

Annual
report | **08**



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

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President's Foreword



Dear Shareholders:

I am pleased to address you once again to present our 2008 Annual Report, Natraceutical Group's comprehensive summary of last year's balance and activities.

Through this introduction, I would like to share with you my vision of the complex economic environment that has slowed down our company's business development throughout 2008, both in the markets in which Natraceutical operates and in all matters in connection with the company's stock market price. I would also like to describe the strategy we have launched for the purpose of facing these special circumstances to ensure the furthering of Natraceutical's growth in the future.

The year 2008 started with a severe financial crisis that undermined the normal operations of the credit markets, and which gradually impacted the economic activity. Fast decreasing investment and consumption in all international markets became gradually obvious as the year advanced, and practically no sectors were immune to this reality. Yet, it is also true that those sectors that depended more heavily on credit suffered the downturn much more profoundly.

In this environment, Natraceutical Group was no stranger to the major challenges that the financial downturn was inflicting on the international markets. This inhibited several organic growth strategies included in the design of the company's business plan, while financial uncertainty as well as across-the-board credit restrictions during the year reduced the company's chances of furthering their non-organic growth strategy.

Given the financial drivers that the company had to face in order to launch an ambitious growth strategy under said circumstances, Natraceutical Group's 2008 evolution was significantly marked by the hitherto adopted measures in relation to both the completion of the company's industrial structure streamlining plan and the optimization of the Ingredients division's product portfolio. Said plan, launched in 2007, featured as chief goal the strengthening and further improvement of the company's future efficiency ratios and operating margins.

On the other hand, 2008 was a successful year for Natraceutical Group in terms of securing their positioning in the nutritional supplements sector, products exclusively marketed by the company under the brand Forté Pharma in European pharmacies. Currently, Forté Pharma is sold in France, Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal, Poland and now also in Italy. In addition, the company holds business relations with former French overseas territories in the Pacific area and North Africa, and is also planning to target further new markets.

In spite of the current market's complex situation, the strength of the brand enabled Forté Pharma to hold its position as a leading reference in the European nutritional supplements sector, as well as its leadership position in the French weight loss segment, Forté Pharma's most important market.

At the close of the financial year 2008, Natraceutical Group's business turnover reached € 161 million, 13.61% increase over 2007's figures, while the EBITDA increased 29.5% to € 22.2 million. The company closed 2008 with recurrent earnings of € 5.5 million, 19.5% more than the previous year. This enabled the company to complete the streamlining plan following the string of acquisitions made during the recent financial years, and also fuelled a negative impact on Natraceutical's net profits, amounting to € 4 million, due to discontinuance of activities. As a result, the company closed the year with positive net profits of € 1.5 million, as compared with € 3.8 million the previous year.

The evolution of Natraceutical's stock market price in 2008 was directly driven by the international financial downturn, which hit Spain very hard in a year of great uncertainty and lack of confidence in the markets. This had a special impact on all small capitalization stocks.

It is usually difficult to predict the behaviour of markets, but even more so in times like this, when, hit by the scarcity of cash, stocks feel the impact of cashflow movements more profoundly than those of the companies' own key operations. Yet, in spite of the 57.97% slump suffered by the Spanish Stock Market's small cap-index (Ibex Small Cap), which includes Natraceutical, the company's stock price dropped 39.02% this year, on a par with the Ibex-35, the main Spanish Stock Market index, which also dropped around 38.70% in 2008.

On behalf of the board, which I represent, I would like to thank you again for your trust and more than ever this past year, under the circumstances of the complex environment in which we have been operating.

I am proud to share with all of you the creation of a business project in an activity sector which we are sure will be back to its full strength coinciding with the first stages of the market's economic recovery. There are several factors that lead us to such optimism. First, a large section of our activity is focused on food products, through the Ingredients division, whose vectors of functionality and naturalness are stronger than they have ever been. Secondly, this avenue will be backed by further activities in the health sector through our Nutritional Supplements Division, one of the fastest growing sectors in our new economic environment, as dictated by the market. Finally, Natraceutical has made a great globalisation effort in recent years, and should therefore benefit from the economic recovery as soon as this recovery starts to improve the situation of all the markets in which the company operates.

You can rest assured that we will do all our best to ensure that this will be case.

Yours sincerely,

Xavier Adserà

Chairman

Valencia, May 2009



Our essence, 100% natural





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 supplements for the foodstuffs, pharmaceutical and cosmetics sectors. The company streamlines its industrial activity through two divisions (Ingredients and Nutritional Supplements) with the purpose of contributing to the prevention of diseases and improving quality of life through nutrition.

Natraceutical was established in 2002, following the spinn-off of Natra's R&D section that specialized in both the extraction of theobromine and caffeine from cocoa nut shell, and development of functional cocoa-sourced ingredients. 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 supplements sector following the acquisition of Monaco-based company Laboratoires Forté Pharma, thanks to which Natraceutical can now supply products directly to end consumers.

Currently, the Ingredients Division represents 64% of Natraceutical Group's overall business turnover, while the Nutritional Supplements Division contributes with the remaining 36%.

Natraceutical's consolidation as a world multinational corporation led the company to reach 91.4% of its products' overall business turnover in several markets around the world, while Spain accounted for only 8.5% of the company's business turnover in 2008.

Since its creation in 2002, Natraceutical has been quoting in the Spanish stock exchange, under the ticker NTC.

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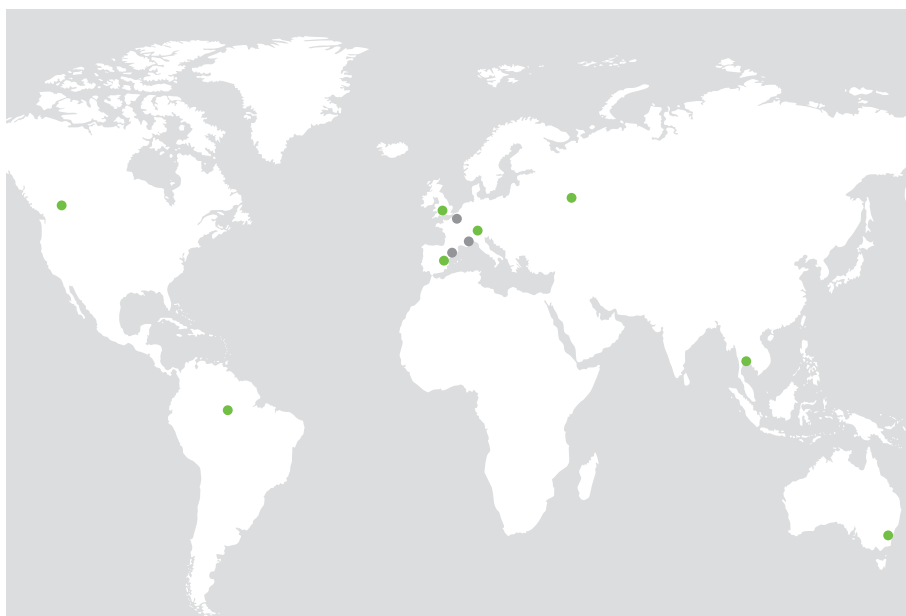
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RUSSIA

● Ingredients Division

● Nutritional Supplements Division



2. Business units

Ingredients Division

Thanks to the Ingredients Division, the company has become one of the leading references in the natural caffeine production sector, and the leader in both the UK's natural colouring and Europe's antioxidant production sectors.

Natraceutical Group's portfolio includes over 500 product references and specialities in the food, cosmetics and pharmaceutical sectors, broken down into the following product ranges:

- Natural colours
- Fruit and vegetable powders
- Pectins
- Flavour enhancer
- Flavours
- Caffeine
- Functional ingredients and cocoa derivatives

Natural colours

As a response to the current consumption trends against artificial colours and flavours, Natraceutical Group has developed a new range of natural food and beverage colouring products.

Through selective extraction processes, Natraceutical Group develops a range of natural colours from fruits, vegetables, species and edible plants. As result, a broad variety of natural colourings ranging from yellow, orange, red to green and brown, all of them from natural raw materials.

The quality of these ingredients allows its application in a broad range of final products, such as beverages, sweets, confectionary, dairy products and precooked food.

This range of products is manufactured at the company's factories in UK and Australia.

Fruit and vegetable powders

From both of Natraceutical Groups' plants based in Switzerland, the company produces and sells 100% natural pectins as well as fruit and vegetable powders which are commonly used for the production of jams, drinks, confectionary and baby food. In this sector, particularly strict regarding quality and safety, Natraceutical Group has been well positioned as a leading reference for decades thanks to their commitment to continuous innovation and excellent, safe products. As a result, it was granted the ISO 17025:2005 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. Natraceutical Group also produces Actisec™ fruit and vegetable powders, with ingredients that help to prevent cardiovascular diseases.

Pectins

Natraceutical Group's professionals have over fifty years' experience in production and marketing of pectins, a substance found in all fruits and a wide range of vegetables, which features gelatinous properties that are key for the preparation of jams and jellies, beverages, milk products and desserts.

Pectins are regarded as a type of fibre, as it offers similar functions: they do not add nutrients to our organism but do foster the removal of toxins and waste particles. Natraceutical Group works with more than fifty different types of pectins, and can even produce specially developed pectins to suit the specific needs and requirements of our clients.

Pectins are produced at Natraceutical's plants in Switzerland.





Flavour enhancer

Natraceutical Group's R&D department has developed Talin®, a low-calorie flavour modifier, harvested in the West African rainforests.

Talin® is a natural protein that has a wide range of applications in pharmaceutical, supplements, food and drink – particularly in the field of flavour modification and flavour enhancement.

Talin's® extraordinary performance lies in the structure and nature of the molecule and the way in which it interacts with both taste and flavour molecules. It has the ability to enhance elements of the flavour and sweetener compounds and it can simultaneously mask other elements.

Today, Talin® enjoys more unique and novel uses worldwide than ever before and it surpasses being used as simply a sweetener.

This innovating ingredient is being preformed in the company's production plant in the United Kingdom.

Flavours

Through registered production processes based on low temperature treatments without any use of additives, Natraceutical Group develops a range of high quality natural flavours coming from high quality fruits specially selected from worldwide and authorized providers. That is the way in which Natraceutical Group guarantees a top quality product from origin.

This product line is being manufactured in the company's sites located in United Kingdom and Australia.

Caffeine

Natraceutical Group produces natural caffeine at its plant in Manaus (Brasil). From this site, in the Amazon, the production plant ensures cost-efficient production thanks to the facilities' proximity to natural resources.

This natural resources obtaining is a key factor for further investigation and development of new functional active principles.

Functional ingredients and cocoa derivatives

Natraceutical Group has extensive experience in research and development activities on active and nutraceutical ingredients through applied biotechnology processes for subsequent integration in functional food.

In addition, the research and development teams work directly with clients to offer them not only innovative products but also the possibility of adapting ingredients to the needs and requirements of each client for further enhancing the composition of the end product.

Currently, Natraceutical Group's Ingredients Division is successfully marketing a dozen active compounds used mainly in the food industry due to their healthy benefits. Among the products in Natraceutical's functional ingredients line, there are two of the most innovative functional ingredients in the market:

- **CocoanOX:** a coca derivative with high concentration of antioxidants.
- **Viscofiber:** the unique high-concentrated and high-viscosity beta-glucan available in the market. High and proved benefits over the cholesterol and the prevention of heart diseases.

In addition, to strengthen the fruit and vegetable powder production line, the R&D&I unit has developed two ranges of specific ranges labelled "Fruit for Health" and "Fruit for Life", which have been standardized into distinct active ingredients such as, for example, vitamin C, anthocyanins, fibre, beta-carotene, all of which are highly sought after by the food, food supplement, dietetics and functional nutrition sectors.

Likewise, to strengthen the natural colouring production line, Natraceutical Group has developed a comprehensive range of healthy food colourings featuring natural properties offered by contents such as beta-carotene, copper chlorophyllin, curcumin, etc.

The Ingredients Division also runs a brewer's yeast production line. Brewer's yeast is a natural ingredient and one of the natural sources with higher concentration of vitamin B. It contains 40% proteins of the highest quality, eight amino acids that are essential for a healthy diet, plus one essential amino acid of which only limited amounts are found in cereal protein. Furthermore, brewer's yeast is a natural source of minerals, such as phosphorus, calcium and potassium, and also contains around 36% of carbohydrates.

Additionally the R&D department has developed Yesto-Sel™ range of dried yeasts, which contains a certified quantity of selenium. Selenium is a mineral essential for human metabolism and is required in small amounts. Selenium is a recognised anti-oxidant which mammals can not produce by themselves and therefore it must be obtained from the diet. As an anti-oxidant nutrient, selenium prevents the action of free radicals which are believed to be causative agents behind degenerative diseases, such as premature ageing, cancer and atherosclerosis.





Finally, as specialists in extraction of cocoa-sourced ingredients, Natraceutical Group also markets a further range of products sourced from cocoa, such as cocoa butter.

Currently, the production of functional ingredients concentrates principally at the company's facilities in Spain, UK and Switzerland.

Nutritional Supplements Division

Natraceutical Group entered the European nutritional supplements market in late 2006, following the purchase of Monaco-based company Laboratoires Forté Pharma.

Forté Pharma is France's third largest nutritional supplements laboratory, and the leading French operator in the weight loss segment, with over 17% market share. Well aware of Laboratoires Forté Pharma's leadership position in the French market, Natraceutical's strategic plan following the acquisition of said company provided for the creation of a leading Pan-European brand to foster marketing and sales of their products in pharmacies.

Currently, Forté Pharma is already operating in Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal, Poland, and is now penetrating in Italy —one of the main target markets along with Germany and UK in the second stage of said development plan.

In addition, Forté Pharma also exports products to the former French overseas territories in the Pacific Ocean and North Africa, via local dealers.

The company's portfolio includes more than sixty products in the health, weight loss and beauty segments, and launches 10-15 new products every year.

This division's range of products, all naturally sourced, includes the following treatments:

Health range

Forté Pharma's Health range includes 29 references ranging from multi-vitamin complexes to anti-stress products and formulas for joint pain relief, memory and concentration boosting, reducing the effects of exhaustion or strengthening the body's defences, improving sleep and intestinal circulation, plus a special range of products for treatment of specific menopause-related symptoms.

Weight Loss range

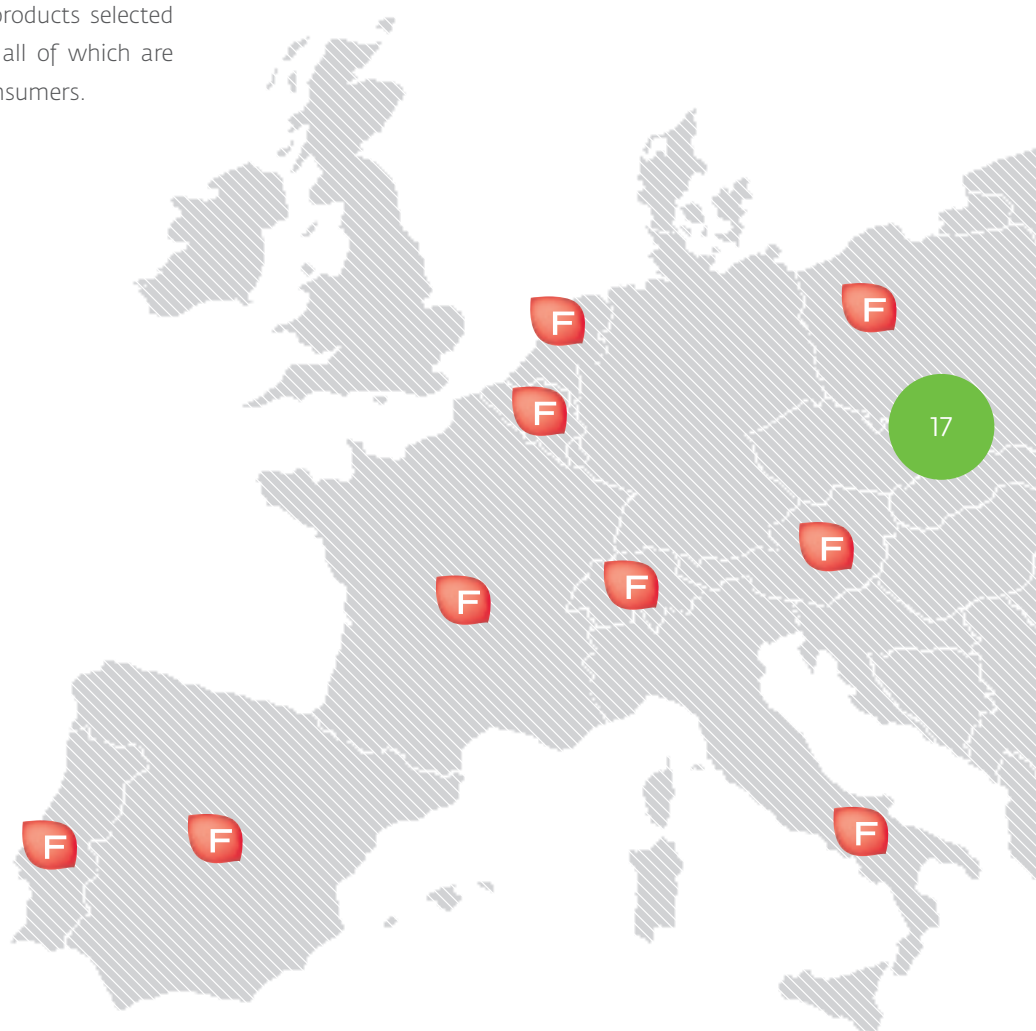
Formulated for the purpose of helping users to lose unwanted weight, but never for cases of severe overweight or obesity, all 23 products of this range include effective formulas that fight liquid retention, leg swelling, abdominal fat build-up and cellulite, help digestion after meals, etc.

Beauty range

Forté Pharma's range of nutritional cosmetic products includes 5 hair and skincare formulations principally for anti-wrinkle, hydration and hair strengthening purposes.

Men's range

It comprises a combination of 6 products selected from the aforementioned ranges, all of which are specifically formulated for male consumers.



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. 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 supplements.

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. 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.

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 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 2006.

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 Supplements 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 supplements 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 sale of all nutritional complement products for pharmacies.



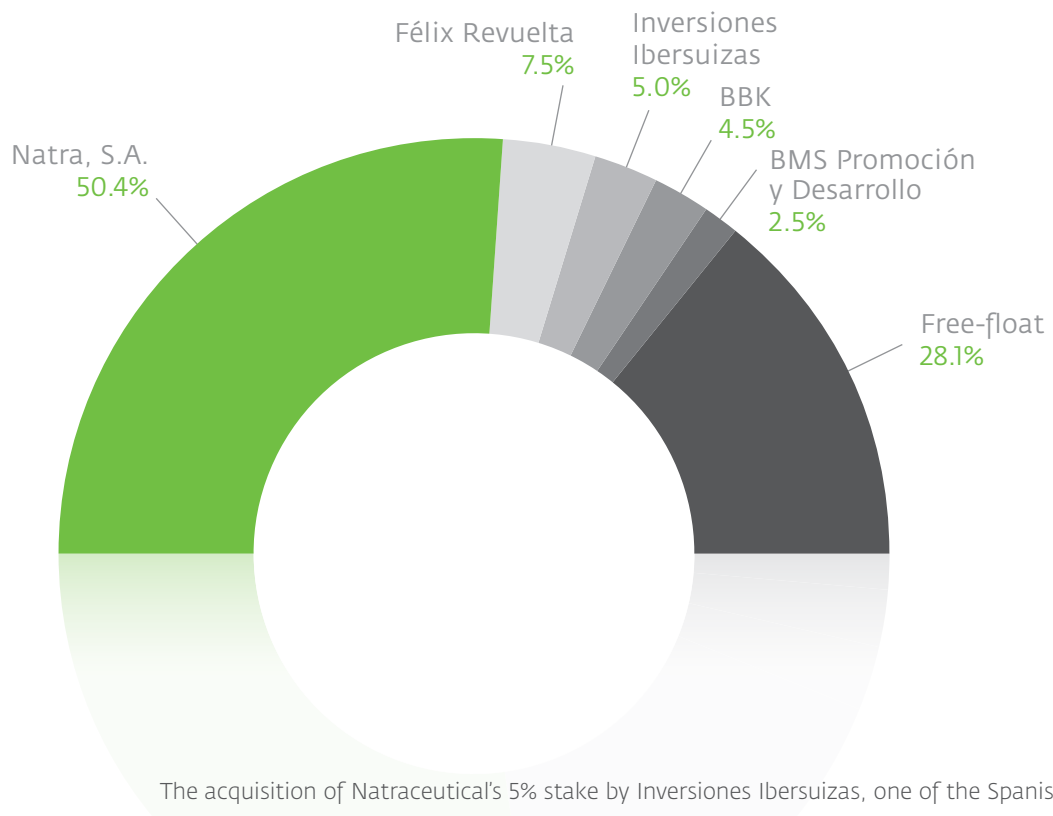
4. Capital ownership

Natraceutical Group's share capital to 31 December 2008 is made up of 328,713,946 fully subscribed and paid-up common shares worth € 0.10 each.

As recorded in the Spanish Stock Exchange Commission, by 31 December 2008 the major stockholders of the company, who owned at least 3% of the corporate stock, were the following: Natra, S.A. (50.4%), Mr. Félix Revuelta Fernández (7.5%), Inversiones Ibersuizas (5.0%) and the Spanish savings bank Bilbao Bizcaia Kutxa (4.5%).

In addition, BMS Promoción y Desarrollo, S.L., represented in Natraceutical's board, held 2.5% of the company's stock.

To 31 December 2008, Natraceutical Group held 6,628,373 treasury shares representing 2.02% of the company's equity.



The acquisition of Natraceutical's 5% stake by Inversiones Ibersuizas, one of the Spanish pioneering independent investment firms, took place in April 2008. Also, Kiluva Group, one of Natraceutical's core stockholders since they bought 5% of the company's stake in December 2007, announced in October the increase of their stake to 7.5%, further consolidating their commitment to Natraceutical's business plan.



5. Board of directors and board committees

To the end of the financial year 2008, the members of the Natraceutical's board of directors were the following:

- Chairman: **Mr. Xavier Adserà Gebellí**
- Chief Executive Officer: **Mr. François Gaydier**
- Independent Director: **Mr. José Manuel Serra Peris**
- Independent Director: **Mr. Ricardo Iglesias Baciana**
- Member of the board: **Mr. Manuel Moreno Tarazona**,
on behalf of Natra, S.A.
- Member of the board: **Mr. Félix Revuelta Fernández**
- Member of the board: **Mrs. Alicia Vivanco González**
- Member of the board: **Mr. José Luís Navarro Fabra**,
on behalf of BMS Promoción y Desarrollo, S.L.
- Member of the board: **Mr. Juan Ignacio Egaña Azurmendi**
- Member of the board: **Mr. José Vicente Pons Andreu**

The company's Shareholders' Meeting, held on 19th June 2008, authorized the increase of the number of members to reinforce the board of directors.



The new appointments were:

- Appointment of Mr. François Gaydier as new Chief Executive Officer, replacing Mr. José Vicente Pons Andreu, who remained as a member of the board.

François Gaydier (48 years old and of French nationality) has a degree in Business Administration by EAP/ESCP Paris and has held executive positions in mass-consumption companies (perfumery and cosmetics) as Rochas, Cosmopolitan Cosmetics (both belonging to the German group Wella) and Procter & Gamble Prestige Products. Natraceutical's new executive officer counts on twenty years of international experience in the field of selective distribution (department stores, perfumeries, pharmacies and drugstores), as well as in the development of both organic and non-organic growth, and a wide experience in the organization and integration of teams. Throughout his professional career, he has lived in France, Germany, Argentina and Brazil.

Before joining Natraceutical, Gaydier was responsible for the perfume and cosmetics markets in the United Kingdom, Spain, Portugal, France and Italy for Procter & Gamble Prestige Products, with also previous experiences in the Scandinavian, Argentinean, Mexican and Southeast Asian markets.

The incorporation of Gaydier takes place as a result of Natraceutical's solid evolution during the last years and, specially, after the company's entrance in the sector of nutritional supplements with the acquisition of Laboratoires Forté Pharma at the end of 2006, when the company designed a strategic plan for the creation of a leading Pan-European brand and the subsequent development of several projects very closely related to this division.

José Vicente Pons, up to that moment CEO of Natraceutical, remained as member of the board of directors, thus reinforcing the Group's growth strategy.

- Confirmation of Mr. Felix Revuelta Fernandez' position as member of the board, following his co-opted appointment in February 2008, in the name and on behalf of his stake in the biotechnological company.

It is worth remembering that Kiluva Group, owners of Naturhouse, the international network of specialized nutrition and dietetics stores with worldwide presence, acquired 5.05% of Natraceutical by late December 2007 —thus becoming the company's leading shareholders.

Following such investment in Natraceutical, Kiluva Group gradually increased their involvement in the biotechnological company, thus further reinforcing the commitment of both companies to the analysis of their multiple common synergies and the assessment of combined shared projects.

- Appointment of Mr. Ricardo Iglesias Baciana as a new independent member of the board.

Mr. Ricardo Iglesias has extensive experience as business consultant and entrepreneur. He was Tavex Algodonera's CEO in 2002-2006, and earlier one of the founders of Inversiones Ibersuizas, as well as of venture company iNova Capital. Mr. Iglesias is currently a member of EDM Holding and Inpelsa's board, and has previously held board member positions at several companies including IT Deusto, Omsa Alimentación (Oscar Mayer), Ola Internet and Befesa Medio Ambiente.

In addition, Mr. Ricardo Iglesias is also the Chairman of the Appointment and Remuneration Committee, where he is in charge of monitoring the group's remuneration policies, overseeing potential conflicts of interest and supervising all operations connected within the Natraceutical Group.

- Re-election of Mr. José Manuel Serra Peris as independent member of the board for a further five-year term.

Natraceutical Group's board of directors has also an Audit Committee and an Appointments and Remunerations Committee, composed by the following members:

Audit Committee

- Chairman: **Mr. José Manuel Serra Peris**
- Member: **Mr. Manuel Moreno Tarazona**,
in behalf of Natra, S.A.
- Member: **Mr. Félix Revuelta Fernández**
- Member: **Mr. José Luís Navarro Fabra**,
in behalf of BMS Promoción y Desarrollo, S.L.

Appointments and Remunerations Committee

- Chairman: **Mr. Ricardo Iglesias Baciana**
- Member: **Mr. José Manuel Serra Peris**
- Member: **Mr. Xavier Adserà Gebellí**
- Member: **Mr. François Gaydier**





Our reality,
100% international





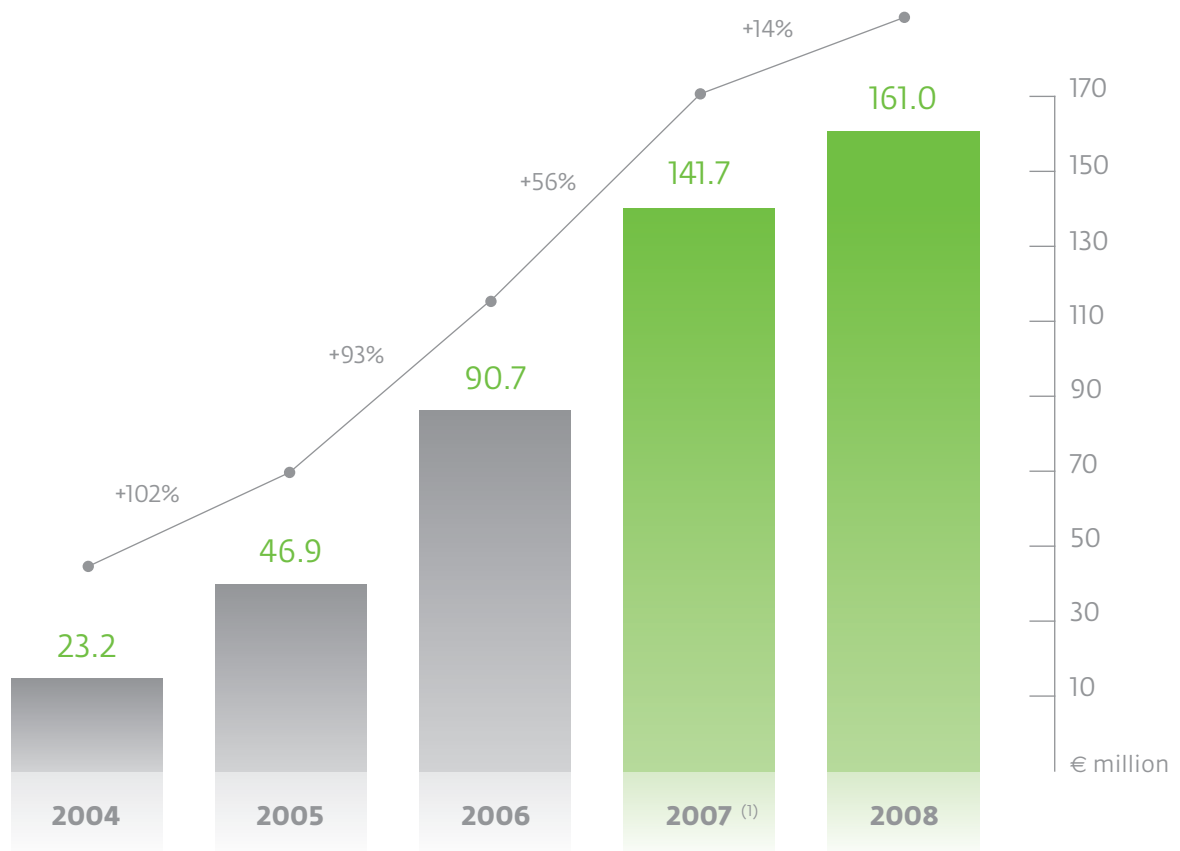
Year 2008 Evolution

1. 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 increased just over seven fold in only four years, an annual growth of 62.3% since 2004.

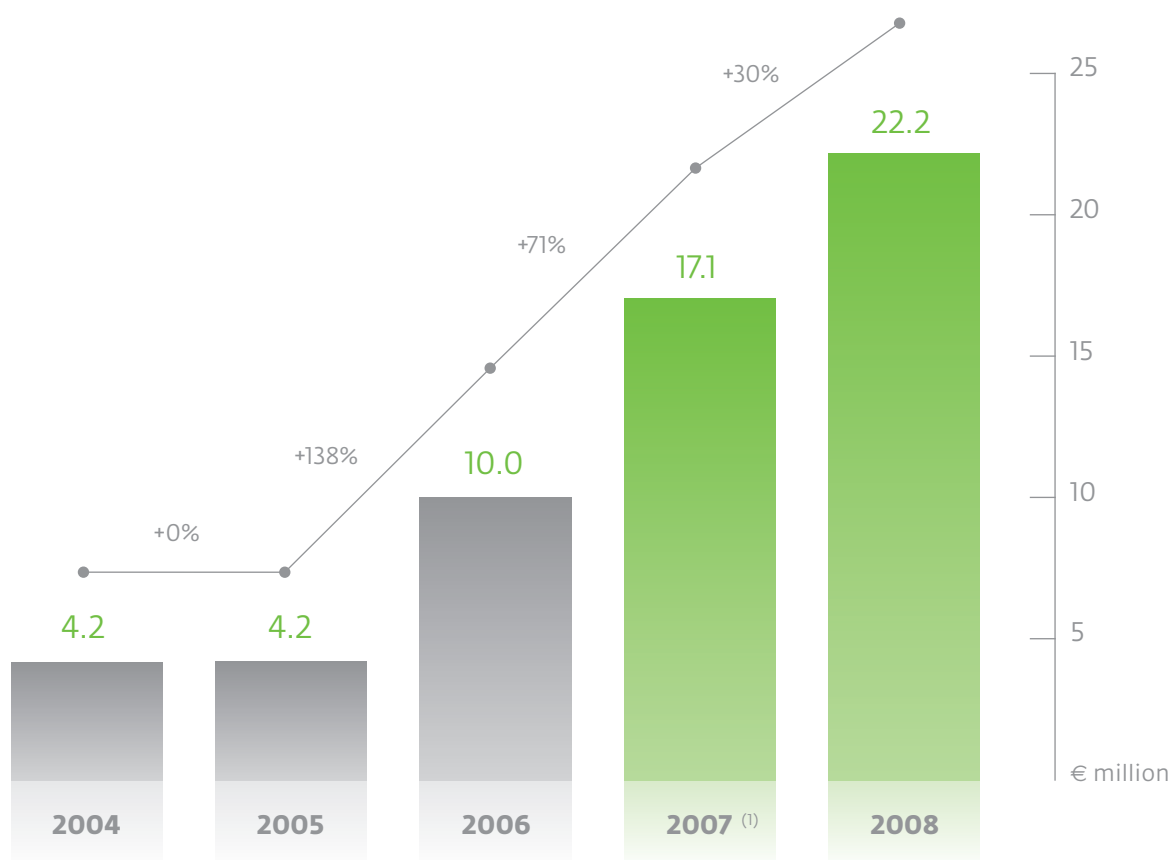
Specifically, and although the current difficult economic circumstances worldwide, the company closed 2008 with a turnover growth of 14% over the previous year.



(1) Since there were discontinued operations in 2008, the consolidated income statement for 2007 included in these financial statements for comparative purposes does not coincide with that approved in the statutory financial statements for 2007 because the income and expenses obtained in that year from the operations discontinued in 2008 were reclassified. The company re-calculated both the revenue and EBITDA of each division for 2007 to make them comparable with the figures for 2008.

Ebitda

In 2008, the company's EBITDA rose 30% as compared with the previous financial year, which is line with Natraceutical Group's growth strategy aimed at holding the ideal balance between growth and profitability. Accordingly, the company succeeded in increasing their EBITDA 5.3-fold since 2004, which led to 51.6% growth in the last four years.



(1) Since there were discontinued operations in 2008, the consolidated income statement for 2007 included in these financial statements for comparative purposes does not coincide with that approved in the statutory financial statements for 2007 because the income and expenses obtained in that year from the operations discontinued in 2008 were reclassified. The company re-calculated both the revenue and EBITDA of each division for 2007 to make them comparable with the figures for 2008.

Recurrent earnings

Since the financial year 2004, Natraceutical Group has experienced a 12% overall growth in recurrent earnings, including a 19.5% increase in 2008. This performance has enabled the company to complete in 2008 their industrial structure-streamlining plan launched in 2007.



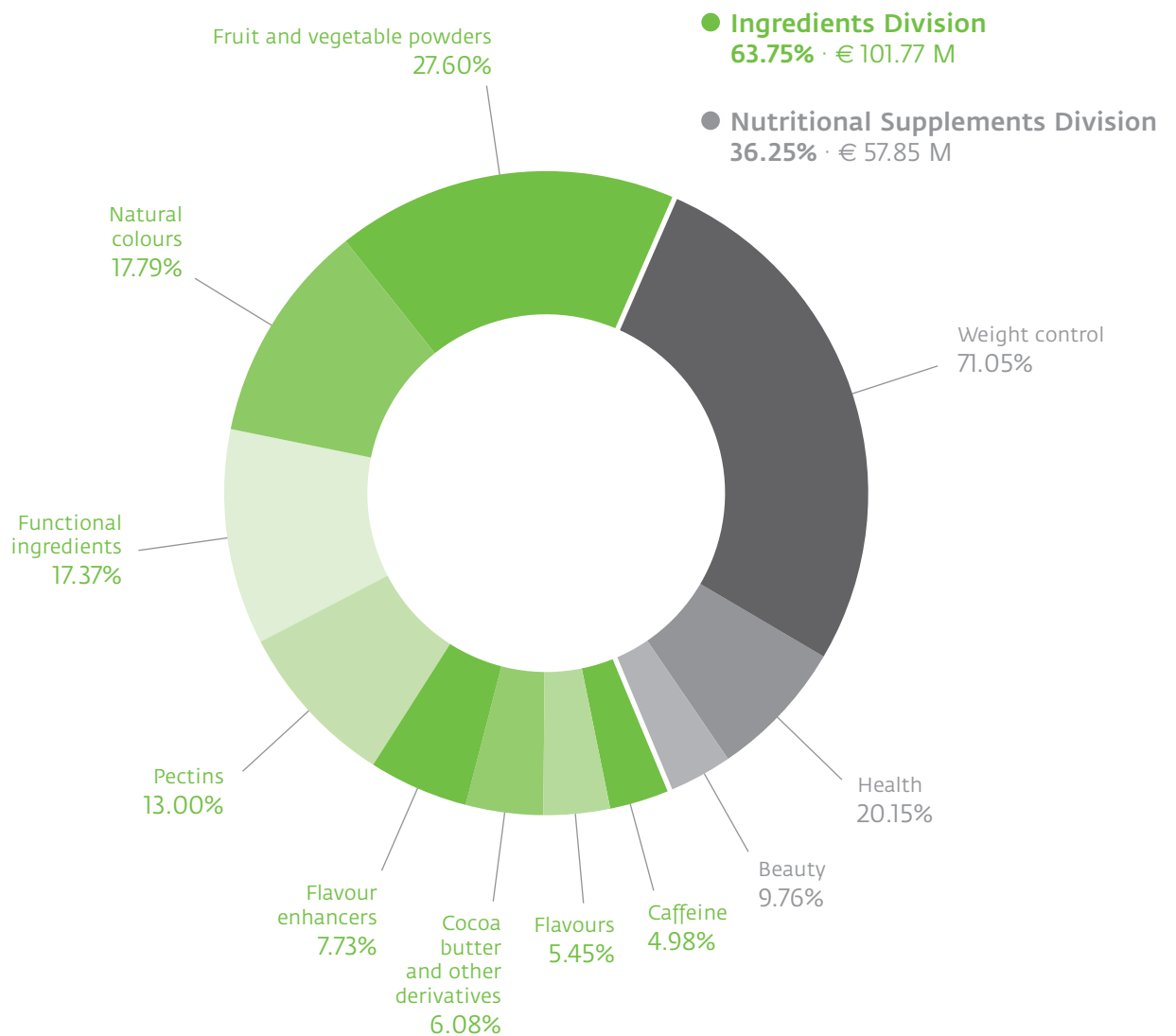
Net profit

In 2008, the company focused primarily on completing their industrial structure streamlining and product portfolio optimization plan for the Ingredients Division, for the purpose of further improving efficiency ratios and operating margins. As a result of said initiatives, first introduced already in 2007, Natraceutical's 2008 net profits were hit by discontinued activities. The company closed the financial year with positive net performance of € 1.49 million, as compared with € 3.84 million the previous year.



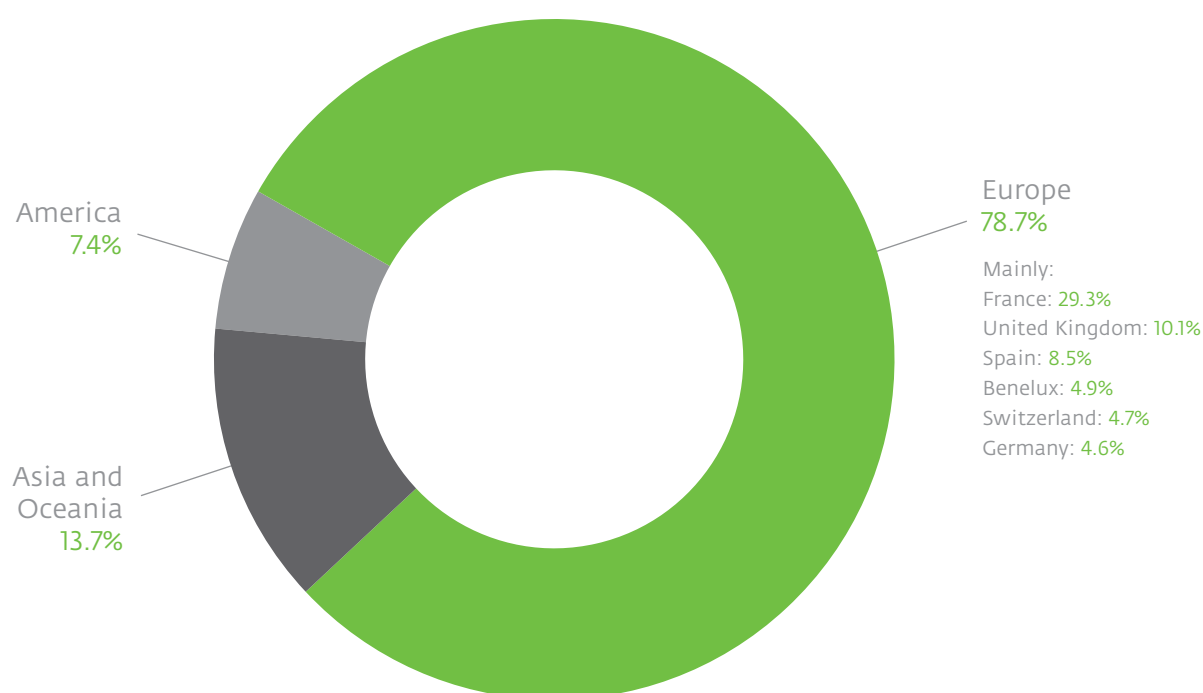
Business turnover by divisions

At the close of 2008, both Natraceutical Group's divisions, as well as each of their respective activities, performed as follows in relation to the company's overall business turnover:



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 91.4% of their business turnover in international markets —the remaining 8.5% of the overall turnover in 2008 corresponding to Spain.

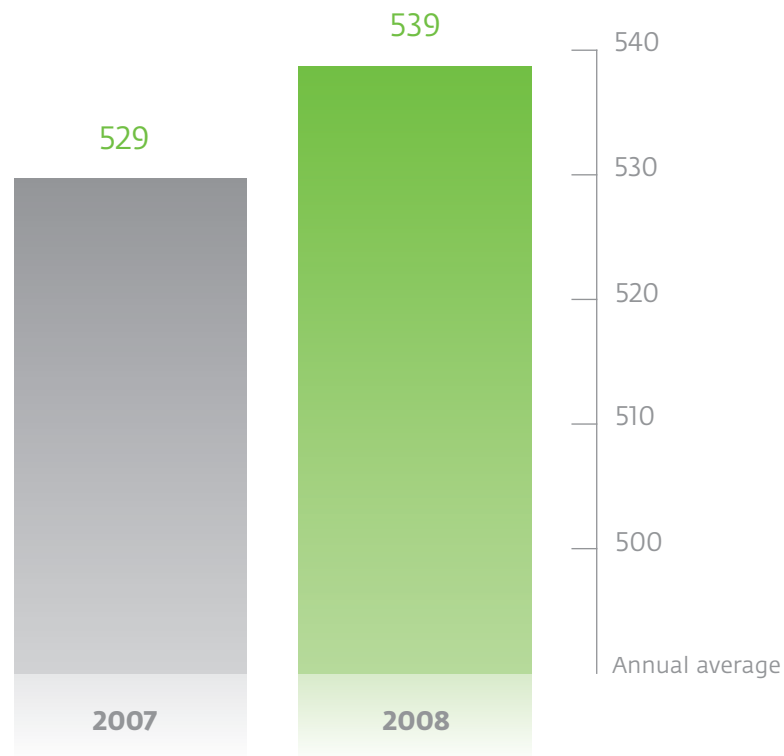


Human resources

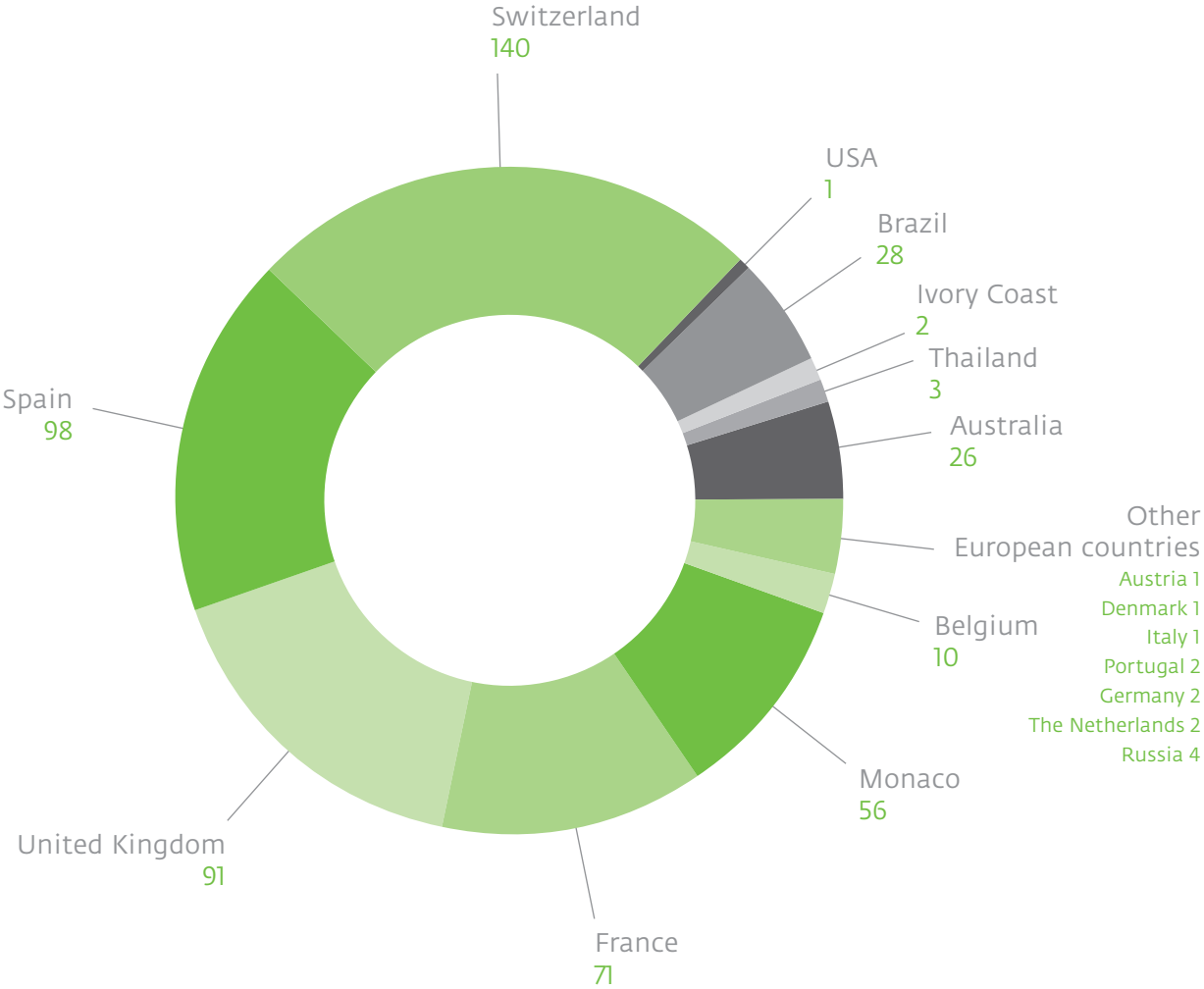
Natraceutical Group is a multinational with a staff of 539 people at the end of 2008.

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





2. Business evolution by divisions

In 2008, the financial crisis brought major challenges to all international markets, challenges that also impacted Natraceutical Group. This situation inhibited several organic growth strategies included in the design of the company's business plan, while financial uncertainty as well as across-the-board credit restrictions during the year reduced the company's chances of furthering their non-organic growth strategy.

Despite this situation, at the close of the financial year 2008, Natraceutical Group's business turnover reached € 161 million, 13.61% increase over the 2007's figures, while the EBITDA increased 29.5% to € 22.2 million. Natraceutical Group closed 2008 with recurrent earnings of € 5.5 million, 19.5% more than the previous year.

Thus, in spite of the complex situation across the board, Natraceutical Group continued its consolidation as a leading company in the functional food and nutritional supplements sector.

Given the financial drivers that the company had to face in order to pursue their ambitious growth strategy under said circumstances, Natraceutical Group's 2008 evolution was significantly marked by the hitherto adopted measures in relation to both the completion of the company's industrial structure streamlining plan and the optimization of the Ingredients Division's product portfolio. Said plan, launched in 2007, featured the chief goal of strengthening and further improvement of the company's future efficiency ratios and operating margins.

Due to the implementation of said streamlining plan, Natraceutical's 2008 net profits experienced a negative impact that amounted to € 4 million. However, the company closed the year with positive net profits of € 1.5 million, as compared with € 3.8 million the previous year.

Ingredients Division

In 2008, and crucially during the first half of the year, besides the special macroeconomic circumstances Natraceutical Group's Ingredients Division had to face the significant increase in the costs of raw materials, triggered by the rocketing of energy prices and the reduction in supplies caused by adverse climate conditions that impacted heavily on the performance of crops.

In this scenario, the Ingredients Division focused on both streamlining their industrial structure and consolidating their current activities in order to save their existing operating margins.

The initiatives implemented during the year enabled Natraceutical to complete the task of reengineering several production processes in all six plants run by the Ingredients Division in Australia, Brazil, UK, Switzerland (2) and Spain. During recent years, the company's production in Valencia (Spain) was gradually reduced as a result of the discontinuance of several product ranges that were providing increasingly poorer operating margins and turnovers. As a result, only cocoa-sourced functional ingredients were produced in Spain, representing a mere 5% of Natraceutical Group's overall business turnover. This situation led to the final decision to outsource this production, and the board decided to discontinue said activities and sell the business to Natra Group, on account of their capacity for optimization of these products' business and production processes on the acknowledgement of the company's leadership position in the European cocoa and chocolate market.

In relation to R&D, the Ingredients Division continued developing new principles and applications in 2008, which enabled the company to patent a brand new naturally sourced bioactive principle featuring anti-hypertension and anti-degenerative action. It also led to the implementation of a comprehensive service that combines product and industrial technology for development, which was also jointly patented with Swiss company Bühler, the world's leading company in the food industry technology sector.

Specifically, in May 2008, Natraceutical announced their association with Bühler for the purpose of working on combined development activities, which led to the launch of an exclusive cocoa-sourced ingredient featuring high contents in polyphenols (antioxidants) and low contents in theobromine (a harmful alkaloid for the health of numerous pet species) for the functional pet food market. Said association also focused on implementing the industrial technology required for the corresponding production process, which prevents the degradation of the cocoa's anti-oxidant properties. This exclusive service ensures a high concentration of healthy compounds in the final product to which said ingredient is added.





The project developed with Bühler targets the fast-growing European high-end dog food market, in which Natraceutical had had practically no presence up to said date.

By way of example, the European dog and cat pet food industry reached a market value of € 13 million in 2007 alone, of which an estimated 30% corresponds to high-end pet food products —the target of said patent.

In addition, the company announced in September the request for a patent for a brand new functional ingredient sourced from vegetable raw materials. This new ingredient is a bioactive peptide extracted from cocoa, which Natraceutical Group's R&D Department had demonstrated to have anti-hypertension and anti-degenerative properties.

Peptides are short-chain proteins, which, therefore, can be absorbed faster by the human organism. A large body of research has demonstrated that certain bioactive peptides extracted from proteins can have beneficial effects on health, above all in relation to its effects on an enzyme that is key to blood pressure control. Likewise, these peptides are also known for their capacity for inhibition of an enzyme connected with memory loss, learning processes and Alzheimer's.

Apart from proteins, healthy cocoa-sourced ingredients include fibres and polyphenols (anti-oxidants). With said ingredients, along with the brand new patent, Natraceutical Group has completed their range of cocoa-sourced functional ingredients —as the company already owned several patents for cocoa-sourced anti-oxidants and fibres.

In 2008, the Ingredients Division's sales rose by 21.46% as compared with the previous year, reaching € 101.77 million. The excellent behaviour of the major business lines, based on fostering product portfolio cross-selling between clients of different product ranges, was key to ensuring growth in business turnover in spite of the aforementioned highly complex macroeconomic environment.

It is worth mentioning that the Ingredients Division's sale, which are carried out in several currencies, suffered in 2008 the impact of pound sterling and US dollar exchange rate fluctuations, with losses of € 2 million reflected in this year's profit and loss account. Also noteworthy was the impact of the discontinuance in 2007 of poor performing products, such as synthetic caffeine, on the Division's sales. This was the reason behind a € 6.5 million drop in this Division's turnover in 2008.

The cross-selling commercial activity between clients of all ingredients lines enabled the company to strengthen the portfolio's most innovative products, precisely the products that offer the best operating margins. Furthermore, the business relationship based on cocoa-sourced functional ingredients between Natraceutical and its parent company Natra was further boosted as functional food products were added to the private label. This has become a further economic driver that enabled the Ingredients Division's EBITDA to rise 38.46% in 2008 compared with the previous year, reaching € 18.1 million and a 17.7% EBITDA margin on sales.

Nutritional Supplements Division

In the framework of the international financial downturn, the Nutritional Supplements Division, which markets Forté Pharma-branded products, was forced to face a shift in nutritional supplement consumer trends in the major European countries in which the company operates. The trend shifted to consumption of health (multi-vitamins, phytotherapy, relaxing products, etc.) and beauty (oral cosmetics) supplements in detriment to weight loss products. This shift had a profound negative impact in all major Southern European countries, where Forté Pharma's current business activity is stronger, as consumer habits are more related to cosmetic products than in other European countries, where consumers are more prone to buy health-related products.





Said consumer trend shift led to a significant drop in the sales of nutritional supplements in Southern Europe and above all in France, where the weight loss sector represents 30% of the overall food supplement market. This turn of events slowed down the growth of this Natraceutical's division in 2008, as 70% of their sales correspond to the weight loss product range, and France is their natural market.

Yet, the Division managed to hold its business turnover close to the levels reached the previous year (€ 57.8 million in 2008) thanks to two factors: the strength of the brand Forté Pharma and the investments made in previous years for the development of the company's health and beauty products, which in 2008 led the company to launch fifteen new products in this two ranges. In this scenario, the Nutritional Supplements Division's EBITDA reached € 6.72 million in 2008, compared with € 7.31 million in 2007, and an EBITDA margin on sales of 11.6%.

Following the acquisition of Laboratoires Forté Pharma in late 2006, Natraceutical had already included investments in the health and beauty ranges in the company's business plan, for the purposes of balancing out and performing seasonal adjustments of their product portfolio, strengthening their positioning as one of the leading European nutritional supplements laboratories, and further strengthening the organization to boost their presence in the most promising markets for these product ranges. Currently, the company's portfolio includes over sixty products in three ranges, featuring 31 health, 26 weight loss, and 6 beauty products.

In spite of the dropping consumption effects on the performance of weight control products, and thanks to the strength of the brand, Forté Pharma not only managed to keep turnover close to the previous year's level and their leadership position in the weight loss market, but also increased its positioning in the all-important French market (where it secured 17.4% of the national market share), as well as in all other countries where the firm operates. Thus, Forté Pharma further reinforced its positioning as the third most important laboratory in the French nutritional supplements market and absolute leader in the weight loss segment.

In addition, it is noteworthy that business turnover managed to remain steady in countries where Forté Pharma is strongly positioned, while it enjoyed significant growth in recently penetrated markets, such as Portugal, The Netherlands and Italy.

Furthermore, the company's marketing and advertising investment policy remained strong throughout 2008, and their European sales network was further strengthened by several actions, including the creation of a subsidiary in Portugal, which enabled Forté Pharma to further increase the number of pharmacies in all countries where it operates.

To back up their marketing strategy, Forté Pharma launched in September 2008 a service designed to provide personalized online support, advice and monitoring in a wide range of wellness, health and beauty topics. The company developed this new business line led by Dr. Yann Rougier, a renowned French neurobiologist, current head of the scientific committee and founder of Forté Pharma Laboratories in 1998.



Natraceutical's online platform (www.yannrougiercoaching.com) offers in its first operating stage a 3-month personalized monitoring programme for metabolism retraining and weight control that targets the French market, while it fosters the responsible consumption and use of nutritional supplements in the diet. This programme is backed by Dr. Rougier's 30 years experience on the fields of neurobiology and nutrition.

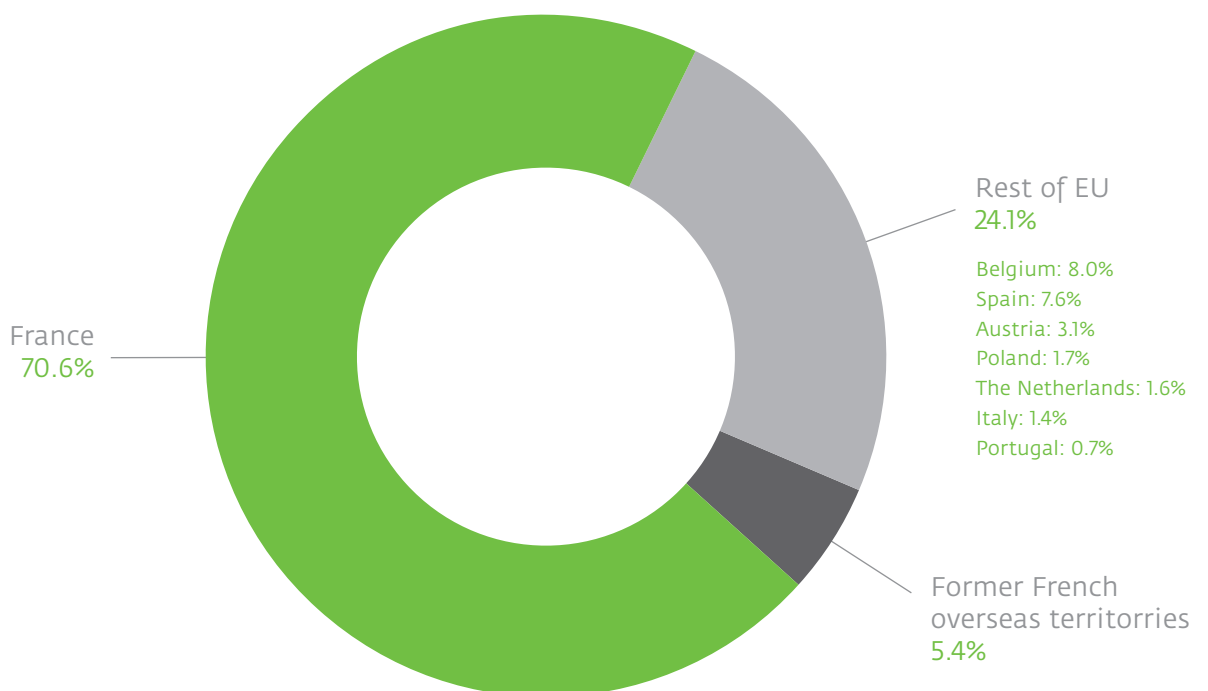
The company is planning to further develop gradually the advice and support topics on the basis of research conducted by Forté Pharma's scientific team in the areas of wellness (stress, menopause effects, etc.) and beauty (anti-cell ageing, skincare, hair loss, etc.), as well as the firm's scope of action in all other markets in which it operates.

By way of example regarding online use of products and services, in 2007 France was ranked number seven in terms of number of users. It was also the third European country in online sales, with twenty million online shoppers and turnover of € 16 thousand million.

During the second year of activity, Natraceutical Group's Nutritional Supplements Division held the leadership position in their original market, France, as it notably boosted international operations, with a 9.2% sales increase over the previous year in countries other than France.

Currently, Forté Pharma operates in France, Belgium, The Netherlands, Austria, Switzerland, Spain, Portugal, Poland and now also increasingly in Italy. In addition, the company holds business relations with former French overseas territories in the Pacific area and North Africa.

Forté Pharma's total turnover in 2008:
€ 57.8 million



The Nutritional Supplements Division's business model is chiefly based on the creation of a primarily own commercial network, backed by an important investment in marketing and advertising, to further boost the division's penetration in all countries where it operates. Accordingly, in 2008, Natraceutical Group earmarked 32.7% of this division's overall sales for investment in marketing and advertising in order to further strengthen the positioning of brand Forté Pharma. In addition, the company continued investing in the growth of the product range leading to the creation of an umbrella brand that would reduce the heavily seasonal character of the weight control range, the company's current major business line.



3. Financial structure of the company

The best indicator of the company's financial viability in 2008 was the company's ability to meet all financial ratios set for the syndicated loan granted to the company in 2006. The main financial ratio met was the Net Debt/EBITDA, which remained under 3.7 points, as specified in the syndicated loan contract for 2008.

Liabilities to the end of financial year 2008 amounted to € 69.6 million. This figure included € 7.6 million set aside for financing the company's treasury stock (option plan plus freehold treasury shares)

Short-term and long-term bank loans bear interest ranging from 3.04% to 7.75%. To the end of 2008, 42% of the debt was pegged to a fixed interest of 5.4%.

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.

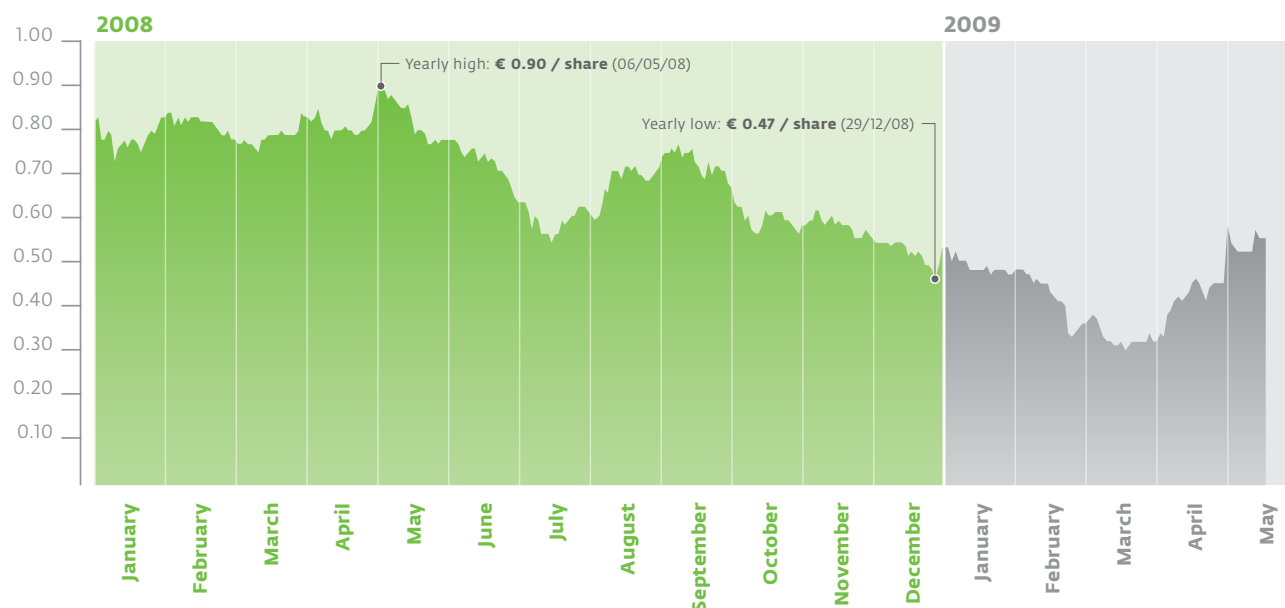
Finally, due to the international scope of Natraceutical Group's operations, the company is exposed to the risk of exchange rate fluctuations affecting currency exchange operations, specifically those involving US dollars, Sterling Pounds, Brazilian Reals and Swiss Francs. Generally, operations facing 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.



4. Stock market evolution

Monthly quotation

Year's end: € 0.50 / share (30/12/08)



The parent company's corporate capital on December 31st 2008 is made up of 328,713,946 fully subscribed and paid-up common shares worth € 0.10 each.

Natraceutical Group's market quote dropped 39.02% in 2008, down from € 0.82 per share on January 2nd 2008 to € 0.50 per share on December 31st, with average trading volume of 514.816 shares per day. Accordingly, the company's market capitalization was set to € 164.356.973 million at the end of 2008.

Stock value reached its annual maximum on May 6th, with € 0.92 per share, even though it ended the day at € 0.90 per share. The minimum value was reached on December 29th, at € 0.47 per share.

The basic profit per share in 2008 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. At the end of 2008, the company held 6.628.373 own shares, representing 2.02% of the share capital.

The evolution of Natraceutical's stock market price in 2008 was directly driven by the international financial downturn, which hit Spain very hard, in a year of great uncertainty and lack of confidence in the markets that specially impacted all small capitalization stocks. Yet, in spite of the 57.97% slump suffered by the Spanish Stock Market's small cap-index (Ibex Small Cap), which includes Natraceutical, the company's stock price dropped 39.02% this year, on a par with the Ibex-35, the main Spanish Stock Market index, which dropped around 38.70% in 2008.



All in all, market consensus reached by analysts who published recommendations for the company during the third quarter 2008 placed the average target price of shares at € 0.65 per share, within a low-high range of € 0.49 and € 0.80.

A major event in 2008 was Inversiones Ibersuizas' acquisition of Natraceutical's stake in April. This independent investment firm gained equity participation following the purchase of 5% of Natraceutical's stock from Natra. Furthermore, Kiluva Group, one of Natraceutical's major shareholders since their acquisition of 5% of the company in December 2007, announced in October the increase of their stake to 7.5%, as a further sign of their commitment to Natraceutical's business plan.

Finally, we need to highlight the positive and upward evolution of the Spanish Stock Market in early 2009, as well as Natraceutical's outstanding performance in the weeks preceding the completion of this document. During the 1 April–15 May 2009 sessions, the Ibex Small Cap gained around 18.29%, while Natraceutical's stock value increased 64.71% to attain a market capitalization of € 184 million. Likewise, the Spanish Ibex-35 also gained 12.63% during these last weeks.

5. Audits

In 2008, 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 2008. As a result, Natraceutical'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 2008 accounts were audited by Deloitte S.L. (unqualified report), available in the CD attached to this Annual Report.

6. 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. 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.

In addition, Nutritional Supplements Division's products (marketed under the brand name Forté Pharma) are sold exclusively in pharmacies and para-pharmacies, to ensure that they are recommended and sold by knowledgeable health professionals.

All Forté Pharma's nutritional supplements 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 supplements), 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 supplements 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.

To this purpose, Forté Pharma is working with groundbreaking food extracts and ingredients that have undergone in-depth efficiency research. The company also conducts independent efficiency research and placebo tests on their end products, and has secured exclusivity agreements involving a large number of original ingredients.

In addition, Forté Pharma requires from all suppliers strict guarantees in relation to the technical and functional specifications of the ingredients included in their nutritional supplements, compliance with ISO standard and good practices.

7. 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.





One more year, the company has 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, since 2007 the company publishes the business report on 100% recycled paper, which is endorsed by the leading international environment management certifications including Blue Angel and European Eco-label.

8. Significant events after the balance sheet date

Following the publication of the 2008 year's results, Natraceutical Group announced in March 2009 the arrival of Mr. Julien Laporte as the new Managing Director of the Group's Nutritional Supplements Division, based in Monaco.

An MBA graduate from the *Ecole Supérieure de Commerce de Reims* (France), Mr. Julien Laporte joined Natraceutical Group after having spent much of his professional career at L'Oréal, where he was responsible for several of the French corporation's brands.

After starting his professional career in Spain as Product Manager for Danone Group, Mr. Julien Laporte joined L'Oréal Europe as Deputy Manager of Garnier Products Division's Marketing Department in 2000, and later he was appointed as Head of Strategy for Ambre Solaire. In 2004, Mr. Laporte was appointed Marketing Director of L'Oréal's Consumer Division for the Baltic countries and, later, General Manager. Since 2006 to date, Mr. Laporte has been L'Oréal's General Manager in Turkey, where he ran a 500-strong department with a turnover of € 80 million.

Thanks to his experience with consumer products for leading beauty brands and first-hand knowledge of international markets, the signing of Mr. Julien Laporte as Managing Director of the Nutritional Supplements Division is no doubt a major step in the process of further strengthening the project of creation of a leading Pan-European brand for the nutritional supplements sector through Forté Pharma.



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