

Valencia, 11 May 2010

## Results Report: 2010 Q1

Following the change of perimeter in Natraceutical resulting from the corporate operation with Naturex, and the focus on developing Laboratoires Forté Pharma

### **During the first quarter of 2010, Natraceutical increased its net profit by 70%, reaching a figure of 1.77 M €**

- First quarterly results following the deconsolidation of the Ingredients Division, integrated into the quoted French company Naturex in December 2009. As a result of this operation, the 33.9% share which Natraceutical holds in Naturex is consolidated in the Natraceutical accounts by the equity method, reflecting the proportional sum of Naturex's net profit.
- The Nutritional Supplements Division (Forté Pharma) closed the first quarter with sales of 14.23 million Euros and an EBITDA of 2.29 million Euros, resulting in an EBITDA margin on sales of 16.1%. The Division's net profit was 2 million Euros.
- As part of the contribution of its Ingredients Division to Naturex, during 2009 Natraceutical made a significant reduction in its corporate structure, the cost of which during the first quarter of 2010 was 0.46 million Euros, some 50% less than in March 2009. This fact, together with the activity of Forté Pharma and the residual activity derived from assets which have not been integrated into Naturex, has generated final sales for the Natraceutical Group of 14.43 million Euros and an EBITDA of 1.83 million Euros upon the closure of the first quarter.
- On 15th April, Natraceutical announced the long-term restructuring of its financial debt by means of a syndicated loan with a single maturity in 2013. Although the terms of the refinancing are not reflected in the accounts for the first quarter, the debt reduction resulting from the operation with Naturex led to a reduction of the financial expenses incurred during the first quarter of 35.6% compared to same quarter last year, with the final figure reaching 1.09 million Euros.
- As a result, the company closed the first quarter of 2010 with a net profit of 1.77 million Euros, representing a growth of 70% over the same period last year.

## 1. – Business performance

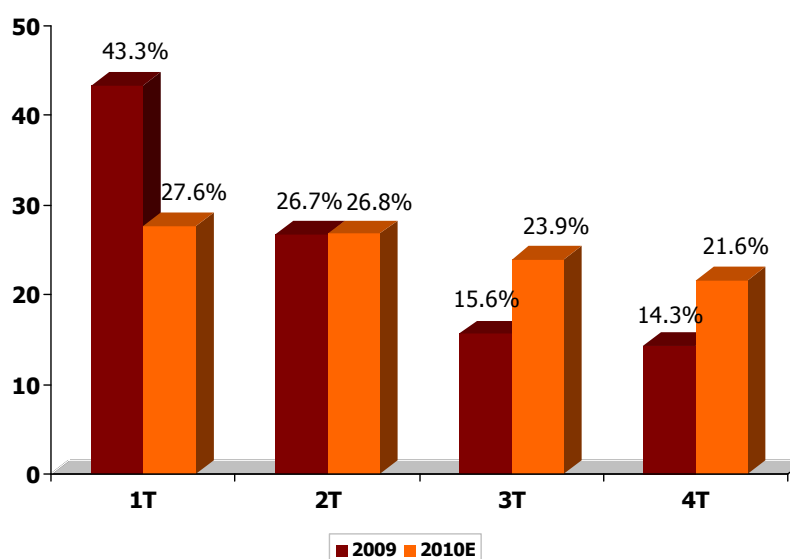
### *Nutritional Supplements Division*

Following the incorporation of the Ingredients Division into the French multinational Naturex on 30<sup>th</sup> December 2009, as of 1<sup>st</sup> January 2010 Natraceutical is focussing its operational activity on the development of its Nutritional Supplements Division in Europe, the products of which the company markets exclusively through chemists under the Forté Pharma brand.

Similarly, Natraceutical continues to participate in the natural ingredients for the food, pharmaceuticals and cosmetics industry by means of a 33.9% holding in Naturex.

As of January, Natraceutical has implemented a strategic change in its Nutritional Supplements Division in order to facilitate a clear seasonal adjustment of sales, which have traditionally been highly concentrated in the French market during the first half of the year (due to the effect of the weight control campaign ), and for a more linear evolution of the financial year.

**Distribution of Nutritional Supplements Division's sales throughout the year (2009-2010E)**

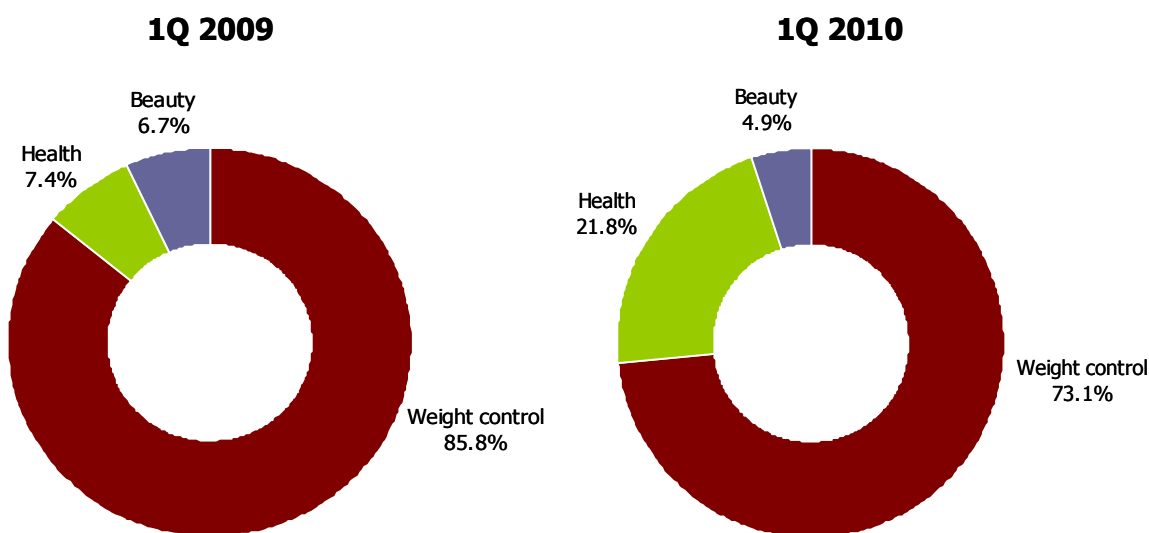


Natraceutical is to support this objective by means of two lines of action: a greater penetration in markets outside France and a greater focus on the products in the "Health" range. In this sense, Natraceutical estimates that the weight of France versus other markets in which the company operates will be reduced from 69% to 60% during this period and that the "Health" range will increase its weight within the company's total sales from 20.5% in 2009 to 28.5%.

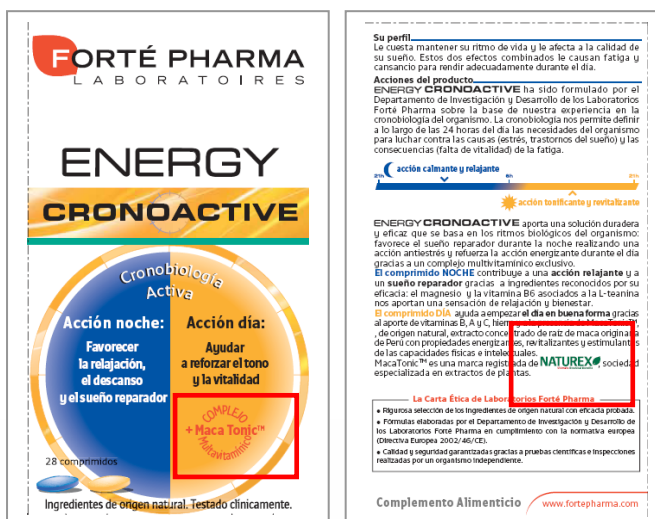
It should be noted that in recent years, the company has invested in strengthening its "Health" range in order to increase penetration in northern European countries, where nutritional health supplements represent around 80% of the market.

The boost given to the "Health" range in the first quarter has already materialized in a 106.8% increase in sales, which have risen from 1.53 million Euros in the first quarter of 2009 to 3.17 million Euros in March 2010.

**Distribution of Nutritional Supplements Division's sales by product range**



The main motor behind the good performance of the "Health" range during the first quarter of the year was the launch of an innovative new product: Energy CronoActive. This nutritional supplement has been developed following the principles of chronobiology: one tablet for the day and one for the night, each with complementary formulations. During the day, Energy CronoActive reinforces the body's vitality and energy, whilst during the night it promotes restful sleep and acts against stress. Energy CronoActive's main ingredient is MacaTonic, a multivitamin complex patented by Naturex.



Energy CronoActive has been marketed in France and Belgium since last February and, during recent weeks, has been presented in the other European countries in which the brand is present.

Energy CronoActive's presentation in the market was preceded by the success of Minceur ChronoActive, a nutritional supplement pertaining to the Weight Control range. This product, which

was first formulated in 2004 following the principles of chronobiology (under the name of Minceur 24+), continues to maintain its position among the company's best-selling products.

In France, Forté Pharma's main market and the reference market for the analysis of trends and product performance, the first quarter saw the company reach an 8% market share in the "Tonics" category (compared to 4.2% in the first quarter of 2009), thus ranking as the third company in this category within the French market, after climbing from the seventh position. Of this figure, 3.1% corresponds to the sale of the newly-launched Energy CronoActive and 3% to Vitalité 4G, a multivitamin complex with fortifying and stimulating principles, which was reformulated and presented to the market in October 2009.



For 2010, Forté Pharma estimates sales of 990,000 units of Energy CronoActive and 630,000 units of Vitalité 4G.

This strategic evolution towards the strengthening the "Health" range is part of the plan designed by the company following the acquisition of Forté Pharma in late 2006. However, this plan has been strengthened by the changes in the nutritional supplement market that have taken place in light of the international economic crisis.

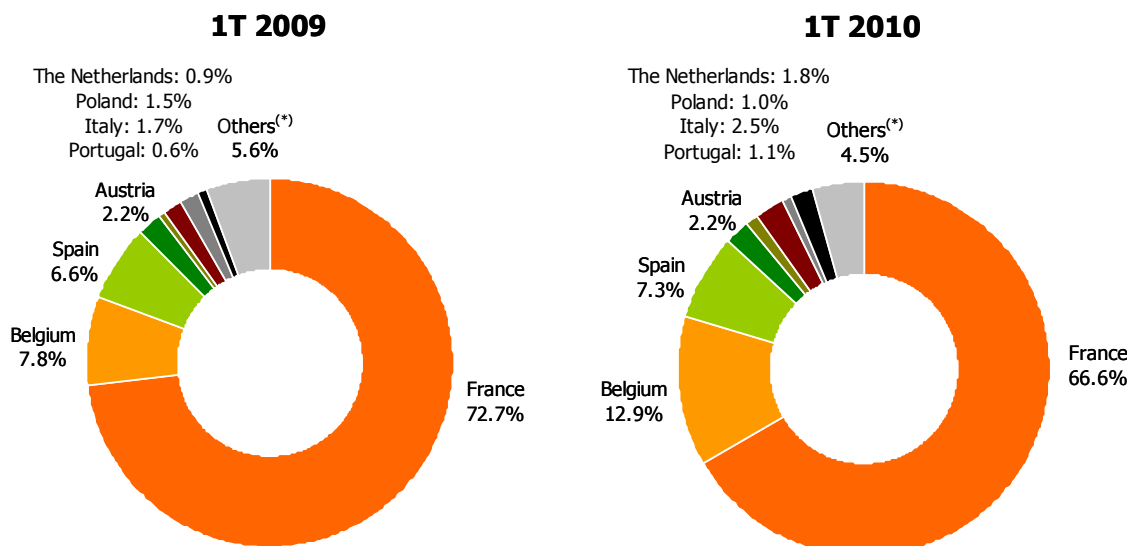
Business performance throughout 2009 saw a positive first quarter, with sales maintaining levels similar to those registered in the same period in previous years. However, the effect of the economic crisis on consumption led to major over-stocking in the pharmaceutical distribution channel, which affected sales during the remainder of the year. Faced with such a situation, Forté Pharma decided to continue investing in advertising throughout the year in order to stimulate stock rotation and to ensure sales recovery 2010.

The company's interest in strengthening its portfolio of "Health" range nutritional supplements, coupled with the caution shown by the pharmaceutical channel in recent months in terms of stock levels, has meant that sales of weight control products have not been brought forward during the pre-order period, being mainly deferred to the campaign period (in the case of the "Weight Control" range, this takes place during the second and third quarters of the year, coinciding with spring and summer).

In this new scenario, the company's turnover during the first quarter of 2010 stood at 14.23 million Euros, which, due to the mentioned motives, is not comparable to the 20.3 million Euros registered during the first quarter of 2009. The gross margin represented 79.7% over sales (compared to 78% in 2009) and the company obtained an EBITDA of 2.29 million Euros (3.78 M € in 2009), resulting in an EBITDA margin on sales of 16.1%. The Nutritional Supplements Division's net profit was 2 million Euros.

As regards the geographical distribution of sales, during the first quarter the weight of France in relation to the other countries in which the company operates fell from 72.7% to 66.6%, whilst countries such as Belgium, Spain, Holland, Italy and Portugal gained weight in the company's total sales volume.

**Geographical distribution of Nutritional Supplements Division's sales**



(\*) Includes the countries in which Forté Pharma does not have its own delegations: Switzerland, Greece, Romania, Bulgaria, Ukraine, Croatia, Canada, French-speaking Caribbean islands, Mauritius, Morocco, Algeria, Lebanon, Tunisia, South Africa, Singapore and Vietnam.

The implementation of this new marketing strategy will also enable to better monitor the investments in publicity, parallel to the sales evolution. After the deconcentration of the activity in from first quarter, these investments will be distributed throughout the year, which will also permit a better protection of the operating margins, subject to business development.

Corporate structure and other assets

During 2009, and especially in view of the Ingredients Division's integration into Naturex, Natraceutical Group's corporate structure, upon which the Ingredients Division and the Nutritional Supplements Division were dependent, was subject to a profound restructuring process that has reduced the company's cost from 3.5 million Euros in 2009 to a forecast 1.7 million Euros in 2010.

The cost of the corporate structure in the first quarter was 0.46 million Euros, 50% less than in March 2009. This fact, together with a residual activity from assets which were not integrated into Naturex, generated final sales for Natraceutical Group of 14.43 million Euros and an EBITDA of 1.83 million Euros upon the closure of the first quarter.

***Shareholding in Naturex***

As of 1<sup>st</sup> January 2010, and following the deconsolidation of the Ingredients Division, the 33.9% share which Natraceutical holds in Naturex is consolidated in the Natraceutical accounts by the equity method, reflecting the proportional sum of Naturex's net profit. On 3<sup>rd</sup> May, Naturex

published its sales for the first quarter of 2010. Pending closure by the company of its accounts for this period, Naturex's contribution to Natraceutical's result responds to the best estimate available on the date of issue of this report.

Strengthened by the operation with Natraceutical, Naturex closed the first quarter of 2010 with a 7.4% growth in sales, reaching the figure of 51.6 million Euros. At constant currency, Naturex estimates growth of between 5 to 10% for 2010. The company's strategic priority for this period will be the integration of the Natraceutical Ingredients Division.

The sales growth experienced in the first quarter was due mainly to the good performance of the Europe-Africa tandem, which has experienced a growth of 16% and in March 2010 represented 53% of total company sales. American sales have fallen by 8%, representing 35% of the total volume. Turnover in Asia-Oceania, which represents 12% of the total, grew by 26%.

As for the segments in which Naturex markets its ingredients (food, health and cosmetics, mainly), the most significant growth has been experienced in the food segment, which registered an increase of 9% in a unit that represents 60% of total company sales. For its part, the healthcare industry sales, representing 36% of the total, have increased by 3%, whilst the cosmetic industry sales, representing 1% of the company's turnover, have grown by 73% during the first quarter.

During this year's Shareholders Meeting, Naturex intends to propose the payment of a dividend of 0.11 Euros per share, representing an increase of 10% over the previous year's compensation. The company will offer its shareholders the possibility to receive some or all of the mentioned dividend in shares, with a discount of 10% over the quoted price.

Similarly, on 3<sup>rd</sup> May 3 Naturex published the 2009 audited results, including pro forma figures for the newly integrated Natraceutical Group's Ingredients Division.

Upon closure of 2009, Naturex registered a turnover of 101.9 million Euros, an increase of 9.4% over the previous year. The company registered a net profit of 5.2 million Euros, an increase of 23.4% over the 2008 figure. These figures do not incorporate the Natraceutical Ingredients Division, the results of which will be consolidated by Naturex as of January 1, 2010.

These results, in line with the positive development of Naturex's activity throughout the four quarters of the year, confirm the French multinational's ability to ensure solid growth as a reference company within the natural ingredients for the nutraceutical, food, pharmaceutical and cosmetics industries sector, despite the complex economic environment.

Employing pro forma data, in 2009 the new Naturex structure registered a turnover of 186.2 million Euros, an operating profit of 16.8 million Euros and a net profit of 6.8 million Euros.

The merger of both businesses opens a wide range of joint growth opportunities for the companies, the result of a complete complementarity and multiple synergies. The complementary nature of the products is accompanied by the companies' respective strengths in different geographic markets and sectors of activity, as well as the possibility of improvement in operating margins by jointly benefiting from better raw material purchasing conditions and the centralization of the business management. The company resultant from the merger combines the strength of Naturex, strongly positioned in the U.S. and Canada, with that of Natraceutical, which has a strong presence in Europe. The new company has production plants in Europe (Spain, France, Italy, UK and

Switzerland), USA, Morocco, Australia and Brazil and its own commercial offices in Europe, USA and Asia.

## **2.- Financial structure**

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During the final quarter of 2009, Natraceutical effected a significant reduction of its net debt, which was reduced from € 99 Million upon closure as of October 2009 to €69 Million in December 2009. This decrease was possible mainly by means of the reception of funds from the additional cash payment made by Naturex within the context of the incorporation of the Natraceutical Ingredients Division.

As a result of the mentioned reduction in the company's leverage, Natraceutical's financial results for the first quarter were reduced by 35.6% in relation to the same quarter last year, reaching 1.09 million Euros.

Furthermore, on 15 April the company announced the completion of its financial debt restructuring process. The resulting agreement includes the long-term refinancing of all debt and the provision of new funds by means of syndicated loan, with a single maturity in 2013. The total amount refinanced amounts to 77.9 million Euros, including 4.4 million Euros of new financing destined to strengthen the operating cash flow.

Subsequent to the restructuring, the main assets that support Natraceutical's financial debt are the activities of the Nutritional Supplements Division and the 33.9% stake in Naturex, representing 2,159,370 shares (of a total of 6,364,000). As a guideline, the value of Natraceutical's shareholding in Naturex amounted to 64.73 million Euros at market close on 31<sup>st</sup> March 31, 2010 (€ 29.98 / share).

### 3.- Consolidated Results Account

Natraceutical Group Profit and Loss Account		
(in thousand euros)	1Q 2010 (*)	1Q 2009
<b>Revenue</b>	<b>14.432</b>	<b>41.343</b>
+/- Changes in inventories of finished goods and work in progress	-2	-291
Procurements	-2.952	-16.274
<b>Gross Profit</b>	<b>11.478</b>	<b>24.778</b>
Other operating income	60	121
Staff costs	-3.304	-8.046
Depreciation and amortisation charge	-300	-1.419
Change in operating allowances	-5	3
Other operating expenses	-6.403	-12.310
<b>Profit from Operations (EBIT)</b>	<b>1.526</b>	<b>3.127</b>
Result of companies accounted for using the equity method	848	-17
Finance results	-1.097	-1.704
Exchange differences (gains and losses)	490	399
Loss on disposal of non-current assets	0	-529
Impairment losses	0	-176
<b>Profit Before Tax (EBT)</b>	<b>1.767</b>	<b>1.100</b>
Income Tax		-60
<b>Profit for the year</b>	<b>1.767</b>	<b>1.040</b>
Minority shareholders	0	0
<b>Net result to the parent company</b>	<b>1.767</b>	<b>1.040</b>

(\*) It does not include the activity from the ex Natraceutical's Ingredients Division, which was integrated into Naturex last December 2009.



#### 4. - Consolidated Balance as of 31st March 2010

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##### ASSETS

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##### Non-current assets:

Intangible assets	104.895
Property, plant and equipment	4.362
Investment in Group and equity companies	50.860
Non-current debt from Group companies	2.689
Other non-current investment	624
Deferred tax assets	13.054
<b>TOTAL NON-CURRENT ASSETS</b>	<b>176.484</b>

##### Current assets

Inventories	5.448
Trade and other receivables	14.089
Current debt from Group companies	9.463
Current tax assets	2.700
Other current financial assets	3.656
Cash and cash equivalents	2.285
<b>TOTAL CURRENT ASSETS</b>	<b>37.641</b>

<b>TOTAL ASSETS</b>	<b>214.125</b>
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## EQUITY AND LIABILITIES

<b>Equity:</b>	
Share capital	32.859
Share premium	103.493
Reserves (retained earnings)	13.991
Reserves from previous year	-48.107
Result for the year	1.768
Treasury shares	-4.883
Translation differences	-670
Other equity instruments	-3.100
<b>TOTAL EQUITY</b>	<b>95.351</b>
<b>Non-current liabilities:</b>	
Non-current bank borrowings	0
Other non-current financial liabilities	8.992
Derivative financial instruments	2.746
Other non-current liabilities	1.596
Deferred tax liabilities	2.082
Non-current liabilities to Group companies	1
Other provisions	465
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>15.882</b>
<b>Current liabilities:</b>	
Provisions	114
Bank borrowings	67.010
Current liabilities with Group companies	17.563
Trade and other payables	13.344
Other current liabilities	3.585
Current tax liabilities	1.276
<b>TOTAL CURRENT LIABILITIES</b>	<b>102.892</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>214.125</b>

*It does not incorporate the new financial structure, after the refinancing announced on April 15, 2010*

### Natraceutical Group

Natraceutical Group is a Spanish multinational which is a reference in the research and development of natural functional ingredients, active elements and nutritional supplements for the food, pharmaceutical and cosmetics industry. The company directs its industrial activity through Laboratoires Forté Pharma, which specializes in nutritional supplements in the fields of health, beauty and weight control and which it sells exclusively in pharmacies and drugstores in Europe, as well as through its shareholding in the quoted French company Naturex, resultant from the recent contribution of its Ingredients Division to the French multinational.

Natraceutical is quoted on the Spanish stock exchange's continuous market under the ticker NTC. Total shares in circulation: 328,713,946.

**For further information**

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