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T +31 (0)20 590 6911
press@corbion.com
www.corbion.com

DATE 26 April 2019

Corbion Q1 2019 Interim Management Statement

Corbion reported sales of € 228.9 million in the first quarter of 2019, an increase of 7.5% due to organic sales growth of 1.5% and currency effects. Adjusted EBITDA decreased organically by 6.7% to € 34.9 million due to higher losses in Innovation Platforms.

“One of our key priorities going into 2019 was to address the input cost increases that negatively affected our margins in the 2nd half of last year. I am happy to see that our measures have proven successful resulting in improved margins compared to H2 2018. It is also encouraging to see that Bakery returned to growth in Q1. The anticipated decline in Biochemicals was mostly due to phasing, and we expect the Biochemicals sales growth rate to recover in the quarters to come. This was the first full operating quarter of our PLA joint venture plant and we are optimistic on the progress there”, commented Tjerk de Ruiter, CEO.

Key financial highlights first quarter of 2019

- Net sales organic growth was 1.5%; volume growth was 6.3%
- Adjusted EBITDA was € 34.9 million, an organic decrease of 6.7%
- Adjusted EBITDA margin was 15.2% (20.9% for Ingredient Solutions)
- Operating result was € 20.1 million, an organic decrease of 24.3%

€ million	YTD 2019	YTD 2018	Total growth	Organic growth
Net sales	228.9	213.0	7.5%	1.5%
Adjusted EBITDA*	34.9	38.6	-9.6%	-6.7%
Adjusted EBITDA margin*	15.2%	18.1%		
Operating result	20.1	30.0	-33.0%	-24.3%

*Adjusted EBITDA (margin) has replaced EBITDA (margin) excluding one-off items. Definitions are unchanged.

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Segment information

Ingredient Solutions

Net sales in Ingredient Solutions, which encompasses Food and Biochemicals, increased by 4.7%, driven by a positive currency effect of 5.3%. Organic net sales growth was -0.6% as Biochemicals had a weak start of the year. The adjusted EBITDA margin was almost stable at 20.9% compared to 21.0% last year.

Business segment Food

Net sales increased organically by 1.6%. Bakery, the largest segment in Food, grew for the first time since 2016 despite some continued top-line headwinds from a key bakery enzyme that went off-patent in the US. In Meat we see the shift in portfolio mix towards natural preservation solutions continuing, which translates into above average growth rates. In other markets (Beverages, Confectionery, Dairy), sales declined slightly due to phasing. The adjusted EBITDA margin increased slightly from 18.2% to 18.3%.

Business segment Biochemicals

Net sales decreased organically by 5.8%. Due differences in quarterly phasing with 2018, Q1 was expected to be lower than last year. For the quarter, all markets declined, except for Medical/Pharma with a stable performance. In Electronics we are seeing lower growth than in previous years due to a slowdown in semiconductor markets. The Adjusted EBITDA margin in Biochemicals increased from 27.8% to 28.1% due to positive mix effects.

Innovation Platforms

Net sales increased by 95%, mostly driven by increased lactic acid sales to the Total Corbion PLA joint venture. The acquisition of the remaining 49.9% stake in the SB Renewable Oils joint venture (in Q2 2018), contributed 17.2% to sales growth in Innovation Platforms. The increased adjusted EBITDA loss was fully driven by the Algae Ingredients platform.

Outlook FY2019

We reconfirm our full year outlook. We expect organic net sales growth for Corbion to be in the targeted 3-6% growth guidance range. For Ingredient Solutions we expect organic net sales growth to be within the guidance range of 2-4%, with the adjusted EBITDA margin exceeding 19%. We expect Food full year organic sales growth to be within guidance (1-3%). Biochemicals sales growth is expected to improve in the coming quarters compared to Q1 and is expected to grow near the lower end of the 3-10% range for FY2019. For Innovation Platforms we expect >20% organic net sales growth and the adjusted EBITDA loss not to exceed € -35M.

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Financial results

Net Sales growth	Total growth	Currency	Total growth at constant currency	Acquisitions	Organic growth	Price/Mix	Volume
YTD 2019 vs 2018							
Ingredient Solutions	4.7%	5.3%	-0.6%	0.0%	-0.6%	0.5%	-1.1%
- Food	7.4%	5.8%	1.6%	0.0%	1.6%	1.3%	0.3%
- Biochemicals	-1.9%	3.9%	-5.8%	0.0%	-5.8%	-0.4%	-5.4%
Innovation Platforms	95.3%	12.6%	82.7%	17.2%	65.5%	-53.1%	282.0%
Total	7.5%	5.5%	2.0%	0.5%	1.5%	-4.8%	6.3%

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€ million	YTD 2019	YTD 2018		Growth YTD
Net sales				
Ingredient Solutions	216.4	206.6		4.7%
- Food	158.1	147.2		7.4%
- Biochemicals	58.3	59.4		-1.9%
Innovation Platforms	12.5	6.4		95.3%
Total net sales	228.9	213.0		7.5%
Adjusted EBITDA				
Ingredient Solutions	45.3	43.3		4.6%
- Food	28.9	26.8		7.8%
- Biochemicals	16.4	16.5		-0.6%
Innovation Platforms	(10.4)	(4.7)		120.3%
Total Adjusted EBITDA	34.9	38.6		-9.6%
One-off items	(0.9)	0.7		
Total EBITDA	34.0	39.3		-13.5%
Depreciation/amortization/ (reversal of) impairment (in)tangibles	(13.9)	(9.3)		49.5%
Total Operating Result	20.1	30.0		-33.0%
Adjusted EBITDA margin				
Ingredient Solutions	20.9%	21.0%		
- Food	18.3%	18.2%		
- Biochemicals	28.1%	27.8%		
Innovation Platforms	-83.2%	-73.4%		
Total Adjusted EBITDA margin	15.2%	18.1%		
Total Adjusted EBITDA and acquisitions, at constant currencies	36.0	38.6		-6.7%

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Alternative performance measures (APM)

Within this report, Corbion has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Corbion uses these measures to assess the performance of the business and believes that the information is useful to users of the financial information. The non-IFRS financial measures do not have a standardised meaning prescribed by the IASB, therefore may not be comparable to similar measures presented by other issuers.

The table below gives an overview of the alternative performance measures used and their definitions.

APM	Definition
EBITDA	The operating result before depreciation, amortization and impairment of (in)tangible fixed assets.
Adjusted EBITDA	EBITDA as defined above after adjustments.
Adjusted EBITDA margin	Adjusted EBITDA as defined above divided by net sales x 100.
Adjusted EBITDA excluding acquisitions and divestments, at constant currencies	Adjusted EBITDA as defined above excluding the impact of acquisitions and divestments based on prior year currency rates.
Organic EBITDA growth	Adjusted EBITDA as defined above versus prior year excluding impact of acquisitions and divestments and excluding currency impact.
Organic sales growth	Sales versus prior year excluding impact of acquisitions and divestments and excluding currency impact.
Adjusted operating result	Operating result after adjustments.
Adjustments	Adjustments relate to material items in the income statement of such size, nature or incidence that in view of management require disclosure. These items include amongst others write-down of inventories to net realizable value, reversals of write-downs, impairments, reversals of impairments, additions to and releases from provisions for restructuring and reorganization, results on assets sold, gains on the sale of subsidiaries, joint ventures and associates, and any other provision being formed or released. The company only adjust for items when the aggregate amount of the events per line item of the income statement exceeds a threshold of € 0.5 million.

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This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

For more information, please contact:

Analysts and investors:

Jeroen van Harten, Director Investor Relations
+31 (0)20 590 6293, +31(0)6 21 577 086

Press:

Tanno Massar, Director Corporate Communications
+31 (0)20 590 6325, +31 (0)6 11 589 121

Background information:

Corbion is the global market leader in lactic acid, lactic acid derivatives, and a leading company in emulsifiers, functional enzyme blends, minerals, vitamins and algae ingredients. We develop sustainable ingredient solutions to improve the quality of life for people today and for future generations. For over 100 years, we have been uncompromising in our commitment to safety, quality, innovation and performance. Drawing on our deep application and product knowledge, we work side-by-side with customers to make our cutting edge technologies work for them. Our solutions help differentiate products in markets such as food, home & personal care, animal nutrition, pharmaceuticals, medical devices, and bioplastics. In 2018, Corbion generated annual sales of € 897.2 million and had a workforce of 2,040 FTE. Corbion is listed on Euronext Amsterdam. For more information: www.corbion.com