

## 9M 2013: Results note

### New quarter of strong organic growth

## **Natraceutical closed the third quarter with a net profit of 2.17 M€ compared with losses of 0.28 M€ in September 2012**

- The turnover stood at 25.30 M€, an increase of 7.2% over the first nine months of 2012.
- The recovery in sales, combined with Forté Pharma's strong operating leverage, favored an increase in Natraceutical's EBITDA of 88.8% up to 3.36 M€, compared to 1.78 M€ in the third quarter of 2012. The EBITDA margin rose from 7.5% to 13.3%.
- Profit before taxes stood at 3.11 M€ compared with losses of 0.22 M€ at the end of September 2012.
- The cancellation of the entire syndicated loan in December 2012 enabled the company to reduce the net figure between financial expenses and income from negative 3.08 M€ in September 2012 to positive 0.11 M€ in the same period of 2013.

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

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As a result of the total divestment of the stake in Naturex in December 2012, as of January 2013 the financial statements of Natraceutical include only the results from Forté Pharma, one of the leading companies in Europe in the food supplements industry.

Following the sharp contraction of the weight control food supplements industry in France -Forté Pharma's main market segment- between 2009 and 2012, the subsequent recovery of the market since the last quarter of 2012 is having a positive translation in the development of Natraceutical's main business.

Natraceutical maintained this positive trend in the third stand quarter of 2013, with a sales growth of 6.1% and a year-to-date growth of 7.2%, up to 25.30 million euro.

The company is pushing the development of its health and energy ranges to balance its strong position in the weight control segment. This is the main reason why the first and third quarters are affected by the seasonality of weight control and health sales campaigns, respectively, while the second and fourth quarters contain the main advertising investment to support the pharmaceutical retailers' sales to end consumers.

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The efforts to develop a stronger offer in health resulted in a good performance of the business profitability in the third stand quarter (EBITDA +21.4% compared to July to September 2012), and Natraceutical closed the first nine months of the year with EBITDA of 3.36 million euro, compared to 1.78 million euro in September 2012, which represents a growth of 88.8% and an EBITDA margin evolution from 7.5% to 13.3%.

## Operating performance of Natraceutical 2012-2013

(in million euro)

	2012				2013				
	1T	2T	3T	9M	1T	2T	3T	9M	Evol. 9M
Turnover	9,47	7,39	6,73	23,59	10,74	7,42	7,14	25,30	7,2%
EBITDA	1,82	-0,74	0,70	1,78	2,94	-0,43	0,85	3,36	88,8%
EBITDA margin	19,2%	n.a.	10,4%	7,5%	27,4%	n.a.	11,9%	13,3%	
Result from operations	1,62	-0,90	0,57	1,29	2,81	-0,54	0,73	3,00	132,6%

## By product categories

In the first nine months of the year, the slimming range decreased its contribution in the total sales from 65.6% to 63.0%, in favor of the health, energy and beauty ranges, which the company is pushing hard to achieve a better balance in its product portfolio.

The weight control range achieved 3.1% growth in the first nine months of the year, while the health and energy ranges increased revenues by 6.6%, contributing 23.3% of the company turnover. The beauty range accumulated growth of 32.7% in the first nine months of the year and represented 13.6% of total sales.

In accordance with this strategy, the company launched this year three new products in its weight control range and four in the health and energy ranges, which have been complemented with a bio range. Among others in the health and energy ranges are *Vitalité 4G Défenses*, to increase energy and body's natural defenses and *Protectan Cholestérol*, to regulate cholesterol levels in a natural way, to fight against oxidative stress and regulate fat metabolism.



As for the beauty range, *Expert Hialurónico*, developed in 2012, was followed this year by *Expert Keratine*, a hair product with bioactive keratin to restore strength and hair quality and exalt its brightness and color.



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## ***By markets***

By geographic markets, France, which at the end of September brought together 63.6% of the company turnover, resubmitted a sales growth in the months of July to September, after a contraction in the second quarter due to the effect of adverse weather during the pre-campaign of the weight control range. All in all, this market accumulated a growth in turnover of 2.4% in the first nine months of the year.

The whole of the remaining markets presented a new quarter of growth, with a cumulative increase in turnover in the first nine months of the year of 10.5%

Spain continued to be the driver of this growth, with sales increasing 83.6% in the third stand quarter and 84.1% in the first nine months, and it consolidated as the company's second largest market, with a 16.4% of turnover.

Among the secondary markets, United Kingdom maintained its fourth place in the geographical diversification of Forté Pharma, following Benelux. Although the evolution of this market is not significant in the third stand quarter because Forté Pharma focused its first stage of development in this country through the weight control range, with sales mainly in the first half of the year, UK accumulated growth of 25.7% in September and 1.9% of total business sales.

## **2.- Operating leverage**

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The growth in turnover, the highly operating-leveraged structure of Forté Pharma and the full production outsourcing (resulting in low depreciations for capex investments) enabled Natraceutical to place its operating results at the end of September at 3.00 million euro, compared to 1.29 million euro in the same period last year (+132,6%%).

The company estimates that the positive performance of the business will be maintained in the last quarter of the year, although it is recalled that the last quarter is traditionally the less significant one in terms of turnover and that, together with the second quarter, they both concentrate the main advertising investment of the business, which has a tightening effect on the profitability generated in the first and third quarters.

## **3.- Financial debt**

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After the cancellation of the syndicated loan at year-end 2012, from January 2013 Natraceutical maintains only some bank financing related to Forté Pharma's operations.

At the end of September 2013, financial debt amounted to 3.29 million euro, compared to 51.64 million euro on September 30, 2012. However, net financial debt (calculated as bank borrowings minus cash and highly liquid financial assets) showed a cash surplus of 1.52 million euro on September 30, 2013.

## **4.- Sale of Natraceutical Industrial, SLU**

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On July 24, and as part of the transaction between Naturex and Natraceutical from December 2009, through which Naturex acquired Natraceutical's ingredients division, Natraceutical formalized the sale to Naturex of its subsidiary Natraceutical Industrial SLU, a remaining asset from the former ingredients

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division. Natraceutical Industrial was the owner, among other assets, of the production site in Valencia (Spain) that Naturex was renting since end 2009.

The transaction amounted to 8.5 million euro, to be paid in June 2017. Standard guarantees were defined, which would reduce the final price in case potential contingencies materialize.

This transaction generated a profit in the individual company Natraceutical, SA of 3.14 million euro, making individual accounts reflect a positive profit before taxes. The company recorded a provision of 0.95 million euro for the income tax related to this profit, which is also reflected in the consolidated accounts and which will not involve any cash-out as it will be offset by tax losses generated in prior years.

## **5.- Net result**

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Natraceutical closed the first nine months of 2013 with a net profit of 2.17 million euro compared with losses of 0.28 million euro in the same period last year.

This improvement was mainly explained by the significant recovery of the business operations and more specifically by the positive effects of the cost efficiency policies implemented in 2011 and which are giving their full results in 2013. All this, in addition to the lack of financial costs and although the income statement for the first nine months of 2012 included a positive result of 1.4 million euro from the valuation change of the stake in Naturex.

Note that the virtual absence of recurring investments for the business operations, together with positive financial income, favours a high conversion of Natraceutical's gross operating profit (EBITDA) into free cash flow.

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## 6.- Consolidated balance sheet of Natraceutical on September 30, 2013

<i>(in thousand euros)</i>	30/09/2013	30/09/2012
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Intangible assets	59.468	59.644
Property, plant and equipment	214	237
Investment in group and equity companies	0	0
Other non-current financial assets	8.650	334
Deferred tax assets	2.249	2.774
<b>TOTAL NON-CURRENT ASSETS</b>	<b>70.582</b>	<b>62.989</b>
<b>Current assets:</b>		
Inventories	2.468	1.779
Trade and other receivables	9.679	10.356
Intercompany accounts receivable	48	7
Other current financial assets	2.653	72.522
Tax receivables	516	836
Disposable group assets classified as held for sale	0	8.492
Cash and cash equivalents	2.167	1.411
<b>TOTAL CURRENT ASSETS</b>	<b>17.530</b>	<b>95.403</b>
<b>TOTAL ASSETS</b>	<b>88.111</b>	<b>158.392</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity:</b>		
Ordinary capital	32.872	32.872
Share premium	103.494	103.494
		-1.484
Retained earnings	-59.654	-48.802
<b>TOTAL EQUITY</b>	<b>76.712</b>	<b>86.080</b>
<b>Non-current liabilities:</b>		
Financial debt	0	0
		641
Other non-current financial liabilities	0	591
Deferred tax liabilities	0	517
		6.928
Provisions for other liabilities and charges	253	169
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>253</b>	<b>8.846</b>
<b>Current liabilities:</b>		
Provisions for other liabilities and charges	642	486
Financial debt	3.298	51.000
Intercompany	0	3.127
Trade and other payables	6.884	8.538
Other current financial liabilities	0	121
Tax liabilities	322	194
<b>TOTAL CURRENT LIABILITIES</b>	<b>11.146</b>	<b>63.466</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88.111</b>	<b>158.392</b>

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## 7.- Consolidated profit and loss account of Natraceutical

<i>(in thousand euros)</i>	9M 2013	9M 2012
<b>Revenue</b>	<b>25.302</b>	<b>23.591</b>
Changes in inventories	160	-28
Procurements	-6.809	-5.831
<b>Gross margin</b>	<b>18.653</b>	<b>17.732</b>
Sales commissions		
Other operating income	92	14
Personnel costs	-6.081	-6.351
Depreciation and amortization	-360	-492
Other operating expenses	-9.302	-9.616
<b>Profit from operations</b>	<b>3.001</b>	<b>1.287</b>
Financial income	206	161
Financial costs	-98	-3.243
Exchange differences	-2	169
Impairment and loss on disposal of financial instruments	0	-99
Change in fair value of financial assets	0	1.502
<b>Profit before taxes</b>	<b>3.108</b>	<b>-223</b>
Income tax	-935	-59
<b>Net result</b>	<b>2.173</b>	<b>-282</b>

Receive punctually Natraceutical's news by enrolling in the **subscription center** of the company in the new corporate web site: **[www.natraceutical.com](http://www.natraceutical.com)**

### Natraceutical

Natraceutical channels its activity through Forté Pharma, a laboratory specializing in the development and marketing of food supplements in weight control, health and beauty segments sold exclusively in pharmacies and parapharmacies, mainly in Europe.

Natraceutical is quoted on the Spanish stock exchange under the ticker NTC. Total outstanding shares: 328,713,946.

### For further information

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