>	<b>28.1</b>	<b>32.9</b>	<b>-14.6%</b>

Industrial Specialities losses increase overall tax rate

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# Pre-tax profit bridge (£m)

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# Earnings per share down 15%

£m	2009	2008	Inc
Continuing earnings	28.1	32.9	-14.6%
Number of shares (m)	134.8	134.4	
<b>Continuing EPS</b>	<b>20.8p</b>	<b>24.5p</b>	<b>-15.1%</b>

# Interim dividend up 4.8% to 6.5p

	2009	2008	Inc
Continuing EPS	20.8p	24.5p	-15.1%
<b>Dividend</b>	<b>6.5p</b>	<b>6.2p</b>	<b>+4.8%</b>

- Interim dividend increased by 4.8% to 6.5p
  - Confident in our underlying business
  - Confident we are in the right markets
  - Strong cash generation

## £67.8m group free cash-flow

£m	2009	2008
EBITDA	66.2	82.4
Associate profit	-	(0.3)
Working capital movement	20.5	(19.5)
<b>Cash from operations</b>	<b>86.7</b>	<b>62.6</b>
Capital expenditure	(18.9)	(23.3)
<b>Free cash flow</b>	<b>67.8</b>	<b>39.3</b>

- **Working capital reduction and lower capex drive very strong free cash flow**
- **NB includes discontinued**

# Group net cash-flow

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£m	2009	2008
<b>Free cash flow</b>	<b>67.8</b>	<b>39.3</b>
Excess pension contributions	(3.8)	(4.7)
Share purchases/issue	0.2	0.2
Dividends paid	(18.6)	(14.7)
Interest	(11.5)	(11.9)
Tax	(8.8)	(15.6)
M&A	3.3	48.1
Other (mainly restructuring)	(6.6)	(9.5)
<b>Net cash-flow</b>	<b>22.0</b>	<b>31.2</b>
Exchange differences	25.0	(6.8)
<b>Change in net debt</b>	<b>47.0</b>	<b>24.4</b>

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# Net Debt

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

- Rolling net debt/EBITDA ratio at 2.4x despite now containing 3 post recession quarters.
- Core debt facilities in place until June 2011

\* As per bank covenant calculation

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# Net Debt : currencies and hedging

- Net debt £351.1m of which:
  - Currency borrowings
    - US\$110m (Dec 2008: US\$145m)
    - €150m (Dec 2008: €150m)
  - £100m fixed sterling at 5.99% to 31 January 2010

# Pension Fund: IAS19

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£m	2009 June 30	2008 December 31
Market value of assets	485.1	520.8
Value of liabilities	(674.8)	(609.3)
Gross deficit	(189.7)	(88.5)
Tax credit	56.0	25.1
Deficit after tax	(133.7)	(63.4)
Gross funding level	71.9%	86.3%

- Corporate bond rates decline whilst inflation assumptions increase as market recession fears ebb leading to higher deficit!
- No cash consequences of these changes to accounting assumptions.
  - 2009 cash contribution over and above P&L charge expected to be no more than £10m (2008:£8.9m)
- IAS19 deficit now similar to the shortfall seen in the triennial actuarial valuation .

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# Operating Review



# New sectors

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## Consumer Care

Personal Care

Health Care

Crop Care

## Industrial Specialities

Polymer Additives

Lubricant Additives

Polymers & Coatings

Process Additives

Home Care & Institutional

Geo Technologies

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# Current Situation – Industrial Specialities

- Volumes still well down, but trend steadily improving
- High priced RMs worked through
- Pricing holding up except in basic fatty acids and glycerine
- Significant cost reduction

# Current Situation – Consumer Care

- Personal Care volumes down
  - Fatty acid and glycerine
  - Slight weakness in very high end/duty free
- Prices holding up
- Health Care very strong
- Crop Care strong overall, but Q2 flat

# Ongoing restructuring - people

	End 2006	June 2009
Total employees	3,948	3,530

By January 2010 (post Bromborough/Wilton) we expect total of less than 3,300

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# Ongoing restructuring - sites

	End 2006	June 2009
Manufacturing sites	27	21

By January 2010 we will have 19

# Enterprise Technology – key drivers

- “Green”
- Sustainability
- Natural
- Renewability
- Biodegradability
- Environmental impact
- Health and Wellness
- Performance

# Enterprise Technology – success to date

- Synthetic Polymers range (Optasense) for Personal Care
- Polyglycerol esters - “green” emulsifiers
- MelaneZe – natural tanning agent
- Omega-3 delivery system for functional foods
- Novel sunscreen technology
- Bioester range manufactured using enzymes
- Biotechnology investment at Ditton

# Enterprise Technology – strong pipeline

A few of the areas of activity:

- Biosurfactants from the ocean
- Novel fatty acids from biotransformation
- Novel sources of Omega-3 fatty acids
- Low energy (lower carbon footprint) routes to core product types
- Novel delivery systems for skin care actives



# Outlook

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- Consumer Care trading remains robust
- Industrial Specialities seeing increased demand
- Energy costs down in H2
- Closure of Bromborough and Wilton profits enhancing in 2010
- Innovation accelerating
- Cost savings to continue
- Confident of further progress in H2
- In a strong position when demand returns to “normal”

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# Appendix 1: 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)	(3.8)	(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>

## Appendix 2: 2009 by quarter

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£m	Q1	Q2	Half
Consumer Care	128.2	108.9	237.1
Industrial Specialities	102.6	107.8	210.4
<b>Continuing turnover</b>	<b>230.8</b>	<b>216.7</b>	<b>447.5</b>
Consumer Care	28.7	24.7	53.4
Industrial Specialities	(2.4)	-	(2.4)
<b>Continuing operating profit</b>	<b>26.3</b>	<b>24.7</b>	<b>51.0</b>
Interest	(4.6)	(2.8)	(7.4)
<b>Continuing pre-tax</b>	<b>21.7</b>	<b>21.9</b>	<b>43.6</b>