

H1 2014 consolidated results (1st January to 30 June 2014)

Good medium-term growth prospects An adverse environment in 2014

- ✓ A reinforced managerial and operational structure
- ✓ Sales bolstered by Food & Beverage
- ✓ A major acquisition in an attractive market

Press release

Avignon, 29 August 2014 - Naturex, the global leader in specialty plant-based natural ingredients, announces consolidated results for the 2014 first half:

Income statement highlights

The full income statement is presented as an appendix to this press release.

€ millions IFRS	H1 ¹ 2014	H1 2013	Change (%)	FY 2013
Revenue	158.3	165.8	-4.5%	320.8
Gross margin	98.9	100.9	-2.0%	196.0
<i>Gross margin (%)</i>	<i>62.5%</i>	<i>60.9%</i>		<i>61.1%</i>
Recurring EBITDA	24.2	28.4	-14.7%	53.0
<i>Recurring EBITDA margin (%)</i>	<i>15.3%</i>	<i>17.1%</i>		<i>16.5%</i>
Current operating income	14.4	19.9	-27.7%	35.3
<i>Current operating margin (%)</i>	<i>9.1%</i>	<i>12.0%</i>		<i>11.0%</i>
Operating income after equity-accounted investees	13.3	19.3		34.5
<i>Operating margin (%)</i>	<i>8.4%</i>	<i>11.6%</i>		<i>10.7%</i>
Net income attributable to the Group	7.5	10.1	-26.1%	16.8
<i>Net margin (%)</i>	<i>4.7%</i>	<i>6.1%</i>		<i>5.2%</i>

Significant developments to capture future market growth

In a difficult macroeconomic environment that continued to deteriorate throughout the first half, exacerbated by particularly adverse foreign exchange effects, Naturex started to reap the benefits of its reinforced operating structure, focusing on developing products and solutions highlighting its R&D capacity and commercial know-how and also on executing new acquisitions in a sector in a phase of consolidation.

Naturex thus completed a major acquisition in the United States in the Fruits & Vegetables based ingredients segment offering significant growth potential. The integration of Vegetable Juices Inc., a key

¹ The Group's half-year consolidated financial statements (including the notes) were presented to the Audit Committee on 28 August 2014 and adopted by the Company's Board of Directors on 29 August 2014. The half-year consolidated financial statements have been audited by our Statutory Auditors who issued their report on 29 August 2014. The interim financial report including the consolidated financial statements and the notes thereto as well as management report for the six-month period ending 30 June 2014 has been filed with the AMF and posted at the Company's website on 29 August 2014.

player in the vegetable-based ingredients market, has enabled Naturex to strengthen its position in the United States, the world's largest market for ingredients and trendsetter in the food processing industry. This acquisition makes it possible to benefit from an expanded offering that will complete the existing F&V (Fruits & Vegetables) line of ingredients and generate a significant number of potential synergies, particularly in terms of cross-selling to US customers. It furthermore represents an expansion of technical and market application know-how.

To support external growth, Naturex carried out a capital increase with preferential subscription rights for gross proceeds €67.2 million that was a resounding success² and restructured with its banking partners its structured credit to align its financial structure with its development.

Finally, in the first half, Naturex pursued the development of Chile Botanics, the Chilean company specialised in Quillaja extracts acquired in December 2013: the production unit currently being completed, will come on line in September 2014. The acquisition in June of the operations of distribution and the formulation on extracts of *Quillaja Saponaria* and *Yucca Schidigera* from Berghausen Corporation (Chile Botanics' US distributor) has strengthened its position as a specialist in this market for highly technical ingredients.

Sales driven by strong contributions from Food & Beverage

Consolidated revenue for the 2014 first half amounted to €158.3 million, down marginally from last year's first half in a very unfavourable foreign exchange environment. Sales in the period also include a contribution from new acquisitions which is still limited (2%) and relating to the Food & Beverage business with the integration³ of Vegetable Juices Inc. and Chile Botanics.

Restated to adjust for Svetol® in the United States and krill toll manufacturing sales, first-half revenue was up 2.8% at constant exchange rates.

The principal operating highlights for the period by business segment and geographic region are as follows:

- **Food & Beverage** bolstered sales for the 2014 first half with quarterly levels exceeding all quarters of the prior year, attributable in particular to a better structured commercial organisation more focused on market applications, and despite the weakness of demand in Western Europe.
- **Nutrition & Health** was adversely impacted in the period by lowered revenue forecasts and the impact of destocking by certain customers in the United States. The US market is moreover less buoyant than in the past (though the main contributor to this business), whereas market penetration continued in emerging countries through interesting projects.
- **Personal Care** remains promising with the execution of new projects expected in the second half.
- **Toll Manufacturing**, restated to adjust for sales from krill toll manufacturing services, contributed marginally to sales in the period. Nevertheless, in light of the transfer of krill extraction operations to the joint venture with AKER BioMarine, development projects are currently underway.
- **In terms of performance by geographic markets**, the United States (restated to adjust for Svetol® sales), Latin America and the Asia/Pacific region showed solid growth in sales whereas Europe/Africa was adversely affected by difficult economic conditions in the euro zone as well as direct and indirect effects of the Ukraine-Russian crisis. Emerging countries accounted for 18% of Group sales with 7.7% growth at constant exchange rates for the period.

Operating indicators significantly impacted by an unfavourable foreign exchange environment

Naturex was adversely impacted by the negative effects of a foreign exchange environment that continued to deteriorate in the period; the weakness of a number of currencies, including the US dollar and certain emerging country currencies, relative to European currencies (EUR, GBP, CHF...)

² Subscriptions by irrevocable entitlement (*à titre irréductible*): 97.1% of shares to be issued / Subscriptions subject to reduction (*à titre réductible*): 1 share granted based on 103 rights presented

³ Integration of Vegetable Juices Inc. in June 2014 and Chile Botanics in January 2014

continued to weigh on Naturex's margins, with its products originating from production sites in Europe exported worldwide throughout our sales network.

- **The gross margin as a percentage of sales** improved, up from 60.9% in the 2013 first half to 62.5%, confirming the positive realignment of the product mix and reflecting measures taken by the Group to drive further gains in productivity, building on the forward momentum of 2013.
- **The decline in other operating income**, from €4.4 million in the 2013 first half to €1.5 million, that included a €0.5 million variation on gains and losses from asset disposals as well as a decline linked to the exceptional sale in H1 2013 (€1.0 million) relating to inventory for the "Yeast" range.
- **Staff costs** rose by €2.6 million (+7.4%). Restated to eliminate changes in Group structure linked to the integration of Chile Botanics and Vegetable Juices Inc., this line item increased by €1.9 million (+5.6%). This trend reflects mainly the sequencing of recruitment in connection with Group structuring measures launched at the end of 2012 and completed in the 2014 first half.
- **External charges** decreased by 8.5%, reflecting in part lower logistics costs, in line with the decline in sales. This line item was more efficiently managed with for example, a reduction in recruitment fees after certain recruitments were insourced and lower insurance expenses.
- **Recurring EBITDA** amounted to €24.2 million compared to €28.4 million in the 2013 first half; recurring EBITDA margin represents 15.3% of sales. **Current operating income** amounted to €14.4 million, compared to €19.9 million for the 2013 first half, for a current operating margin of 9.1% compared to 12% one year earlier (11% at 31 December 2013) reflecting the decline in revenue, amplified by a very unfavourable exchange rate effect and the weight of fixed costs.
- **Net income attributable to the Group** amounted to €7.5 million compared to €10.1 million in the 2013 first half, after a tax expense of €3 million compared to €5.2 million in H1 2013.

A sound financial position

At 30 June 2014, net financial debt totalled €213.9 million compared with €150.7 million at 31 December 2013. After taking into account net proceeds from the capital increase of €65 million paid on 3 July 2014 as well as repayment on 7 July 2014 of the €50 million bridge loan obtained in connection with the Vegetable Juices Inc. acquisition, restated net financial debt at 30 June 2014 stood at €149 million.

"Our results for the 2014 first half were directly impacted by a worldwide economic and geopolitical situation that has significantly deteriorated against the backdrop of a very unfavourable foreign exchange environment, resulting as a primary consequence in readjustments by our customers of their procurement plans and significant destocking. This in turn has limited the effects of measures adopted in connection with Group restructuring initiatives", commented Naturex's Chairman-CEO, Thierry Lambert.

"Despite this context, underlying trends in favour of natural ingredients remain positive and continue to offer important medium and long-term development prospects. This is particularly the case for the "Fruits & Vegetables" ingredients market where our position has been reinforced. In the 2014 second half, the Group expects to achieve modest organic growth in light of a more favourable comparison base, a good pipeline of projects that will include some noteworthy achievements, as well as the synergies that will start to be generated from Vegetable Juices Inc. Furthermore, the foreign exchange environment is expected to be more favourable though volatile."

Subsequent events

Appointment of a Chief Executive Officer - Naturex announced in July the appointment of Olivier Rigaud as Chief Executive Officer of the Group. The purpose of this appointment is to strengthen the Group's senior management to address the next phases of its development and prepare for the future. Thierry Lambert will remain Chairman of the Board of Directors and will assist Olivier Rigaud in order to facilitate the assumption of his duties in fall 2014. Following this transition period, Olivier Rigaud will be in charge of Group management and Thierry Lambert will work on missions relating to business

development, including the study of acquisitions and specific projects, in addition to the Chairing of the Board of Directors.

Rationalisation of the manufacturing base in the United States – Naturex closes the Shingle Springs production site in California by the end of August 2014. This decision concerns 17 employees. Naturex has operated this site since it was acquired from Brucia in 2002, with the main industrial site in the United States being the one located in New Jersey (South Hackensack) since the acquisition of Pure World in 2005. The California site had limited capacity that was devoted exclusively to blends of nutraceutical extracts coming from the New Jersey site.

You can receive all financial information of Naturex free of charge by signing up at: www.naturex.com

▶ **Availability of the 2014 interim financial report**

The interim financial report including in particular the management report, information on share capital, corporate governance, the main risks, as well as the outlook, the interim consolidated financial statements and notes thereto and the Auditors' report was filed with the AMF on 29 August 2014 (French version). It is available in electronic form from the website of Naturex while hard copy version of this document may be obtained from the Company at no charge. An English translation of this document will be available shortly.

▶ **SFAF analysts meeting of 2 September 2014**

Naturex will present its 2014 interim consolidated results at the analysts meeting (SFAF - French Society of Financial Analysts) of 2 September 2014 (admissions as from 9:30 a.m. and the meeting commencing at 10:00 a.m. at NYSE Euronext in Paris (39 Rue Cambon, 75001 Paris).

▶ **2014 financial information schedule**

2014 third-quarter sales	4 November 2014
2014 third-quarter results	28 November 2014
Revenue – FY 2014	3 February 2015
Results – FY 2014	31 March 2015

Consolidated income statement data

€ millions IFRS	H1 2014	H1 2013	Change (%)	FY 2013
Revenue	158.3	165.8	-4.5%	320.8
Gross margin	98.9	100.9	-2.0%	196.0
<i>Gross margin (%)</i>	<i>62.5%</i>	<i>60.9%</i>		<i>61.1%</i>
Operating subsidies	1.0	1.1		2.2
Other operating income	1.5	4.4		6.8
Staff costs	(37.0)	(34.4)	+7.4%	(69.1)
External charges	(38.3)	(41.9)	-8.5%	(79.5)
Taxes other than on income	(1.2)	(1.2)		(2.1)
Other current operating income and expenses	(0.7)	(0.6)		(1.3)
Recurring EBITDA	24.2	28.4	-14.7%	53.0
<i>Recurring EBITDA margin (%)</i>	<i>15.3%</i>	<i>17.1%</i>		<i>16.5%</i>
Amortisation, depreciation and impairment	(9.8)	(8.5)	+15.5%	(17.7)
Current operating income	14.4	19.9	-27.7%	35.3
<i>Current operating margin (%)</i>	<i>9.1%</i>	<i>12.0%</i>		<i>11.0%</i>
Other non-current operating expenses	(1.1)	(0.5)	-	(0.8)
Other non-current operating income	-	-	-	-
Net operating income	13.2	19.3	-31.5%	34.5
Share of net income of equity-accounted investees	0.1	-		(0.1)
Operating income after equity-accounted investees	13.3	19.3		34.5
<i>Operating margin (%)</i>	<i>8.4%</i>	<i>11.6%</i>		<i>10.7%</i>
Net borrowing costs	(3.9)	(2.9)	-	(5.4)
Other financial income and expenses	1.1	(1.1)	-	(3.1)
Income before tax	10.5	15.4	-31.8%	25.9
Tax expense	(3.0)	(5.2)	-42.7%	(9.0)
Net income attributable to the Group	7.5	10.1	-26.1%	16.8
<i>Net margin (%)</i>	<i>4.7%</i>	<i>6.1%</i>		<i>5.2%</i>

Naturex has been listed since October 1996 on NYSE Euronext in Paris, Segment B



Total number of shares comprising the share capital: 9,194,111 (August 2014)
ISIN FR0000054694

NATUREX is a component of the CAC@PME, CAC Small and Gaïa indexes.
Naturex is eligible for the "long only" Deferred Settlement Service (SRD) and French equity plans (PEA and PEA-PME).

Naturex established a Sponsored Level 1 American Depositary Receipt (ADR) program in the United States. Under this facility, Naturex's ADRs are traded over-the-counter in the United States under the symbol NTUXY.

TICKER: NRX - Reuters: NATU.PA - Bloomberg: NRX:FP - DR Symbol: NTUXY

About Naturex

Naturex is the global leader in speciality plant-based natural ingredients. The Group is organised around three strategic markets (food & beverage, nutrition & health and personal care) and produces and markets speciality plant-based ingredients for the food, nutraceutical, pharmaceutical and cosmetic industries.

Naturex's head office is based in Avignon. The company employs 1,600 people with 8 sourcing offices located throughout the world and high-performance manufacturing operations across 16 sites in Europe, Morocco, the United States, Brazil, Australia and India. It also has a global commercial presence through a dedicated network of sales offices in more than 20 countries.

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