

Good operating performances and financial discipline in executing the 2016 action plans

- ✓ Organic growth back on track: +5.3%
- ✓ Recurring operating EBITDA margin: 16.0%
- ✓ Proactive management of Working Capital Requirements

Press release

Avignon, 13 September 2016 - Naturex, the global leader in speciality plant-based natural ingredients, announces its consolidated results for the 2016 first half¹:

In €m	H1 2016	H1 2015 restated ²	Change (%)	FY 2015
Revenue	208.0	202.6	2.7%	397.8
Gross margin on COGS	57.8	47.5	+21.6%	94.6
<i>Gross margin on COGS (%)</i>	27.8%	23.5%		23.8%
Recurring operating EBITDA	33.2	26.3	+26.3%	54.2
<i>Current operating margin (%)</i>	16.0%	13.0%		13.6%
Current operating income	18.6	12.6	+47.0%	26.3
<i>Current operating margin (%)</i>	8.9%	6.2%		6.6%
Net operating income	19.1	10.9	+74.6%	23.1
<i>Operating margin (%)</i>	9.2%	5.4%		5.8%
Net income attributable to Naturex shareholders	12.2	2.9	+322.2%	0.6
<i>Net margin (%)</i>	5.9%	1.4%		0.1%

In accordance with the 2016 implementation plan, in the 2016 first half Naturex continued to apply the rigorous and disciplined measures introduced in 2015. These measures are designed to reduce the complexity of Naturex's operating model and optimise its cost structure while maintaining its capacities for agility, anticipation and innovation that are essential for ensuring sustainable growth and achieving the objectives of the Bright2020 strategic plan as defined by the "Care, Execute & Grow" priorities.³

Progress towards a sustainable and profitable model for growth in line with the 2016 implementation plan

Revenue⁴ for the 2016 first half amounted to €208.0 million, or organic growth 5.3%, like-for-like and at constant exchange rates. At current exchange rates, revenue was up 2.7% from the 2015 first half.

¹ Refer to the enclosed income statement presented by function of expense. The interim financial report including the consolidated financial statements and the notes thereto as well as the management report for the six-month period ending 30 June 2016 is available at the Company's website www.naturex.com, in the section Finance > Documents and publications.

² Impacts of IFRS 5 on discontinued operations

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⁴ Detailed information on 2016 first half revenue is provided in the press release published on 29 July 2016.

This foundation for sound organic growth was achieved by ongoing efforts to reduce the number of product references and build a higher value-added product mix based on key product categories⁵ identified through Bright2020. Bolstered by strong market trends in favour of products based on natural ingredients, the two strategic platforms, **My Natural Food** and **My Natural Selfcare** achieved rates for organic growth of 4.9% and 9.1% respectively.

In terms of geographic markets, implementing a more structured commercial organisation, supported by reinforced regional management, has made it possible to capture the momentum of emerging countries, with organic growth of 32.0% for the **Latin America** region and 20.0% for the **Asia-Pacific** region. The **Europe/Africa/Middle East** region, with 6.3% in organic growth, has been significantly impacted by the product portfolio's rationalisation and declining contributions from non-strategic activities. These impacts will continue in the 2016 second half. The **North America** region registered a marginal contraction of 1.9% like-for-like (constant currency and structure) from a high comparison base in the 2015 first half, and reflecting more stringent regulatory pressures in the nutraceutical market.

Disciplined execution in preparing for future growth

Significant efforts devoted to simplifying Naturex's operating model combined with preparations for future growth weighed upon the key balance sheet aggregates at 30 June 2016 compared with an exceptional situation in 2015, primarily and intentionally focused on actively reducing inventories.

- The **Working Capital Requirement** amounted to €186.1 million or 46% of sales, compared to €169.8 million at 30 June 2015 and €156.0 million at 31 December 2015. This increase reflects a proactive approach involving:
 - A continuing focus on actively managing customer credit risk, with a decline in days sales outstanding (DSO) to 54 vs. 55 at 31 December 2015, including peaks in activity in the period;
 - An increase in inventories to 44% of sales⁶ compared to 41% at 31 December 2015, resulting in part from product categorisation deployment and building a catalogue of references, and in part the effects of slower sales in the nutraceutical segment in the US;
 - A significant improvement in supplier payment terms reflecting the governance and management procedures that were implemented.
- **Net financial debt** at 30 June 2016 amounted to €158.1 million compared to €130.1 million at 31 December 2015, an increase of €28.0 million, and largely resulting from the decrease in cash by €29.9 million. The Debt-to-EBITDA leverage ratio⁷ is 2.69 x compared to 2.53 x at 31 December 2015 and gearing⁸ 43.1% compared to 35.4% at 31 December 2015.

First visible effects from the operational drivers and cost structure optimisation measures

The gross margin on COGS amounted to €57.8 million, up 21.6% compared to the 2015 first half after taking into account the cost of goods sold of €150.2 million which includes all costs linked to production, including labour costs.

The gross margin as a percentage of sales was 27.8%, down from 23.5% for the 2015 first half.

This 4.3 point increase is primarily due to:

- an improved industrial performance in the 2016 first half based on higher production levels compared to the same period last year;

⁵ Key product categories identified within the Bright2020 strategic plan: natural colours, natural antioxidants, fruit and vegetable-based ingredients, and phytoactives.

⁶ The Inventory-to-Sales ratio based on sales over a rolling 12-month period excluding Toll Manufacturing.

⁷ Defined as Net Financial Debt / recurring EBITDA over a rolling 12-month period.

⁸ Net financial debt / Equity.

- and a more favourable product mix effect as the product portfolio shifts to a higher added value product offering providing clinically substantiated benefits in the phytoactives category.

The presentation of expenses by function makes it easier to monitor progress in the 2016 implementation plan in terms of innovation, market access and simplification; and accordingly:

- **Selling and marketing expenses** amounted to €15.2 million compared to €12.6 million in the 2015 first half, up €2.6 million, reflecting measures taken to reinforce the commercial organisation, particularly in emerging countries. These expenses represented 7.3% of sales, up from 6.2% one year earlier.
- **Research and development expenditures** declined slightly by 3.3% to €5.9 million, due to the sequencing of certain projects and the reassignment of staff. These expenses represented 2.8% of sales compared to 3.0% in the 2015 first half and should accelerate in the coming months, as announced;
- **General and administrative expenses** amounted to €18.4 million, up from €16.2 million in the 2015 first half and represented 8.8% of sales compared to 8.0% in the 2015 first half. This increase is partly due to the integration of the indirect procurement function as well as a higher contribution from managerial functions reflecting improvements made to the Group's organisational structure.

Recurring operating EBITDA amounted to €33.2 million, up 26.3% for a margin of 16.0% compared to 13.0% in the 2015 first half. This performance illustrates both the first effects of the operating drivers generated by the increase in production of industrial sites, higher added value in the product mix and also ongoing measures to optimise the cost structure initiated in 2015.

Consolidated operating profit totalled €19.1 million, up from €10.9 million in the 2015 first half and after €0.9 million in other non-current operating expenses and €1.3 million in other non-current operating income. This latter item represents the reversal of impairment charges for the Palafolls manufacturing site in Spain whose closure was announced in May 2015 and for which exclusive negotiations for its sale are currently in progress. The operating margin was 9.2%, up from 5.4% one year earlier.

Net income multiplied by four, a sign of a more balanced business model

After a **tax expense** of €6.9 million (at an effective tax rate of 36.0%), **net income** attributable to Naturex shareholders amounted to €12.2 million. In the 2015 first half, the tax expense amounted to €2.8 million (at an effective tax rate of 37.4%) for net income attributable to Naturex shareholders of €2.9 million including a €1.7 million loss from discontinued operations corresponding to the divestment from the joint venture with Aker BioMarine. **The net margin** amounted to 5.9% at 30 June 2016 compared to 1.4% at 30 June 2015.

On that basis, **net earnings per share**⁹ registered strong growth, from €0.5031 for the 2015 first half to €1.3209 in the 2016 second half.

"We are very proud of the results of this year's first half and I wish to thank all Naturex teams for their strong engagement in the execution of our roadmap. With organic growth of 5.3%, a significant improvement in the recurring operating EBITDA margin and also earnings per share, Naturex demonstrated in this period its ability to streamline its operating model in order to achieve its short-term priorities, by preparing the conditions for strong, sustainable and profitable growth by 2020." commented Olivier Rigaud, Chief Executive Officer and Director of Naturex.

"In the 2016 second half, we will pursue these actions by applying the same management rigour and discipline to accelerate this simplification, reduce our inventory levels and optimise our manufacturing base. Our markets offer numerous opportunities for growth, particularly in emerging countries, and Naturex is well-positioned to play a major role in the shift from synthetic to natural. Continuing volatile global macroeconomic conditions and cyclical

⁹ Basic earnings per share from continuing operations

or regulatory pressures with potential for weakening selected markets that are important for the Group call require us to remain particularly vigilant.

We however are confident in our ability to achieve a recurring operating margin in line with analyst consensus for 2016."

Watch the video interview of Olivier RIGAUD commenting on 1st half-year results 2016 :
eurobusinessmedia.com/ceo-direct/naturex/interview-with-ceo-olivier-rigaud-h1-2016-results

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

► **Availability of the 2016 interim financial report**

The 2016 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 13 September 2016 in French version (after the close of trading) ; English translation will be available in few days. This report was presented to the Audit Committee on 7 September 2016 and approved by the meeting of the Company's Board of Directors on 12 September 2016. It is available in electronic form from the website of Naturex while hard copy versions of this document may be obtained from the Company at no charge.

► **SFAF analysts meeting of 14 September 2016**

Naturex will present its 2016 interim consolidated results at the analysts meeting (SFAF - French Society of Financial Analysts) of 14 September 2016 at 10 a.m. (admissions as from 9:30 a.m) at the offices of ORRICK, 31 Avenue Pierre 1er de Serbie, 75016 Paris.). A webcast of the presentation will be available live and by retransmission from the following link:

ACCESS TO THE WEBCAST

Analysts meeting (SFAF - French Society of Financial Analysts) of 14 September 2016 at 10:00 a.m.

Access to the webcast from a computer

To access the live or replay version of this webcast from a computer, click on: <http://edge.media-server.com/m/p/kmyntjk5/lan/en>

Access to the webcast from a mobile device - QR code

To access the live or replay version of this webcast from mobile phones or tablet devices using iOS and android operating systems:



▶ Financial schedule

- 2016 third-quarter revenue and financial information 15 November 2016

▶ Upcoming events

- Capital Market Days (Avignon) 27 and 28 October 2016
- Actionaria tradeshow (Paris) 18 and 19 November 2016

About Naturex

Naturex sources, manufactures and markets natural speciality ingredients for the food, health and cosmetic industries. As the Natural Maker, the company actively supports the global shift from synthetic to natural through an offer built on two main focus areas: My Natural Food and My Natural Selfcare. Naturex's portfolio includes colours, antioxidants, speciality fruits & vegetables, phytoactives, and numerous other plant-based natural ingredients, designed to create healthy, authentic and effective products.

The Group's strong commitment to quality, sustainability, continuous innovation process, and the talent of its people are at the heart of its success.

Headquartered in Avignon, France, Naturex has experienced steadily-increasing growth throughout the last 20 years. The group posted €397.8 million in sales in 2015 and employs 1,700 people worldwide.

The Group is listed on Euronext Paris, Compartment B – Index: Euronext Next 150, Euronext CAC PEA-PME 150, CAC Small & Mid, CAC Small, Gaïa - Ticker: NRX - Reuters: NATU.PA - Bloomberg: NRX:FP - DR SYMBOL: NTUXY

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APPENDICES

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 2016 is available at the Company's website www.naturex.com, in the section Finance > Documents and publications.

Income statement by function

In €m	H1 2016	H1 2015 restated ¹⁰	Change (%)	FY 2015
Revenue	208.0	202.6	2.7%	397.8
Cost of goods sold	(150.2)	(155.1)	-3.1%	(303.2)
Gross margin on COGS	57.8	47.5	+21.6%	94.6
<i>Gross margin on COGS as a %</i>	27.8%	23.5%		23.8%
Other operating income	1.3	1.4	-9.2%	3.9
Selling and marketing expenses	(15.2)	(12.6)	+20.6%	(24.9)
Research and development expenses	(5.9)	(6.1)	-3.3%	(11.9)
General and administrative expenses	(18.4)	(16.2)	+13.4%	(32.6)
Obsolete inventories	(1.0)	(1.5)	-30.5%	(2.8)
Current operating income	18.6	12.6	+47.0%	26.3
<i>Current operating margin (%)</i>	8.9%	6.2%		6.6%
Other non-current operating expenses	(0.9)	(1.7)	-50.4%	(3.2)
Other non-current operating income	1.3	-		-
Net operating income	19.1	10.9	+74.6%	23.1
<i>Operating margin (%)</i>	9.2%	5.4%		5.8%
Net borrowing costs	(3.3)	(3.8)		(7.2)
Other financial income and expenses	3.3	0.3		(1.2)
Profit before tax	19.1	7.4		14.7
Income tax expense	(6.9)	(2.8)		(11.3)
Net income from continuing operations	12.2	4.6	+164.0%	3.3
<i>Net margin of continuing operations (%)</i>	5.9%	2.3%		0.8%
Net income from discontinued operations	-	(1.7)		(2.8)
Net income attributable to Naturex shareholders	12.2	2.9	+322.2%	0.6
<i>Net margin (%)</i>	5.9%	1.4%		0.1%

¹⁰ Impacts of IFRS 5 on discontinued operations

Recurring operating EBITDA

€ millions IFRS	H1 2016	H1 2015 restated ¹¹	Change (%)	FY 2015
Current operating income	18.6	12.6	+ 47.0%	26.3
<i>Current operating margin (%)</i>	<i>8.9%</i>	<i>6.2%</i>		<i>6.6%</i>
Amortisation, depreciation and impairment	13.6	12.2	+ 11.2%	25.1
Obsolete inventories	1.0	1.5	-30.5%	2.8
Recurring operating EBITDA	33.2	26.3	+26.3%	54.2
<i>Recurring operating EBITDA margin (%)</i>	<i>16.0%</i>	<i>13.0%</i>		<i>13.6%</i>

¹¹ Impacts of IFRS 5 on discontinued operations