Nature Group PLC

("Nature" or the "Company" or the "Group")

Unaudited Interim Results for the 6 months to 30 June 2016

Nature Group PLC (AIM:NGR), the provider of port reception facilities and waste treatment solutions for the oil, marine and process industries, announces its interim results for the six months ended 30 June 2016.

Financial Performance*

- Revenues for the period of £6.2million (H1 2015: £8.3 million)
- Underlying pre-tax loss for the period of £0.42 million (H1 2015: profit £0.06 million)
- Underlying earnings per share for the period of -0.53 pence (H1 2015: 0.03 pence)
- Cash balance as at 30 June 2016 £0.33 million (H1 2015: £2.44 million)

**Excludes revenue and cost from discontinued operations in Gibraltar as Nature Port Reception Facilities Limited ("NPRF"), which previously operated the Group's reception, treatment and storage facility for maritime waste in Gibraltar, is classified as held for sale and revenue and cost from discontinued operations of Nature Shipping Agency Limited ("NSA") in Gibraltar (as the entity was sold on 4 March 2016), Nature Environmental Technologies Limited ("NETL") in UK and Nature Group Trading Limited ("NGTL") in Jersey as these are currently being liquidated. Underlying results exclude non-trading incidental items.*

Operational Performance

Group

- Cost reduction programme progressed
  - Centralisation of executive management functions across all divisions in Rotterdam (The Netherlands).
  - Closure of Cornwall office and Gibraltar operation reflecting both our drive for greater efficiency and the reduced operations in those geographies.
- Completed financing with Comerica Bank for the Group's operations in Houston.
- Finalised the buy-out of T. C. Curl, previous Joint Venture partner of the Group's operations in Houston, Nature Environmental & Marine Services, LLC ("NEMS").
- Proposed disposal of Nature Port Reception Facilities Limited ("NPRF"), the Group's wholly owned subsidiary in Gibraltar, continues to progress with all outstanding third party consents now received.

Maritime

- Consistent performance of Rotterdam operations and commencement of collection of Annex 5 waste.
- Activity level in Houston lower than planned due to lack of offshore related waste, with barge activities commencing from June onwards in Houston area.

Oil and Gas

- The Group has been active in the North Sea, Canada, Brazil and Tanzania during the period.
- Operations on available projects have continued to progress well, notwithstanding the reduced number of active drilling operations which continues to impact Nature's market.
- The Group anticipates continued operations in Brazil and Tanzania, as well as new operations to start in the 2nd half of 2016 in the North Sea area.
- Norwegian operation further streamlined and the Group is now well positioned to capture future projects as a result of the successful yard trial in Aberdeen.
- 2 sets (CTU / STU) currently in operation in Brazil and Norway and 1 OTU in Tanzania.
- 4 sets (each set consisting of 1 CTU and 1 STU) and 2 individual STUs currently available for deployment

Berend van Straten, Chairman of Nature Group, commented:

"The Groups results over the first six months of the year have been disappointing. In this period of continued weakness and uncertainty in the oil market, it is clear that we have not been able to realise our ambition to deploy more units. We can, however see increased interest in our offshore service offering from operators and continue to believe that demand for our services will improve.

We will remain active to get our cost to a structurally acceptable level without compromising on our key expertise. We are confident of concluding the sale of our entity in Gibraltar in the near future. If concluded successfully, we will be able to complete the restructuring of the Group and will have a stronger balance sheet allowing us to focus on growing our Maritime activities in Houston and Rotterdam and broaden our service offering in our Oil and Gas division".

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Nature Group is traded on the AIM market, (ticker: NGR). www.ngrp.com

<u>Chairman's Statement</u>

We are pleased to announce the unaudited interim results for the six months to 30 June 2016. As we pointed out in our statement at the time of the full year report, after a difficult 2015, actions were taken to improve the adverse results which are beginning to pay off. As well as the previously-reported closure of certain operations in our Maritime and Engineering divisions, our main challenge this half year has been to improve the performance of our operations in Portugal, which have been under pressure since the oil price collapse. We expect a more positive performance in the second half for this operation.

The financial loss reported for the first half of the year does not reflect the considerable work undertaken by the board and management team in strengthening our core structure. Both the operations in Cornwall and Gibraltar were closed towards the end of the reporting period and we will only see the full impact of related cost savings in the second half of 2016. New personnel, coupled with an ongoing overhaul of our controls, reporting and business appraisals will, we believe, together with cost savings lead to an improvement in our financial performance in the second half of 2016 and beyond.

For the Oil and Gas division, we are strengthened in our belief we have the right product for the offshore drilling market, delivering a key environmental, safety and cost consideration in a market that is increasingly interested in these three drivers. The strong interest from both rig owners and operators in our product and services confirms this and we expect to be able to take advantage of such opportunities as the market improves.

As previously announced, Nature Group is in the process of selling NPRF, its subsidiary in Gibraltar. Although this process is not yet finalised and remains subject to, amongst other things, continued negotiation and the entry of the parties into definitive, binding agreements, we are pleased with the recent progress made. The expected sale proceeds would add to our working capital and improve the balance sheet of the Group. However, shareholders are advised that there can be no certainty that the proposed sale will be concluded on the terms agreed under the earlier letter of intent or at all.

The Group is currently involved in ongoing litigation concerning waste brought into the Netherlands and shipped by its subsidiary International Slob Disposal ("ISD") to an external treatment facility in the Rotterdam port in 2010 (prior to Nature Group's acquisition of ISD. ISD sought and received the approval of the Port Inspection Authorities in Rotterdam at the time and acted on the representations of its customer regarding the waste being collected and discharged. The Group has received legal advice in support of its position and the Directors believe that it is unlikely that the case will be successful.

<u>Executive Directors' Statement</u>

During the period under review we further rationalised the organisation and we are simplifying the corporate structure of the Group. The interim financial statements exclude revenue and cost from discontinued operations in Gibraltar as NPRF is classified as held for sale. These interim financial statements also exclude revenue and cost from discontinued operations via entities NSA in Gibraltar as the entity was sold on 4 March 2016, NETL in the UK and NGTL in Jersey as these are currently being liquidated. We continue to review all entities in the Group and aim to further simplify the corporate structure going forward.

Overview of Financial Performance – Continuing operations
Compared to management's expectations our consolidated financial performance in the first six months of 2016 was disappointing. However, we have made significant progress in reducing costs and in improving the organisational efficiency of the Group such that, when we consider the ongoing activities of the Group in the absence of such costs and discontinued operations, the performance is more encouraging and allows for greater optimism for the future.

The Group generated sales from continuing operations of £6.2m (H1 2015: £8.3) with a related Loss Before Tax (LBT) of £0.88m (2015 LBT: £0.15m). A significant negative impact on LBT came from the unrealised foreign exchange loss on a Euro-Pound intercompany loan (Loss £0,33m). The LBT of £0.88m includes £0.53m of both trading and non-trading incidentals some of which are related to further restructuring so that the Group has a "clean" trading LBT of £0.35m (2015: LBT: £0.15m).

Furthermore, after deducting start-up costs incurred in relation to our Oil & Gas division in the UK and our Maritime division in the US, the pro-forma normalised Loss Before Tax is £0.18m. We believe this more accurately represents the financial performance of the activities of the Group in the first half of 2016 that will continue to contribute to the financial performance of the Group in the remainder of 2016.

This loss of £0.18m is partly attributed to our activity in Portugal, where we suffered the effect of the rapid drop in the oil price at the beginning of 2016. We have taken action to ensure that this will not continue to affect performance and expect activities in Portugal to be profitable in the second half of the year.

Overview of Financial Performance - Discontinued operations
Our Gibraltar operations, where we ceased all activities in January 2016, incurred costs of £0.4m for regular salary expenses, rent and maintenance cost. At the end of the period two staff remained on payroll and we aim to close the entity entirely during the last quarter of 2016 to stem any further losses. The cost of closing the engineering outfit and corporate office in Cornwall and the operating cost of the other entities that are being liquidated is £0.3m, taking the total cost incurred in discontinued operations to £0.7m.

Operational Review

Rotterdam:
The first six months of 2016 show a consistent level of business but we did not benefit from volumes collected from one-off jobs, as we did in 2015. Overall, our treated volume in the first six months was 73k m^3 compared to 112k m^3 (2015) and 56k m^3 (2014). We started as planned with the Marpol Annex 5 collections which allows us to expand our service offering to our customers. We are consistent in our ambition to grow our operations in Rotterdam and we are also looking at opportunities to move into the ports of Amsterdam and Antwerp.

Houston:
The start of the year in Houston was difficult due to the decrease in work related to the offshore business and we worked hard to replace this with other Maritime waste streams. The Group has 25 years of barging experience and we intend to deploy our expertise in this area, having started with barging operations in Houston from June onwards. Additionally, we will start with a tank cleaning activity in Corpus Christy in September.

We are pleased to have completed a financing structure consisting of a term loan and a working capital facility with Comerica bank, which will support the growth ambitions we have for the region.

On September 19th the Group announced that it had reached agreement with T.C. Curl, the original founder of the business in Houston, to buy his remaining shares in our US entity, NEMS. Mr Curl will continue to work on behalf of the Group as a business development consultant, focussing on particular segments of the business where his experience is invaluable. His activities and role as CEO for the local entity will be taken over by Koen Zuyderwijk, Managing Director for North-America. In November 2015, NEMS started processing maritime waste through a new USDA-authorised autoclave system, which processes solid waste received from oceangoing vessels that visited foreign waters before calling at the Texas Gulf Coast and eliminates the need to haul it to third party processors. This allows a significant cost saving in processing fees and truck time.

Portugal:
As expected, the business model for the Group's operations in Portugal came under pressure due to the closure of Gibraltar and the low prices for the recovered oil. Whilst the first six months have been loss making, the Group has now reached agreement with third parties on bringing sufficient volumes to the operation, which will allow it to recuperate at least some of these losses. Management will continue to look at alternatives for improving the results of this operation. Additionally, we are pleased with a consultancy contract that we secured for the design and construction of a modular waste-oil treatment facility, to be installed in a port reception facility in the Mediterranean.

Oil and Gas
As previously stated, the lower oil price has in fact strengthened our proposition of low costs, improved environmental impact and reduced safety risks. However, due to the significant reduction in the number of drilling operations, the number of projects on which we are currently operating has decreased. As a matter of precaution, we reduced on a temporary basis the team in the Stavanger office using a governmental temporary redundancy scheme.

The Group is currently active in Brazil, Norway and Tanzania and expects to start some new projects towards the end of 2016. We have 4 sets (1 CTU / 1 STU) and 2 individual STU's available for deployment and can add new units quickly if needed. At the same time, we have addressed the market from different angles (particularly IOC's as well as rig owners) and also different geographies. We are confident that all these measures will eventually result in more units operationally in the field but it will remain difficult in the current environment to give clear indications when this will happen.

Cash and Capital Expenditure
During 2016 our cash position, inclusive of cash held at discontinued operations deteriorated further from £0.53m at 31 December 2015 to £0.36m at 30 June 2016. We will see a positive effect in the remainder of 2016 from increased business across the board and as we secured new and/or extended financing agreements with local banks in the Netherlands, Norway and Houston. The total cash and cash equivalent position as at September 22nd stands at £0.7m with a further £0.3m that can be drawn on working capital facilities in operating entities.

During the first half of 2016 fixed assets were sold, acquired and upgraded throughout the Group. In Rotterdam we refurbished our vessels (all expensed) and in Houston we upgraded our existing trucks and purchased several new trucks. This had a negative effect on both our cash position and our results but will support our operational efficiency going forward and allow us to continue to serve our customers in a safe and reliable manner.

Outlook
We are optimistic that, based on the successful yard trials in Aberdeen and the inquiries we are receiving from rig owners and operators, new projects in the Oil and Gas division will materialise. However, the full effect of these new projects we will see only from 2017 onwards. We expect the Houston business to grow based on the new tank cleaning and barging activities. We see an increase in contracts signed with ship-management, commercial operators and charterers for waste removal services in both our Rotterdam and Houston locations evidencing we can use our leading position in Rotterdam to get global contracts. As indicated above, we are also confident about the effect we will see of the changes we have made in Portugal.

With both divisions growing again, we are optimistic about several future opportunities for our company. New ports (Amsterdam, Antwerp, New Orleans), consultancy based on our technical expertise and new products and services across the board all offer growth potential.

Consolidated Statement of Comprehensive Income For the half year to 30 June 2016	*Unaudited 30 June 2016 £*	*Unaudited 30 June 2015 £*	*Audited year to 2015 £*
Continuing operations			
Revenue	6,166,292	8,301,763	16,273,810
Cost of sales	(3,668,381)	(5,906,309)	(10,963,725)
Operating profit	2,497,911	2,395,454	5,310,085
Interest income	-	-	5,025
Other expense	-	-	(359,990)
Share based payments	-	(45,013)	(110,746)
Administrative costs	(2,911,854)	(2,083,741)	(6,505,018)
Depreciation and amortisation	(445,259)	(378,895)	(805,173)
Finance costs	(20,780)	(35,874)	(82,295)
Gain recognised on disposal of interest in former subsidiary	-	-	136,299
Loss before taxation	(879,981)	(148,069)	(2,411,813)
Income tax expense	110,319	(60,417)	131,844
Loss for the year and total comprehensive income for the year from continuing operations	(769,662)	(208,486)	(2,279,969)
Discontinued operations			
Loss for the year and total comprehensive income for the year from discontinued operations	(601,127)	(52,847)	(1,575,988)
Loss for the year and total comprehensive income for the year	(1,370,788)	(261,333)	(3,855,957)
Attributable to:			
Owners of the parent			
Loss for the year from continuing operations	(769,662)	(208,486)	(2,279,969)
Loss for the year from discontinued operations	(601,127)	(52,847)	(1,575,988)
Loss for the year attributable to owners of the parent	(1,370,788)	(261,333)	(3,855,957)
Non-controlling interest			
Loss for the year from continuing operations	125,173	48,495	143,958
Loss for the year attributable to owners of the non-controlling interest	125,173	48,495	143,958
Loss for the year and total comprehensive income for the year attributed to owners	(1,245,615)	(212,838)	(3,711,999)
Earnings per share (pence)			
From continuing operations:			
Basic	(0.813)	(0.263)	(2.876)
Diluted	(0.813)	(0.263)	(2.810)
From discontinued operations:			
Basic	(0.758)	(0.067)	(1.988)
Diluted	(0.758)	(0.067)	(1.943)
Loss after tax, before share based payments	(1,245,615)	(167,826)	(3,601,253)
Excluding share based payments	(0.813)	(0.212)	(4.542)

Consolidated Balance Sheet as at 30 June 2016	*Unaudited* *30 June 2016* *£*	*Unaudited* *30 June 2015* *£*	*Audited* *31 December 2015* *£*
Assets			
Non-current assets			
Plant, vessels and equipment	6,303,694	5,660,652	5,923,210
Goodwill	961,489	1,177,822	907,563
Other intangible assets	129,022	36,329	139,815
Investment in associated company	308,446	250	308,446
Deferred tax assets	264,202	104,971	4,222
Total non-current assets	7,966,853	6,980,024	7,283,256
Current assets			
Insurance recoveries on 3rd party claims	-	4,284,583	-
Corporate taxes	121,864	113,297	203,148
Stocks and work in progress	1,470,253	492,501	1,185,630
Trade and other receivables	5,397,481	6,232,565	5,716,738
Cash and cash equivalents	328,855	2,444,521	278,369
	7,318,453	13,567,467	7,383,885
Assets classified as held for sale	5,903,509	-	6,618,693
Total assets	21,188,815	20,547,491	21,285,834
Liabilities			
Current liabilities			
Trade and other payables	(3,683,426)	(2,977,409)	(4,740,419)
Bank loans and overdrafts	(642,888)	(998,335)	(778,989)
Corporate taxes	(390,784)		
Provision for 3rd party claims		(4,284,583)	
	(4,717,098)	(8,260,327)	(5,519,408)
Liabilities directly associated with assets classified as held for sale	(5,111,259)	-	(5,398,664)
	(9,828,357)	(8,260,327)	(10,918,072)
Non-current liabilities			
Term loans	(2,920,396)	(785,316)	(1,964,628)
Net assets	8,440,062	11,501,848	8,403,134
Equity			
Called up share capital	158,561	158,561	158,561
Share premium account	22,019,285	21,953,617	21,953,617
Share option reserve	110,746	45,013	110,746
Capital reserve	2,925,520	2,925,520	2,925,520
Foreign currency translation reserve	324,200	(1,379,152)	(1,017,848)
Profit and loss account	(17,248,549)	(12,503,776)	(16,002,934)
	8,289,763	11,199,783	8,127,662
Equity attributable to owners of the Group	8,289,763	11,199,783	8,127,662
Non-controlling interest	150,299	302,065	275,472
Total equity attributable to equity shareholders	8,440,062	11,501,848	8,403,134

Consolidated Cash Flow Statement at 30 June 2016

For the half year to 30 June 2016

	Unaudited 30 June 2016 £	*Unaudited 30 June 2015 £*	*Audited 31 December 2015 £*
Reconciliation of loss before taxation to net cash flow from operating activities			
Loss for the year before taxation	(1,576,255)	(178,087)	(3,917,766)
Adjustments for:			
Depreciation and amortisation	504,446	541,880	1,336,429
Decrease/(Increase) in stock	(284,623)	1,080,156	387,027
Decrease in debtors	1,099,299	347,337	528,820
Increase in creditors	(1,089,716)	(1,756,874)	842,095
Foreign exchange differences	587,822	(104,939)	192,154
Share based payments	-	45,013	110,746
Net cash flow from operating activities	(759,026)	(25,514)	(520,495)
Investing activities:			
Net increase in investments	-	-	(308,196)
Acquisition of tangible fixed assets	(392,782)	(534,267)	(3,723,465)
Acquisition of intangible fixed assets	-	(3,932)	(115,785)
Proceeds from disposals of fixed assets	34,761	1,932,653	3,029,360
Financing activities:			
Proceeds from bank borrowings	955,768		1,088,578
(Decrease) / increase in cash balances	(161,278)	1,368.940	(550,003)
Analysis of cash and cash equivalents during the year:			
Balance at start of year	525,578	1,075,581	1,075,581
(Decrease) / increase in cash and cash equivalents	(161,278)	1,368,940	(550,003)
Balance at end of year	364,300	2,444,521	525,578

1. The calculation of earnings per share has been based on the loss for the period and the average 79,280,655 Ordinary Shares in issue throughout the period.

2. These unaudited results have been prepared on the basis of the accounting policies adopted in the accounts to 31 December 2015.

3. The Cash Flow Statement incorporates both continuing operations as discontinued operations but does not provide a split as in the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income.

4. The interim report to 30 June 2016 was approved by the Directors on 26 September 2016. The report will be available to the public on the Nature Group website via www.naturegroup.com.