

At the forefront of the world's biotechnology applied to nutrition





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President's Foreword

Dear Shareholders,

It is a pleasure for me to once again write the foreword to the annual report corresponding to our company's 2007 performance, which also includes the most relevant events that have occurred so far this year.

2007 was the year of Natraceutical Group's consolidation as the leading reference in the field of functional nutrition and nutritional supplements. A year in which we have witnessed a complete integration of the major acquisitions made during the previous two years, which have led the company to reach a new dimension and potential for leadership in international markets. A year in which we have optimized our resources, production lines, capacity for innovation and commercial networks. All in all, a year in which Natraceutical Group has once again been up to the most important challenge faced by all companies going through a process of expansion: achieving increased organic growth along with growth resulting from adding new companies to the Group.

Last year, Natraceutical Group was fully engaged in the sector of nutritional supplements, following the acquisition of Laboratoires Forté Pharma in October 2006. Natraceutical Group designed at the time a 3-year strategic development plan leading to the creation of a Pan-European brand in the sector of nutritional supplements. Following the first year of combined activities, Natraceutical Group, represented by its brand Forté Pharma, is already marketing products in Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal and is now penetrating Italy —one of the main target markets along with Germany and the UK. Furthermore, companies Forté Pharma Iberica and Forté Pharma Benelux have been incorporated for the purpose of converging business activities in Spain and Benelux via the creation of their own sales forces.



Xavier Adserà Gebellí

President

During their first year of activities, Natraceutical Group's Nutritional Supplements Division has maintained its leading position in the French slimming market, and has also strengthened notably its internationalization process thanks to a 52% increase in sales outside France as compared with the previous year.

As for the Ingredients Division, the company's main goals in 2007 were to continue optimizing resources in this business area and to boost the synergy between the worldwide commercial network and develop a comprehensive portfolio of products available in the sector of functional ingredients, alkaloids, natural colourings, aromas and fruit and vegetable powders. In order to further consolidate their international activity in the field of functional ingredients, Natraceutical Group has been constantly analyzing opportunities for further expansion. As a result, in February the Group bought the Australian company Kingfood Australia PTY Ltd., which has been specializing for over twenty years in the manufacture and marketing of ingredients and aromas for the Asia Pacific food industry.

In addition, for the purpose of further strengthening Natraceutical's commercial presence in new markets with a high potential for growth, the company opened a new commercial branch in Moscow (Russia) in July. The Group was already operating a branch in Bangkok to ensure the direct marketing of their products in countries with great potential for development.

The following figures provide evidence of this positive business evolution: the company's turnover to the end of 2007 reached €152.9 million, 68% up from the previous year's €90.7 million turnover —of which 16% was generated independently of the latest acquisitions' impact on the financial statement. In addition, the company's EBITDA reached €19.2 million, 91% up from the previous year, 40% of which was generated organically.

Through an ambitious strategy focused on value creation designed in 2004—which has combined the growth experienced both organically and via the acquisition of companies in international markets— Natraceutical Group's business turnover has increased 6.6 times in only three years, an annual growth of 87.5% since 2004.

Natraceutical Group's growth strategy, specifically since the start of the process of international expansion in mid 2005, has primarily focused on securing the right balance between high growth and profits. As a result, the company has increased its EBITDA by 4.6 times since 2004, a growth of 66% in the last three years. In 2007, it even exceeded by 20% the turnover forecasted for the year.

However, the positive evolution of the company's business was not reflected by the stock market. Certainly, 2007 was an unusually complex year for Natraceutical's stock value, due to several factors unrelated to the company's evolution, which have severely handicapped its growth in the stock market. The corresponding information has been included in this report.

The world's macroeconomic situation has recently been under pressure from financial turbulence that originated on the other side of the Atlantic Ocean, which has created significant doubt and rocked the world's financial system.

However, there is no doubt that the world's economy will keep growing significantly, and that this growth will be fuelled by emerging countries that base their development on exchanging resources such as raw materials and labour for technology and cash. It is also widely acknowledged that we are moving towards an environment dominated by world credit restrictions and a downward trend in the evolution of interest rates due to slower inflation.

In this future scenario, we can logically think that competitive advantage will be gained by companies that have already started global expansion processes to ensure a safer positioning in the global economy —companies specializing in the production of technology that can be traded for resources from emerging countries, non-capital intensive and featuring sound capital management (investment in fixed assets, working capital, etc.) and that can raise their own resources.

Listed companies will no doubt enjoy a clear strategic advantage over all other companies. The constraints of operating as a listed company will be exceedingly offset by the advantages of having access to the finance provided by shareholders. In addition, when inflation decreases as a result of interest rates slowing down, and confidence takes flight again, the finance obtained in the capital market will be an even more competitive resource than it currently is in the face of a level of debt featuring high interest rate differentials.

The Board, which I represent, along with the absolutely essential and invaluable commitment of Natraceutical Group's staff, currently including 541 professionals, have participated, since the creation of the Company, in the development of a successful corporation of worldwide scope, which allows us now to face the future with the confidence of having such solid foundations.

Not to forget the trust in Natraceutical Group's future growth potential placed by corporate shareholders that have recently joined the company's shareholding structure. I am referring to Kiluva Group and Inversiones Ibersuizas, which, at the time of writing this foreword, held a significant stake of Natraceutical Group, and have expressed their willingness to maintain this position for the long term.

I sincerely thank everyone, staff and shareholders alike, for your trust.

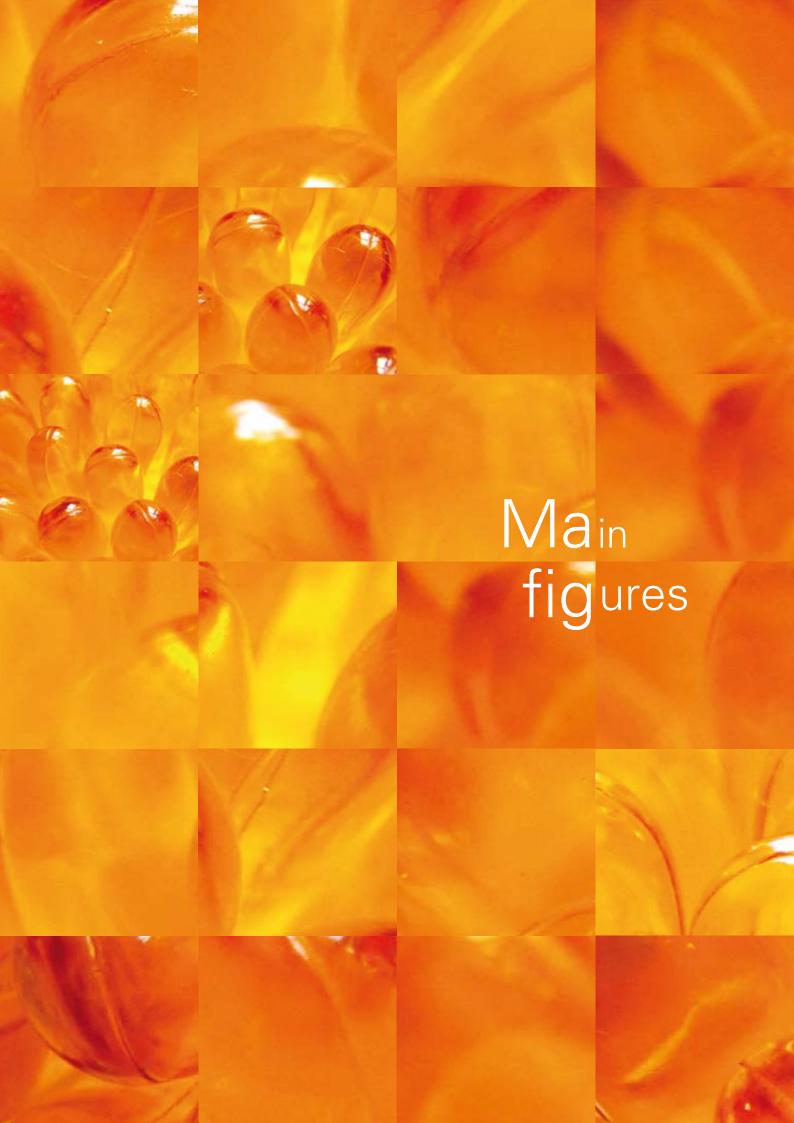
Yours sincerely,

Xavier Adserà Gebellí President

Valencia, April 2008



Our reality, 100% international



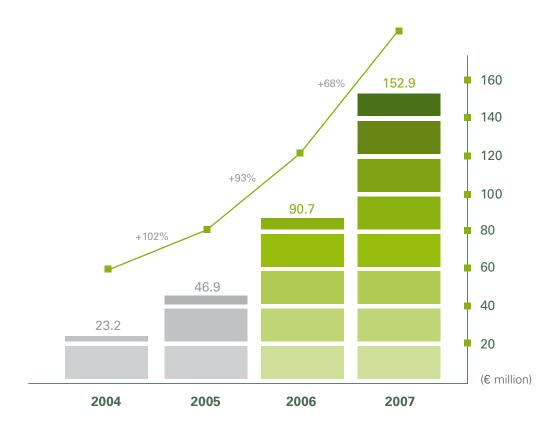


Main Figures

Turnover

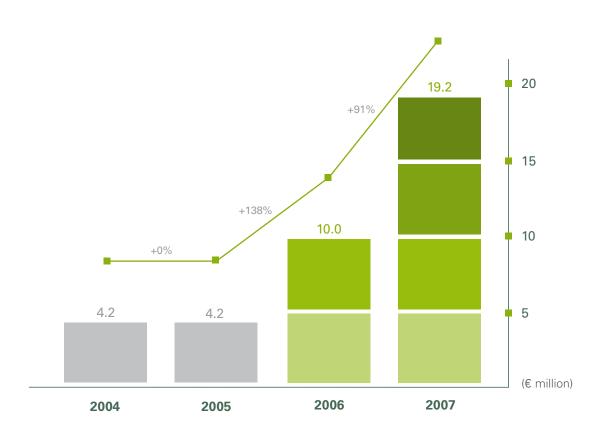
Through an ambitious strategy focused on value creation —which has combined the growth experienced both organically and via the acquisition of companies in international markets— Natraceutical Group's business turnover has increased just over six-and-a-half-fold in only three years, an annual growth of 87.5% since 2004.

Specifically, the company has closed 2007 with a turnover growth of 68% over the previous year, 16% of which was generated organically.



Ebitda

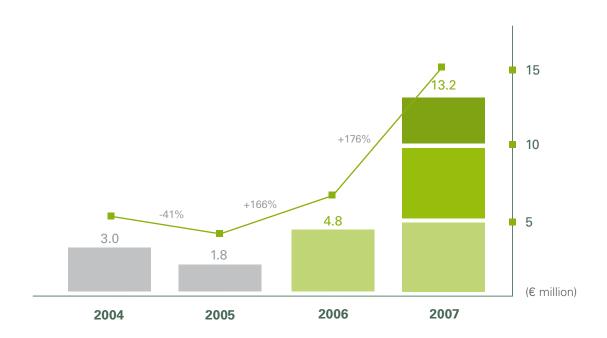
Natraceutical Group's growth strategy, boosted by their international expansion started in mid 2005, focuses primarily on striking the ideal balance between growth and profits. The company has multiplied its EBITDA by 4.6 times since 2004, leading to a 66% growth in the last four years. In 2007, it even exceeded by 20% the turnover forecasted for the year. In addition, the company's EBITDA rose 91% up from the previous year, 40% of which was generated organically.



Operating income

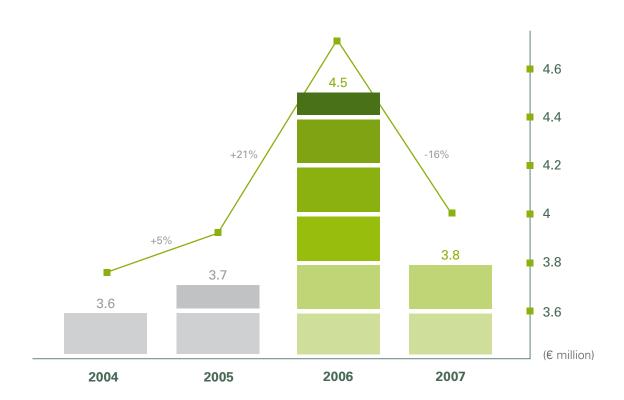
Since the financial year 2004, Natraceutical Group's operating income has rose 333%. This means that the company's operating income has been multiplied by 4.4 in only three years.

In the last financial year, Natraceutical's operating income reached €13.2 million, that is, a growth of 176% over the €4.8 million earned in 2006.



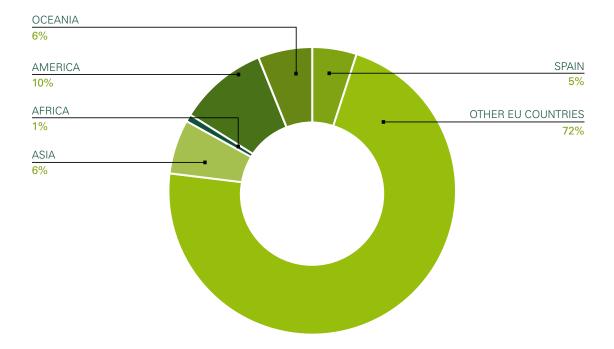
Net income

The negative difference in the net income's evolution was due to the extraordinary income from tax credit activated in 2006.



Business turnover by countries

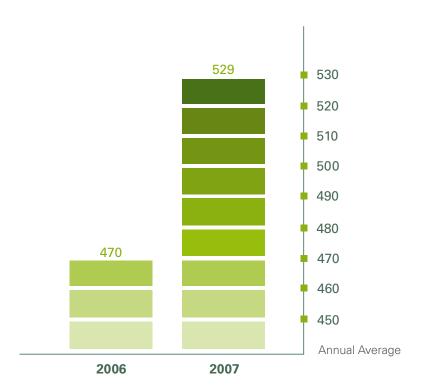
Natraceutical Group's consolidation as a world corporation with production facilities in Spain, the UK, Switzerland, Brazil and Australia, plus a sales network in over 65 countries, has led the company to concentrate 95% of their business turnover in international markets —the remaining 5% of the overall turnover corresponding to Spain.



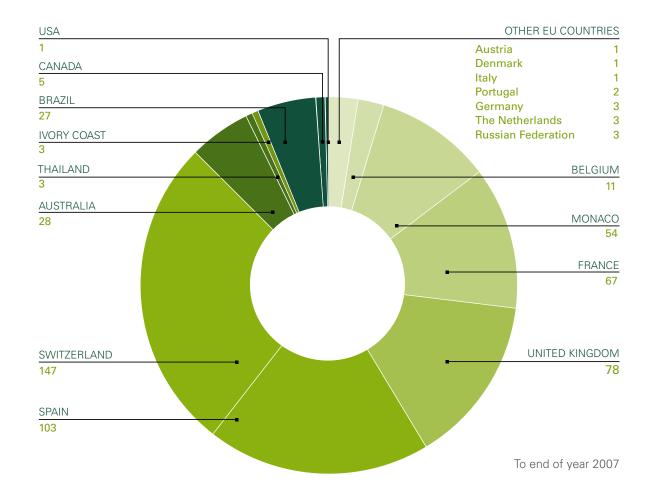
Human Resources

Natraceutical Group's staff includes professionals of all nationalities from all over the world, all of whom together provide a versatile vision and first-hand knowledge of the world's leading markets.

Over 20% of the staff is engaged in research, development and innovation activities, which involves a high level of specialized knowledge and skills.



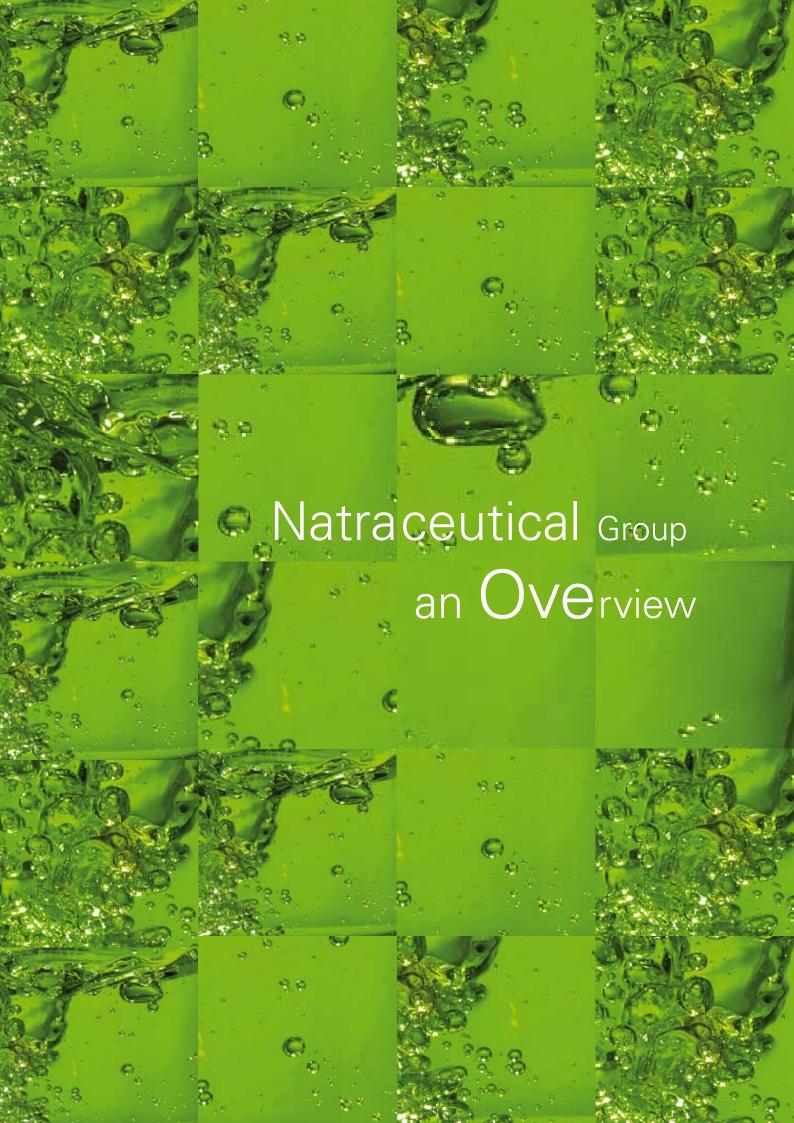
Staff distribution by countries





R&D&I, our key goal







Natraceutical Group an overview

1. Introduction

The Spanish multinational corporation Natraceutical Group is at the forefront of biotechnology applied to nutrition, a leading reference in Europe in the sector of research and development of naturally-sourced functional / active ingredients and nutritional complements for the foodstuffs, pharmaceutical and cosmetics sectors. The company streamlines its industrial activity through two divisions (Ingredients and Nutritional Complements) with the purpose of contributing to the prevention of diseases and improving quality of life through nutrition.

Natraceutical Group became a provider of nutritional and functional ingredients for the aforementioned industries following an ongoing project launched in 2005, when the company started their international expansion process through a series of acquisitions in the sector. To date, this process of expansion has resulted in the group owning production facilities in Spain, UK, Switzerland, Australia and Brazil; and operating actively in over 60 countries, running branches in Europe, US and the Asia Pacific region, plus several sales networks worldwide.



Later, in October 2006, Natraceutical expanded its sphere of activity by penetrating the nutritional complement sector following the acquisition of Monaco-based company Laboratoires Forté Pharma, thanks to which Natraceutical can now supply products directly to end consumers.

Currently, Natraceutical Group's Ingredients Division includes the following industrial firms: Natraceutical Industrial S.L.U., Obipektin A.G., Overseal Natural Ingredients Ltd., Exnama Ltd., Kingfood Australia PTY Limited and Natraceutical Canada. The Nutritional Complements Division is involved solely with Laboratoires Forté Pharma, S.A.M.'s activities.

Ingredients Division

■ Natraceutical Industrial S.L.U.

Natraceutical Industrial has extensive experience in research and development activities on active and nutraceutical ingredients through applied biotechnology processes for subsequent integration in functional food, cosmetics and pharmaceutical products.

In addition, the research and development teams work directly with clients in collaboration projects, for the purpose of offering, apart from innovative products, the possibility of adapting ingredients to the needs and requirements of each client for further enhancing the composition of the end product.

Furthermore, the company's clinical research department validates and endorses scientifically all developments and research activities by conducting the corresponding clinical and pre-clinical trials.



Obipektin A.G.

Obipektin, a Swiss company established in 1936, has two production plants in Switzerland and a branch in Asia.

The Company produces and sells 100% natural pectins as well as fruit and vegetable powders. Obipektin's products are commonly used for the production of jams, drinks, confectionery and baby food. In this sector, particularly strict regarding quality and safety, Obipektin has been well positioned as a leading reference for decades thanks to their commitment to continuous innovation and excellent, safe products. In 2006 the company successfully passed all audits conducted by the SAS (Swiss Accreditation Service). As a result, it was granted the ISO 17025:2005 certification in early 2007, as evidence of the high quality and trustworthiness of the company's analytical laboratory.

To produce these ingredients, the company uses several drying technologies, including the world's largest cold spray-drying tower. With this process, the company produces tomato powder of a deep red colour and characteristic flavour, a leading product in the market. Obipektin also produces Actisec[™] fruit and vegetable powders, with ingredients that help to prevent cardiovascular diseases.







Natraceutical Group's tower spray dryer located at Obipekin AG's facilities in Burgdorf (Switzerland). Reaching a height of 75 metres, it is the largest drying tower in the world.



Overseal Natural Ingredients Ltd.

UK-based company Overseal has been operating since 1971 as a producer of natural colorants, yeasts, sweeteners (such as Talin® —the most powerful sweetener in the market), aromas and flavouring extracts.

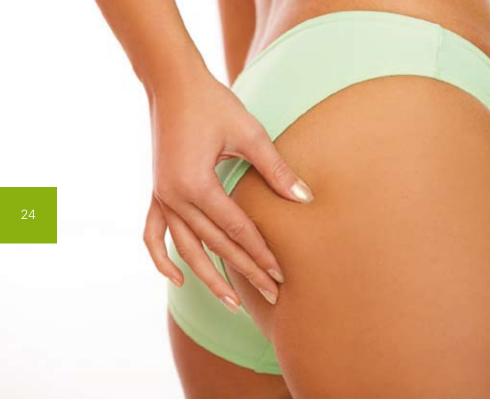
These ingredients are used in a broad range of applications, including confectionery, prepared foods, beverages, desserts, cereals, snacks, and cosmetics. Overseal's R&D department collaborates closely with their end clients to ensure the correct application of ingredients to the end product.

Exnama Ltd.

Based in Manaus (Brazil), Exnama's business activities focus on the production and sale of caffeine. Located in the Amazonian jungle, Exnama is very close to the world's largest source of natural extracts. This is a key factor for the subsequent research and development activities conducted on active and nutraceutical ingredients at the Valencia Natraceutical production plan.

Kingfood Australia PTY Limited.

Bought in February 2007, Kingfood specializes in the preparation and sale of ingredients and aromas for the foodstuffs sector, an activity it has been developing for over twenty years. In addition, the company has been distributing Natraceutical's natural colouring range in the Asia Pacific markets since 1988.





Natraceutical Canada Inc.

Natraceutical Canada Inc is a company based in Edmonton, Canada, established in late 2007 following Natraceutical's acquisition of Cevena Inc.'s assets. NTC Canada's activities focus on the development, production and marketing of the product Viscofiber, a beta-glucan obtained from oat, a unique product in the market due to its high density and viscosity levels. Beta-glucan is a soluble fibre that provides exhaustively documented health benefits (for example, reduction of cholesterol), and it is used in a wide range of food products and complements including breakfast cereals, food bars, meat products, etc.

Nutritional Complements Division

Laboratoires Forté Pharma, S.A.M.

Established in 1999 by Dr Yann Rougier, Forté Pharma manufactures and sells naturally sourced nutritional complements. With the acquisition of this company in 2006, Natraceutical Group entered the nutritional complements market, launching a new line of activity to directly reach end consumers. Forté Pharma produces over thirty different health, weight loss and beauty products, and launches between ten and fifteen new products per year. As the leader in the French market (Forté Pharma is the third largest laboratory in the French nutritional complement sector and the absolute leader in the French weight loss segment with a market share of 17%), Natraceutical's strategic plan following the acquisition of Forté Pharma provided for the creation of a leading Pan-European brand within three years. Following the first year of combined activities, Forté Pharma is already marketing products in Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal and is now penetrating in Italy —one of the main target markets along with Germany and UK.

2. Natraceutical Group in the world

Natraceutical Group is today a multinational group with 541 staff, as of 2007 yearend, that enjoys an active presence in over 60 countries. The Group runs several production plants in Spain, United Kingdom, Switzerland and Brazil, commercial branches in Europe, USA, and Asia Pacific, and worldwide distribution and retail networks.

The Group has a combined portfolio of over 500 references and specialized products for the foodstuffs, cosmetic and pharmaceutical sectors. It is the world's leader in caffeine production, the leader in the British natural colorant market, the European leader in antioxidants, and the leading nutritional complement producer for the French weight loss segment.



3. R&D&I

Nothing would be possible at Natraceutical Group without R&D&I. Since the establishment of our company, the conversion of ideas into a health and wellbeing reality has been a constant focus and, as a result, around 20% of the company's staff is engaged in this field. Natraceutical Group has become one of the world's leading references in research and development of naturally sourced functional / active ingredients and nutritional complements. Currently, Natraceutical Group's Ingredients Division is successfully marketing a dozen active compounds developed in-house, whose active ingredients are used by our clients for the prevention of several diseases.

Natraceutical Group focuses a large part of their work on determining the needs of their clients and the market. The results of this research are later applied to the preparation of new references that can provide specific solutions to any needs arising in the foodstuffs, cosmetics and pharmaceutical sectors.





Following over 60 years of intense activity in the field of research and development of functional ingredients, last year the Natraceutical Group's R&D&I team opened a new line of activity by signing collaboration agreements with leading food corporations aiming to developing needs-specific solutions including ingredients designed specifically for their food products. This recently-launched line of activity enables the group to obtain highly profitable functional ingredients, as they are created on the basis of current and real demand from end users.



Since the outset, the company has been committed to transforming ideas into real wellness solutions.

To boost R&D&I activities, the company has a scientific committee formed by internationally recognized experts in the fields of medicine, metabolism, molecular biology and functional foodstuffs. In addition, the company has also entered into many collaboration agreements with leading international research centres to ensure further progress in the functional foodstuffs field.

An example of this is the Group's current collaboration with Biopolis, a biotech company partly owned by the CSIC (Spanish National Research Council), which works on the production and purification of micro organisms and by-products.

Following the acquisition of Laboratoires Forté Pharma and thanks to the continuous progress and further specialization of the R&D&I department, the Group was able to use all their research capacity and diversify their potential to the nutritional complement sector, one of the group's growth powerhouses in 2007.

Forté Pharma's scientific management is led by Dr Yann Rougier, a specialist in Neurobiology, Nutrition Biology and Anti-ageing Biology, and founder of the company in 1999. Dr Rougier's scientific management department is in charge of overseeing the Nutritional Complements Division's R&D&I department, which operates in close collaboration with the Marketing Department. This strategic combination enables the company to coordinate both scientific and marketing resources to provide end customers with a wide range of nutritional complements of high-level pharmaceutical quality, formulated for and adapted to the demand of the European market.





In addition, all research and development activities conducted by this division are supported by our Regulatory Service, which is in charge of validating all new products to be launched in the market, to ensure they comply with the increasingly more strict, demanding and complex EU laws in this sector. Said control is subsequently reconfirmed by an independent third-party validation service to ensure 100% safe marketing of all nutritional complement products not only for pharmacies and para-pharmacies, but also for large food supply chains that have strict requirements in terms of food quality and safety.

The key fundamental mission of the Nutritional Complements Division's R&D&I department is the development of new high-quality products that stand out from any products marketed by main competitors, products that provide evidence of Forté Pharma's know-how and experience in the market at all times. To this purpose, Forté Pharma uses food extracts and ingredients that have undergone in-depth efficiency research. Furthermore, Forté Pharma also conducts independent efficiency research and placebo tests on all end products, and has secured exclusivity agreements involving a large number of original products.

In addition, Forté Pharma requires from suppliers strict guarantees regarding technical and functional specifications of all ingredients to be included in nutritional complements, as well as compliance with good manufacturing practices' guidelines and ISO standards.

For over ten years, laboratories Forté Pharma have continuously strengthened their professional status and image with the release of several research works hailed by the world's scientific community. Since 2005, Dr Yann Rougier has been participating in the Entretiens de Bichat conferences organized by Paris' Pitié-Salpêtrière hospital, a leading institution in the health sector.

4. Capital Ownership

Throughout 2007, Natraceutical Group's shareholding structure included the following companies: Natra, S.A. (56%), Nozar Group (5%), BBK (4,59%) and BMS Promocion y Desarrollo, S.L. (3,4%).

However, Natraceutical's shareholding structure underwent a relevant change during the last quarter of the year, following the exit of Nozar and the subsequent replacement by Kiluva Group, owners of the flagship company Naturhouse, the international network of specialized dietetics and nutrition stores.

At the same time, Mr Juan Nozaleda Arenas resigned from his position on the Board of Directors, where he was representing Nozar. The resignation was submitted to the Board on December 18th 2007.

Following this double development, Kiluva Group, the investment group led by Mr Félix Revuelta, announced the acquisition of 3.35% of Natraceutical on December 27th, which, added to the stock they already held, has enabled Kiluva Group to become one of Natraceutical's leading shareholders.

Besides said capital increase, Kiluva Group has also secured a position on Natraceutical's Board of Directors, further reinforcing the commitment of both companies to analyzing their common synergies and projects.

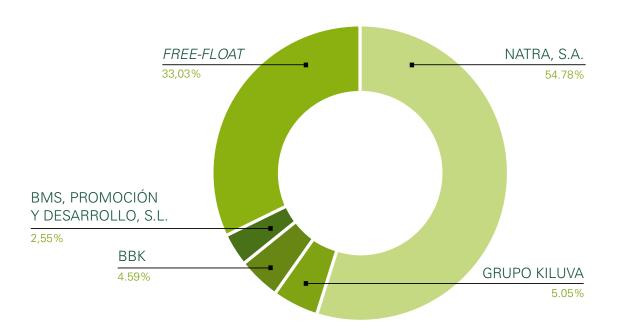






To December 31st 2007, Natraceutical Group held 8,830,503 treasury shares representing 2.69% of the corporate capital.

As a result, Natraceutical Group's shareholder structure to the end of 2007 is as follows:



5. Board of Directors

To the end of the financial year 2007, the members of Natraceutical's Board of Directors were the following:

President: Mr Xavier Adserà Gebellí

Chief Executive Officer: Mr José Vicente Pons Andreu

Independent Member of the Board: Mr José Manuel Serra Peris

Member of the Board: Mr Manuel Moreno Tarazona (on behalf of Natra, S.A.)

Member of the Board: Mrs Alicia Vivanco González Member of the Board: Mr José Luis Navarro Fabra

(on behalf of BMS, Promoción y Desarrollo, S.L.)

Member of the Board: Mr Juan Ignacio Egaña Azurmendi

Due to the changes of ownership that occurred in December 2007, which led to Mr Juan Carlos Nozaleda Arenas' resignation (representative of Nozar's capital ownership), Natraceutical announced the appointment of Mr Felix Revuelta, President of Grupo Kiluva, as a new Member of Natraceutical's Board. This appointment was effective from February 2008.

In addition, the company announced in early 2008 a plan to increase the number of Members —which will be submitted at the next Shareholders' Meeting to be held in June 2008— to introduce two new positions: one as an independent member, position to be taken by Mr Ricardo Iglesias Baciana, and the second as a new Chief Executive Officer, to be taken by Mr François Gaydier, who will be appointed as such by the Board of Directors to replace Mr Jose Vicente Pons Andreu, who will stay as Member of the Board.

Our essence, 100% natural







Year 2007 evolution

1. Year's Significant Data

■ Consolidated Profit & Loss Accounts corresponding to financial years ended December 31st 2007 and 2006.

	Thousa	Thousands of euros	
	2007	2006	
Continuing operations:			
Revenue	152,916	90,76	
+/- Changes in inventories of finished goods and work in progress	4,574	(1,54	
Procurements	(67,283)	(45,083	
Gross profit	90,207	44,13	
Other operating income	1,142	3,70	
Staff costs	(26,810)	(17,57	
Depreciation and amortisation charge	(5,662)	(5,27	
Change in operating allowances	(330)		
Other operating expenses	(45,368)	(20,21	
Profit from operations	13,179	4,78	
Result of companies accounted for using the equity method	130	9	
Finance income	606	2,08	
Finance costs	(6,400)	(4,22	
Exchange differences (gains and losses)	(883)	(55	
Loss on disposal of non-current assets	(2,418)	(29	
Impairment losses	(822)	(62	
Profit before tax	3,392	1,25	
Income tax	449	3,29	
Profit for the year	3,841	4,54	
Earnings per share (basic and diluted)	0,01	0,0	

■ Consolidated Balance Sheets to December 31st 2007 and 2006.

	Thousa	nds of euros
Assets	2007	2006
Non-current assets:	<u> </u>	
Goodwill	133,765	130,544
Other intangible assets	5,924	3,211
Property, plant and equipment	47,297	44,610
Investments accounted for using the equity method	707	729
Non-current financial assets	7,689	17,140
Deferred tax assets	13,108	8,081
Total non-current assets	208,490	204,315
Current assets:		
Inventories	40,310	34,463
Trade and other receivables	31,509	26,975
Other current financial assets	4,776	4,523
Current tax assets	2,576	5,111
Cash and cash equivalents	29,892	13,588
Total current assets	109,063	84,660
Total assets	317,553	288,975

	Thousands of euros	
Equity and liabilities	2007	2006
Equity:		
Share capital	32,871	32,871
Share premium	103,494	103,494
Reserves (retained earnings)	3,222	5,343
Reserves of fully consolidated companies	8,850	6,615
Reserves of companies accounted for using the equity method	19	(73)
Treasury shares	(9,099)	(6,322)
Translation differences	(2,285)	1,257
Profit for the year attributable to the Parent	3,841	4,549
Total equity	140,913	147,734
Non-current liabilities:		
Non-current bank borrowings	74,557	70,116
Other non-current financial liabilities	9,474	11,702
Deferred tax liabilities	6,590	7,167
Long-term provisions	1,347	1,059
Other non-current liabilities	53	100
Total non-current liabilities	92,021	90,144
Current liabilities:		
Bank borrowings	39,684	18,225
Trade and other payables	32,195	25,228
Provisions	313	-
Current tax liabilities	2,079	2,215
Other current liabilities	10,348	5,429
Total current liabilities	84,619	51,097
Total equity and liabilities	317,553	288,975

2. Business Evolution by Divisions

2007 was the year of the consolidation of Natraceutical Group as a leading reference in the field of functional nutrition and nutritional complements. A year in which the company's major acquisitions made in the previous two years achieved full integration, which, along with Natraceutical's backbone R&D&I activity, have led the company to reach a new dimension and leadership potential in international markets. A year focused on the optimization of resources, production lines, innovation and commercial networks. All in all, a year in which Natraceutical Group has again been up to the challenge faced by all companies undergoing a strong process of expansion: achieving high growth, not only as a result of the addition of new companies to the Group, but also organically. Thus, the results from the financial year 2007 have provided further evidence of Natraceutical Group's capacity to combine successfully organic and acquisition-based growth —which has enabled the company to multiply their business turnover by eight in no more than two and half years, while maintaining organic growth rates around 16%.

Natraceutical Group closed the year 2007 with a 70% growth in turnover.

Natraceutical Group closed the financial year 2007 with a total income amounting to €152.9 million, compared with €90.8 million in 2006 —a growth of 70%. Comparing this year's results with the previous year's proforma figures, and due to the impact of the acquisitions made in 2007, the company has enjoyed an organic growth of 16% in 2007.







Furthermore, the company's EBITDA rose finally to €19.2 million, 20% up from the €16 million forecast for the year 2007 and over 90% growth as compared with the previous year's EBITDA (40% of which was achieved organically).

The company's EBITDA rose over 90% as compared with the previous year.

Earnings before tax rose 162%, from €1.3 million in 2006 to €3.4 million in 2007, in spite of the financial burden of the debt arising from the acquisition of Forté Pharma in October 2006 (in 2006, this debt only had an impact on the last two months of the year) and higher non-recurrent costs.

The company closed the year 2007 with net income of €3.8 million, which is below the previous year's (€4.5 million), as a result of the extraordinary income from tax credit activated in 2006.

This performance has been possible thanks to Natraceutical Group's efficient combined business strategy in both areas of their business: Ingredients and Nutritional Complements.

Ingredients Division

In 2007, the Company's Ingredients division focused principally on continuing the process of optimization of resources in these business areas, and on fostering the synergy between the international commercial network and a comprehensive range of products for the functional ingredient, alkaloids, natural colouring, aroma and fruit / vegetable powder sectors.

In line with the strategy developed the previous year, Natraceutical Company has continued increasing profits generated from turnover in 2007, specifically in connection with the replacement of all Ingredients Division products that were failing to yield significant profits.



In 2007, the company proceeded to dismantle Natraceutical's caffeine facilities in Valencia (Spain) for the purpose of its relocation in Exnama (Brazil). From this site, the Group will concentrate all activities connected with this product, thus ensuring production cost-efficiency thanks to the new facilities' proximity to natural resources.

With this relocation, the company has closed the production of synthetic caffeine —brought about by the evolution of current market trends in relation to the consumption of functional and natural products—, and is now focusing on the production of natural caffeine, which yields significantly higher profit margins.

In 2007, along with the development of the Ingredients Division organic growth potential, Natraceutical has continued developing an active strategy involving the analysis of potential business opportunities, in order to further consolidate their international involvement in the field of functional ingredients. As a result, in February Natraceutical bought the Australian company Kingfood Australia PTY Ltd, which has specialized for over twenty years in the production and marketing of ingredients and aromas for the food industry, as well as, since 1998, in the supply of a range of Natraceutical's natural colourings down under.

This operation, which cost €5.4 million, has enabled Natraceutical Group to employ 35 highly qualified specialists with extensive knowledge of Natraceutical's products, and to set up their own commercial network, to secure a client portfolio worth around €10 million per year, and to add new products to the range. These products are manufactured at a recently established proprietary factory occupying a 4,000 sq. m. area, and include pre-mixes (mixtures of multi-functional ingredients) of up to 50 different ingredients and additives that vary depending on the needs and requirements of each client. Kingfood Australia has signed collaboration agreements with the world's leading aroma and additive companies.

With this acquisition, Natraceutical Group strengthens its presence in the Australian functional ingredient market and gives a further boost to their business activities in the Asia Pacific market, where Natraceutical is already operating a commercial branch based in Bangkok.

In late 2007, following said double objective (increasing the range of products and gaining access to new international markets), Natraceutical Group set up the company Natraceutical Canada, Inc., based in Edmonton (Canada) for the purpose of development, production and marketing of Viscofiber[®], a patented beta-glucan for which the company paid €2 million in September 2007. This operation has enabled Natraceutical to increase their product portfolio and to have a direct presence in the Canadian market.

Beta-glucan is a natural ingredient that belongs to the group of soluble fibres, which has beneficial effects on cholesterol levels and reduces the risk of coronary diseases. Extracted from bran and oat, Viscofiber® is the only highly concentrated viscous beta-glucan currently available in the market. These attributes confer Viscofiber® a level of efficiency and solubility that surpasses all competitors' products. As a result, the same effect on health can be achieved with smaller doses, which in turns enables us to enjoy a broader range of applications to end products.

Viscofiber® is currently marketed as a healthy ingredient for the functional nutrition and nutritional complement sectors, yet it also has a great potential for development and application in the pet food and cosmetics sectors.

In addition, for the purpose of further strengthening Natraceutical's commercial presence in new markets with a high potential for growth, the company opened a new commercial branch in Moscow (Russia) in July. At this time, the Group was already running a branch in Bangkok to ensure direct marketing of their products in countries with a great potential for development.





2007 was Natraceutical's first year of full activity in the nutritional complement sector.

In the first stage, the Moscow branch will market the entire range of products manufactured by Natraceutical Group's Ingredients Division. However, the company has left open the option to use this branch as a platform for introduction of their range of nutritional complements —currently undergoing a process of European expansion through the brand Forté Pharma— in the Russian Federation.

The business evolution of the Ingredients Division in 2007 featured the positive development of sales of natural colourings and flavours, which rose 13%, as well as a sharp increase in profits, as the EBITDA margins rose to 16.8%.

In relation to pectins, fruit and vegetable powders, sales rose 10.2%, well above the 4.35% of the previous year. Again, fruit powder sales played a major role in this growth. Exports of these products reached 90%.

Yet, the best result achieved by the Ingredients Division was the excellent evolution of nutraceutical products, thanks to a sharp increase in demand, the introduction into new markets, and the agreements signed with leading international food corporations for the combined development of applications featuring ingredients that give high gross benefit margins. Sales in this business sector rose 14.8% from the previous year, and the EBITDA rose from €0.4 million in 2006 to €3 million in 2007, that is, 850% up in just one year.

All combined, the Ingredients Division's organic growth featured rises of 12% in business turnover and 41% in EBITDA.

Nutritional Complements Division

Following the acquisition of Laboratoires Forté Pharma in 2006, 2007 was Natraceutical's first year of full activity in the nutritional complements sector. A Monaco-based company specializing in the production of nutritional complements for the weight loss, health and beauty sectors, Forté Pharma is the third largest laboratory operating in the French nutritional complement sector and the leading French manufacturer in the weight loss segment with a 17% market share.

Holding a portfolio including forty products in three different ranges (weight loss, health and beauty) for sale in pharmacies and para-pharmacies, the acquisition and integration of Forté Pharma in late 2006 fuelled the progress of Natraceutical Group's business plan. Now the group have gained access to the nutritional complement market, a functional nutrition-related activity with great potential, plus a direct channel to end consumers. This is a major process of expansion and diversification of products and clients that further strengthens the Group's specific weight in the sector.

Well aware of Laboratoires Forté Pharma's leadership position in the French market, Natraceutical designed at the time a strategic three-year plan for the creation of a leading Pan-European brand in the nutritional complement sector.

Following the first year of combined activities, Forté Pharma is already marketing products in Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal and is now penetrating in Italy —one of the main target markets along with Germany and the UK— as part of the second stage of said development plan.













The business model for this activity line is based on the creation of a mostly proprietary commercial network supported by major investment in advertising and marketing to strengthen the penetration of the brand into all countries in which it operates. The model also seeks to expand the company's range of products leading to future creation of an umbrella brand for the purpose of cutting down the seasonality of the current main line of activity (weight loss).

To this purpose, Natraceutical Group is investing approximately 30% of this division's business turnover in marketing and advertising campaigns.

One of Natraceutical's first steps in their international expansion plan was to launch Forté Pharma Ibérica in January 2007, the first supplier of Forté Pharma nutritional complements in Southern Europe, with which the group seeks to boost their commercial activities in Spain and Portugal.

This action was carried out following the agreement signed with Laboratorios Inibsa leading to Natraceutical Group's acquisition of their sales units. The agreement also provided for the transfer of Laboratorios Inibsa's well-established and active client portfolio to enable Forté Pharma Ibérica to sell products right from the outset.

During its first year of business, Natraceutical Group's Nutritional Complements Division has maintained its leadership position in the French weight loss market, while boosting at the same time its process of internationalization, reaching a 52% increase in sales in France as compared with the previous year. As a result, Natraceutical's Nutritional Complements Division enjoyed an organic growth of 22% in sales and 65% in EBITDA over the previous year.

In 2007, coinciding with their penetration into new European markets, Natraceutical also developed through Forté Pharma an ambitious plan involving the expansion of their range of products, which has led to the launch of eleven new formulas in several activity lines, which are: Weight loss products Minceur 24+, Minceur J-15, AppétiLight, DigestiLight, Specific Minceur Jambes Legères and Minceur Jeune Maman,; Beauty product Cheveux Expert; and Health products Femme+, Bouffeés de Chaleur, DéfensActiv, Sommeil 8H and Transit 3E.

Forté Pharma launched eleven new products in 2007.







3. R&D&I Activity

Following over 60 years of intense activity in the field of research and development of functional ingredients, Natraceutical Group has now over 20 patents. The R&D&I unit of Natraceutical Group's Ingredients Division has opened a new field of activity in 2007 to keep pace with the continuous evolution of the food sector when it comes to new developments. The company has signed several collaboration agreements with leading food corporations aimed at developing needs-specific solutions including ingredients designed specifically for their food products. As a result, Natraceutical Group has become a valuable strategic partner, as the innovative factor featured in our clients' product launches (and we are referring to leading food corporations) largely depends on the application of new ingredients through processes that guarantee the conservation of essential nutrients contained in end products. This trend enables the attainment of new highly profitable functional ingredients, as they are created to meet real demand from end clients.

An example of this new field of development for the creation of unique and groundbreaking ingredients for leading international food corporations is the collaboration agreement signed in late 2007 with Kraft Foods Inc. (one of the world's leaders in the food and beverage industry) for exclusive development of cocoa ingredients.

Meanwhile, Natraceutical Group's R&D&I department has continued carrying out their habitual activities in the fields of innovation, development and research, which led to the launch of two new patents: a cocoa ingredient that is harmless to animals, which are naturally intolerant to the obromine contained in natural cocoa, and the extension of a patent that protects a by-product of cocoa enriched with natural polyphenols.

Its intense flavour makes chocolate a product loved not only by humans but also by most animals. However, both chocolate and cocoa contain high levels of xanthine (theobromine and also smaller concentrations of caffeine) that are harmful to the health of many pet breeds. Even though said compounds can also be beneficial for humans, these pets cannot metabolize them efficiently, which leads to the development of several pathologies and, in extreme cases, heart failure and nervous system failure.

Thanks to over 60 years' experience researching cocoa by-products and components, Natraceutical Group were able to develop a groundbreaking process that facilitates the production of a cocoa by-product containing an acceptable concentration of said compounds, which in turn enables the pet food industry to manufacture new harmless cocoa and chocolate-flavoured products.

The ingredient obtained from Natraceutical Group's new patent features—besides a high concentration of fibre and proteins—low contents of sugars and other carbohydrates, all of which combined can help control pet obesity.

With the development of this innovative product, Natraceutical Group remains at the forefront of the cocoa by-product sector, an area in which the company has consolidated their position as a world leader. At the same time, a new line of research on functional food was launched, as this is the first patent designed exclusively for pet products.

By way of example, the European cat and dog food industry moved €13,000 million in 2007, 30% of which corresponds to top quality food, which is the segment that this new patent is targeting.

Also in 2007, a patent was launched to further protect the intellectual copyright on CocoanOX, a cocoa powder with a high content of polyphenols featuring the highest level of antioxidant power in its class.



In 2007, Natraceutical Group opened a new line of research with which they gained access to the market of functional ingredients for pets.

It has been proven that polyphenols, as the antioxidant compounds found in cocoa are known, can help reduce the risk of contracting coronary diseases and cancer. The higher concentration of polyphenols obtained thanks to the process control conducted by Natraceutical Group from raw material source countries —where the Group has been recently investing in the implementation of technology— combined with easier absorption by the human body (bioavailability) are the key features of a product that is already enjoying growing demand from large operators in the foodstuffs sector to meet the latest consumer demands.



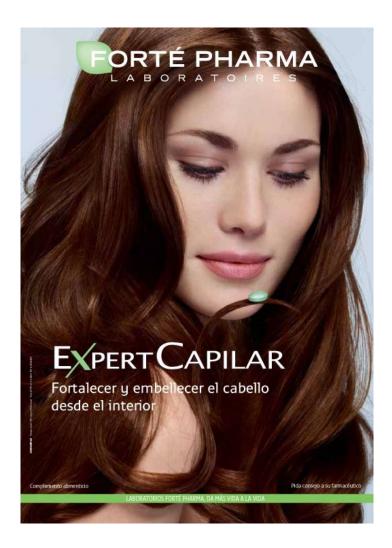
Witnessing the great work done by Natraceutical Group's R&D&I department, which leads the way in the sector of biotechnology applied to nutrition, combined with the interest that their work is arousing in international markets, Mars Inc., owner of several chocolate brands including M&Ms, Mars and Twix, filed a lawsuit against Natraceutical Group in April, accusing the latter of breaching two of their patents with one of Natraceutical's flagship functional ingredients, CocoanOX, which features a high content of polyphenols (antioxidants providing beneficial effects for cardiovascular health).

In their lawsuit, Mars Inc. sought the implementation of a set of precautionary measures to prevent the commercialization of CocoanOX in the US, and thus halt Natraceutical's expansion fuelled by the strong interest that this ingredient is attracting from the leading international chocolate manufacturers —many of which are direct competitors of Mars Inc. However, in August 2007, facing Natraceutical Group's firm response for the protection of their interests, Mars Inc. withdrew their request for precautionary measures against Natraceutical filed in the legal proceedings in which both companies are currently involved in the US.

The withdrawal of said precautionary measures has enabled Natraceutical to resume the unrestricted commercialization of the product CocoanOX in the US. Importantly, it has given Natraceutical even more confidence regarding the final resolution of the conflict, possibly in Spring 2009, as the company has always respected third-party industrial property rights.

This news gives Natraceutical Group a further boost in their research and development of food ingredients and functional nutrition, activities that, from the outset, have led the company to obtain ownership of their own patents and become the leading company in the sector. As a result, the CocoanOX product range features excellent functional and therapeutic characteristics that help improve a number of cardiovascular conditions, as well as delay cell ageing—a performance that is arousing great interest worldwide.

Finally, evidence of the Group's commitment to research and development is the acceptance of the scientific research conducted by the Ingredients Division R&D&I for peer-review publication, as well as the Group's willingness to raise awareness of their findings.



Specifically, the article A New Process To Develop a Cocoa Powder with Higher Flavonoid Monomer Content and Enhanced Bioavailability in Healthy Humans was published in May 2007 by the "Journal of Agricultural and Food Chemistry", the most prestigious food science scientific peer-review publication. The article —wrote by Natraceutical Group in association with Murcia's Universidad Catolica and the Spanish Council for Scientific Research (CSIC) —describes the method of production of CocoanOX and its level of bioavailability in humans. Later in August 2007, "The Journal of Supercritical Fluids" published a new research study conducted by Natraceutical Group, Microbial Inactivation and Butter Extraction in a Cocoa Derivate, which describes a new method for cocoa sterilization and deoiling involving supercritical fluids. This research was conducted in conjunction with Madrid Complutense University.

To the end of 2007, Natraceutical Group's Ingredients Division, in collaboration with leading international research groups, has been developing 10 scientific research studies for validation of the functional properties of their ingredients. These studies, eight of which are pre-clinical, are principally focused on the beneficial effects of cocoa's soluble fibre on several health conditions including diabetes, blood pressure and cholesterol.

As for Natraceutical Group's Nutritional Complements Division, 2007 was a year of dynamic research that has led to the launch of new products in all ranges in France and all other European countries where Forté Pharma operates. Furthermore, the company entered into new scientific agreements and conducted clinical research studies to ensure they are at the forefront of developments for 2008 and 2009.

This department has been operating regularly for several years in conjunction with research and development units in hospitals, private research agencies and universities, for the purpose of establishing new concepts of research, as was the case this year with "Chrononutrition" and "Neuronutrition". The department has also been busy with the application of new food ingredients, a task that is largely responsible for the success of the company's large product portfolio.

Several collaboration projects were started in the last seven years as a result of said agreements, which are the launching pad for every single product launched by the division —up to eleven new products in 2007, as previously mentioned.

Forté Pharma's products are based on well-researched formulas featuring groundbreaking food ingredients and extracts, which Forté Pharma may protect to ensure their exclusive use. In 2007 only, Forté Pharma has secured the patents for the products Oxylia Total®, SLIM-data Complex®, Neuroslim®, Viqua® and Fortenutris-PP®.

In the area of scientific communications, Forté Pharma's founder and scientific director Dr Yann Rougier introduced in 2007 a new concept on neuronutrition developed in conjunction with a Japanese research agency. It was this groundbreaking concept that enabled Forté Pharma's R&D&I department to develop the product Minceur J365 Anti-Yoyo, which was presented to the pharmaceutical community in late 2007 and has been available in France since early 2008.

With the product Minceur J365 Anti-Yoyo, Forté Pharma has replaced the concept "weight loss" by "weight control", which involves a product to be used regularly. Minceur J-365 combines a body cleansing action with the rebalancing of dietary behaviour. To optimize both actions, Forté Pharma's R&D&I department has developed a specific form based on two-layer tablets to take advantage of the specific actions provided by the formula's ingredients hierarchically and chronobiologically. A further advantage is that only one tablet is required per day.

Accordingly, the tablet's top layer ingredients —which carry out the product's cleansing and draining actions, which is the prerequisite for all in-depth slimming actions— are the first to be released. The second-layer's ingredients —in charge of both finding the balance between hunger and satiation and regulating thermogenesis— are released approximately one hour later.

Forté Pharma's products are based on well-researched formulas featuring groundbreaking food ingredients and extracts.





4. Acknowledgements

Throughout 2007, Natraceutical Group has been acknowledged for their works on several occasions, including the following:

In March 2007, in the Spanish financial publication Dinero's 12th Business Awards, Natraceutical Group's President Xavier Adserà received an award for his work as head of the company since May 2005. The Dinero awards —whose purpose is to raise awareness of the social value of the roles performed by businesspeople, their entrepreneurial spirit and the wealth created by the companies they lead— were given during an event held at the Madrid Stock Exchange venue on March 22nd and presided by the Spanish Minister of Industry, Tourism and Trade Mr Joan Clos.

During the first quarter of 2007, Natraceutical Group also received two awards in recognition of the company's innovation excellence and volume of exports: one was the Alfil Patente Award, granted by Valencia's Advanced Tertiary Sector Federation (FTACV), in recognition of Natraceutical Group's years of work in the field of industrial protection of innovation as well as for their excellence in R&D&I projects. The second was publication Moneda Unica's IMEX-Fortis Award to the Best Exporting Company, in recognition of Natraceutical Group's performance in 2006, which reached 95% of the company's turnover.

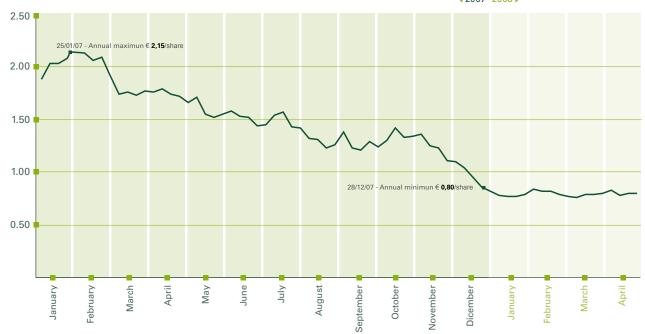
Natraceutical Group has also received awards and distinctions in recognition of their activity in the sector of nutritional complements. Several awards went to some of Forté Pharma's latest products, including Minceur J-15, which won the Caducée d'Or award for the best product launched in 2007 given by the pharmaceutical community during the Pharmagora Trade Exhibition. Furthermore, woman's magazine Votre Beauté's Best New Product of the Year Award went to the product AutoBronz3C, and the Victoires de la Beauté awards to products Time Expert Anti-Age and Specific Draineur Cellulite.





5. Stock Market evolution





The parent company's corporate capital to December 31st 2007 is made up of 328,713,946 fully subscribed and paid-up common shares worth €0.10 each. To the end of the year, the company owned 8,830,503 treasury shares with nominal value representing 2.69% of the corporate capital.

Natraceutical Group's market quote dropped 57.4% in 2007, down from €1.88 per share on January 2nd 2007 to €0.80 per share to December 31st, with average trading volume of 1,182,143 shares per day. Accordingly, the company's market capitalization was set to €263 million at the end of 2007.

Stock value reached its all-time and annual maximum on January 25th, with €2.19 per share, even though it ended the day at €2.15 per share. The minimum value was reached on December 28th, which went down to €0.80 per share at the day's end.

The basic profit per share was €0.01, calculated as the quotient between the period's net earnings attributable to the parent company and the average weighed number of common shares available during said period, not including the partner company's average number of shares held by group companies.



Possible factors influencing the evolution of share prices throughout 2007 include the following:

Following the acquisition of Laboratoires Forté Pharma in October 2006, and the introduction of new shareholders in Natraceutical's capital, the value reached its annual and all-time maximum in January 2007: €2.15 per share.

Between late February and early May 2007, the company submitted their 2006 year-end report along with the year's budget, which informed of a drop in expected profits as a result of the heavy investments that Natraceutical Group was planning to make in order to further develop their strategic plan for the development of the recently established Nutritional Complements Division (Forté Pharma) into a brand of European scope. This event led to a drop in the value set by hedge investment banks, reaching a consensus to set the value around €1.50 / share, the price reached in the same month of May.

From that moment, as the company was presenting positive business results throughout the year, rumours of cash flow crisis affecting international markets began to spread. At that time, it was believed that in Spain this crisis could have the first impact on the rising property and real estate market.

The growing uncertainty that was taking over the markets undermined investor confidence. As a result, this lack of confidence hit the value of small and medium-sized enterprises, including Natraceutical.

The company's value gradually began to reflect said situation, dropping continuously but with no justification from the point of view of business evolution. And it reached a critical point when, in mid November, Natraceutical is informed about the need of one of their major shareholders to disinvest its stake in the company, representing 5%.

This disinvestment was made directly in the stock market from that moment on, which had a strong influence on the new drop of share prices, down to €0.8 on December 28th, the last day of stock market activity, which coincides with the addition of Grupo Kilava as a new major shareholder and member of the Board, taking over the position held by the former investor.

All things considered, the average objective price was set by market consensus, reached by Natraceutical's analysts, at ϵ 1.39/share by the end of 2007, ranging between ϵ 0.94 and ϵ 1.63.

Furthermore, in November 2007, the Spanish Stock Exchange and Securities Association Bolsas y Mercados Españoles (BME) decided to rearrange the stock market's trading segments by offering quoted companies integrated in the New Market the option to request their inclusion in the general trading segment.

Natraceutical was one of the eight companies trading in said segment since 2002, when the company was allowed to trade their shares in the New Market Segment's Stock Interconnection System of Madrid, Valencia, Barcelona and Bilbao stock exchanges.

According to BME, both the economic reality that led to the creation of the New Market and the specific characteristics of the companies trading under said system have changed over time, and therefore there is no further need to hold specific criteria for maintaining said segment.

On December 3rd 2007, the BME dropped the IBEX Nuevo Mercado Index, which included the evolution of the eight traders that make up the New Market's trading segments, including Natraceutical, after which the company is currently operating in the general trading segment.



In February 2008, Natraceutical Group further strengthened its Board of Directors and Management Team for the purpose of boosting the company's following stage of growth.



6. Subsequent Events

Following the publication of the 2007 Year's Results in late February 2008, Natraceutical Group further strengthened its Board of Directors and Management Team for the purpose of boosting the company's following stage of growth.

Specifically, Natraceutical has welcomed to its Board of Directors Grupo Kiluva's President Mr Felix Revuelta, who takes position in Natraceutical Group's governing body in representation and on behalf of the stake he holds in the biotechnology company.

Importantly, Grupo Kiluva, which includes the company Naturhose —the international network of stores specializing in nutrition and dietetics with branches worldwide—held 5.05% of Natraceutical's stock by late December 2007, as recorded on the Spanish Stock Market Commission's books. As a result, Grupo Kiluva has become one of the corporation's major shareholders.

After having placed their trust in the company headed by Mr Xavier Adserà, Grupo Kiluva has increased their involvement in Natraceutical, which has led companies to further increase their commitment to the analysis of their common multiple synergies, as well as to assess the viability of engaging in combined projects.

In addition, Natraceutical's Board of Directors decided in their meeting held March 21st to request authorization from shareholders at the following meeting to increase the number of members for the purpose of adding a new independent member position to be held by Mr Ricardo Iglesias Baciana.

Mr Ricardo Iglesias has extensive experience as both a businessman and business consultant. He was one of the founders of both Inversiones Ibersuizas and venture capital company iNova Capital, after which he was appointed Tavex Algodonera's CEO between 2002 and 2006. He is currently a member of EDM Holding and Inpelsa's Board of Directors, and has previously held board member positions at companies including IT Deusto, Omsa Alimentación (Oscar Mayer), Ola Internet and Befesa Medio Ambiente.

In addition, Mr Ricardo Iglesias will chair the Appointment and Remuneration Committee, in charge of monitoring the group's remuneration policies, managing potential conflicts of interest and supervising all operations connected with Natraceutical Group.

A few days later, on March 27th, the Board of Directors decided to include a second new Board position prior authorization from shareholders, position to be held by Mr François Gaydier. Mr Gaydier would thus be appointed as a new member of the Board as well as Natraceutical Group's Chief Executive Officer.

Mr François Gaydier, Graduate in Business Administration (EAP/ESCP Paris) has held several positions in mass-market firms including Rochas, Cosmopolitan Cosmetics (owned by German group Wella) and Procter & Gamble Prestige Products. Natraceutical's new CEO has twenty years' experience in the international selective distribution sector (department stores, cosmetics and perfume stores, pharmacies and para-pharmacies) dealing with business development activities both organically and via acquisitions and joint ventures. He also has extensive experience in team organization and integration tasks, activities that he has carried out in France, Germany, Argentina and Brazil.



Gaydier left Procter & Gamble Prestige —where he was the manager of the perfume and cosmetics sections for UK, Spain, Portugal, France and Italy— to join Natraceutical Group, and had previously held positions in Scandinavia, Argentina, Mexico and South East Asia.

Gaydier, a French national aged 48, joined the company as a result of its strong business evolution in recent years and, specifically, because of the latest penetration into the nutritional complements sector following the acquisition of Laboratoires Forté Pharma in late 2006. This coincided with Natraceutical's plan for future growth based on the establishment of a Pan-European brand, leader in its sector, which would provide for the development of several products closely connected to this division.

Mr José Vicente Pons, to date Natraceutical's CEO, will remain as member of the company's board to supervise the group's strategy for future growth.

In addition, Natraceutical also announced that Mr Eric Bendelac joined the management team as Head of Corporate Development. His tasks will include supporting and fostering the company's process of organic growth and acquisitions.

An Industrial Engineering Graduate and MBA (IESE - International Graduate School of Management), Mr Eric Bendelac worked initially for Arthur Andersen as mass-market analyst, and later held managerial positions at French laboratory Sanofi-Aventis and Strategic Consultants AT Kerney, where he held a position as consultant for inorganic growth projects principally in the mass-market sector.

On April 25th, Natraceutical Group submitted their performance results for the first quarter of 2008, which show a growth of 25% in EBITDA as compared with the same quarter of 2007, and net profit of 40%. The company's returns rose to 15.4% (EBITDA margin over sales) from 12.8% the previous year.



Later, on April 29th, as a direct result of NTC's current investment opportunity following the drop of share prices in late 2007 due to reasons unconnected to the company's business evolution, Inversiones Ibersuizas joined Natraceutical Group's ownership via the acquisition of 5% stock from Grupo Natra, Natraceutical's parent company and main shareholder.

Inversiones Ibersuizas, established in 1989, is one of the first pioneer independent investment companies operating in Spain. Since its establishment, the company has successfully completed over 40 transactions reaching an IRR in excess of 28%.

Inversiones Ibersuizas has joined Natraceutical Group's shareholding structure with a willingness to hold this position for the long term.

7. Financial Structure of the Company

The best indicator of the company's financial viability 2007 was the company's ability to meet all financial ratios set for the syndicated loan granted to the company the previous year. The main financial ratio met was the Net Debt/EBITDA, which remained under 4.5 points, as specified in the syndicated loan contract for 2007.

Liabilities to the end of financial year 2007 amounted to €84.3 million. This figure includes €9 million set aside for financing the company's treasury stock (option plan plus freehold treasury shares). As a result, Natraceutical Group's net debt to the end of 2007 was €75 million, 3.9 times the company's EBITDA ratio. The syndicated finance capital for the latest acquisitions will be returned in 2008, for which reason it is expected that said debt will tend to drop considerably.

Short-term and long-term bank loans bear interest ranging from 4.94% to 7.21%. To the end of 2007, 53% of the debt was pegged to a fixed interest of 5%.

Natraceutical Group manages its own capital to ensure that all cluster companies can continue operating as profitable businesses while maximizing returns for shareholders based on an optimal equilibrium between debt and equity. The Group's global risk management programme focuses on the uncertainty that is currently casting a shadow over financial markets, as well as on minimizing potential adverse effects on the company's financial performance. Natraceutical Group uses financial derivatives for the purpose of covering specific risks.



Risk management procedures are under the financial area's control, and are monitored and followed up by the company's directors. Furthermore, directors also monitor and control risk management procedures conducted by the financial area, and meet regularly for the purpose of assessing the situation of financial markets and the status of current operations and/or hedge investments.

In addition, Natraceutical Group specifies the needs regarding cash and banks, by arranging 12-month cash-flow projections, which are updated quarterly and prepared on the basis of each cluster company's budgets. Thus, cash-flow needs (timing and amount) are identified and new financing requirements can be planned in advance.

On the other hand, regarding the risk of interest rate fluctuations, risk arising from the fluctuation of interest rates is tackled via the acquisition of derivative instruments, whose role is to protect the group from said risks. Natraceutical Group makes use of hedge investments to minimize the group's exposure to interest rate fluctuations —which in turn enables the company to reach a well-balanced debt structure and to minimize its cost in years to come.

Finally, due to the international scope of Natraceutical Group's operations, the company is exposed to the risk of exchange rate fluctuations affecting currency exchange operations, specifically those involving US dollars, Sterling Pounds, Brazilian Reals and Swiss Francs. Generally, operations facing exposure to risk are primarily the export and import of finished products and raw materials. To manage the risk posed by exchange rate fluctuations affecting said business transactions, the financial department has specified the corresponding instruments and actions required for protection against said financial risks.

8. Audits

In 2007, all Natraceutical Group production plants successfully passed all compulsory audits including the monitoring of the Quality Management System according to ISO standards, with no relevant non-conformity detected.

Furthermore, several client-commissioned audits were also successfully passed in 2007. As a result, Natraceutical SA's clients rest assured that their requirements are fully met in all stages of the supply chain's processes, as well as any other requirements laid out in currently applicable regulations and standards, such as HACCP (Hazard Analysis and Critical Control Points).

The 2007 accounts were audited by Deloitte S.L. (unqualified report).

9. Quality and Safety

Since October 2003, Natraceutical Group has been implementing a quality management system that meets all the requirements laid out by the ISO 9001:2000 standards. This certification applies to all activities carried out by the group, from new product innovation and development to commercialization, and including all production stages, supplier-client relations, staff training and management commitment.

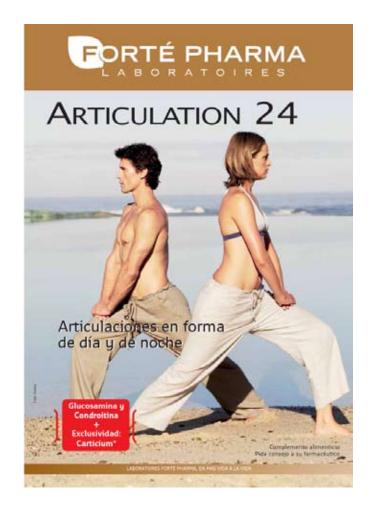


Natraceutical Group also passed successfully all quality audits conducted in the last financial years, including the monitoring of the Quality Management System and Kosher Certification, the latter required for operations in the Israeli market. The company also passed all client-commissioned quality audits. This is a key process, as clients can rest assured that their requirements are fully met throughout all stages of the supply chain's processes. Other systems, such as Knowledge Management and Balance Scorecard, are used to support the Total Quality Management process.

Natraceutical Group is fully committed to compliance with local and international laws.

Furthermore, Natraceutical Group complies with all safety regulations and standards that guarantee the safety and quality of their products. Therefore, the group has implemented the HACCP system (Hazard Analysis and Critical Control Points) to which all staff is committed with the purpose of ensuring safe and harmless products.

HACCP guarantees observance of legal regulations and good hygiene practices in all production and storage facilities. Product safety is guaranteed not only in the final stage: good practices and standards are strictly observed in all stages of the supply chain, from the raw-material stage to the final delivery of the end product.



The HACCP system is broadly accepted worldwide as a systematic and preventive approach to biological, chemical and physical hazards based on prevention and foresight instead of mere end-product checks.

In addition, Nutritional Complements Division's products (marketed under the brand name Forté Pharma) are sold exclusively in pharmacies and parapharmacies, to ensure that they are recommended and sold by knowledgeable health professionals. Forté Pharma products —which are nutritional complements, not to be confused with food substitutes— are formulated for "healthy" consumers who do not suffer from any illnesses or conditions that require specialized health care services. In any case, these products are sold in pharmacies and para-pharmacies to ensure that customers are provided with specialized support if they seek to combine these products with any medical treatments.

All Forté Pharma's nutritional complements are compliant with French and EU regulations (EU Directive 2002/46CE, French National Decree Act 25/03/06). In addition, all ingredients used in the formulation of all Forté Pharma products are officially approved in France (home to one of the strictest legislations governing nutritional complements), as well as in all European countries and other countries where Forté Pharma is currently operating.

Having obtained the corresponding licenses in France, marketing companies operating in all countries (subsidiaries and suppliers) apply for the corresponding official registrations and the respective national codes. In addition, Forté Pharma demands comprehensive descriptions of said ingredients from suppliers of raw materials. Finally, the company conducts in-depth physical and chemical, organoleptic and microbiological controls of both raw materials and end products.

Furthermore, of their own volition, Forté Pharma conducts toxicity research on end products to ensure consumers the safety of the formulas used —along with research on the efficiency of end products to control the tolerance of the nutritional complements prior to the marketing stage. Also, as further proof of the company's commitment to consumer health, once the product is on the shelves, Forté Pharma guarantees further control and surveillance to prevent the likelihood of any possible undesired effects at this stage.

Forté Pharma's labelling procedures comply with French agency DGCCRF's (General Directorate for FairTrading, Consumer Affairs and Fraud Control) standards—which also conducts regular checks of the information printed on labels.

Finally, Forté Pharma's founder and scientific director Dr Yann Rougier, an expert in markets and trends in countries including USA and Japan, participates every year in medical forums to seek peer endorsement of the quality and scientific interest of their formulations.

10. Environment

In 2007, Natraceutical Group further developed a line of investment focused on the improvement and maintenance of sustainable environmental management.

The company, well aware of the impact of its activities on the environment, continued investing not only in waste management activities but also in cutting down and occasionally eliminating waste completely with the application of clean and environmentally-friendly technologies.

The company has also invested in the removal of organic solvents in all possible processes, water consumption reduction, waste recycling, reuse and replacement of old technologies by other most modern and cost-efficient technologies. All these activities will lead to a better use of resources and energy sources and to further reduction of the environmental impact.

Natraceutical Group has further boosted in-house and external staff training and awareness activities with the purpose of raising awareness on the importance of carrying out environmentally-friendly activities in all industrial and daily operations.

As evidence of Natraceutical Group's commitment with the environment, this year's business report is published on 100% recycled paper, which is endorsed by the leading international environment management certifications including Blue Angel and European Eco-label.



11. Natraceutical Group in Society

As in 2006 with the event "Tribuna NTC" —the forum for presentation and debate of current issues on health and scientific research, focusing specifically on nutrition as a way to prevent disease and improve quality of life— in 2007 Natraceutical Group has sought to open further avenues for reflection, and to provide solutions to society's growing demand for improved wellbeing, quality of life and nutrition, with the publication of Forté Pharma's founder and scientific director Dr Yann Rougier book "Voulez-vous maigrir avec moi? — La méthode SLIM-data." (Do you want to lose weight with me? —The SLIM-data method).

The book was published in France in February 2007 and has fast become the sixth top bestseller after selling 65,000 copies in just one month.

The book was translated and published in Italy in February 2008, and will also be launched in Spain under the title "Adelgaza conmigo" (Lose weight with me) (Ed. Planeta) in the month of May 2008.

In this book —which focuses on the significant changes introduced to nutritional habits in developed societies in recent decades, as well as on the causes for obesity and its harmful effects on health— the author introduces the SLIM-data method, a compendium of his over 25 years' experience in the health and nutrition field, with which Dr Rougier describes a healthy method aimed at rebalancing our body in order to adapt it to today's nutrition.





We develop today the nutrition of tomorrow





Corporate governance

In compliance with the Company's Board Regulations approved on April 16th 2003, Natraceutical Group's corporate governance tasks are carried out by its Board of Directors. The current regulations establishes the Board of Directors' principles of action and code of conduct, regulates its system of organization and performance, and sets the standards of behaviour of its members for the purpose of achieving the highest possible level of efficiency and performance.

Every year, Natraceutical's Board prepares an annual corporate governance report in compliance with the provisions included in Act 26/2003 of July 17th, which amends Act 24/1988 of July 28th on Stock Markets, as well as the Consolidated Text of the Law on Corporations and the Ministerial Order dated December 26th 2003.

The full report is available on www.natraceutical.es, and includes the following information:

I. Shareholders

To the end of 2007, Natraceutical Group's capital was made up of 328,713,946 common shares, fully subscribed and paid-up, worth a nominal value of €0.10 each. Therefore, the capital stock of the company amounts to €32,871,395.

Capital stock: €32,871,395

Number of shares: 328,713,946

Nominal value: €0.10

Major Shareholders

Natra, S.A. remains Natraceutical Group's major shareholder, even though their ownership stake dropped from 55.79% to 54.78 % in 2007. Natra, S.A. controls a total of 180,066,212 shares.

Significant ownership stake in Grupo Natraceutical's capital was held by two further shareholders to December 31st: Bilbao Bizkaia Kutxa (BBK), which controls 4.59% and Mr Félix Revuelta Fernández, with 5.05 %.

Major shareholders to December 31st 2007:

Shareholders	Ownership	
Natra, S.A.	54.78%	
BBK	4.59%	
Mr Félix Revuelta Fernández	5.05%	

Treasury Stock

To December 31st 2007, Natraceutical Group owns 8,830,503 treasury shares acquired in financial years 2005, 2006 and 2007, for which an average price of €1.03 was paid.

The Board of Directors was authorized by General Meeting of Shareholders held on June 25th 2007 to proceed with the buyback of company shares, either directly or through partner companies, within the limitations and requirements set by the Companies Law —with limits ranging between €0.5 and €5— operation that the Board of Directors duly executed.

2. Board of Directors

Roles

The Board of Directors' main roles are the supervision and control of the Company. Both the Management Team and executive bodies are assigned the tasks of management of the company's ordinary business activities.

The criteria governing the Board of Directors' performance is the long-term maximization of the company's equity, in strict accordance with the ethical principles and values required to ensure sound business development and responsibility.

The Board of Directors held 12 meetings in 2007.

Structure

Following Good Governance Standards' recommendations, Natraceutical, S.A.'s Board of Directors includes seven members to enable sound, efficient and participative operation and performance.

To the end of the financial year 2007, the Board's structure was as follows:

Position	Name	Represented by	Title
Chairman	Xavier Adserà Gebellí		Executive Director
Chief Executive	José Vicente Pons Andreu		Executive Director
Member of the Board	Natra, S.A	Manuel Moreno	Director representing major shareholder
Member of the Board	José Manuel Serra		Independent Director
Member of the Board	BMS, Promoción y Desarrollo, S.L.	José Luis Navarro	Director representing major shareholder
Member of the Board	Juan Ignacio Egaña		Director representing major shareholder
Member of the Board	Alicia Vivanco		Director representing major shareholder

On December 17th 2007, Member of the Board Nozar, S.A. informed the Board of their resignation, without specifying a reason, via letter sent to the Secretary of the Board. The Board of Directors accepted their resignation as Member of the Board during the meeting held on December 18th 2007.

Members of the Board do not own any stake and/or held positions in any other companies whose activities are identical, analogous or complementary to the social purpose of the Company —with the sole exception of the Group's Subsidiaries of the Group which Natraceutical, S.A. belongs to.

Stock ownership held by the Members of the Board

To the end of the year 2007, the Members of the Board owned, either directly or indirectly, 189,572,205 shares, or 57.67% of the corporate capital, broken down as follows:

Member	Direct Shares	Indirect Shares	%
Natra, S.A	180,066,212	0	54.779
BMS, Promoción y Desarrollo, S.L.	6,893,131	1,498,936	2.553
Juan Ignacio Egaña	1,104,479	0	0.336
José Vicente Pons Andreu	7,776	0	0.002
Alicia Vivanco	1,000	0	0
Xavier Adserà Gebellí	427	244	0

Remuneration to Directors

All combined payments made to Directors of the parent company during the year 2007 including allowances, salaries and wages, amounted to €102,000. In addition, in the same year, Directors held executive positions for which they were paid €173,000, which were fully paid by December 31st 2007.

To December 31st 2007, there are no advances, pension fund commitments, life insurance policies or any other obligations corresponding to former and current members of the Board of Directors.

Performance Regulations

The Board is governed by regulations set by the Companies Law for this institution, its Articles of Incorporation and own operating development regulations specified in the Board Regulations, which can be viewed on the website www.natraceutical.es, in the Corporate Governance sub-section "Information for Shareholders and Investors". Said website also includes the full Articles of Incorporation. The Board's Regulations describes and regulates situations such as conflicts of interest, use of company assets, use of non-public information, involvement in business opportunities by Directors who, as holders of said positions, had exclusive access to information on said opportunities, and transactions with Members and/or major shareholders. No events or incidents corresponding to said situations occur during 2007.

Members are provided with updated information on the financial and economic standing of both the Company and the Group during the meetings of the Board. Furthermore, these meetings also serve to discuss relevant investment and disinvestment issues, plus any other relevant matters in relation to the Company's course of business. Besides the information received during meetings, Members are entitled to request any information they may deem convenient or necessary for their respective positions in the Board.

3. Audit Committee

During the year 2007, the Board of Directors was supported by the Audit Committee, which, even though it does not hold the category of corporate governing body, it operates as an instrument at the service of the Board.

The Audit Committee is in charge of the following tasks:

- Proposing the appointment of the Financial Auditor, the corresponding terms of contract and, where appropriate, dismissal or renewal of commission.
- Ensuring that all internal audit and control system procedures are appropriate and sound.
- Reviewing all audit processes and conclusions in conjunction with an external auditor.
- Supervising the correct application of generally accepted accounting principles (GAAP).

Currently, the Audit Committee does not yet have its own regulatory framework. Audit activities are governed by the Board of Directors' Regulations.

Fees paid to the Group's auditors

No members of the Audit Committee are paid any fees whatsoever for their membership. All fees corresponding to annual account audit services provided to Natraceutical Group's companies in 2007 amounted to €360,000: €76,000 corresponding to the senior auditor, €187,000 to other firms associated with the senior auditor's firm, and €97,000 paid to other auditors. The senior auditor was paid €2,000 in fees for non-audit services, plus €37,000 for services provided by other firms associated with the senior auditor's firm.

4. Appointment and Remuneration Committee

The main task of the Appointment and Remuneration Committee, which holds meetings at least twice a year, is to offer proposals to the Board of Directors in connection with:

- The Group's top-level compensation policies.
- The general guidelines governing the Group's / subsidiaries' compensation policies.
- Making recommendations to the Board, for later proposal to the General Meeting of Shareholders, regarding systems of compensation to directors as well as systems of participation of directors and staff in Natraceutical's corporate capital.
- Assessment of all operations involving parties connected in any way to the Company. In the event that any member of the Committee is in any way connected to any such operation, this member shall not participate in the corresponding assessment.
- The conditions and characteristics of all plans involving company equity options, and the directors and staff they are intended for.

The members of the Appointment and Remuneration Committee do not receive any payment whatsoever in connection with their Committee positions.

5. General Shareholders Meeting

The General Shareholders Meeting held on June 25th 2007, the only meeting held in said year, was attended in person by 69.22% of the company's ownership, while 3.56% was represented by appointed agents. Therefore, 72.78% of the capital was represented at the meeting.

List of resolutions passed by the Shareholders Meeting in 2007

The following resolutions were passed by the General Shareholders Meeting held on June 25th 2007:

- Approval of the 2006 Individual and Consolidated Annual Accounts.
- Approval of the allocations of the year's results including €223,289 to legal reserve, €357,084 to offset accumulated losses; and €1,652,521 to voluntary reserve.
- Increasing the number of members of the Board of Directors to eight.
- Confirmation of Mrs Alicia Vivanco González appointment (by co-optation) for five years from the time she was appointed by the Board of Directors (October 24th 2006).
- Reappointment of BMS, Promoción y Desarrollo, S.L. as Member of the Board for a five-year term from June 25th 2007.
- Appointment of Nozar, S.A. as Member of the Board for a five-year term from June 25th 2007.
- Appointment of firm Deloitte, S.L. as auditors of both the parent company Natraceutical, S.A. and the consolidated group's 2007 accounts.
- Granting of authorization to the Board of Directors for the derivative acquisition of treasury shares (buyback), either directly or via affiliated companies, within the limitations and requirements set by the Companies Law —with limits ranging between €0.5 and €5— which sets aside the authorization granted by the Meeting on June 19th 2006.
- Submission of the request for consolidated tax return procedures.
- Granting authorization for preparing, documenting and executing all resolutions passed by the Shareholders Meeting.

Shareholders' Rights

All holders of at least one thousand shares recorded to their name on the corresponding Shareholders Register at least five days prior to the meeting are granted the right to attend the General Meeting of Shareholders.

Prior to the General Meeting of Shareholders held on June 25th 2007, the Board of Directors provided shareholders with all proposals to be submitted for approval, where appropriate, by the Board. In addition, shareholders that requested it were provided with information prior to the Meeting. All proposals were approved by quorum.

6. Corporate Governance Report

Following prior review of regular financial data provided by the Audit Committee, upload of corporate governance information to the company's website, and release of issues prior to meetings for discussion by the Board of Directors, the company is already working on meeting the new requirements specified in the Unified Code on Good Corporate Governance.

The contents of the Corporate Governance document are included in sub-section "Information for Shareholders and Investors" of webpage **www.natraceutical.es.**



Our main goal is to create value





Audit Report and Consolidated Financial Statements



Avda. de Aragón, 30 Edificio Europa 46021 Valencia España

Tel.: +34 963 07 09 00 Fax: +34 963 07 09 60 www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 3 and 28). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Natraceutical, S.A.:

- 1. We have audited the consolidated financial statements of Natraceutical, S.A. and Companies composing the Natraceutical Group comprising the consolidated balance sheet at 31 December 2007 and the related consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
- 2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2007 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement, the figures for 2006. Our opinion refers only to the consolidated financial statements for 2007. On 18 May 2007, we issued our auditors' report on the 2006 consolidated financial statements, in which we expressed an unqualified opinion.
- 3. In our opinion, the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and consolidated financial position of Natraceutical, S.A. and Companies composing the Natraceutical Group at 31 December 2007 and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.
- 4. The accompanying consolidated directors' report for 2007 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2007. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Companies' accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Jesús Tejel

17 April 2008

Consolidated Balance Sheets to December 31st 2007 and 2006

	Thousa	nds of euros
Assets	2007	2006
Non-current assets:		
Goodwill	133,765	130,544
Other intangible assets	5,924	3,211
Property, plant and equipment	47,297	44,610
Investments accounted for using the equity method	707	729
Non-current financial assets	7,689	17,140
Deferred tax assets	13,108	8,081
Total non-current assets	208,490	204,315
Current assets:		
Inventories	40,310	34,463
Trade and other receivables	31,509	26,975
Other current financial assets	4,776	4,523
Current tax assets	2,576	5,111
Cash and cash equivalents	29,892	13,588
Total current assets	109,063	84,660
Total assets	317,553	288,975

The accompanying notes 1 to 28 are an integral part of the consolidated balance sheet at 31 December 2007.

	Thousa	nds of euros
Equity and liabilities	2007	2006
Equity:		
Share capital	32,871	32,871
Share premium	103,494	103,494
Reserves (retained earnings)	3,222	5,343
Reserves of fully consolidated companies	8,850	6,615
Reserves of companies accounted for using the equity method	19	(73)
Treasury shares	(9,099)	(6,322)
Translation differences	(2,285)	1,257
Profit for the year attributable to the Parent	3,841	4,549
Total equity	140,913	147,734
Non-current liabilities:		
Non-current bank borrowings	74,557	70,116
Other non-current financial liabilities	9,474	11,702
Deferred tax liabilities	6,590	7,167
Long-term provisions	1,347	1,059
Other non-current liabilities	53	100
Total non-current liabilities	92,021	90,144
Current liabilities:		
Bank borrowings	39,684	18,225
Trade and other payables	32,195	25,228
Provisions	313	-
Current tax liabilities	2,079	2,215
Other current liabilities	10,348	5,429
Total current liabilities	84,619	51,097
Total equity and liabilities	317,553	288,975

The accompanying notes 1 to 28 are an integral part of the consolidated balance sheet at 31 December 2007.

Consolidated income statements for the years ended 31 December 2007 and 2006

	Thousa	nds of euros
	2007	2006
Continuing operations:		
Revenue	152,916	90,761
+/- Changes in inventories of finished goods and work in progress	4,574	(1,541)
Procurements	(67,283)	(45,083
Gross profit	90,207	44,137
Other operating income	1,142	3,708
Staff costs	(26,810)	(17,577)
Depreciation and amortisation charge	(5,662)	(5,271)
Change in operating allowances	(330)	
Other operating expenses	(45,368)	(20,217)
Profit from operations	13,179	4,780
Result of companies accounted for using the equity method	130	92
Finance income	606	2,085
Finance costs	(6,400)	(4,224)
Exchange differences (gains and losses)	(883)	(556
Loss on disposal of non-current assets	(2,418)	(294)
Impairment losses	(822)	(628)
Profit before tax	3,392	1,255
Income tax	449	3,294
Profit for the year	3,841	4,549
Earnings per share (basic and diluted)	0,01	0,02

The accompanying notes 1 to 28 are an integral part of the consolidated income statement for 2007.

Natraceutical, S.A. and companies composing the Natraceutical Group

Consolidated statements of changes in equity for the years ended 31 December 2007 and 2006

Thousands of euros						of euros			
	Share Capital	Treasury Shares	Share Premium	Reserves (Retained Earnings)	Reserves of Fully Consolidated Companies	Reserves of Companies Accounted for Using the Equity Method	Translation Differences	Profit for the Year	Total Equity
Balances at 31 December 2005	24,654	(3,571)	50,078	(36)	3,117	(77)	1,324	3,757	79,246
Distribution of profit	-	-	-	674	3,079	4	-	(3,757)	-
Capital increase	8,217	-	53,416	-	-	-	-	-	61,633
Translation differences	-	-	-	-	-	-	(67)	-	(67)
Acquisition of treasury shares	-	(2,751)	-	-	-	-	-	-	(2,751)
Valuation adjustments	-	-	-	4,097	-	-	-	-	4,097
Exclusions from the scope of consolidation	-	-	-	608	419	-	-	-	1,027
Net profit for 2006	-	-	-	-	-	-	-	4,549	4,549
Balances at 31 December 2006	32,871	(6,322)	103,494	5,343	6,615	(73)	1,257	4,549	147,734
Distribution of profit	-	-	-	2,297	2,235	17	-	(4,549)	-
Translation differences	-	-	-	-	-	-	(3,542)	-	(3,542)
Acquisition of treasury shares	-	(2,777)	-	-	-	-	-	-	(2,777)
Valuation adjustments	-	-	-	(4,418)	-	-	-	-	(4,418)
Exclusions from the scope of consolidation	-	-	-	-	-	75	-	-	75
Net profit for 2007	-	-	-	-	-	-	-	3,841	3,841
Balances at 31 December 2007	32,871	(9,099)	103,494	3,222	8,850	19	(2,285)	3,841	140,913

The accompanying notes 1 to 28 are an integral part of the consolidated statement of changes in equity for 2007.

Natraceutical, S.A. and companies composing the Natraceutical Group

Consolidated cash flow statements for the years ended 31 December 2007 and 2006

	Thousa	nds of euro
. Cash flows from operating activities	2007	2006
rofit before tax and minority interests	3,392	1,2
djustments for:		
Depreciation of property, plant and equipment (+)	4,216	3,8
Amortisation of other intangible assets (+)	1,446	1,4
Net loss on disposal of non-current assets (+/-)	-	2
Result of companies accounted for using the equity method (+)	(130)	()
Other non-monetary items (+)	785	1
Allocation of grants to profit or loss (+)	(47)	
Recognition of tax asset (+)	(3,077)	
Reduction of deferred taxes (+)	(577)	
Adjusted profit	6,008	6,8
Taxes paid	(217)	(
crease/Decrease in current assets and liabilities		
Increase in inventories	(5,847)	(2,1
Increase in accounts receivable	(4,534)	(14,2
Increase in other current assets	2,282	(6,6
Increase in accounts payable	33,522	22,3
Effect of translation differences	354	-
otal net cash flows from operating activities (1)	31,568	6,8
	Thousa	nds of eur
. Cash flows from investing activities	2007	2006
vestments (-):		
Subsidiaries, joint ventures and associates	(7,398)	(80,1
Property, plant and equipment	(4,692)	(5,7
Other intangible assets	(7,980)	(3,0
Other financial assets	(1,950)	(10,1
Other assets	-	
	(22,020)	(99,0
isposals (+):		
Subsidiaries, joint ventures and associates	1,622	2,2
Other intangible assets	554	
Property, plant and equipment and intangible assets	423	2,7
Other financial assets	9,607	
	12,206	4,9
otal net cash flows from investing activities (2)	(9,814)	(94,1

The accompanying notes 1 to 28 are an integral part of the consolidated cash flow statement for 2007.

	Thousands of euro	
3. Cash flows from financing activities	2007	2006
Acquisition of treasury shares (-)	(3,809)	(4,096)
Disposal of treasury shares (+)	1,032	7,608
Repayment of other debts (-):	(2,228)	-
Write-off of long-term provisions (-)	(468)	-
Valuation adjustments (-)	(4,418)	-
	(9,891)	3,512
Obtainment of new bank borrowings (+)	4,441	29,689
Obtainment of other new financing (+)	-	1,661
Issue of share capital (+)	-	61,634
	4,441	92,984
Total net cash flows from financing activities (3)	(5,450)	96,496

	Thousands of euros	
4. Net increase in cash and cash equivalents (1+2+3)	16,304	9,201
Cash and cash equivalents at beginning of year	13,588	4,387
Cash and cash equivalents at end of year	29,892	13,588

The accompanying notes 1 to 28 are an integral part of the consolidated cash flow statement for 2007.



Consolidated Report

Notes to the consolidated financial statements for the year ended 31 December 2007

1. Activities of the companies composing the Natraceutical Group

The Parent was incorporated on 1 June 1993 and its registered office is at Plaza América, no. 2, 9^a planta (Valencia). It engages mainly in the provision of financial and accounting services and the ownership of shares.

The principal line of business of each of the companies composing the Natraceutical Group is specified below:

Company	Line of Business
Exnama-Extratos Naturais da Amazônia, Ltda.	Production and marketing of caffeine
Braes Holdings Ltd.	Inactive
Braes Group Ltd.	Inactive
Braes Esot Trustee Limited	Inactive
Braes Group BV	Inactive
Overseal Natural Ingredients Ltd.	Manufacture of colouring, yeast, aromas and flavours
Oversesal Color Inc.	Inactive
The Talin Co. Ltd.	Manufacture of sweeteners
Britannia Natural Products Ltd.	Inactive
Obipektin AG	Manufacture of pectins and natural fruit and vegetable extracts in powder form
Biópolis, S.L.	Development of micro-organisms and cellular metabolytes
Laboratoires Forté Pharma, SAM	Marketing of pharmacy and parapharmacy nutritional products
Laboratoires Forté Pharma, Benelux, S.A.	Marketing of pharmacy and parapharmacy nutritional products
Forté Services, SAM	Provision of management and administrative services
Forté Pharma Ibérica, S.L.U.	Marketing of pharmacy and parapharmacy nutritional products
Natraceutical Industrial, S.L.U.	Preparation and marketing of nutraceuticals and other active ingredients, refined lard and caffeine
Natraceutical Canadá, Inc.	Research into the active ingredients of barley
Natraceutidal Rusia	Manufacture of colouring, yeast, aromas and flavours
Kingfood Australia, Pty.	Manufacture of food supplements

The subsidiary Exnama-Extratos Naturais da Amazônia, Ltda., whose registered office is located in Brazil, commenced operations in May 2002 and made all its sales (consisting of caffeine) in 2007 to a single customer. Also, a portion of the sales of Natraceutical Industrial, S.L.U. (Sole-Shareholder Company), which also relate to caffeine are made to two business groups, including the one to which the aforementioned Brazilian subsidiary's sales are made. In this respect, the sales made to these business groups accounted for 12% of the consolidated sales of the Natraceutical Group in 2007 whereas in 2006 these sales represented 23% of the Natraceutical Group's consolidated sales. In 2007 the caffeine plant of Natraceutical Industrial, S.L.U. (Sole Shareholder Company) was dismantled in order for it to be transferred to Exnama-Extratos Naturais da Amazônia, Ltda, where the Group will concentrate all the activities related to this product.

On 19 June 2002, the Parent increased capital by €7,464 thousand, which was fully subscribed by its shareholder Natra, S.A. through the contribution of the line of business consisting mainly of the preparation of nutraceutical and other active ingredients, thereby concentrating at Natraceutical, S.A. the research and manufacture of biotechnological products, mainly for use in relation to nutrition and cosmetics. Pursuant to Article 107 of Law 43/1995, of 27 December, adapting certain tax provisions to European Community Directives and Regulations, the information relating to this contribution of a line of business is disclosed in the notes to the 2002 financial statements of Natraceutical, S.A.

On 6 April 2006, Natraceutical Industrial, S.L.U. (Sole-Shareholder Company) was formed with share capital of €3 thousand subscribed in full by the Company. On 8 June 2006, the shareholders at the Extraordinary General Meeting of this company resolved to increase share capital by €34,969 thousand, which was subscribed in full by Natraceutical, S.A. through the contribution of a line of business. Pursuant to Article 107 of Law 43/1995, of 27 December, adapting certain tax provisions to European Community Directives and Regulations, the information relating to this contribution of a line of business is disclosed in the notes to the 2006 financial statements of Natraceutical, S.A.

These companies belong to a higher consolidated group, the Natra Group, which engages mainly in the manufacture, marketing and sale of chemical and food products, the exploitation of agricultural plantations and tropical products, the purchase, sale and management of securities, the provision of management advisory services to other companies and the management of companies of all kinds. The Group's Parent is Natra, S.A.

2. Subsidiaries and associates

The Group companies and associates that were fully consolidated or accounted for using the equity method together with information relating thereto at 31 December 2007 are as follows (unless otherwise indicated, the investees are audited by member firms of the Deloitte organisation in their respective countries):

Company	% of Owner	% of Ownership		Thousands of euros	
	Location	Direct	Indirect	Carrying Amount in Thousands of Euros	
Exnama-Extratos Naturais da Amazônia, Ltda.	Brasil	100%	-	7,114	
Overseal Natural Ingredients Ltd.	Reino Unido	100%	-	46,510	
Overseal Color Inc. (1)	EEUU	-	100%	-	
The Talin Co. Ltd. (1)	Reino Unido	-	100%	-	
Britannia Natural Products Ltd. (1)	Reino Unido	-	100%	-	
Obipektin AG	Suiza	100%	-	38,500	
Biópolis, S.L. (2)	Valencia	25%	-	554	
Natraceutical Industrial, S.L.U.	Valencia	100%	-	33,723	
Laboratoires Forté Pharma, SAM (3)	Mónaco	-	100%	-	
Forté Services, SAM (3)	Mónaco	-	100%	-	
Forté Pharma Ibérica, S.L.U.	Barcelona	100%	-	-	
S.A. Laboratoires Forté Pharma, Benelux (4)	Bélgica	-	100%	-	
Kingfood Australia, Pty. Limited (5)	Australia	100%	-	5,805	
Natraceutical Canadá, Inc.	Canadá	100%	-	-	
Natraceutical Rusia	Rusia	-	99%	-	

⁽¹⁾ Unaudited.

Pursuant to the applicable legislation, the Group companies listed in the preceding table are deemed to be subsidiaries, except for Biópolis, S.L., which is included in the scope of consolidation as an associate since significant influence is exercised over it, as evidenced by the fact that the Company has a representation of over 20% on the Board of Directors.

In 2007 the scope of consolidation changed due to the acquisition, incorporation and sale by the Group of ownership interests in the following companies:

- On 26 January 2007, Natraceutical, S.A. acquired all the shares of Forté Pharma Ibérica, S.L.U. (Sole-Shareholder Company) for €3 thousand, without incurring any other expenses. The main asset of this company is a customer portfolio acquired from a Spanish company for €1,900 thousand.
- On 28 February 2007, Natraceutical, S.A. acquired the entire share capital of Kingfood Australia Pty Limited for €5,370 thousand. The expenses incurred in the transaction totalled approximately €435 thousand.

⁽²⁾ Audited by Carlos Florez Ariño.

⁽³⁾ Audited by Janick Rastello-Carmona and François Brych.

⁽⁴⁾ Audited by Gossens Gossart Joos

⁽⁵⁾ Company acquired in 2007: the consolidated profit includes the period from acquisition to year-end only.

On 31 October 2006, the Parent acquired 41.67% of the capital of Cakefriends Ltd in a joint venture project totalling €280 thousand. On 15 November 2007, the Company disposed of 274,000 shares of Cakefriends for €179 thousand. Subsequently, on 31 December 2007, the Company disposed of 423,975 shares for €350 thousand. Neither of the disposals affected equity and at 31 December 2007 the Company held 7.13% of the share capital.

In 2006 certain subsidiaries were included in the scope of consolidation, due to their acquisition or incorporation by the Group through the following corporate transactions:

- On 6 April 2006 Natraceutical Industrial, S.L.U. (Sole-Shareholder Company) was formed with share capital of €3 thousand fully subscribed by Natraceutical, S.A. On 8 June 2006, the shareholders at the Extraordinary General Meeting of this company resolved to increase share capital by €34,969 thousand, which was subscribed in full by Natraceutical, S.A. through the contribution of a line of business (see Note 1).
- On 28 December 2006, the Parent sold all the shares of Natra, U.S. Inc. for €2,200 thousand on credit to Natra Cacao, S.L. This amount was paid in 2007.
- At the Annual General Meeting held on 13 September 2006, the shareholders of Biópolis, S.L. resolved to increase share capital by €1,666 thousand, which was subscribed by Natraceutical, S.A. in proportion to its ownership interest, i.e. €416 thousand. At 31 December 2007, this corporate transaction had been registered at the Mercantile Registry.

Also, the following corporate transactions took place in 2007:

- On 25 October 2007, Natraceutical, S.A. incorporated Natraceutical Canada, Inc. which acquired the intangible assets of Cevena Bioproducts Inc. for €1,511 thousand. Since this company's activity did not commence in 2007 it was not included in the scope of consolidation.
- In 2006 the Braes Group carried out a corporate restructuring with the aim of keeping active only the companies engaging in industrial activities. In this respect, on 31 October 2006, Natraceutical S.A. acquired the entire share capital of Braes Group BV from Braes Group Ltd. for €33,000 thousand. In addition, on the same date, Natraceutical, S.A. acquired 100% of the shares of Obipektin AG from Braes Group BV for €30,500 thousand. These corporate transactions had no impact on equity or on the accompanying consolidated income statement for 2006. On 5 February and 10 October 2007, it was resolved to distribute dividends amounting to €30,400 thousand and €2,599 thousand, respectively. On 10 October 2007, it was resolved to liquidate Braes Group BV. In 2008 Braes Holding Ltd. and Braes Group Ltd. will foreseeably be liquidated and/or sold and were therefore excluded from the scope of consolidation. The inclusion of these companies in the scope of consolidation would not have had a material impact.

The date of the individual financial statements of the consolidated subsidiaries is 31 December 2007 in all cases.

3. Basis of presentation of the consolidated financial statements and basis of consolidation

a. Basis of presentation

The consolidated financial statements for 2007 of the Natraceutical Group, which were prepared on the basis of the accounting records kept by the Parent and by the other companies composing the Natraceutical Group, were authorised for issue by the Parent's directors at the Board of Directors meeting held on 27 March 2008.

As indicated in Note 2, on 28 February 2007, Kingfood Australia, Pty., whose registered office is in Australia, and the Spanish retailer Forté Pharma Ibérica, S.L.U. (Sole-Shareholder Company) were included in the scope of consolidation. The 2007 consolidated income statement only includes the income and expenses of these companies from the date they were included in the scope of consolidation. Accordingly, the accompanying consolidated financial statements for 2007 should be compared with those for 2006 taking into account these circumstances. The revenue and net profit contributed by these companies amounted to €12,457 thousand and €837 thousand, respectively.

b. Adoption of International Financial Reporting Standards

The Natraceutical Group's consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, under which all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the IFRSs ratified by the European Union. In Spain, the obligation to present consolidated financial statements for years beginning on or after 1 January 2005 in accordance with IFRSs as adopted by the European Union is also regulated in the Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures. The consolidated financial statements for 2006, also prepared in accordance with International Financial Reporting Standards (IFRSs), were approved by the shareholders at the Annual General Meeting on 25 June 2007.

The principal accounting policies and measurement bases adopted by the Natraceutical Group are presented in Note 4.

The options permitted by IFRSs taken by the Natraceutical Group in the preparation of the consolidated financial statements were as follows:

- 1. To classify its consolidated balance sheet items as current and non-current.
- 2. To present the income statement by nature in accordance with management criteria established internally.
- 3. To show the changes in all the headings in the consolidated statement of changes in equity.
- **4.** To use the indirect method to prepare the cash flow statement.

5. The primary segments are the lines of business (functional ingredients and nutritional supplements). The secondary segments are structured by geographical area.

In 2007 the Group adopted IFRS 7, Financial Instruments: Disclosure, which came into force on 1 January 2007 for the years beginning on or after that date, and the amendments to IAS 1, Presentation of Financial Statements, in relation to capital disclosures.

As a result of the adoption of IFRS 7 and the amendments to IAS 1, the qualitative and quantitative disclosures relating to financial instruments and capital management detailed in Note 9 to the consolidated financial statements were increased.

Additionally, four IFRIC interpretations came into force for the first time this year: IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8, Scope of IFRS 2; IFRIC 9, Reassessment of Embedded Derivatives; and IFRIC 10, Interim Financial Reporting and Impairment. The adoption of these interpretations did not have an impact on the Group's consolidated financial statements.

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is after the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

- 1. IFRS 8, Operating Segments. This standard replaces IAS 14. The main new development introduced by this new standard is that it requires an entity to adopt a management approach when reporting on the financial performance of its business segments. Generally, financial information is required to be reported on the same basis as that used internally by management to evaluate segment performance and decide how to allocate resources to segments. The directors have not yet assessed the impact that the application of this standard will have on the accompanying consolidated financial statements.
- 2. Revision of IAS 23, Borrowing Costs. The principal change in this new revised version of IAS 23 is the elimination of the option of immediate recognition as an expense of borrowing costs associated with an asset that take a substantial period of time to get ready for its intended use or sale. This new standard may be applied prospectively. The directors consider that the entry into force of this standard will not have an impact on the consolidated financial statements since it will not lead to a change in accounting policy.
- 3. Review of IAS 1, Presentation of Financial Statements. The purpose of the new version of this standard is to improve the ability of users to analyse and compare the information provided in financial statements. These improvements will enable users of consolidated financial statements to analyse changes in equity arising from transactions with owners acting in their capacity as owners (e.g. dividends and the repayment of capital) separately from non-owner changes (e.g. transactions with third parties or income and expenses recognised directly in equity). The revised standard provides the option of presenting income and expense items and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income).

IAS 1 also introduces new reporting requirements when the entity applies an accounting change retrospectively, makes a restatement or reclassifies items in previously issued financial statements, as well as changes in the names of certain financial statements with a view to reflecting their function more clearly (e.g. the balance sheet will be called the statement of financial position).

The impacts of this standard will basically be at presentation and disclosure level. In the case of the Group, since it does not regularly present a statement of recognised income and expenses, the new standard will give rise to the inclusion of this new financial statement in the financial statements.

- 4. Revision of IFRS 3, Business Combinations, and amendment to IAS 27, Consolidated and Separate Financial Statements. These standards were issued as a result of the project for the convergence of international principles relating to business combinations with US GAAP The revised IFRS 3 and the amendments to IAS 7 give rise to very significant changes in several matters relating to accounting of business combinations which, in general, place greater emphasis on the use of fair value. Since the changes are significant, set forth below are certain of these changes, merely for illustration purposes: acquisition costs, which will be taken to expenses rather than be considered to be an increase in the cost of the business combination; step acquisitions, in which the acquirer revalues the investment at fair value on the date control is obtained; or the option to measure at fair value the minority interests of the acquiree rather than measure them as the proportional part of the fair value of the net assets acquired as per the current accounting treatment. Since the standard will be applied prospectively, in general the directors do not expect significant modifications to arise in connection with the business combinations performed. However, given the changes in the standard, the directors have not yet assessed the possible impact that the changes may have on future business combinations and the respective effects on the consolidated financial statements.
- **5.** Amendment of IFRS 2, Share-based Payment. The objective of the amendment to IFRS 2 is basically to clarify in the standard the concepts of vesting conditions and cancellations in share-based payments. The directors have not yet assessed the impact that the application of this standard will have on the accompanying consolidated financial statements.
- **6.** Amendment of IFRIC 11, IFRS 2 Group and Treasury Share Transactions. This interpretation addresses how to apply IFRS 2, Share-based Payment, to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of the Parent). This interpretation requires treasury or group share-based payment transactions to be accounted for as equity-settled, regardless of how the equity instruments needed are to be obtained. The directors have not yet assessed the impact that the application of this standard will have on the accompanying consolidated financial statements.

c. Matters arising from the transition to IFRSs

IFRS 1 establishes certain alternatives, in specific cases, that may be used in the preparation of the financial and accounting information at the date of transition. The alternatives chosen by the Natraceutical Group are as follows:

- At the date of transition, property, plant and equipment are stated at depreciated cost, except for certain plots of land, which were adjusted to fair value, which was used as the attributed cost at that date.
- Goodwill and other assets and liabilities acquired in business combinations that occurred prior to 1 January 2004 were not recalculated retrospectively, pursuant to IFRS 3.

■ The cumulative translation differences for all foreign operations were deemed to be zero at the date of transition.

d. Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors. In the Group's consolidated financial statements for 2007 estimates were occasionally made by the Parent's directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to the following:

- The impairment losses on certain assets.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and obligations to the employees (see Notes 4-n and 20).
- The useful life of the property, plant and equipment and intangible assets (see Note 4-c and 4-d).
- The fair value of certain unquoted assets (see Note 5).
- Provisions.

Although the aforementioned estimates were made on the basis of the best information available at 31 December 2007 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. If necessary, changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

e. Basis of consolidation

These consolidated financial statements were prepared on the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting principles and measurement bases used in preparing the consolidated financial statements for 2007 (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

Subsidiaries are defined as companies over which the Parent has the capacity to exercise control; control is presumed to exist when the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Control is presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

From 1 January 2004, the date of the Group's transition to IFRSs, the assets, liabilities, contingent assets and contingent liabilities of a subsidiary have been measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit and loss on the acquisition date.

The subsidiaries and information relating thereto are shown in Notes 1 and 2.

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control, usually because it holds -directly or indirectly- 20% or more of the voting power of the investee.

Investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations (in the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate) less any accumulated impairment losses on the individual investments.

Relevant information on the associate included in the scope of consolidation is disclosed in Notes 1 and 2.

f. Comparative information

The Group decided to present all the information in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for 2007 and the comparative information for 2006 in thousands of euros, rounding off the figures for 2006.

4. Accounting policies

The principal accounting policies and measurement bases used by the Parent in preparing the accompanying consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a. Functional currency

These consolidated financial statements are presented in euros, since this is the currency in which most of the Group's transactions are performed. Foreign operations are recognised in accordance with the policies established in Note 4-u.

b. Goodwill

As indicated in Note 3, the Natraceutical Group did not apply IFRS 3 retrospectively to business combinations that occurred before 1 January 2004. Accordingly, the goodwill arising on the acquisition of Exnama-Extratos Naturais da Amazônia, Ltda. continues to be recognised at the amount at which it had been recognised under Spanish GAAP and was tested for impairment at the date of transition.

The goodwill assigned to Exnama-Extratos Naturais da Amazônia, Ltda. arose as a result of the positive difference on consolidation between the cost of the shares of the subsidiary Exnama-Extratos Naturais da Amazônia, Ltda. contributed by Natra, S.A. in 2002 and their underlying carrying amount at the date on which they were included in the Parent's balance sheet. The value of these shares and of the remaining non-monetary assets and liabilities was ratified by Asesoramiento y Valoraciones, S.A., an independent valuer appointed by the Mercantile Registrar of Valencia, as provided for by Article 231 of the Consolidated Spanish Companies Law.

The goodwill arising on the acquisition of Exnama, the Braes Group, Forte Pharma, S.A.M. and Kingfood, Pty Limited represents the excess of the cost of acquisition over the Natraceutical Group's interest in the fair value of the identifiable assets and liabilities of these groups. The identifiable assets and liabilities, which were recognised at the date of acquisition, are measured at their fair value at that date.

Goodwill is recognised as an intangible asset under "Goodwill" in the balance sheet. At the end of each reporting period it is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Net Impairment Losses" in the consolidated income statement.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

When within 12 months after the date of acquisition additional information becomes available that helps to estimate the amounts assigned to identifiable assets and liabilities, these amounts and the amount allocated to goodwill are adjusted, to the extent that they do not increase the carrying amount of the goodwill to an amount exceeding its recoverable amount. Otherwise, these adjustments to identifiable assets and liabilities are recognised as income or expenses. Where the purchase price of the related investment is variable on the basis of the fulfilment of future events, goodwill is accounted for on the basis of the best estimate with the information available and is adjusted, if appropriate, within 12 months following the acquisition.

As explained in Note 4-u, goodwill arising in the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the balance sheet date.

c. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised, except for those acquired in a business combination, which are recognised as assets at their fair value on the date of acquisition, provided this amount can be determined reliably.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Research and development activities

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technological knowledge and understanding.

Development is the application of research findings or other scientific knowledge to a plan or design for the production of new or substantially improved materials, products, methods, processes or systems before the start of commercial production or use.

The development activities of the Natraceutical Group are internally generated intangible assets. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into:

- A research phase: the phase in which the Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits, i.e. expenditure incurred until a prototype is obtained. Therefore the expenditure is recognised as an expense when it is incurred.
- A development phase: the more advanced phases of the project, in which the entity can, in some instances, identify an intangible asset and demonstrate that it will generate probable future economic benefits.

Development expenditure is recognised only if all of the following conditions are met:

- An identifiable asset is created.
- It is probable that the asset created will generate future economic benefits.
- The development cost of the asset can be measured reliably.

These assets are amortised at an annual rate of between 20% and 33%, once the project has been completed.

The development work performed by the Group is reflected at accumulated cost (external costs plus in-house costs determined on the basis of manufacturing costs allocated using hourly absorption rates similar to those used for inventory measurement). Development expenditure in 2007 amounted to approximately €474 thousand (2006: €214 thousand).

Concessions, patents, licences and trademarks

Concessions, patents, licences, trademarks and the like are accounted for at the amounts paid for the acquisition of title to or the right to use these items, or for the expenses incurred in registration of the proprietary rights developed by the companies, and the account balance is amortised on a straight-line basis at an annual rate of between 15% and 20%.

Computer software

Computer software is recognised at the amount paid for the acquisition of title to or the right to use computer programs and is amortised at annual rate of between 25% and 33%. In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs determined on the basis of manufacturing costs allocated using hourly absorption rates).

d. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, less any accumulated depreciation and any recognised impairment losses. Those acquired prior to 1996 are carried at cost revalued pursuant to Royal Decree 7/1996, of 7 June. This amount is accepted by IFRS 1 as the reference value at the date of transition.

The revaluation surpluses or net increases in value resulting from revaluation are depreciated over the tax periods in the remaining useful lives of the revalued assets.

As a result of the contribution of a business line by Natra, S.A. in 1993 in the incorporation of the Parent, the land contributed was measured at market value, as permitted by Law 29/1991. At 2007 year-end the effect of this revaluation amounted to €353 thousand.

On the date of transition to IFRSs, the Group elected to measure certain plots of land (on which certain Group companies carry on their production activities) at fair value, as provided for in IFRS 1, and used this fair value as the attributed cost on that date. This value was determined on the date of transition on the basis of appraisals undertaken by independent valuers. Subsequent to the transition date, the Group opted to measure these assets in the same manner as its other assets, using the cost model.

The costs of expansion, modernisation, or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Repairs that do not lead to a lengthening of the useful lives and maintenance expenses are charged to income in the year in which they are incurred.

Group work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates similar to those used for inventory measurement). This work amounted to approximately €132 thousand in 2007 (2006: €532 thousand).

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated income statement basically on the basis of the following years of useful life:

	Useful life (years)
Buildings	15-33
Plant and machinery	8-12
Other fixtures, tools and furniture	5-12
Other items of property, plant and equipment	4-10

Property, plant and equipment in the course of construction basically for production purposes are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The Parent's directors consider that the carrying amount of the assets does not exceed their market value, calculated on the basis of the future discounted cash flows that the assets will generate.

e. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f. Leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the lessor. Lease expenses are charged to income on a straight-line basis.

g. Inventories

"Inventories" in the consolidated balance sheet reflects the assets that the consolidated companies:

- Hold for sale in the ordinary course of their business.
- Are in the process of producing, constructing or developing for that purpose.
- Expect to consume in the production process or in the provision of services.

Inventories are stated at the lower of acquisition or production cost and net realisable value.

The cost of raw materials and other supplies is calculated by using the weighted average cost formula.

On a general basis, the Group measures finished goods and work in progress at average production cost, which includes materials, labour and direct and indirect manufacturing expenses.

The Group assesses the net realisable value of the inventories at year-end and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

h. Financial assets

Financial assets are recognised initially at acquisition cost. The Group classifies its financial assets in three categories:

- 1. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.
- 2. Originated loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor.
- **3.** Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss, as defined in IAS 39, paragraphs 9 and 11a.

Available-for-sale financial assets are measured at fair value at subsequent measurement dates. Unlisted investments are measured at cost because there is insufficient information to calculate their fair value. Gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit for the year.

Held-to-maturity investments and originated loans and receivables are measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate (IRR). The amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees that, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

In the accompanying consolidated balance sheet, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months are classified as non-current assets.

i. Equity and financial liabilities

Financial liabilities and equity instruments are classified in accordance with the content and the substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Held-to-maturity financial liabilities are measured at amortised cost using the effective interest method.

Both current and non-current debts have been recognised at fair value adjusted for directly attributable transaction costs and, subsequent to initial recognition, they will be measured at amortised cost, using the effective interest method.

j. Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to the following financial risks: changes in the foreign exchange rates of the currencies in which it operates and changes in interest rates. To hedge this exposure, the Group uses foreign currency forward contracts and other financial instruments aimed at converting floating interest rates into fixed interest rates. Hedging derivatives are arranged on the basis of the prevailing market conditions, management objectives and the specific features of the factors giving rise to financial risks. Changes in the market value of these financial instruments arising in the course of their useful life are recognised in the consolidated income statement at the same rate as the hedged transactions. Accordingly, the effects of these transactions are allocated to income using the same method as that used to recognise the income and expenses derived from the underlying transaction.

To manage its financial risks, the Group monitors and controls them through a financial risk committee, which analyses the situation in the financial markets, the status of existing transactions and hedges and the decisions that have been taken or that might be taken.

The changes in the fair value of the derivative financial instruments that are designated and effective as hedges are recognised as follows:

- 1. In a fair value hedge, which is a hedge of the exposure to changes in fair value of a recognised asset or liability, changes in the fair value of both the hedging instruments and the hedged items, as far as the type of hedged risk is concerned, are recognised directly in the consolidated income statement.
- 2. In cash flow hedges, changes in value arising in the effective portion of the hedging instruments are recognised provisionally in equity. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in value relating to the ineffective portion of cash flow hedges and of hedges of a net investment in a foreign operation are recognised directly in the consolidated income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

The market value of the various financial instruments is calculated as follows:

- 1. The market value of derivatives quoted on an organised market is their market price at year-end.
- 2. The Group values derivatives that are not traded on an organised market on the basis of assumptions based on market conditions at year-end. Specifically, the market value of interest rate swaps is calculated as the value adjusted to market interest rates of the swap rate spread. Forward foreign currency contracts are measured by discounting future cash flows calculated on the basis of the forward exchange rates prevailing at year-end.

k. Translation method

The accompanying consolidated financial statements were prepared by using the general translation method established in IAS 21 for foreign subsidiaries (exchange rate prevailing at the balance sheet date).

Based on this method, all the items in the financial statements were translated at the exchange rates prevailing at the balance sheet date, except for equity items, which were translated at the historical exchange rates, and income statement items, which were translated at the exchange rates prevailing on the dates the related transactions were performed or at the weighted average exchange rates.

In accordance with IAS 21, application of the year-end exchange rate method means that the effect of translating to euros the foreign subsidiaries' balance sheets and income statements denominated in foreign currencies is included under "Equity - Translation Differences" on the liability side of the accompanying consolidated balance sheet.

L Shares of the Parent

All the shares of the Parent held at 31 December 2007 represented 2.69% (31 December 2006: 2.22%) of the issued share capital at that date. They are recognised at acquisition cost and are deducted from equity.

m. Share-based payment

The Group makes equity-settled and cash-settled share-based payments to certain employees and members of the Board of Directors (depending in each case on the contractual terms and conditions) and has met the requirements of IFRS 2.

Equity-settled share-based payments are measured at fair value of the options issued at the date of grant. This fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, with a credit to equity.

The fair value of the options is measured using the market prices available on the measurement date, taking into account their characteristics.

A liability equal to the portion of the goods or services received is recognised at the present fair value determined at each balance sheet date for cash-settled share-based payments.

n. Retirement benefit obligations

A foreign subsidiary has defined retirement benefit obligations to its employees, instrumented through pension plans, which have been externalised. The Natraceutical Group recognises the related expense as it vests over the working life of its employees, on the basis of independent actuarial studies for the calculation of the obligation at year-end. The provision recognised in this connection represents the present value of the defined benefit obligation, reduced by the market value of the plan assets. When the market value of the plan assets is higher than the present value of the obligation, the net asset is not recognised in the balance sheet unless it is virtually certain that it will be recovered.

o. Termination benefits

Under the legislation in force in each case, the Spanish consolidated companies and certain of the Group companies domiciled in other countries are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to record a provision in this connection.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties. The Natraceutical Group does not foresee any significant employee terminations and, accordingly, the accompanying consolidated balance sheet does not include any provision in this connection.

p. Provisions

When preparing the financial statements of the consolidated companies, their respective directors made a distinction between:

- **Provisions:** credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.
- **Contingent liabilities:** possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

Provisions are recognised when it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37. At 31 December 2007, no material provisions or contingent liabilities had been estimated.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

q. Government grants

The Group accounts for the grants it receives as follows:

- Non-refundable grants related to assets. These grants, which are measured at the amount granted, are treated as deferred income and are taken to income in proportion to the period depreciation on the assets concerned.
- Grants related to income. These grants are recognised as income under "Other Operating Income" in the consolidated income statement.

The directors consider that the Group has been meeting the requirements for the award of these grants.

r. Revenue and expense recognition

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when all the risks and rewards of ownership have been transferred.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset. An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

s. Income tax

The expense for Spanish corporation tax and similar taxes applicable to the consolidated companies abroad is recognised in the consolidated income statement, unless it arises from a transaction whose results are recognised directly in equity, in which case, the related tax is also recognised in the consolidated statement of changes in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

t. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies.

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

u. Foreign currency transactions and balances

The Group's functional currency is the euro. Accordingly, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions".

Transactions in currencies other than the euro are translated to euros at the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date or at the hedged exchange rate. Any resulting gains or losses at year-end are recognised in the income statement.

In order to hedge its exposure to certain foreign currency risks, the Group arranges forward contracts and options.

On consolidation, the balances of the financial statements of consolidated companies whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities are translated at the exchange rates prevailing on the balance sheet date.
- Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.
- Equity is translated at the historical exchange rates (taken to be those at the date of transition).

Any exchange differences arising are classified separately in equity. Such differences are recognised as income or as expenses in the year in which the operation is realised or disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as assets and liabilities denominated in euros.

v. Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

w. Information on the environment

Property, plant and equipment aimed at minimising environmental impact or improving the environment are measured at acquisition cost. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Repair, upkeep and maintenance expenses are charged to income in the year in which they are incurred.

The expenses incurred in connection with environmental activities or the management of the environmental impact of the Group's operations are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

5. Goodwill

The changes in "Goodwill" in the accompanying consolidated balance sheet in 2006 and 2007 were as follows:

	Thousands of euros
Balance at 1 January 2006	50,115
Translation differences	1,478
Inclusions in the scope of consolidation	79,096
Exclusions from the scope of consolidation	(145)
Balance at 31 December 2006	130,544
Translation differences	(2,555)
Inclusions in the scope of consolidation	7,398
Exclusions from the scope of consolidation	(125)
Restructuring of the Braes Group	(1,497)
Balance at 31 December 2007	133,765

The new goodwill generated on consolidation in 2007 arose from the acquisition of Kingfood Australia, Pty. Limited and Forte Pharma Ibérica, S.L.U. (Sole-Shareholder Company).

The detail of the net assets acquired in the acquisition of Kingfood Australia is as follows:

	Thousands of euros
Other intangible assets	4
Property, plant and equipment	407
Inventories	808
Trade and other receivables	1,339
Other current assets	49
Cash and cash equivalents	70
Bank borrowings and other financial liabilities	(953)
Provisions and other non-current liabilities	(393)
Trade and other payables	(953)
Other current liabilities	(149)
	229

As indicated in Note 2, the cost of acquisition of Kingfood Australia was €5,805 thousand, thus generating goodwill of €5,576 thousand. This transaction gave rise to a net cash outflow of €5,805 thousand.

The detail, by cash-generating unit, of the total goodwill at 31 December 2007 is as follows:

	Thousands of euros
Laboratoires Forté Pharma, SAM	79,191
Overseal Natural Ingredients, Ltd.	34,531
Exnama-Extratos Naturais da Amazônia, Ltda.	7,110
Obipektin AG	5,765
Kingfood Australia, Pty Limited	5,576
Forté Pharma Ibérica, S.L.U.	1,592
	133,765

The recoverable amount was estimated in accordance with the value of the company on the basis of assumptions relating to cash flows, cash flow growth rates and discount rates consistent with those used to calculate the market values.

The projections are prepared for each business unit on the basis of recent performance and include Group management's best estimates concerning the future changes in the most significant internal and external economic variables.

The business plans are reviewed and ultimately approved by the Group's Management Committee.

The main variables affecting the calculation of the aforementioned projections are as follows:

■ The applicable discount rate, taken to be the weighted average cost of capital; the main variables affecting the calculation thereof are the cost of liabilities, the tax rate and the specific risks associated with the assets.

- The growth rate used to extrapolate the cash flow projections for the period covered by the budgets or forecasts, ranging from approximately 9% to 12%.
- The value in use of each cash-generating unit was calculated as the present value of the cash flows resulting from the financial projections discounted to rates that take into account the assets' specific risks, the average cost of the liabilities and the Group's target financial structure. In 2007 and 2006 there were no material changes in the business environment or structure or in future expectations and, therefore, the same discount rates of between 10% and 12% were used.

On the basis of the economic and financial estimates and projections prepared by the Group's directors, the projected cash flows attributable to these cash-generating units or groups of units, to which the goodwill has been allocated will make it possible to recover the carrying amount of the goodwill recognised at 31 December 2007.

6. Other intangible assets

The changes in "Other Intangible Assets" and in the related accumulated amortisation in 2007 and 2006 were as follows:

	Thousands of euros						
	Balance at 31/12/06	Additions or Charge for the Year	Disposals	Transfers (Note 7)	Translation Differences	Balance at 31/12/07	
Cost:							
Development expenditure	3,815	2,537	(681)	36	(13)	5,694	
Intellectual property	826	1,382	-	-	-	2,208	
Computer software	1,275	235	-	-	(20)	1,490	
Other intangible assets	-	538	-	-	-	538	
Allowance	(107)		-	-	-	(107)	
Total cost	5,809	4,692	(681)	36	(33)	9,823	
Accumulated amortisation:							
Development expenditure	(1,794)	(945)	127	-	13	(2,599)	
Intellectual property	(363)	(64)	-	-	-	(427)	
Computer software	(441)	(437)	-	-	5	(873)	
Total accumulated amortisation	(2,598)	(1,446)	127	-	18	(3,899)	
Carrying amount	3,211					5,924	

	Thousands of euros					
	Balance at 31/12/05	Inclusions in the Scope of Consolidation	Additions or Charge for the Year	Disposals	Translation Differences	Balance at 31/12/06
Cost:						
Development expenditure	3,286	475	1,648	(1,594)	-	3,815
Intellectual property	444	165	217	-	-	826
Computer software	204	106	965	-	-	1,275
Allowance	-	(107)	-	-	-	(107)
Total cost	3,934	639	2,830	(1,594)	-	5,809
Accumulated amortisation:						
Development expenditure	(1,050)	(475)	(1,067)	800	(2)	(1,794)
Intellectual property	(259)	(85)	(19)	-	-	(363)
Computer software	(159)	(102)	(180)	-	-	(441)
Total accumulated amortisation	(1,468)	(662)	(1,266)	800	(2)	(2,598)
Carrying amount	2,466					3,211

The additions to development expenditure relate to projects conducted by the Group as part of its policy to maintain growth rates and competitiveness levels.

Of the net balance of "Development Expenditure", €1,638 thousand relate to projects that have been completed and are being amortised at the established rate, even though the projected sales volume has not yet been achieved. The remaining €1,457 thousand relate to projects still at the development stage.

The research expenditure charged to the accompanying 2007 consolidated income statement totalled €21 thousand.

Of the Group's intangible assets, at 31 December 2007 certain assets with a cost and accumulated amortisation amounting to €2,106 thousand had been fully amortised (31 December 2006: €1,919 thousand).

7. Property, plant and equipment

The changes in 2007 and 2006 in "Property, Plant and Equipment" and in the related accumulated depreciation were as follows:

	Thousands of euros						
	Balance at 31/12/06	Inclusions in the Scope of Consolidation	Additions or Charge for the Year	Exclusions and Disposals	Transfers (Note 6)	Translation Differences	Balance at 31/12/07
Cost:							
Land and buildings	32,307	-	1,933	(1,440)	190	(819)	32,171
Plant and machinery	62,320	282	3,732	(2,283)	1,422	(1,048)	64,425
Other fixtures, tools and furniture	2,360	46	586	-	(28)	(23)	2,941
Advances and property, plant and equipment in the course of construction	3,409	-	1,130	(12)	(1,620)	-	2,907
Other items of property, plant and equipment	1,502	193	188	(65)	-	(51)	1,767
Total cost	101,898	521	7,569	(3,800)	(36)	(1,941)	104,211
Accumulated depreciation:							
Buildings	(13,195)	-	(624)	1,162	-	356	(12,301)
Plant and machinery	(41,706)	(43)	(3,121)	2,193	-	905	(41,772)
Other fixtures, tools and furniture	(1,205)	(14)	(314)	-	-	15	(1,518)
Other items of property, plant and equipment	(1,182)	(53)	(157)	22	-	47	(1,323)
Total accumulated depreciation	(57,288)	(110)	(4,216)	3,377	-	1,323	(56,914)
Carrying amount	44,610						47,297
						,	/:
		of euros					
	Thousands Balance at 31/12/05	of euros Inclusions in the Scope of Consolidation	Additions or Charge for the Year	Exclusions and Disposals	Transfers	Translation Differences	Balance at 31/12/06
Cost:	Thousands Balance at	Inclusions in the Scope of	Charge for	and	Transfers		Balance at
	Thousands Balance at	Inclusions in the Scope of	Charge for	and	Transfers		Balance at
Cost:	Thousands Balance at 31/12/05	Inclusions in the Scope of Consolidation	Charge for the Year	and Disposals		Differences	Balance at 31/12/06
Cost: Land and buildings	Thousands Balance at 31/12/05	Inclusions in the Scope of Consolidation	Charge for the Year	and Disposals (219)	-	Differences (782)	Balance at 31/12/06
Cost: Land and buildings Plant and machinery Other fixtures, tools and	Thousands Balance at 31/12/05 32,970 60,637	Inclusions in the Scope of Consolidation	Charge for the Year 338 1,646	(219) (1,854)	-	(782) (1,181)	Balance at 31/12/06 32,307 62,321
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in	Thousands Balance at 31/12/05 32,970 60,637 1,174	Inclusions in the Scope of Consolidation	Charge for the Year 338 1,646 414	(219) (1,854) (70)	- 3,073 -	(782) (1,181)	Balance at 31/12/06 32,307 62,321 2,360
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property,	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124	Inclusions in the Scope of Consolidation 850	Charge for the Year 338 1,646 414 2,510	(219) (1,854) (70)	3,073 - (3,073)	(782) (1,181) (8)	Balance at 31/12/06 32,307 62,321 2,360 3,409
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408	Inclusions in the Scope of Consolidation 850	Charge for the Year 338 1,646 414 2,510 216	(219) (1,854) (70) (153)	- 3,073 - (3,073)	(782) (1,181) (8)	Balance at 31/12/06 32,307 62,321 2,360 3,409
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment Total cost	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408	Inclusions in the Scope of Consolidation 850	Charge for the Year 338 1,646 414 2,510 216	(219) (1,854) (70) (153)	- 3,073 - (3,073)	(782) (1,181) (8)	Balance at 31/12/06 32,307 62,321 2,360 3,409
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment Total cost Accumulated depreciation:	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408 100,314	Inclusions in the Scope of Consolidation 850	Charge for the Year 338 1,646 414 2,510 216 5,124	(219) (1,854) (70) (153) (112) (2,408)	- 3,073 - (3,073)	(782) (1,181) (8) - (11) (1,982)	Balance at 31/12/06 32,307 62,321 2,360 3,409 1,501 101,898
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment Total cost Accumulated depreciation: Buildings	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408 100,314	Inclusions in the Scope of Consolidation	Charge for the Year 338 1,646 414 2,510 216 5,124	(219) (1,854) (70) (153) (112) (2,408)	- 3,073 - (3,073) -	(782) (1,181) (8) - (11) (1,982)	Balance at 31/12/06 32,307 62,321 2,360 3,409 1,501 101,898
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment Total cost Accumulated depreciation: Buildings Plant and machinery Other fixtures, tools	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408 100,314 (13.074) (41.220)	Inclusions in the Scope of Consolidation	Charge for the Year 338 1,646 414 2,510 216 5,124 (628) (3.068)	(219) (1,854) (70) (153) (112) (2,408)	- 3,073 - (3,073) - -	(782) (1,181) (8) - (11) (1,982) 371 979	Balance at 31/12/06 32,307 62,321 2,360 3,409 1,501 101,898 (13.195) (41.706)
Cost: Land and buildings Plant and machinery Other fixtures, tools and furniture Advances and property, plant and equipment in the course of construction Other items of property, plant and equipment Total cost Accumulated depreciation: Buildings Plant and machinery Other fixtures, tools and furniture Other items of property,	Thousands Balance at 31/12/05 32,970 60,637 1,174 4,124 1,408 100,314 (13.074) (41.220) (623)	Inclusions in the Scope of Consolidation 850 850 (31) 223 (475)	Charge for the Year 338 1,646 414 2,510 216 5,124 (628) (3.068) (134)	(219) (1,854) (70) (153) (112) (2,408) 166 1.380 54	- 3,073 - (3,073) - - -	(782) (1,181) (8) - (11) (1,982) 371 979 (27)	Balance at 31/12/06 32,307 62,321 2,360 3,409 1,501 101,898 (13.195) (41.706) (1.205)

As indicated in Note 4-d, the Group revalued its property, plant and equipment pursuant to Royal Decree-Law 7/1996, of 7 June. The accounts affected by this revaluation under Royal Decree 7/1996, of 7 June, and the net effect thereof on property, plant and equipment at 31 December 2007 and 2006 were as follows:

	Thousands of euros		
	2007	2006	
Land	392	392	
Buildings	76	98	
	468	490	

The revaluation increased the depreciation charge for 2007 and 2006 by €22 thousand in each year.

"Property, Plant and Equipment" in the consolidated balance sheets at 31 December 2007 and 2006 includes fully depreciated items with a cost and accumulated depreciation amounting to approximately €33,940 thousand and €40,327 thousand, respectively.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 31 December 2007, the carrying amount of the property, plant and equipment was covered substantially in full by these policies.

8. Investments accounted for using the equity method

"Investments Accounted for Using the Equity Method" on the asset side of the accompanying consolidated balance sheets relates in full to the investments in the following companies:

Company	Thousands of euros		
	2007	2006	
Biópolis, S.L.	707	573	
Cakefriends, Ltd	-	156	
Total	707	729	

The changes in 2007 in "Investments Accounted for Using the Equity Method" in the consolidated balance sheet were as follows:

	Thousands of euros
Beginning balance	729
Exclusions from the scope of consolidation	(156)
Share of results for the year of companies accounted for using the equity method	134
Ending balance	707

9. Financial assets and cash and cash equivalents

The financial asset balances included in the accompanying consolidated balance sheets are summarised by nature of the transaction as follows:

	Thousands of			
	2007		2006	
	Non-Current	Current	Non-Current	Current
Available-for-sale financial assets	4,677	-	9,777	-
Held-to-maturity investments	3,012	-	7,363	-
Trade and other receivables	-	31,509	-	26,975
Current tax assets	-	2,576	-	5,111
Cash and cash equivalents	-	29,892	-	13,588
	7,689	63,977	17,140	45,674

Available-for-sale financial assets

The investments in the following companies not included in the scope of consolidation are recognised under "Available-For-Sale Financial Assets" (see Note 2):

	Thousands of euros		
	2007	2006	
Panadoro Group AG	1,500	1,500	
Braes Holding, Ltd.	2,789	2,789	
Cakefriends, Ltd.	388	-	
Braes Group, Ltd.	-	222	
Braes Group BV	-	5,266	
Total	4,677	9,777	

Also, these companies also have accounts receivable from and payable to the Group amounting to EUR 2,937 thousand and EUR 297 thousand, respectively, which are recognised under "Trade and Other Receivables" and "Other Current Liabilities" in the accompanying consolidated balance sheet at 31 December 2007. These balances mature at short term and are non-interest bearing.

Non-current held-to-maturity investments

The balance of "Non-Current Held-to-Maturity Investments" relates to the financing granted to third parties for the implementation of a joint venture project amounting to €868 thousand. It also includes the loans of €376 thousand and €373 thousand granted to the Group companies Cakefriends, Inc. and Natraceutical Canada, Inc. not included in the scope of consolidation; €144 thousand of guarantees; and the effect of the measurement of financial instruments, which amounted to €1,211 thousand (see Note 15).

Trade and other receivables

The average credit period taken on sales of goods is approximately 76 days. No interest is charged on the receivables. The Parent's director consider that the carrying amount of trade and other receivables approximates their fair value.

Current tax assets

"Current Tax Assets" includes current balances refundable by the tax authorities (see Note 18).

Cash and cash equivalents

"Cash and Cash Equivalents" includes mainly the Group's cash, a deposit in the account of Riva y García and short-term bank deposits with an original maturity of three months or less. The carrying amount of these bank deposits approximates their fair value and they earn interest at a market rate.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables and bank borrowings. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Parent's directors based on past experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international rating agencies.

10. Other current financial assets

The detail of "Other Current Financial Assets" in the consolidated balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of euros			
	2007	2006		
Sundry accounts receivable	3,050	1,109		
Current financial assets	1,726	3,414		
Total	4,776	4,523		

"Current Financial Assets" includes mainly short-term bank deposits that mature in over three months and earn interest at market rates.

11. Inventories

The detail of inventories at 31 December 2007 and 2006 is as follows:

	Thousands of euros		
	2007	2006	
Merchandise	1,987	490	
Raw materials and supplies	14,794	13,340	
Work in progress	8,044	5,387	
Finished goods	17,814	17,366	
Advances to suppliers	88	-	
Write-downs	(2,417)	(2,120)	
Total	40,310	34,463	

"Work in Progress" includes €1,344 thousand relating to innovative products based on cocoa extracts, the production and marketing of which commenced at the end of 2004. Given the pace of sales attained in 2006 and 2007, it is considered that a substantial portion of these inventories will be realised in over 12 months. However, based on the experience of recent months and the opportunities arising in the market, the Parent's directors consider that the performance of this new product range will be in line with the established plans.

At 31 December 2007, the Group companies had firm purchase and sale commitments for raw materials and finished goods amounting to €5,323 thousand and €12,131 thousand, respectively (31 December 2006: €4,582 thousand and €9,332 thousand, respectively).

12. Equity

Share capital

The share capital of the Parent at 31 December 2007 was represented by 328,713,946 fully subscribed and paid ordinary shares of €0.10 each.

In 2002 the Parent's shares were admitted for listing on the Spanish Stock Market Interconnection System (New Market Segment) on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges.

At 31 December 2007, Natra, S.A. was the only company with an ownership interest of over 10%, since it owned 54.78% of the Parent's shares.

Share premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

Revaluation reserve

The tax authorities have reviewed and approved the balance of the "Revaluation Reserve Royal Decree-Law 7/1996, of 7 June" account, which amounts to €437 thousand. This balance can be used, free of tax, to offset accounting losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital. From 1 January 2007 the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

Legal reserve

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 December 2007 and 2006, the balance of this reserve amounted to €914 thousand and €691 thousand, respectively.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Treasury shares

At 31 December 2007, the Parent held 8,830,503 treasury shares, acquired for an average price of approximately €1.03. The par value of the treasury shares represents 2.69% of share capital. The changes in "Treasury Shares" in 2007 and 2006 were as follows:

	Thousands of euros
Balance at 31 December 2005	3,571
Additions	6,703
Disposals	(3,952)
Balance at 31 December 2006	6,322
Additions	3,809
Disposals	(1,032)
Balance at 31 December 2007	9,099

The Parent acquired treasury shares by virtue of the resolution adopted by the shareholders at the Annual General Meeting of 29 June 2005, authorising the Board of Directors to purchase treasury shares at pre-established minimum and maximum prices, without any specified purpose.

Other restricted reserves

"Reserves (Retained Earnings)" includes a restricted reserve for the redenomination of share capital to euros, with a balance of €54.

As required by current legislation, the Parent's individual balance sheet includes a restricted reserve for the acquisition of treasury shares of €3,619 thousand. This reserve coincides with the carrying amount of the treasury shares held by the Parent.

In relation to the individual financial statements of the consolidated companies, until the balances of "Start-up Costs" and "Research and Development Expenditure" have been fully amortised, no profits may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances of these headings, which in those individual financial statements amount to €3,837 thousand.

Reserves of fully consolidated companies and companies accounted for using the equity method

The detail, by company, of "Equity - Reserves of Fully Consolidated Companies" is as follows;

	Thousands of euros		
	2007	2006	
Exnama-Extratos Naturais da Amazônia, Ltda.	4,258	4,118	
Obipektin, A.G.	2,621	1,585	
Overseal Natural Ingredients Colors, Ltd.	3,616	873	
The Talin Co. Ltd.	(18)	63	
Overseal Color Inc.	(27)	(27)	
Britannia Natural Products, Ltd.	3	3	
Natraceutical Industrial, S.L.U.	(1,882)	-	
Laboratoires Forté Pharma, SAM	279	-	
Total	8,850	6,615	

The "Reserves of Companies Accounted for Using the Equity Method" relate in full to Biópolis, S.L.

Translation differences

The detail, by company, of "Equity -Translation Differences" is as follows:

	Thousands of e	uros
	2007	2006
Exnama-Extratos Naturais da Amazônia, Ltda.	3.833	1.774
Overseal Natural Ingredients, Ltd.	(4.000)	577
Oversesal Color Inc.	-	136
The Talin Co. Ltd.	18	(13)
Britannia Natural Products, Ltd.	-	(2)
Obipektin AG	(2.126)	(1.215)
Kingfood Australia, Pty Limited	(10)	-
Total	(2.285)	1.257

Distribution of the profit of the Parent

The directors of the Parent propose that the individual loss for 2007 be allocated in full to accumulated losses for offset against the profits of future years.

13. Long-term provisions

The changes in 2007 and 2006 in "Long-Term Provisions" in the consolidated balance sheets were as follows:

	Thousands of euros				
	Provision for Supplementary Pension Payments	Other Provisions	Total		
Balance at 31 December 2006	733	326	1,059		
Period provision charged to income:					
Staff costs (Note 20)	263	-	263		
Other (Note 20)	-	522	522		
Provisions used:					
Payments to retired employees and early retirees with a charge to in-house provisions	(476)	-	(476)		
Translation differences	(21)	-	(21)		
Balances at 31 December 2007	499	848	1,347		

	Thousands of euros			
	Provision for Supplementary Pension Payments	Other Provisions	Total	
Balance at 31 December 2005	893	30	923	
Inclusions in the scope of consolidation	-	106	106	
Period provision charged to income:				
Staff costs (Note 20)	273	190	463	
Provisions used:				
Payments to retired employees and early retirees with a charge to in-house provisions	(404)	-	(404)	
Translation differences	(29)	-	(29)	
Balances at 31 December 2006	733	326	1,059	

The information on the actuarial liabilities and defined benefit plan assets at 31 December 2007 and 2006 is as follows (see Note 4-n):

	Thousands of euros		
	2007	2006	
Present value of the obligation	9,120	8,690	
Market value of plan assets	(8,796)	(8,560)	
Total	324	130	

The plan assets do not include financial instruments issued by the Group or property, plant and equipment owned by the Group.

The main assumptions used in the actuarial studies conducted to determine the provisions required to meet the obligations in question are CPI growth of 2% and a discount rate of 3.75%.

14. Bank borrowings

The detail, by maturity, of the bank borrowings is as follows:

Thousands of euros							
	2008	2009	2010	2011	2012 and Subsequent Years	Total	
Loans	6,559	17,946	13,695	12,867	29,985	81,052	
Obligations under leases	51	64	-	-	-	115	
Credit facilities	18,629	-	-	-	-	18,629	
Import financing	12,753	-	-	-	-	12,753	
Discounted bills and notes	1,100	-	-	-	-	1,100	
Unmatured accrued interest	592	-	-	-	-	592	
Total	39,684	18,010	13,695	12,867	29,985	114,241	

[&]quot;Loans" includes two syndicated loans of €69,000 thousand obtained to partially finance the acquisition of Group companies.

In view of the characteristics of the loan granted under the syndicated financing agreement in force at 31 December 2007, the claimability of the loan is subject to compliance with certain clauses relating to specific ratios and aggregates customary in transactions of this nature. At 31 December 2007, the Group was complying with all the aforementioned clauses.

The syndicated loan is secured by a pledge on all the shares of Natraceutical Industrial, S.L.U. (Sole-Shareholder Company), Overseal Natural Ingredients Ltd., Obipektin A.G., Forté Pharma Ibérica, S.L.U. (Sole-Shareholder Company) and Kingfood Australia, Pty. Limited (see Note 2) and guaranteed by Natraceutical Industrial, S.L.U. (Sole-Shareholder Company).

The Group has arranged three interest rate swaps with banks for a nominal amount of €49,000 thousand in order to hedge the possible risk of increases in the reference rate applicable to long-term borrowings.

Non-current and current bank borrowings bear floating interest ranging from 4.94% to 7.21%.

At 31 December 2007, the Group companies had been granted credit facilities, import and export financing and note and bill discounting facilities with limits of €14,550 thousand, €9,866 thousand and €2,500 thousand, respectively.

Foreign currency loans and credits are recognised at their equivalent euro value at each year-end, calculated at the exchange rates prevailing at 31 December 2007. At that date these amounts were scantly material.

15. Financial instruments

The detail of the value of the derivative financial instruments at 31 December 2007 is as follows:

	Thousands of euros				
	Non-Current				
	Assets (Note 9) Liabilities (Note 1				
Interest rate hedges:					
Cash flow hedges-	-	-			
-Interest rate swaps	1,211	4			
Foreign currency hedges:					
Cash flow hedges-					
-Import insurance	-	305			
Other derivatives:					
-Share option plan hedge	-	2,122			
Total	1,211	2,431			

The detail, by maturity, of the assets and liabilities relating to derivative financial instruments arranged by the Group and outstanding at 31 December 2007 is as follows:

	Thousands of euros				
	2010	2011	2012	2013	Total
Hedging derivatives:					
Cash flow hedges-					
-Interest rate swaps	(2)	(2)	732	478	1,206
-Collars	-	1	-	-	1
Foreign exchange hedges-					
-Import insurance	(305)	-	-	-	(305)
Other derivatives-					
-Share option plan hedge	-	-	(2,122)	-	(2,122)
	(307)	(1)	(1,390)	478	(1,220)

Interest rate derivatives

The Group determines the fair value of interest rate derivatives (fixed-rate swaps or IRSs and variations thereof) by discounting cash flows on the basis of the implicit euro interest rate calculated on the basis of market conditions at the measurement date. The Group also uses the implicit volatility of the market to determine the fair value of options or IRSs that contain options through valuation techniques such as Black & Scholes and variations thereof applied to interest rate underlyings.

The Group hedges the interest rate risk of its floating rate euro borrowings by using interest rate swaps (fixed-rate swaps or IRSs) and other derivatives. In IRSs interest rates are exchanged so that the Group receives a floating rate from the bank and pays a fixed rate on the same nominal amount. The floating interest rate received on the derivative offsets the interest payable on the borrowings. The end result is a fixed interest rate payment on the hedged borrowings. In other products, such as barrier swaps (IRSs), barrier collars, etc., the interest rate may not be completely fixed or offset. The fixed rate for IRSs and similar products generally ranges from 2.83% to 4.50%.

In accordance with IAS 39, the Group only designates fixed rate IRSs as hedging instruments. At 31 December 2007, €1,207 thousand had been recognised in equity in relation to the effective portion of the cash flow hedging relationships of the IRSs. The Company had designated the relevant hedging relationships at 31 December 2007 for these derivative instruments, which are fully effective. In these hedging relationships, the changes in the floating Euribor rate of the hedged borrowings constitute the hedged risk.

Also, the Group performs interest rate hedging transactions in accordance with its risk management policy. The purpose of these transactions is to mitigate the effect that changes in interest rates could have on the future cash flows of credit facilities and loans tied to floating interest rates.

The nominal value of the liabilities hedged by interest rate cash flow hedges in the next few years is €96,348 thousand, of which €52,804 thousand, €31,630 thousand, €10,609 thousand and €1,305 thousand mature in 2008, 2010, 2011 and 2012, respectively.

At 31 December 2006, the fair values of the assets and liabilities relating to outstanding interest rate derivatives were €766 thousand and €13 thousand, respectively.

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Foreign currency hedges

The Group uses foreign currency hedges to mitigate the possible adverse effect that changes in exchange rates might have on transactions and loans in other currencies than the functional currency of certain Group companies.

The nominal amount of the liabilities hedged by USD foreign currency hedges amounts to €5,066 thousand with final maturity in June 2008.

At 31 December 2006, the fair value of the foreign currency hedges recognised under financial liabilities was €12 thousand.

16. Other financial liabilities

Other non-current financial liabilities

The breakdown of "Other Non-Current Financial Liabilities" in the accompanying consolidated balance sheets is as follows:

	Thousands of euros		
	2007	2006	
Payable to Group companies (Note 9)	6,269	10,531	
Measurement of financial instruments (Note 15)	2,431	13	
Other payables	774	1,158	
	9,474	11,702	

"Other Payables" includes interest-free financing from C.D.T.I. (Centro para el Desarrollo Tecnológico Industrial) totalling €22 thousand, which matures progressively until 2009. Additionally, €43 thousand relate to the amount drawn down against a €2,847 thousand loan from Instituto Valenciano de Finanzas for the enlargement of the Parent's production facilities. This loan has periodic maturity dates between 2008 and 2014 and bears interest at a market rate. Furthermore, Instituto Valenciano de Finanzas has awarded certain grants at the aforementioned interest rate.

Also, in 2001 Compañía Española de Financiación de Desarrollo, S.A. (COFIDES) granted a loan in US dollars to the subsidiary Exnama-Extratos Naturais da Amazônia Ltda. for an equivalent euro amount at 31 December 2007 of €230 thousand, which will be repaid in ten half-yearly instalments from 5 January 2005 to July 2009.

Other current liabilities

The breakdown of "Other Current Liabilities" in the accompanying consolidated balance sheets is as follows:

	Thousands of e	uros
	2007	2006
Remuneration payable	733	1,622
Payable to fixed asset suppliers	-	149
Other payables	9,615	3,658
	10,348	5,429

17. Other non-current liabilities - Grants related to assets

The changes in 2007 and 2006 in "Other Non-Current Liabilities" in the accompanying consolidated balance sheets were as follows:

	Thousands of euros	
	2007	2006
Beginning balance	100	209
Transfer to profit for the year	(47)	(109)
Ending balance	53	100

18. Tax matters

The reconciliation of the income tax expense resulting from the application of the tax rate in force to the income tax expense recognised is as follows:

	Thousands of euros	
	2007	2006
Consolidated profit before tax	3,392	1,255
Non-deductible expenses and non-computable income		
Individual companies	84	784
Consolidation adjustments	(1,036)	(669)
Adjusted accounting profit	2,440	1,370
Gross tax calculated at the tax rate in force in each country	1,935	1,017
Offset of unrecognised tax losses	-	(22)
Tax credits taken	-	(909)
Tax losses recognised	(2,630)	(992)
Tax credits recognised	-	(2,388)
Adjustment of the income tax expense due to a change in the applicable tax rate	246	-
Accrued income tax expense (income)	(449)	(3,294)

The various consolidated foreign subsidiaries calculate the income tax expense and the tax charge relating to the various taxes applicable to them in accordance with the applicable legislation and the tax rates in force in their respective countries.

The breakdown of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of euros			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2007	2006	2007	2006
Accelerated depreciation	-	-	16	16
Asset revaluation	2,283	2,283	1,288	1,288
Non-deductible expenses	1,052	908		-
Measurement of financial derivatives	734	5	1,524	1,524
Financial goodwill of foreign companies	-	-	379	956
Tax loss and tax credit carryforwards	9,000	5,847	-	-
Other	39	30	3,383	3,383
	13,108	9,073	6,590	7,167

As described in Note 1, in 2002 the Parent increased capital through the contribution of a line of business. Some of the assets were contributed at market value, which resulted in a revaluation thereof, giving rise to a deferral of the income tax charge because of differences between the carrying amounts of the assets and their tax bases. The deferred tax liability recorded in this connection amounted to €952 thousand (15%), pursuant to Transitional Provision Three of Law 24/2001, of 27 December, on Tax, Administrative, Labour and Social Security Measures and to Article 36 ter. of Corporation Tax Law 43/1995, which stipulates that the proceeds from the disposal of such assets qualify for a reinvestment tax credit.

In 2005 the Group recognised a deferred tax liability of €3,390 thousand as a result of the temporary differences arising from the conversion of the financial statements of the subsidiary Obipektin AG to IFRSs. Most of these differences relate to differences in asset measurement methods.

The Group did not recognise the deferred tax liability arising from the temporary differences associated with retained earnings of subsidiaries, since it considered that it is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the near future.

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Current Spanish corporation tax legislation provides certain tax incentives to encourage research and development, protection of the environment, employee training and export activity. The detail of the tax credits aimed at encouraging these activities that can be deducted by the Group in future years is as follows:

Year Earned	Activity	Amount (Thousands of euros)	Last Year for Deduction
2001	R&D and technological innovation	50	2016
2002	R&D and technological innovation	16	2017
2003	R&D and technological innovation	355	2018
2004	R&D and technological innovation	381	2019
2005	R&D and technological innovation	212	2020
2006	R&D and technological innovation	176	2021
2007	R&D and technological innovation	401	2022
2001	Export activities	125	2011
2005	Export activities	1,190	2015
2006	Export activities	1,626	2016
2007	Export activities	9	2017
2003	Employee training	-	2013
2004	Employee training	6	2014
2005	Employee training	6	2015
2006	Employee training	4	2016
2007	Employee training	1	2017
2004	Reinvestment	69	2019
2005	Reinvestment	3	2020

Furthermore, in 2004, 2005, 2006 and 2007 the Parent earned the following reinvestment tax credits:

Year Earned	Activity	Amount (Thousands of euros)	Last Year for Deduction
2001	Export activities	125	2011
2005	Export activities	1,190	2015
2006	Export activities	1,626	2016
2006	Employee training	1	2016
2007	Employee training	-	2017
2007	Export activities	9	2017

The reinvestments were made in 2004, 2005, 2006 and 2007 in equity investments in other companies and in property, plant and equipment and intangible assets. The reinvestment tax credit deducted at 31 December 2007 amounted to €591 thousand, leaving €904 thousand not yet deducted at the end of 2007.

Of the total unused tax credits, €3,905 thousand were recognised under "Deferred Tax Assets" on the asset side of the accompanying balance sheet for 2007.

At 31 December 2007, the Group had unused tax loss carryforwards arising in the year amounting to €2,851 thousand. However, the Group recognised the tax asset related thereto, calculated at the new tax rate for the coming years, under "Current Tax Assets" on the asset side of the accompanying consolidated balance sheet.

Under current Spanish legislation, the tax loss of a given year can be carried forward for offset against the profits of the immediately following 15 years. However, the amount ultimately qualifying for offset, as well as the tax credits still to be deducted, might be modified as a result of review by the tax authorities of the years in which the losses arose

In recognising the aforementioned tax assets and assessing their recoverability within the legal time limits, the directors of the Parent considered, on the basis of the business plans drawn up, that sufficient profits and income from non-operating activities will be generated in coming years.

Also, the subsidiary Exnama-Extratos Naturais da Amazônia, Ltda. is exempt from 75% of Brazilian income tax until 2012. Since 1 February 2003, it has also been exempt from PIS (Brazilian social integration programme tax) and from COFINS (contribution to Brazilian social security financing) in relation to all sales of goods within the Manaus free trade zone. This subsidiary also qualifies for tax incentives relating to IPI (Brazilian tax on industrialised goods) and ICMS (Brazilian tax on sales and services) until 2013.

In February 2008 the tax audit of the following taxes was completed: income tax for 1999-2001, VAT of the Parent, tax withholdings from salary income and the income of independent professional and non-resident income tax from June 2000 to December 2001, giving rise to an assessment of €9 thousand for all the taxes and periods audited.

Except for the periods included in the aforementioned audit, the consolidated companies have the last four years open for review for all taxes applicable to them (five for income tax). The directors do not expect any material liabilities to arise for the Group as a result of a possible inspection of the open years.

19. Balances and transactions with Group companies, associates and related companies

The Parent has a current account agreement with its shareholder Natra, S.A. for €5,172 thousand. This account, classified under "Trade and Other Payables" does not have any limit or maturity date and bears interest at a rate equal to average annual 90-day Euribor + 1%.

The detail of the short-term balances payable to and receivable from Natra Group companies, included under "Trade and Other Payables" and "Trade and Other Receivables" in the accompanying consolidated balance sheet, is as follows:

Company	Thousands of euros		
	Accounts Payable	Accounts Receivable	
Natra, S.A.	6,527	1,699	
Biópolis, S.L.	499	-	
Torre Oria, S.L.	1	-	
Natra Cacao, S.L.	-	1,610	
Natra US	14	-	
Apra, S.L.	76	-	
Natra CI, Srl.	-	1	
Total	7,117	3,310	

Also, the Group has receivables from and payables to Natraceutical Group companies that were not included in the scope of consolidation (see Note 9) amounting to €2,937 thousand and €297 thousand, respectively.

The transactions carried out with Natra Group companies in 2007 and 2006 were as follows:

	Thousands of euros	
	2007	2006
Income:		
Sales	618	3,465
Rendering of services	1,112	-
Expenses:		
Purchases	185	484
Other services	-	579
Interest	61	132

At 31 December 2007, the detail of the carrying amount of the assets and liabilities contributed in the non-monetary contribution in 2002 (see Note 1) which remained in the balance sheet at 31 December 2006 is as follows:

Description	Thousands of euros
Other facilities and facilities in progress	233
90% investment in Exnama - Extratos Naturais da Amazônia, Ltda.	7,114
Deferred tax liability	(966)
Total	6,381

The amounts in the foregoing table differ from the initial contribution due to the disposal of certain plots of land in 2004 (which were derecognised together with the related deferred taxes) and to fully amortised R&D expenditure.

The items received as a result of the non-monetary contribution were measured at the amount at which they had been carried in the balance sheet of the contributing company, except for the shares of the subsidiary Exnama-Extratos Naturais da Amazônia, Ltda., which were measured at market value following the ratification of this value by Asesoramiento y Valoraciones, S.A., an independent valuer appointed by the Mercantile Registrar of Valencia, as provided for in Article 231 of the Consolidated Spanish Companies Law. The increase with respect to the carrying amount at the contributing company amounted to €5,608 thousand.

At 31 December 2007, the detail of the carrying amount of the assets and liabilities contributed in the non-monetary contribution in 2006 (see Note 1) which remained in the balance sheet at 31 December 2007 is as follows:

Description	Thousands of euros
Intangible assets	2,076
Property, plant and equipment	12,679
Deferred charges	21
Deferred income	52
Total	14,828

20. Income and expenses

Procurements

The breakdown of "Procurements" on the debit side of the accompanying 2007 and 2006 consolidated income statements is as follows:

	Thousands of euros	
	2007	2006
Purchases of merchandise, raw materials and other supplies	67,792	46,929
Other external expenses	764	390
Changes in inventories	(1,273)	(2,236)
Total	67,283	45,083

Staff costs

The detail of "Staff Costs" on the debit side of the accompanying 2007 and 2006 consolidated income statements is as follows:

	Thousands of euros	
	2007	2006
Wages and salaries	20,710	13,445
Social security costs	4,882	2,591
Termination benefits	-	1
Share-based payment costs	-	190
Pension plans	185	205
Other employee benefit costs	1,033	1,145
Total	26,810	17,577

The average number of employees at the Group in 2007 and 2006, which includes the consolidated companies' average headcount from the date of consolidation, by category, was as follows:

	Average number of employees in 2007				
	Men	Women	Total		
Executives	18	11	29		
Clerical staff	29	49	78		
Manufacturing personnel	194	22	216		
Sales personnel	71	88	159		
Laboratory staff	22	25	47		
Total	334	195	529		

	Average number of employees in 2007				
	Men	Women	Total		
Executives	20	5	25		
Clerical staff	19	32	51		
Manufacturing personnel	177	31	208		
Sales personnel	68	66	134		
Laboratory staff	13	39	52		
Total	297	173	470		

Share-based payments

A share option plan was approved by the Parent's shareholders at the Annual General Meeting held on 29 June 2005. On 3 April 2007, this share option plan was modified due to the capital increase carried out in 2006. The detail of the beneficiaries and options assigned in the various periods in which the options can be exercised is as follows:

Beneficiaries	Number of Shares				
	2008	Total			
Directors	917,358	955,583	993,805	2,866,746	
Executives	605,692	758,584	882,076	2,246,352	
Total	1,523,050	1,714,167	1,875,881	5,113,098	

The exercise price of the option at each exercise date are €0.89, €0.94 and €0.99, respectively. The expense incurred in this connection in 2007 amounted to €522 thousand and is recognised under "Loss on Disposal of Non-Current Assets" in the accompanying consolidated income statement.

By virtue of the power conferred upon it by the Board of Directors, on 21 December 2006, the Appointments and Remuneration Committee approved a second remuneration plan for certain Natraceutical Group executives and employees, the detail being as follows:

Beneficiaries	Number of Shares			
	2010	2013	Total	
Executives and employees	370,000	370,000	740,000	
Total	370,000	370,000	740,000	

The exercise prices of the option at each exercise date are €2.37 and €2.80, respectively.

The Company arranged a swap transaction with a bank to cover the aforementioned share option plan whereby the Company undertook to buy on maturity a maximum of 5,896,667 shares. The acquisition price was set at €1.155 per share.

As consideration, the bank receives interest on the notional amount of the transaction, which the Company recognises as finance costs on an accrual basis. €337 thousand is included in this connection in the accompanying consolidated income statement. The Company will collect any dividends paid.

Since the risks inherent to the performance of the share price of the aforementioned treasury shares with respect to the previous price per share and the economic rights conferred by the shares continue to be retained by the Parent, this transaction was recognised, as a reflection of the rights and obligations held under the agreement, under "Treasury Shares" and "Non-Current Bank Borrowings" in the accompanying consolidated balance sheet for an amount of €5,705 thousand.

Other operating expenses

The breakdown of "Other Operating Expenses" on the debit side of the accompanying 2007 and 2006 consolidated income statements is as follows:

	Thousands of euros			
	2007	2006		
Outside services	45,236	20,194		
Taxes other than income tax	132	129		
Changes in operating provisions	-	(106)		
Total	45,368	20,217		

The balance of "Independent Professional Services" under "Outside Services" in the accompanying consolidated income statement includes the fees for financial audit services provided to the various Group companies amounting to \in 360 thousand, of which \in 76 thousand relate to the principal auditor, \in 187 thousand to other companies related to the principal auditor and \in 97 thousand to other auditors. This account also includes the fees relating to other services provided by the principal auditor amounting to \in 2 thousand and to services provided by other firms related to the principal auditor amounting to \in 37 thousand.

Finance costs

The finance costs relate mainly to the interest expenses incurred in 2007 on the financing obtained.

Loss on disposal of non-current assets

This includes the dismantling expenses relating to one of the production lines transferred by the Company to a subsidiary.

Impairment losses

The amounts included under "Impairment Losses" relate mainly to the litigation expenses incurred by the Group in the United States.

Foreign currency transactions

The foreign currency transactions performed in 2007 were as follows:

	Thousands of euros
Income:	
Sales	45,431
Other operating income	226
Interest	258
Expenses:	
Procurements	37,944
Outside services	12,003
Staff costs	9,217
Interest	120
Non-current asset additions	1,156

Most of these transactions were performed in pounds sterling and US dollars.

21. Segment reporting

Segment reporting is structured on a primary basis by group business segment and on a secondary basis by geographical segment.

The business lines were established on the basis of the Group's organisational structure at 2007 year-end, taking into account, on the one hand, the nature of the products and, on the other, the customer segments at which they are targeted.

Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole are attributed to a "Corporate Unit".

Segment information about these businesses is presented below.

	Thousa	nds of eu	ros					
	Functiona Ingredien		Nutritiona Supplema		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
External sales	94,979	86,632	57,937	4,129	-	-	152,916	90,761
Other operating income	1,098	3,708	44	-	-	-	1,142	3,708
Result								
Profit from operations	7,533	3,965	5,646	814	-	-	13,179	4,779
Result of companies accounted for using the equity method	130	92	-	-	-	-	130	92
Finance income (*)	-	-	-	-	-	-	606	2,086
Finance costs (*)	-	-	-	-	-	-	(6,400)	(4,224)
Exchange differences (*)	-	-	-	-	-	-	(883)	(556)
Loss on disposal of non-current assets	(2,221)	(294)	(197)	-	-	-	(2,418)	(294)
Impairment losses (recognised) reversed	(1,060)	(373)	238	(180)	-	(75)	(822)	(628)
Profit before tax	-	-	-	-	-	-	3,392	1,255
Income tax	-	-	-	-	-	-	(449)	3,294
Balance sheet								
Assets								
Segment assets	271,438	272,596	45,260	15,631	148	19	316,846	288,246
Investments accounted for	-	-	-	-	-	-	707	729
using the equity method								
Total assets							317,553	288,975
Liabilities								
Segment liabilities	153,634	126,121	22,857	14,927	148	192	176,639	141,240
Corporate liabilities	-	-	-	-	-	-	140,914	147,735
Total liabilities							317,553	288,975

^(*) Corporate unit results.

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of euros					
	Revenue		Profit (Loss) before Tax		Total Assets	
	2007	2006	2007	2006	2007	2006
Americas	6,074	8,944	(221)	222	5,426	5,480
Europe	139,230	81,817	3,288	1,033	308,968	283,495
Oceania	7,612	-	325	-	3,159	
Total	152,916	90,761	3,392	1,255	317,553	288,975

22. Contingent liabilities

In 2007 and 2006 the directors of the Natraceutical Group did not identify any material contingent liabilities.

23. Remuneration and other benefits of the directors

The attendance fees, wages and salaries earned in 2007 by the directors of the Parent amounted to €102 thousand, of which €5 thousand relate to the remuneration of the only female director. In addition, in 2007 certain directors (all men) discharged executive duties for which they earned €173 thousand, which had been paid in full at 31 December 2007. At 31 December 2007, there were no advances, pension obligations, life insurance policies or any other obligations relating to current or former Board members.

Also, as explained in Note 20, in 2007 the implementation of a share option plan for members of the Parent's Board of Directors was approved.

The Board of Directors is made up entirely of men, except for one woman.

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amended Securities Market Law 24/1988, of 28 July, and the Consolidated Companies Law, in order to reinforce the transparency of corporations, the members of the Board of Directors informed the Parent that they do not sit on the Boards of Directors of, hold direct or indirect ownership interests in or discharge duties, as independent professionals or as employees, at companies engaging in an activity that is identical, similar or complementary to that which constitutes the company object of the Group companies, except for situations relating to investees of Natra, S.A. or Natraceutical, S.A.

The specific positions or functions are as follows:

Director/Representative	Company	Position or Functions
Xavier Adserà Gebellí	Natra, S.A.	Director
José Vicente Pons Andreu	Natraceutical Industrial, S.L.U.	Individual representing the sole director Natraceutical, S.A.
	Forté Pharma Ibérica, S.L.U.	Individual representing the director Natraceutical Industrial, S.L.(Sole-Shareholder Company)
	Braes Group BV	Director of all of these companies
	Braes Holdings, Ltd.	
	Braes Group, Ltd.	
	Biopolis, S.L.	
	Braes Esot Trustee Limited	
	Overseal Natural Ingredients, Ltd.	
	Obipektin AG	
	Panadoro Group AG	
Juan Ignacio Egaña Azurmendi	Natra, S.A.	Director
	Natrazahor Holding France SAS	Director
	Natrazahor France SAS	Director
Manuel Moreno Tarazona	Natra Cacao, S.L.	Director/Chairman
	Natra, S.A.	Individual representing the Chairman/director Carafal Investment , S.L.
	Torre Oria, S.L.	Individual representing the Chairman/director Natra, S.A.
	Zahor, S.A.	Individual representing the director Natra, S.A.
	Txocal Belgium, N.V.	Individual representing the director Natra Cacao, S.L.
	Natrajacali, N.V.	Individual representing the director Natra Cacao, S.L.
	Natrazahor Holding France, S.A.S.	Individual representing the director Txocal Oñati, S.L
	Natrazahor France, S.A.S.	Individual representing the director Natrazahor Holding France S.A.S.
	Les Delices D'Ellezelles S.P.R.L.	Individual representing the director Natra Cacao, S.L.
	All Crump, N.V.	Persona física representante del Consejero Natra Spread, S.A.
	Natra Spread, S.L.	Director acting severally
	Txocal Oñati, S.L.	Individual representing the Chairman/director Natra, S.A.
Natra, S.A.	Torre Oria, S.L.	Director
	Natrazahor, S.A.U.	Director
	All Crump, NV	Director
	Txocal Oñati, S.L.	Director
BMS, Promoción y Desarrollo, S.L.	Natra, S.A.	Director
José Luis Navarro Fabra	Natra, S.A.	Individual representing the director BMS

In addition to any indirect investments that the directors and the individuals representing them might hold in the investees of Natraceutical, S.A., the following directors hold direct ownership interests in Natra, S.A.:

Director	% of Ownership
Xavier Adserà Gebellí	5.15%
BMS, Promoción y Desarrollo, S.L.	5.90%
Juan Ignacio Egaña Azurmendi	1.18%
Manuel Moreno Tarazona	10.37%
José Luis Navarro Fabra	0.15%

24. Remuneration of senior executives

In 2006 senior executives were considered to be ten individuals who discharged key management functions and who were appointed as such by the Parent. The remuneration earned by senior executives (where applicable, since they joined the company) amounted to €991 thousand in 2006 and is classified under "Staff Costs" in the accompanying 2006 consolidated income statement. This amount includes the payments received by the members of Natraceutical, S.A.'s Board of Directors with executive responsibilities.

In 2007 senior executives were considered to be six individuals who discharge key management functions and who were appointed as such by the Parent. These senior executives also participate in strategic and tactical decision-making through the Management Committee.

The remuneration earned by senior executives amounted to €902 thousand and is classified under "Staff Costs" in the accompanying 2007 consolidated income statement. This amount does not include the payments received by the members of Natraceutical, S.A.'s Board of Directors with executive responsibilities.

Also, as described in Note 20, certain executives are beneficiaries of the Natraceutical, S.A. share option plan. There are no guarantee or golden parachute clauses, in the event of termination or changes, in the employment contracts of senior executives, including the Group's executive directors.

25. Other disclosures

Information on the environment

As regards environmental matters, the Group has implemented wastewater and fertilizer treatment systems which enable it to minimise possible impacts on the environment.

The detail of the environmental assets included under "Property, Plant and Equipment" in the consolidated balance sheet at 31 December 2007 is as follows:

	Thousands of euros				
	Cost	Accumulated Depreciation	Net		
Wastewater and fertilizer treatment	645	-	645		
Wastewater purification	757		757		
Filtering	26	(4)	22		
	1,428	(4)	1,424		

The expenses incurred in 2007 in relation to the protection and improvement of the environment, mostly in connection with waste management, amounted to €95 thousand (2006: €141 thousand).

The consolidated balance sheet at 31 December 2007 does not include any provision for possible environmental contingencies since the directors consider that there are no contingencies of this nature. Additionally, the Group has taken out insurance policies to cover possible involuntary contingencies that might arise as a result of the impact of its normal business activities on the environment.

Contribution of the companies to consolidated profit

The detail of the contribution of each of the consolidated companies to consolidated profit, after tax and consolidation adjustments, is as follows:

Company	Thousands of euros
Natraceutical, S.A.	(422)
Natraceutical, S.L.U.	(1,507)
Exnama-Extratos Naturais da Amazônia, Ltda.	(221)
Obipektin, A.G.	(1,044)
Overseal Natural Ingredients Colors, Ltd.	2,150
Laboratoires Forté Pharma, S.A.M.	4,430
Kingfood Australia, Pty Limited	325
Biópolis, S.L.	130
Total	3,841

26. Risk exposure

The Group manages its capital to ensure the continuation of Group companies as profitable businesses while maximising returns for shareholders through an optimum debt/equity structure.

The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial returns. The Group uses derivatives to hedge certain risks.

Risk management is supervised by the Financial Area and is directly monitored and controlled by management. Apart from monitoring the risk management implemented by the Financial Area, management meets periodically to analyse the situation of the financial markets and the existing transactions/hedges.

Liquidity risk

The Natraceutical Group establishes its cash requirements by drawing up a 12-month cash budget, which is updated quarterly, based on the budget of each Group company.

This enables the Group to identify the amount and timing of the cash needed and to plan new borrowing requirements.

Borrowing requirements arising from investing activities are structured and designed on the basis of the life of the related investment and are usually met through long-term loans, e.g. syndicated loans.

At 31 December 2007, the undrawn credit facilities amounted to €522 thousand.

Market risks

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing floating rate interest. The risk arising from changes in interest rates is managed through the arrangement of derivative instruments to hedge the Group's risks in this connection.

The Natraceutical Group uses hedging transactions to manage its exposure to interest rate fluctuations. The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years whilst maintaining reduced income statement volatility. The derivative instruments arranged are assigned to specific borrowings and are adjusted on the basis of the timeframe and amount thereof.

Based on the Natraceutical Group's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks.

The detail of the interest rate risk structure at 31 December 2007, distinguishing between risk relating to fixed interest rates and risk relating to floating interest rates and taking into account the derivatives arranged, is as follows:

	Thousands of euros	
Fixed or protected interest rate	56,750	
Floating interest rate	49,748	
Borrowings	106,498	
% Fixed rate/Total borrowings	53%	

The Group carried out analyses of the sensitivity of interest rate financial instruments to changes of +/- 1 basis point in the applicable rates, which would give rise to changes of approximately €900 thousand.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables and bank borrowings. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by the Parent's directors based on past experience and their assessment of the current economic environment.

The main figures in the consolidated cash budget for 2008, prepared on the basis of the Group's recurring business, are as follows:

2008 Cash Budget	Thousands of Euros	
Collections from sales	170,936	
Asset disposals	4,521	
New borrowings	7,000	
Payments due to purchases	(110, 244)	
Operating expenses	(43,380)	
Repayment of loan principal	(10,125)	
Interest	(8,273)	
Other net	(11,129)	
Total collections less payments	(694)	

From the review of the cash budget for 2008 and the sensitivity analyses performed by the Group at 2007 year-end it may be concluded that the Natraceutical Group will be reasonably able to finance its operations.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international rating agencies.

Foreign currency risk

The Natraceutical Group operates in the international sphere and is therefore exposed to currency risk on the transactions performed by it in foreign currencies, particularly the US dollar, the pound sterling, the Brazilian real and the Swiss franc. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Generally speaking, the transactions that expose the Group to risk are the imports and exports of finished goods and raw materials by Group companies.

In order to manage the foreign currency risks associated with future commercial transactions and recognised assets and liabilities, the Financial Department has established the hedging instruments and transactions commonly used to manage financial risks: foreign currency hedges and forwards and variations thereof and foreign currency options. OTC derivatives of this nature make it possible to hedge or limit the future purchase or sale price of a foreign currency.

The Group performed sensitivity analyses of the foreign currency financial instruments which indicate that changes of +5 and -5 (0.05) in the USD/ \in , GBP/ \in , BRL/ \in and CHF/ \in exchange rates would give rise to changes in value of approximately \in 154 thousand, \in 1,031 thousand, \in 831 thousand and \in 2,534 thousand, respectively.

Inflation risk

The Group's Latin American subsidiary is exposed to inflation risk arising from its geographical location although the impact that this risk may have on the Group would be scantly material.

27. Earnings per share

The reconciliation of the weighted average number of ordinary shares at 31 December 2007 and 2006, using the calculation of earnings per share, is as follows:

	2007	2006
Shares issued at year-end	328,714	328,714
Treasury shares at year-end	8,831	5,826
Average number of treasury shares	8,064	4,616
Average number of shares outstanding	321,384	283,009

Basic earnings per share in 2007 and 2006 were determined as follows:

	2007	2006
Net profit (euros)	3,841	4,549
Average number of shares outstanding	321,384	283,009
Basic earnings per share (euros)	0.01	0.02

At 31 December 2007 and 2006, diluted earnings per share coincided with basic earnings per share.

28. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.



Consolidated Directors' Report

for the year ended 31 December 2007

Main events

In 2007 the Natraceutical Group acquired two food ingredients companies, the Australian company Kingfood Australia PTY Limited and the assets of the Canadian company Cevena, which manufactures the beta-glucan Viscofiber. Thus expanding the product portfolio of the ingredients division and the Group's geographical reach, reinforcing its presence in Asia-Pacific and North America.

Also noteworthy in the ingredients division were the efforts made to improve the profitability of the subsidiary Natraceutical, S.L. (Sole-Shareholder Company) and R&D&I activities, with the focus now more placed on cooperation with customers. In the food supplements business line there was a notable increase in sales, particularly outside France (Forté Pharma's main market), to which to the formation of Forté Pharma Ibérica, S.L.U. (Sole-Shareholder Company) made a significant contribution.

Acquisition of Kingfood Australia PTY Limited

In February 2007 the Natraceutical Group reached an agreement to integrate Kingfood Australia PTY Limited, a company which for more than 20 years has specialised in the preparation and marketing of ingredients and aromas for the food industry and has been the distributor, since 1998, of Natraceutical's range of natural colourants in that area.

The transaction, which amounted to €5.8 million, was formalised on 28 February in Sydney, and enables the Group to strengthen its focus on the Asia-Pacific market.

Kingfood Australia ended 2006 with billings of €9 million, annual growth of more than 20% during the last three years and projected billings of €10 million for 2007 year-end.

With the acquisition of Kingfood Australia, the Natraceutical Group has considerably increased its penetration of the Asian and Australian markets, where it already has a sales office located in Bangkok, in addition to incorporating a workforce of 35 highly qualified employees with knowledge of Natraceutical's products, its own commercial network, an established customer base with annual sales of around €10 million and new products and additives for its product portfolio, prepared in its own newly-opened production unit covering more than 4,000 m2, specialised in premixes (mixtures of ingredients with various functions) of up to 50 different ingredients and additives, enabling tailor-made mixes to be created for each customer.

Kingfood Australia PTY Ltd., which has cooperation agreements with the world's leading aroma and additive companies, will be integrated in the Natraceutical Group's functional ingredients division, and more specifically in the natural colourant business line, which in 2006 grew by 15%. The acquisition forms part of the 2007-2011 strategic plan of this Natraceutical division, in which the Australian and Asian markets are defined as having shortand medium-term growth potential. Australia is one of the most interesting niche markets for functional food in the area, with a market volume estimated at €1 billion, annual growth rates of more than 10% and an increased penetration of functional foods in Australian homes of 28% in 2006 (source: Datamonitor).

Acquisition of Viscofiber

In November 2007 the Natraceutical Group took another step towards the consolidation of its international functional ingredients business through the acquisition of the Canadian company Viscofiber® (www.viscofiber.com), the only high-viscosity beta-glucan concentrate available in the functional foodstuff and nutritional supplements market.

These qualities make Viscofiber® more efficient and soluble than its competitors, requiring a smaller dose in order to achieve the same benefits for customers' health and affording a wider range of applications in end products.

Viscofiber® is currently marketed as a healthy ingredient for the functional foodstuff and nutritional supplement industries, although it also has considerable potential for the cosmetics and pet food industries. It is currently used in beverages, nutritional bars, yoghourt, ice-cream, soup, pasta and breakfast cereals. After the launch of soluble cocoa fibre in 2006, the acquisition of Viscofiber® is another indication of the Natraceutical Group's commitment to innovation and represents another step towards the company's global leadership of the functional foodstuff industry through the development and production of healthy ingredients.

This transaction also provides important synergies for the Group, including most notably an increase in the product range of the Functional and Nutritional Ingredients division; a considerable range of potential applications in other Group businesses (Nutritional Supplements division); access to new customers and increased cross-selling opportunities; direct presence in a new geographical area (Canada), etc. In addition, the Natraceutical Group offers the possibility of cost-efficient industrialised processes. This, together with the Group's existing marketing, administrative and financial structure, will accelerate the profitability of the project. The cost of the transaction was €2 million and Natraceutical estimates that the sales of this product family will amount to approximately €15 million in 2012. Soluble dietary fibre is a fast-growing market with considerable growth potential for development and is expected to expand at an annual rate of approximately 25% until 2011 (source: NBJ 2006, Frost & Sullivan).

This acquisition is in line with the Group's strategy of expanding the product range and geographical presence of the Functional Ingredients division. It also continues to work actively on the analysis of new projects in other business areas which will enable it to make progress towards achieving the targets set in the strategic plan that the Company has designed for the next four years.

Beta-glucan, a natural substance derived from bran (mainly oats and barley) belongs to the group of so-called "soluble fibres". Numerous clinical studies have confirmed the health benefits of beta-glucan, although it has been demonstrated that its efficiency is directly related to the concentration and viscosity of the product. In this regard, Viscofiber® is the only high-viscosity beta-glucan concentrate currently available on the market. Similarly, it has been demonstrated that dietary fibre is one of the key ingredients of a healthy diet due to the relationship between the consumption of fibre and the reduction of the risk of contracting certain diseases. Fibre does not only have a beneficial effect on the digestion. Due to the high concentration of soluble fibre (12 times that of oat bran), Viscofiber® offers multiple health benefits including a reduction in cholesterol, improved glycemic response and sugar levels and benefits for weight loss due to the sensation of fullness.

The FDA (Food and Drug Administration) currently allows claims to be made with respect to the ability of soluble fibre in oats and by-products to reduce cholesterol and the risk of heart disease.

Research and development activities

In 2007 the following patents were presented:

Firstly, an application was filed to patent a new functional ingredient for pet food. This ingredient, derived from cocoa and with a low concentration of xanthenes (caffeine and theobromine), was developed so that it may be consumed by the most common pets.

The taste of chocolate is an extremely sought-after product, not only by humans but also by most animals. Chocolate and cocoa contain a high level of xanthenes - mainly theobromine and to a lesser extent caffeine - which are harmful for many types of pets, including cats and dogs. Although these compounds have a beneficial effect on humans, these animals are unable to metabolise them efficiently, leading to the development of various pathologies that may lead to heart failure and nervous complaints or even, when consumed in large quantities, to the death of the animal.

Thanks to its over 60 years' experience working with cocoa and its components, the Natraceutical Group has been able to develop an innovative process resulting in a cocoa derivative containing an acceptable level of these compounds, enabling the pet food industry to create healthy products tasting of cocoa and chocolate.

The ingredient obtained from the Natraceutical Group's new patent has a high concentration of fibre and protein but is low in sugar and other carbohydrates, which can help to control pets' weight.

With the development of this innovative product Natraceutical maintains its position at the cutting edge of cocoa derivatives, where it is becoming a world leader, and opens up a new line of research in functional foodstuffs by registering the first patent for products aimed at pets. Functional products for pets are proliferating due to the problem of obesity that is also often affecting pets. In fact, 25%-44% of dogs and 20%-35% of cats are considered to be overweight or obese. In the US alone, the pet food industry has a market value of USD 17,000 million, of which 94% is spent on pet cats and dogs, which are highly sensitive to the toxins produced by the xanthenes in cocoa and chocolate. Dogs, which are a high-risk group due to their appetite for chocolate flavoured products, account for 50% of this market.

Also, in 2007 the Natraceutical Group applied for a patent for CocoanOX, a cocoa powder with a high polyphenol content which has the highest antioxidant index or ORAC (Oxygen Radical Absorbance Capacity) in its category. Polyphenols, as the antioxidising compounds contained in cocoa are known, have been shown to help reduce the risk of contracting coronary illnesses and cancer.

The increased concentration of polyphenols, achieved due to the control of the processes in the countries of origin of the raw material -where the Natraceutical Group has been investing in the implementation of technology- and the ease of absorption thereof by the human body (bioavailability), are the key elements of a product that will be in increasing demand from the major players in the food industry in order to respond to consumer trends.

The work of our research, development and innovation department gave rise to two publications in scientific journals: "Microbial inactivation and butter extraction in a cocoa derivative", published in the Journal of Supercritical Fluids, and "A new process to develop a cocoa powder with higher flavonoid monomer content and enhanced bioavailability in healthy humans", which appeared in the Journal of Agricultural and Food Chemistry.

The R&D&I team has focused more on cooperating with large food companies in order to offer them specific solutions in the shape of "customised" ingredients for their future food products. This activity does not give rise to concrete short-term results in the form of patents, but since they are based on the demands of the end customer, we consider that it is the most efficient way of obtaining new, highly profitable functional ingredients.

Financial indicators

The most noteworthy indicator in 2007 was the achievement of the financial ratios established for the syndicated loan obtained by the Company in 2006.

The main financial ratio achieved was the Net Debt/EBITDA ratio, which was below 4.5, as established for 2007 in the syndicated loan agreement.

Audits

In 2007 all the Natraceutical Group's production plants again successfully passed all the audits to which they were subject, including most notably the Quality Management System follow-up audit pursuant to the ISO standard, which was passed without any significant qualifications.

Various audits by Natraceutical, S.A.'s customers were also satisfactorily passed in 2007. Consequently, Natraceutical's customers ensure, on the basis of these audits, that their requirements are met throughout the supply chain processes and that the applicable regulations, such as Good Manufacturing Practices (GMP) and Analysis of Risks and Critical Control Points, are complied with.

Strategic agreements

No significant strategic agreements were entered into in 2007.

The environment

In 2007 the investment policy continued to focus on the maintenance and improvement of environmental and sustainable management. Aware of the impact of its business activities on the environment, Natraceutical, S.A. continues to invest not only in managing but also reducing its waste levels and, in certain cases, it has totally eliminated such waste by adopting "clean" environmentally-friendly technologies.

The Company invested in the elimination of organic solvents for processes in which this was possible, in the reduction of water consumption, in the recycling and reuse of waste and in the replacement of old technologies with more modern and efficient technologies, resulting in improved use of resources and energy and in the minimisation of environmental impact.

Simultaneously, Natraceutical, S.A. continued to promote the training and raise the awareness of its personnel and other external partners in relation to the importance of carrying out environmentally-friendly activities in both industrial operations and everyday life.

International presence

The Natraceutical Group's food ingredients division operates in more than 60 countries through its direct sales network, distributors and agents. It should be highlighted in this connection that there is now a sales office in Asia and a greater presence in the US through a direct sales force and various distributors specialising in each of the Group's product families. This international presence was reinforced in 2007 by the opening of a new sales office in Moscow (Russia), which will enhance the penetration of our product range in a country where consumption is booming. In addition, Natraceutical, S.A. has exhibited at all the most important industry trade fairs in Europe and the US.

The supplements division has grown significantly outside France and international billings now account for 29% of the total amount. The creation of Forté Pharma Ibérica, S.L.U. (Sole-Shareholder Company) has contributed notably to this expansion and sales in Spain increased by 110% with respect to 2006.

Other organisational matters

The Natraceutical Group is made up of two business units that report directly to the CEO: the functional ingredients division (B2B), consisting mainly of Natraceutical Industrial, Obipektin, Overseal, Exnama and Kingfood, and the nutritional supplements division (B2C), composing Forté Pharma. The number of persons cooperating with the Group increased from approximately 470 in 2006 to 529 in 2007. There are no other material disclosures to be made in connection with personnel.

Main risks and uncertainties

Natraceutical, S.A. has identified the risks that affect its business and has established an internal control system for each risk. The main types of risk identified and managed by the Company are summarised as follows:

- Material risk: relates to risk of possible damage to goods owned by or under the control of the Company.
- **Third-party liability:** relates to liability that might arise from personal and material damage as well as harm to third parties pursuant to current legislation as a result of events arising from the activities carried on by the Company.

- **Loss of profit:** relates to losses arising from discontinuation or interruption of business activity or as a consequence of material damage, extraordinary or catastrophic risks or risks attributable to suppliers.
- Financial risk: relates to the risk arising from changes in exchange or interest rates or from credit risk affecting the Company's liquidity.

Business performance by line of activity

The Natraceutical Group, the leading European biotechnological holding company in the field of research and development of functional ingredients, active ingredients and nutritional supplements, ended 2007 with revenue of €153 million, as compared with €91 million in 2006. This increase arose due to the inclusion in the 2007 consolidated financial statements of a complete year of activity of the subsidiary Forté Pharma, the organic growth of the ordinary activities of the various business lines and the inclusion of ten months of activity of Kingfood, acquired in February 2007.

The Company obtained a net profit of €3.8 million in 2007, as compared with €4.5 million in 2006. This drop in net profit was due to the extraordinary income arising in relation to the tax asset recognised in 2006.

By business line, a particular note was the favourable evolution of the sales of the natural colourings and flavourings line, up 13%, and with a notable increase in profitability, leading to an improvement in the EBITDA margin of this line to 16.8%.

Sales of pectins and fruit and vegetable powders grew by 10.2%, much higher than the 4.3% growth reported in 2006, with the growth in sales of powdered fruit again being most notable. Exports in this business line climbed to 90%.

However, the most outstanding result in the ingredients division was achieved by the cocoa- and alkaloid-product functional ingredients line located at the Quart de Poblet (Valencia) plant, following the implementation at the beginning of 2007 of a new approach for these products. This business line's sales increased by 14.8% with respect to 2006 and EBITDA rose from €-0.4 million in 2006 to €3 million in 2007, a rise of 850%.

The sales of the nutritional supplements division totalled €59.3 million, up 22% on 2006 (€48.6 million). The EBITDA of the Natraceutical Group increased from €10 million in 2006 (11% of revenue) to €19.2 million in 2007.

Outlook

The integration of Forté Pharma and the acquisition of Kingfood and Viscofiber represent a step forward in our business plan, a significant diversification of the Group's products and customers and increased international presence. The Group has thus progressed considerably in its consolidation as a European benchmark in the field of functional foods and nutritional supplements.

The geographical expansion of the nutritional supplements division undertaken in 2007 is expected to be consolidated in the coming years and its product range will foreseeably be broadened and strengthened. This will be achieved by increased investment in marketing and advertising, emphasis on the use of exclusive products and the reinforcement of Company's research and development activities.

Through the aforementioned acquisitions and organic growth, the Group's headcount has risen to more than 550 employees, with production plants totalling more than 250,000 m² in Valencia, Switzerland (two plants), the United Kingdom, Brazil and Australia.

Use of financial instruments by the Natraceutical Group

As a result of the performance of its business activities and operations, the Natraceutical Group is exposed to, inter alia, financial risks such as interest rate and foreign currency risk. Therefore, the Natraceutical Group's Financial Risk Committee identifies, assesses and manages the interest rate and foreign currency risk associated with the transactions of the Group companies.

The Natraceutical Group and its individual companies are habitually exposed to two types of financial risk:

- 1. Interest rate risk arising on financing denominated in euros and at a floating interest rate (due to the potential changes in the cash flows associated with the interest payments on borrowings due to changes in interest rates).
- 2. Foreign currency risk arising on assets and liabilities denominated in a currency other than the euro, originated in commercial transactions (due to the potential changes in foreign currency denominated cash flows from, or fair value of, these transactions as a result of changes in exchange rates).

The Natraceutical Group manages the two types of risk stated above and any others that might arise by arranging hedges using derivative financial instruments in order to minimise or limit the impact of potential changes in the price of raw materials, interest rates and foreign exchange rates.

There are no financial instruments other than those described in the notes to the consolidated financial statements.

Significant events after the balance sheet date

The only significant event after the balance sheet date was the appointment as a director of the Company of Félix Revuelta Fernández on 28 February 2008.

Acquisition of treasury shares

2,533,836 shares with a par value of €253,386 were acquired in 2007, representing 0.77% of the share capital at 31 December 2007. The other disclosures required in this connection are included in the notes to the consolidated financial statements.

In the last quarter of 2007 Natraceutical S.A. sold a total of 1 million treasury shares on the market, which gave rise to a gain before tax of €388 thousand. This gain was recognised in the Company's individual income statement under "Gain on Transactions Involving Treasury Shares and Own Debentures". However, in the Group's consolidated financial statements, and in accordance with International Accounting Standards, this gain on the sale of treasury shares is not recognised as such in the income statement. In addition to the treasury shares that Natraceutical, S.A. owns in order to cover the loyalty plan for executives and directors, the Company has 3 million unrestricted treasury shares at an average cost of €1.03 per share.

No subsidiaries hold any shares of or investments in the Parent. The treasury shares are owned by Natraceutical, S.A., the Parent of the Group.

Additional disclosures for the purposes of Article 116 bis of the Spanish Securities Market Law

Pursuant to Article 116 bis of the Spanish Securities Market Law 24/1988, of 28 July, introduced by Law 6/2007, of 12 April, the following information is disclosed:

a. The structure of the share capital, including the securities that are not traded on a regulated Community market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations that they confer and the percentage of share capital that they represent.

At 31 December 2007, the share capital of Natraceutical, S.A. was represented by 328,713,946 fully subscribed and paid registered shares of €0.10 par value each.

D. Any restriction on the transferability of securities.

There are no bylaw restrictions on the transferability of the securities representing the Company's share capital.

C. The significant direct or indirect ownership interests in the share capital.

The holders of significant direct or indirect ownership interests in the share capital of Natraceutical, S.A. – of over 3% of the share capital- of which the Parent is aware in accordance with the information in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2007, are as follows:

Name of Shareholder	% of Ownership
Natra, S.A.	54.78%
Bilbao Bizcaia Kutxa	4.59%
Félix Revuelta Fernández	5.04%

d. Any restriction on voting rights.

There are no restrictions on voting rights.

C. Side agreements.

Natraceutical, S.A. has entered into side agreements with BMS, Promoción y Desarrollo, S.L. and the Lafuente Group. These agreements relate to 2.096% and 0.456% of the share capital, respectively.

f. The rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws.

Procedure for the appointment, re-election and removal of directors

The functioning of the Board of Directors is governed by the general rules established for this body in the Spanish Companies Law, the Company bylaws and the implementing regulations included in the Board of Directors' Regulations, which may be consulted on the website **www.natraceuticalgroup.com** under Information for Shareholders and Investors. The website also includes the full text of the Company bylaws.

The Board of Directors' Regulations regulate conflicts of interest, the use of corporate assets and information not in the public domain, directors' exploitation of business opportunities for their own benefit of which they became aware due to their position, and transactions with directors and significant shareholders.

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Procedure for the resignation of directors

The directors shall tender their resignation to the Board of Directors, should the latter deem it appropriate, in the following situations:

- When they cease to occupy the executive positions associated with their appointment as directors.
- When they are involved in any of the situations of incompatibility or legal prohibition established in law.
- When they have been seriously reprimanded by the Audit and Compliance Committee for having infringed their duties as directors.
- When their continuation on the Board may jeopardise the interests of the Company or when the reasons why they were appointed cease to exist.
- When they are prosecuted for a purportedly criminal action or when disciplinary action is taken against them by the regulators for very serious or serious misconduct.

Amendment of the Company's bylaws

The Annual General Meeting, duly called and convened, is the supreme body of the Company and, therefore, it is empowered to adopt any resolutions for which it is competent pursuant to the Law and the Company bylaws.

9. Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

At the Annual General Meeting held on 19 June 2006, the shareholders authorised the Board of Directors to perform derivative acquisitions of treasury shares, either directly or through investees, up to the limits and pursuant to the requirements established in the Spanish Companies Law, the maximum and minimum prices being €0.5 and €5, respectively.

1. Significant agreements that might be modified or terminated in the event of a change in control.

There are no significant agreements which could be modified or terminated in the event of a change in control.

Agreements between the Company and its directors, executives or employees that provide for termination benefits if the employment relationship ends due to a takeover bid.

There are no agreements of any nature between the Company and its directors, executives or employees that provide for termination benefits on termination of the employment relationship with the Company.

Authorisation for issue of the consolidated financial statements and directors' report

These consolidated financial statements and directors' report were authorised for issue by the Board of Directors (except for Félix Revuelta Fernández, who was appointed after 31 December 2007, the date of these consolidated financial statements and directors' report) at its meeting held on 27 March 2008, for submission for approval by the shareholders at the Annual General Meeting. These consolidated financial statements, which consist of a consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements and directors' report were signed on each page by the Secretary of the Board, and all the directors signed this last page below:

D. Xavier Adserà Gebellí

Chairman

BMS, PROMOCIÓN Y DESARROLLO, S.L. represented by

D. José Luis Navarro Fabra

Director

D. Juan Ignacio Egaña Azurmendi

Director

Dª. Alicia Vivanco González

Director

D. José Manuel Serra Peris

Director

NATRA, S.A. represented by

D. Manuel Moreno Tarazona

Director

D. José Vicente Pons Andreu

Chief Executive Officer

Da. María José Busutil Santos

Non-Director Secretary

Natraceutical S.A. and Subsidiaries

DECLARATION OF RESPONSIBILITY OF THE DIRECTORS PURSUANT TO ARTICLE 8.1b OF ROYAL DECREE 1362/2007, OF 19 OCTOBER, IMPLEMENTING SECURITIES MARKET LAW 24/1988, OF 28 JULY.

In its meeting held on 27 March 2008, the Board of Directors of Natraceutical, S.A. declared that, to the best of its knowledge and belief, the consolidated and individual financial statements were prepared in accordance with the applicable accounting principles and present fairly the equity, financial position and results of Natraceutical, S.A. and of the consolidated companies taken as a whole and the directors' report presents fairly the business performance, results and position of Natraceutical, S.A. and of the consolidated companies taken as a whole.

Valencia, March 27, 2008.

D. Xavier Adserà Gebelli

Chairman

D. José Manuel Serra Peris

Director

BMS, PROMOCIÓN Y DESARROLLO, S.L.

Represented by

D. José Luis Navarro Fabra

Director

NATRA S.A. Represented by

D. Manuel Moreno Tarazona

Director

D. Juan Ignacio Egaña Azurmendi

Director

D. José Vicente Pons Andreu

Director

D^a. Alicia Vivanco González

Director

Da. María José Busutil Santos

Non-Director Secretary



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