CRODA

Press Release

23 July 2020

Results for the six months ended 30 June 2020

Strong business model delivers resilient performance

Croda International Plc ("Croda" or the "Group"), the speciality chemical company that creates high performance ingredients and technologies relied upon by industries and consumers globally, today announces its half year results for the six months ended 30 June 2020.

Highlights:

Adjusted[1] results		Half year ended 30 June 2020	2019	% change reported rate	% change constant rate[2]
Sales – Core Business[3]	£million	625.9	657.9	(4.9)	(6.0)
Operating profit	£million	161.6	179.4	(9.9)	(9.4)
Profit before tax (PBT)	£million	152.5	170.6	(10.6)	(10.1)
Basic earnings per share (EPS)	pence	88.8	98.2	(9.6)	(9.1)
Return on sales[4]	%	24.0	25.1	(1.1)ppts	n/a
Free cash flow[5]	£million	80.2	94.5	(15.1)	n/a

Reported results (IFRS)		Half year ended 30 June 2020	2019	% change
Sales	£million	672.9	714.7	(5.8)
Operating profit	£million	154.0	175.0	(12.0)
Profit before tax (PBT)	£million	144.9	166.2	(12.8)
Basic EPS	pence	84.1	95.6	(12.0)
Ordinary dividend per share	pence	39.5	39.5	-

Our response to COVID-19

Our priorities have been to protect the health and safety of our employees and balance the needs of all our stakeholders fairly. The response and commitment of all our employees has been exceptional, with almost all able to work effectively, either on site or from home. We have not furloughed employees, reduced pay or utilised government liquidity facilities. All our 19 principal manufacturing sites have remained in operation and raw material supply chains secure. We have supported our customers and suppliers, given financial assistance to the communities closest to our sites, and sustained our track record of paying regular dividends to shareholders. Through our actions, we aim to live up to our Purpose of using Smart Science to Improve Lives™.

Group highlights

Continued strength of business model demonstrated during challenging COVID-19 conditions

- Modest reduction in sales
  - Core Business sales 4.9% lower (-6.0% constant currency (CC))
  - Ongoing delivery of innovation: New & Protected Product (NPP) sales at 27.2% of total (2019: 28.3%)
- Resilient margin despite lower volume and adverse product mix
  - Adjusted operating profit 9.9% lower (-9.4% CC)
  - Return on sales 110 basis points (bps) lower at 24.0%
  - IFRS profit before tax 12.8% lower at £144.9m
- Strong balance sheet and healthy cash generation supporting continued investment
  - Capital investment in capacity expansion, digital platform for customers and expanded R&D
  - Technology-rich Health Care acquisition signed in July – important addition to speciality drug delivery capability
- 2019 final dividend paid in full and 2020 interim dividend maintained at 39.5 pence

Sector highlights

- Life Sciences continued to perform well with limited COVID-19 impact
    - 190 bps return on sales expansion to 32.5% with growth in higher value-add niches; sales 0.8% lower (-1.7% CC)
- Personal Care adversely impacted by consumer slowdown in second quarter but encouraging North Asia performance
    - Resilient return on sales of 30.4% (-290bps) despite adverse volume and mix impact; sales 8.1% lower (-9.5% CC)
- Performance Technologies progressively impacted by COVID-19 slowdown in industrial markets; strong home care & packaging markets
    - Weaker return on sales of 15.1% (-290bps) due to operating leverage; sales 4.6% lower (-5.6% CC)

Outlook:

Following a challenging second quarter, trading has stabilised but visibility is limited and the timing of recovery remains unclear. Life Sciences will benefit from the phasing of Crop Care sales and continued opportunities in Health Care. We anticipate consumer markets significantly impacted by lockdowns to recover more quickly than industrial end markets. We expect Group margin and cash generation to remain robust.

Steve Foots, Chief Executive Officer, commented:

"The response and commitment of all our employees to serve our customers during the COVID-19 pandemic has been exceptional and the strength of Croda's business model has been clearly demonstrated. Whilst customer demand has inevitably been impacted by the crisis, the strength and breadth of our portfolio, global footprint and flexible manufacturing have all helped to reduce its impact. This has enabled us to deliver a resilient performance with only a modest reduction in sales, a resilient margin and healthy cash generation. With a strong balance sheet, low leverage and robust liquidity, we have continued to pay our regular dividends, invest in future organic growth and secure a technology-rich acquisition in our fast-growing Life Sciences business.

"Despite current trading conditions remaining volatile, our strategy is unchanged and, by focusing on the future during these challenging times, we can accelerate delivery to enhance future growth and profitability."

Further information:

An analyst presentation will be available via webcast at 0900 BST on 23 July 2020 on www.croda.com/investors. To participate, please register in advance.

Investors:	David Bishop, Croda	+44 7823 874428
Press:	Charlie Armitstead, Teneo	+44 7703 330269

Sector financial summaries and definitions:

Sales	2020 £m	% change reported rate	% change constant rate	2019 £m
	Half year ended 30 June			
Personal Care	226.7	(8.1)	(9.5)	246.8
Life Sciences	182.9	(0.8)	(1.7)	184.3
Performance Technologies	216.3	(4.6)	(5.6)	226.8
Core Business	625.9	(4.9)	(6.0)	657.9
Industrial Chemicals	47.0	(17.3)	(17.8)	56.8
Group	672.9	(5.8)	(6.9)	714.7

Adjusted profit[1]	2020 £m	% change reported rate	% change constant rate	2019 £m
	Half year ended 30 June			
Personal Care	68.9	(16.1)	(16.6)	82.1
Life Sciences	59.4	5.3	7.4	56.4
Performance Technologies	32.7	(19.9)	(19.6)	40.8
Core Business	161.0	(10.2)	(9.7)	179.3
Industrial Chemicals	0.6	500.0	500.0	0.1
Operating profit	161.6	(9.9)	(9.4)	179.4
Net interest	(9.1)	(3.4)	(4.5)	(8.8)
Profit before tax	152.5	(10.6)	(10.1)	170.6

Negative percentage change denotes adverse movement, positive percentage change denotes favourable movement

[1]Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon, and are adopted consistently. The Board believes that the adjusted presentation 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.

[2]Reported currency results reflect current year performance translated at actual average exchange rates. Constant currency (CC) 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 uses the entity reporting currency. For constant currency sales, local currency rates are translated into the 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 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.

[3]Core Business comprises Personal Care, Life Sciences and Performance Technologies.

[4]Return on sales is adjusted operating profit divided by sales, at reported currency.

[5]Free cash flow is EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, interest and tax payments.

Other non-statutory terms are defined in the "Alternative performance measures" section of the Finance Review.

Croda International Plc
Group Performance Review

Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates. Alternative performance measures are defined in the Finance Review.

Strong business model delivers a resilient performance

The strength of Croda's business model has been demonstrated during the challenging market conditions created by the COVID-19 pandemic. Whilst customer demand has inevitably been impacted by the crisis, the strength and breadth of our product portfolio across consumer and industrial markets, our global footprint and customer intimacy, together with our flexible, batch chemistry manufacturing model have all helped to reduce its impact. This has been reflected in Croda's resilient performance, with only a modest reduction in sales, a resilient margin and healthy free cash flow.

Our resilience has enabled us to maintain our focus on the future at a time of industry uncertainty and to capitalise on the emerging trends in our markets. With a strong balance sheet, low leverage and robust liquidity, Croda has continued to invest in capacity for future organic growth, secured a technology-rich acquisition in our fast growing Life Sciences business, and sustained our track record of paying regular dividends to shareholders. Our strategy remains unchanged and, by focusing on the future during these challenging times, we can accelerate our strategic delivery to enhance future growth and profitability.

Our response to COVID-19

Our priorities during the COVID-19 crisis have been to protect the health and safety of our employees and balance the needs of all our stakeholders fairly. The response and commitment of all our employees to maintain business continuity and serve our customers has been exceptional. Almost all our employees have been able to work effectively, either on site, with strict social distancing measures in place, or from home. Over a third of our 35 global laboratories remained open throughout the crisis and all our research and development (R&D) locations have now returned to operation, protecting our future innovation pipeline. We have not furloughed employees, reduced pay or utilised government liquidity facilities.

All our 19 principal manufacturing sites have remained in operation, with only our Indian plant experiencing significant restrictions due to lockdown. Raw material supply chains have remained secure, with over 60% of our organic raw materials coming from bio-based sources, mostly sourced from multiple suppliers. We have supported our customers, suppliers and local communities; made supplies of free materials available for hand sanitiser production, COVID-19 vaccine research and PPE provision; and have given financial assistance to the communities closest to our sites. Through our actions, we aim to live up to our Purpose of using Smart Science to Improve Lives™.

Resilient first half performance

Core business sales fell by 6.0% in constant currency, and by 4.9% in reported currency, during the first half year, reflecting a slowdown in demand, particularly in consumer markets. In reported currency, Group sales were 5.8% lower at £672.9m (2019: £714.7m). The first quarter saw a continuation of the improving outlook noted at the 2019 full year results. With the spread of COVID-19 lockdowns through February and March, demand remained solid, with customers primarily focused on securing their own supply chains through Croda. During the second quarter, demand became more variable, exacerbated by the delay and retiming of customer orders.

Consumer product markets responded more rapidly to lockdown than our industrial end markets. As a result, Personal Care sales were hardest hit, 9% lower in the half year in constant currency (8% lower in reported currency). However, return on sales remained resilient at over 30%, demonstrating the defensive nature of the Personal Care business. Performance Technologies sales were 6% lower in constant currency (5% lower in reported currency), with slower industrial demand, particularly in the automotive market, partly offset by increased demand in home care and packaging. Return on sales was adversely impacted by lower volume and weaker product mix. Life Sciences sales were only 2% lower in constant currency (1% lower in reported currency), reflecting a limited impact from COVID-19. Continued growth in target markets in Health Care saw return on sales increase to over 32%, in line with our strategy.

Lower volume and adverse product mix saw adjusted operating profit 9.9% lower, and 9.4% lower in constant currency, at £161.6m (2019: £179.4m). As a result, return on sales declined to 24.0% (2019: 25.1%). Adjusted profit before tax was £152.5m (2019: £170.6m) and adjusted basic earnings per share (EPS) were 88.8p (2019: 98.2p). This was a creditable performance in challenging COVID-19 conditions.

After exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition totalling £7.6m (2019: £4.4m), profit before tax on an IFRS basis was £144.9m (2019: £166.2m), with basic EPS of 84.1p (2019: 95.6p). The prudent leverage and dividend policy we have adopted for many years has enabled us, after careful consideration of the position of all stakeholders and treating all groups consistently and fairly, to pay the 2019 final ordinary dividend of 50.5 pence per share and to declare an unchanged interim dividend for 2020 of 39.5p (2019: 39.5p).

Continued investment in future growth

Cash generation remained healthy, with free cash flow of £80.2m (2019: £94.5m). Encouragingly, there was no material slowdown in customer payments. We have accelerated our capital investment programme, continuing to build new capacity in growing market niches within our core sectors and investing in digital and R&D capabilities. Much of this capacity will be on stream to serve potential recovery and growth in 2021 and beyond.

Alongside reinvesting to deliver this organic growth and providing a regular dividend to shareholders, our priorities for capital allocation are to acquire disruptive technologies and operate with an appropriate balance sheet. The Life Sciences sector presents an exciting opportunity to combine both superior organic growth with acquisition opportunities. At the end of 2020 we expect to commission a doubling of our capacity in speciality excipient drug delivery systems, serving a market growing between 10 and 30% annually. Building on this leading position, earlier this month we announced an agreement to acquire Avanti Polar Lipids, Inc. for an initial consideration of US$185m. Avanti is an industry leader in drug delivery technologies, with lipids increasingly used for complex therapeutic drugs and next generation mRNA vaccines. It is an excellent partner for Croda's existing Health Care business, more than doubling our R&D capability in drug delivery and combining Avanti's leading position in early stage pharmaceutical research with Croda's access to global markets and manufacturing expertise. This will prove important to enhancing the capabilities and performance of Croda's Life Sciences business.

Mixed regional performance as COVID-19 impact unfolded

The geographical pattern of the impact of lockdowns broadly followed the pandemic's journey from East to West, with China being hit hardest at the beginning of the year but rebounding quickly. As a result, Core Business sales in the key North Asia region, covering China, Japan and South Korea, rose by 4% across the half year, and in Asia as a whole were flat. Widespread country lockdowns in Europe saw consumer demand reduce significantly during the second quarter, resulting in first half Core Business sales 7% lower, albeit that June saw a progressive relaxation in country restrictions.

By contrast, North America was more resilient, with consumer demand less impacted and Core Business sales only 1% lower in the first half, and signs of recovery later in the second quarter. Market conditions weakened progressively in Latin America through the second quarter, with Core Business sales 24% lower in the first half, exacerbated by a strong comparator in Crop Care.

Sector performance led by further profit growth in Life Sciences

The Life Sciences sector saw limited adverse impact from COVID-19 and continued to perform well in the first half year. With fewer prescriptions issued and delays to elective surgery during the crisis, there was some impact on demand in Health Care, but speciality excipients continued to see growth in this exciting niche. There was no discernible impact from the crisis on Crop Care, although delayed plantings in Latin America and a strong prior year comparator resulted in lower first half year sales, which should reverse in the second half year. Sector sales were 0.8% lower in reported currency (1.7% lower in constant currency) at £182.9m (2019: £184.3m). With the continued growth in higher value-add niches, adjusted operating profit increased by 5.3% (7.4% in constant currency) to £59.4m (2019: £56.4m), improving return on sales by 190 basis points to 32.5% (2019: 30.6%).

Personal Care was adversely impacted, particularly in Europe and Latin America. Consumer retail data showed a decline of nearly 15% in European second quarter sales, whilst the 'door-to-door' consumer selling model prevalent amongst customers in Latin America was hard hit by the need to maintain social distancing. Encouragingly, sales in North Asia recovered to be close to flat across the first half as a whole, and consumer sales in North America held up better than Europe. Overall, the use of 'at home' products has been more resilient than those associated with 'going out'. Skin care product usage is also typically resilient but was impacted by disruption to consumer sales channels, including luxury, travel and department stores. Sector sales were 8.1% lower in reported currency (9.5% in constant currency) at £226.7m (2019: £246.8m). Adjusted operating profit reduced to £68.9m (2019: £82.1m). Despite the lower volume and a mix impact from a higher proportion of sales of heritage 'at home' Beauty Formulation ingredients, return on sales remained resilient at 30.4% (2019: 33.3%) and we expect this to improve again as sales recover.

In Performance Technologies, customers ended 2019 with low inventories and focused on securing their supply chains in early 2020. Industrial demand subsequently slowed during the second quarter, particularly in the automotive sector, partially offset by stronger sales of speciality ingredients for the home care and packaging markets. Sector sales were 4.6% lower in reported currency (5.6% lower in constant currency) at £216.3m (2019: £226.8m). Adjusted operating profit reduced to £32.7m (2019: £40.8m), reflecting the impact of lower sales, higher operating leverage and lower production volume. This had a significant impact on return on sales which reduced to 15.1% (2019: 18.0%).

Accelerating our strategy delivery

In 2019 we adopted a new Purpose, to use our Smart Science to Improve Lives™. Our ambition is to be the most sustainable supplier of innovative ingredients, creating, making and delivering solutions to tackle some of the biggest challenges the world faces. By 2030 we will be Climate, Land and People Positive; that is, the impact that Croda has in these three key area of sustainability will be net positive to the planet. COVID-19 may be the challenge of 2020 but creating a sustainable future remains our long-term challenge.

Building on our Purpose, our strategy is to deliver:

- **Growth** - consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume;
- **Innovation** - increasing the proportion of New and Protected Products (NPP) that we sell; and
- **Sustainability** - aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.

2020 has so far proved a challenging year to deliver strategic progress. To date, growth has been broadly absent as markets have been impacted by COVID-19, reflected in our 6% decline in reported currency sales. Many innovation projects were also temporarily paused during lockdown. The proportion of our sales from NPP products was lower than prior year at 27.2% (2019: 28.3%). We do not expect there to be an impact on the medium-term innovation pipeline, with both our customers' and our R&D teams again operating from site. Our 35 customer innovation centres will be supplemented by major new centres under construction in Shanghai and the US, together with more than 100 active research projects in our network of 500 open innovation partners. Recent technology acquisitions continue to evolve; in the area of marine biotechnology, Nautilus Biosciences, acquired in 2018, is using high throughput robotics to screen its library of microbial extracts for potential anti-viral activity against coronaviruses. We have also continued to drive forward our transition to sustainability, developing decarbonisation roadmaps for our top ten carbon-emitting sites during the first half year. In recognition of Croda's leading position, we were awarded a Triple A ESG rating by the leading agency MSCI.

As our strategy remains unchanged, so too do the drivers behind this strategy. Global population growth is driving crop consumption, an ageing population is seeking better health and well-being, technology is transforming the way we live and interact, and climate change is demanding clean, renewable solutions. With our resilient business model and strong balance sheet to support us, we have focused on accelerating key elements of our strategy delivery, making bolder steps that capitalise on the current environment, planning ahead to enhance future growth and profitability.

Our key sector priorities are to:

- **Expand to Grow Life Sciences**. With its growing margin and exciting technologies aligned to global health and food sustainability trends, we continue to build our Life Sciences brand as a high value-add solution provider to our pharmaceutical and crop customers. We have accelerated investment in Life Sciences with organic expansion of our speciality excipients business and the acquisition of adjacent technologies to build a broad drug delivery business of global scale. We expect to complete our acquisition of Avanti during the third quarter, adding proprietary lipid technology, which increases the efficacy and safety of complex therapeutic drugs, to Croda's capabilities in drug delivery systems. Alongside improving sales from our recent vaccine adjuvant acquisition, Biosector, and strong R&D relationships in Crop Care, we expect to continue to grow sales and increase the margin in Life Sciences over the medium term;

- **Strengthen to Grow Personal Care**. COVID-19 does not appear to have changed the key market trends, which are driven by an ageing population, improved well-being and demand for sustainable products. As the leading global innovator, Croda will continue to scale its industry-leading Beauty Actives business, broaden the product portfolio in Beauty Effects and continue to reinvent the Beauty Formulation category. In the first half year, we successfully expanded our digital reach to locked-down customers, enhanced ingredient transparency for sustainable ingredients, and continued to develop new technologies and partnerships, such as our minority investment in novel personal care device innovator, Cutitronics. Despite short-term challenges, we expect to restore good top line growth and retain our excellent margin in Personal Care over the medium term; and

- **Refine to Grow Performance Technologies**. We are refining Performance Technologies to focus on high-tech markets and reduce exposure to cyclical business. The first half year saw progress in meeting demands for sustainable solutions in advanced technologies, with the launch of new customer products using our protein-based solutions in fabric conditioners and our first customers in home care for sustainable surfactants. We are expanding our geographic footprint, creating a major new R&D facility in Shanghai. We continue to reduce our business in oil and gas and traditional automotive applications, focusing on fast growth markets in electric vehicles and other renewable technologies. We expect to progressively overcome the cyclical nature of this business and to deliver modest sales growth at an improved margin in Performance Technologies over the medium term.

Alongside these sector priorities, investment continues to deliver an outstanding customer experience digitally, complementing Croda's successful traditional customer intimacy model. During lockdown, with few customer visits possible, we provided self-service product information to customers, instant connection to industry experts and tailored, insight-driven help. This resulted in 67% more 'live chat' interactions and 12% more website visits in the second quarter compared to the first quarter, together with a 400% increase in digital webinar participants compared to the same period in 2019. A digital selling office has been piloted in the US, nurturing and managing new and existing customers entirely digitally, and is now being rolled out to 13 global locations.

Other strategic priorities include continued investment to "fast grow" in Asia, more proactive M&A and scaling our recent investments in new technologies, such as biotech. We are also focused on organic expansion at our key manufacturing sites. In the first half year, these investments included expansion of our sales, marketing, technical and digital resource in China, negotiating the Avanti acquisition and capital expenditure of over £50m in projects to bring new manufacturing, R&D and customer service capacity on stream for 2021 and 2022.

The North American biosurfactant plant came online early in 2020. Following a successful commissioning phase, the plant is now producing the majority of our US feedstock demand, allowing replacement of traditional petrochemical surfactants with our ECO range of bio-based products, which deliver identical performance from sustainable ingredients for the first time. To date, two multinationals in the homecare market and one in the personal care market have adopted these bio-based surfactants and the pipeline for future annual sales of ECO products is close to US$20m. COVID-19 has adversely impacted short-term economics, with sanitiser-grade bioethanol in short supply, resulting in a high raw material price. We expect to be able to move to a cheaper feedstock, following plant trials in the second half year, but costs will be around US$10 million higher in 2020 as a result.

Protecting our people and the communities in which we operate is critical to Croda. In the first half of 2020 our good process safety performance was sustained, with no serious incidents or any with major accident potential. Our personal injury performance also continued to improve, ahead of target with a Total Recordable Injury Rate (TRIR) of 0.46 (2019: 0.60).

Outlook

Following a challenging second quarter, trading has stabilised but visibility is limited and the timing of recovery remains unclear. Life Sciences will benefit from the phasing of Crop Care sales and continued opportunities in Health Care. We anticipate consumer markets significantly impacted by lockdowns to recover more quickly than industrial end markets. We expect Group margin and cash generation to remain robust.

Croda has a strong business model, low leverage and robust liquidity and we will continue to accelerate key elements of our strategy to drive growth. This underpins our confidence and we expect to continue to generate value for all our stakeholders, with high quality sales growth at industry-leading margins and strong cash generation.

Finance Review

Currency

The impact of currency translation was limited in the first half year, slightly benefitting sales but marginally adverse on profit translation. The average rates against the Group's key currencies were US$1.261 (2019: US$1.294) and €1.145 (2019: €1.145).

Sales in reported currency reduced by 5.8% to £672.9m (2019: £714.7m). Constant currency sales fell by 6.9%.

Sales	£m	%
2019 reported	714.7	
Underlying growth	(49.6)	(6.9)
Impact of acquisitions	0.2	-
2020 constant currency	665.3	(6.9)
Impact of currency translation	7.6	1.1
2020 reported	672.9	(5.8)

In the Core Business, constant currency sales reduced by 6.0%. Volume was 2% lower, reflecting reduced demand during the COVID-19 period. Price/mix reduced by 4%, reflecting adverse raw material pricing and weaker product mix. Sales fell in all three sectors.

Sales at constant currency	% growth
Personal Care	(9.5)
Life Sciences	(1.7)
Performance Technologies	(5.6)
Core Business	(6.0)
Industrial Chemicals	(17.8)
Group	(6.9)

Adjusted profit

Adjusted operating profit decreased by 9.9% in reported currency to £161.6m (2019: £179.4m). Operating costs reduced, with the benefit of cost savings delivered at the end of 2019 and lower discretionary spend during the first half of 2020. These operating cost savings were partially offset by the start-up of the new North American biosurfactant plant in the early part of the year.

	Half year (reported rates)	
	2020 £m	Restated 2019 £m
Sales	672.9	714.7
Cost of sales	(362.4)	(385.3)
Gross profit	310.5	329.4
Adjusted operating costs	(148.9)	(150.0)
Adjusted operating profit	161.6	179.4
Net interest charge	(9.1)	(8.8)
Adjusted profit before tax	152.5	170.6

The classification of cost of sales and administrative expenses within the Income Statement has been revised to align more closely with the Group's inventory valuation policy and market practice. As a result, first half year 2019 comparative operating costs have been increased by £60.7m, with a corresponding reduction in cost of sales.

Adjusted operating profit declined by 9.4% in constant currency, primarily reflecting the lower sales. With lower volume and a weaker product mix, return on sales reduced to 24.0% (2019: 25.1%), reflecting Croda's resilient operating model.

Adjusted operating profit	£m	%
2019 reported	179.4	
Underlying growth	(16.9)	(9.4)
Impact of acquisitions	-	-
2020 constant currency	162.5	(9.4)
Impact of currency translation	(0.9)	(0.5)
2020 reported	161.6	(9.9)

This lower margin reflected the impact of adverse product mix in Personal Care, as Beauty Formulation's 'at home' use products held up better during the lockdown than the higher value-add Beauty Actives and Effects, together with the impact of lower sales, weaker product mix and lower production output in Performance Technologies. Life Sciences margin improved, reflecting increased volume in high value-add Health Care sales.

Adjusted operating profit	Half year 2020 Reported rates £m	Half year 2020 Constant rates £m	Half year 2019 Reported rates £m
Personal Care	68.9	68.5	82.1
Life Sciences	59.4	60.6	56.4
Performance Technologies	32.7	32.8	40.8
Core Business	161.0	161.9	179.3
Industrial Chemicals	0.6	0.6	0.1
Group	161.6	162.5	179.4

The net interest charge was broadly unchanged at £9.1m (2019: £8.8m) in reported currency, with the impact of higher net debt following the payment of the special dividend in May 2019 and an increase in committed facility headroom following the refinancing of the Group's debt facilities in the second half of 2019, mostly offset by lower interest rates. Adjusted profit before tax reduced to £152.5m (2019: £170.6m).

The effective tax rate was broadly flat at 25.0% (2019: 24.8%). There were no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Adjusted profit for the half year in reported currency was £114.4m (2019: £128.3m). Adjusted basic earnings per share (EPS) decreased to 88.8p (2019: 98.2p).

IFRS profit

IFRS profit is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, whereas the adjusted results are presented excluding these items. The charge for these adjusting items before tax was £7.6m (2019: £4.4m). Acquisition costs were £1.0m (2019: £0.1m), the charge for amortisation of intangible assets was £4.9m (2019: £4.3m) and the charge for exceptional items was £1.7m (2019: £nil), reflecting the delivery of the cost saving actions announced in the 2019 full year results. All items associated with delivering the cost savings have been presented as exceptional by virtue of their nature and for consistency across reporting periods. Profit before tax on an IFRS basis was £144.9m (2019: £166.2m), the profit after tax on an IFRS basis was £108.3m (2019: £124.8m) and basic EPS were 84.1p (2019: 95.6p).

Income statement	Half year ended 30 June 2020 £m	Half year ended 30 June 2019 £m
Adjusted profit before tax	152.5	170.6
Exceptional items, acquisition costs & intangibles	(7.6)	(4.4)
Profit before tax (IFRS)	144.9	166.2
Tax	(36.6)	(41.4)
Profit after tax (IFRS)	108.3	124.8

Cash management

With our strong profit and cash generating model and a limited adverse impact from COVID-19, Croda has continued to invest in future growth. Net capital expenditure accelerated to £50.9m (2019: £41.5m) with investments including capacity expansion in Health Care in the US and Japan, greater digital and innovation capability in China, a major new customer service and R&D facility in the US, expansion of our vaccine adjuvant facility in Denmark and increased capacity to meet future global demand growth on our key European plants. Working capital control remained good, with no adverse impact of COVID-19 on customer receivables. Free cash flow reduced slightly to £80.2m (2019: £94.5m), reflecting reduced EBITDA and higher investment.

Cash flow	Half year ended 30 June 2020 £m	 2019 £m
Adjusted operating profit	161.6	179.4
Depreciation and amortisation	31.8	30.5
EBITDA	193.4	209.9
Working capital	(13.5)	(27.9)
Net capital expenditure	(50.9)	(41.5)
Payment of lease liabilities	(4.9)	(4.3)
Non-cash pension expense	4.3	1.5
Interest & tax	(48.2)	(43.2)
Free cash flow	80.2	94.5
Dividends	(65.0)	(216.1)
Acquisitions	-	0.3
Other cash movements	(12.4)	(8.9)
Net cash flow	2.8	(130.2)
Net movement in borrowings	(17.1)	151.3
Net movement in cash and cash equivalents	(14.3)	21.1

Net debt and liquidity

After currency translation and including new leases (primarily the new US customer service centre), net debt increased to £577.1m (31 December 2019: £547.7m). The Group has a strong balance sheet, having completed its debt refinancing in 2019, with no material debt maturities falling due before 2023. As at 30 June 2020, the Group had committed funding in place of £1,090m, with undrawn long-term committed facilities (net of overdrafts) of £448.2m, £61.1m in cash and a leverage ratio of 1.5 times net debt to EBITDA (31 December 2019: 1.4x), compared to a covenant maximum of 3.5x, measured semi-annually.

We have reviewed the liquidity and covenant forecasts for the Group, which have been updated for the expected impact of COVID-19 on trading activities. We have also considered sensitivities in respect of potential downside scenarios and the mitigating actions available. These sensitivities include a severe but plausible downside scenario for the impact of COVID-19, which is materially worse than our experience of the crisis to date, alongside an additional scenario considered to be severe but remote. Relative to a base case scenario, the sensitivities assume increasingly pessimistic outlooks for global demand, coupled with slower economic recoveries. In both downside scenarios, demand remains significantly below 2019 levels throughout the remainder of 2020 and all of 2021. Furthermore, the downside scenarios assume a material increase in working capital, due to inventory build and higher customer receivables, and substantial margin erosion. This evaluation shows that, in both the downside scenarios, the Group continues to have robust liquidity and financial covenant headroom.

Post balance sheet event

Following the half year period, the Group signed an agreement to acquire Avanti Polar Lipids, Inc. for an initial consideration of US$185m and a potential earn-out of up to US$75m. This acquisition will be funded from a US$200m unsecured, committed three-year term loan, with financial covenant requirements consistent with the Group's existing facilities, provided by some of the Group's core relationship banks. Therefore, combined with Avanti's cash generation, the acquisition will have a limited impact on Croda's leverage and no material impact on its liquidity. The transaction is expected to close during the third quarter of 2020 and had no impact on the first half year financial statements.

Capital allocation

Croda has operated for many years with a prudent leverage and dividend distribution policy. This enabled the Board, after careful consideration of all stakeholders and treating all groups consistently and fairly, to pay the final 2019 ordinary dividend of 50.5 pence per share (£65.0m). In addition, given the resilience of the business model during the COVID-19 pandemic to date, Croda will pay an unchanged interim dividend of 39.5p (2019: 39.5p) in October 2020.

The Group's capital allocation policy remains to:

1. **Reinvest for growth** – invest in organic capital expenditure to drive shareholder value creation through new capacity, product innovation and expansion in attractive geographic markets to drive sales and profit growth;
2. **Provide regular returns to shareholders** – pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle;
3. **Acquire disruptive technologies** – to supplement organic growth, continue to target a number of exciting technology acquisitions in existing and adjacent markets, with a focus on strengthening our Personal Care business and expanding in Life Sciences. The Avanti acquisition is expected to significantly expand our Health Care position in drug delivery capabilities; and

4. **Maintain an appropriate balance sheet and return excess capital** – maintain an appropriate balance sheet to meet future investment and trading requirements, targeting leverage of 1.0 to 1.5x (excluding retirement benefit schemes) over the medium term cycle and moving above this range where appropriate. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities, having returned over £150m through a special dividend in 2019.

Brexit update

During the current transition period under the UK-EU Withdrawal Agreement, we have continued with our contingency planning for different Brexit scenarios after 2020. With 96% of sales and 84% of production outside the UK, the overall impact on Croda is expected to be relatively limited, with our focus on ensuring our ability to offer continuity of service and supply to our customers. This involves preparing changes to our European trading model, customer service and supply chains, and moving to new regulatory frameworks.

Retirement benefits

The post-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19, decreased at 30 June 2020 to £16.4m (2019: £43.3m), largely due to good returns on assets. Cash funding of the various plans is driven by the schemes' ongoing actuarial valuations. No deficit funding payments are currently required to the largest pension plan, the UK Croda Pension Scheme, with the next valuation due at 30 September 2020.

Alternative performance measures

We use a number of alternative performance measures to assist in presenting information in this statement in an easily analysable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include:

- Constant currency results: these 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 this Finance Review;
- Adjusted results: these are stated before exceptional items, 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;
- Return on sales: this is adjusted operating profit divided by sales, at reported currency;
- Net debt: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities;
- Leverage ratio: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is adjusted operating profit plus depreciation and amortisation;
- Free cash flow: comprises EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, and interest and tax payments.

Sector Performance Review

Personal Care impacted by consumer lockdown

Following a solid first quarter, which saw continued recovery in the North America market in particular, the personal care and beauty industry was significantly affected by COVID-19 lockdowns. China was impacted in the early part of the year but rebounded quickly, with good demand from local brands, and overall sales in North Asia broadly flat across the first half as a whole. With the near closure of the French cosmetic industry for several weeks and disruption to consumer sales channels globally in luxury, travel and department stores, Europe was significantly impacted, with consumer retail data showing a decline in sales of close to 15% in the second quarter. Latin America was also heavily impacted by the difficulties of a direct-to-doorstep consumer distribution model during social distancing. North America was less affected, with consumer sales data showing a more resilient performance apart from in the cosmetics and sun care markets.

For the first half year, sales declined by 9.5% and adjusted operating profit by 16.6%, both in constant currency. Sales/price mix declined by 3%, reflecting a weaker product mix, with volume 6% lower. In reported currency, sales were 8.1% lower at £226.7m (2019: £246.8m) and adjusted operating profit was £68.9m (2019: £82.1m). Return on sales reduced to 30.4% (2019: 33.3%), reflecting the adverse product mix and lower volume, which we expect to recover when sales growth returns. IFRS operating profit was £67.8m (2019: £81.8m).

Across the three business units, Beauty Formulation, with its heritage ingredient portfolio used in 'at home' products, was less impacted. The smallest business, Beauty Effects, was hardest hit, given its exposure to 'going out' products, such as solar protection and cosmetics. Disruption to consumer distribution channels adversely impacted Beauty Actives, but consumer usage of skin care products is likely to have remained resilient, with Boots reporting a record customer waitlist ahead of the launch of its No7 Advanced Retinol 1.5% Complex Night Concentrate containing Croda's Matrixyl® 3000+. We retained our customer portfolio and benefitted from new orders, due to the robustness and responsiveness of our close-to-customer supply chain, particularly where competitors faced supply delays.

The drivers behind Personal Care's 'Strengthen to Grow' strategy remain unchanged. Building on its presence in every major market, strong innovation pipeline and sector-leading margin, future growth will be driven by an ageing population, improved well-being, greater use of digitalisation, continued market fragmentation amongst our customers and the acceleration in demand for sustainable consumer products. Beauty Actives continued its industry-leading innovation and biotechnology expansion in the first half year, including the launch of Synchrolife™ from Sederma, which is of certified natural origin and counteracts the harmful effects of digital pollution, particularly relevant to consumers doing more work from home. Reflecting similar characteristics to this, Beauty Effects continues to broaden its product range to meet sustainable and lifestyle needs through organic innovation and partnerships, including Keramatch™ V, a vegan alternative to keratin to improve damaged hair. Beauty Formulation continues to reinvent its business, developing new points of differentiation; the first half year saw the launch of waterless formulations and the ECO range of sustainable bio-based surfactants which are expected to lead to new sales from 2021.

Digital engagement with customers has been a key driver. The first half year saw the continued roll out of 'live chat' across Asia, in addition to North America and Europe, resulting in a 50% increase in leads and webinars on more than 30 topics, with one fifth of delegates subsequently requesting samples. We are also providing enhanced ingredient transparency data to customers, to respond to growing consumer demand for sustainable ingredients and 'clean beauty'. The innovation pipeline remains robust, with NPP products representing 42% (2019: 43%) of total sector sales.

Continued margin expansion in Life Sciences

Life Sciences has seen limited impact from COVID-19. Health Care demand has been modestly affected, with fewer prescriptions being issued and delays to elective surgery. There has been no discernible impact from the crisis on Crop Protection, whilst the adjacent market of Seed Treatment has seen some impact on reduced demand for vegetables due to restaurant closures. Demand for speciality excipients and vaccine adjuvants resulted in overall first half year growth in Health Care, whilst sales in Crop Care were behind a tough comparator period.

Across the first half year, sales in Life Sciences were close to flat whilst profit improved. Sales fell by 1.7% on a constant currency basis but adjusted operating profit was 7.4% higher. Volume grew by 2% while price/mix was 4% lower, reflecting a lower share of Crop Protection sales due to in-year phasing. In reported currency, sales were 0.8% lower at £182.9m (2019: £184.3m) with adjusted operating profit up 5.3% to £59.4m (2019: £56.4m). Reported return on sales continued to strengthen to 32.5% (2019: 30.6%), reflecting the sector's continued migration to higher value-add technologies, an improved vaccine adjuvant performance and reduced Plant Impact loss. IFRS operating profit was £54.8m (2019: £53.1m). NPP sales accounted for 26.1% of total sales (2019: 28.7%), reflecting the timing of Crop Protection sales between the first and second half years.

In Health Care, the COVID-19 crisis is accelerating our progress in building a broad drug delivery business, as pharmaceutical customers look for high quality products supported by well-invested, stable and innovative partners. Our speciality excipients and adjuvants are being trialled in a number of COVID-19 related projects. With the continued growth in parenteral, biologic-based drugs and the requirements for speciality delivery systems to stabilise complex molecule formulations, the first half year saw double digit percentage growth in pharmaceutical excipients sales. We are continuing to build on our leading position in this niche market by launching new speciality excipients, adding sales and technical resource in Asia, and through organic investment to double manufacturing capacity in the US.

Similarly, with seven out of ten vaccines including adjuvants in their formulations to help trigger the immune response, the market for adjuvants is growing. We acquired Biosector at the end of 2018 to access this market and are now a leading supplier of safe and effective vaccine adjuvants, manufactured in the only aseptic and GMP-compliant facility in the world. After an initial period of lower sales due to customer destocking post the acquisition and lower animal vaccine demand due to African Swine Fever, sales are growing and benefitting from integration into the Croda selling network.

Crop Protection first half sales were lower against a strong comparator period (which had benefitted from early Latin America crop treatments). This was due to adverse weather which delayed planting in Latin America, expected to be recovered in the second half year, and voluntary withdrawal from products with a negative environmental footprint. North America recovered from the impact of last year's China trade dispute and our Asia footprint continued to expand. The first half year saw continued development with our crop science multinational customers and the launch of Hydravance™ 200 to retain moisture in the soil and Atplus™ DRT-EPS to reduce pesticide drift by controlling droplet size and ensuring better delivery to the crop. The integration of the Plant Impact biostimulants business continued, including more field trials to create future sales.

Whilst the first half year is seasonally quieter for Seed Enhancement, sales performance was good, with sustainability a key driver behind our launch of patented DISCO™ technology to create coatings for seeds that are free of microplastics. The period also saw the first sales of PaddyRise™, our rice seed coating technology.

Life Sciences' 'Expand to Grow' strategy continues to be delivered both organically and through acquisition, driven by the need to address environmental and social requirements, increasing technology demands of complex drug and crop actives, and the demand for increased crop yields through more sustainable treatments. We are supplementing organic growth with the acquisition of adjacent businesses in Crop Care, such as Incotec and Plant Impact. In Health Care, we acquired Biosector vaccine adjuvants in December 2018, and in July 2020 announced the addition of Avanti, a leader in lipid technology that is increasingly being used in next-generation drug delivery and vaccines. Through this acquisition we will significantly enhance our presence across the pharmaceutical product lifecycle, including early stage R&D, clinical trials, analysis and formulation, adding an exciting drug delivery technology to our fast-growing platform for healthcare excipients.

Limited sales impact in Performance Technologies

After a weak 2019, Performance Technologies experienced a steady recovery in demand during the first quarter. Customers initially moved to secure inventory in the supply chain as COVID-19 developed. With significant closures of automotive and industrial plants, sales progressively weakened during the second quarter. This general weakness in industrial demand was partially offset by strong sales into the hygiene market, as cleaning became the 'new health care', and in packaging markets, driven by greater protection of products from contamination.

First half year sales declined by 5.6% and adjusted operating profit by 19.6% in constant currency. Price/mix declined by 4%, reflecting lower raw material prices and more tactical business being secured in volatile market conditions, limiting the volume decline to 2%. In reported currency, sales declined by 4.6% to £216.3m (2019: £226.8m) and adjusted operating profit fell to £32.7m (2019: £40.8m). Return on sales decreased to 15.1% (2019: 18.0%), due to the higher operating leverage in this sector and from lower production at our sites in Europe and India. IFRS operating profit was £30.9m (2019: £40.0m). NPP sales reduced to 17.4% of total sales (2019: 19.4%) due to an increase in tactical business sales.

The Smart Materials business was relatively resilient, with polymer additives being used in many COVID-19 applications including PPE, medical devices, tapes and packaging. The first half year saw the launch of Ionphase trSTAT™ which controls static to avoid contamination in transparent plastic products. The Energy Technologies business was significantly impacted by lower lubricant demand in the automotive market and for flow control additives in oil and gas production. By contrast, the Home, Fabric & Water business grew strongly, reflecting COVID-19 demand, as well as increased sales of Coltide Radiance™, a protein-based technology that doubles the life of fabrics, and sales of ECO products from our new biosurfactants plant.

Performance Technologies' 'Refine to Grow' strategy will reduce exposure to more cyclical markets. This recognises the opportunities to grow in high-tech, higher growth markets and a drive to increase 'knowledge intensity' and deploy capital more selectively. We will continue to refine the product portfolio, focus on fast growing markets where we have technical competence and digital capability, develop the geographic footprint, especially in Asia, and leverage the sector's strong sustainability credentials to meet customers' product development needs. With sustainability a key driver for Performance Technologies, we are working with global manufacturers to enhance drivetrain lubrication in electric vehicles. We launched Hypermer Volt 4000™, a conductive carbon dispersant that improves battery capacity to meet electrification challenges across a range of industries. Rewitec, which we acquired last year and whose lubricant additives repair damage and extend the life of wind turbines, has been integrated into the Croda direct selling model, increasing our capabilities in this fast-growing market. A new China innovation and technical centre will open in Shanghai later this year.

Industrial Chemicals

We continue to reduce sales of low value co-product and tolling products. As a result, constant currency sales declined by 17.8%. In reported currency, sales were £47.0m (2019: £56.8m) and adjusted operating profit was £0.6m (2019: £0.1m). IFRS operating profit was £0.5m (2019: £0.1m).

Other matters

The principal risks and uncertainties facing the Group were set out in the Group's financial statements for the year ended 31 December 2019. There have been no changes in the Group's principal risks and uncertainties, risk management processes or policies since the year end, other than an increased recognition of the impact of pandemics. The risk of pandemic was already recognised in our risk register, although it was rated as having high impact/low likelihood and therefore did not feature in our principal risks.

Related party transactions during the period are set out in note 11.

Statement of Directors' Responsibilities

The Directors confirm that this condensed 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 condensed set of financial statements, 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 2020 were as follows (a list of current Directors is maintained on the Croda website: www.croda.com):

Anita Frew (Chair)
Steve Foots (Group Chief Executive)
Roberto Cirillo
Jacqui Ferguson
Dr Helena Ganczakowski
Professor Keith Layden
Jez Maiden
John Ramsay

By order of the Board

Steve Foots
Group Chief Executive

Jez Maiden
Group Finance Director

Independent Review Report to Croda International Plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Group condensed interim income statement, Group condensed interim statement of comprehensive income, Group condensed interim balance sheet, Group condensed interim statement of changes in equity, Group condensed interim statement of cash flows and the related explanatory notes.

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 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

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 UK. 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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 adopted by the EU.

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.

The purpose of our review and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Chris Hearld
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square
Leeds LS1 4DA

22 July 2020

Croda International Plc
Interim announcement of trading results for the six months ended 30 June 2020
Group Condensed Interim Income Statement

		First half 2020			First half 2019 (restated†)			Full year 2019 (restated†)		
	Note	**Adjusted £m**	**Adjustments £m**	**Reported Total £m**	Adjusted £m	Adjustments £m	Reported Total £m	Adjusted £m	Adjustments £m	Reported Total £m
Revenue	2	672.9	–	672.9	714.7	–	714.7	1,377.7	–	1,377.7
Cost of sales		(362.4)	–	(362.4)	(385.3)	–	(385.3)	(746.5)	–	(746.5)
Gross profit		310.5	–	310.5	329.4	–	329.4	631.2	–	631.2
Operating costs		(148.9)	(7.6)	(156.5)	(150.0)	(4.4)	(154.4)	(291.5)	(19.8)	(311.3)
Operating profit	2	161.6	(7.6)	154.0	179.4	(4.4)	175.0	339.7	(19.8)	319.9
Financial costs	3	(9.2)	–	(9.2)	(9.1)	–	(9.1)	(18.5)	–	(18.5)
Financial income	3	0.1	–	0.1	0.3	–	0.3	0.9	–	0.9
Profit before tax		152.5	(7.6)	144.9	170.6	(4.4)	166.2	322.1	(19.8)	302.3
Tax		(38.1)	1.5	(36.6)	(42.3)	0.9	(41.4)	(82.4)	3.9	(78.5)
Profit after tax for the period		114.4	(6.1)	108.3	128.3	(3.5)	124.8	239.7	(15.9)	223.8
Attributable to:										
Non-controlling interests		0.1	–	0.1	–	–	–	(0.1)	–	(0.1)
Owners of the parent		114.3	(6.1)	108.2	128.3	(3.5)	124.8	239.8	(15.9)	223.9
		114.4	(6.1)	108.3	128.3	(3.5)	124.8	239.7	(15.9)	223.8

Adjustments relate to exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

†The classification of cost of sales and administrative expenses in the Income Statement has been revised (see note 1c). First half 2019 comparative operating costs have been increased by £60.7m (2019 full year: £119.0m increase), with a corresponding reduction in cost of sales.

		Pence Adjusted	**Pence Reported Total**	Pence Adjusted	Pence Reported Total	Pence Adjusted	Pence Reported Total
Earnings per 10.61p ordinary share							
Basic		88.8	84.1	98.2	95.6	185.0	172.8
Diluted		88.7	84.0	97.9	95.3	184.6	172.4
Ordinary dividends paid in the period							
Interim	4		–		–		39.50
Final	4		50.50		49.00		49.00
Special	4		–		115.00		115.00

Group Condensed Interim Statement of Comprehensive Income

	2020 First half £m	2019 First half £m	2019 Full year £m
Profit after tax for the period	108.3	124.8	223.8
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-retirement benefit obligations	58.7	(36.0)	(56.5)
Tax on items that will not be reclassified	(9.9)	6.3	8.4
	48.8	(29.7)	(48.1)
Items that may be reclassified subsequently to profit or loss:			
Currency translation	30.4	(1.5)	(34.7)
Other comprehensive income/(expense) for the period	79.2	(31.2)	(82.8)
Total comprehensive income for the period	187.5	93.6	141.0
Attributable to:			
Non-controlling interests	0.5	–	(0.5)
Owners of the parent	187.0	93.6	141.5
	187.5	93.6	141.0
Arising from:			
Continuing operations	187.5	93.6	141.0

Group Condensed Interim Balance Sheet

	Note	At 30 June 2020 £m	At 31 December 2019 £m
Assets			
Non-current assets			
Intangible assets		456.6	445.3
Property, plant and equipment	5	865.4	805.2
Right of use assets	6	61.0	46.2
Investments		4.2	4.7
Deferred tax assets		11.6	11.8
Retirement benefit assets		31.6	10.2
		1,430.4	1,323.4
Current assets			
Inventories		294.0	268.9
Trade and other receivables		228.8	216.8
Cash and cash equivalents		61.1	81.9
		583.9	567.6
Liabilities			
Current liabilities			
Trade and other payables		(185.6)	(163.9)
Borrowings and other financial liabilities		(21.1)	(109.5)
Lease liabilities		(7.7)	(7.8)
Provisions	8	(7.8)	(10.9)
Current tax liabilities		(33.4)	(44.3)
		(255.6)	(336.4)
Net current assets		328.3	231.2
Non-current liabilities			
Borrowings and other financial liabilities		(558.4)	(476.6)
Lease liabilities		(51.0)	(35.7)
Other payables		(1.0)	(0.8)
Retirement benefit liabilities	8	(54.2)	(85.2)
Provisions	8	(5.4)	(5.3)
Deferred tax liabilities		(105.7)	(82.4)
		(775.7)	(686.0)
Net assets		983.0	868.6
Equity attributable to owners of the parent		975.5	861.6
Non-controlling interests in equity		7.5	7.0
Total equity		983.0	868.6

Group Condensed Interim Statement of Changes in Equity

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2019		15.1	93.3	68.7	813.4	7.5	998.0
Profit after tax for the period		–	–	–	124.8	–	124.8
Other comprehensive expense		–	–	(1.5)	(29.7)	–	(31.2)
Total comprehensive (expense)/income for the period		–	–	(1.5)	95.1	–	93.6
Transactions with owners:							
Dividends on equity shares	4	–	–	–	(216.1)	–	(216.1)
Share-based payments		–	–	–	(0.3)	–	(0.3)
Transactions in own shares		–	–	–	(6.7)	–	(6.7)
Total transactions with owners		–	–	–	(223.1)	–	(223.1)
Total equity at 30 June 2019		15.1	93.3	67.2	685.4	7.5	868.5
At 1 January 2020		15.1	93.3	34.4	718.8	7.0	868.6
Profit after tax for the period		–	–	–	108.2	0.1	108.3
Other comprehensive income		–	–	30.0	48.8	0.4	79.2
Total comprehensive income for the period		–	–	30.0	157.0	0.5	187.5
Transactions with owners:							
Dividends on equity shares	4	–	–	–	(65.0)	–	(65.0)
Share-based payments		–	–	–	1.0	–	1.0
Transactions in own shares		–	–	–	(9.1)	–	(9.1)
Total transactions with owners		–	–	–	(73.1)	–	(73.1)
Total equity at 30 June 2020		15.1	93.3	64.4	802.7	7.5	983.0

Other reserves include the Capital Redemption Reserve of £0.9m (30 June 2019: £0.9m) and the Translation Reserve of £63.5m (30 June 2019: £66.3m).

Group Condensed Interim Statement of Cash Flows

	Note	2020 First half £m	2019 First half £m	2019 Full year £m
Cash flows from operating activities				
Operating profit		154.0	175.0	319.9
Adjustments for:				
Depreciation and amortisation		36.7	34.8	66.4
Impairment		–	–	1.4
Profit on disposal of property, plant and equipment		(0.1)	(2.8)	(3.8)
Net provisions charged		1.7	–	10.5
Share-based payments		2.6	1.6	(5.2)
Non-cash pension expense		4.3	1.5	1.6
Share of loss of associate		0.5	0.3	0.8
Cash paid against operating provisions		(4.8)	(0.7)	(4.0)
Changes in working capital		(13.6)	(27.9)	1.6
Cash generated from operating activities		181.3	181.8	389.2
Interest paid		(8.8)	(7.9)	(17.0)
Tax paid		(39.5)	(35.6)	(68.3)
Net cash generated from operating activities		133.0	138.3	303.9
Cash flows from investing activities				
Acquisition of subsidiaries		–	0.3	(3.7)
Acquisition of associates and other investments		–	–	(1.3)
Purchase of property, plant and equipment		(48.2)	(42.7)	(105.2)
Purchase of other intangible assets		(2.9)	(1.7)	(5.8)
Proceeds from sale of property, plant and equipment		0.2	2.9	4.2
Cash paid against non-operating provisions		(0.4)	(0.5)	(1.1)
Interest received		0.1	0.3	0.9
Net cash used in investing activities		(51.2)	(41.4)	(112.0)
Cash flows from financing activities				
New borrowings		171.1	225.5	752.5
Repayment of borrowings		(188.2)	(74.2)	(637.1)
Payment of lease liabilities		(4.9)	(4.3)	(8.8)
Net transactions in own shares		(9.1)	(6.7)	(4.3)
Dividends paid to equity shareholders	4	(65.0)	(216.1)	(266.9)
Net cash used in financing activities		(96.1)	(75.8)	(164.6)
Net movement in cash and cash equivalents		(14.3)	21.1	27.3
Cash and cash equivalents brought forward		63.1	40.3	40.3
Exchange differences		2.3	(1.4)	(4.5)
Cash and cash equivalents carried forward		51.1	60.0	63.1
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		61.1	73.8	81.9
Bank overdrafts		(10.0)	(13.8)	(18.8)
		51.1	60.0	63.1

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

Notes to the Interim Financial Statements

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 2020. The financial information included in this interim financial report for the six months ended 30 June 2020 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 2019 is also unaudited. The comparative figures for the year ended 31 December 2019 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. These Group condensed interim financial statements have been reviewed, not audited.

b. Basis of preparation

This consolidated interim financial report for the six months ended 30 June 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2019, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Going concern basis

The potential impact of COVID-19 on the Group has been considered in the preparation of the interim financial statements including our evaluation of critical accounting estimates and judgements which are detailed further in note 8. The condensed consolidated financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

In 2019, the Group refinanced its principal bank debt and issued US private placement bonds at attractive pricing. At 30 June 2020 the Group had £1,090m of committed debt facilities available from its banking group, USPP bondholders and lease providers, with principal maturities between 2023 and 2030, of which £470.2m (30 June 2019: £350.3m) was undrawn, together with cash balances of £61.1m (30 June 2019: £73.8m).

The Directors have reviewed the liquidity and covenant forecasts for the Group, which have been updated for the expected impact of COVID-19 on trading activities. The Directors have also considered sensitivities in respect of potential downside scenarios, and the mitigating actions available, in concluding that the Group is able to continue in operation for a period of at least twelve months from the date of approving the interim financial statements. These sensitivities include a severe but plausible downside scenario for the impact of COVID-19, which is materially worse than the Group's experience of the crisis to date, alongside an additional scenario considered to be severe but remote. Relative to a base case scenario, the sensitivities assume increasingly pessimistic outlooks for global demand, coupled with slower economic recoveries. In both downside scenarios, we have assumed that our principal manufacturing sites continue to operate but that demand remains significantly below 2019 levels throughout the remainder of 2020 and all of 2021. Furthermore, the downside scenarios also assume a material increase in working capital, due to inventory build and higher customer receivables, and substantial margin erosion, predicated on a further deterioration in the economic conditions. In considering the suitability of these scenarios, the Directors have considered, among other factors, the potential impact of Brexit and the recent trading experience outlined in the Finance Review.

In both the downside scenarios, the Group continues to have significant liquidity headroom and good financial covenant headroom under its debt facilities. The Directors have also considered the impact on the Group from the agreement to acquire Avanti Polar Lipids, Inc. This acquisition will be funded from a US$200m unsecured, committed three year term loan, with financial covenant requirements consistent with the Group's existing facilities. Therefore, combined with Avanti's cash generation, the acquisition will have a limited impact on Croda's leverage and no material impact on its liquidity. The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

c. Accounting policies

Except for as set out below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's financial statements for the year ended 31 December 2019.

The Group has changed the classification of certain costs between cost of sales and administrative expenses. This change aligns cost of sales recognised in the income statement more closely with the Group's inventory valuation policy and market practice. As a result, first half year 2019 comparative operating costs have been increased by £60.7m (2019 full year: £119.0m increase), with a corresponding reduction in cost of sales. There has been no impact on the 2019 Group balance sheet or opening Group balance sheet as at 1 January 2019.

Other matters

For details on the principal risks and uncertainties facing the Group refer to note 10. For information on related party transactions during the period refer to note 11.

2. Segmental information

The Group's sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and 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.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis.

There are no significant seasonal variations which impact the split of revenue between the first and second half of the financial year.

Adjustments in the Group income statement of £7.6m (30 June 2019: £4.4m) include a £1.7m exceptional cost (30 June 2019: £nil), acquisition costs £1.0m (30 June 2019: £0.1m) and amortisation of intangible assets arising on acquisition of £4.9m (30 June 2019: £4.3m). The exceptional item in the current year relates to the delivery of cost saving actions announced in the 2019 full year results. The adjustments relate to our segments as follows: Personal Care £1.1m (30 June 2019: £0.3m), Life Sciences £4.6m (30 June 2019: £3.3m), Performance Technologies £1.8m (30 June 2019: £0.8m) and Industrial Chemicals £0.1m (30 June 2019: £nil).

	2020 First half £m	2019 First half £m	2019 Full year £m
Income statement			
Revenue			
Personal Care	226.7	246.8	485.2
Life Sciences	182.9	184.3	350.5
Performance Technologies	216.3	226.8	430.2
Industrial Chemicals	47.0	56.8	111.8
Total Group revenue	672.9	714.7	1,377.7
Adjusted operating profit			
Personal Care	68.9	82.1	162.1
Life Sciences	59.4	56.4	107.1
Performance Technologies	32.7	40.8	69.4
Industrial Chemicals	0.6	0.1	1.1
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	161.6	179.4	339.7
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition	(7.6)	(4.4)	(19.8)
Total Group operating profit	154.0	175.0	319.9

2. Segmental information continued

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group's Executive Committee.

	Europe £m	North America £m	Latin America £m	Asia £m	Reported Total £m
Revenue					
First half 2020					
Personal Care	77.3	71.7	22.4	55.3	226.7
Life Sciences	74.9	54.6	24.0	29.4	182.9
Performance Technologies	102.5	55.4	13.6	44.8	216.3
Industrial Chemicals	21.7	6.3	0.9	18.1	47.0
Total Group revenue	276.4	188.0	60.9	147.6	672.9
Revenue					
First half 2019					
Personal Care	88.2	71.2	29.9	57.5	246.8
Life Sciences	75.2	50.0	32.9	26.2	184.3
Performance Technologies	110.5	57.7	14.0	44.6	226.8
Industrial Chemicals	28.1	6.8	0.9	21.0	56.8
Total Group revenue	302.0	185.7	77.7	149.3	714.7

3. Net financial costs

	2020 First half £m	2019 First half £m	2019 Full year £m
Financial costs			
Bank interest payable	(8.1)	(8.6)	(17.2)
Net interest on retirement benefit liabilities	(0.6)	(0.1)	(0.3)
Interest on lease liabilities	(0.5)	(0.4)	(1.0)
	(9.2)	(9.1)	(18.5)
Financial income			
Bank interest receivable and similar income	0.1	0.3	0.9
Net financial costs	(9.1)	(8.8)	(17.6)

4. Dividends paid

	Pence per share	2020 First half £m	2019 First half £m	2019 Full year £m
Ordinary				
2018 final, paid May 2019	49.00	–	64.6	64.6
2018 special, paid May 2019	115.00	–	151.5	151.5
2019 interim, paid October 2019	39.50	–	–	50.7
2019 final, paid May 2020	50.50	65.0	–	–
		65.0	216.1	266.8
Preference (paid June and December)		0.0	0.0	0.1
		65.0	216.1	266.9

An interim dividend in respect of 2020 of 39.5p per share, amounting to a total dividend of £50.8m, was declared by the Directors at their meeting on 22 July 2020. This interim report does not reflect the 2020 interim dividend payable. The dividend will be paid on 1 October 2020 to shareholders registered on 21 August 2020.

5. Property, plant and equipment

	2020 First half £m	2019 First half £m	2019 Full year £m
Opening net book amount	805.2	780.3	780.3
Exchange differences	38.1	(2.0)	(27.5)
Additions	48.2	42.7	105.2
Disposals, write offs and reclassifications	(0.3)	(4.7)	(5.3)
Depreciation charge for the period	(25.8)	(25.2)	(46.8)
Impairments	–	–	(0.7)
Closing net book amount	865.4	791.1	805.2

Reclassifications in the prior period primarily relate to long-term lease assets reclassified from Property, plant and equipment to Right of use assets.

At 30 June 2020 the Group had contracted capital expenditure commitments of £57.6m (30 June 2019: £31.7m).

6. Right of use assets

	2020 First half £m	2019 First half £m	2019 Full year £m
Opening net book amount (2019 on transition)	46.2	46.0	46.0
Exchange differences	2.0	–	(1.6)
Additions	17.4	5.8	11.6
Remeasurements	0.5	(0.1)	(5.4)
Other disposals and write offs	(0.1)	(0.1)	(0.2)
Reclassifications	–	4.7	4.7
Depreciation charge for the period	(5.0)	(4.2)	(8.8)
Impairments	–	–	(0.1)
Closing net book amount	61.0	52.1	46.2

7. Reconciliation to net debt

	2020 First half £m	2019 First half £m	2019 Full year £m
Net movement in cash and cash equivalents	(14.3)	21.1	27.3
Net movement in borrowings and other financial liabilities	22.0	(147.0)	(106.6)
Change in net debt from cash flows	7.7	(125.9)	(79.3)
Non-cash movement in lease liabilities	(18.3)	(52.0)	(52.9)
Exchange differences	(18.8)	(0.3)	10.0
	(29.4)	(178.2)	(122.2)
Net debt brought forward	(547.7)	(425.5)	(425.5)
Net debt carried forward	(577.1)	(603.7)	(547.7)

8. Critical accounting judgements and key sources of estimation uncertainty

The Group's significant accounting policies under IFRS have been established 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 accounting judgements required when preparing the Group's accounts are as follows:

Provisions and contingent liabilities

The Group has recognised potential environmental liabilities and other provisions. The Group's assessment of whether a constructive or legal obligation exists at the reporting date (and can be measured reliably) is a key judgement in determining whether to recognise a liability or disclose a contingent liability. A liability is recognised only where, based on the Group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 9 unless the possibility of a loss arising is considered remote.

8. Critical accounting judgements and key sources of estimation uncertainty continued

At 30 June 2020, the Group has an environmental provision of £8.1m (31 December 2019: £8.1m) in respect of soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors expect that the balance will be utilised within ten 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 and the timing and quantum of costs are inherently uncertain. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure.

The Group has also 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, the impact is not material.

The critical accounting estimates and assumptions required when preparing the Group's accounts are as follows:

Post-retirement benefits

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 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 appropriate and in line with consensus opinion. Total Group net retirement benefit liabilities have decreased by £52.4m in the first half of 2020 to £22.6m. This movement comprises £4.3m of service costs in excess of contributions, £0.6m of net financial costs and £1.4m of currency translation losses offset by £58.7m of net actuarial gains.

Goodwill and fair value of assets acquired

Management are required to undertake a test for impairment of indefinite lived assets such as goodwill, both annually and when there are indications that the carrying value may not be recoverable. Accordingly, the Group tests 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 ('CGUs'). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU. Critical assumptions include the terminal value growth in EBITDA and the selection of appropriate discount rates.

Recoverable amounts currently exceed carrying values including goodwill. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above.

9. Contingent liabilities

The Group is subject to various claims which arise in the course of business. These contingent liabilities are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group.

The Group is also involved in certain environmental legal actions and proceedings. Whilst the Group cannot predict the outcome of any current or future actions or proceedings with any certainty, it currently believes the likelihood of any material liabilities to be low, and that the liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows. The Group also considers it has insurance in place in relation to any significant contingent liabilities. The environmental actions and proceedings the Group is subject to relate to our operations in the USA and are a matter of public record.

10. Principal risks and uncertainties

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. Regular reports are received from all sectors and regional operating units to enable prompt identification of financial risks so that appropriate action may be taken. In the management definition of capital the Group includes ordinary and preference share capital and net debt.

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 financial statements for the year ended 31 December 2019. There have been no changes in the Group's risk management processes or policies since the year end other than an increased recognition of the impact of pandemics. The risk of pandemic was already recognised in our risk register, although it was rated as having high impact/low likelihood and therefore did not previously feature in our principal risks.

Financial instruments

Financial instruments measured at fair value use 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 or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classed as level 2 with the exception of other investments and lease liabilities, which are classed as level 3.

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.

Prior to 2016, the Group did not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differed from book value was the US$100m fixed rate ten year bond that was issued in 2010. This bond was repaid on 28 January 2020. On 27 January 2020 a new US$100m 3.75% fixed rate ten year bond was issued.

The table below details a comparison of the Group's financial assets and liabilities where book values and fair values differ.

	Book value First half 2020 £m	**Fair value First half 2020 £m**	Book value Full year 2019 £m	Fair value Full year 2019 £m
US$100m 5.94% fixed rate 10 year bond	–	–	(76.4)	(76.5)
€30m 1.08% fixed rate 7 year bond	(27.3)	(28.0)	(25.6)	(26.2)
€70m 1.43% fixed rate 10 year bond	(63.6)	(68.1)	(59.7)	(63.1)
£30m 2.54% fixed rate 7 year bond	(30.0)	(31.1)	(30.0)	(30.6)
£70m 2.80% fixed rate 10 year bond	(70.0)	(75.6)	(70.0)	(73.2)
€50m 1.18% fixed rate 8 year bond	(45.5)	(47.9)	(42.6)	(44.4)
£65m 2.46% fixed rate 8 year bond	(65.0)	(69.1)	(65.0)	(66.4)
US$60m 3.70% fixed rate 10 year bond	(48.7)	(55.7)	(45.8)	(47.7)
US$100m 3.75% fixed rate 10 year bond	(81.2)	(93.5)	–	–

11. Related party transactions

The Group has no related party transactions in the first six months of the year, with the exception of remuneration paid to key management and Directors.

12. Post balance sheet event

Following the half year period, the Group signed an agreement to acquire Avanti Polar Lipids, Inc. for an initial consideration of US$185m and a potential earn-out of up to US$75m. This acquisition will be funded from a US$200m unsecured, committed three year term loan provided by some of the Group's core relationship banks. This will retain Croda's strong balance sheet and liquidity. The transaction is expected to close during the third quarter of 2020 and had no impact on the first half year financial statements.