Natra

Presentation of Results Q4 2017
28 February 2018

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- The Appendices hereto contain further information and enhance its transparency, including a definition of the terms used and a reconciliation between the corresponding performance indicators and the consolidated financial reporting under the IFRS.

Contents

1.Executive Summary Q4 2017

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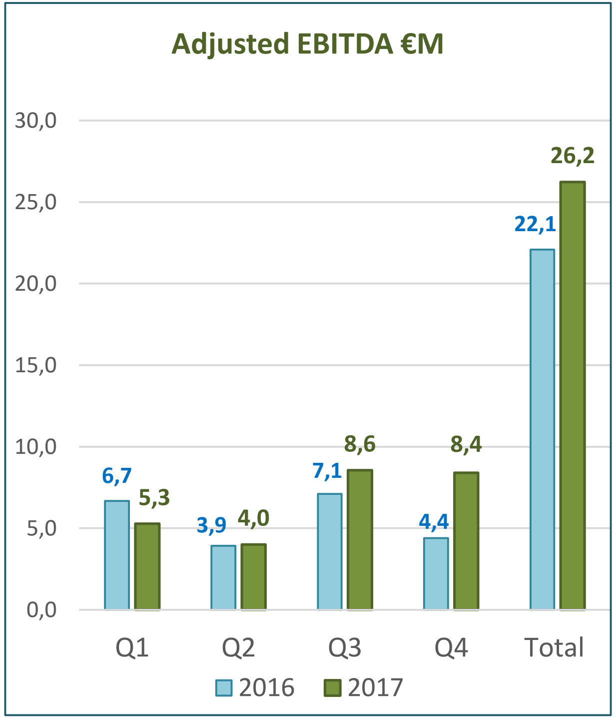
Executive Summary



- Very positive result in 2017, reaching an **Adjusted EBITDA** *(*)* of **€26.2m,** up **€4.1m (19%)** on 2016, with year-on-year growth for the third quarter in succession.
- **Sales** increased by **2%** year on year in 2017.
  The Adjusted EBITDA margin improved considerably, from **6%** in 2016 to **7%** in 2017.
- The 2017 **Contribution Margins** were positive, especially in the Industrial division, which performed exceedingly well during the year.
- **Adjusted losses were reduced by 49%** year on year, posting an Adjusted Net Loss of €6.4m.
- During 2017, the company invested heavily to **improve its long-term competitiveness**, spending €2.4m on restructuring plans and €0.9m on the transformation plan, reporting both items as *Adjustments to EBITDA.*

(*) See section 4 of this document for definitions and details of Adjusted EBITDA and Adjusted Net Income

Executive Summary Q4 2017

- Our **Net Debt was reduced** by **€8.9m** year on year, thanks to the generation of cash, which was used to reduce the debt, increase the year end cash balance and offsetting the effect of recording the debt at amortised cost.
- The **Financial Structure** is sound, both in the **Long Term**, where 85% of the syndicated loan for a nominal €145m is not due until 2022, and structurally in the **Short Term**, where our liquidity in December 2017, for example, exceeds our average operating cash requirements by €17m (see details in section 2).
- We expect to **continue posting considerable year-on-year growth in our financial results in 2018** (see details in section 3).

NATRA CONSOLIDATED EARNINGS

€M	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 TOTAL	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 TOTAL	Evolution 17 v 16 Q1	Evolution 17 v 16 Q2	Evolution 17 v 16 Q3	Evolution 17 v 16 Q4	Evolution 17 v 16 TOTAL
Turnover	86.4	85.8	95.5	104.8	**372.5**	86.7	85.0	95.8	98.4	**365.9**	0%	1%	0%	7%	**2%**
EBITDA	5.2	3.9	5.7	8.0	**22.7**	6.7	4.4	7.1	4.3	**22.4**	-22%	-13%	-20%	86%	**1%**
Adjusted EBITDA	5.3	4.0	8.6	8.4	**26.2**	6.7	3.9	7.1	4.4	**22.1**	-21%	2%	21%	91%	**19%**
NET INCOME	-2.0	-1.5	-0.5	-5.9	**-9.9**	0.1	-3.0	0.6	-10.0	**-12.2**	-1497%	51%	-183%	41%	**19%**
ADJUSTED NET INCOME	-1.9	-1.3	2.4	-5.5	**-6.4**	0.1	-3.5	0.7	-9.9	**-12.6**	-1432%	63%	250%	44%	**49%**
Net Debt	152.0	150.5	150.3	**141.6**		140.9	145.8	149.6	**150.5**		-8%	-3%	0%	**6%**	

Favourable variations are positive

Natra and business performance

- The appointment of a new management team was completed in recent months with the incorporation of new directors in key areas of the company. They all have lengthy track records in multinationals of the food and drinks sector and their work will be crucial for boosting Natra's growth. The new team is already in place and working on the 2018 objectives.
- As can be seen in the previous slide, Natra improved all its financial metrics in 2017, delivering the best of the results estimated in November 2017. This **structural improvement in income** was achieved by exploiting the company's ability to capture value in all the product categories and trends, through a strong customer-centric approach, a diversified industrial footprint, innovations and a broad portfolio of global and local customers.
- The **raw material** price volatility and stocks are also under control for 2018, through hedging and sourcing contracts with leading global and local suppliers.
- In Q3 2017, Natra defined a **Transformation Plan** to lay the groundwork and mark out guidelines for the company's future development strategy, changing to a customer-centric model, tapping into synergies and enhancing operating and production efficiencies. This process is already underway; its benefits started being patent in 2017 and will become increasingly tangible in the future.

2. Financial Results Q4 2017

Consolidated income statement

(thousand euros)	2017	*ADJUSTMENTS*	2017 ADJUSTED	2016	*ADJUSTMENTS*	2016 ADJUSTED
Continuing operations:						
Net turnover	372,469		372,469	365,868		365,868
+/- Variation in stocks of finished products and work in progress	1,216		1,216	-2,598		-2,598
Procurements	-244,812		-244,812	-247,606		-247,606
Other operating income	1032		1,032	1130		1,130
Employee benefits	-52,866	*2,354*	-50,512	-46,371		-46,371
Depreciation/amortisation	-9,911		-9,911	-10,356		-10,356
Other operating expense	-54,325	*1,150*	-53,175	-47,891	*-363*	-48,254
Proceeds from non-current asset disposals	-31		-31	-2		-2
Impairment of non-current assets			0	-88		-88
NET OPERATING INCOME/(LOSS)	**12,772**	***3,504***	**16,276**	**12,086**	***-363***	**11,723**
Interest income	319		319	66		66
Interest expense	-13,176		-13,176	-13,595		-13,595
Exchange gains (losses)	-529		-529	243		243
Impairment and proceeds from disposal of financial instruments	-5,937		-5,937	-5298		-5,298
PROFIT/(LOSS) BEFORE TAX	**-6,551**	***3,504***	**-3,047**	**-6,498**	***-363***	**-6,861**
Corporate income tax	-3,338		-3,338	-5,751		-5,751
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**-9,889**	***3,504***	**-6,385**	**-12,249**	***-363***	**-12,612**
PROFIT/(LOSS) FOR THE YEAR	**-9,889**	***3,504***	**-6,385**	**-12,249**	***-363***	**-12,612**
Attributable to:						
Shareholders of the parent company	**-9,889**	***3,504***	**-6,385**	**-12,249**	***-363***	**-12,612**

- The increase in **Other Operating Expenses** corresponds mainly to the higher machinery maintenance costs, increased goods transport costs and provision for a loss.
- The increase in **Employee Benefits** is mainly due to variable labour, due to the larger volume of more complex formats requiring more manufacturing resources.
- The **Interest Income** 2017 corresponds mainly to the dividend received from Laboratorios Reig Jofre.
- The smaller **Corporate Income Tax** charge corresponds to the companies in Belgium and adjustments for deferred tax.

NB: Details and explanations of Adjustments can be found in sections 4.1 and 4.2 of this document.

Consolidated Balance Sheet December 2017 v 2016

(thousand euros)	31/12/2017	31/12/2016
ASSETS		
Property, plant & equipment	56,825	58,391
Intangible assets	58,453	58,049
Deferred tax assets	9,810	9,685
Other non-current financial assets	177	223
TOTAL NON-CURRENT ASSETS	**125,265**	**126,348**
Inventories	56,887	54,481
Trade and other receivables	28,864	26,383
Available-for-sale financial assets	18,017	23,644
Derivatives	-	-
Current tax assets	4,970	3,122
Other financial assets	3,881	4,847
Other current assets	143	917
Cash and cash equivalents	11,882	6,450
TOTAL CURRENT ASSETS	**124,644**	**119,844**
TOTAL ASSETS	**249,909**	**246,192**

(thousand euros)	31/12/2017	31/12/2016
EQUITY AND LIABILITIES		
Capital	6,324	6,324
Other reserves	13,035	22,093
TOTAL EQUITY	**19,359**	**28,417**
Debentures	9,988	9,841
Financial debt	120,973	125,332
Derivatives	4,078	3,600
Deferred tax liabilities	13,956	12,186
Other financial liabilities	2,445	3,145
Other liabilities and grants	1,485	1,780
Provisions for other liabilities & charges	706	800
TOTAL NON-CURRENT LIABILITIES	**153,631**	**156,684**
Trade and other payables	48,589	33,962
Current tax liabilities	5,990	7,710
Financial debt	13,822	11,893
Derivatives	1,361	2,581
Other financial liabilities	773	539
Other current liabilities	6,384	4,406
TOTAL CURRENT LIABILITIES	**76,919**	**61,091**
TOTAL EQUITY AND LIABILITIES	**249,909**	**246,192**

- Slight reduction in **Non-Current Assets,** because the CAPEX for the year is lower than depreciation/ amortisation.
- Within **Current Assets** there is an increase in trade receivables and inventories due to the increased turnover, particularly in the last quarter of 2017.
- Within **Non-Current Liabilities** there is a reduction in financial debt produced by the repayments made during the year plus the transfer to short-term of amounts due during 2018 (€3.5m).
- Within **Current Liabilities**, the increase in Trade Payables is due, among others, to an increased volume of production.

Evolution of the Net Debt

The net debt can be calculated by extracting the information from the consolidated balance sheet included in this document.

(thousand euros)	December 2017	December 2016
Non-current debt		
Debentures	9,988	9,841
Long-term financial debt	120,973	125,332
Derivatives	4,078	3,600
Other financial liabilities	2,445	3,145
Current debt		
Short-term financial debt	13,822	11,893
Derivatives	1,361	2,581
Other financial liabilities	773	539
Financial debt	153,440	156,931
Cash and cash equivalents	-11,882	-6,450
Derivatives		
Net Debt	141,558	150,481

- At 31 December 2017 and 2016 Natra recognised a Net Debt of **€141.6m** and **€150.5m**, respectively.
- The items *Long-term Financial Debt* and *Debentures* include a €4.2m increase in debt due to recognition of the financial restructuring at amortised cost, in accordance with accounting standards and as explained in the Annual Accounts 2016. This effect does not involve any cash movement.
- The **reduction** of Net Debt by **€8.9m** year on year is due to the generation of cash during the year, used to reduce the debt, increase the cash balance and offsetting the effect of recognising debt at amortised cost, as mentioned earlier.

NB: Net Debt is defined in section 4.1

Sound Long-term Financial Structure

Amounts in €m	Debt Dec 2017
Nominal Value: Syndicated Loan	**144,7**
Syndicated Loan Binding Maturities Jan-18 to 2021	*22,0*
Syndicated Loan Binding Maturities 2022	*122,7*
Nominal Value: Convertible Debentures	**14,8**
Nominal Value: Other Debts	**22,4**
Cash & Banks	**(11,9)**
Total Net Nominal Debt	**170,0**
Deferral of Amortised Cost Syndicated Loan & Convertible Debentures [No cash outflow]	**(28,4)**
Total Net Debt	**141,6**

Syndicated Loan €144.7m

- **85% of the mandatory repayments are due in 2022 [€122.7m]**
- **Reduction of Nominal Value of the Syndicated Loan in 2017 [€4m]:** Mainly through Repayment of the Revolving Credit (currently available to meet needs deriving from the seasonal nature of the business), Mandatory Repayments and Cash Sweep
- **Cash Sweeps:** The surplus cash generated each year during the effective period of the Syndicated Loan will be used to prepay amounts due in 2022
- Average cost of the debt 3.3%
- Average amount of repayments 2018 - 2021: €5.5m

- The first conversion period for the company's **Convertible Debentures** was still open in December 2017. The equivalent nominal value of €1.6 million was converted in Q1 2018, 11% of the total debentures issued. There is a conversion window every 6 months for the remainder, up to maturity in 2023.

Flexible, efficient Short-term Financial Structure

€m		December 2017
a)	**Liquidity Available**	**23.3**
	=> Available: Cash at December-17	11.9
	=> Available: Undrawn Syndicated Loan	6.4
	=> Available: Undrawn Syndicated Revolving Credit Facility	5.0
b)	**Average Operating Cash needed**	**6.0**
a - b)	**Excess Short-Term Liquidity Available**	**17.3**

- Natra has **more than enough structural liquidity to meet its short-term obligations** (**€17m** at end-December).
- At 31 December 2017, Natra had €5m available from the syndicated revolving credit facility to meet seasonal cash requirements, plus a further €6.4m on top as the undrawn part of its syndicated loan and other local credit facilities not fully drawn down.

3. Outlook for 2018

Outlook for 2018

€M	Actual 2016	Actual 2017	Outlook 2018 v 2017
Turnover	365,9	372,5	Increase
Adjusted EBITDA	22,1	26,2	Growth
EBITDA	22,4	22,7	Double Digit Growth
Net Income	-12,2	-9,9	Profit
Net Debt	150,5	141,6	Reduction

TURNOVER

- Increase over 2017, mainly due to larger volume of sales.

ADJUSTED EBITDA

- Year-on-year growth will be consistent throughout the year, thanks to both increased sales and efficiency programmes.

EBITDA

- EBITDA was hit in 2017 by the €3.2m extraordinary investment in competitiveness, so EBITDA 2018 is higher due to both the absence of that investment and the normal revenue generated during the year.

NET INCOME

- Natra is expected to post a Profit in 2018.
  Owing to the seasonal nature of our business, the net profit is expected to be achieved in the second half of the year.
- Key assumptions: No material changes in legislation during 2018 affecting Deferred Tax; and no significant depreciation in *Available-for-sale non-current assets*.

NET DEBT

- Net Debt will continue to be lowered, thanks to repayment schedules and the use of cash surpluses for prepayment.

4.1 Appendix: Glossary

Glossary

- **EBITDA**: Earnings before tax, interest, depreciation and amortisation. The company uses this metric to draw up its budget and monitor the extent to which it is met. It is also used for comparison with the previous year and as a measure of the company's ability to generate cash flows considering only its production and commercial activity.
- **Adjustments to EBITDA**: These are items not directly related with the company's normal production and commercial activities (restructuring and transformation plans; collection item not related to the core business), which Natra considers hinder the comparison of EBITDA across different periods, affecting consistent generation of EBITDA and decision-making.
- **Adjusted EBITDA**: EBITDA plus/less Adjustments to EBITDA.
- **Adjusted Net Income**: Net Income plus/less Adjustments to Net Income. The Adjustments to Net Income are the same as the Adjustments to EBITDA.
- **Net Debt** is the sum of the short and long-term financial debts of the company less the value of cash and derivative financial assets.

4.2 Appendix: Reconciliation Alternative Performance Measures

Reconciliation alternative performance measures: EBITDA

EBITDA can be calculated by extracting the information from the consolidated income statement included in this document.

(thousand euros)	**2017**	**2016**
PROFIT/(LOSS) FOR THE YEAR	**(9,889)**	**(12,249)**
- Corporate income tax	(3,338)	(5,751)
- Interest income	319	66
- Interest expense	(13,176)	(13,595)
+/- Exchange gains (losses)	(529)	243
- Impairment and proceeds from disposal of financial instruments	(5,937)	(5,298)
- Depreciation/amortisation	(9,911)	(10,356)
- Impairment of non-current assets		
EBITDA	**22,683**	**22,442**

Reconciliation alternative performance measures: Adjustments to EBITDA and Adjusted EBITDA

Appendix 2

(thousand euros)	2017	2016
EBITDA	**22,683**	**22,442**
Adjustments to EBITDA	**3,504**	**(363)**
- Restructuring plan	2,354	-
- Non-trade receipts from clients		(487)
- Transformation plan	900	
- Other services rendered	250	124
Adjusted EBITDA	**26,187**	**22,079**

Thank you for your attention

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