Cautionary statement

This review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company’s control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Adjusted results

Unless otherwise stated, all performance data refers to adjusted results. These are stated before exceptional items (including discontinued business costs), acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

Constant currency results

All data is at reported currency rates unless otherwise stated. Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year’s average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year’s average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review.

Non-statutory terms are defined in the ‘Alternative Performance Measures’ section of the Finance Review in the Half Year Results Statement. The Core Business comprises Personal Care, Life Sciences and Performance Technologies.
An introduction to Croda
Who we are

We are the name behind the high performance ingredients and technologies in some of the biggest, most successful brands in the world: developing, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

Science  Innovation  Together  Everywhere

Energetic  Evolving  Influence  Responsible  Flexible
Connecting to Faster Growth markets

Personal Care

Life Sciences

Performance Technologies

Industrial Chemicals
Our history

Established 1925

We were founded by Mr Crowe and Mr Dave at Rawcliffe Bridge, England to make lanolin, a unique wax obtained from refining sheep's wool. This most natural of ingredients laid the foundations for our industry leading sustainability programme.

1964

To enable further growth we became a public company on an actual profit of £230,000. Manufacturing expands into Asia with the establishment of Croda Nippon, Japan, this was initially a joint venture with Sansho Oil and Fat Trading.

1997

Our acquisition of innovative organisations continues with Sederma, a world leader in active ingredients for skin care and who, in 1965, had synthesised the first ceramides.

2006

The acquisition of Unigema from ICI creates a chemical company with sales of nearly £1 billion.

2015

The acquisition of Incotec extends our Crop Care expertise into the seed enhancement market. Their products and services help to enhance and improve seed performance, allowing greater functionality to be delivered directly to the seed to increase farming yields.
Croda at a glance

Highlights

- £1.39bn sales
- 4,580 employees
- Operating in 38 countries
- 72 operations
- 28.2% sales in new, patented & protected products

A global, balanced footprint

Well positioned for future growth
How we create value

Consumer demand → Customer need → Croda → Customer formulation → Consumer benefit

Engage → Create → Make → Sell
A powerful business model

Sustainable sourcing

>60%
Raw materials from natural sources

Balanced footprint

30
Production sites

Dynamic innovation engine

34
Innovation centres

Local direct selling model

>17,000
Customers served

Unrivalled capabilities
Supported by our core strengths

Innovation

- Broad, proprietary technology base

Customer intimacy

- Unrivalled understanding of unmet needs

People and culture

- Entrepreneurial & agile spirit

Croda is a relentless innovation machine
Performance
Our financials

2018
Sales
£1,386.9m (+1.0%)
Sales growth in constant currency
+2.9%
Adjusted operating profit
£342.5m (+3.1%)
NPP sales as a % of Group sales
28.2%

Sales by region

Sales by sector

£1,386.9m

£1,386.9m

Europe, Middle East & Africa £572.4m
North America £372.7m
Asia £300.8m
Latin America £141.0m

Personal Care £487.8m
Life Sciences £324.5m
Performance Technologies £456.4m
Industrial Chemicals £118.2m

We continue to deliver
Performance
‘Value over volume’

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>£886m</td>
</tr>
<tr>
<td>2018</td>
<td>£1,387m</td>
</tr>
</tbody>
</table>

Profit before tax

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>£66m</td>
</tr>
<tr>
<td>2018</td>
<td>£332m</td>
</tr>
</tbody>
</table>

EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>33p</td>
</tr>
<tr>
<td>2018</td>
<td>190p</td>
</tr>
</tbody>
</table>

Reported currency
Profit and EPS are on an adjusted basis, as defined in the 2018 Results

Innovation you can build on™
Performance
Share price evolution 2007-18

Outperformed Sector Index by 2.4x and Market Index by 31.5x
Performance
11 Years of Sustainability Reporting

61%
of our raw materials were from bio-based sources in 2018, an industry leading position

9.8%
reduction in greenhouse gas emissions intensity since 2015

5,117
employee 1% Club hours volunteered during 2018

17.8%
reduction in waste to landfill since 2015

700,000	onnes of greenhouse gas emissions were avoided through the use of just four of our product families in application in 2018
Connecting to Faster Growth markets
Vision and strategy

- To be the **leading** speciality ingredient company delivering **sustainable innovation**, superior **performance & value** to our customers & consumers
- **To be different**

![Diagram showing Personal Care, Life Sciences, and Performance Technologies]

- Deliver consistent top and bottom line growth
- Increase proportion of protected innovation
- Accelerate our customers’ transition to sustainable ingredients
Connecting to Faster Growth markets
Grow the Core & Stretch the Growth

Grow the Core

Strong foundation to accelerate growth in our Core markets

Stretch the Growth

- Premium niches
- R&D
- Smart partnering
- Sustainability
- Tech acquisitions
- Digitalisation
Connecting to Faster Growth markets
Grow the Core & Stretch the Growth

Grow the Core
- Robust top line growth > market
- Industry leading margin + improvement
- Capital light

Delivering profit growth ahead of sales growth ahead of volume growth
Superior ROIC

Stretch the Growth
- Accelerate in core markets
- More technology, NPP & IP
- Disciplined capital allocation

Investment in high capital return opportunities
Capital return optionality

Superior shareholder value creation
# Summary

**A robust investment case**

<table>
<thead>
<tr>
<th>High quality business</th>
<th>Earnings growth</th>
<th>Strong cash returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ World class margins</td>
<td>▪ Relentless innovation</td>
<td>▪ High ROIC</td>
</tr>
<tr>
<td>▪ Low product churn</td>
<td>▪ Customer intimacy</td>
<td>▪ Cash generation</td>
</tr>
<tr>
<td>▪ Capital light</td>
<td>▪ Targeted acquisitions</td>
<td>▪ Progressive dividends</td>
</tr>
</tbody>
</table>
Financial Performance
## Performance Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Strategy Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Top line momentum continues</td>
<td>✓</td>
</tr>
<tr>
<td>Margin</td>
<td>Greater innovation driving increased margin</td>
<td>✓</td>
</tr>
<tr>
<td>Profit</td>
<td>Growing faster than sales</td>
<td>✓</td>
</tr>
<tr>
<td>Cash generation</td>
<td>Improved free cash flow</td>
<td>✓</td>
</tr>
<tr>
<td>Acquisition</td>
<td>BioSector expands high value Health Care</td>
<td>✓</td>
</tr>
<tr>
<td>Shareholder returns</td>
<td>Special dividend - £150m</td>
<td>✓</td>
</tr>
</tbody>
</table>
Sustained top and bottom line growth

<table>
<thead>
<tr>
<th>£m</th>
<th>2018 reported</th>
<th>Reported currency change</th>
<th>Constant currency change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,386.9</td>
<td>1.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>342.5</td>
<td>3.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Net interest</td>
<td>(11.0)</td>
<td>7.6%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>331.5</td>
<td>3.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>IFRS profit before tax</td>
<td>317.8</td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>190.2p</td>
<td>6.3%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Proposed ordinary dividend</td>
<td>87.0p</td>
<td>7.4%</td>
<td></td>
</tr>
<tr>
<td>Special dividend</td>
<td>115.0p</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Positive percentage indicates favourable variance
Delivering sustained sales and profit growth

Continued top line momentum

- Reported currency sales
  - Group: +1.0%
  - Constant currency sales
    - Core Business: +3.8%

‘Value over volume’

- Return on sales: 24.7%
- Year on year change: +50 bps

Strong EPS growth

- Basic EPS: 190.2p
- EPS growth constant currency: +8.8%

A strong business getting stronger

Return on sales is adjusted operating profit divided by sales, at reported currency

Innovation you can build on™
Growing the Core

Sales £m

Constant currency sales +2.9%

2017 reported
Industrial Chemicals
Core Business underlying
Technology investments
Currency translation
2018 reported

Technology investments are IonPhasE and Plant Impact

1,373.1
(6.8)
38.0
8.8
(26.2)
1,386.9

Early stage sales in technology-led acquisitions

+1.0%
-1.9%
Profit growth ahead of sales growth

Adjusted operating profit £m

- Underlying growth: 24.8 (2018 reported: 24.8 - 2017 reported: 332.2)
- Technology investments:
  - 5.6 (2018: +7.5% - 2017: +7.5%)
  - 8.9 (2018: -1.7% - 2017: +6.6%)
- Currency translation:
  - 8.9 (2018: -2.7% - 2017: +11.1%)
- 2018 reported: 342.5

Cost investment in technology-led acquisitions

Technology investments are IonPhasE, Plant Impact, Nautilus, Cutitronics and SiSaf
**Consistent top line momentum**

**Strong consumer sales growth**
- Personal Care: +6.8%
- Life Sciences: +6.7%*
- Performance Technologies: +2.8%
- +1.4%

**With growth across all regions**
- Europe: +3%
- North America: +4%*
- Asia: +7%
- Latin America: +9%

**Sixth consecutive year of NPP growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>NPP % sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>20.5%</td>
</tr>
<tr>
<td>2014</td>
<td>23.4%</td>
</tr>
<tr>
<td>2016</td>
<td>27.5%</td>
</tr>
<tr>
<td>2018</td>
<td>28.2%</td>
</tr>
</tbody>
</table>

Constant currency

*Excluding API exit

Innovation you can build on™
Improved profit across the Core Business

Adjusted operating profit £m

- **2017 reported**: 332.2
- **Personal Care**: +4.9%, 7.6
- **Life Sciences**: +3.1%, 3.0
- **Performance Technologies**: +15.0%, 11.3
- **Industrial Chemicals**: (62.8%), (8.9)
- **Currency translation**: (2.7)
- **2018 reported**: 342.5

Constant currency

Innovation you can build on™
Personal Care
Strong sales growth & robust margin

Strong sales growth

- 100% growth
- +4.9%
- +6.8%

Growth in all 3 businesses

- High single digit % growth in Beauty Actives
- Solid growth in Beauty Effects
- Improved MNC engagement in Beauty Formulation
- Record NPP sales – 43%
- Increased technology investment
  - Actives
  - R&D
  - Biotechnology
  - Digital

Robust margin

- 32.9%
- -40 bps

Modest mix impact
Life Sciences
Fast growth & technology-led acquisitions

**Growth driven by strong high purity excipient sales**
- +2.8%
- +3.1%

**Strong margin despite Plant Impact investment**
- Return on sales: 29.5%
- -60 bps YOY change

**Strong growth offsets API exit**
- Health Care sales maintained – API contract exit fully replaced
- Supported by 30% growth in high purity excipients
- Mid single digit % sales growth in Crop Protection
- Biosector establishes access to exciting new Health Care market
- Seed Enhancement profit doubled in 3 years
- Plant Impact acquisition into third Crop market

Sales and operating profit growth in constant currency
Return on sales is adjusted operating profit divided by sales, at reported currency

Innovation you can build on™
Performance Technologies
Superior growth in profitability

Third year of double digit % profit growth

- Return on sales (adjusted operating profit divided by sales, at reported currency)
  - +15.0%
  - +1.4%

Driving ‘value over volume’

- YOY change:
  - +220 bps
  - 18.7%

Transition to higher value products

- Lower margin products exited – volume 8% lower
- Market-leading profitability achieved
- 3 core technology platforms established
- Growth in Energy Technologies – environmentally friendly additives
- IonPhasE integrated

Sales and operating profit growth in constant currency
Return on sales is adjusted operating profit divided by sales, at reported currency

Innovation you can build on™
Strong EPS growth driven by sales & margin

Basic EPS, p

Constant currency PBT +6.2%

2017 EPS reported: 179.0

Sales growth: +2.9%
Operating margin: +2.9%
Interest: +0.4%
Tax rate: 2.6%
FX: -2.5%

2018 EPS reported: 190.2

Constant currency PBT +6.2%
Robust financial platform supported by reducing capital investment

Net capital investment reducing

- **2017**: £157m
  - Bio: £92m
  - Other: £65m
- **2018**: £103m
  - Bio: £33m
  - Other: £70m

Free cash flow increasing

- **2017**: £99m
- **2018**: £155m

Leverage broadly flat

- **2017**: 1.0x, £382m
- **2018**: 1.1x, £426m

Minimal pension deficit

- **2017**: £21m
- **2018**: £12m

Leverage: Net debt / EBITDA. Net debt, EBITDA and free cash flow are defined in Results Press Release (Finance Review)
Pension deficit on IAS19 basis, after tax

Innovation you can build on™
## Confident outlook

### Summary
- Delivering strong performance
- Sales and profit growth in all three core sectors
- Investing in Stretching the Growth
- Excess capital returned

### Outlook
- Continue to invest for the future
- Improving free cash flow
- Further progress expected in 2019

NPP is New & Protected Products
Good capital discipline

**Capital Policy**

- **Reinvest to grow**
- **1.5x depreciation typically**

- **Regular dividend**
- **40-50% EPS pay-out over cycle**

- **Disciplined approach to acquisitions**

- **Excess capital returned**
- **1-1.5x leverage**

**Leverage at 31 December 2018 - 1.1x**
Investing for the Future
Stretching the Growth
Relentless innovation

INVENTING IN INNOVATION

Premium Niches

R&D

Smart Partnering

Sustainability

Technology acquisitions

Digitalisation

Stretching the Growth across our 3 core sectors
An established, powerful organic R&D model…

**Highlights**

- Doubled R&D facilities in last 4 years
- Moving closer to customers with local solutions
- 34 laboratories across 17 countries
- Highly co-ordinated R&D network
- Strong innovation pipeline for next 3-5 years

**R&D Locations**

- **North America**
  - 6 in 2018
  - 2 in 2014

- **Western Europe**
  - 14 in 2018
  - 8 in 2014

- **Latin America**
  - 4 in 2018
  - 1 in 2014

- **EEMEA**
  - 1 in 2018
  - 1 in 2014

- **Asia Pacific**
  - 9 in 2018
  - 4 in 2014

Accelerating product innovation
…supplemented by a powerful innovation model

Input

Organic R&D

Output

- Growing NPP
- Increased IP
- Higher margins
- Stronger cash generation & returns

Culture of Innovation

Open Innovation

Technology Investment
Accelerating number of Technology Investments (TI)

- 2013: 1 completed
- 2018: 4 completed

Growing sales from new technologies

- 2013: 1 completed
- 2018: 250% increase

Increasing number of Open Innovation (OI) partners

- 2013: 71
- 2018: >6x increase

Significant innovation pipeline

- TI
- OI
- R&D

>20% current sales*

*Management’s estimated value of current innovation pipeline on a risk-adjusted basis over the next 3 to 5 years
Sales from “new technologies” are from technology investments (excl. Incotec) and technology platforms created organically

Innovation you can build on™
Innovation in Personal Care
Accelerating in premium market niches

Organic growth - Crystalide™
- Preserves skin transparency
- Improves skin surface quality

Infraveil™ IR protection
- Patented new infra-red ageing protection
- Independently validated by recognised experts

Doubling NPP sales in six years
- Skin and hair actives
- Plant cell culture
- Sun care actives
- Biotechnology

Closer to customers in Japan
- 80% increase in customer contact
- 120% increase in customer projects
- 21% sales growth in 2018
Innovation in Life Sciences
Investing in high value niches

Incotec profit doubled since acquisition
- Invested in technology & manufacturing
- Acquired technology synergies delivered
- Seed enhancement products gaining new customers

Creating global R&D scale in Crop
- Mid-single digit sales growth
- Expansion in USA, Latam and Asia
- Plant Impact entry to biostimulants market

Fast growth in high purity excipients
- 30% increase in sales in 2018
- Doubling manufacturing in USA
- Investing in new purification technology

Biosector vaccine adjuvant specialist
- Extension to fast growth excipient portfolio
- Human vaccine market 9.0% CAGR
- Veterinary vaccine market 5.5% CAGR

CAGRs are 2018 - 2025
Innovation in Performance Technologies
Improved performance through value add

Introducing sustainable fabric protection
- Superior performance - delivers colour protection, softness & odour control
- Extends fabric life
- Renewable ingredient

Shifting focus in Energy Technologies
- Investment in people & capability
- Speciality additives in high value niches – lower CO2 emissions
- New lubricant testing laboratory in Singapore

Building in fast growth Smart Materials
- Success in electronic adhesives & coatings
- Speciality additives in high value niches
- Will drive stronger NPP growth

Growing our Flow Assurance acquisition
- Sales increased 300% since acquisition
- Strong NPP growth
- Closer to customers with Texas laboratory
Innovation through Digital

Adapting to evolving customer needs
- New services – eg CutiTron™ device
- Precision agriculture collaborations
- Big data supporting field trials

Connecting with new customers
- Creating new channels to market
- Connecting with customers – ingredient data on demand
- Single customer view

Accelerating new product development
- Computerised molecule synthesis
- High throughput screening at MIF & Nautilus
- Better knowledge management/sharing

Delivering with certainty
- Optimising our supply chain
- Improving availability and reducing working capital
- AI in manufacturing
Innovation is delivering returns

Accelerating Innovation

6
Successive years of NPP growth

>6x
Increase in number of technology partners since 2013

10.4x
R&D ROI for every £1 invested in R&D

2,000
New customers in last 2 years

Increasing IP

66%
Increase in number of patents granted in last 2 years

450%
Increase in number of open innovation projects since 2014

£218m
Invested in last 4 years in technology-led acquisitions

>£100m
New sales from technology-led platforms since 2012

Driving industry leading margins and strong cash generation