

## Results Report: 2010

### **Recovery of Forté Pharma sales in the second stand half: growth of 3% compared to 30% fall in the year to June, and appreciation of 46% stake in Naturex**

*Natraceutical net result stood at € -6.19 million compared to € -44.90 million in 2009, while the unrealized gains from the stake in Naturex generated during the year amounts € 10 million*

- After the change in the consolidation perimeter due to the integration of the Ingredients Division into Naturex, Natraceutical closed 2010 with a turnover of € 38.83 million and EBITDA of € -3.79 million, the later with € 0.8 million impact due to non-recurring expenses in corporate services. Net result stood at € -6.19 million, compared with € -44.90 million last year.
- By divisions, the Food Supplements Division (Forté Pharma) closed the year with sales of € 38.19 million and EBITDA of € -1.03 million, compared to a turnover of € 46.72 million and an EBITDA of € 2.04 million in 2009.
- The Ingredients activity, which Natraceutical participates in through its 33.8% shareholding in Naturex, is picking up merger synergies at good pace, and would provide an estimated EBITDA of € 12.25 million in 2010 should it be globally consolidated in Natraceutical accounts. Pending to know Naturex results for 2010 to be disclosed on March 31, Natraceutical estimates a net profit of € 13.28 million, from which Natraceutical incorporates the corresponding stake (€ 4.49 million). At the end of 2010, and after a stock appreciation of 46.2%, Natraceutical's stake in Naturex accumulates an unrealized gain, not yet incorporated in the profit and loss account, of € 10.03 million, which raises the stake value at year end up to € 88.31 million.

#### **1.- Business performance**

Following the Ingredients Division integration into the French multinational Naturex, executed on December 30, 2009, from January 1, 2010 Natraceutical concentrates its operational activity in the development of the Food Supplements Division, which the company sells exclusively in pharmacies under the brand name Forté Pharma.

Parallel to that, Natraceutical continues to participate in the sector of natural ingredients for the food, pharmaceutical and cosmetics industry through the 33.8% stake in Naturex -consolidated by the equity method-, thus integrating into their accounts the corresponding part of the French multinational's net profit.

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## **Food Supplements Division**

Forté Pharma's sales have increased by 3.0% in the second stand half of 2010, following the sharp decline in sales in the first half of the year (-30,4% and -20,8% in the first and second quarters, respectively), reflecting the same decline of the weight control supplements market.

In the middle of 2009 the effect of the economic crisis on consumption led to major over-stocking in the pharmaceutical distribution channel regarding food supplements for weight control, Forté Pharma's main business area. This situation affected sales during the remainder of the year and marked significantly the first half of 2010.

In the first half of the year, the still high sales concentration on the French market (67%) and, particularly, in the weight control segment (75%) meant a decrease of 29.6% in the Division's turnover.

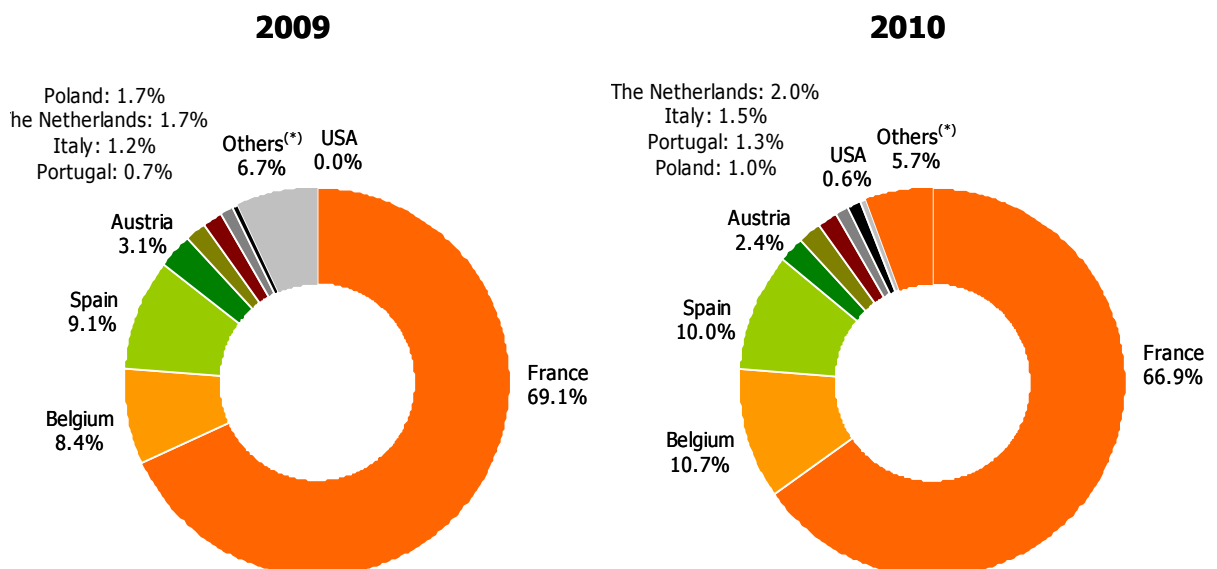
However, the second half of the year highlighted the positive evolution of the turnover in international markets outside France, where sales have gone from 20% declines in the first half of 2010 to growth of 2,3% in the second stand half.

France, Forté Pharma's main market, has also shown signs of recovery, after managing to halt the 29.7% fall in sales of the first half of the year and to increase by 2.3% the sales level compared to the second half of 2009.

The business recovery in international markets has enabled Natraceutical to continue balancing the geographical distribution of its activity with an increased volume of sales in international markets outside France to 33.1% compared to 30.9% in 2009.

In the last quarter of 2010, Forté Pharma set commercial relations in the USA, where the product is sold through distribution chains. The company expects to get new agreements with leading distribution chains in the UK and Japan by the beginning of the second quarter of 2011 and to broaden the activity in the USA.

## **Geographical distribution of sales of the Food Supplements Division**



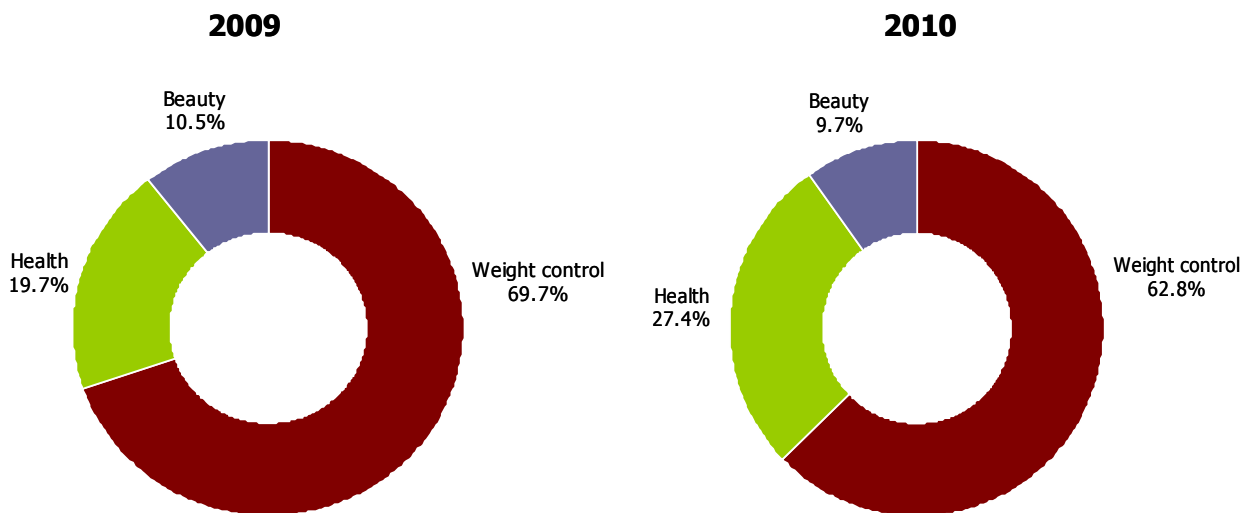
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(\*) It includes countries where Forté Pharma has no established branch offices: Switzerland, Greece, Romania, Bulgaria, Ukraine, Croatia, Canada, French-speaking Caribbean islands, Mauritius, Morocco, Algeria, Lebanon, Tunisia, South Africa, Singapore and Vietnam.

By products, the "Weight Control" range has been evolving its sales by 9.5% in the second stand half, after a fall of 32.8% in the year to June. Despite the positive trend in sales in the third and fourth quarter, the performance of the activity in the first half of the year has led the "Weight Control" range to close 2010 with a decline in sales of 26,4%.

By contrast, the "Health" range, which the company has strongly promoted this year in order to diversify the portfolio, has ended the year with total sales growth of 13.8% and has allowed the company to increase the weight of these products in the Division total sales from 19.7% in 2009 to 27.4% at year-end 2010.

## Sals distribution in the Food Supplements Division by product range



This strategic development is enabling the company to adjust the seasonality of its sales, which have been traditionally highly concentrated in the first half of the year (70%) due to the effect of the weight-control campaign in the summer. The move to a more balanced model has had its effect already in 2010, with a reduction of the sales weight in the first half of the year down to 64%.

Despite the above, the recovery of 3% in sales in the second stand half has not managed to offset the results of the first half of the year and the Food Supplements Division has closed the year with a turnover of € 38.19 million, versus € 46.72 million last year.

At operational level, despite the slight improvement in the Division gross margin and the reduction in personnel costs, declining sales along with increased marketing costs in the two largest markets (France and Belgium) and provisions by default and destruction of stock, the company has failed to protect the operating results of the Nutritional Supplements Division, which ended the year with an EBITDA of € -1.03 million, compared to € 2.04 million in 2009.

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## ***Shareholding in Naturex***

Following a revaluation in the stock market of 46.2% in 2010, Natraceutical's shareholding in Naturex has accumulated at year-end an unrealized gain not yet incorporated in the profit and loss account of € 10.02 million.

Naturex has obtained over 2010 unprecedented results. On January 25 the company announced that net sales in December 2010 had exceeded by far the targets, with an increase of 21.6% on a comparable basis, reaching € 226.3 million.

The three markets, Food & Beverage, Nutrition & Health and Personal Care, contributed to this growth, benefitting from the still very marked orientation in world demand for natural products and health, as well as from reinforced regulations, particularly within the framework of the use of artificial colouring agents in food products.

The successful integration of Natraceutical's Ingredients Division enabled Naturex to enlarge the range of products and solutions designed and marketed by the French multinational, and to cover the needs of the clients more widely. This increased the company's visibility.

The impetus for growth in the three geographical areas where the company is present continued at a highly sustained rate with acceleration in demand in the emerging countries, especially in Asia and in Latin America.

The complementarity of the production sites, combined with the performance of the integrated sales network, made a substantial contribution in extending Naturex's international positions over the period.

At the end of the third quarter, the company's EBITDA reached € 27.18 million, with an EBITDA margin of 16%. On the other hand, operating income (EBIT) stood at € 21.7 million generating an operating margin of 12.7% compared to 9% for 2009 as a whole. This 3.7-point improvement is also above target.

Net profit stood at € 10.8 million, reaching record levels for the group even before the end of the year. Thus, the total net profit for 2010 will set a new unprecedented result in the year.

Pending to know Naturex results for 2010, to be disclosed on March 31, Natraceutical has estimated a net results of € 13.28 million in Naturex, from which Natraceutical incorporates the corresponding stake (€ 4.49 million) in its accounts. Should the investment in Naturex be consolidated globally, the stake in the French multinational would bring to Natraceutical accounts an estimated EBITDA of € 12.25 million in 2010.

## **2.- Financial structure**

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In December 2010, Natraceutical net debt amounted to € 82.98 million, with a single maturity in 2013.

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After debt restructuring, the main assets that support the financial structure of Natraceutical are the activity of the Food Supplements Division and the 33.8% stake in Naturex, comprising 2,168,219 shares. After the close of the markets last February 25, the value of Natraceutical's stake in Naturex amounted to € 89.65 million.

### 3.- Natraceutical's Consolidated Balance Sheet on December, 31 2010

<i>(thousand euros)</i>	31/12/2010*	31/12/02009
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Goodwill	80.783	102.983
Other intangible assets	1.061	1.731
Property, plant and equipment	4.187	4.447
Investments recorded by the equity accounting method	78.265	48.366
Non-current financial assets	3.574	4.950
Deferred tax assets	10.923	11.208
<b>TOTAL NON-CURRENT ASSETS</b>	<b>178.793</b>	<b>173.685</b>
<b>Current assets</b>		
Stocks	5.238	4.647
Trade and other receivables	8.295	18.641
Other current financial assets	884	246
Current tax assets	2.484	1.866
Other current assets	2.671	
Cash and other cash-equivalents	1.392	1.095
<b>TOTAL CURRENT ASSETS</b>	<b>20.964</b>	<b>26.495</b>
<b>TOTAL ASSETS</b>	<b>199.757</b>	<b>200.180</b>

*(\*) Non-audited*

(thousand euros) 31/12/2010\* 31/12/02009

## EQUITY AND LIABILITIES

<b>Equity:</b>		
Share capital	32.871	32.871
Share premium	103.494	103.494
Reserves (accrued earnings)	(13.373)	6.826
Reserves of fully consolidated companies	(24.510)	330
Reserves of companies consolidated by the equity methos	3.229	
Treasury stock	(4.883)	(4.883)
Exchange rate differences	(790)	(144)
Profit for the year allocated to parent company	(6.197)	(44.907)
<b>TOTAL EQUITY</b>	<b>89.841</b>	<b>93.587</b>
<b>Non-current liabilities</b>		
Long-term bank liabilities	77.996	6.707
Other long-term financial liabilities	7.791	4.390
Deferred tax liabilities	303	612
Long-term provisions	198	106
Other non-current liabilities		
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>86.288</b>	<b>11.815</b>
<b>Current liabilities:</b>		
Bank liabilities	5.975	63.754
Trade and other payables	12.511	14.192
Provisions	595	482
Current tax liabilities	1.203	1.266
Other current liabilities	3.344	15.084
<b>TOTAL CURRENT LIABILITIES</b>	<b>23.628</b>	<b>94.778</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>199.757</b>	<b>200.180</b>

(\*) Non-audited

## 4.- Natraceutical's Consolidated Profit and Loss account

(thousand euros)	2010*	2009
Net business turnover	38.841	134.616
+/- Variation of finished or in-process product stock	1.279	(3.532)
Procurements	(10.397)	(62.990)
<b>Gross margin</b>	<b>29.723</b>	<b>68.094</b>
Other operating income	181	899
Staff expenses	(10.423)	(27.454)
Depreciation allocation	(1.386)	(6.249)
Variation in operating allowances	(1.219)	(5.202)
Other operating expenses	(23.275)	(44.830)
<b>Operating result</b>	<b>(6.399)</b>	<b>(14.742)</b>
Result from equity consolidated companies	4.489	
Financial earnings	1.063	527
Financial expenses	(6.593)	(8.723)
Currency exchange differences (income and expenses)	700	(377)
Non-current asset disposal result		(12.782)
Impairment result	543	(7.815)
<b>Income before taxes</b>	<b>(6.197)</b>	<b>(43.912)</b>
Income tax		(995)
<b>Year's result</b>	<b>(6.197)</b>	<b>(44.907)</b>

(\*) Non-audited. It does not include the activity of the Ingredients Division, integrated into French multinational corporation Naturex and accounted by the equity method.

### 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.

[www.natraceuticalgroup.com](http://www.natraceuticalgroup.com)

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