Tuesday 23 July 2013

Croda International Plc

Interim results for the six months to 30 June 2013

INCREASED PROFITS AND IMPROVING TRENDS IN KEY MARKETS

H1 Highlights	H1 2013	H1 2012 Restated*	% Change
Sales	**£562.7m**	£555.3m	+1.3
- Consumer Care	**£312.8m**	£309.2m	+1.2
- Performance Technologies	**£203.2m**	£204.2m	-0.5
- Industrial Chemicals	**£46.7m**	£41.9m	+11.5
Operating profit	**£139.1m**	£133.5m	+4.2
- Consumer Care	**£99.0m**	£96.5m	+2.6
- Performance Technologies	**£34.5m**	£32.8m	+5.2
- Industrial Chemicals	**£5.6m**	£4.2m	+33.3
Profit before tax – continuing operations	**£133.1m**	£125.2m	+6.3
EPS – continuing operations	**68.1p**	62.9p	+8.3
Dividend per share	**29.0p**	26.75p	+8.4

- **Further increase in pre-tax profits in challenging trading environment**
    - Group Return on Sales up to 25.4% in Q2 (2012: 24.9%)
- **Improved top line performance in Consumer Care**
    - On-going benefits of innovative, higher margin products
    - Strong growth with the major multi-nationals in Personal Care
    - Crop Care sales down but showing improved momentum through Q2
- **Continued progress in Performance Technologies**
    - Return on sales increased to 17.0% (2012: 16.1%)
    - Turnover impacted by soft automotive environment in Europe
- **Strong free cash flow generation, up 28%; Net Debt/EBITDA ratio 0.7x**
- **Acquisition of Specialty Products business of Arizona Chemical for £7.9m**

*2012 comparatives have been restated for discontinued operations and the revisions to IAS19

Q2 Highlights

	Q2 2013	Q2 2012 Restated	% Change
Sales	**£279.6m**	£273.4m	+2.3
Consumer Care	**£154.4m**	£150.1m	+2.9
Performance Technologies	**£100.8m**	£101.5m	-0.7
Industrial Chemicals	**£24.4m**	£21.8m	+11.9
Operating profit	**£71.1m**	£68.1m	+4.4
Consumer Care	**£49.8m**	£48.4m	+2.9
Performance Technologies	**£18.4m**	£17.0m	+8.2
Industrial Chemicals	**£2.9m**	£2.7m	+7.4
Profit before tax - continuing operations	**£68.0m**	£64.1m	+6.1

- **Consumer Care sales driven by double digit growth across Personal Care and Health Care in Europe; Crop Care down overall but back to growth by June**

- **Performance Technologies turnover impacted by continued weakness in the European automotive sector; however improving mix delivered record return on sales of 18.3%**

Commenting on the results Martin Flower, Chairman, said:

"These results demonstrate the resilience of Croda's strategy. Although the challenging trading environment has inevitably held back certain parts of the business, our leading positions in niche markets and steadfast commitment to innovation are reflected in improved profits and margins in all three business divisions.

Whilst we do not expect market conditions in Europe to improve in the near term, nor do we expect a repeat of the reduction in market demand seen in the second half of 2012. In Consumer Care, we anticipate that Crop Care will return to growth for the rest of the year, complementing the improving trends in Personal Care and Health Care seen in the second quarter. We also expect to see a return to sales growth in Performance Technologies compared to 2012. As a result, the Board believes that it will report further progress throughout the remainder of the year".

For further information please contact:

Steve Foots, Group Chief Executive — Tel: 01405 860551
Sean Christie, Group Finance Director

Charles Armitstead / Rosie Oddy, Pendomer Communications — Tel: 020 3603 5224

The company will broadcast the meeting with analysts live in a webcast commencing at 09:00AM on the company's website at www.croda.com.

Chief Executive's review

Interim results

Overall the market place remained challenging during the first six months. However, the declines seen in European demand across most sectors in 2012 began to moderate as we moved through the first half of 2013 with the exception of the automotive sector which remained very weak. Crop Care declined by 4.4% versus 2012 in the half but returned to growth in June. Whilst currency translation in the half was favourable overall, boosting turnover by 2.2%, turnover and profit growth in Asia was negatively impacted by the significant devaluation of the Japanese Yen. Volumes were down 0.9% as a result of the Crop Care and European automotive declines described above.

In this environment, Croda achieved good underlying growth in Latin America and Asia while North America held up well, particularly in Performance Technologies, however sales in Eastern Europe, the Middle East and Africa declined 16.2% with reductions in most business areas. Overall, sales increased 1.3% during the first half to £562.7m (2012: £555.3m) and operating profit was up 4.2% to £139.1m (2012: £133.5m). Group return on sales increased again to 24.7% (2012: 24.0%).

Group pre-tax profit increased 6.3% to £133.1m (2012: £125.2m), helped by the benefit of reduced interest rates, lower borrowings and reduced pension funding interest given the lower pension deficit.

Earnings per share increased 8.3% to 68.1p (2012: 62.9p) as a consequence of a reduced Group tax rate as emerging market growth outstripped that seen in some of the higher tax jurisdictions globally. The lower rate of UK corporation tax also contributed to this result.

Consumer Care

After a difficult 2012 in which the global personal care market grew by only 1.5% (and Europe was down by over 5%), we started to see an improvement in our biggest business area as we moved through the first half. Despite the austerity measures in place in a number of countries, we saw good demand for innovative products and strong sales growth with the major multi-nationals in Personal Care. Crop Care demand was very weak in the half, especially in Europe and North America, where there was an extremely late start to corn crop planting. However, the Crop Care sales decline reached its lowest point in April and the business was back into growth by June.

Consumer Care sales were up 1.2% in the half to £312.8m (2012: £309.2m) as the gains in Personal Care and Health Care were partially offset by the decline in Crop Care. Strong sales of innovative, higher margin products helped improve overall margins in the sector, with return on sales reaching 31.6% in the half (2012: 31.2%). Operating profit rose 2.6% to £99.0m (2012: £96.5m).

Performance Technologies

As was the case throughout 2012, we saw strong growth in most regions for Performance Technologies. However, total sales in this sector were suppressed by our exposure to the European automotive market, which continued to show steep declines. This affected our three biggest business areas in this sector: Lubricants, Polymer Additives and Coatings & Polymers. Geo Technologies and Home Care saw very good growth throughout the half. Overall, sales declined 0.5% to £203.2m (2012: £204.2m).

Progress towards our 20% return on sales target continued with margins increasing 0.9 percentage points versus 2012 to 17.0% in the half due to innovative product launches, improving mix and tight control of costs. This drove a 5.2% increase in Performance Technologies' operating profit to £34.5m (2012: £32.8m).

Industrial Chemicals

This sector has demonstrated consistent sales growth and good levels of profitability since we removed the last commodity site from our portfolio through the disposal of Cremona in November 2012. Over half the business is in speciality chemicals and we have developed some interesting new niches that command higher margins. Turnover was up 11.5% in the half to £46.7m (2012: £41.9m) and operating profit increased 33.3% to £5.6m (2012: £4.2m).

Quarter two results

Consumer Care

Overall, Consumer Care sales increased 2.9% to £154.4m (2012: £150.1m). Operating profit increased by 2.9% to £49.8m (2012: £48.4m). Trading was much better across Personal Care and Health Care, driven by double digit sales increases in Europe. Despite being our strongest performing business area for a number of years, the sales decline for Crop Care in the second quarter was more marked than that seen in quarter one. However the rate of decline moderated after April and the business was back into growth by June.

Performance Technologies

In quarter two, comparatives were the toughest of 2012 in the Polymer Additives and Lubricants business areas. Overall sales declined 0.7% to £100.8m (2012: £101.5m) as a result of continued weakness in automotive in Europe. However, the quality of business was good and the improving mix lifted return on sales to 18.3%, increasing operating profit by 8.2% to £18.4m (2012: £17.0m).

Industrial Chemicals

Turnover increased 11.9% to £24.4m (2012: £21.8m). Operating margins remained robust at 11.9% and operating profit rose 7.4% to £2.9m (2012: £2.7m).

Pre-tax profit

Pre-tax profit increased by 6.1% to £68.0m (2012: £64.1m).

Acquisition

On 24 May, Croda announced that it had completed the acquisition of the Specialty Products business of Arizona Chemical based in Jacksonville, Florida in the USA for £7.9m. The turnover of the business in 2012 was approximately £3.5m.

The acquisition adds a portfolio of class leading oil gelling polymers to Croda’s business and further expands its footprint in the polymers arena, while strengthening Croda’s leading position in speciality chemicals derived from renewable resources. The technologies and products of the acquired business are naturally derived polyamides with high bio-renewable content, covered by a range of patents.

Cash flow

Croda continues to be very cash generative with free cash flow increasing 28.2% to £111.7m (2012: £87.1m). Despite company contributions to the Group’s pension funds of £38.8m more than service cost, a £44.3m 2012 final dividend payment, acquisition costs totalling £7.9m and adverse currency translation of £8.4m, net debt only increased by £14.6m during the first half.

Balance sheet

Net debt stood at £222.3m (31 December 2012: £207.7m).

The post-tax pension deficit reduced to £86.9m (31 December 2012: £120.9m) mainly as a result of £38.4m company contribution to the UK scheme. This was the second (and largest) of a series of payments agreed with the scheme trustees following the triennial valuation in 2011.

Interim dividend

The directors propose to increase the interim dividend by 8.4% to 29.0p (2012: 26.75p), in line with the increase in earnings per share in the half.

Outlook

Whilst we do not expect market conditions in Europe to improve in the near term, neither do we expect a repeat of the reduction in market demand seen in the second half of 2012. In Consumer Care, we anticipate that Crop Care will return to growth for the rest of the year, complementing the improving trends in Personal Care and Health Care seen in the second quarter. We also expect to see a return to sales growth in Performance Technologies compared to 2012. As a result, the Board believes that it will report further progress throughout the remainder of the year.

Steve Foots
Group Chief Executive

Statement of directors' responsibilities

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The directors of Croda International Plc at 30 June 2013 are listed in the Group's Annual Report and Accounts for the year ended 31 December 2012. A list of current directors is maintained on the Croda website: www.croda.com.

By order of the Board

Steve Foots
Group Chief Executive

Sean Christie
Group Finance Director

23 July 2013

Independent review report to Croda International Plc

Introduction

We have been engaged by the Company to review the condensed interim financial information in the half-yearly financial report for the six months ended 30 June 2013, which comprises the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim balance sheet, condensed interim statement of changes in equity, condensed interim statement of cash flows, and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Croda International Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
23 July 2013

Condensed interim income statement

	Note	Unaudited £m **2013 First half**	Unaudited £m 2012 First half *restated	Audited £m 2012 Full year *restated
Continuing operations				
Revenue	2	**562.7**	555.3	1,051.9
Cost of sales		**(368.4)**	(363.9)	(695.0)
Gross profit		**194.3**	191.4	356.9
Operating expenses		**(55.2)**	(57.9)	(102.0)
Operating profit	2	**139.1**	133.5	254.9
Financial expenses	3	**(6.8)**	(8.9)	(17.8)
Financial income	3	**0.8**	0.6	1.2
Profit before tax		**133.1**	125.2	238.3
Tax		**(41.1)**	(40.6)	(74.1)
Profit after tax from continuing operations		**92.0**	84.6	164.2
Discontinued operations				
Loss after tax from discontinued operations	5	**-**	-	(13.2)
Profit for the period		**92.0**	84.6	151.0
Attributable to:				
Owners of the parent		**92.0**	84.6	151.0
		92.0	84.6	151.0

*The comparative results have been restated for changes in both IAS19 (employee benefits) and discontinued operations as appropriate.

	pence per share	pence per share	pence per share
Earnings per 10p share			
Basic earnings per share			
From continuing operations	**68.1**	62.9	121.9
From discontinued operations	**0.0**	0.0	(9.8)
	68.1	62.9	112.1
Diluted earnings per share			
From continuing operations	**67.2**	61.8	120.2
From discontinued operations	**0.0**	0.0	(9.7)
	67.2	61.8	110.5
Ordinary dividends			
Interim	**29.0**	26.75	26.75
Final			32.75

Condensed interim statement of comprehensive income

	Unaudited £m		Audited £m
	2013	2012	2012
	First half	First half restated	Full year restated
Profit for the period	**92.0**	84.6	151.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**15.7**	26.8	14.1
Tax on items that will not be reclassified	**(5.4)**	(9.4)	(7.5)
	10.3	17.4	6.6
Items that may be reclassified subsequently to profit or loss			
Currency translation	**2.5**	(6.2)	(8.2)
	2.5	(6.2)	(8.2)
Other comprehensive income/(expense) for the period net of tax	**12.8**	11.2	(1.6)
Total comprehensive income for the period	**104.8**	95.8	149.4
Attributable to:			
Owners of the parent	**104.8**	95.8	149.4
Total comprehensive income arising from:			
Continuing operations	**104.8**	95.8	162.6
Discontinued operations	**-**	-	(13.2)
	104.8	95.8	149.4

Condensed interim balance sheet

	Note	**Unaudited £m** **At 30 June 2013**	At 30 June 2012 restated	Audited £m At 31 December 2012 restated
Assets				
Non-current assets				
Intangible assets		**220.8**	205.6	213.1
Property, plant and equipment	6	**352.7**	341.2	338.3
Investments		**0.9**	0.9	0.9
Deferred tax assets		**49.5**	73.4	64.0
		623.9	621.1	616.3
Current assets				
Inventories		**185.4**	167.8	170.5
Trade and other receivables		**188.9**	186.9	162.9
Cash and cash equivalents		**36.0**	41.6	53.8
		410.3	396.3	387.2
Liabilities				
Current liabilities				
Trade and other payables		**(151.4)**	(172.4)	(136.5)
Borrowings and other financial liabilities		**(4.2)**	(10.2)	(5.4)
Provisions		**(7.9)**	(9.6)	(7.9)
Current tax liabilities		**(32.5)**	(31.2)	(24.3)
		(196.0)	(223.4)	(174.1)
Net current assets		**214.3**	172.9	213.1
Non-current liabilities				
Borrowings and other financial liabilities		**(254.1)**	(239.4)	(256.1)
Other payables		**(2.2)**	(4.3)	(2.7)
Retirement benefit liabilities		**(117.3)**	(168.5)	(165.8)
Provisions		**(14.9)**	(13.7)	(17.3)
Deferred tax liabilities		**(43.1)**	(45.0)	(43.2)
		(431.6)	(470.9)	(485.1)
Net assets		**406.6**	323.1	344.3
Shareholders' equity		**406.5**	323.0	344.2
Non-controlling interests in equity		**0.1**	0.1	0.1
Total equity		**406.6**	323.1	344.3

Condensed statement of changes in equity

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
Audited and restated						
At 1 January 2012	15.1	93.3	27.5	130.2	0.1	266.2
Profit for the year attributable to equity shareholders	-	-	-	151.0	-	151.0
Other comprehensive (expense)/income	-	-	(8.2)	6.6	-	(1.6)
Transactions with owners:						
Dividends on equity shares	-	-	-	(76.8)	-	(76.8)
Share based payments	-	-	-	4.4	-	4.4
Consideration received for sale of own shares held in trust	-	-	-	1.1	-	1.1
Total transactions with owners	**-**	**-**	**-**	**(71.3)**	**-**	**(71.3)**
Total equity at 31 December 2012	**15.1**	**93.3**	**19.3**	**216.5**	**0.1**	**344.3**
Unaudited						
At 1 January 2013	15.1	93.3	19.3	216.5	0.1	344.3
Profit for the period attributable to equity shareholders	-	-	-	92.0	-	92.0
Other comprehensive income	-	-	2.5	10.3	-	12.8
Transactions with owners:						
Dividends on equity shares	-	-	-	(44.3)	-	(44.3)
Share based payments	-	-	-	1.7	-	1.7
Consideration received for sale of own shares held in trust	-	-	-	0.1	-	0.1
Total transactions with owners	**-**	**-**	**-**	**(42.5)**	**-**	**(42.5)**
Total equity at 30 June 2013	**15.1**	**93.3**	**21.8**	**276.3**	**0.1**	**406.6**

Other reserves comprise the Capital Redemption Reserve of £0.9m (31 December 2012: £0.9m) and the Translation Reserve of £20.9m (31 December 2012: £18.4m).

Condensed statement of cash flows

	Note	Unaudited £m **2013 First half £m**	2012 First half £m restated	Audited £m 2012 Full year £m restated
Cash flows from operating activities				
Continuing operations				
Operating profit		**139.1**	133.5	254.9
Adjustments for:				
Depreciation and amortisation		**16.6**	15.3	31.1
Changes in working capital		**(23.4)**	(37.8)	(55.1)
Pension fund contributions in excess of service cost		**(38.8)**	(7.1)	(24.7)
Share based payments		**3.3**	3.9	1.8
Movement on provisions		**(1.3)**	(1.1)	(0.3)
Cash generated from continuing operations		**95.5**	106.7	207.7
Discontinued operations		**(1.0)**	0.1	0.4
Interest paid		**(4.4)**	(4.6)	(9.3)
Tax paid		**(23.9)**	(33.7)	(60.6)
Net cash generated by operating activities		**66.2**	68.5	138.2
Cash flows from investing activities				
Acquisition of businesses		**(7.9)**	-	(7.1)
Purchase of property, plant and equipment	6	**(19.4)**	(23.0)	(50.4)
Purchase of intangible assets		**(0.2)**	(1.3)	(1.9)
Proceeds from sale of property, plant and equipment		**-**	0.2	0.5
Proceeds from sale of businesses (net of costs)		**-**	16.1	17.1
Cash paid against non-operating provisions		**(1.3)**	(0.7)	(1.6)
Interest received		**0.8**	0.4	1.2
Net cash absorbed by investing activities		**(28.0)**	(8.3)	(42.2)
Cash flows from financing activities				
Additional borrowings		**-**	1.3	0.2
Repayment of borrowings		**(12.9)**	(24.3)	(6.7)
Net transactions in own shares		**0.1**	0.3	1.1
Dividends paid to equity shareholders	4	**(44.3)**	(40.7)	(76.8)
Other		**(0.2)**	(0.2)	(0.4)
Net cash absorbed by financing activities		**(57.3)**	(63.6)	(82.6)
Net movement in cash and cash equivalents		**(19.1)**	(3.4)	13.4
Cash and cash equivalents brought forward		**50.2**	37.5	37.5
Exchange differences		**1.3**	(0.8)	(0.7)
Cash and cash equivalents carried forward		**32.4**	**33.3**	50.2
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**36.0**	41.6	53.8
Bank overdrafts		**(3.6)**	(8.3)	(3.6)
		32.4	**33.3**	50.2

A reconciliation of the cash flows above to the movements in net debt is shown in note 7.

Notes to the interim report

1. a. General information

The Company is a public limited company (Plc) incorporated and domiciled in the UK. The address of its registered office is Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA. The Company is listed on the London Stock Exchange. This consolidated interim report was approved for issue on 22 July 2013. The financial information included in this interim financial report for the six months ended 30 June 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2012 is also unaudited. The comparative figures for the year ended 31 December 2012 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, did not contain an emphasis of matter paragraph and did not make a statement under section 498 of the Companies Act 2006.

b. Basis of preparation

This interim financial report for the six months ended 30 June 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 `Interim financial reporting' (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2012, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Restatement of comparatives
The comparative information presented in this report for 2012 has been restated in line with IAS 19 (revised) as detailed below. The information for the first six months of 2012 has been further restated to reflect the disposal of the Group's Cremona business in the second half of 2012 as discussed in note 5.

Going concern basis
After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim financial statements.

c. Accounting policies

With the exception of the adoption of IAS 19 (revised), as disclosed in more detail below, the accounting policies adopted in preparing this report are consistent with those used in the Group's financial statements for the year ended 31 December 2012 as described in those statements.

IAS 19 (revised) – Employee benefits
The revised standard on Employee Benefits was effective from 1 January 2013 and has been implemented from that date. The standard has made significant changes to the recognition and measurement of defined benefit expense and to the disclosures for post-employment benefits. All relevant comparatives have been restated, consequently operating profits are £0.3m and £0.5m lower than previously reported for 2012 first half and full year respectively, and net financial expenses are £7.2m and £14.4m higher for the same periods. Consequently, the total tax charge reduces by £2.1m and £4.4m for 2012 first half and full year respectively.

IFRS 13 – Fair value measurement
IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The Group has included the disclosures required by IAS 34 para 16A(j). See Note 10.

There are no new standards, amendments to existing standards or interpretations issued but not effective for the financial year beginning 1 January 2013 that have been early adopted, nor are any expected to have a material impact on the Group when they do become effective.

Tax policy
Taxes on income in interim periods are accrued using the tax rate that would be applicable to the expected total Group annual profit or loss.

2. Segmental information

The Group is organised on a worldwide basis into three main business segments, relating to the manufacture and sale of the Group's products which are destined for the markets of Consumer Care, Performance Technologies or Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker.

	2013 First half £m	2012 First half £m restated	2012 Full year £m restated
Revenue – continuing operations			
Consumer Care	**312.8**	309.2	586.4
Performance Technologies	**203.2**	204.2	382.8
Industrial Chemicals	**46.7**	41.9	82.7
	562.7	555.3	1,051.9
Operating profit – continuing operations			
Consumer Care	**99.0**	96.5	185.1
Performance Technologies	**34.5**	32.8	59.5
Industrial Chemicals	**5.6**	4.2	10.3
	139.1	133.5	254.9

There is no material trade between segments. All operating costs of the Group are allocated between the segments.

The Group's revenue from external customers in the UK is £25.5m (2012: £27.1m), in Germany is £61.3m (2012: £62.7m), in the US is £125.2m (2012: £127.9m) and the total revenue from external customers from other countries is £350.7m (2012: £337.6m).

No external customer represents more than 3% of the total revenue of the Group.

3. Net financial expenses

	2013 First half £m	2012 First half £m restated	2012 Full year £m restated
Financial expenses			
Bank interest payable	**(4.4)**	(4.6)	(9.3)
Expected return on pension scheme assets less interest on scheme liabilities	**(2.4)**	(4.3)	(8.5)
	(6.8)	(8.9)	(17.8)
Financial income			
Bank and other interest receivable	**0.8**	0.6	1.2
	0.8	0.6	1.2
Net financial expenses	**(6.0)**	(8.3)	(16.6)

4. Dividends paid

	Pence per share	**2013 First half £m**	2012 First half £m	2012 Full year £m
Ordinary				
2011 Final – paid June 2012	30.25	**-**	40.7	40.7
2012 Interim – paid October 2012	26.75	**-**	-	36.0
2012 Final – paid June 2013	32.75	**44.3**	-	-
		44.3	40.7	76.7
Preference (paid June and December)		**-**	-	0.1
		44.3	40.7	76.8

An interim dividend in respect of 2013 of 29.0p per share, amounting to a total dividend of £39.2m, was declared by the directors at their meeting on 17 July 2013. This interim report does not reflect the 2013 interim dividend payable. The dividend will be paid on 3 October 2013 to shareholders registered on 6 September 2013.

5. Discontinued operations

There were no operations discontinued in the six months ended 30 June 2013.

In November 2012, the Group sold its Italian manufacturing assets based at Cremona, along with the associated business, to GreenOleo SpA for a consideration of £3.9m, generating a loss on disposal of £11.5m, net of a deferred tax credit of £1.7m.

In January 2012, the loan note of £16.1m arising from the sale of the Group's Chicago site was repaid early by HIG Capital, the purchasers of the site. This early settlement gave rise to an exceptional profit of £1.6m.

During 2012 the environmental provision relating to sites previously occupied by discontinued businesses was increased by £2.6m in recognition of further information received relating to potential future liabilities.

The Group closed its Bromborough site in 2009. During 2012 the final deferred consideration of £0.8m was received in relation to the disposal of the site. Other exceptional income of £0.3m was received in 2012 in respect of other dormant sites.

	2013 First half £m	2012 First half £m restated	2012 Full year £m
Post tax operating loss from discontinued operations	**-**	(0.1)	(1.8)
Profit/(loss) on disposal and closure of discontinued operations	**-**	1.6	(8.8)
Exceptional environmental provision	**-**	(1.5)	(2.6)
Total loss after tax from discontinued operations	**-**	-	(13.2)

6. Property, plant and equipment

	2013 First half £m	2012 First half £m	2012 Full year £m
Opening net book amount	**338.3**	340.2	340.2
Exchange differences	**10.8**	(6.4)	(8.6)
Additions	**19.6**	23.0	50.8
Acquisitions	**-**	-	0.1
Disposals and write offs	**(0.2)**	(0.2)	(13.2)
Depreciation charge for period	**(15.8)**	(15.4)	(31.0)
Closing net book amount	**352.7**	341.2	338.3

At 30 June 2013 the Group had contracted capital expenditure commitments of £11.7m (2012: £13.4m).

7. Reconciliation to net debt

	2013 First half £m	2012 First half £m	2012 Full year £m
Net movement in cash and cash equivalents	**(19.1)**	(3.4)	13.4
Movement in debt and lease financing	**13.1**	23.2	6.9
Change in net debt from cash flows	**(6.0)**	19.8	20.3
Loans in acquired businesses	**-**	-	(0.9)
New finance lease contracts	**(0.2)**	(0.2)	(0.4)
Exchange differences	**(8.4)**	3.5	4.4
	(14.6)	23.1	23.4
Net debt brought forward	**(207.7)**	(231.1)	(231.1)
Net debt carried forward	**(222.3)**	(208.0)	(207.7)

8. Accounting estimates and judgements

The Group's critical accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain, or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

(i) Provisions - the Group has made significant provision for potential environmental liabilities. The environmental provision of £15.7m (31 December 2012: £16.9m) relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

8. Accounting estimates and judgements (continued)

In relation to the environmental provision, the directors consider that the balance will be utilised within 25 years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The Group has considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale and the overall level of provisions, the impact on the Group's results is not material.

(ii) Goodwill and fair value of assets acquired –the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates. However, as recoverable amounts significantly exceed carrying values including goodwill, there was no impairment within a reasonable range of assumptions.

(iii) Retirement benefit liabilities – the Group's principal retirement benefit schemes are of the defined benefit type. Recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be in line with consensus opinion. Total Group retirement benefit liabilities have reduced by £48.5m in the first half of 2013 to £117.3m due to: employers contributions in excess of service cost of £38.8m (primarily in the UK) and increased discount rates, asset returns and other actuarial assumption changes leading to net gains of £15.7m, offset by finance costs of £2.4m and currency translation differences of £3.6m.

9. Principal risks

Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are the same risks and uncertainties referred to and discussed in the Business Review section on pages 18 and 19 of the Group's most recent Annual Report and Accounts, which can be found on the Croda website: www.croda.com. These risks are; lack of innovation, ineffective M&A strategy, loss of market share, lack of growth in emerging markets, product liability, regulatory compliance, a major site event, loss of key personnel, interruption of raw material supply, major environmental incident, IT systems failure, management of pension fund assets and exchange rate movements.

10. Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks; currency risk, interest-rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2012. There have been no changes in the Group's risk management processes or policies since the year end.

Financial instruments

The Group accounts for financial instruments in accordance with IFRS 13. This standard requires disclosure of fair value measurements by level of the following hierarchy;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset of liability that are not based on observable market data (that is, unobservable inputs) (level 3).

None of the Group's financial instruments are held at fair value.

Fair values

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

The Group does not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differs from book value is the $100m ten year fixed rate loan note that was issued in 2012. At 30 June 2013 the fair value of the loan note was £70.9m (31 December 2012: £71.9m) compared to a book value of £65.9m (31 December 2012: £61.9m).

11. Related party transactions

The Group has not entered into any material transactions with related parties in the first six months of the year.

12. Business combinations

On 23 May 2013, the Group acquired the assets of Arizona Chemical's Specialty Products business for £7.9m. The acquisition brings a portfolio of class-leading, naturally derived oil gelling polymers that will complement and enhance the Group's existing product offering. Aside from inventory of £0.6m, no tangible assets were acquired and the excess of £7.3m has initially been posted to goodwill. A full evaluation of acquired intangible assets will be completed before year end.

During the first half of 2013 the Group completed its review of the July 2012 acquisition of IRB and concluded that there were a small number of separately identifiable intangible assets. The fair value of these assets was deemed to be £0.7m, with the balance of £4.9m recognised as goodwill.