

A smiling woman with long blonde hair, wearing a red top, is holding a small green plant with several leaves in her hands. The background is white.

# **ANNUAL 20 REPORT 12**

**natraceutical**

This report is available on the company website:  
[www.natraceuticalgroup.com](http://www.natraceuticalgroup.com)  
Copies of this report can be requested from the Shareholder Service  
Office (phone +34 93 584 81 85 or e-mail [info@natraceuticalgroup.com](mailto:info@natraceuticalgroup.com))

Design and publishing  
**gosban** consultora de comunicación  
[www.gosban.com](http://www.gosban.com)

Publishing date: May 2013

# INDEX

02

Letter from the Chairman

---

04

Milestones in the evolution of Natraceutical

---

06

Natraceutical, a new company

---

07

Key figures

---

08

Forté Pharma

---

15

Main events in 2012

---

16

Business performance in 2012

---

20

Events after the end of the year

---

21

The share

---

22

Shareholder base and governing bodies

---

23

Consolidated balance sheet and income statement 2012

---

CD

Annual accounts, annual report, report on corporate governance and report on directors' remunerations.

# LETTER FROM THE CHAIRMAN

Dear reader:

2012 has been the year of Natraceutical's transformation.

After three years marked by very special circumstances, both within our own activity and in relation to the macroeconomic situation, Natraceutical is, since January 2013, a new company.

In the next pages, you will find the main events that have marked the evolution of Natraceutical in recent years. It has been a time of complex moments and strategic decisions of much importance, of successes and failures, all of them motivated to a great extent by the unexpected and unsettling circumstances on a worldwide level.

And as the backbone of this transformation, the vision in early 2009 to accelerate the mutation of the company towards a less capital-intensive business model that guaranteed a future for Natraceutical beyond the closure of the credit markets and the decline of the Spanish stock market, on which the company has been listed since 2002 and which had provided in the past such strong support to the build up of our project on an international level.

The objectivity which I am granted by the fact that I was not a member of the board of directors of Natraceutical during these last few years allows me to describe the changes undertaken as brilliant. They enabled Natraceutical to contribute the ingredients division -our main activity, the more purely industrial and, therefore, that which required the greatest financial resources- to one of the leading international companies in the sector and to join forces to enable both companies to exit the world economic crisis in a strengthened position.

At the present time there is no doubt about the uniqueness of this operation. Naturex, the French multinational that integrated our ingredients business and in which Natraceutical has been a reference shareholder in the last three years, is today one of the world's leading companies in the specialty ingredients industry. This is demonstrated by the company's results, the progress of its strong international position and the support of investors through the relentless upward trajectory of its trading price on the Paris stock market. For our part, and as a result of this operation, Natraceutical is today a company with a virtually non-existent debt level or, at least, a level that is fully adapted to its current business operations; a company that plans to significantly reward its shareholders for the first time in its history and, most importantly, a company with a growing business. All this enables us to look towards the future with optimism and enthusiasm.

Parallel to the corporate transaction between Natraceutical and Naturex, Natraceutical's management team has also worked with great intensity in recent years in order that, at this moment of complete and utter focus on the nutritional supplements business, the company may enjoy a bright future in this sector.

With this objective in mind, the board of directors decided that the management team that had led the corporate transaction with Naturex was to take control of the direct management of Forté Pharma. This resulted in a major restructuring of the nutritional supplements subsidiary's management team, and the consequent cost-reduction, and guaranteed an in-depth analysis of the new macroeconomic and consumer circumstances affecting the business. These measures were enacted to implement a strategic plan to adapt Forté Pharma to the new international reality, both in terms of its operational structure and of the development of the product portfolio and its advertising investment plan. The main objective: to ensure the positioning of Forté Pharma as a leading brand in France and a reference in the field of nutritional supplements in Europe, and to open the possibility of exploring new development markets in the future.

Through Forté Pharma, Natraceutical is now a company with sales of 30 million euros, with a gross margin of around 75% and an operating structure primarily focused on advertising investment and its sales force, with approximate costs of 20% and 15%, respectively.

Natraceutical has an average workforce of 104 people, mainly dedicated to product development, marketing and sales force. For strategic purposes, the company does not possess production facilities. This is without doubt one of the key elements of the business, taking into account the installed capacity in Europe for the production of nutritional supplements.

The recovery of nutritional supplements consumption in France in 2012, and especially of the weight control segment -which had suffered three years of consecutive declines of around 20%-, together with the optimisation of the business operations and the cancellation of the entire syndicated loan, which handicapped Natraceutical's bottom line with an annual financial cost of approximately 5 million euros, allowed the company to close 2012 with the conviction of facing a change in the business cycle. The work carried out opens now the possibility of considering growth opportunities in new markets to increase the critical mass and the business profitability through an operational structure that is currently prepared for new challenges.

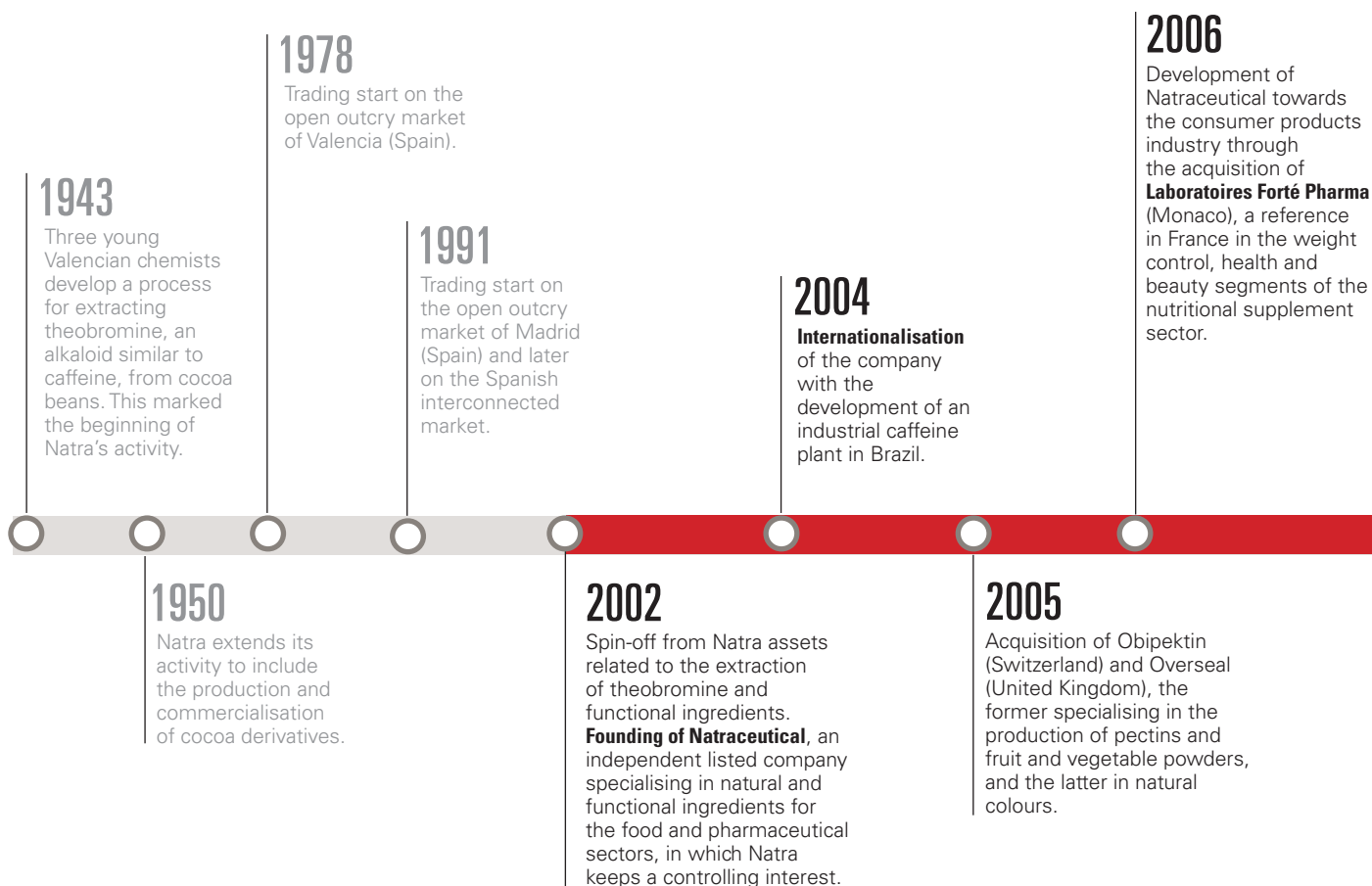
With the desire to continue counting with your interest in and support to the company,

Sincerely,

**Galo Álvarez**  
Chairman

May 2013

# MILESTONES IN THE EVOLUTION OF NATRACEUTICAL



## 2009

**Integration of Natraceutical's ingredients division** into the French listed multinational **Naturex**. Through this operation, Natraceutical became the largest shareholder of Naturex, with a 34% stake and focussed on the development of the company is focussed on the development of nutritional supplements division.

## 2012

Sale of stake in Naturex, **cancellation of the entire syndicated loan** and generation of cash surplus.

## 2007

Acquisition of Kingfood Australia, specialising in the development of ingredients and flavours for the food industry.

Founding of Natraceutical Canada following the acquisition of Viscofiber®, a natural ingredient belonging to the group of so-called soluble fibres.

## 2010

**Refinancing of Natraceutical's debt** amounting to 78 million euros through a syndicated loan with a single maturity in 2013.

## 2013

Natraceutical began the year without the burden of the syndicated financing, **fully focused on the development of Forté Pharma** and announced the first dividend in its history, amounting to 12 M €.

# NATRACEUTICAL, A NEW COMPANY

Natraceutical is a company with a majority of Spanish ownership, listed on the Spanish stock exchange. In 2013 Natraceutical has concentrated its activities in Forté Pharma, a pharmaceutical laboratory which is a reference in the French nutritional supplements industry sold exclusively in pharmacies.

With its origins in natural and functional ingredients for the food and pharmaceutical sectors, Natraceutical consolidated its international presence through several acquisitions in Switzerland, UK, Australia and Canada between 2004 and 2009.

From its position as one of the leading companies in the promotion of health care through nutrition, in 2006 Natraceutical stepped forward towards the consumer industry with the acquisition of the Monegasque nutritional supplements laboratory Forté Pharma.

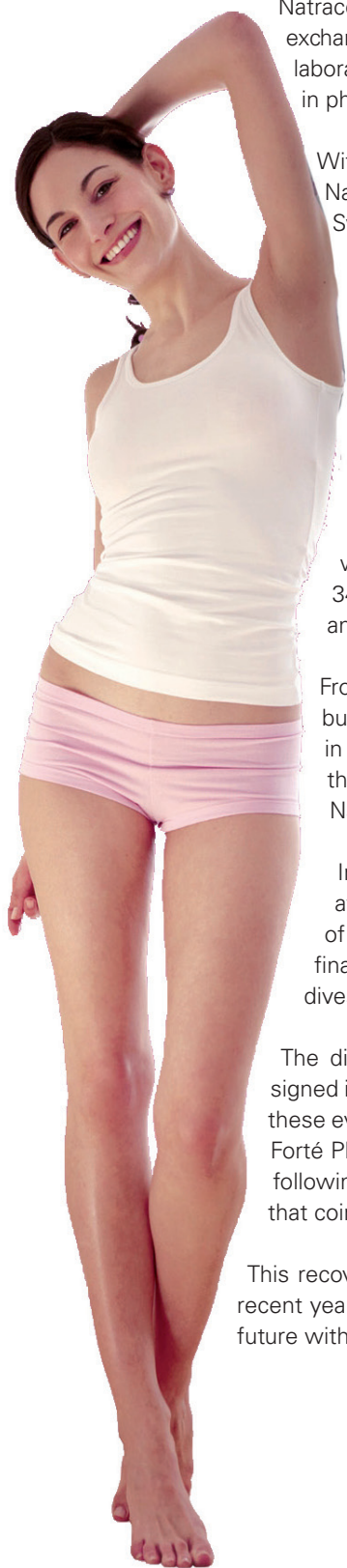
Following the 2008 financial crisis and the ensuing credit crunch, Natraceutical decided to join forces with Naturex, a listed French multinational complementary to Natraceutical in the natural ingredients sector, and to jointly create the largest independent company in the world of speciality ingredients. The operation was implemented in late 2009 through the integration of Natraceutical's ingredients division in Naturex, by means of which Natraceutical became the main shareholder in the French company with a stake of 34%. This strategic movement allowed Natraceutical to refinance its entire debt in 2010, amounting to 78 million euros, through a syndicated loan with a single maturity in 2013.

From that moment onwards, Natraceutical concentrated on adapting Forté Pharma's business model to the new market circumstances and also on the management of its stake in Naturex, whose market value reflected the bonanza of the corporate operation between the two companies from the start. So much so, that in the first year after the transaction, Naturex's share price rose by 56%.

In 2011, Natraceutical gradually reduced its stake in Naturex and, by the end of 2012, after three years as a shareholder in the French company and following a total increase of 93% in the share price during the period, Natraceutical finalised the divestment of this financial shareholding. Through the corporate operation with Naturex and the subsequent divestments, Natraceutical obtained total funds of 149 million euros.

The divestment in Naturex allowed Natraceutical to cancel in advance the syndicated loan signed in 2010 and to close the year with a cash surplus of 16.4 million euros. As a continuation of these events, Natraceutical defined a business plan that was fully focused on the development of Forté Pharma. The pharmaceutical company closed 2012 with a clear improvement in its results following the implementation of the new management strategies in the last two years, a fact that coincided with a recovery in the nutritional supplement industry in France, its main market.

This recovery of the industry, along with operational streamlining of Forté Pharma undertaken in recent years and the financial deleveraging of the business, now allow Natraceutical to look to the future with optimism and attractive growth challenges.

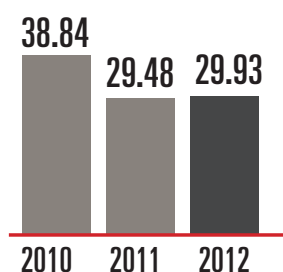




# KEY FIGURES

IN MILLION EUROS

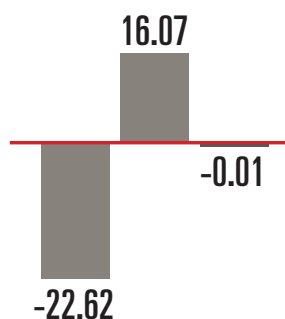
Turnover



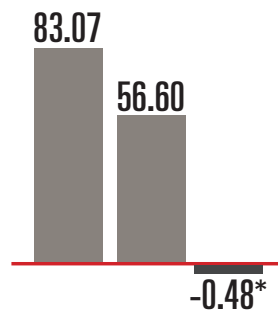
EBITDA



Net result



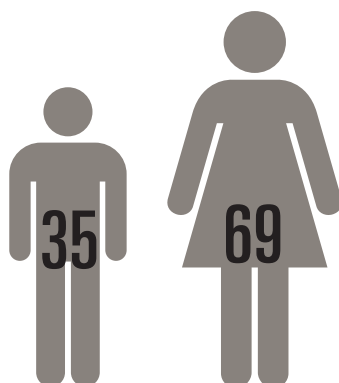
Net financial debt



\* It does not include the cash position of 14.52 M€ following the divestment in Naturex and the cancellation of the syndicated facility

Workforce

104



# FORTÉ PHARMA



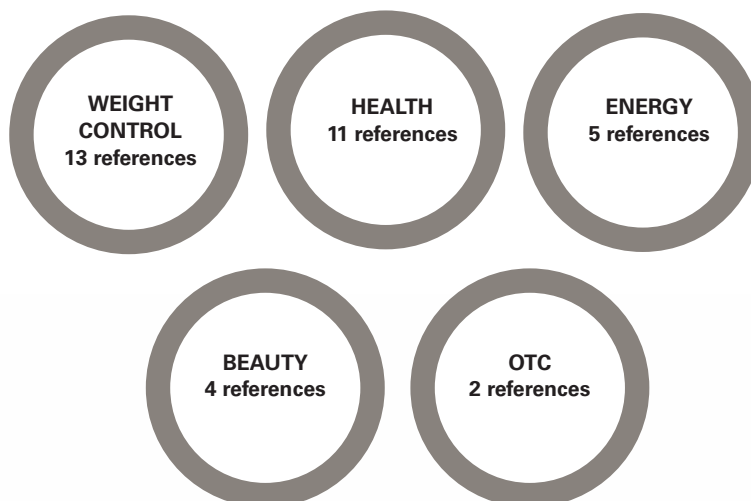
Founded in 1999 by the French neurobiologist Yann Rougier, Forté Pharma laboratories develop and market natural nutritional supplements, sold exclusively in pharmacies.

With a portfolio of more than thirty products in the weight control, health, beauty and energy segments, Forté Pharma concentrates 70% of its sales in France, where it is the fourth laboratory in the nutritional supplements market, leader in the slimming segment with a market share exceeding 17%, and fifth in the energy segment.

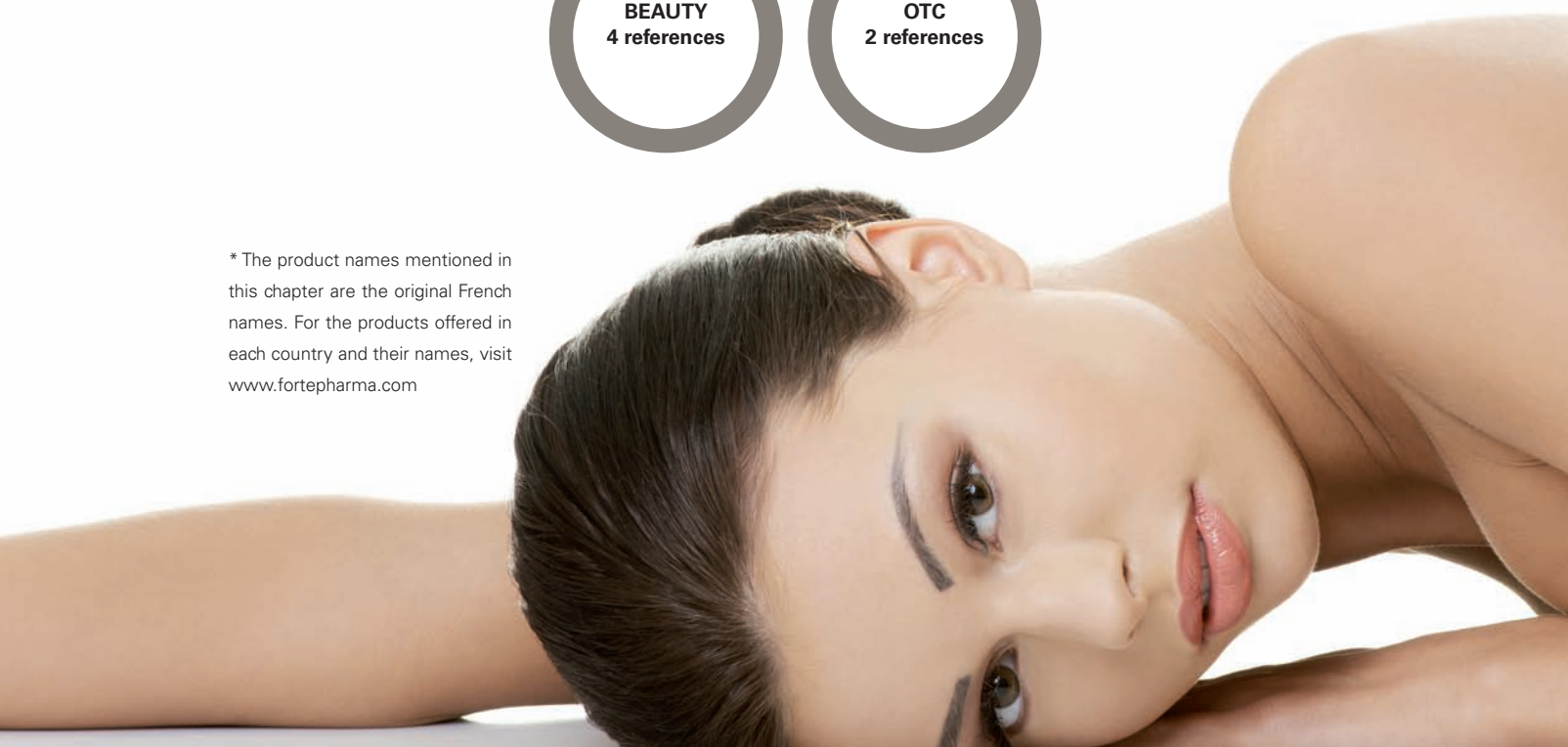
Forté Pharma is present with its own sales network in France, Benelux, Spain and Portugal, and through specialised distribution in over 20 countries.

## I) PRODUCT PORTFOLIO\*

Forté Pharma has a portfolio of more than thirty products in the weight control, health, beauty, energy and OTC segments. The company undertakes constant research into new formulations, enabling it to offer the market around five new references each year, either through the development of new concepts or the improvement of existing products with more innovative ingredients.



\* The product names mentioned in this chapter are the original French names. For the products offered in each country and their names, visit [www.fortepharma.com](http://www.fortepharma.com)



The range of products, all of them of natural origin, includes the following treatments:



## WEIGHT CONTROL

Formulated for a slight weigh loss and under no circumstances aimed at severely overweight or obese consumers, the thirteen products in this range include effective formulations against fluid retention, swollen legs, the accumulation of fat in the abdominal area, anti-cellulite treatments, digestive wellness facilitators, etc.

Forté Pharma presents specific formulations for male and female consumers, as well as products specially developed for certain age groups.

The top products in this category are *Turbodraine*, *Minceur 24*, *Turboslim* and *CaloriLight*.



NEW LAUNCH  
2012



NEW LAUNCH  
2012



## HEALTH

The Forté Pharma health range includes 11 references, ranging from anti-stress products, formulations for reducing pain in the joints, to improve memory and concentration, to reduce the effects of fatigue or increase the body's defences, for a better night's rest or to improve intestinal functions, as well as a range specifically formulated to alleviate the symptoms of menopause.

This range also includes herbal solutions, i.e. formulations with natural active ingredients extracted from organic farming, without artificial colorants, sweeteners, or preservatives.

The top products in this category are *Gélée Royale*, *Chondralgie* and *Défens'Activ*.

## BEAUTY

Forté Pharma's range of nutritional cosmetics includes 4 skin- and hair-care formulations: anti-wrinkle, moisturisers and hair strengtheners, mainly.

The top products in this category are *Expert Cheveux* and *Expert Hyaluronique*.

## ENERGY

The range of tonics and multivitamin covers 5 products for the recovery of energy tone, the improvement of male sexuality and vitamins.

The top products in this category include *Vitalité 4G*.

## OTC

In 2012, and within the context of Forté Pharma's condition as a licensed pharmaceutical laboratory, the company began the marketing in France of its first two OTC products, both belonging to the health range: *Dormicalm* and *Venaclear*. Natraceutical will continue developing OTC products, especially to meet those market needs that cannot be met through the formulation and allegations of a nutritional supplement.

NEW LAUNCH  
2012



NEW LAUNCH  
2012

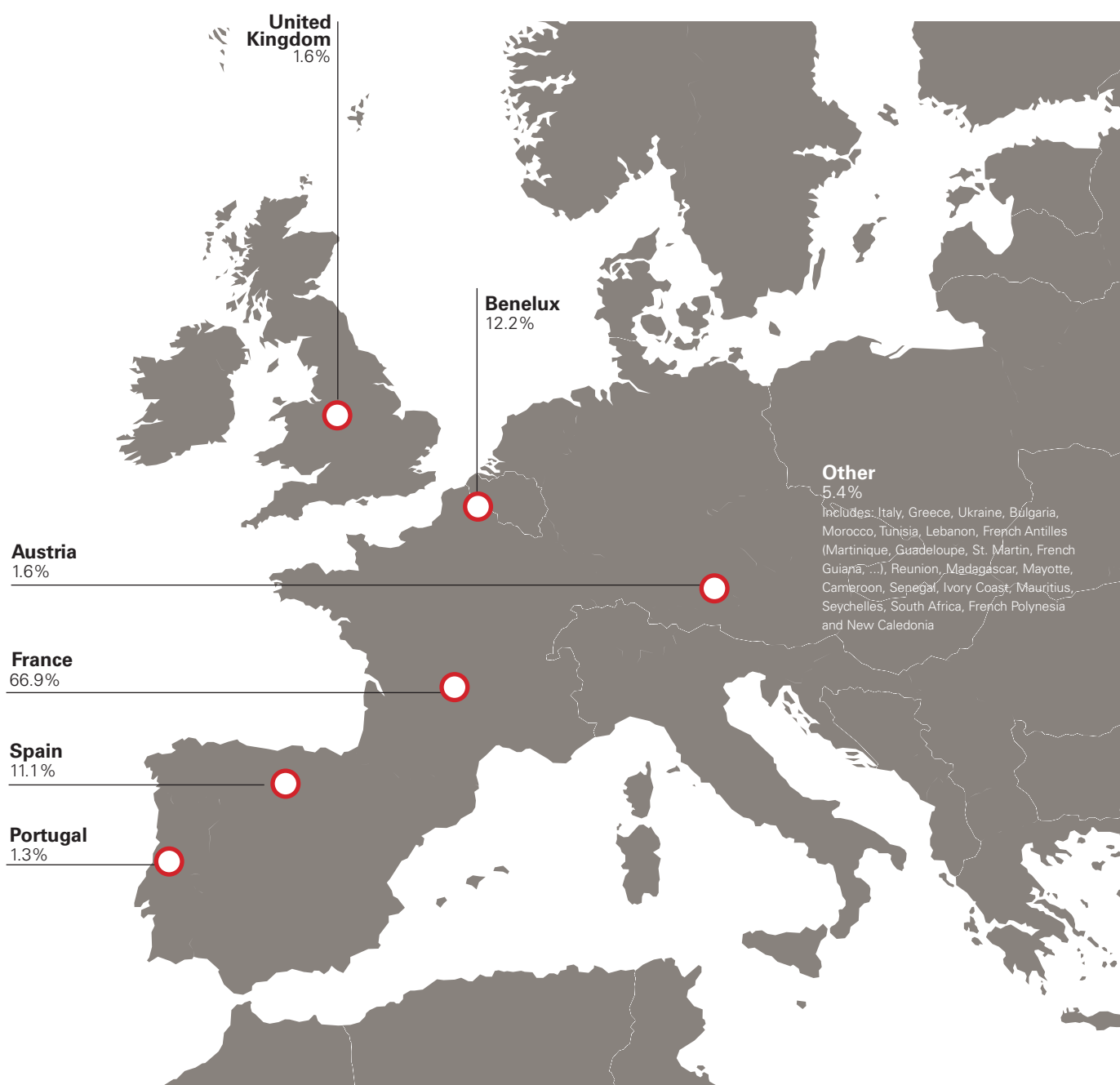
## II) MARKETS

Forté Pharma concentrates 70% of its sales in France, which it is the fourth laboratory in the nutritional supplements market, leader in the slimming segment with a market share exceeding 17%, and fifth in the tonics segment.

Forté Pharma is present with its own sales network in France, Benelux, Spain and Portugal, and through specialised distribution channels in over 20 countries (mainly Italy, Poland, Greece, Morocco, Tunisia, French-speaking islands of the Caribbean and the Pacific).

Also, since 2011 Forté Pharma has marketed its products in the UK through the drugstore chains Boots, Lloyds and Superdrug and, since early 2013, also in Holland & Barrett.

### Sales distribution by country 2012



### III) SALES FORCE

Appart from the commercial agreements with international distributors, Forté Pharma has its own sales force in its three main markets, France, Benelux and Spain, and also in Portugal.

The universe of points of sale in the company's main markets, the target pharmacies featured in the business plan, Forté Pharma's penetration in each market at the end of 2012 and the composition of the own sales force is as follows:

#### Points of sales and sales force 2012





## IV) MARKETING AND ADVERTISING

Between 2011 and 2012, Forté Pharma carried out a strategic redefinition in terms of its marketing and advertising campaigns in order to adapt them to the situation of consumption in Europe and to the company's interest in gaining proximity to consumers and supporting the chemists' prescription work. The company extended its brand visibility in the points of sale and strengthened its advertising campaigns in press and radio.

This has enabled Forté Pharma to optimise its advertising and marketing investments from 30% of sales to 20% today, whilst simultaneously improving turnover.

**FORTÉ PHARMA LABORATOIRES**

Votre coup de fouet 100% naturel!

**ÉNERGIE VITALITÉ 4G**

Nouvelle Formule  
• Concentrée • Naturelle

Le complexe naturel 4G  
Ginseng, Ginseng, Ginseng, Ginseng

Entrez coup de fouet immédiat

Pour votre santé, manger au moins cinq fruits et légumes par jour. [www.mangerbouger.fr](http://www.mangerbouger.fr)

**FORTÉ PHARMA LABORATOIRES**

¡Ofrécete una nueva silueta!

**TURBOSLIM DOBLE ACCIÓN**

Apoya:

Quemar las calorías Controlar el apetito

INNOVACIÓN

**TURBOSLIM DOBLE ACCIÓN**  
Alinear la silueta gracias a la doble acción de sus activos de origen natural.

1 Ayuda a controlar el hambre y por lo tanto a limitar el aporte de nuevas calorías gracias a la acción del Wakame, un extracto concentrado de alga.

2 Contribuye al metabolismo de las grasas gracias a la asociación del Wakame, del Ginseng y del Zinc.

Turboslim Double Action capsule formulation contains a combination of 70 herbs and ingredients extracted from "Turboslim" an extract of herbs and other natural products.

Además, descubre el nuevo **TURBOSLIM Zonas Rebeldes**

7 productos en 1000 comprimidos

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

**FORTÉ PHARMA LABORATOIRES**

Blaas uw gewrichten nieuw leven in!

**CHONDROSAN**

Na verloop van tijd worden uw gewrichten zwakker, waardoor u algehele en een gedeeltem flexibiliteit begint te ondervinden. Zorg opnieuw voor bewegingsvrijheid met Chondrosan.

De 100% innovatieve formule van Chondrosan combineert silicium, kurkuma en collageen type II, een van de belangrijkste stoffen in het kraakbeen.

Wanneer heeft u al deze belangrijke stoffen nodig?

Vrijdagsmiddag 14u tot 18u en zaterdag 10u tot 12u

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

**FORTÉ PHARMA LABORATOIRES**

el Slimming brand in France®

"We have found the French secret to slimming. Have you?"

**TURBOSLIM RANGE**

Natural plant extracts

Scientifically proven

Unique dietary ingredients

You want to lose weight and you're looking for natural and effective solutions?

Forté Pharma Laboratoires offers you Turboslim products, slimming food supplements products adapted to your needs and already tested by millions of consumers in France.

- Turboslim Chocapactive, a day & night slimming solution which works efficiently with the natural rhythm of your body.
- Turboslim Calorie Trapper, a slimming aid to control your calorie intake.

Available with accurate response, Turboslim products have no side effects.

Take them as part of a balanced diet and exercise.

Find more details on [www.fortepharmalab.com](http://www.fortepharmalab.com)

Available at **HOLLAND & BARRETT the good life** leading pharmacies and Health & Beauty retailers nationwide

Advertising for France, Spain, Benelux and the United Kingdom

## V) R&D

Forté Pharma laboratories formulate effective solutions using the vast experience accumulated in cellular nutrition research through the work carried out by Dr. Yann Rougier, the company's founder and scientific director.

With synergistic formulas adapted to the body's biological rhythm and combining optimal doses of natural micro-nutrients (vitamins, minerals, amino acids, enzymes, plants, etc.), Forté Pharma's R&D team has developed a true innovation in the field of cellular nutrition.

A new focus on food supplements in response to the great evils of our time (excessive workload, fatigue, stress, aging, menopause, memory, etc.), by regenerating the vital resources of each organism.

Modern-day activity imposes a biological and nutritional challenge on our organism. The research carried out at Forté Pharma enables the counterbalancing of these deficiencies by means of unique formulations that act on the essential core: the right to wellbeing, health and beauty.

## VI) QUALITY AND SAFETY POLICY

Forté Pharma's products comply with French and European regulations, as well as with the new European regulations on health and nutritional claims, which came into force in December 2012. This concern for quality and product effectiveness is reinforced by faultless traceability, from the raw materials to the finished products.

Each formulation is accompanied by toxicity tests and microbiological and nutritional analysis which, in addition to ensuring a product's quality and safety, certify its effectiveness.

Similarly, most of the active ingredients employed by Forté Pharma are carefully selected and unique to the company.





# MAIN EVENTS IN 2012

## **I) SHAREHOLDING IN NATUREX**

On December 5, 2012 Natraceutical announced the last divestment of its ownership interest in the French multinational Naturex.

This represented the closure of a process that began in late 2009 with the integration of Natraceutical's ingredients division in Naturex, by means of which Natraceutical became its main shareholder. This fact marked the beginning of the financial and business reorganisation of Natraceutical, with a special focus on the nutritional supplements division.

Through the corporate transaction with Naturex and the subsequent divestment of the shareholding, Natraceutical obtained a total liquidity of 149 million euros.

## **II) FINANCIAL DEBT**

Following the integration of Natraceutical's ingredients division into Naturex in December 2009, in April 2010 Natraceutical announced the refinancing of its debt for a total amount of 77.90 million euros through a syndicated loan with a single maturity in April, 2013.

Both events allowed the company to focus its efforts on the development of the food supplements division, with Forté Pharma as its umbrella brand for the weight control, health and beauty lines, sold mainly in Europe exclusively in pharmacies.

Throughout 2011, Natraceutical made prepayments of the loan for a total amount of 26.47 million euros through the gradual reduction of its shareholding in Naturex. The company continued to reduce its debt significantly throughout 2012, an operation that culminated in December with the application of the financial resources obtained in the final divestment against the cancellation of the remaining of its syndicated loan. Additionally, Natraceutical cancelled credit balances maintained with Natra, its main shareholder.

Following these debt repayments, at year-end 2012 Natraceutical's bank financing amounted to 1.47 million euros, related to Forté Pharma's working capital, and the company closed the year with a cash position of 16.44 million euros.

The full repayment of the syndicated loan will enable Natraceutical to reduce its finance costs in a significant manner as of January 2013 from 4.81 million euros at the end of 2012 to around 0.13 million euros for 2013, which should be offset by interest incomes from its cash position.

# BUSINESS PERFORMANCE IN 2012

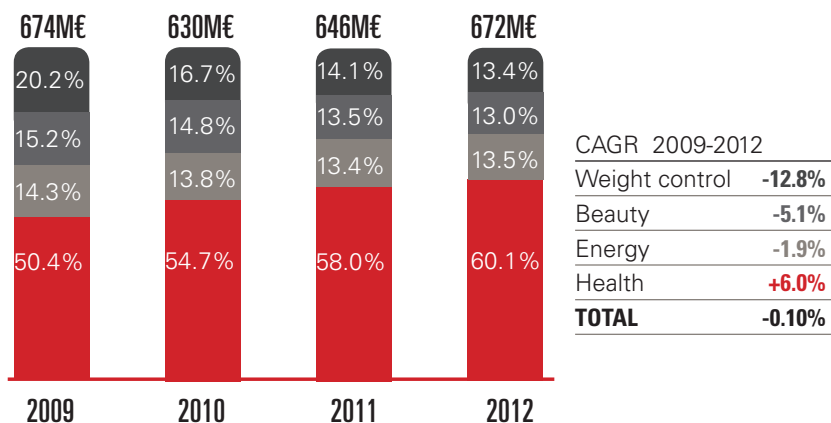
## I) MARKET BEHAVIOUR

The nutritional supplement industry in France, Forté Pharma's main market, grew by 4.0% in 2012. This is the second consecutive year of positive developments in this market, which were mainly driven by the continuous growth of the health segment, the main category in the European markets, which represent 50% of the nutritional supplements sector.

Other relevant factors were the positive development of the tonics segment, which presented a growth of 4.4% in 2012, and the reversal of the tendency in the weight control category which, after falls of 10-20 % in 2010-2011, closed 2012 with a more moderate contraction of 4.4%. The beauty segment ended the year with a decrease of 3%, after falling 5.5% and 9% in the two previous years.

The contraction of the slimming segment in recent years resulted in a normalisation of the specific weight of this category in the French market compared to other European markets. Whilst prior to 2009 weight control products accounted for 30% of the sector's turnover in France, they currently represent 14%, a situation that is similar to that of neighbouring markets.

### Segmentation and development of the nutritional supplements market in France 2009-2012



## II) NATRACEUTICAL

During the fourth quarter of 2012, Natraceutical maintained the positive trend in the performance of turnover initiated in the previous two quarters.

Following the drop in Forté Pharma's sales of 19.5% in the first quarter, the company experienced a recovery in turnover of 3.5% and 8.7% in the next two quarters, respectively, a trend which was repeated in the fourth quarter, with a 44.7% sales increase from October to December 2011. This positive development in turnover was founded on Forté Pharma's sales activity of the vitamins and tonics segments in the third quarter and the penetration in health through new product launches in the third and fourth quarters.

This enabled Natraceutical to close the year with a turnover of 29.93 million euros, an increase of 1.5% in comparison to the previous year, following a contraction of 24.1% in 2011. It may be mentioned that the high concentration of sales derived from the weight control campaign results in around 60% of the turnover being produced in the first half of the year.

### Sales evolution by quarters 2011-2012, in million euros

	2011					2012				
	1Q	2Q	3Q	4Q	2011	1Q	2Q	3Q	4Q	2012
Sales	11.77	7.14	6.19	4.38	<b>29.48</b>	9.47	7.39	6.73	6.34	<b>29.93</b>
Variation						-19.5%	3.5%	6.7%	44.7%	1.5%

### BY PRODUCT CATEGORIES

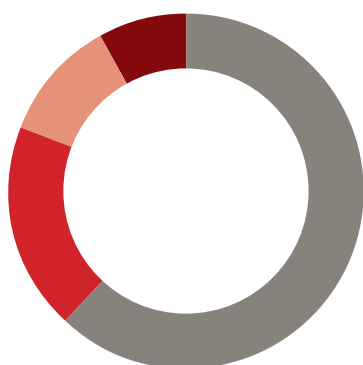
Weight control, Forté Pharma's original activity due to its traditional importance in the French market and a segment in which the company has maintained a leading position for many years, accounted for 61.9% of sales in 2012. Parallel to continue defending this leadership position, which is the presentation card in new markets, in 2012 Natraceutical continued to drive the development strategy of Forté Pharma's health range, aiming to increase its presence in the largest and most dynamic segment in Europe, while balancing the seasonality of its sales during the year. In this regard, the company is also being able to extend throughout the year some of its weight control references.

As part of this strategy, Forté Pharma introduced six new products in France in 2012, four of which belonging to the health segment, one to weight control and one to beauty. Similarly, two OTC products were also launched to the market for the first time within the context of Forté Pharma's condition as a licensed pharmaceutical laboratory.

The weight control category registered a 60% increase in sales in the fourth quarter, following a decline of 11.8% in the first nine months of the year. This development reduced the decline in sales in this category to 5.8% for the whole year.

In turn, the health segment, in which the company is betting heavily, grew 188% in 2012, contributing 7.8% of the turnover. The energy category, representing 19.3%, fell 6.8% by the effect of the delisting in 2012 of one of the products in the range. Regardless of this fact, the energy category sales grew by 4.9% in 2012. Finally, sales of beauty supplements grew by 12.3%, contributing 11% of the turnover.

### Sales distribution and evolution by products 2012



		Trend
Weight control	<b>61.9%</b>	-5,8%
Energy	<b>19.3%</b>	-6,8%
Beauty	<b>11.0%</b>	+12,3%
Health	<b>7.8%</b>	+187,9%
<b>TOTAL</b>	<b>100%</b>	<b>+1,5%</b>

## BY MARKET

By geographical markets, France, which at year-end represented 66.9% of turnover, presented a clear improvement in the second half of the year, with increases of 11.2% and 28.4% in the third and fourth quarters, respectively, following contractions of 23.9% and 1.2% in the first and second quarter, respectively. The activity in the tonics, vitamins and health segments in the second half of the year enabled the company to contain the drop in sales in France to 3.7%.

Meanwhile, the remaining markets registered growth of 12.1%, again strongly driven by the excellent performance in the last quarter.

### Sales distribution and evolution by country 2012



		Trend
France	66.9%	-3,7%
Benelux	12.2%	+2,8%
Spain	11.1%	+9,3%
Austria	1.6%	-24,8%
United Kingdom	1.6%	+37,5%
Portugal	1.3%	-24,2%
Other	5.3%	+115,3%
<b>TOTAL</b>	<b>100%</b>	<b>+1,5%</b>

Benelux, Forté Pharma's second market and which accounted for 12.2% of turnover, ended the year with a recovery of 2.8%. More notable was the evolution of Spain, Forté Pharma's third market, which registered 11.1% of turnover and ended 2012 with a growth of 9.3%. In this latter market, the company improved its position in all distribution channels (pharmacies, key accounts and retailers), while the industry total fell by around 10% in 2012.

Among the smaller markets, the progress made in United Kingdom was notable, ending the year with a growth of 35.7% and becoming the third largest export country. Forté Pharma launched its activity in this market in 2011 and is currently present in the pharmacy chains Boots, Lloyds and Superdrug, having incorporated the Holland & Barrett chain into its client portfolio at the beginning of 2013.

The improved performance of the main markets led Forté Pharma to revive trade relations with countries that had not been considered a priority in recent years, as in the case of Greece, Morocco, Tunisia and the French-speaking islands of the Pacific and the Caribbean. The company will soon start studying its penetration into new strategic markets for the development potential they offer to the nutritional supplements industry.

## **OPERATING RESULTS**

In 2011, Natraceutical launched an operational optimisation plan focused primarily on a redefinition of the media strategy, aimed at adapting it to the consumption circumstances in Europe and to its desire to increase advertising spending at points of sale. This responded to the company's interest in gaining proximity to consumers while supporting the chemists' prescription work. The policy, which also contemplated the optimisation of the sales force, has enabled a reduction of 15% between 2011 and 2013 in terms of personnel costs and a 30% reduction in investment in media and marketing, which represented approximately 20% of sales in 2012, whilst simultaneously increasing turnover.

Natraceutical's current structure is fully adapted to business needs and the reality of the nutritional supplement industry, which will enable a strong operating leverage in the coming years.

Together with the sales recovery, these operational optimisation policies enabled the company to close 2012 with an EBITDA of 0.86 million euros, compared to the loss of 4.14 million euros registered at year end 2011.

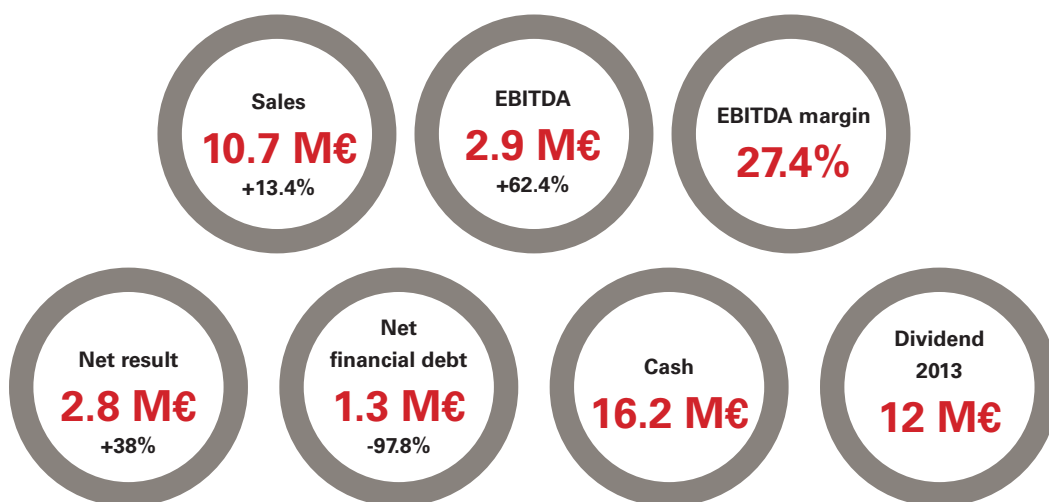
The latest gains on the divestment in Naturex, amounting to 3.35 million euros, and the positive income tax offset the financial expenses and enabled a neutral net result. Comparatively, in 2011 Natraceutical offset an operating loss of 16.68 million euros with the extraordinary gain of 23.07 million euros generated by the change in accounting criteria applicable to its ownership interest in Naturex, thus generating an extraordinary net profit of 16.07 million euros at year end.

# EVENTS AFTER THE END OF THE YEAR

## EXCELLENT RESULTS IN THE 1ST QUARTER

On April 25, 2013, Natraceutical published its results for the first quarter. The first three months of the year confirmed the recovery of the business at the end of 2012, after several years where they were heavily affected by the slump in the weight control sector in France. Following the 18% decline in turnover in the first quarter of 2012 and the recovery in subsequent quarters, the first quarter of 2013 registered a positive sales trend of over 14% which, combined with operational optimisation policies, has afforded Natraceutical an excellent start to the year.

In the first and third quarters of the year, Forté Pharma conducts its pre-sales campaigns of health and weight control products, respectively. This leads these quarters to concentrate certain seasonality in revenues and higher operating margins. By contrast, the start of the selling campaign to the final consumers in the second and fourth quarter respectively, leads to the concentration of the largest advertising expenditure in those months, with a non-linear results evolution throughout the year.



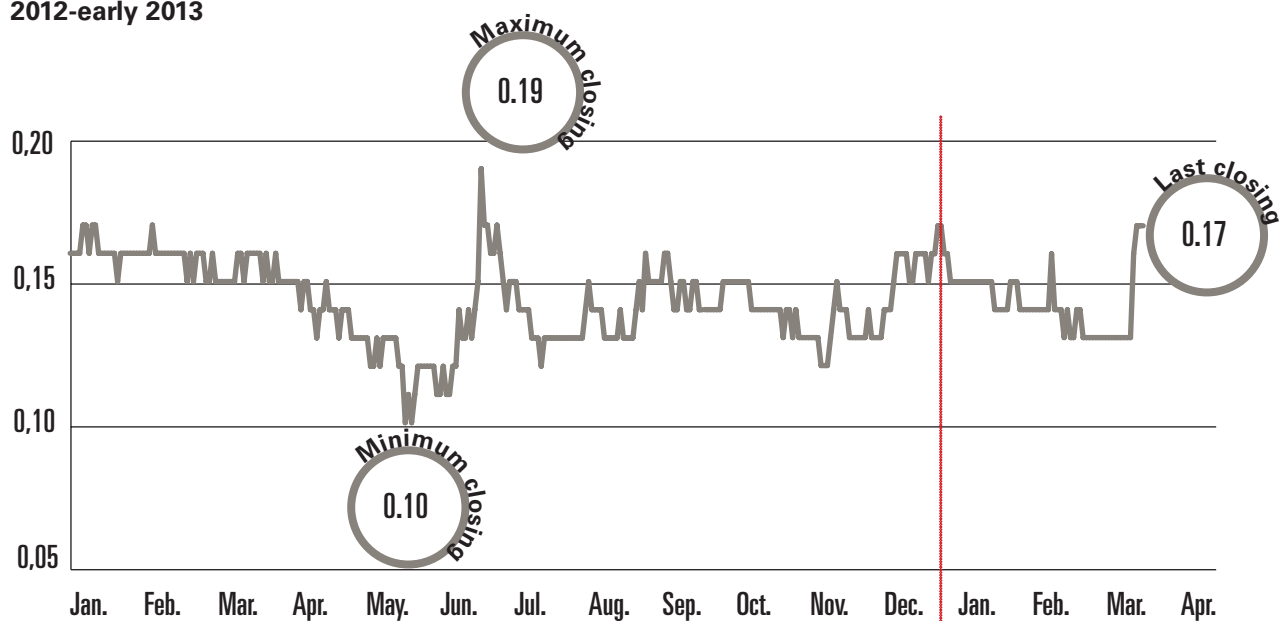
## ANNOUNCEMENT OF FIRST DIVIDEND DISTRIBUTION

The board of directors of Natraceutical, at its meeting on April 24, 2013, agreed to convene the general shareholder' meeting, to be held on May 30, 2013.

As one of the main items to submit to the approval of the shareholders' meeting, the board agreed to allocate the bulk of the surplus cash resulting from the divestment in Naturex to the first dividend in Natraceutical's history, for an overall amount of 12 million euros, which, at the closing of April 23rd's session, implied a yield of around 28%.

# THE SHARE

Share price evolution  
2012-early 2013



## 2012

Variation	-17.3%
Variation Ibex Small Cap	-24.4%
Average trading volume	166,590 shares

## 2013\*

Variation	+33.3%
Variation Ibex Small Cap	+2.5%
Average trading volume	316,323 shares

\* From 1/1/2013 to 30/4/2013

# SHAREHOLDER BASE AND GOVERNING BODIES

## SHAREHOLDER BASE AND BOARD OF DIRECTORS

		Shareholding
Chairman:	Mr. Galo Álvarez Representing Natra, S.A.	50.59%
Vice-Chairman:	Mr. Félix Revuelta	7.69%
CEO:	Mr. François Gaydier	
Members:	Mr. Ricardo Iglesias Representing Ibersuizas Alfa, S.L.U.	5.00%
	Mrs. Maite Lozano At the request of Kutxabank, S.A.	4.60%
	Mr. Juan I. Egaña At the request of Natra, S.A.	0.16%
	Mr. José Luís Navarro Representing BMS Promoción y Desarrollo, S.L.	0.92%
Non-Director Secretary:	Mrs. M <sup>a</sup> José Busutil	
Other shareholdings:	Hispánica de Calderería, S.A.L.	3.03%
	Treasury stock	1.30%
	Free-float	26.71%

## CHANGES IN THE BOARD OF DIRECTORS

On March 7, 2012, Natraceutical announced the appointment as director of Ibersuizas Alfa, SL, represented by Mr. Ricardo Iglesias.

On December 5, 2012 Natraceutical reported a change in the chairmanship of the company, as a result of which Natra, SA, the main shareholder and the company holding the chairmanship of Natraceutical was to be henceforth represented by Mr. Galo Álvarez, in replacement of Mr. Manuel Moreno. Mr. Galo Álvarez has been a director of Natra since July 2011, representing the 5.32% shareholding owned by Barten, SA.

On December 18, Natraceutical announced the appointment of Mr. Juan Ignacio Egaña, chairman of Natra, SA, as a director of the company.

The board of directors of Natraceutical also redesigned the audit committee and the appointments and remunerations committee as follows:

## AUDIT COMMITTEE AND APPOINTMENTS AND REMUNERATIONS COMMITTEE

Chairman: Ibersuizas Alfa, SLU, represented by Mr. Ricardo Iglesias.

Member: Natra, S.A., represented by Mr. Galo Álvarez



# CONSOLIDATED BALANCE SHEET

## IN MILLION EUROS

	2012	2011
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Tangible assets	0.28	0.32
Intangible assets	59.52	59.72
Deferred tax assets	3.20	2.74
Other non-current financial assets	0.15	0.68
<b>Total non-current assets</b>	<b>63.15</b>	<b>63.46</b>
<b>Current assets:</b>		
Inventories	2.79	2.34
Accounts receivable, trade	4.46	6.14
Financial assets at fair value with changes in profit and loss	0.00	82.78
Tax receivables	1.06	1.46
Other current financial assets	15.70	0.00
Other current assets	0.47	0.00
Cash and cash equivalents	1.94	0.71
Group assets classified as held for sale	8.49	8.49
<b>Total current assets</b>	<b>34.91</b>	<b>101.92</b>
<b>TOTAL ASSETS</b>	<b>98.06</b>	<b>165.38</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity:</b>		
Share capital	32.87	32.87
Share premium	103.49	103.49
Other reserves	0.00	-1.21
Accrued earnings	-49.61	-48.57
<b>Total equity</b>	<b>86.75</b>	<b>86.58</b>
<b>Non-current liabilities:</b>		
Financial debt	0.00	10.14
Derivative financial instruments	0.00	0.53
Deferred tax liabilities	0.00	0.53
Other non-current financial liabilities	0.26	7.52
Provisions for other liabilities and expenses	0.25	0.17
<b>Total non-current liabilities</b>	<b>0.51</b>	<b>18.89</b>
<b>Current liabilities:</b>		
Trade accounts payable	6.54	10.44
Tax liabilities	1.24	1.00
Financial debt	1.47	46.66
Other current financial liabilities	0.06	1.22
Other current liabilities	1.49	0.00
Provisions for other liabilities and expenses	0.00	0.59
<b>Total current liabilities</b>	<b>10.80</b>	<b>59.91</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>98.06</b>	<b>165.38</b>

# CONSOLIDATED INCOME STATEMENT

## IN MILLION EUROS

	2012	2011
<b>Revenues</b>	<b>29.93</b>	<b>29.48</b>
Changes in inventories of finished goods and work-in-progress inventories	0.11	-2.90
Procurements	-8.06	-4.93
Other operating income	0.16	0.29
Staff expenses	-8.22	-8.47
Other operating expenses	-13.06	-17.61
Fixed assets depreciation	-0.73	-1.20
Impairment losses and income from disposals of fixed assets	0.00	-11.34
<b>Profit from operations</b>	<b>0.13</b>	<b>-16.68</b>
Financial income	0.16	0.03
Financial expenses	-4.81	-4.88
Currency exchange differences	0.17	0.10
Impairment losses and income from disposals of financial instruments	3.35	9.28
Variation of financial assets at fair value with changes in profit and loss	0.00	23.29
Result of companies accounted for by the equity method	0.00	5.47
<b>Profit before taxes</b>	<b>-1.00</b>	<b>16.61</b>
Income tax	0.99	-0.54
<b>NET RESULT</b>	<b>-0.01</b>	<b>16.07</b>



**ANNUAL 20**  
**ACCOUNTS 12**  
**natraceutical**

This report is available on the company website:  
[www.natraceuticalgroup.com](http://www.natraceuticalgroup.com)  
Copies of this report can be requested from the Shareholder Service  
Office (phone +34 93 584 81 85 or e-mail [info@natraceuticalgroup.com](mailto:info@natraceuticalgroup.com))

Design and publishing  
**gosban** consultora de comunicación  
[www.gosban.com](http://www.gosban.com)

Publishing date: May 2013

# **NATRACEUTICAL S.A. AND SUBSIDIARIES**

Consolidated Financial Statements and Consolidated Management Report at 31 December, 2012

# CONTENTS

Consolidated Balance Sheet	6
Consolidated Income Statement	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Changes in Equity	10
Consolidated Cash Flow Statement	11
Consolidated Report for 2012	12
1 General Information	13
2 Summary of Significant Accounting Policies	13
2.1. Basis of Presentation	13
2.2. Consolidation	27
2.3. Changes in Accounting Policies	32
2.4. Segment Reporting	32
2.5. Foreign Currency Transactions	32
2.6. Property, Plant and Equipment	33
2.7. Intangible Assets	34
2.8. Impairment Losses of Non-financial Assets	36
2.9. Non-current Assets (or disposal Groups) Held for Sale	37
2.10. Financial Assets	37
2.11. Offsetting of Financial Instruments	38
2.12. Impairment of Financial Assets	38
2.13. Derivative Financial Instruments and Hedging Activities	40
2.14. Inventories	41
2.15. Trade Receivables	41
2.16. Cash and Cash Equivalents	41
2.17. Share Capital	42
2.18. Trade Payables	42
2.19. Financing debt	42
2.20. Current and Deferred Taxes	42
2.21. Employee Benefits	43
2.22. Provisions	44
2.23. Revenue Recognition	44
2.24. Leases	45
2.25. Dividend Distribution	45
2.26. Environmental Information	45
3 Financial Risk Management	46
3.1. Financial Risk Factors	46
3.2. Capital Risk Management	48
3.3. Fair Value Estimates	49
4 Accounting Estimates and Judgments	50
4.1. Critical Accounting Estimates and Judgments	50
5 Segment Reporting	51
6 Property, Plant and Equipment	53
7 Intangible Assets	56
8 Investments in Investees	61
9 Financial Instruments by Category and Credit Quality	62
9 a) Financial Instruments by Category	62
9 b) Credit Quality of Financial Assets	63

10	Financial Assets Available for Sale	64
11	Derivatives	65
12	Trade and Other Receivables	67
13	Inventories	69
14	Financial Assets at Fair Value through Profit or Loss	69
15	Cash and Cash Equivalents	70
16	Non-current Assets Available for Sale and Discontinued Operations	70
17	Share Capital and Share Premium	71
18	Retained Earnings and Other Reserves	72
19	Trade and Other Payables	74
	19.1. Supplier Payment Term	74
20	Financing debt	75
21	Deferred Tax	78
22	Provisions for Other Liabilities and Expenses	81
23	Revenue and Other Operating Income	82
24	Personnel Costs	82
25	Breakdown of Expenses	83
26	Financial Income and Expenses	84
27	Foreign Currency Transactions	85
28	Income Tax	86
29	Earnings per Share	88
30	Commitments	89
31	Transactions with Related Parties	89
32	Events after the Balance Sheet Date	92
33	Accounts Auditors Fees	92
34	Remuneration to Members of the Board of Directors and Senior Management	93
35	Environmental Information	95
	Consolidated Management Report	96
	Annual Corporate Governance Report	106
	Annual Report On Natraceutical S.A.'s Directors' Remuneration	165







***This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation***

**AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS**

To the Shareholders of Natraceutical, S.A.:

We have audited the consolidated annual accounts of Natraceutical, S.A. (parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2012, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Directors of the Company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2012 present fairly, in all material respects, the consolidated financial position of Natraceutical, S.A. and its subsidiaries at 31 December 2012 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated Directors' Report for 2012 contains the explanations which the parent Company's Directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2012. Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Natraceutical, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by J. Luis González Ferreras  
Audit Partner  
March 12, 2013

---

PricewaterhouseCoopers Auditores, S.L., Paseo de la Castellana, 259 B, 28046 Madrid, España  
T: +34 915 684 400 F: +34 913 083 566, [www.pwc.com/es](http://www.pwc.com/es)

## CONSOLIDATED BALANCE SHEET

Amounts in thousands of euros	Note	At 31 December	
		2012	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	281	318
Intangible assets	7	59,515	59,720
Deferred tax assets	21	3,199	2,736
Other non-current financial assets	12	149	676
		<b>63,144</b>	<b>63,450</b>
<b>Current assets</b>			
Inventories	13	2,786	2,343
Trade and other receivables	12	4,462	6,137
Financial assets at fair value through profit or loss	14	-	82,781
Other government receivables	28	1,063	1,460
Other current financial assets	12	15,696	-
Other current assets	12	473	-
Cash and cash equivalents	15	1,943	714
		<b>26,423</b>	<b>93,435</b>
Disposable group assets classified as held for sale	16	<b>8,492</b>	<b>8,492</b>
		<b>34,915</b>	<b>101,927</b>
<b>Total assets</b>		<b>98,059</b>	<b>165,377</b>

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

Amounts in thousands of euros	Note	At 31 December	
		2012	2011
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary capital	17	32,871	32,871
Share premium	17	103,494	103,494
Other reserves	18 b)	-	(1,207)
Retained earnings	18 a)	(49,612)	(48,568)
<b>Total equity</b>		<b>86,753</b>	<b>86,590</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financing debt	20	-	10,137
Derivatives	11	-	525
Deferred tax liabilities	21	1	530
Other non-current financial liabilities	20	257	7,519
Provisions for other liabilities and charges	22	253	169
		<b>511</b>	<b>18,880</b>
<b>Current liabilities</b>			
Trade and other payables	19	6,544	10,444
Other government payables	28	1,236	997
Financing debt	20	1,467	46,657
Other current financial liabilities	20	59	1,224
Other current liabilities	19	1,489	-
Provisions for other liabilities and charges	22	-	585
		<b>10,795</b>	<b>59,907</b>
<b>Total liabilities</b>		<b>11,306</b>	<b>78,787</b>
<b>Total equity and liabilities</b>		<b>98,059</b>	<b>165,377</b>

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

Amounts in thousands of euros		Year ended 31 December	
	Note	2012	2011
<b>Continuing operations</b>			
Revenue	23	29,926	29,485
Changes in inventories of finished goods and work in progress	25	107	(2,904)
Procurements	25	(8,062)	(4,927)
Other operating income	23	164	285
Personnel costs	24	(8,219)	(8,467)
Other operating expenses	25	(13,060)	(17,608)
Depreciation and amortization	6, 7 and 25	(728)	(1,197)
Impairment and loss on disposal of fixed assets	6, 7 and 25	-	(11,343)
<b>Profit (loss) from operations</b>		<b>128</b>	<b>(16,676)</b>
Financial income	26	160	26
Finance costs	26	(4,807)	(4,884)
Exchange differences	26	166	107
Impairment and loss on disposal of financial instruments	26	3,353	9,279
Change in fair value of financial assets at fair value through profit or loss	26	-	23,287
<b>Net finance costs</b>		<b>(1,128)</b>	<b>27,815</b>
Interest in the profits (loss) of investees	8	-	5,470
<b>Profit before tax</b>		<b>(1,000)</b>	<b>16,609</b>
Income tax	28	994	(543)
<b>Profit from continuing operations</b>		<b>(6)</b>	<b>16,066</b>
<b>Profit for the year</b>		<b>(6)</b>	<b>16,066</b>
<b>Attributable to:</b>			
Owners of the parent		(6)	16,066
Non-controlling ownership interests		-	-
Earnings per share from continuing operations and attributable to owners of the parent (euros per share)			
Basic earnings per share:			
- From continuing operations	29	(0.00)	0.05
Diluted earnings per share:			
- From continuing operations	29	(0.00)	0.05

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in thousands of euros		Year ended 31 December	
	Note	2012	2011
<b>Profit for the year</b>		(6)	16,066
<b>Other comprehensive income:</b>			
Interest in associates' other comprehensive income	8	-	(628)
Sale of associates		-	(103)
Loss of significant influence		-	(2,500)
Cash flow hedges	11	368	(25)
Exchange differences		839	(48)
<b>Other comprehensive income for the period, net of tax</b>		<b>1,207</b>	<b>(3,304)</b>
<b>Total comprehensive income for the year</b>		<b>1,201</b>	<b>12,762</b>
<b>Attributable to:</b>			
Owners of the parent		1,201	12,762
Non-controlling ownership interests		-	-
<b>Total comprehensive income for the year</b>		<b>1,201</b>	<b>12,762</b>

The items shown in this comprehensive income statement are presented net of tax. The corporate tax corresponding to each of the components of the other comprehensive income is disclosed in Note 21.

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Amounts in thousands of euros	Attributable to owners of the parent						
	Share capital (Note 17)	Share premium (Note 17)	Other reserves (Note 18)	Retained earnings (Note 18)	Total	Non-controlling ownership interests	Total net equity
<b>Balance at 1 January 2011</b>	<b>32,871</b>	<b>103,494</b>	<b>2,097</b>	<b>(65,108)</b>	<b>73,354</b>	<b>-</b>	<b>73,354</b>
<b>Comprehensive income</b>							
Profit or loss	-	-	-	16,066	16,066	-	16,066
<b>Other comprehensive income</b>							
Cash flow hedges, net of tax	-	-	(25)	-	(25)	-	(25)
Interest in associates' other comprehensive income	-	-	(628)	-	(628)	-	(628)
Sale of associates	-	-	(103)	-	(103)	-	(103)
Exclusions from the scope of consolidation of associates	-	-	(2,500)	-	(2,500)	-	(2,500)
Exchange difference	-	-	(48)	-	(48)	-	(48)
Total other comprehensive income	-	-	(3,304)	-	(3,304)	-	(3,304)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3,304)</b>	<b>16,066</b>	<b>12,762</b>	<b>-</b>	<b>12,762</b>
<b>Transactions with owners</b>							
- Other movements	-	-	-	474	474	-	474
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474</b>	<b>474</b>	<b>-</b>	<b>474</b>
<b>Balance at 31 December 2011</b>	<b>32,871</b>	<b>103,494</b>	<b>(1,207)</b>	<b>(48,568)</b>	<b>86,590</b>	<b>-</b>	<b>86,590</b>

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Amounts in thousands of euros	Attributable to owners of the parent						
	Share capital (Note 17)	Share premium (Note 17)	Other reserves (Note 18)	Retained earnings (Note 18)	Total	Non-controlling ownership interests	Total net equity
<b>Balance at 1 January 2012</b>	<b>32,871</b>	<b>103,494</b>	<b>(1,207)</b>	<b>(48,568)</b>	<b>86,590</b>	<b>-</b>	<b>86,590</b>
<b>Comprehensive income</b>							
Profit or loss	-	-	-	(6)	(6)	-	(6)
<b>Other comprehensive income</b>							
Cash flow hedges, net of tax	-	-	368	-	368	-	368
Exchange difference	-	-	839	-	839	-	839
Total other comprehensive income	-	-	1,207	-	1,207	-	1,207
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,207</b>	<b>(6)</b>	<b>1,201</b>	<b>-</b>	<b>1,201</b>
<b>Transactions with owners</b>							
- Other movements (Note 18)	-	-	-	(1,038)	(1,038)	-	(1,038)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,038)</b>	<b>(1,038)</b>	<b>-</b>	<b>(1,038)</b>
<b>Balance at 31 December 2012</b>	<b>32,871</b>	<b>103,494</b>	<b>-</b>	<b>(49,612)</b>	<b>86,753</b>	<b>-</b>	<b>86,753</b>

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in thousands of euros	Year ended 31 December	
	2012	2011
<b>Cash flows from operating activities</b>		
Profit before tax	(1,000)	16,609
Adjustments for:		
- Amortization of property, plant and equipment (Note 6 and 25)	150	202
- Amortization of intangible assets (Note 7 and 25)	578	995
- Impairment and gains on disposal of fixed assets (Note 25)	-	11,343
- Exchange differences (Note 26)	(166)	(107)
- Interest in the profits (loss) of associates (Note 8)	-	(5,470)
- Finance costs (Note 26)	4,807	4,884
- Impairment and loss on disposal of financial instruments (Note 26)	(3,353)	(9,279)
- Change in fair value of financial assets at fair value through profit or loss (Note 26)	-	(23,287)
- Financial income (note 26)	(160)	(26)
- Change in non-current provisions	84	-
- Other adjustments to profit	-	(510)
Changes in working capital		
- Changes in inventories	(443)	2,819
- Change in financial assets	-	1,023
- Change in trade and other receivables	1,675	1,628
- Change in other current assets	(76)	-
- Change in suppliers	(3,900)	(2,832)
- Change in other current liabilities	597	-
Cash generated from operations	<b>(1,207)</b>	<b>(2,008)</b>
Taxes paid	<b>(123)</b>	-
Interest paid	<b>(4,562)</b>	<b>(5,102)</b>
<b>Net cash generated by operating activities</b>	<b>(5,892)</b>	<b>(7,110)</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment (Note 6)	(113)	(14)
Acquisitions of intangible assets (Note 7)	(373)	(627)
Disposal of group companies, joint ventures and associates	-	28,476
Acquisition of other financial assets	(15,696)	-
Disposal of other financial assets	87,124	4,115
<b>Net cash used in investing activities</b>	<b>70,942</b>	<b>31,950</b>
<b>Cash flows from financing activities</b>		
Disbursement for loan cancellation	(62,656)	(25,518)
Changes in other current financial liabilities	(1,165)	-
Net cash used in financing activities	<b>(63,821)</b>	<b>(25,518)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,229</b>	<b>(678)</b>
Cash, cash equivalents and bank overdrafts at beginning of year	<b>714</b>	<b>1,392</b>
<b>Cash and cash equivalents at year end</b>	<b>1,943</b>	<b>714</b>

The notes on pages 8 to 107 are an integral part of these consolidated financial statements.



# CONSOLIDATED REPORT FOR 2012

## 1 GENERAL INFORMATION

The parent company Natraceutical, SA, was incorporated on June 1, 1993, and its registered office is located in Paseo Ruzafa nº 9, 11ª (Valencia, Spain).

Its main activity is the provision of financial, accounting and other advisory services, and the holding of shares.

The Group's companies are located in Monaco, Belgium, Spain and Portugal. Its products are sold mainly in Europe.

100% of the shares of the parent company are listed on the continuous market.

On 30 December, 2009, the Parent Company signed an agreement with the listed French company Naturex SA, by means of which the Natraceutical Group integrated its functional ingredients division into the mentioned French Group, receiving in consideration 35.11% of the same. Following the execution of this agreement, Naturex SA became the worldwide leader in natural specialty ingredients. On the same date, the Parent Company sold shares in Naturex SA, resulting in the Group retaining 33.93% of the same.

Natraceutical Group belongs to a larger consolidated group, Natra Group, whose corporate purpose is the development and marketing of chemicals and foodstuffs, the exploitation of agricultural plantations and tropical products, the promotion, construction and sale of properties, the sale and administration of securities, the provision of management advisory services to other companies and the management of all types of businesses. The Parent Company of the Group is Natra, SA, which is the ultimate parent.

These financial statements have been prepared by the Board of Directors on February 26, 2013. The Directors are to present these consolidated financial statements to the Shareholders' Meeting, and it is expected that they will be approved unchanged.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of presentation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS) and IFRIC interpretations in force at 31 December, 2012.

The consolidated financial statements have been prepared under the historical cost method, although modified in those cases established by the IFRS-EU in which certain financial assets and liabilities are measured at fair value.

The preparation of financial statements in conformity with EU-IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the application of the Group's accounting policies. Note 4 details the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

### 2.1.1 Going concern

Despite the evolution in recent years of the sectors in which the Group operates, the increased pressure of the competitive environment, largely due to the overall decline in the consumption of food and beauty supplements and, in general, the difficult economic situation, the Group presents a positive EBITDA for the year, demonstrating its ability to adapt to the new conditions in the economic environment in order to continue its development and positive growth. This has allowed for the generation of positive cash from its operations, which has been weakened by the obligation to assume the financial burden derived from its funding. However, during the year the Group has cancelled most of its funding, which significantly reduces the need for liquid funds to meet bank interests during 2013.

In accordance with the above, at 31 December, 2012, the Company has a positive working capital of 15,628 thousand euros (33,528 thousand euros at 31 December, 2011).

The Directors of the Parent Company consider that the budgets prepared by the Management for 2013, together with the significant reduction in debt at 31 December, 2012, will enable the company to consolidate/strengthen its financial position, maintain the normal course of operations and restore the required profitability to its business. This, together with the cash budget prepared by Management, which includes estimates of collections and payments with surplus, removes any doubt about the Group's ability to continue its normal operations and, consequently, about the final recovery of assets and settlement of liabilities through the normal course of the Group's activities.

### 2.1.2 Comparison of information

For the purposes of comparison, the information contained in this consolidated report for 2012 is presented with the information corresponding to 2011.

During 2012, there have been no reclassifications or adjustments to the amounts reflected in the consolidated financial statements for 2011.

## 2.1.3 Changes in accounting policies and disclosures

### 2.1.3.1 List and summary of standards, amendments to standards and interpretations published to date

Standards, amendments and interpretations mandatory for all years commencing on 1 January, 2012

#### IFRS 7 (Amendment) "Financial Instruments: Disclosures - Transfers of Financial Assets"

The amendment to IFRS 7 requires additional disclosures on risk exposures arising from financial assets transferred to third parties. Information on the assessment of risks and benefits made prior to transactions that have not qualified for the de-recognition of financial assets and the identification of the financial liabilities associated with the same must be included, and the information on operations that have qualified for the de-recognition of financial assets (the profit generated in the transaction, the remaining risks and benefits and their initial and future carrying amount, and the estimated fair value of the "continuing involvement" on the balance sheet) must be provided in greater detail. Among others, this amendment would affect the transactions involving the sale of financial assets, factoring agreements, the securitisation of financial assets and securities lending contracts.

The amendments to IFRS 7 are mandatory for all annual periods beginning on or after 1 July, 2011.

The application of this amendment has had no effect on these consolidated financial statements.

### 2.1.3.2. Standards, amendments and interpretations that have not yet entered into force but which can be adopted in advance of the financial years commencing as of 1 January, 2012

At the date of the preparation of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations listed below and which are mandatory as of 2013, although the Group has not adopted them in advance.

#### IAS 1 (Amendment) "Presentation of Financial Statements"

This amendment changes the presentation of the other comprehensive income statement, requiring that the items included in other comprehensive income are grouped into two categories according to whether they are to be transferred to the income statement or not. Those items which are not to be transferred to the income statement, such as the remeasurements of property, plant and equipment, are presented separately from those which will have a future effect in the income statement, such as gains and losses from cash flow hedges.

As in the previous version of IAS 1, the option of presenting items of other comprehensive income before taxes is maintained. Any entity that chooses this option must reflect the tax effect of the two groups of items separately. IAS 1 has also changed the name of the "comprehensive income statement," now renamed "statement of profit and loss and other comprehensive income." The option of using alternative designations is maintained.

This amendment is to apply to all years commencing as of 1 July 2012. Earlier application is permitted.

The Group is analysing the impact that the application of this amendment will have on the consolidated financial statements.

#### IAS 19 (Amendment) "Employee Benefits"

The amendment to IAS 19 significantly changes the recognition and measurement of pension expenses for defined benefit plans and termination benefits, as well as the disclosure of all employee benefits. Among others, the following aspects of IAS 19 have been amended:

- Actuarial gains and losses (renamed "remeasurements") may only be recognised in other comprehensive income. The options of deferring actuarial gains and losses using the corridor approach and recognising them directly in the income statement are eliminated. The remeasurements recognised in other comprehensive income cannot be transferred to the income statement.
- The cost of past services is to be recognised in the year in which the amendment to the plan occurs. The deferral of non-consolidated benefits in a future period of service is not permitted. Reductions occur only when there is a significant decrease in the number of employees affected by the plan. Gains and losses resulting from the reductions are recognised in the same manner as past service costs.
- The annual expense of a financed benefits plan is to include the expense or net interest income, which is to be calculated by applying the discount rate to the net asset or liability for defined benefits.
- Benefits that require the provision of future services are not considered compensation.

The amended IAS 19 is mandatory for all years commencing as of 1 January, 2013. Earlier application is permitted.

The Group does not expect the application of this amendment to suppose a significant effect on its consolidated financial statements. However, it will be reviewed in the future in order to detect any possible changes in the conditions.

#### IFRS 1 (Amendment) "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"

The amendments related to severe hyperinflation provide guidance on first-time presentation and the summarisation of the presentation of financial statements prepared under IFRS, after a period during which the company has been unable to meet the IFRS requirements due to its functional currency being subject to severe hyperinflation.

As for the elimination of fixed dates in IFRS 1, the standard replaces references to the date "January 1, 2004" for "the date of transition to IFRS." Therefore, first-time adopters are not required to restate transactions that occurred prior to the date of transition to IFRS.

While this change was mandatory for all financial years beginning on or after 1 July, 2011, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2013.

This amendment is not applicable to the Group's consolidated financial statements due to the absence of a functional currency subject to severe hyperinflation.

#### IAS 12 (Amendment) "Deferred tax: Recovery of underlying assets"

The amendment to IAS 12 provides a practical approach to the measurement of deferred tax assets and liabilities related to property investments measured at fair value, one of the measurement options offered by IAS 40 "Investment Property". Regarding the measurement of these deferred taxes, the amendment introduces a refutable presumption that the economic benefits inherent in investment property measured at fair value are recovered through the sale of the property, and not through its use. The amendment incorporates the guidance previously contained in SIC 21 "Income taxes - Recovery of Remeasured Non-depreciable Assets" under IAS 12, making it clear that its requirements do not apply to investment property measured at fair value.

While this amendment was mandatory for all financial years beginning as of 1 January, 2012, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2013.

The Group does not expect the application of this amendment to cause a significant effect on its consolidated financial statements, as it does not present investment property measured at fair value.

#### IFRS 10 "Consolidated Financial Statements"

IFRS 10 introduces changes in the concept of control, which continues to be defined as the determining factor of whether or not an entity must be included in the consolidated financial statements. IFRS 10 replaces the guidance on control and consolidation contained in IAS 27 "Consolidated and Separate Financial Statements" and eliminates SIC 12 "Consolidation - Special Purpose Entities", which is repealed.

For the existence of control, two elements must be present: power over an entity and variable returns. Power is defined as the ability to direct the activities of the entity which significantly affect the performance of the same. The standard provides an extensive application guide for those cases in which it is difficult to determine the existence of control, for example, when an investor holds less than half of the voting rights in an entity. The concept of unity of the parent company and its subsidiaries for the purposes of the consolidated financial statements and consolidation procedures remain unchanged with respect to IAS 27 above.

While this standard was mandatory for all financial years beginning as of 1 January, 2013, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2014.

For the purposes of the European Union, early adoption is permitted, provided IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in other Entities", IAS 27 (amended 2011) "Separate Financial Statements" and IAS 28 (amended 2011) "Investments in Associates and Joint Ventures" are adopted at the same time.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements.

### IFRS 11 “Joint Arrangements”

IFRS 11 provides the accounting treatment for joint arrangements, based on the rights and obligations arising from the agreement, and not on its legal form. The types of joint agreements are reduced to two: joint operations and joint ventures. Joint operations imply that a participant has direct rights to the assets and obligations under the agreement, and thus the proportionate interest in the assets, liabilities, income and expenses of the entity in which it participates are registered. Meanwhile, joint ventures arise when a participant has a right to the profit or the net assets of the entity in which the interest is held, and therefore uses the equity method to account for the interest in the entity. The posting of interests in joint ventures under the proportionate consolidation method is no longer permitted.

While this standard was mandatory for all financial years beginning as of 1 January, 2013, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2014. The changes in accounting treatment required by IFRS 11 are reflected at the beginning of the earliest period presented in the financial statements. The standard contains specific guidance on how to complete the transition from proportionate consolidation to the equity method, and vice versa.

Early adoption is permitted, provided IFRS 10 “Consolidated Financial”, IFRS 12 “Disclosures of Interests in other Entities”, IAS 27 (amended 2011) “Separate Financial Statements” and IAS 28 (amended 2011) “Investments in Associates and Joint Ventures” are adopted at the same time.

The Group does not expect the application of this standard to suppose a significant effect on its consolidated financial statements. However, it will be reviewed in the future in order to detect any possible changes in the conditions.

### IFRS 12 “Disclosures of interests in other entities”

IFRS 12 contains the disclosure requirements for entities reporting under the new IFRS 10 “Consolidated Financial Statements” and the new IFRS 11 “Joint Arrangements”. Additionally, it replaces the disclosure requirements previously contained in the older IAS 28 “Investments in Associates” and IAS 31 “Interests in Joint Ventures”. Under IFRS 12, information that enables users of financial statements to evaluate the nature, risks and the financial effects associated with the entity’s interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities is to be disclosed. Among other requirements, information on the following must be disclosed:

- The significant assumptions and judgments employed in the determination of control, joint control or significant influence.
- The composition of the group, including the involvement of non-controlling interests in the group’s activities and cash flows.
- The risks associated with unconsolidated structured entities, such as agreements that may require financial assistance from the group to the entity.
- The posting of transactions with non-controlling interests in situations in which the control over the subsidiary is maintained and lost.

- Interests in associates and joint arrangements (similar to the requirements of IAS 28 above).
- Regarding interests in unconsolidated structured entities, information concerning the nature, purpose, size, activities and financing, financial information about the entity (income, assets), information on assets and liabilities recognised in the balance and belonging to these structured entities, the maximum losses that could arise from such interests and the financial aid provided to the entity, or a current intention to provide such aid.

While this standard was mandatory for all financial years beginning as of 1 January, 2013, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2014.

To promote the inclusion in the financial statements of the new IFRS 12 disclosures prior to the effective date, the standard makes clear that the disclosure of part of the information required by IFRS 12 does not bind an entity to compliance with all the standard's provisions, nor to simultaneously adopting IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 27 (amended 2011) "Separate Financial Statements" and IAS 28 (amended in 2011) "Investments in Associates and Joint Ventures".

The Group is analysing the impact that the implementation of this standard may have on its consolidated financial statements.

#### 27 (IAS Amendment) "Separate Financial Statements"

The requirements previously contained in IAS 27 on the preparation of consolidated financial statements have been included in the new IFRS 10, and therefore the former's scope of application is reduced to the investing entity's posting of investments in subsidiaries, joint ventures and associated companies in the individual financial statements under IFRS, which have not been amended with respect to the previous regulation (i.e., posting at cost or fair value, as required by IFRS 9).

While the amended IAS 27 was mandatory for all financial years beginning as of 1 January, 2013, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2014.

Early adoption is permitted, provided IFRS 10 "Consolidated Financial", IFRS 11 "Joint Agreements", IFRS 12 "Disclosures of Interests in other Entities" and IAS 28 (amended 2011) "Investments in Associates and Joint Ventures" are adopted at the same time.

The Group will assess the impact that the implementation of this amendment may have on its consolidated financial statements.

### IAS 28 (Amendment) "Investments in associates and joint ventures"

IAS 28 has been updated to include references to joint ventures, which under the new IFRS 11 "Joint Arrangements" must be posted under the equity method. At the same time, information on the following aspects has been added:

- The posting of instruments that provide potential voting rights.
- The measurement of interests in associates and joint ventures held by venture capital organizations, mutual entities and similar entities.
- Posting in the event of a reduction in the interest in an associate or joint venture when the equity method still applies. and
- Accounting for the contribution of a non-monetary asset to an associate or a joint venture in exchange for an interest in the entity's equity.

While the amended IAS 28 was mandatory for all financial years beginning as of 1 January, 2013, in accordance with the effective date established by the IASB, for the purposes of the European Union the effective date is established as the years commencing as of 1 January, 2014.

Early adoption is permitted, provided IFRS 10 "Consolidated Financial", IFRS 11 "Joint Agreements", IFRS 12 "Disclosures of Interests in other Entities" and IAS 27 (amended 2011) "Separate Financial Statements" are adopted at the same time.

The Group is analysing the impact that the implementation of this amendment may have on its consolidated financial statements.

### IFRS 13 "Fair Value Measurement"

IFRS 13 is the result of a joint project of the IASB and the FASB (USA Financial Accounting Standards Board) which explains how to measure items at fair value and aims to improve and expand the disclosure requirements relative to fair value. This standard does not establish which items are to be measured at fair value, nor does it add new measurement at fair value requirements with respect to those already existing.

Fair value is defined as the amount that would be received for the sale of an asset or which would be paid to transfer a liability in an ordered transaction between market participants at the measurement date (offer price). It is a measurement based on market expectations, not those of the entity. It establishes a hierarchy of three levels (the same as the hierarchy in IFRS 7), for fair value measurements, based on the type of inputs and the measurement techniques employed. The new standard's disclosure requirements include the requirement to disclose the measurement methods employed, the data employed in the measurements and any changes in the measurement techniques employed.

The application of the standard is mandatory for all financial years beginning on or after January 1, 2013.

The new standard is applied prospectively from the beginning of the tax year in which it is first applied. The disclosure requirements do not apply to comparative information presented in relation to years prior to the first application of IFRS 13.



The Group is analysing the possible impact that the implementation of this standard may have on its consolidated financial statements.

#### IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This interpretation is the result of a request to clarify how and when to include the costs associated with the process of eliminating open-cast mine waste in order to access mineral deposits. IFRIC 20 defines when these costs are to be recognised as an asset in the balance sheet and how they are to be measured both at the date of their initial recognition, and subsequently.

The amended IFRIC 20 is mandatory for all years commencing as of January 1, 2013.

The Group does not expect the application of this standard to suppose an effect on its consolidated financial statements, as it does not possess surface mines.

#### IAS 32 (Amendment) and IFRS 7 (Amendment) "Offsetting Financial Assets and Financial Liabilities"

In December 2011, the IASB issued an amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities," and an amendment to IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities."

The amendment to IAS 32 "Financial Instruments: Presentation," amends the standard's Application Guide to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The amendment does not involve changes to the existing compensation model in IAS 32, which remains applicable when, and only when, an entity currently has a legally enforceable right to offset the recognised amounts and intends to settle the net amount, or to realise the asset and settle the liability simultaneously. The amendment clarifies that the right to offset must be available at the present time - that is, not dependent on a future event. Additionally, the right must be legally enforceable in the ordinary course of operations of the counter-parties involved in the transaction, including in cases of default, insolvency and bankruptcy. The application of the amendment to IAS 32 is mandatory for all years commencing as of January 1, 2014, and is applied retroactively. Earlier application is permitted.

Since the requirements for offsetting financial assets and financial liabilities remain different from the requirements under U.S. GAAP, the IASB simultaneously published an amendment to IFRS 7 "Financial Instruments: Disclosures." The amendment to IFRS 7 requires disclosure of quantitative information on both recognised financial instruments that have been offset in the balance sheet and on financial instruments subject to master netting agreements, regardless of whether they have been offset or not in the balance sheet. The application of the amendment to IFRS 7 is mandatory for all years commencing as of January 1, 2013, and is applied retroactively.

Although the Group does not present offset financial assets and financial liabilities, it is to take this standard into account to analyse the possible impact of the same on its consolidated financial statements in the event of a change of circumstances.

### **2.1.3.3. Standards, amendments and interpretations to existing standards that are not subject to early adoption or have not been adopted by the European Union**

At the date of the preparation of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations listed below, which are pending adoption by the European Union.

#### IFRS 9 “Financial Instruments”

The issuance of IFRS 9 “Financial Instruments” in November 2009 represented the first step in the IASB’s comprehensive project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 simplifies the posting of financial assets and introduces new requirements for their classification and measurement. It requires that financial assets that are held primarily to collect cash flows representing the payment of principal and interest are measured at amortised cost, while other financial assets, including those held for trading, are measured at fair value. Therefore, an impairment model is only required for financial assets carried at amortised cost. In October 2010, the IASB updated the content of IFRS 9 to incorporate the criteria for recognition and subsequent measurement of financial liabilities and the criteria for the de-recognition of financial instruments. The previous requirements of IAS 39 in relation to these aspects have not been amended, except for the subsequent registration of financial liabilities designated at fair value through profit or loss. The changes in fair value arising from the consideration of the credit risk are recorded as income and expenses recognised directly in equity. The amounts recognised in equity are not recycled to profit, even when they can be reclassified to other equity items. However, if, on the initial recognition of these liabilities, the accounting record is identified as implying a maladjustment with the measurement of the associated financial asset, all changes in value are charged against results. At the present, the current requirements of IAS 39 regarding the impairment of financial assets and hedge accounting continue to apply.

The application of the standard will be mandatory for all financial years beginning on or after January 1, 2015, although early adoption is permitted.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements in the event of its approval by the European Union.

#### IFRS 9 (Amendment) and IFRS 7 (Amendment) “Mandatory Effective Date and Transition Disclosures”

The IASB has issued an amendment under which the entry into effect of IFRS 9 “Financial Instruments” is delayed, becoming mandatory for financial periods beginning on or after January 1, 2015. According to its original transitional provisions, IFRS 9 entered into effect on January 1, 2013. The early application of IFRS 9 continues to be allowed.

Furthermore, the IASB has extended the deadline for the completion of the remaining phases of the project to replace IAS 39 “Financial Instruments: Recognition and Measurement” (accounting for impairment losses and hedge accounting). This amendment highlights the importance of allowing the simultaneous implementation of all the phases of the new standard.

It is also worth mentioning that the amendment to IFRS 9 introduces changes regarding the comparative information and additional disclosures that must be provided following the adoption of the new standard, in accordance with the date of the standard’s first application, as indicated below:

- If IFRS 9 is applied to financial years beginning before January 1, 2012, comparative figures need not be restated, nor is it mandatory to include the additional disclosures on the date of initial application of the standard.
- If IFRS 9 is applied to financial years beginning as of January 1, 2012 and prior to January 1 2013, either the comparative figures must be restated or the additional disclosures on the date of initial application of the standard must be included.
- If IFRS 9 is applied to financial years beginning as of January 1, 2013, comparative figures need not be restated, but the inclusion of the additional disclosures on the date of initial application of the standard is mandatory.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements in the event of its approval by the European Union.

#### IFRS 1 (Amendment) "Government Grants"

The IASB has amended IFRS 1 "First-time Adoption of International Financial Reporting Standards", in order to permit entities adopting IFRS for the first time to apply the provisions of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance," applicable to entities that already apply IFRS in relation to public grants extended at sub-market rates.

The new exemption in IFRS 1 requires the prospective application of the requirements of IAS 20 and IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement", where appropriate) in relation to government subsidies at the date of transition to IFRS. It may be noted that an entity may elect to retrospectively apply the requirements of IAS 20 and IFRS 9 (or IAS 39) to government subsidies at the date of transition to IFRS, provided the necessary information to do so has been obtained on the date the initial recognition of the loan.

The application of the amendment to IFRS 1 is mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

This amendment will have no impact on the Group's consolidated financial statements.

#### **Improvements Project 2009 - 2011**

##### IFRS 1 "First-time Adoption of IFRS"

The amendment clarifies that IFRS 1 can be applied more than once for the same entity under certain circumstances. In cases in which an entity that has previously presented its financial statements in accordance with IFRS but has ceased to do so at a later date before adopting the application of IFRS once again, the application of IFRS 1 is permitted, but not mandatory. If this circumstance is relevant, the reasons both for abandoning the presentation of the entity's financial statements under IFRS and for presenting the financial statements once more in accordance with IFRS must be disclosed.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

The Group does not expect this standard to be applicable, as it has continued to present its consolidated financial statements under IFRS and does not foresee ceasing to do so.

#### IFRS 1 “First-time Adoption of IFRS”

Clarifies that first-time adopters of IFRSs are to maintain borrowing costs capitalised under the previous accounting plan without adjustment. Alternatively, IAS 23 “Borrowing Costs” applies to the accounting treatment of borrowing costs incurred after the date of transition to IFRS, even in the case of qualifying assets under construction at the date of transition to IFRS. The IAS 23 requirements may be applied from a date prior to the date of transition to IFRS for qualifying assets for which are initially capitalised on the transition date or earlier.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

This standard is not applicable to the Group’s consolidated financial statements as it is not a first-time adopter.

#### IAS 1 “Presentation of Financial Statements”

This amendment clarifies that the comparative information required by IAS 1 forms part of a complete set of financial statements. It also clarifies the minimum requirements for the disclosure of comparative financial information when an entity changes an accounting policy or effects a retrospective restatement or reclassification of items in its financial statements. In such cases, the presentation of a financial statement at the beginning of the applicable comparative period (a “third balance”) would be necessary, although it would not be necessary to disclose the notes to the mentioned statement. However, if the management voluntarily discloses additional comparative information in its financial statements (for example, an income statement for a third year, a third balance), the corresponding notes must be attached to the report. This improvement has also amended IFRS 1 “First-time Adoption of IFRS” in order to make clear that a first-time adopter of IFRS must disclose the notes corresponding to all the main statements presented.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

The Group will assess the impact that this standard may have on the consolidated financial statements in the event of presenting a change in its accounting policy, a retroactive restatement or reclassification of items in its financial statements.

#### IAS 16 “Property, Plant and Equipment”

This amendment clarifies that spare parts and auxiliary equipment must be classified as property, plant and equipment, not inventories, when they meet the conditions to be classified as property, plant and equipment. Accordingly, auxiliary equipment that is expected to be used for more than one year will be classified as property, plant and equipment, rather than as inventory.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements.

#### IAS 32 "Financial Instruments: Presentation"

The amendment resolves a conflict between IAS 32 and IAS 12 "Income Taxes". Clarifies that tax incentives relating to distributions to holders of equity instruments and tax incentives related to the transaction costs corresponding to any equity item must be posted as required by IAS 12. Thus, tax incentives relating to distributions are recognised in the income statement, and tax incentives related transaction costs for equity instruments are recognised in equity.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements.

#### IAS 34 "Interim Financial Reporting"

This amendment homogenises the disclosure requirements of IAS 34 and IFRS 8 "Operating Segments". It makes clear that an entity which prepares interim financial reports under IAS 34 is only to disclose information on assets and liabilities by segment if such information is regularly provided to the maximum authority responsible for operational decision-making, in the event of having registered a significant change with respect to the amounts shown in the last annual financial statements.

The application of this amendment is retroactive and mandatory for all years commencing as of January 1, 2013. Earlier application is permitted.

The Group will assess the impact that the implementation of this standard may have on its consolidated financial statements.

#### IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in other Entities: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)"

The IASB has amended the transitional provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other entities" to clarify that the date of first application is the first day of the first annual period in which IFRS 10 is applied for the first time.

The differences between the concept of "control" under IFRS 10 and IAS 27 / SIC 12 may require the consolidation of previously unconsolidated entities, and vice versa. If the conclusion on the need to consolidate changes in the first application of IFRS 10, the comparative information for the year immediately

preceding that in which IFRS 10 is applied for the first time must be restated, in line with the analysis carried out (unless this were to prove impracticable). Any difference that arises from the application of IFRS 10 existing at the beginning of the comparative period is recorded in equity.

On the other hand, when there is no change in the decision on the need to consolidate on the date of first application of IFRS 10 (i.e., the interest would be consolidated both under IAS 27 / SIC 12 and under IFRS 10, or would not be consolidated under either), no accounting adjustments are required. This assistance in the transition to the new regulations also applies with respect to investees disposed of before the date of first application of IFRS 10.

Comparative disclosures relating to subsidiaries, associates and joint ventures are required under IFRS 12. However, they are limited to the comparative period immediately preceding the first annual period in which IFRS 12 is applied for the first time. Furthermore, the disclosure of comparative information on unconsolidated structured entities is not required.

The application of the amendment to the mentioned standards is mandatory for all years commencing as of January 1, 2013, in line with the effective dates of the amended standards. Early adoption is required if the affected standards (IFRS 10, IFRS 11 and IFRS 12) are adopted in advance.

The Group will assess the impact that the implementation of these amendments may have on its consolidated financial statements.

#### IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) "Investment Entities"

Under certain circumstances, the amendment to IFRS 10 implies that similar funds and entities are exempt from consolidating entities over which they exercise control. They are to be measured at fair value through profit or loss, instead. Therefore, these amendments provide an exception to entities that meet the definition of "investment company" and have specific characteristics. There have also been amendments to IFRS 12 to introduce requirements related to information that this type of company must include in its consolidated financial statements.

The application of the amendment of the mentioned standards is mandatory for all years commencing as of January 1, 2014. Earlier application is permitted, provided that all such amendments are adopted simultaneously.

These amendments do not apply to the Group, as it is not considered an investment entity.

## 2.2 Consolidation

### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies that generally accompanies a shareholding of more than half of the voting rights. When assessing whether the Group controls another entity, the existence and effect of any potential voting rights that are currently exercisable or convertible is considered. The Group also assesses the existence of control when it does not hold more than 50% of the voting rights, but is able to govern the financial and operating policies by means of de facto control. This de facto control may arise in circumstances in which the number of the Group's voting rights compared with the number and dispersion of the shares of other shareholders gives the Group the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated on the date that control ceases.

The Groups uses the acquisition method for the accounting of business combinations. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition-related costs are recognised as expenses in the periods in which they are incurred. The identifiable assets and liabilities acquired and the contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group may elect to recognise any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest in acquiree's identifiable net assets.

The acquisition-related costs are recognised as expenses in the period in which they are incurred.

If the business combination is effected in stages, the fair value at the date of acquisition of the interest in the acquiree's net assets, previously held by the acquirer, is remeasured at fair value through profit or loss at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed an asset or liability are recognised in accordance with IAS 39 in income or a change in other outcome. Contingent considerations that are classified as equity are not remeasured and their subsequent settlement is posted in equity.

Goodwill is initially measured as the excess of the total consideration transferred and the fair value of the non-controlling interest over the net amount of the identifiable assets acquired and liabilities assumed. If this amount is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly as profit in the income statement.

Inter-company transactions, balances and income and expenses in transactions between Group companies are eliminated. Gains and losses arising from intra-group transactions that are recognised as assets are also eliminated. The accounting policies of the subsidiaries have been amended where it has been necessary to ensure consistency with the policies adopted by the Group.

The breakdown of the items included in “other intangible assets” at December 31, 2012 and 2011, is as follows:

<b>December 31, 2012:</b>							
<b>Corporate name</b>	<b>Address</b>	<b>Ownership Interest</b>		<b>Company Owning the Interest</b>	<b>Consolidation Method</b>	<b>Activity</b>	<b>Auditor</b>
		<b>Net investment (thousands of euros)</b>	<b>% of Nominal</b>				
Laboratoires Forte Pharma, SAM	Monaco	73,354	100%	Natraceutical, S.A. and Forte Services, SAM	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Pricewaterhouse Coopers (1)
Forte Services, SAM	Monaco	4,397	100%	Natraceutical, S.A. and Natraceutical Industrial, S.L.U.	Comprehensive	Provision of Management and Administration services	Pricewaterhouse Coopers
Forte Pharma Ibérica, S.L.U.	Barcelona	-	100%	Natraceutical, S.A.	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited
S.A., Laboratoires Forte Pharma Benelux	Belgium	-	100%	Laboratoires Forte Pharma, SAM	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited
Natraceutical Industrial, S.L.U.	Valencia	13,058	100%	Natraceutical, S.A.	Comprehensive	Leasing of rural properties	Unaudited

(1) Audited by Janick Rastello for local purposes



<b>December 31, 2011:</b>							
<b>Corporate name</b>	<b>Address</b>	<b>Ownership Interest</b>		<b>Company Owning the Interest</b>	<b>Consolidation Method</b>	<b>Activity</b>	<b>Auditor</b>
		<b>Net investment (thousands of euros)</b>	<b>% of Nominal</b>				
Laboratoires Forte Pharma, SAM	Monaco	60,685	100%	Natraceutical, S.A. and Forte Services, SAM	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Pricewaterhouse Coopers (1)
Forte Services, SAM	Monaco	4,397	100%	Natraceutical, S.A. and Natraceutical Industrial, S.L.U.	Comprehensive	Provision of Management and Administration services	Pricewaterhouse Coopers
Forte Pharma Ibérica, S.L.U.	Barcelona	-	100%	Natraceutical, S.A.	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited
S.A., Laboratoires Forte Pharma Benelux	Belgium	-	100%	Laboratoires Forte Pharma, SAM	Comprehensive	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited
Natraceutical Industrial, S.L.U.	Valencia	13,058	100%	Natraceutical, S.A.	Comprehensive	Leasing of rural properties	Unaudited
Natraceutical Canada, Inc	Canada	-	100%	Natraceutical, S.A.	Comprehensive	Research into active ingredients of barley	Unaudited

(1) Audited by Janick Rastello for local purposes

All subsidiaries close their financial year on December 31.

The significant events that occurred during 2012 were as follows:

- On September 30, 2012, it was agreed to liquidate the company Natraceutical Canada, Inc., established in 2007 and with registered in Alberta (Canada). In October 2012, the month in which the dissolution was effected, Natraceutical, SA, owned 100% of the shares, and thus as sole shareholder received all the assets included in the balance of payment in the amount of 35 thousand euros, resulting in a profit for the same amount recorded in the accompanying consolidated income statement under "Impairment and Gains on Disposal of Financial Instruments" (Note 26).

The significant events that occurred during 2011 were as follows:

- Since 2006, the subsidiaries Braes Holdings Ltd and Braes Group Ltd., both located in the UK and directly or indirectly 100%-dependent on the parent company, were excluded from the scope of consolidation due to a lack of significant interest for the true and fair view of the consolidated financial statements, as they were inactive and classified as available for sale. During 2011, the Directors of the parent company agreed to the liquidation of both subsidiaries, and as such proceeded to de-recognise the investment for a net value of 1,645 thousand euros, as well as the credit balances held with both companies, giving rise to a positive impact on the consolidated income statement for 2011 of 65 thousand euros, recognised under "Impairment and Gains on Disposal of Financial Instruments".
- In 2010, the Group proceeded to classify the assets of its subsidiary Natraceutical Industrial, SLU, subject to the agreement signed with Naturex SA (see Note 16) as "Disposable Group Assets Classified as Held for Sale", which were registered at fair value in accordance with the price set in the agreement, as at year-end 2010 the Directors of the parent company considered that they met the requirements of IFRS 5 for such classification. The sale was not finalised in 2010, but progress was made in the formalisation of the agreement, resulting in the lifting of the suspensive condition by the financiers of the syndicated loan. Consequently, the Directors considered that they continued to fulfil the requirements for this classification, without the need for modifications in their measurement. The sale of the subsidiary did not take place in 2012, but both parties continue to work on defining the terms of the agreement, having advanced in its formalization. The parent forecasts that the sale will take place in 2013.

#### **(b) Changes in ownership interests in subsidiaries without a change of control**

The Group posts transactions with non-controlling interests that do not result in loss of control as transactions with the Group's equity owners. For purchases of non-controlling interests, the difference between the consideration paid and the relevant share of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

#### **(c) Disposals of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is remeasured at fair value on the date when control is lost, recognising the increased carrying amount of the investment against the income statement. The fair value is the initial carrying amount for the purposes of the subsequent posting of the retained interest as an associate, joint venture or financial asset. Additionally, any amounts previously recognised in other comprehensive income in relation to the entity are posted as if the Group had directly disposed of all the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

#### **(d) Associates**

Associates are all the entities over which the Group has significant influence but not control, which generally accompanies a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognised at cost. The Group's investment in associates includes the goodwill identified on acquisition.

If ownership of an interest in an associate is reduced but significant influence is maintained, only the proportionate part of the amounts previously recognised in other comprehensive income is reclassified to the income statement.

The Group's interest in the profits or losses subsequent to the acquisition of associates is recognised in the income statement, while its interest in the post-acquisition movements in other equity items is recognised in other comprehensive income. The accumulated post-acquisition movements are adjusted against the investment's carrying amount. When the Group's interest in the losses in an associate is equal to or exceeds its interest in the same, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

During 2011, the Group disposed of 577,160 shares in the only associated company included in the scope of consolidation in 2010 (Naturex SA), thereby obtaining a profit of 9,559 thousand euros (see Note 26) recognised under "Impairment and Gains on the Disposal of Financial Instruments" in the attached income statement for 2011.

As a result of these significant sales, coupled with the capital increase carried out in the associate, and in which the Group did not participate, on November 1, 2011, the Directors of the parent company decided to exclude Naturex, SA, from the scope of consolidation, as both factors led to the loss of significant influence over the same. This loss of significant influence was motivated by the dilution effect caused by these two factors, which significantly decreased both its interest to 20.7% (33.82% at December 31, 2010) and its voting rights to a 2.7% (16% at December 31, 2010). As a result, and given the Group's intentions to dispose of the rest of its interest in the coming years, the Directors of the parent company decided to classify this investment as a financial asset at fair value through profit or loss, registering it at fair value, that is, at the 2011 year-end price, resulting in a positive impact in the attached income statement for 2011 of 23,287 thousand euros, recognised under "Change in Fair Value of Financial Assets at Fair Value through Profit or Loss" (see Note 26).

The Group did not include the associate Cakefriends, Ltd, classified as available for sale from previous years, in the consolidated financial statements for 2011, considering that it had no significant influence in this company. The parent company held a 12.29% interest in the mentioned associate until October 26, 2011, the date on which the Directors of the parent company agreed its sale to the Swiss company Panadoro Group Ltd. The purchase agreement also included the cancellation of the debit balances held by the Group with the mentioned associate, transferring the collection right on same to the buyer. For this reason, the Group proceeded to de-recognise both the interest and the mentioned balances, resulting in a negative impact on the consolidated income statement for 2011 to the amount of 220 thousand euros, registered under the headings "Impairment and Gains on Disposal of Financial Instruments" to the amount of 212 thousand euro negative (see Note 26) and "Other Operating Expenses-Changes in Trade Provisions", amounting to 8 thousand negative euros.

## 2.3 Changes in accounting policies

During 2012, there have been no significant changes in criteria in relation to the criteria applied in 2011 (see Note 2.1.3).

## 2.4 Segment Reporting

Information on operating segments is presented in accordance with the internal information provided to the maximum decision-making authority. The Board of Directors, which is responsible for taking strategic decisions, has been identified as the highest decision-making authority, responsible for allocating resources and assessing the performance of the operating segments (see Note 5).

## 2.5 Foreign currency transactions

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the measurements, in the case of items that have been remeasured. Gains and losses on foreign currency resulting from the settlement of such transactions and from the translation to the year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they differ in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Exchange rate gains and losses are presented in the consolidated income statement in "Exchange Differences".

### (c) Group Companies

The results and financial position of all the Group entities (none of which employs the currency of a hyper-inflationary economy) whose functional currency is different to the presentation currency are translated into the presentation currency as follows:

- (i) The assets and liabilities for each balance sheet presented are translated at the exchange rates prevailing on the balance sheet date.
- (ii) Income and expenses for each income statement are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated on the date of the transactions.
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Adjustments to goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate. All resulting exchange differences are recognised in other comprehensive income.

## **2.6 Property, plant and equipment**

Property, plant and equipment is recognised at cost less accumulated depreciation and any accumulated impairment losses recognised. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the items. Those acquired prior to 1996 and which are located within the Spanish territory are carried at updated acquisitions cost, pursuant to Royal Decree-Law 7/1996, of 7 June. This value has been accepted in accordance with the content of IFRS 1 as a reference value at the date of transition.

Capital gains or net increases in value resulting from the revaluation are amortised over the periods remaining to complete the service life of the revalued assets.

As a result of the contribution of a business line by Natra, SA in 1993 upon the establishment of the parent company, the company's lands were recorded at market value, in accordance with the option provided for by Law 29/1991. The effect of the revaluation at the end of the current year is not material.

At the date of transition to IFRS, the Group elected to measure certain land on which certain Group companies develop their productive activity at fair value, in accordance with IFRS 1, and employed this fair value as the attributed cost at that date. This value was determined on the date of transition, based on the 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.

Work implemented for the property, plant and equipment is recognised at accumulated cost, resulting from adding internal costs to external costs, determined on the basis of in-company consumption of warehouse materials and production costs, applied on the basis of hourly rates equal to those used for the measurement of construction projects.

Subsequent expansion, modernisation, improvement or repair and maintenance costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated systematically using the straight line method to allocate their cost up to the amount of their residual values during their estimated service lives. Each part of an item of property, plant and equipment which has a cost that is significant in relation to the total cost of the item is depreciated separately. The estimated service lives are:

Buildings	15-33 years
Plant and machinery	8-12 years
Other fixtures, tools and furniture	5-12 years
Other property, plant and equipment	4-10 years

The residual value and service lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount (Note 2.8).

Gains and losses from the sale of property, plant and equipment are determined by comparing the income obtained with the carrying amount and they are recognised in the income statement under "Impairment and Gains on Disposal of Fixed Assets".

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

## 2.7 Intangible assets

### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the interest held by the Group in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of carrying out impairment tests, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash generating units, that are expected to benefit from the combination's synergies. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is controlled at the operating segment level.

Goodwill impairment losses are revised annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared with the recoverable amount, which is the value in use or fair value less sales costs, whichever is the greater. Any impairment loss is recognised immediately as an expense and is not subsequently reversed.

**(b) Trademarks and licenses**

Trademarks and licenses acquired from third parties are shown at historical cost. Trademarks and licenses acquired in business combinations are recognised at fair value at the acquisition date. They have a finite service life and are measured at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated service life of 5 to 6 years.

Acquired software licenses are capitalised on the basis of the costs incurred in their purchase and the pre-preparation of the specific software. These costs are amortised over their service lives, estimated at between 3 to 4 years.

**(c) Software**

Costs associated with computer software maintenance are recognised as an expense as and when they are incurred. Development costs directly attributable to the design and testing of software, which are identifiable and unique and capable of being controlled by the Group, are recognised as intangible assets when the following conditions are met:

- It is technically possible to complete the intangible asset so that it can be made available for use or sale.
- The Management intends to complete the intangible asset and use or sell it.
- The entity has the capacity to use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future economic benefits.
- There are adequate technical, financial or other types of resources available to complete the development and to use or sell the intangible asset, and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the costs of personnel who develop such programmes and an appropriate proportion of overheads.

Costs that do not meet these criteria are recognised as an expense when they are incurred. Expenditure on an intangible asset initially recognised as an expense is not recognised as intangible assets later.

The development costs of software recognised as assets are amortised over the estimated service life, which does not exceed four years.

#### **d) 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 any other scientific knowledge, to a specific plan or design for the production of new or substantially improved materials, products, methods, processes or systems prior to the start of its production or commercial use.

The development activities of the Natraceutical Group are internally generated intangible assets. To assess compliance with the accounting criteria for recognition, the Group has classified the generation of the asset as:

- Research phase: the phase in which the Group is unable to demonstrate that an intangible asset exists that will generate probable future economic benefits, i.e., costs incurred to obtain a prototype. Therefore, this expenditure is recognised as an expense when it is incurred.
- Development phase: the more advanced phases of the project, in which the entity is able, in some instances, to identify an intangible asset and demonstrate that it can 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 reliably measured.

Such assets are amortised at the annual rate of between 20% and 33%, following the finalisation of the project.

The development work performed by the Group is stated 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).

## **2.8 Impairment losses of non-financial assets**

Assets that have an indefinite service life, for example, goodwill or intangible assets that are not in a condition to be used, are not subject to amortisation and are tested annually to determine the need to record of impairment losses. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount in which the asset's carrying exceeds its recoverable amount. The recoverable amount is the fair value of an asset less sale or value in use costs, whichever is the greater. For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Impairment losses on non-financial assets, other than goodwill, are reviewed on all dates on which financial information is presented and analysed for possible reversal.



## 2.9 Non-current assets (or disposal Groups) held for sale

Non-current assets (or disposal groups of elements) are classified as assets held for sale when their value is to be recovered principally through a sales transaction rather than through continuing use, provided the sale is considered highly probable. These assets are measured at either their carrying amount or their fair value less sale costs, whichever is the lower.

## 2.10 Financial assets

### 2.10.1. Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on their initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of being sold in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within twelve months. otherwise, they are classified as non-current.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities of more than 12 months as of the balance sheet date, in which case they are classified as non-current assets. The Group's loans and receivables mainly comprise the BSIs "Trade and Other Receivables" and "Cash and Cash Equivalents" in the balance.

#### (c) Available-for-Sale Financial Assets

Financial assets available for sale are non-derivatives that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets, unless they mature within 12 months as of the balance sheet date or the Management intends to dispose of the investment in this period.

### 2.10.2. Recognition and Measurement

Regular acquisitions and sales of investments are recognised at the trading date, i.e., the date on which the Group commits to the purchase or the sale of the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and the transaction costs are charged to the income statement. Financial assets are de-recognised in the balance sheet when the rights to receive cash flows from the investments have matured or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets available for sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost in accordance with the effective interest rate method.

Gains or losses arising from changes in fair value in the category “Financial Assets at Fair Value through Profit or Loss” are presented in the income statement within “Financial Income and Expenses” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

The interest of securities available for sale calculated using the effective interest rate method is recognised within other income in the income statement. Dividends from equity instruments available for sale are recognised in the income statement as part of other income when the Group’s right to receive these payments is established.

## 2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented by means of a net in the balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2.12 Impairment losses of financial assets

### (a) Assets carried at amortised cost

At each balance sheet date, the Group assesses whether there is objective evidence of the impairment of a financial asset or group of financial assets. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor.
- Breaches of contract, such as default or delays in payment of interest or principal.
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the it would not otherwise consider.
- It becoming increasingly likely that the borrower will enter into bankruptcy or another situation of financial reorganisation, or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - (i) Adverse changes in the payment terms of the Group's borrowers, and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

For the category of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (regardless of future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical measure, the Group may estimate the impairment on the basis of the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised reversal of the impairment is recognised in the consolidated income statement.

#### **(b) Assets classified as available for sale**

At the end of each reporting period, the Group assesses whether there is objective evidence of the impairment of a financial asset or group of financial assets. For debt instruments, the Group uses the criteria (a) described above. In the case of investments in equity instruments classified as held for sale, a significant or prolonged decline in the fair value of the instrument below its cost is also considered evidence of the impairment of the asset. If such evidence exists for financial assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss, is removed from equity and recognised

in the separate consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event occurring after the impairment loss was recognised in the result, an impairment loss is reversed in the consolidated income statement.

## 2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date of signing the derivative contract. Subsequent to initial recognition, they are re-measured at fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as:

### **(a) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).**

At the start of a transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as their goals for risk management and the strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at the beginning and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the hedged items' cash flows.

The fair value of certain derivative instruments used for hedging purposes is disclosed in Note 11. The total fair value of a hedging derivative is classified as a non-current asset or liability if the maturity of the remaining hedged item is more than 12 months, and as a current asset or liability if the maturity of the remaining hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

#### Cash flow hedges

The effective portion of changes in fair value of derivatives, which are designated and qualify as cash flow hedges, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for instance, when the forecast hedged sale occurs). The gain or loss relating to the effective portion of interest rate swaps covering variable rate loans, included in other comprehensive income, is recognised in the financial result in the income statement, in accordance with the maturities of the hedged loans. However, when the forecast hedged transaction involves the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset's cost. The deferred amounts are recorded permanently in cost of the goods sold, in the case of inventory, or in depreciation, in the case of property, plant and equipment.

When a hedging instrument matures or is sold, or when it ceases to meet the requirements for hedge accounting, any gain or loss accumulated in equity at that time remains in equity, and is transferred to

earnings when the forecast transaction is finally recognised in the income statement. In cases in which the forecast transaction is not produced, the cumulative gain or loss in equity is immediately transferred to the income statement.

## **2.14 Inventories**

Inventories are measured at cost or net realisable value, the lesser of the two. Cost is determined by the weighted average cost method. The cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes interest costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **2.15 Trade receivables**

Trade receivables are amounts due from customers for sales of goods or services effected in the normal course of the operation. If the debt is expected to be collected within one year or less (or in the normal operating cycle, whichever is longer), it is classified as a current asset. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, in accordance with the effective interest rate method, less the impairment provision.

## **2.16 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits with credit institutions and other highly liquid current investments with original maturities of three months or less.

## **2.17 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, from the income obtained.

Where any Group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity, attributable to holders of Company equity instruments, until it is cancelled, reissue or sale. Where such shares are subsequently reissued, any amounts received, net of any incremental costs directly attributable to the transaction and the corresponding income tax effects, are included in equity attributable to holders of Company equity instruments.

## 2.18 Trade payables

Trade payables are obligations to pay for goods or services purchased from suppliers in the ordinary course of the operation.

Accounts payable are classified as current liabilities if payments are due within one year or less (or mature in the normal operating cycle, whichever is greater). Otherwise, they are presented as non-current assets.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 2.19 Financing debt

Financing debts are initially recognised at fair value, less any transaction costs incurred. Subsequently, the financing debts are measured at amortised cost. Any difference between the proceeds (net of the costs necessary to obtain the same) and the redemption value is recognised in the income statement over the life of the debt, in accordance with the effective interest rate method.

## 2.20 Current and deferred taxes

Natraceutical, SA is taxed in the tax consolidation regime as head of the Group, along with Forte Pharma Ibérica, SLU.

The Group subsidiaries file individual tax returns, in accordance with the tax regulations applicable in each country.

The tax expense for the period comprises current and deferred tax. Taxes are recognised in income, except to the extent that they relate to items recognised in other comprehensive income, or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax expense is calculated in accordance with the laws enacted or substantively enacted at the balance sheet date in the countries in which the Company and its subsidiaries operate, and in those in which they generate taxable income. The Management periodically assesses the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognised in accordance with the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not charged if it arises from the initial recognition of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profits are likely to be available against which to offset the temporary differences.

Deferred income tax is recognised for temporary differences arising on investments in subsidiaries and associates, except for those deferred tax liabilities for which the Group is able control the reversal date and which are unlikely to be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from income tax corresponding to the same tax authority and apply to the same taxable entity, or to different taxable entities that intend to settle the current tax liabilities and assets on a net basis.

## **2.21 Employee benefits**

### **Termination benefits**

Termination benefits are payable to employees as a result of the Group's decision to terminate their employment contracts before the normal retirement age, or when an employee accepts voluntary redundancy in exchange for such benefits. The Group recognises these benefits when it is demonstrably committed to terminating the employment of current employees in accordance with a detailed formal plan from which it has no possibility of withdrawal. When making an offer to encourage the voluntary resignation of employees, termination benefits are measured by the number of employees expected to accept the offer. Benefits that are not to be paid within twelve months as of the balance sheet date are discounted at their current value.

## **2.22 Provisions**

Provisions are recognised when: the Group has a present obligation, either legal or implicit, as a result of past events, an outgoing of resources is likely in order to settle the obligation, and the amount has been reliably estimated. Restructuring provisions include penalties for cancellation of leases and severance payments to employees. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood of an outgoing of resources in order to settle the obligation is determined by considering each class of obligations as a whole. A provision is recognised even if the probability of an outgoing related to any of the items included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market value of the time value of money and the risks specific to the obligation. An increase in the provision due to the passage of time is recognised as an interest expense.

## 2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of discounts, returns and, value-added tax and after eliminating sales within the Group.

Revenue is recognised when the income can be reliably measured, it is probable that the entity will receive a future economic benefit and when certain conditions are met for each of the Group's activities, as described below. The Group bases its estimates on historical results, considering the type of customer, the type of transaction and the specific circumstances of each agreement.

### **(a) Sales of goods**

The Group manufactures and sells a wide range of nutritional products to pharmacies and drugstores in the market. Sales of goods are recognised when the Group entity has delivered products to the end user, the end user manages the products' channel and sales price, and there is no unfulfilled obligation that could affect the acceptance of the products by the end customer. Delivery does not occur until the product is sent to the specific location, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the contract of sale, and the acceptance period has ended or when the Group has sufficient objective evidence that all the acceptance criteria have been met.

The products are sometimes sold with volume discounts. Customers have the right to return defective goods. Sales are recorded based on the price set in the contract of sale, net of estimated volume discounts and returns at the time of sale. The Group employs its accumulated experience to estimate and provide for discounts and returns. Volume discounts are measured in accordance with the annual sales volume expectations. It is assumed that there is no finance component when sales are made with an average collection period of 60 days, which is in line with market practice.

### **(b) Interest income**

Interest income is recognised using the effective interest rate method. When a loan or receivable suffers an impairment loss, the Group reduces the carrying amount to the recoverable amount, which is calculated based on the estimated future cash flows discounted at the instrument's original effective interest rate, and continues to update the account receivable as interest income. Interest income from loans that have suffered an impairment loss is recognised using the original effective interest rate.

### **(c) Dividend income**

Dividend income is recognised when the right to receive payment is established.



**(c) Provision of services**

Services rendered are recognised considering the stage of completion of the transaction at the balance sheet date, provided that the outcome of the transaction can be estimated reliably.

**2.24 Leases**

Leases, where the lessor retains a significant portion of the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

**2.25 Distribution of dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**2.26 Environmental information**

Property, plant and equipment intended to minimise environmental impact and improve the environment is measured at acquisition cost. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the service lives of these assets are capitalised. Repairs and maintenance costs incurred during the year are charged to the consolidated income statement.

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.

**3 FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

The Group's activities expose it to various financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

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

Risk management is controlled by the Financial Department and is monitored and controlled directly by the Management, which meets regularly to analyse the situation of the financial markets and the situation of existing operations/hedges.

#### **(a) Market risk**

##### **(i) Exchange rate risk**

The Group operates mainly in European markets, and as such its exposure to exchange rate risk resulting from foreign currency trading is not significant.

The Group has no significant investments in foreign operations whose net assets are exposed to the risk of foreign currency translation.

##### **(ii) Price risk**

At 31 December 2012, the Group is not subject to significant exposure to price risk. At 31 December 2011, the Group was exposed to capital securities price risk due to the investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss, which have been completely disposed of in 2012.

At 31 December, 2012, the Company does not have any investments in any listed companies. At 31 December, 2011, the Group's investment in equity instruments of other entities that were subject to trading was the 20.7% interest held in Naturex SA, listed on the French stock exchange.

In 2011, an increase or a decrease of 10% in the market price of Naturex SA would have supposed a positive or negative impact of 8,278 thousand euros, respectively.

Due to the activity undertaken by the Group and the markets in which it operates, it is not exposed to commodity price risk.

##### **(iii) Interest rate risk on cash flows and fair value**

The interest rate risk arises from the Group's financial debt. Loans issued at variable rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy has always been to hold between approximately 50% and 75% of its borrowings in fixed interest rate instruments, a circumstance that has been modified in December 2012 with the complete cancellation of the syndicated loan (see Note 20). During 2012 and 2011, the Group's loans are denominated in euros.

According to the simulations for 2012, the impact on the result of a change of 100 basis points in the interest rate would have led to a maximum increase in profit of 276 thousand euros or a maximum decrease in profit of 276 thousand euros, respectively, (from 443 thousand euros increase or decrease in profit, respectively, in 2011). This simulation has been carried out quarterly to ensure that the maximum potential loss was within the limits set by Management.

Based on the various scenarios, the Group has been managing the interest rate risk of the cash flows using floating to fixed interest rate swaps. These interest rate swaps have the economic effect of converting borrowings at variable interest rates to fixed rates. Generally, the Group has obtained non-current borrowings at variable rates and has swapped them to fixed rates. The need to establish floating to fixed interest rate swaps has disappeared with the complete cancellation of the syndicated loan in 2012 (see Note 20).

**(b) Credit risk**

The Group's main financial assets are trade and other receivables and investments recognised in the financial statements net of impairment losses, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The amounts of trade and other receivables are reflected in the balance sheet net of provisions for bad debts, estimated by the Group's Management based on previous years' experience and its assessment of the current economic environment.

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

**(c) Liquidity risk**

The Group establishes its cash requirements by drawing up a 12-month cash budget, based on the budgets of each Group company.

In this way, cash requirements in terms of amount and time are identified, and new plans for meeting financing needs are developed.

The financing requirements generated by investment operations are structured and designed in accordance with their effective life, in most cases through long-term loans, such as syndicated loans.

The Management monitors the forecasts of the Group's liquidity reserve, which includes the availability of credit, and cash and cash equivalents, based on expected cash flows.

The following table presents an analysis of the Group's financial liabilities to be settled net and grouped by maturity, in accordance with the periods remaining at the balance sheet date to the maturity date stated in the contract.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>At 31 December, 2012</b>				
Banks (Note 20)	1,467	-	-	-
Other financial liabilities	59	59	158	40
Trade and other payables	6,544	-	-	-
Other current liabilities	1,489			
<b>At 31 December, 2011</b>				
Banks (Note 20)	49,414	10,137	-	-
Derivative financial instruments (Note 11)	-	525	-	-
Other financial liabilities	1,224	7,137	289	93
Trade and other payables	10,044	-	-	-

In 2011, all the financial derivative instruments corresponded to hedging relationships, with maturity in 2013 and to be settled gross.

### 3.2 Capital risk management

Natraceutical Group aims primarily to maintain an optimal capital structure to support its capacity to continue as a going concern, which safeguards the performance for its shareholders and the profit for equity holders. This policy allows for the reconciliation of the creation of value for shareholders with access to the financial markets at a competitive cost, which enables the financing needs of the investment plan that not covered by cash generated by the business to be covered. The development of the policy is in line with the Group's overall strategy in relation to sales growth through the expansion of its operations throughout the country and abroad.

The Group's capital structure includes shareholders' equity, comprising capital, reserves and retained earnings, and net financing debt, composed of bank borrowings and cash and cash equivalents.

The Group monitors the capital based on the debt ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current financial debt", "derivatives" and "other current and non-current financial debt", as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" in the consolidated balance sheet plus net debt.

The following table shows Natraceutical Group's level of financing debt (net financing debt / total liabilities) at year-end 2012 and 2011 (in thousands of euros).

	2012	2011
Borrowings	1,783	66,062
Less: Cash and cash equivalents	(1,943)	(714)
Net debt	(160)	65,348
Total net equity	86,753	86,590
Total Capital	86,593	151,938
Debt ratio	0%	43%

The decrease in the debt ratio is due to the cancellation of the syndicated loan obtained in April 2010, resulting in the net financing debt reaching negative levels.

### 3.3 Fair value estimation

On January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured at fair value in the balance sheet, which requires disclosure of fair value measurements by levels, in accordance with the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Data other than the quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

Level 3: Data for the asset or liability that are not based on observable market data (i.e., unobservable).

The fair value of financial instruments traded in active markets is based on a representative average of the trading prices. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring current market transactions between parties acting on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in level 1 comprise assets at fair value through profit or loss relating to investments in Euronext equity securities, and refer to the Group's interest in Naturex SA (see Note 14), fully disposed of at December 31, 2012.

The fair value of financial instruments that are not quoted in an active market is determined using measurement techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques are used to determine the fair value of other financial instruments, such as estimated discounted cash flows. The level 2 category includes the hedging derivatives held by the Group until their cancellation in December 2012.

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually assessed and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

### 4.1 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the corresponding actual results. The most significant estimates and judgments are explained below:

#### **(a) Estimated impairment of goodwill**

The Group annually monitors whether goodwill has suffered an impairment loss, in accordance with the accounting policy detailed in Notes 2.7. and 2.8. The recoverable amounts from cash generating units (CGU) have been determined based on value in use calculations. These calculations require the use of estimates (Note 7).

#### **(b) Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded in an active market (for example, derivatives outside the official market) is determined using measurement techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

In December 2012, the company cancelled its derivatives, as they hedged the syndicated financing that was also cancelled in December 2012.

According to the analyses carried out by the Company for 2011, a 10% variation in the Management's estimates would not have significantly modified the estimated carrying amount of the financial instruments (see Note 11).

#### **(c) Service lives of property, plant and equipment and intangible assets**

The Group's management determines the estimated service lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the period in which the items of property, plant and equipment and intangible assets are to generate profits. At each balance closure, the Group reviews the service lives of the property, plant and equipment and intangible assets and, if the estimates differ from those made previously, the effect of the change is charged prospectively in the income statement for the year as of which the change is to be effected.

## 5 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the Board of Directors and which are used for strategic decision-making.

The Board considers the business from a product standpoint.

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, when applicable, to a "Corporate Unit".

The Board of Directors analyses the performance of the operating segments based on operating income. The interest income and expenses are not charged to segments, as this type of activity is managed by the central treasury, which is responsible for the Group's cash position.

The Group's financial information, detailed by operating segment, for the years ended December 31, 2012 and 2011 is as follows (in thousands of euros):

At December 31, 2012

	<b>Functional Ingredients</b>	<b>Nutritional supplements</b>	<b>Corporate</b>	<b>Total</b>
Total revenues of the segment	511	29,415	-	29,926
Inter-segment revenue	-	-	-	-
Revenue from external customers	511	29,415	-	29,926
Procurements	-	(8,062)	-	(8,062)
Personnel costs	(6)	(7,472)	(741)	(8,219)
Amortisation of property, plant and equipment	-	(728)	-	(728)
Operating income	369	1,348	(1,589)	128
Impairment and loss on disposal of financial instruments	(41)	-	3,394	3,353
Profit before tax	316	1,221	(2,537)	(1,000)
Financial expense	-	-	(4,807)	(4,807)
Financial income	-	-	160	160
Income tax expense	529	2	463	994
Interest in the profits (loss) of associates	-	-	-	-
<b>Total Assets</b>	<b>8,153</b>	<b>70,800</b>	<b>19,106</b>	<b>98,059</b>
Registrations of non-current assets	-	486	-	486
<b>Total liabilities + equity</b>	<b>367</b>	<b>8,938</b>	<b>88,754</b>	<b>98,059</b>

At December 31, 2011

	Functional Ingredients	Nutritional supplements	Corporate	Total
Total revenues of the segment	312	29,094	79	29,485
Inter-segment revenue	-	-	-	-
Revenue from external customers	312	29,094	79	29,485
Procurements	-	(4,927)	-	(4,927)
Personnel costs	-	(7,774)	(693)	(8,467)
Amortisation of property, plant and equipment	-	(1,197)	-	(1,197)
Operating income	389	(14,864)	(2,201)	(16,676)
Impairment and loss on disposal of financial instruments	568	-	8,711	9,279
Change in fair value of financial assets at fair value through profit or loss	1,519	-	21,768	23,287
Profit before tax	2,457	(15,748)	29,900	16,609
Financial expense	-	-	(4,884)	(4,884)
Financial income	-	-	26	26
Income tax expense	(529)	(14)	-	(543)
Interest in the profits (loss) of associates	5,470	-	-	5,470
<b>Total Assets</b>	<b>90,617</b>	<b>70,690</b>	<b>4,070</b>	<b>165,377</b>
Registrations of non-current assets	-	641	-	641
<b>Total liabilities + equity</b>	<b>1,400</b>	<b>10,047</b>	<b>153,930</b>	<b>165,377</b>

During 2012 and 2011, the Group's sales were effected in the following geographical areas:

	Thousands of euros	
	2012	2011
America	-	2
Europe	29,926	29,483
	<b>29,926</b>	<b>29,485</b>

Sales in Europe are broken down as follows:

	Thousands of euros	
	2012	2011
France	19,676	20,436
Spain	3,267	3,298
Belgium	3,431	3,201
Rest	3,552	2,548
	<b>29,926</b>	<b>29,483</b>



Non-current assets other than financial instruments, deferred tax assets, assets relating to post-employment benefits and rights arising under insurance contracts allocated by country, are broken down in the following table:

	Thousands of euros	
	2012	2011
Spain	17	40
Belgium	2	24
Monaco	59,777	59,974
	<b>59,796</b>	<b>60,038</b>

## 6 PROPERTY, PLANT AND EQUIPMENT

Thousands of euros	Land and buildings	Plant and machinery	Total
<b>Balance at 01-01-2011</b>	-	<b>631</b>	<b>631</b>
Cost	1,204	1,760	2,964
Accumulated depreciation	-	(1,129)	(1,129)
Impairment losses	(1,204)	-	(1,204)
Carrying amount	-	631	631
Registrations	-	14	14
De-registrations	(1,204)	(260)	(1,464)
Amortisation of de-registrations	-	135	135
Reversal of impairment	1,204	-	1,204
Depreciation and amortization	-	(202)	(202)
<b>Balance at 31-12-2011</b>	-	<b>318</b>	<b>318</b>
Cost	-	1,514	1,514
Accumulated depreciation	-	(1,196)	(1,196)
Carrying amount	-	318	318
Registrations	-	113	113
De-registrations	-	(8)	(8)
Amortisation of de-registrations	-	8	8
Depreciation and amortization	-	(150)	(150)
<b>Balance at 31-12-2012</b>	-	<b>281</b>	<b>281</b>
Cost	-	1,619	1,619
Accumulated depreciation	-	(1,338)	(1,338)
Carrying amount	-	281	281

The land and buildings were reclassified as non-current assets held for sale in 2010, following the signing of a framework agreement with Naturex SA for the sale of Natraceutical Industrial, SLU (see Note 2.2). Of the reclassified amount, 1,244 thousand euros relate to land, with the rest relating to constructions. Note 16 provides more details about the disposable group held for sale.

During 2011, the Directors of the parent company made the decision to dispense with one of the offices, located in Monaco, that Forté Pharma had rented for the development of its activity. Consequently, the Group proceeded to de-register all the property, plant and equipment related to the office, which gave rise to a negative impact for the amount of 125 thousand euros in the attached income statement for 2011, recognised under “Impairment and Gains on Disposal of Property, Plant and Equipment”.

## Impairment losses

No impairment losses have been recognised for property, plant and equipment in 2012 and 2011.

## Updates made under Royal Decree-Law 7/1996, of 7 June

The amount of accumulated net re-measurements at year end amounted to 402 thousand euros (402 thousand euros at December 31, 2011), with the breakdown for each item as follows:

	Thousands of euros	
	2012	2011
Land	392	392
Buildings	10	10
	<b>402</b>	<b>402</b>

The effect of these re-measurements on the depreciation allocation in 2012 and 2011 was nil.

The land and buildings were reclassified in 2010 as non-current assets held for sale, as mentioned in this note, and as such are not depreciated.

## Property, plant and equipment located abroad

At December 31, 2012 and 2011, the Group has the following investments in plant, property and equipment located outside the territory in which the parent company has its registered office:

	Thousands of euros					
	2012			2011		
Property, plant and equipment	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	1,386	(1,116)	270	1,292	(996)	296
	<b>1,386</b>	<b>(1,116)</b>	<b>270</b>	<b>1,292</b>	<b>(996)</b>	<b>296</b>

### Fully depreciated assets

At December 31, 2012 there is property, plant and equipment with an original cost of 811 thousand euros (2011: 752 thousand euros) that is fully depreciated and still in use.

### Assets under operating lease

In its position as lessor, the Group's most significant operating lease was formalized in 2009, following the sale of the Functional Ingredients Division to the listed French company Naturex SA, for an 8-year term, consisting of the leasing of the land and buildings in Valencia to Naturex, SA.. Under the agreement, the lease payments have been established on the basis of market prices and with the following discounts during the first five years: 75% for 2010, 60% for 2011, 45% for 2012, 30% for 2013 and 15% for 2014.

The carrying amount of "Land and buildings" relative to the mentioned contract is as follows:

	Thousands of euros	
	2012	2011
Cost	4,216	4,216
Accumulated amortisation at 1 January	(1,864)	(1,864)
<b>Carrying amount</b>	<b>2,352</b>	<b>2,352</b>

The above-mentioned land and buildings are classified as non-current assets held for sale at December 31, 2012 and 2011.

The future aggregate minimum charges for non-cancellable operating leases are as follows:

	Thousands of euros	
	2012	2011
Less than one year	163	128
Between one and five years	897	827
More than five years	-	233
	<b>1,060</b>	<b>1,188</b>

It is expected that the lease that give rise to the indicated rental income is to be cancelled in 2013, following the sale of Natraceutical Industrial, SLU to Naturex SA, as mentioned in Note 16.

The leasing of property, plant and equipment in 2012 has given rise to an annual rental income amounting to 131 thousand euros (2011: 96 thousand euros).

## Insurance

The Group has taken out several insurance policies to cover the risks to which the property, plant and equipment is subject. The coverage of these policies is considered sufficient.

## Guarantees

The Group's bank borrowings at 31 December 2011 were guaranteed by land measured at 1,244 thousand euros. The guarantee has been cancelled as a result of the full repayment of the syndicated loan in 2012 (Note 20).

## 7 INTANGIBLE ASSETS

"Intangible assets" includes the consolidation goodwill and other intangible assets, in accordance with the following breakdown:

	Thousands of euros	
	2012	2011
Goodwill on consolidation	59,027	59,027
Other intangible assets	488	693
<b>Total</b>	<b>59,515</b>	<b>59,720</b>

### Goodwill on consolidation

The movement in goodwill is as follows:

	Thousands of euros	
	2012	2011
<b>At 1 January:</b>	<b>59,027</b>	<b>70,245</b>
Cost	80,783	80,783
Accumulated impairment	(21,756)	(10,538)
<b>Carrying amount</b>	<b>59,027</b>	<b>70,245</b>
Value adjustments for impairment	-	(11,218)
<b>At 31 December</b>	<b>59,027</b>	<b>59,027</b>

In 2011, the impairment corresponded to the Laboratoires Forte Pharma Group UGE (Large Business Unit), which is recognized under "Impairment and gains on disposal of property, plant and equipment" in the attached consolidated income statement for the 2011.

A summary of the allocation of goodwill at the UGE (Large Business Unit) level is shown below:

	Thousands of euros	
	2012	2011
Laboratoires Forte Pharma Group	59,027	59,027
<b>Total</b>	<b>59,027</b>	<b>59,027</b>

Goodwill has been allocated to the companies responsible for the generation of the same at the time of purchase as cash-generating units (CGUs). The cash flows of these CGUs must guarantee the goodwill.

The recoverable amount of this goodwill has been estimated in accordance with its value in use, which is based on 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 cash-generating unit on the basis of recent developments, and include the Group management's best estimates about the future behaviour of the most significant internal and external economic variables.

The prepared business plans are reviewed and finally approved by the Directors of the parent company.

In order to calculate the value in use of each cash-generating unit, the current value of the cash flows was obtained using financial projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates indicated below. The growth rates in the projections are consistent with market circumstances and are updated if the market conditions, specifically those affecting the cash-generating unit or the real business situation, so indicate. Growth rates are expected to average around 11.4% (14.9% in 2011) for the nutritional supplement market (a rate which does not exceed the rate forecast for the Company's sector of activity), taking into account the market developments of this type of product and the development of the Forte Pharma Group. Average EBITDA growth of around 35.7% is expected (39.5% in 2011). During 2012, the Company has been able to contain its costs and increase its sales, resulting in a considerable increase in EBITDA and compliance with the budget prepared for 2012. The Group believes that this same trend will continue in 2013, thus improving its EBITDA in the coming years.

The discount rates employed cover the specific risks of each generating unit with the target debt (leveraged business betas), the average cost of liabilities and the market risk premium. These discount rates have been updated this year, resulting in a value of around 8.7% (9.5% for 2011), approximately.

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

- Growth rate of 2% used to extrapolate cash flow projections for the period covered by budgets or forecasts (2% in 2011). In 2012, based on the structure of the business, the average growth rates employed for the geographic area in which the different companies operate for the 5-year period for sales were 11.4%, and 35.7% for EBITDA (14.9% and 39.5% at 31 December, 2011, respectively). This high growth in EBITDA arises from the type of product. As turnover increases, overheads remain constant. The margins on the products sold range between 75% and 80%.

- The values in use were calculated for each cash generating unit as the current value of the cash flows resulting from the financial projections discounted at rates that take into account the specific risks of the assets, the average cost of liabilities and Group's target financial structure. In 2012, based on the structure of the businesses, the geographical area in which they operate and their future expectations, the discount rates used were around 8.7% (9.5% for 2011).

If the EBITDA estimated by management were 10% lower, it would not be necessary for the Group to apply impairment to the goodwill. If the discount rate were 1% higher, it would not be necessary for the Group to record impairment for the goodwill. If the growth rate were 10% lower, it would not be necessary for the Group to record impairment for the goodwill.

The key assumptions required to balance the recoverable amount of the nutritional supplements cash generating unit with its carrying amount are as follows: The WACC should increase by 16.5%, from 8.7% to 10.0%, the growth rate is expected to decline by 94%, from 2% to 0.1%, and EBITDA growth rate should decrease 12.0%, from 11.4% to 10.0%

The mentioned impairment test revealed that there is no need to recognise an impairment of the Laboratoires Forte Pharma Group's goodwill, since the recoverable amount exceeds the carrying amount (11,218 thousand euros of impairment in 2011 ).

## Other intangible assets

The detail and movements of the items included in "other intangible assets," at December 31, 2012 and 2011, is as follows:

	Development	Patents, licenses and trademarks	Software	Other property, plant and equipment	Total
<b>Balance at 01-01-2011</b>	<b>391</b>	<b>168</b>	<b>345</b>	<b>157</b>	<b>1,061</b>
Cost	1,699	174	1,316	157	3,346
Accumulated depreciation	(1,201)	(6)	(971)	-	(2,178)
Impairment losses	(107)	-	-	-	(107)
<b>Carrying amount</b>	<b>391</b>	<b>168</b>	<b>345</b>	<b>157</b>	<b>1,061</b>
Registrations	326	-	161	140	627
Transfers	74	-	20	(94)	-
De-registrations	(527)	-	(14)	-	(541)
Amortisation of de-registrations	527	-	14	-	541
Depreciation and amortization	(517)	(3)	(475)	-	(995)
<b>Balance at 31-12-2011</b>	<b>274</b>	<b>165</b>	<b>51</b>	<b>203</b>	<b>693</b>
Cost	1,572	174	1,483	203	3,432
Accumulated depreciation	(1,191)	(9)	(1,432)	-	(2,632)
Impairment losses	(107)	-	-	-	(107)
<b>Carrying amount</b>	<b>274</b>	<b>165</b>	<b>51</b>	<b>203</b>	<b>693</b>
Registrations	274	85	14	-	373
Transfers	158	45	-	(203)	-
De-registrations	(588)	-	(8)	-	(596)
Amortisation of de-registrations	588	-	8	-	596
Depreciation and amortization	(494)	(26)	(58)	-	(578)
<b>Balance at 31-12-2012</b>	<b>212</b>	<b>269</b>	<b>7</b>	<b>-</b>	<b>488</b>
Cost	1,416	304	1,489	-	3,209
Accumulated depreciation	(1,097)	(35)	(1,482)	-	(2,614)
Impairment losses	(107)	-	-	-	(107)
<b>Carrying amount</b>	<b>212</b>	<b>269</b>	<b>7</b>	<b>-</b>	<b>488</b>

## Research and Development Expenditure

The capitalised development expenses correspond to the following projects:

	Thousands of euros							
	2012				2011			
	Cost	Accumulated depreciation	Impairment losses	Carrying amount	Cost	Accumulated depreciation	Impairment losses	Carrying amount
Scientific Staff Salaries	735	(593)	(107)	35	841	(677)	(107)	57
Trials	681	(504)	-	177	731	(514)	-	217
<b>Total</b>	<b>1,416</b>	<b>(1,097)</b>	<b>(107)</b>	<b>212</b>	<b>1,572</b>	<b>(1,191)</b>	<b>(107)</b>	<b>274</b>

The total amount of expenditure for research and development recognised as an expense in the income statement during the year amounted to 67 thousand euros (2011: 29 thousand euros) (see Note 25).

The additions to development costs for 2012 and 2011 correspond to projects developed by the Group as part of its policy to maintain its rates of growth and competitiveness.

#### Intangible assets located abroad

At 31 December, 2012 and 2011, the Group has the following investments located outside Spanish territory, or whose rights can only be exercised outside Spanish territory:

	Thousands of euros							
	2012				2011			
Property, plant and equipment	Cost	Accumulated depreciation	Impairment losses	Carrying Amount	Cost	Accumulated depreciation	Impairment losses	Carrying Amount
Development	1,416	(1,097)	(107)	212	1,572	(1,191)	(107)	274
Patents, licenses, trademarks and similar	304	(35)	-	269	174	(9)	-	165
Software	1,489	(1,482)	-	7	1,483	(1,432)	-	51
Other property, plant and equipment	-	-	-	-	203	-	-	203
<b>Total</b>	<b>3,209</b>	<b>(2,614)</b>	<b>(107)</b>	<b>488</b>	<b>3,432</b>	<b>(2,632)</b>	<b>(107)</b>	<b>693</b>

#### Fully amortised intangible assets

At 31 December 2012, the Group had intangible assets, still in use and fully depreciated, with a net carrying amount of 2,080 thousand euros (2011: 1,546 thousand euros).

#### Insurance

The Group has taken out several insurance policies to cover the risks to which the intangible assets are subject. The coverage of these policies is considered sufficient.



## 8 INVESTMENTS IN ASSOCIATES

At 31 December, 2012 and 2011, the Group did not present any associated companies within its scope of consolidation (see Notes 2.2d) and 14).

The changes in “Investments in associates” during the 2012 and 2011 were as follows:

	2012	2011
<b>At 1 January</b>	-	<b>78,808</b>
Share of (loss)/profit	-	5,444
Exchange differences	-	(828)
Sale of investments	-	(21,967)
Exclusions from the scope of consolidation	-	(59,494)
Dividends	-	200
Loss of significant influence	-	(2,163)
<b>At 31 December</b>	-	-

On 3 October, 2011, Naturex SA announced a capital increase of 49.3 million euros, to be undertaken via the subscription of first refusal rights. At the time of the announcement, Natraceutical, SA held 1,995,002 Naturex SA shares (31.07% of the company), for which it received the same number of pre-emption rights. Natraceutical Group did not subscribe the capital increase and proceeded with the sale of its rights package in an operation with a net total of 3.18 million euros.

On 21 October, 2011, Naturex SA published the data relating to the closure of the capital increase, announcing the issuance of 1,283,840 new ordinary shares. Following the capital increase, Naturex SA's outstanding shares were established at 7,705,580, of which 6,318,272 were ordinary and 1,387,308 were preferential (non-voting).

On 28 October, 2011, Natraceutical, SA formalised the sale of 400,000 ordinary shares in Naturex SA to SGD, an investment vehicle in which J. Dikansky, former Chairman of Naturex SA, holds an interest. The amount of the transaction was 20.16 million euros. Following the capital increase and the sale of the mentioned shares, Natraceutical, SA's shareholding in Naturex SA was established at 20.7%, consisting of 1,595,002 shares (207,694 ordinary and 1,387,308 preferential). As a result, Natraceutical SA's voting rights in Naturex SA were established at 2.7%. SGD and J. Dikansky upgraded to hold 21.0% of the company's capital and 25.3% of its voting rights.

The reduction of Natraceutical, SA's voting rights in Naturex SA to less than 5% gave rise to the termination of the Shareholders Agreement between Natraceutical, SA, and SGD and, consequently, to the termination of the concerted action held by both parties in relation to Naturex, SA.

During 2011, the Group disposed of a total of 577,160 shares in the only associated company included in the scope of consolidation in 2010, thereby obtaining a profit of 9,559 thousand euros (see Note 26), recognised under “Impairment and Gains on the Disposal of Financial Instruments” in the attached income statement for 2011.

As a result of these strong sales, coupled with the capital increase carried out in the associate, which the Group did not attend, the Directors of the parent company made a decision to de-consolidate the associate company, as both factors led to the loss significant influence over the same. This loss of significant influence was motivated by the dilution effect caused by these two factors, which significantly decreased both its interest to 20.7% and its voting rights to a 2.7%. As a result, and given the Group's intentions to dispose of the rest of its interest in the coming years, the Directors of the parent company decided to classify this investment as a financial asset at fair value through profit or loss, registering it at fair value (see Note 14), that is, at the 2011 year-end price, resulting in a positive impact in the attached income statement for 2011 of 23,287 thousand euros, recognised under "Change in Fair Value of Financial Assets at Fair Value through Profit or Loss" (see Note 26).

## 9 FINANCIAL INSTRUMENTS BY CATEGORY AND CREDIT QUALITY

### 9a Financial instruments by category

The carrying value of each of the financial instruments categories is as follows:

	Loans and Receivables	Assets at fair value through profit or loss	Hedging derivatives	Available for sale	Total
<b>31 December 2012</b>					
<b>Assets in balance</b>					
Trade and other receivables (Note 12)	20,780	-	-	-	20,780
Cash and cash equivalents (Note 15)	1,943	-	-	-	1,943
<b>Total</b>	<b>22,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,723</b>

	Liabilities at fair value through profit or loss	Hedging derivatives	Other financial liabilities at amortised cost	Total
<b>31 December 2012</b>				
<b>Liabilities in balance</b>				
Loans (Note 20)	-	-	1,467	1,467
Other financial liabilities (Note 20)	-	-	316	316
Trade and other payables (Note 19)	-	-	8,033	8,033
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9,816</b>	<b>9,816</b>

31 December 2011	Loans and Receivables	Assets at fair value through profit or loss	Hedging derivatives	Available for sale	Total
<b>Assets in balance</b>					
Assets at fair value through profit or loss (Note 14)	-	82,781	-	-	82,781
Trade and other receivables (Note 12)	6,813	-	-	-	6,813
Cash and cash equivalents (Note 15)	714	-	-	-	714
<b>Total</b>	<b>7,527</b>	<b>82,781</b>	<b>-</b>	<b>-</b>	<b>90,308</b>

31 December 2011	Liabilities at fair value through profit or loss	Hedging derivatives	Other financial liabilities at amortised cost	Total
<b>Liabilities in balance</b>				
Loans (Note 20)	-	-	56,794	56,794
Derivative financial instruments (Note 11)	-	525	-	525
Other financial liabilities (Note 20)	-	-	8,743	8,743
Trade and other payables (Note 19)	-	-	10,444	10,444
<b>Total</b>	<b>-</b>	<b>525</b>	<b>75,981</b>	<b>76,506</b>

## 9b Credit quality of financial assets

The credit quality of unmatured, unimpaired financial assets can be assessed in terms of the credit rating granted to the Group by external agencies or by means of the NPL record.

The credit quality of unmatured, unimpaired financial assets is assessed internally by the Group.

The Group believes that there is no risk of significant impairment to trade receivables and other financial assets, which do not maintain a specific credit rating, based on historical experience and on the review of the different companies carried out by the risks department.

Fair values are not significantly different from the nominal.

## 10 FINANCIAL ASSETS AVAILABLE FOR SALE

On 26 October 2011, the Directors of the parent company agreed to the sale of the interest in the associate Cakefriends Ltd to the Swiss company Panadoro Group Ltd, which at the time of the disposal held an ownership interest of 12.29% in the same. The purchase agreement also included the cancellation of the debit balances held by the Group with the mentioned associate, transferring the collection right on same to the buyer. As a result, the Group proceeded to de-recognise both the interest and the mentioned balances, resulting in a negative impact in the consolidated income statement for 2011 of 220 thousand euros, registered under “Impairment and Gains on Disposal of Financial Instruments” to the amount of 212 thousand euros (see Note 26) and “Other Operating Expenses-Changes in Trade Provisions”, amounting to 8 thousand euros.

Since 2006, the subsidiaries Braes Holdings Ltd and Braes Group Ltd., both located in the UK and directly or indirectly 100%-dependent on the parent company, were excluded from the scope of consolidation due to a lack of significant interest for the true and fair view of the consolidated financial statements, as they were inactive and classified as available for sale. During 2011, the Directors of the parent company agreed to the liquidation of both subsidiaries, and as such proceeded to de-recognise the investment for a net value of 1,645 thousand euros, as well as the credit balances held with both companies, giving rise to a positive impact on the consolidated income statement for 2011 of 65 thousand euros, recognised under “Impairment and Gains on Disposal of Financial Instruments” (Note 26)

The movement in financial assets available for sale is summarised below:

	Thousands of euros	
	2012	2011
<b>Opening balance</b>	-	<b>1,981</b>
Exchange differences	-	59
Registrations	-	3
De-registrations	-	(1,910)
Gains / (losses) in income statement	-	(133)
<b>Closing Balance</b>	-	-
Non-current portion	-	-
Current portion	-	-

The financial assets available for sale were mainly denominated in euros.

## 11 DERIVATIVE FINANCIAL INSTRUMENTS

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedges	-	-	-	525
<b>Total</b>	-	-	-	<b>525</b>
Less non-current part				
Interest rate swaps - cash flow hedges	-	-	-	525
	-	-	-	<b>525</b>
<b>Current part</b>	-	-	-	-

## Interest rate swaps

A 31 December 2011, "Derivatives" in the attached 2011 consolidated balance sheet includes 525 thousand euros corresponding to the measurement of the interest rate derivative, which was cancelled in December 2012, and which, together with its settlements, gave rise to a negative impact in the attached consolidated income statement of 774 thousand euros, recognised under "Finance costs". The settlement of derivatives opened in 2011 had a negative impact of 148 thousand euros in the attached consolidated income statement for 2011, which is also included in "Finance costs".

In determining the fair value of interest rate derivatives, the Group uses the discounted cash flows based on the implicit flows determined by the euro interest rates curve, in accordance with the 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, employing measurement techniques such as Black & Scholes and variations thereof applied to interest rate underlyings.

The Group carries out interest rate hedging operations, 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 referenced to floating interest rates.

The par value of the liabilities (cash flows) covered by interest rate hedges at 31 December 2011 for the coming years amounted to 38,965 thousand euros, with maturity in 2013. These liabilities have been cancelled in December 2012 as a result of the cancellation of the hedged syndicated financing (see Note 20).

During the refinancing process completed in April 2010, a derivative to hedge interest rate changes was contracted for 50% of the par value of the new syndicated loan. As a result of partial repayments of principal, in 2011 the amount of the syndicated loan covered by this derivative amounted to 70.34%. The amount recognised in equity at 31 December, 2011, in relation of hedges corresponds to the measurement of the mentioned derivative, net of tax.

At 31 December, 2012 and 2011, the benchmark variable interest rate that affects most of the debt is the EURIBOR.

At 31 December 2011, the Group had entered into interest rate swap contracts with various banks to cover the risk of possible increases in the benchmark interest rates of debts, which are broken down as follows:

## 2011

			Amount		Fair Value (Thousands of Euros)
	Classification	Type	Contracted (Thousands of Euros)	Maturity	Liabilities
IRS	Interest rate swaps	Variable to fixed	2,176	19/04/2013	(29)
IRS	Interest rate swaps	Variable to fixed	20,064	19/04/2013	(270)
IRS	Interest rate swaps	Variable to fixed	7,260	19/04/2013	(98)
IRS	Interest rate swaps	Variable to fixed	3,565	19/04/2013	(48)
IRS	Interest rate swaps	Variable to fixed	5,900	19/04/2013	(80)
<b>Total non-current</b>			<b>38,965</b>		<b>(525)</b>

In 2012 these contracts have been terminated.

## Analysis of sensitivity to interest rate

The changes in the fair value of the interest rate derivatives arranged by the Group depend on the long-term changes in the euro interest rate curve. The fair value of these financial derivative liabilities at 31 December 2011 was 525 thousand euros.

The Parent Group uses hedging transactions to manage its exposure to interest rate fluctuations. The purpose of interest rate risk management is to obtain a balance in the debt structure that minimises the cost of debt over several years, together with reduced volatility in the income statement. The contracted derivative instruments are assigned to a determined funding, with the derivative adjusted to the time structure and the amount of financing.

For 2011, the company undertook a sensitivity analysis of financial instruments for interest rates for changes of +/- 100 basis points over the applicable rates, giving rise to approximate variations of (398) and 389 thousand in profit or loss, respectively.

The risk structure at 31 December, 2011, distinguishing between the risks related to fixed and to variable interest rates, and having considered the derivative contracts (which meet all the requirements to be considered hedges), was the following:

31 December 2011	Thousands of euros
At hedged or fixed interest rate	38,965
At variable interest rate	16,428
Indebtedness	55,393
% Fixed rate/Total debt	70.34%

At 31 December 2012, the Group has no fixed rate debt.

## 12 TRADE AND OTHER RECEIVABLES

	Thousands of euros	
	2012	2011
<b>Non-current loans and receivables:</b>		
- Other financial assets	149	676
<b>Total</b>	<b>149</b>	<b>676</b>
<b>Current loans and receivables:</b>		
- Other financial assets	15,696	-
- Clients and accounts receivable	5,875	7,974
- Clients, group companies and investees	-	6
- Provisions for impairment	(1,413)	(1,843)
- Other current assets	473	-
<b>Total</b>	<b>20,631</b>	<b>6,137</b>
	<b>20,780</b>	<b>6,813</b>

The carrying values of the loans and receivables are denominated in euros.

The breakdown of other non-current and current financial assets at 31 December, 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
<b>Non-current financial assets</b>		
Syndicated refinancing process expenses	-	491
Deposits and guarantees	98	134
Loans to related parties	-	51
Receivables from third parties	51	-
<b>Total non-current financial assets</b>	<b>149</b>	<b>676</b>
<b>Current financial assets</b>		
Fixed-term deposits	14,515	-
Bank deposits	1,029	-
Loans to related parties	152	-
<b>Total current financial assets</b>	<b>15,696</b>	<b>-</b>
<b>Total financial assets</b>	<b>15,845</b>	<b>676</b>

The fixed-term deposits are deposited with Spanish financial institutions with maturities ranging from 18/01/13 to 20/12/13. December maturities have the option of early termination or exit windows between 1st and 10th of January, April, July and October.

The above-mentioned deposits have accrued a market interest rate during the year 2012.

Fair values are not significantly different from the nominal.

At December 31, 2012, receivables totalling 2,757 thousand euros (1,966 thousand euros at December 31, 2011) had matured. The breakdown of matured and unmatured receivables by periods at December 31, 2012 and 2011, is as follows:

	<b>2012</b>	<b>2011</b>
Unmatured	1,705	4,171
Up to 3 months	1,157	696
Between 3 and 6 months	1,600	1,270
More than 6 months	-	-
<b>Total</b>	<b>4,462</b>	<b>6,137</b>

The movements in the Group's provision for impairment of trade and other receivables is as follows:

	<b>2012</b>	<b>2011</b>
<b>At 1 January</b>	<b>1,843</b>	<b>6,510</b>
Provision for impairment of receivables	78	148
Allocation of impairment of receivables	(508)	(4,815)
<b>At 31 December</b>	<b>1,413</b>	<b>1,843</b>

During 2012, a provision for impairment of accounts receivable amounting to 78 thousand euros (2011: 148 thousand euros) was provided.

The recognition and reversal of impairment loss write-downs for accounts receivable are included in "Other operating expenses" in the attached income statements for 2012 and 2011. Amounts charged to the impairment account are normally de-registered when there is no expectation of recovering any more cash, and the account receivable is also cancelled.

The rest of the accounts included in trade and other receivables do not contain assets that have suffered impairment.



### 13 INVENTORIES

	2012	2011
Raw materials and other supplies	1,040	1,117
Work in progress	29	34
Finished goods	2,690	2,615
Impairment	(973)	(1,423)
<b>At 31 December</b>	<b>2,786</b>	<b>2,343</b>

The Group has taken out several insurance policies to cover the risks to which the inventories are subject. The coverage of these policies is considered sufficient.

At 31 December 2012, the Group has binding finished goods sales commitments amounting to 4,089 thousand euros, and binding purchase commitments amounting to 2,043 thousand euros (6,212 thousand euros and 2,100 thousand euros of binding sale and purchase commitments, respectively, at December 31, 2011).

### 14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
Listed securities - held for trading		
- Equity securities - France	-	82,781
	-	<b>82,781</b>

The fair value of all equity securities is based on current bid prices in an active market.

At 31 December, the full amount corresponded to the investment in Naturex SA (see Note 8), which has been fully disposed of in 2012, resulting in a net positive impact of 3,318 thousand euros in the consolidated income statement for 2012, recognised under "Impairment and Gains on Disposal of Financial Instruments".

The average share price of Naturex SA in the last quarter of 2011 and the closing price of 2011 was 50.2 and 51.9 euros per share, respectively.

At December 31, 2011, the investment was recorded at the market price at the close of 2011.

The changes in this heading in the balance sheet for 2012 and 2011 were as follows:

	Thousands of euros	
	2012	2011
<b>Opening balance</b>	<b>82,781</b>	-
Registrations (change in fair value)	-	23,287
Transfers of shares in associated companies	-	59,494
De-registrations (sale of shares)	(82,781)	-
<b>Closing Balance</b>	<b>-</b>	<b>82,781</b>
Less: Non-current portion	-	-
Current portion	-	82,781

## 15 CASH AND CASH EQUIVALENTS

	Thousands of euros	
	2012	2011
Cash and banks	1,943	714
<b>Cash and cash equivalents</b>	<b>1,943</b>	<b>714</b>

## 16 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2010, the Group proceeded to classify the assets of Natraceutical Industrial, SLU, subject to the agreement signed with Naturex SA (see Note 2.2a) as "Assets Held for Sale," which were registered at market value in accordance with the price set in the agreement, as at year-end the requirements of IFRS 5 for such classification were met.

These assets include mainly land and buildings and other financial assets.

In 2011, Natraceutical, SA obtained the corresponding authorisations from the financiers of the syndicated loan. The framework agreement establishes a transaction amount of 8.5 million euros, payable on June 30, 2017. During 2012, progress was made in the negotiation and the definition of the agreement's conditions. The Group estimates that the sale will take place in 2013. As a result, at 31 December, 2012, these assets remain classified as held for sale and measured at the amount specified in the agreement, as the Directors of the Parent Company consider that they continue to meet the requirements of IFRS 5 for this classification.

There are no liabilities that must be classified as held for sale at 31 December, 2012 and 2011, given the conditions of the agreement.

## 17 SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2012 and 2011, the Parent's share capital is represented by 328,713,946 fully subscribed and paid ordinary shares of 0.10 euro par value each.

During 2002, this Parent's shares were traded on the Stock Exchange Linking Service within the New Market Section on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges.

At 31 December 2012, Natra, S.A. is the only company with an ownership interest of over 10%, having maintained ownership of 46.86% of the Parent's shares (46.86% at 31 December 2011).

At 31 December, 2012, the companies holding an interest in the parent's equity equal to or greater than 3% are:

Shareholder's name or company name	% Ownership interest
NATRA, S.A.	46.86%
FÉLIX REVUELTA FERNÁNDEZ	7.669%
INVERSIONES IBERSUIZAS HOLDING, S.A.	5.000%
KUTXABANK, S.A.	4.588%
CARAFAL INVESTMENT, S.L.	3.736%
HISPANICA DE CALDERERIA, S.A.L.	3.026%

At 31 December, 2011, the shareholders with an interest of more than 3% were:

Shareholder's name or company name	% Ownership interest
NATRA, S.A.	46.860%
FÉLIX REVUELTA FERNÁNDEZ	7.664%
INVERSIONES IBERSUIZAS HOLDING, S.A.	5.000%
KUTXABANK, S.A.	4.588%
CARAFAL INVESTMENT, S.L.	3.736%
HISPANICA DE CALDERERIA, S.A.L.	3.026%

No dividends have been distributed during 2012 and 2011.

### Share premium

The Consolidated Companies Law expressly permits the use of the share premium balance to increase capital and does not establish any specific restrictions as to the availability of this balance. At 31 December 2012 and 2011, the amount corresponding to the share premium is 103,494 thousand euros.

## Distribution of the Parent Company's profit

The proposed distribution of the individual profit for 2012 and 2011, prepared by the Directors of the parent company, pending approval by the General Shareholders Meeting for 2012 and assuming a profit of 36,618 thousand euros, involves transferring the profits of 3,662 thousand euros to "Legal Reserve" and to 32,956 thousand euros to "Remnant". In 2011, the proposed allocation of profits gave rise to the transfer of losses of (3,136) thousand euros to "Retained earnings" for compensation with profits in future years.

### Limitations on the distribution of dividends

In 2011, the Company could not pay dividends until the requirements of the syndicated loan agreement described in Note 20 a) were met:

- The net debt/EBITDA ratio subsequent to the distribution of the dividend is less than 3.5 x EBITDA,
- At least 20% of the amount of regular funding has been amortised.

Additionally, the Company could not adopt interim dividend distribution agreements.

Dividends received from investees that are not guarantors of the syndicated loan must be dedicated to the cancellation of the loan.

At 31 December, 2012, the limitations to the distribution of dividends have been removed as a result of the amortisation of all syndicated financing in December 2012 (see Note 20).

## 18 RETAINED EARNINGS AND OTHER RESERVES

### a) Retained earnings

At 1 January, 2011	(65,108)
Profit for the year	16,066
Other movements	474
<b>At 31 December, 2011</b>	<b>(48,568)</b>
At 1 January, 2012	(48,568)
Profit for the year	(6)
Other movements	(1,038)
<b>At 31 December, 2012</b>	<b>(49,612)</b>

"Other movements" corresponds to the impact of the exclusion from the scope of consolidation of Natraceutical Canada, Inc., due to the liquidation of the same.

**Treasury shares**

At year-end 2012 and 2011, the Company holds 4,305,677 treasury shares acquired at an average price of 1.14 euros, approx. The par value of the treasury shares represents 1.31% of the share capital at 31 December, 2012 and 2011.

The Parent acquired the treasury shares by virtue of the resolution of the General Shareholders Meeting of 29 June 2005, which is renewed annually and which authorises the Board of Directors to purchase treasury shares at pre-established minimum and maximum prices.

The changes in this heading in the balance sheet for 2012 and 2011 are as follows:

	<b>2012</b>		<b>2011</b>	
	<b>Cost (Thousands of Euros)</b>	<b>No. of shares</b>	<b>Cost (Thousands of Euros)</b>	<b>No. of shares</b>
Balance at beginning of year	4,890	4,305,677	4,890	4,305,677
Additions	-	-	-	-
<b>Balance at end of year</b>	<b>4,890</b>	<b>4,305,677</b>	<b>4,890</b>	<b>4,305,677</b>

**b) Other reserves**

At 1 January de 2011	2,097
Cash flow hedges, net of tax	(25)
Translation differences	(48)
Sale of associates	(103)
Interest in comprehensive income of associates	(628)
Exclusions from the scope of consolidation	(2,500)
<b>At 31 December, 2011</b>	<b>(1,207)</b>
At 1 January, 2012	(1,207)
Cash flow hedges, net of tax	368
Translation differences	839
<b>At 31 December, 2012</b>	<b>-</b>

## 19 TRADE AND OTHER PAYABLES

	Thousands of euros	
	2012	2011
<b>Current creditors and payables</b>		
- Trade and other payables	6,534	8,492
- Suppliers, Group and associated companies	10	1,234
- Remunerations payable	1,339	718
- Unearned income	150	-
<b>Total</b>	<b>8,033</b>	<b>10,444</b>

The fair value of the amount of trade and other payables resembles its nominal value, as the impact of discounting is not significant.

The carrying amount of the Group's debt is denominated in euros.

### 19.1 Supplier payment term

The breakdown of trade payments made during the year by the Group's Spanish companies and payable at closure in relation with the legal deadlines established by Law 15/2010, is as follows:

	Outstanding and effected payments on the balance sheet date	
	2012	
	Thousands of euros	%
Payments for the year within the legal maximum	3,511	88%
Rest	479	12%
<b>Total payments for the year</b>	<b>3,990</b>	<b>100%</b>
<b>Average term of late payments (Days)</b>	<b>20 days</b>	
<b>Balance of outstanding payments at closure which exceed the maximum legal limit</b>	<b>1,291</b>	

The balance of outstanding payments at year-end 2012 which accumulate a delay exceeding 75 days is 1,291 thousand euros. At 31 December 2011, the accumulated amount of past due payments which had exceeded an 85 day payment term was 679 thousand euros.

## 20 FINANCING DEBT

	2012	2011
<b>Non-current</b>		
Bank borrowings	-	10,137
Other financial liabilities	257	7,519
	<b>257</b>	<b>17,656</b>
	<b>2012</b>	<b>2011</b>
<b>Current</b>		
Bank borrowings	-	45,000
Other bank borrowings	1,437	1,138
Unmatured accrued interests	30	519
Other financial liabilities	59	1,224
	<b>1,526</b>	<b>47,881</b>

The carrying amounts of the borrowings are similar to their fair values. The par value of current borrowings is similar to their fair value, as the impact of applying the discounting is not significant. The Group's borrowings are denominated in euros.

**(a) Bank borrowings**

Under the headings for current and non-current "Bank borrowings" in the attached 2011 balance sheet, at 31 December the Group held loans and payables with financial institutions that were considered related parties for the following amounts:

	2012	2011
<b>Non-current</b>		
Payables to related parties	-	1,593
	<b>-</b>	<b>1,593</b>
<b>Current</b>		
Payables to related parties	-	6,791
Unmatured accrued interests	-	91
	<b>-</b>	<b>6,882</b>

In December 2012, the Group fully repaid its syndicated financing through cash generated from the sale of its interest in Naturex SA (See Note 14). As a result, debt reflected in the attached 2012 balance sheet corresponds solely to a recourse factoring to finance the Nutritional Supplements Division's operating activities.

During 2011, the Group accelerated the amortisation of 22,537 thousand euros of its syndicated loan through cash generated from the sale of shares of Naturex SA (see Note 14).

In accordance with the obligations established in the syndicated financing operation carried out in April 2010, and which was fully cancelled in December 2012, the Company was bound to meet certain covenants which, based on the results obtained by the Group, were not met at 31 December 31, 2011 and 2010, and which are no longer applicable at 31 December 31, 2012, as a result of the liquidation of the loan. At the end of 2010, the Company, pro-actively and sufficiently in advance, informed the banks responsible for the above-mentioned financing operation of the Group's financial position. Simultaneously, it applied for the corresponding authorisations and waivers to avoid short-term enforceability and, therefore, to backdate during 2011 the classification of the major part of the gross bank borrowing as a current liability at 31 December 2010.

On April 29, 2011, the Company successfully completed the process of obtaining authorisation from the banks responsible for the syndicated loan, which once again confirmed their financial support and waived compliance with the above-mentioned covenants for twelve months, leaving the operation's original maturity unaltered. This enabled the reclassification of the loan in the balance sheet as having a long-term enforceability, and consequently its classification as a non-current liability during 2011. For this reason, at the date of preparation of the 2011 financial statements, the Company had been granted a waiver of compliance with these covenants and, therefore, the financing debt maintained its original maturities. Given the commitment established in the syndicated loan to sell part of Naturex's shares during 2012 and to reimburse part of the loan, the Directors decided to classify 45,000 thousand euros as current debt.

During 2012, the syndicated loan has had average coupons up to its cancellation of 5.74%. In 2011, it had average annual coupons of 4.80%.

The Group's borrowings are denominated in euros.

## (b) Other financial liabilities

The breakdown of the balance of these headings in the attached consolidated balance sheets for 2012 and 2011 at 31 December, is as follows:

	Thousands of euros	
	2012	2011
<b>Non-current:</b>		
Debts to group companies (Note 31)	-	6,928
Other debts	257	591
	<b>257</b>	<b>7,519</b>
<b>Current:</b>		
Debts to group companies (Note 31)	-	1,007
Other debts	59	217
	<b>59</b>	<b>1,224</b>



The maturities of these “other financial liabilities” are as follows:

Maturity	Thousands of euros	
	2012	2011
2012	-	1,224
2013	59	7,137
2014	59	157
2015	59	66
2016	59	66
2017 and subsequent years	80	93
<b>Total</b>	<b>316</b>	<b>8,743</b>

The non-current debts with Group companies at 31 December, 2011, corresponded to a loan granted by Natra, SA, with maturity on 30 September, 2013, which was fully repaid in December 2012. The loan's average interest rate was 6.61% during 2012 (6.49% in 2011).

“Other non-current liabilities” includes guarantees of 57 thousand euros (76 thousand euros at 31 December, 2011), and an interest-free loan from PROFIT (Technological Research Promotion Programme) of 200 thousand euros (280 thousand euros at 31 December, 2011), with maturities from 2012 to 2018. The loan is measured at its par value, which does not differ significantly from its measurement at amortised cost for these consolidated financial statements.

In 2011, “Other non-current liabilities” also included a loan with a former supplier for 235 thousand euros, which has been completely cancelled in 2012, following an agreement on a discount for early payment, giving rise to a positive impact in the attached 2012 consolidated income statement totalling 97 thousand euros.

The current debts with Group companies at 31 December, 2011, corresponded to a bank account held by the Group with Natra, SA and amounting to 1,007 thousand euros. The corresponding credit balance was fully cancelled in 2012, becoming a liability amounting to 151 thousand euros (Note 12). The current account's average interest rate was 6.61% during 2012 (6.49% in 2011).

“Other current liabilities” includes guarantees amounting to 19 thousand euros (19 thousand euros in 2011) and the part of the PROFIT loan with maturity in 2013, amounting to 40 thousand euros (47 thousand euros in 2011).

In 2011, “Other current liabilities” also included part of a loan with a former supplier amounting to 151 thousand euros with maturity in 2012, which was cancelled in advance in 2012, as explained in this note.

## 21 DEFERRED TAX

The analysis of deferred tax assets and liabilities recognised in the balance is as follows:

	2012	2011
<b>Deferred tax assets:</b>		
Non-deductible expenses	889	269
Measurement of financial derivatives	-	157
Tax credit for losses and deductions	1,880	1,880
Other	430	430
	<b>3,199</b>	<b>2,736</b>
<b>Deferred tax liabilities:</b>		
Remeasurement of financial assets	-	529
Tax credit for losses and deductions	1	1
	<b>1</b>	<b>530</b>
<b>Deferred tax assets and liabilities (net)</b>	<b>3,198</b>	<b>2,206</b>

The movements during the year in assets and deferred tax liabilities are as follows:

	2012	2011
<b>At 1 January</b>	2,206	2,734
Transfers	(31)	-
Charged to income statement (Note 28)	1,149	(538)
Tax charged/credited related to items of other comprehensive income (Note 28)	(126)	10
<b>At 31 December</b>	<b>3,198</b>	<b>2,206</b>

"Charged to income statement" for 2012 mainly includes the reversal of deferred tax liabilities amounting to 529 thousand euros, generated by the change in the measurement of financial assets at fair value through profit or loss recorded in 2011 (see Note 14). Furthermore, this heading contains the deferred assets arising in 2012 in the Group's Spanish companies due to the limitation of net finance costs (Royal Decree-Law 12/2012), amounting to 589 thousand euros.

The movement of charged deferred tax, related to items of other comprehensive income, arises from the changes in the value of financial derivatives.

In addition, at year-end 2012, the Group has assets and liabilities recorded in the balance in the following amounts:

	2012		2011	
	Maturity	Income	Maturity	Income
<b>Assets for deductible temporary differences</b>				
Provision for contingencies and non-deductible expenses				1,006
Loan impairment		750		750
Portfolio impairment		2,527		4,735
Deductions 2005	2020	1,190	2020	1,190
Deductions 2006	2021	1,747	2021	2,863
Deductions 2008	2023	7	2018	7
Tax bases 2007	2025	2,175	2025	2,175
Tax bases 2008	2026	868	2026	868
Tax bases 2009	2027	6,392	2027	6,392
Tax bases 2010	2028	1,800	2028	1,800
Tax bases 2011	2029	5,303	2029	5,303
Tax bases 2012	2030	1,614		-
<b>Total unrecorded deferred tax assets</b>		<b>24,373</b>		<b>27,087</b>
<b>Liabilities for deductible temporary differences</b>				
Tax depreciation of Goodwill		66		66
<b>Total unrecorded deferred tax liabilities</b>		<b>66</b>		<b>66</b>

#### Tax incentives used during the year or pending deduction

The current legislation regarding corporate income tax provides various tax incentives to encourage research and development, environmental, professional training and export activities.

For the purposes of Spanish law, the deductions to encourage the activities in question, pending application in coming years by the tax Group, are as follows:

PROFESSIONAL TRAINING		
Year of Generation	Amount	Year of Maturity
2006	1	2021
2007	-	2022
2008	1	2023
<b>TOTAL</b>	<b>2</b>	

<b>EXPORT COMPANY</b>		
<b>Year of Generation</b>	<b>Amount</b>	<b>Year of Maturity</b>
2005	1,190	2020
2006	1,626	2021
2007	9	2022
2008	6	2023
<b>TOTAL</b>	<b>2,831</b>	

In previous years, the Spanish companies have generated the following deduction through reinvestment:

<b>Year of Generation Deduction</b>	<b>Deduction Amount</b>	<b>Income qualifying for deduction</b>	<b>Year of Maturity</b>
2006	1,236	6,178	2021
<b>TOTAL</b>	<b>1,236</b>	<b>6,178</b>	

The Group's Spanish Companies credited deductions for the reinvestment of extraordinary income derived from the transfer of company property, plant and equipment, pursuant to Article 42 of Royal Decree Law 4/ 2004, by virtue of which approval was granted to the Consolidated Corporate Tax Act (TRLIS). The total profit affected by the mentioned deduction amounts to 6,178 thousand euros, with the proceeds obtained from the transfers of property, plant and equipment in 2004-2007 reinvested in securities representing the capital of other companies, as well as in intangible assets and property, plant and equipment. The accumulated unused reinvestment tax credit amounted to 1,236 thousand euros.

In 2012, the Group did not recognise tax credits derived from the tax Group's tax bases. At 31 December 2012, the Group has not yet offset tax losses incurred in accordance with the following breakdown:

<b>Year of Generation</b>	<b>Amount</b>	<b>Year of Maturity</b>
2007	9,627	2025
2008	5,065	2026
2009	21,307	2027
2010	6,002	2028
2011	17,677	2029
2012	5,379	2030
<b>TOTAL</b>	<b>65,057</b>	

In accordance with current legislation, a year's tax losses can be offset for tax purposes with the profits from the tax periods ending in the 18 immediately successive years. Nevertheless, the final amount to offset in relation to these tax losses, as with the unused tax credits, may be modified as a result of the verification of the years in which they occurred.

In relation to the posting of the tax credits which the Group has maintains as capitalised activated and the measurement of their recovery within the established time limits, the Directors of the Parent Company have considered the forecast for the generation of positive results as sufficient, based on the established business plans and other income from non-operating activities in future periods.

## 22 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

The movements in current provisions for 2012 and 2011 are as follows:

### 31.12.2012

	<b>Advertising material provision</b>	<b>Provision for other risks</b>	<b>Total</b>
<b>At 1 January 2012</b>	<b>283</b>	<b>302</b>	<b>585</b>
Charged / (credited) to the income statement:			
- Additional provisions	-	-	-
- Reversed unallocated amounts	(283)	(302)	(585)
<b>At 31 December, 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 31.12.2011

	<b>Advertising material provision</b>	<b>Provision for other risks</b>	<b>Total</b>
<b>At 1 January 2011</b>	<b>561</b>	<b>34</b>	<b>595</b>
Charged / (credited) to the income statement:			
- Additional provisions	227	268	495
- Reversed unallocated amounts	(505)	-	(505)
<b>At 31 December, 2011</b>	<b>283</b>	<b>302</b>	<b>585</b>

The analysis of the total of these provisions is as follows:

	<b>2012</b>	<b>2011</b>
Non-current	253	169
Current	-	585
	<b>253</b>	<b>754</b>

### Contingent liabilities

The Directors of the Company consider that there are no material contingent liabilities at 31 December 2012 and 2011.

## 23 REVENUE AND OTHER OPERATING INCOME

	2012	2011
Sales	29,926	29,406
Service provision	-	79
<b>Total ordinary income</b>	<b>29,926</b>	<b>29,485</b>
Other income	164	285
<b>Total other operating income</b>	<b>164</b>	<b>285</b>

## 24 PERSONNEL COSTS

	Thousands of euros	
	2012	2011
Wages and salaries	5,775	6,357
Social security	2,078	2,100
Allowances	355	-
Other social security charges	11	10
<b>Total ordinary income</b>	<b>8,219</b>	<b>8,467</b>

The average number of employees throughout the year of the companies included by full consolidation in the consolidation, by category, is as follows:

	2012	2011
Senior Management	1	2
Executive Staff	2	3
Administrative Staff	24	30
Manufacturing	11	12
Sales personnel	65	73
Laboratory	6	6
	<b>109</b>	<b>126</b>

The gender distribution of the staff of the fully-consolidated companies included in the consolidation at year-end is as follows:

	2012			2011		
	Men	Women	Total	Men	Women	Total
Senior Management	1	-	1	2	-	2
Executive Staff	1	1	2	1	3	4
Administrative Staff	6	17	23	8	21	29
Manufacturing	5	5	10	6	6	12
Sales personnel	21	41	62	25	48	73
Laboratory	1	5	6	1	5	6
	<b>35</b>	<b>69</b>	<b>104</b>	<b>43</b>	<b>83</b>	<b>126</b>

At 31 December, 2012 and 2011, the Group has no disabled employees.

## 25 BREAKDOWN OF EXPENSES

The breakdown by category of the operating expenses in the attached consolidated income statements for 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
<b>Changes in inventories of finished goods and work in progress</b>	<b>(107)</b>	<b>2,904</b>
Procurements	8,062	4,927
Advertising and publicity	5,996	8,907
Professional services	3,267	3,571
Leases	1,166	1,392
Other expenses	704	1,213
Transportation	1,062	959
Banking services	350	712
Insurance premiums	277	217
Utilities	149	123
Taxes	150	102
Research and development expenditure	67	29
Repairs and maintenance	28	8
Change in operating provisions	(156)	375
<b>Total other operating expenses</b>	<b>13,060</b>	<b>17,608</b>
Depreciation of property, plant and equipment (see Note 6)	150	202
Depreciation of intangible assets (see Note 7)	578	995
<b>Total depreciation and amortization</b>	<b>728</b>	<b>1,197</b>
Goodwill impairment (see Note 7)	-	11,218
Gains on disposal of property, plant and equipment (see Note 6)	-	125
<b>Total impairment and loss on disposal of property, plant and equipment</b>	<b>-</b>	<b>11,343</b>

## 26 FINANCIAL INCOME AND EXPENSES

	Thousands of euros	
	2012	2011
<b>Financial income</b>		
<b>Marketable securities and other financial instruments:</b>		
- Third parties	160	26
<b>Total</b>	<b>160</b>	<b>26</b>
<b>Finance costs:</b>		
Debts to Group companies and associates	(528)	(560)
Debts with third parties	(3,505)	(4,176)
<b>Total</b>	<b>(4,033)</b>	<b>(4,736)</b>
<b>Change in fair value of financial instruments:</b>		
- Hedging derivatives	(774)	(148)
<b>Total</b>	<b>(774)</b>	<b>(148)</b>
<b>Total finance costs</b>	<b>(4,807)</b>	<b>(4,884)</b>
<b>Exchange differences</b>	<b>166</b>	<b>107</b>
<b>Impairment and loss on disposal of financial instruments</b>		
Impairment and losses	-	(215)
Gains on disposals and other	3,353	9,494
Change in fair value of financial assets at fair value through profit or loss	-	23,287
<b>Total</b>	<b>3,353</b>	<b>32,566</b>
<b>Financial results</b>	<b>(1,128)</b>	<b>27,815</b>

The breakdown of the impairment and loss on disposal of financial instruments is as follows:

	Euros	
	2012	2011
<b>Impairment losses:</b>		
- Shareholdings	-	(68)
- Credits	-	(147)
	-	<b>(215)</b>
<b>Gains on disposals and other and Change in fair value of financial assets at fair value through profit or loss</b>		
- Change in value of financial assets at fair value through profit or loss (Note 14)	-	23,287
- Disposal of shares in Group companies, associates and other related parties (Note 14)	3,353	9,494
	<b>3,353</b>	<b>32,781</b>



The income from the disposal of shares in Group companies, associates and other related parties corresponds to the profit obtained in the liquidation of the subsidiary Natraceutical Canada, Inc., amounting to 35 thousand euros (see Note 2.2) and the profit on the sale of the Group's participation in Naturex SA, amounting to 3,318 thousand euros (see Note 14).

The loss from the impairment of shares in 2011 corresponds to a loss amounting to 133 thousand euros resulting from the depreciation of the ownership interest in the associate Cakefriends Ltd., registered during the year up to the date of sale, and income amounting to 65 thousand euros, resulting from the liquidation of the Braes Group subsidiaries (see Note 10).

The credit impairment corresponds to the de-recognition of debt balances held by the Group with Cakefriends Ltd., and which were cancelled as part of the purchase agreement of October 2011 (see Note 10).

The profit for 2011, resulting from the change in fair value of financial assets at fair value through profit or loss, corresponds to the measurement of the ownership interest in Naturex SA to the year-end market price (see Note 14).

The profit for 2011 corresponds to the disposals of shares in Group companies, associates and other related parties from the sale of shares in Naturex SA, which resulted in a profit of 9,559 thousand euros, and the sale of the associate Cakefriends Ltd., which was a negative impact of 65 thousand euros (see Note 10).

## 27 FOREIGN CURRENCY TRANSACTIONS

The amounts of foreign currency transactions are as follows:

	Thousands of euros	
	2012	2011
Sales	-	2
Services received	(47)	(21)
Services provided	5	22
Financial income	6	23
Finance costs	-	(1)
	<b>(36)</b>	<b>25</b>

The foreign currency transactions carried out in 2012 were effected in Canadian dollars and Swiss francs. The foreign currency transactions carried out in 2011 were effected in Canadian dollars, U.S. dollars and pounds sterling.

## 28 INCOME TAX

For the purposes of the payment of corporate income tax, Natraceutical, SA is taxed as the parent company in the consolidated tax group number 0013/08, together with Forte Pharma Ibérica, SLU.

	2012	2011
<b>Current tax:</b>		
Current tax on year's profits	(124)	(4)
<b>Total current tax</b>	<b>(124)</b>	<b>(4)</b>
<b>Deferred tax:</b>		
Reversal of tax credits		
Other deferred tax	1,118	(539)
<b>Total deferred tax</b>	<b>1,118</b>	<b>(539)</b>
<b>Income tax</b>	<b>994</b>	<b>(543)</b>

The income tax (charged)/credited directly to equity is as follows:

	Thousands of euros	
	2012	2011
<b>Deferred tax</b>		
<b>Opening balance</b>	<b>157</b>	<b>147</b>
- Derivatives	(157)	10
<b>Total deferred tax expense charged to equity</b>	<b>-</b>	<b>157</b>

The reconciliation between the income tax expense on profit arising from the application of the current tax rate and the expense recorded for the tax is as follows:

	Thousands of euros	
	2012	2011
<b>Profit (loss) before tax</b>	<b>(1,000)</b>	<b>16,609</b>
<b>Tax calculated at domestic tax rates applicable to profits in the respective countries</b>	<b>(587)</b>	<b>(286)</b>
Offsetting of tax losses from previous years	463	282
Deferred tax assets and liabilities	1,118	(539)
Reversal of tax credits	-	-
<b>Income (expense) tax</b>	<b>994</b>	<b>(543)</b>
<b>Profit from continuing operations</b>	<b>(6)</b>	<b>16,066</b>

The various consolidated foreign subsidiaries calculate income tax expense and charges for the various applicable taxes in accordance with their respective legislation and the tax rates prevailing in each country.

As a result of this calculation, the Group has generated a current tax of 587 thousand euros, arising from the liquidation of the taxes corresponding to Natraceutical Industrial SLU and Forte Pharma Benelux. This amount was offset by 463 thousand euros for tax losses from previous years incurred Natraceutical Industrial, SLU.

The deferred tax assets and liabilities recorded in 2012 relate to deferred tax from the limitation of the Spanish companies' finance costs, amounting to 589 thousand euros, and the reversal of deferred tax liabilities, generated in 2011 and amounting to 529 thousand euros, from the change in measurement of financial assets at fair value through profit or loss (Note 21).

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

The breakdown of Government receivables at 31 December, 2012 and 2011, is as follows:

	Thousands of euros	
	2012	2011
VAT credit	941	1,151
Tax deductions and prepayments credits	88	29
Corporate income tax credit	29	280
Social Security agencies, debtors	5	-
<b>Total Government receivables</b>	<b>1,063</b>	<b>1,460</b>

The breakdown of Government payables at 31 December, 2012 and 2011, is as follows:

	Thousands of euros	
	2012	2011
VAT payable	152	161
Personal income tax payable	315	187
Social Security agencies, creditors	769	649
<b>Other Government payables</b>	<b>1,236</b>	<b>997</b>

## 29 EARNINGS PER SHARE

The reconciliation at 31 December 2012 and 2011 of the weighted average number of ordinary shares, using the calculation of earnings per share, is as follows:

	Thousands of shares	
	2012	2011
Shares issued at year-end (Note 17)	328,714	328,714
Treasury shares at year-end	4,306	4,306
Average number of treasury shares	4,306	4,306
Average number of shares outstanding	324,408	324,408

### a) Basic

Basic earnings per share are calculated by dividing the profit attributable to holders of the Company's equity instruments between the weighted average number of outstanding ordinary shares during the year, excluding treasury shares acquired by the Company (Note 18).

	Thousands of euros	
	2012	2011
Net income (euros)	(6)	16,066
Average number of shares outstanding	324,408	324,408
Basic earnings per share (euros)	(0.000)	0.050

### b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to reflect the conversion of all dilutive potential ordinary shares.

At 31 December 2012 and 2011, the diluted per share profits matched the basic profits per share.

No dividends have been distributed in 2012 and 2011.

## 30 COMMITMENTS

### a) Property, plant and equipment purchase commitments

At 31 December, 2012 and 2011, the Group has no firm commitments to purchase property, plant and equipment.

### b) Operating lease commitments

The Group leases several offices, warehouses and vehicles, mainly under non-cancellable operating leases.

The future aggregate minimum payments for non-cancellable operating leases are as follows:

Thousands of euros	2012	2011
Less than 1 year	285	353
Between 1 and 5 years	167	31
More than 5 years		-
<b>Total</b>	<b>452</b>	<b>384</b>

## 31 TRANSACTIONS WITH RELATED PARTIES

In addition to the Natra Group companies, the “key personnel” pertaining to the Company’s Management (members of its Board of Directors and members of senior management, along with their close relatives), and the entities over which the key management personnel are able to exercise significant influence or control, are considered “related parties”.

The conditions of transactions with related parties are equivalent to those applicable to transactions effected in market conditions and the corresponding contributions in kind have been charged. This note does not include a breakdown of the transactions between the Company and its subsidiaries, as they have been eliminated on consolidation.

The final parent of the Group is Natra, SA.

The breakdown of the transactions with related parties during 2012 and 2011 is as follows:

**(a) Sale of goods or services**

	<b>2012</b>	<b>2011</b>
Sale of goods:		
- Associates (Naturex Spain, SL)	-	214
- Other related companies (Naturex Spain, SL)	511	-
<b>Total sales of goods</b>	<b>511</b>	<b>214</b>
Service provision:		
- Final Parent	1	80
- Associates (Naturex SA)	-	3
- Other related parties (Naturex SA)	(6)	-
- Associates (Naturex Spain, SL)	-	112
- Other related companies (Naturex Spain, SL)	140	-
- Other group companies	-	2
<b>Total service provision</b>	<b>135</b>	<b>197</b>
<b>Total</b>	<b>646</b>	<b>411</b>

**(b) Purchase of goods and services**

	<b>2012</b>	<b>2011</b>
Service acquisition:		
- Final Parent	422	564
- Associates (Naturex Spain, SL)	-	16
- Directors	6	-
<b>Total procurement of services</b>	<b>428</b>	<b>580</b>
<b>Total</b>	<b>428</b>	<b>580</b>

**(c) Finance costs**

	<b>2012</b>	<b>2011</b>
- Final Parent	528	560
- Significant shareholder (Kutxabank, SA)	161	232
- Other related parties (Banco CAM SA)	395	375
<b>Total</b>	<b>1,084</b>	<b>1,167</b>

**(d) Financial income**

	2012	2011
- Group Companies	-	4
- Other related parties (Biopolis)	1	
<b>Total</b>	<b>1</b>	<b>4</b>

Other related-party transactions carried out by the Group during 2012 and 2011 and which do not affect the income statement are detailed below. Distinction has been made between significant shareholders, members of the Board of Directors and members of Company's senior management and other related parties. The conditions of transactions with related parties are equivalent to those of transactions effected in market conditions and the contributions in kind have been charged.

**(e) Finance repayment**

	2012	2011
- Final Parent	10,185	-
- Significant shareholder (Kutxabank, SA)	3,220	1,310
- Other related parties (Banco CAM SA)	10,271	2,117
<b>Total</b>	<b>23,676</b>	<b>3,427</b>

**(f) Collection of dividends**

	2012	2011
Collection of dividends:		
- Associates (Naturex SA)	-	200
- Other related parties (Naturex SA)	137	-
<b>Total</b>	<b>137</b>	<b>200</b>

The breakdown of the balances with related parties at year-end 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
<b>Related-party receivables:</b>		
- Final Parent (Note 12)	152	6
- Other related parties	-	306
<b>Total</b>	<b>152</b>	<b>312</b>

	Thousands of euros	
	2012	2011
<b>Related-party payables:</b>		
- Immediate Parent (Notes 19 and 20)	(88)	(9,169)
- Directors (Bilbao Bizkaia Kutxa) (Note 20)	-	(3,240)
- Directors (BMS Promoción y Desarrollo, S.L.)	(6)	-
- Other related parties (Banco CAM SA) (Note 20)	-	(5,235)
<b>Total</b>	<b>(94)</b>	<b>(17,644)</b>

The accounts receivable from related parties arise from sales transactions and service provisions and which have maturities of 90 days as of the date of sale. Accounts receivable are unsecured. The current receivables do not bear any interest, while non-current receivables accrue market interest.

The accounts payable to related parties arise from purchase transactions and have maturities at 90 days as of the date of purchase. The current payables do not bear any interest, while non-current payables accrue market interest.

## 32 EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December, 2012.

## 33 ACCOUNTS AUDITORS FEES

The fees for audit services to the Group companies are as follows:

	2012
<b>Auditor</b>	<b>Accounts Audit</b>
PricewaterhouseCoopers Auditores, S.L.	106
	<b>106</b>

	2011
<b>Auditor</b>	<b>Accounts Audit</b>
PricewaterhouseCoopers Auditores, S.L.	121
	<b>121</b>



The fees for other non-audit services during 2012 amounted to eight thousand euros (2011: 57 thousand euros).

### 34 REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

During 2012, the amount accrued by the members of the Board of Directors amounted to 412 thousand euros (2011: 473 thousand euros) and consists of the following items and amounts:

	Thousands of euros	
	2012	2011
Salaries	286	405
Daily allowance	126	68
<b>Total</b>	<b>412</b>	<b>473</b>

At 31 December 2012, there were no advances, pension obligations, life insurance policies or any other obligations relating to current or former Board members.

At December 31, 2012, the Board of Directors is composed of six men and one woman (5 men and 2 women at 31 December, 2011).

At its meeting held on 28 February, 2012, the Board of Directors, in response to Inversiones Ibersuizas intention to join this governing body, agreed to the appointment as Ibersuizas Alfa, SL, as a Director. The appointment was accepted and the new Director designated Ricardo Iglesias Baciana as its representative. The appointment occurred to fill a vacancy following the resignation during the same Board Meeting of Abraham Enric Bendelac, Director of Natraceutical, SA, who maintains his executive responsibilities in the company.

The General Meeting of Shareholders, held on first call on 28 June, 2012, agreed to maintain the number of members of the Board of Directors in seven, to ratify Ibersuizas Alfa, SL, as Director, to re-elect BMS Promoción y Desarrollo, SL, and Félix Revuelta Fernández as Directors for a period of five years as of the mentioned date and to cease the Director CK Corporación Kutxa-Kutxa Korporazioa, S.L.U., and designate in replacement thereof María Arregui Arijá Jesus, also for a period of five years as of the mentioned date.

At its meeting held on 28 November 2012, the Board of Directors approved the appointment of Mr. Galo Álvarez, representative of Natra SA, Chairman of the Board, in substitution of Manuel Moreno.

At its meeting held on 13 December, 2012, the Board of Directors agreed to the appointment of Juan Ignacio Egaña Azurmendi as Director, which was produced by co-optation following the resignation during the same meeting of M<sup>a</sup> Jesús Arregui Arijá

Article 229 of the Companies Act, approved by Legislative Royal Decree 1/2010 of 2 July, imposes on Directors the duty to the Board of Directors or, in its absence, to the other Directors, or, in the case of a sole director, to the General Meeting, any direct or indirect conflicts that may be in the interest of society. The director in question must refrain from intervening in agreements or decisions relating to the transaction to which the conflict relates.

Similarly, the Directors must communicate any direct or indirect interests that they and/or persons associated with them have in the capital of other companies dedicated to the same as or similar or complementary activity to that constituting the Group's corporate purpose, as well as the positions held or the functions carried out in the same, and any activities which are the same as or similar or complementary to that constituting the Group's corporate purpose which they carry out under contract or individually.

In this regard, mention may be made of the following information provided to the Company by the Directors which, during the year, held positions on the Board of Directors of the following companies:

Director/related person	Company with the same, similar or complementary activity	Position in the Company	Ownership interest Number of shares/or percentage
Galo Álvarez Goicoechea	Natra, S.A.	Individual representing the Director Barten, S.A.	5.32%
José Luis Navarro Fabra	Natra, S.A.	Individual representing the Director BMS Promoción y Desarrollo, S.L.	6.680%
BMS Promoción y Desarrollo, S.L,	Natra, S.A.	Director	6.680%
Félix Revuelta Fernández	Kiluva, S.A.	Chairman and CEO	77.03%
	Housediet, S.L.U.	Joint Administrator	77.03%
	Kiluva Diet, S.L.U	Sole Director	77.03%
	Kiluva Portuguesa Nutricao e Dietetica, Lda	Management	77.03%
	Naturhouse SP Zoo	Director	77.03%
	Naturhouse SARL	Chair	77.03%
	Naturhouse SRL	Chair	77.03%
	Naturhouse GMBH	Director	73.95%
	Housediet Llc	Chair	66.74%
	Zamodiet, S.A.	Director	35.89%
	Zamodiet de Mexico, S.A.	Chair	55.89%
	Zamoglas, S.A.	Without position	18.15%
	Gartabo, S.A.	Director	17.59%
	Laboratorios Abad	Joint Administrator	77.03%
	Girofibra	Without position	37.74%
	Nutraceutical Corp.	Without position	0.06%
	Ichem, SP Zoo	Director	27.59%
	HO, SARL	Chair	77.03%
	NH Franchising Co, Ltd	Chair	77.03%
	NH SPRL (Belg.)	Chair	77.03%
	Sniace, S.A.	Director	-

Director/related person	Company with the same, similar or complementary activity	Position in the Company	Ownership interest Number of shares/or percentage
François Gaydier	Natraceutical Industrial, S.L.U.	Individual representing the sole director Natraceutical, S.A.	-
	Forte Pharma Ibérica, S.L.U.	Individual representing the sole director Natraceutical, S.A.	-
	Forte Pharma, S.A.M.	Individual representing the Director Natraceutical, S.A.	-
	Forte Services, S.A.M.	Individual representing the Director Natraceutical, S.A.	-
Juan Ignacio Egaña Azurmendi	Natra, S.A.	Chair	1.475%

In 2012, the Company has no staff members considered Senior Management. The Senior Management functions are performed directly by members of the Board of Directors.

The remuneration of Senior Management during 2011 amounted to 150 thousand euros. During 2011, the Senior Management consisted of one man, who left the company in 2011.

## 35 ENVIRONMENTAL INFORMATION

At 31 December, 2012 and 2011, the Group has no items of significant amounts related to environmental issues in the Property, Plant and Equipment.

During 2012 and 2011, the Group has not incurred expenses related to environmental protection and improvement.

The consolidated balance sheet at 31 December 2012 and 2011 does not include any provisions for possible environmental risks, as the Parent's 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.

# CONSOLIDATED MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

## THE SITUATION OF THE GROUP

- Following the positive development of Forté Pharma's sales in the last three quarters of 2012, Natraceutical closed the year with a turnover of 29.93 M €, compared to 29.48 M € the previous year (+1.5% ), after three years of sharp contraction in its main market.
- The operational optimisation policies implemented throughout the year have enabled the company to obtain an operating profit of 0.13 M €, compared to the loss of 16.68 M € registered at year end 2011. The figure for 2011 includes the extraordinary negative impact caused by the impairment of goodwill. Regardless of this fact, the standard operating profit for 2011 would have stood at minus 5.33 million euros, demonstrating the relevant operational recovery experienced by the company in 2012.
- Natraceutical closed 2012 at break-even, compared with a profit of 16.06 M € in 2011, after the extraordinary gain of 23.29 M € generated in 2011 by the change in accounting criteria applicable to its ownership interest in Naturex.
- In December 2012, Natraceutical completed the divestment of its shareholding in Naturex, which allowed the company to prepay its entire syndicated loan and close the year with a surplus cash position of 16.44 M €. The cancellation of the bank borrowing will result in a reduction of financial costs in 2013 of around 4.5 M €.

## BUSINESS PERFORMANCE

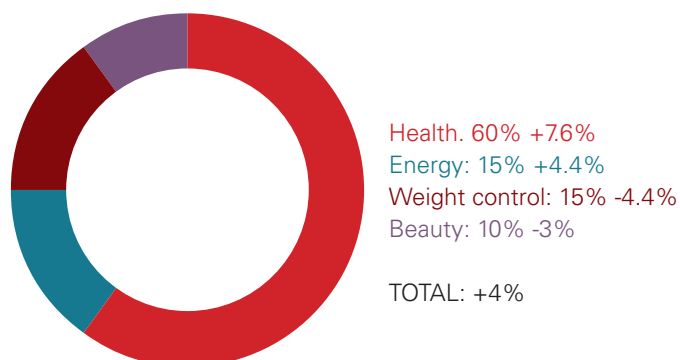
### The market

The nutritional supplement industry in France, Forté Pharma's main market, grew by 4.0% in 2012. This is the second consecutive year of positive developments in this market, which in 2011 and 2012 were mainly driven by a return to profit by the Health segment, the company's main category.

Other relevant factors in this regard have been the positive development of the Tonics segment, which presented a growth of 4.4% in 2012, and the reversal of the tendency in the Weight Control category which, after falls of 10-20 % in 2010-2011, closed 2012 with a more moderate contraction of 4.4%. The Beauty segment ended the year with a decrease of 3%, after falling 5.5% and 9% in the two previous years.

## Segmentation and developments in the nutritional supplement market in France

(In value terms, 2012)



## Natraceutical

During the fourth quarter of 2012, Natraceutical, which concentrates its activity through Forté Pharma Laboratories, maintained the positive trend in the performance of turnover initiated in the previous two quarters.

Following the drop in sales of 19.5% in the first quarter, the company experienced a recovery in turnover of 3.5% and 8.7% in the next two quarters, respectively, a trend which was repeated in the fourth quarter, with a 44.7% sales increase from October to December 2011. This positive development in turnover has been founded on the sales activity of the Vitamins and Tonics segments in the third quarter and the penetration in Health through product launches in the third and fourth quarters.

This has enabled Natraceutical to close the year with a turnover of 29.93 million euros, an increase of 1.5% in comparison to the previous year, following a contraction of 24.1% in 2011. It may be mentioned that the high concentration of sales derived from the Weight Control campaign, accounting for around 60% of turnover, is produced in the first half of the year.

## Quarterly evolution of Natraceutical turnover

	2012					2011				
	1Q	2Q	3Q	4Q	2012	1Q	2Q	3Q	4Q	2011
Turnover	9.47 -19.5%	7.39 3.5%	6.73 8.7%	6.34 44.7%	<b>29.93</b> 1.5%	11.77	7.14	6.19	4.38	<b>29.48</b>

### By product categories

By product categories, Weight Management remains Forté Pharma's largest segment, responsible for 66.3% of sales. However, during 2012 the company has continued to promote its Health range's development strategy with the aim of increasing its presence in the largest and most dynamic segment in Europe, while balancing the seasonality of sales throughout the year.

As part of this strategy, Forté Pharma has introduced six new products in France in 2012, four of which belong to the Health segment, one to Weight Control and one to Beauty. Similarly, two OTC products were also introduced to the market for the first time within the context of Forté Pharma's condition as a licensed pharmaceutical laboratory.

The Weight Control category has registered a 60% increase in sales in the fourth quarter, following a decline of 11.8% in the first nine months of the year. This development has reduced the decline in sales in this category to 5.8% for the whole year.

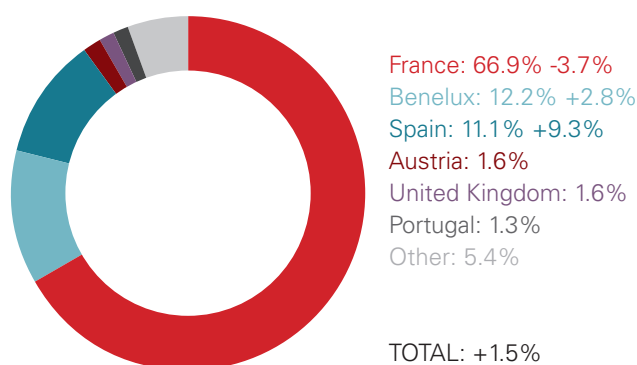
Meanwhile, the Health segments, together representing 38.1% of Forté Pharma's turnover, have concluded the year with growth of 15.3% and 12.3%, respectively, in comparison to the twelve months of the previous year.

Mention may be made of the fact that Forté Pharma's entire product portfolio complies with new European regulations on health claims, which came into force in December 2012.

### By markets

By geographical markets, France, which at year-end represented 66.9% of turnover, has presented a clear improvement in the second half of the year, with increases of 11.2% and 28.4% in the third and fourth quarters, respectively, thanks to its activity in the Tonics, Vitamins and Health segments. This follows contractions of 23.9% and 1.2% in the first and second quarter, respectively, enabling the company to contain the drop in sales in France to 3.7%.

### Breakdown of sales by country and evolution of main markets 2012



Meanwhile, export markets have shown a growth of 12.1%, again strongly driven by the excellent performance in the last quarter.

Benelux, Forté Pharma's second destination market and which accounts for around 12% of turnover, ended the year with a recovery of 2.8%. More notable has been the evolution of Spain, Forté Pharma's third market, which registered 11% of turnover and ended 2012 with a growth of 9.3%. In this latter market, the company has improved its position in all distribution channels (pharmacy, drugstore, large accounts and retailers), while the industry total in this market has fallen by around 10% in 2012.

Among the smaller markets, the progress made in United Kingdom is notable, ending the year with a growth of 35.7% and becoming the third largest export country. Forté Pharma launched its activity in this market in 2011. Forté Pharma is currently present in the chemist's chains Superdrug, Boots and Lloyds.

The improved performance of the main markets has led Forté Pharma to revive trade relations with countries that had not been considered a priority in recent years, as in the case of Greece, Morocco, Tunisia and the French-speaking islands of the Pacific and the Caribbean.

## Operating profit

In 2011, Natraceutical launched an operational optimisation plan focused primarily on the reorganisation of Forté Pharma's administrative and sales force resources and a redefinition of the media strategy, aimed at adapting advertising spending to new market needs.

This plan has enabled a saving of 14% between 2011 to 2013 in terms of personnel costs and a 30% reduction in investment in media and marketing, which represented approximately 20% of sales in 2012.

Together with the sales recovery, these operational optimisation policies have enabled the company to close 2012 with an operating profit of 0.13 M €, compared to the loss of 16.68 M € registered at year end 2011. The figure for 2011 includes the extraordinary negative impact caused by the impairment of property, plant and equipment. Regardless of this fact, the standard operating profit for 2011 would have stood at minus 5.34 million euros, demonstrating the relevant operational recovery experienced by the company in 2012.

It may be noted that the start of the consumer sales campaign for the Weight Control and Health categories, in the second quarter (spring) and the fourth quarter (autumn), respectively, included Forté Pharma's largest advertising investment for these periods.

### Quarterly evolution of Natraceutical operating profit (million euros)

	2012					2011				
	1Q	2Q	3Q	4Q	2012	1Q	2Q	3Q	4Q	2011
Turnover	9.47 -19.5%	7.39- 3.5%	6.73- 8.7%	6.34 44.7%	<b>29.93</b> 1.5%	11.77	7.14	6.19	4.38	<b>29.48</b>
EBITDA	1.82	-0.74	0.70	-0.92	<b>0.86</b>	1.10	-2.02	0.28	-3.50	<b>-4.14</b>
Operating profit	1.62	-0.90	0.57	-1.16	<b>0.13</b>	0.87	-2.41	0.00	-3.80	<b>-5.34</b>

The EBITDA and the Operating profit for 2011 have been standardised for comparative purposes. They do not reflect the extraordinary losses of 11.34 M€ due to impairment of property, plant and equipment.

## Naturex shareholding

On December 5, 2012 Natraceutical announced the last divestment of its ownership interest in the French multinational Naturex.

This represents the closure of a process that began in late 2009 with the integration of Naturaceutical's Ingredients Division in Naturex, by means of which Natraceutical became its main shareholder, and which marked the beginning of the financial and business reorganisation of Natraceutical.

Through the corporate operation with Naturex and the subsequent divestment of the shareholding, Natraceutical obtained a total liquidity of 149.25 million euros.

At the close of 2011, the shareholding in Naturex was posted at market value. This accounting change gave rise to profits at year-end 2011 of 23.29 million euros, in addition to the revenue of 5.47 million euros obtained from the consolidation by the equity method of the shareholding prior to the change in the accounting criteria, and an additional 9.56 million euros profit from the sale of shares.

By contrast, in 2012 the Naturex shareholding has contributed positive revenue of 3.32 million euros.

## Financing debt

Following the integration of the Natraceutical Ingredients Division in Naturex in December 2009, in April 2010 Natraceutical announced the refinancing of its debt for a total amount of 77.90 million euros through a syndicated loan with a single maturity in April, 2013.

Both events allowed the company to focus its efforts on the development of the Nutritional Supplements Division, with Forté Pharma as its umbrella brand for the Weight Control, Health & Beauty lines, sold mainly in Europe exclusively in chemists and drugstores.

Throughout 2011, Natraceutical made prepayments on the loan for a total amount of 26.47 million euros through the gradual reduction of its shareholding in Naturex. The company has continued to reduce its debt significantly throughout 2012, an operation that culminated in December with the application of the profits obtained in the final divestment against the cancellation of its syndicated loan. Additionally, Natraceutical has cancelled credit balances amounting to 10.1 million euros with its main shareholder, Natra.

Following these debt repayments, Natraceutical's sole bank financing amounted to 1.47 million euros, related to the Forté Pharma operation, and the company closed 2012 with a cash position of 16.44 million euros, mostly recorded in the company's balance sheet under "Other current investments."

The full repayment of the syndicated loan will enable Natraceutical to reduce its finance costs in a significant manner as of January 2013 from 4.81 million euros at the end of 2012 to around 0.13 million euros for 2013, which must be offset by interest income from its cash position.



## **Profit for the year**

The latest gains on the divestment in Naturex and the positive income tax item have enabled Natraceutical to offset the debt cost for the year. This, together with the significant recovery of the business operations (operating income of 0.13 million euros, compared with a loss of 16.68 million euros in 2011), has enabled the company to reach break-even at year-end. In 2011, Natraceutical obtain a net profit of 16.07 M €, after the extraordinary gain of 23.29 M € generated by the change in accounting criteria applicable to its ownership interest in Naturex.

## **SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

No significant events occurred after the balance sheet date.

## **FORESEEABLE DEVELOPMENT OF THE ACTIVITY**

In view of the evolution of Forté Pharma's business in the last three quarters of 2012 and that of the industry as a whole in 2013, Forté Pharma is to focus its main efforts on increasing its numerical distribution in its three main markets, maintaining a strict control of the cost structure.

The drastic drop in financing costs following the cancellation of the company's debt will serve as additional motivation in a year which Natraceutical faces with optimism.

## **MAIN RISKS AND UNCERTAINTIES**

The Natraceutical Group carries out its activities in various countries, with different socio-economic environments and regulatory frameworks. In this context, it is exposed to a variety of risks inherent to the businesses and sectors in which it operates.

Generally, the risks regarded by the Natraceutical Group as significant are those capable of compromising the economic profitability of its business, the Group's financial solvency, its corporate reputation and the wellbeing of its employees. The main types of risk identified and managed by the Group are summarised as follows:

- **Material risk:** relates to the risk of possible damage to goods belonging to or under the control of the Group.
- **Third-party liability:** relates to liability that might arise, pursuant to current legislation, from personal and material damage as well as harm to third parties as a result of events arising from the activities carried out by the Group.
- **Loss of profit:** relates to losses arising from the discontinuation or disruption 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.
- **Regulatory risk.**

## RESEARCH AND DEVELOPMENT ACTIVITIES

The Group continues to undertake research, development and innovation activities in order to create differentiating products in accordance with the strategy that led to the creation of the Group.

## USE OF FINANCIAL INSTRUMENTS BY THE NATRACEUTICAL GROUP

At December 31, 2012, the Group has no debt. Therefore, it incurs no interest rate-related financial risk.

Natraceutical Group manages the interest rate risk and any other risks that may arise by means of derivative hedges in order to minimise or limit the impact of potential changes in interest and exchange rates.

## TRANSACTIONS BETWEEN RELATED PARTIES

Transactions between related parties are detailed in Note 31 to the accompanying consolidated financial statements.

## ACQUISITION OF TREASURY SHARES IN THE PARENT

During 2012, Natraceutical SA has made no purchases or sales of treasury shares.

The Parent has 4.31 million treasury shares, at an average cost of 1.14 euros per share.

No subsidiaries hold any shares 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 116BIS OF THE SPANISH SECURITIES MARKET LAW

Pursuant to Article 116bis of the Spanish Securities Market Act 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 EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred and the percentage of share capital represented.

At 31 December 2012 and 2011, the share capital of Natraceutical, S.A. is represented by 328,713,946 fully subscribed and paid ordinary shares of 0.10 euro par value each.

b) Restrictions on the transfer of securities.

There are no Bylaw restrictions on the transfer of securities representing the Company's share capital.

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

Shareholders with significant direct or indirect holdings in the share capital of Natraceutical, SA (over 3% of the share capital) and of which the Parent Company is aware, in accordance with the information contained in the official records of the Spanish National Securities Market Commission on December 31, 2012, are as follows;

Name or company name of shareholder	% Ownership interest
NATRA, S.A.	46.860%
FÉLIX REVUELTA FERNÁNDEZ	7.664%
INVERSIONES IBERSUIZAS HOLDING, S.A.	5.000%
KUTXABANK, S.A.	4.588%
CARAFAL INVESTMENT, S.L.	3.736%
HISPANICA DE CALDERERIA, S.A.L.	3.026%

d) Restrictions on voting rights.

There are no restrictions on voting rights.

e) Shareholder agreements.

There is a concerted action between BMS Promoción y Desarrollo, SL and Lafuente Group.

With respect to this agreement, in the case of BMS Promoción y Desarrollo, S.L., the percentage of share capital involved is 0.749%, while in the case of Group Lafuente the capital involved amounts to 0.17%.

f) The rules governing the appointment and replacement of members of the Board of Directors and the amendment of the parent's Bylaws.

## PROCEDURE FOR APPOINTMENT, REAPPOINTMENT AND REMOVAL OF DIRECTORS

The Board of Directors is governed by the general rules established for this body in the Spanish Companies Act, the Company Bylaws and the implementing regulations included in the Board of Directors' Regulations, which may be consulted on the website [www.natraceuticalgroup.com](http://www.natraceuticalgroup.com) under Information for Shareholders. This website also includes the full text of the Bylaws.

The Board of Directors' Regulations regulate conflicts of interest, the use of corporate assets and non-public information, the exploitation by Directors for their own benefit of business opportunities of which they became aware due to their position, and transactions with Directors and significant shareholders.

At its meeting held on December 13, the Board of Directors agreed to co-opt, following the resignation of Maria Jesus Arijia Arregui, Juan Ignacio Egaña Azurmendi as Chairman of Natra SA, which is the main shareholder in Natraceutical SA.

#### Procedure for resignation of Directors

Directors must tender their resignation to the Board of Directors and, if deemed appropriate, formalize their resignation in the following cases:

- When they cease to hold 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 seriously reprimanded by the Audit and Compliance Committee for having breached their duties as Directors.
- When their continuation on the Board may jeopardise the interests of the Group or when the reasons why they were appointed cease to exist.
- When indicted for an alleged criminal offense or are the subject of disciplinary proceedings for serious or very serious misconduct by the supervisory authorities.

#### Amendment of Bylaws

The General Shareholders Meeting, duly called and constituted, is the supreme body of the parent and, therefore, is authorised to adopt any resolutions for which it is competent pursuant to the Law and these Bylaws.

- g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares

At the General Shareholders Meeting held on 28 June 2012, the shareholders authorised the Board of Directors to perform derivative acquisitions of the parent's treasury shares, either directly or through investees, within the limits and pursuant to the requirements established in the Spanish Companies Act.

- h) Significant agreements that may be modified or terminated in the event of a change in control.

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

- i) Agreements between the Parent and its Directors, officers or employees providing for termination benefits upon the termination of the employment relationship during a takeover.

There is no agreement between the Company and the Directors, officers or employees providing for compensation upon termination of the relationship with the parent company, additional to those described in the accompanying consolidated financial statements.

- j) At the General Shareholders Meeting held on June 28, 2012, it was agreed to maintain the number of seven members of the Board of Directors and:

- To ratify the company IBERSUIZAS ALFA, SL, sole proprietorship, with registered offices in Madrid, as a Director.
- To re-elect the entity BMS PROMOCIÓN Y DESARROLLO, S.L., with registered offices in Valencia, as a Director for a period of five years as of this date.

- To re-elect the FÉLIX REVUELTA FERNÁNDEZ, resident in Barcelona, as a Director for a period of five years as of this date.
- To cease the Director CK CORPORACION KUTXA-KUTXA KORPORAZIOA, S.L.U. and designate MARÍA JESÚS ARREGUI ARIJA, resident of Donostia-San Sebastián (Gipuzkoa) in replacement thereof, as Director for a period of five years as of this date.

**SIGNIFICANT AGREEMENTS THAT MAY BE MODIFIED OR TERMINATED IN THE EVENT OF A CHANGE IN CONTROL.**

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

**AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, OFFICERS OR EMPLOYEES PROVIDING FOR TERMINATION BENEFITS UPON THE TERMINATION OF THE EMPLOYMENT RELATIONSHIP DURING A TAKEOVER**

There is no agreement between the Company and the Directors, officers or employees providing for compensation upon termination of the relationship with the Company.

# ANNUAL CORPORATE GOVERNANCE REPORT

## A OWNERSHIP STRUCTURE

**A.1 Complete the following table regarding the company's share capital:**

Date of last amendment	Share capital (euros)	Number of shares	Number of rights voting
27/10/2006	32,871,395.00	328,713,946	328,713,946

**Indicate the existence of any different types of shares with different associated rights:**

NO

**A.2 List the direct and indirect holders of significant shares in the company at year end, excluding members of the Board of Directors:**

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
INVERSIONES IBERSUIZAS HOLDING, S.A.	0	16,435,897	5.000
KUTXABANK, S.A.	0	15,080,318	4.588
CARAFAL INVESTMENTS SLU	12,279,834	0	3.736
HISPÁNICA DE CALDERERÍA, S.A.L.	9,947,366	0	3.026

**Indicate the most significant changes in the ownership structure during the year:**

Name or company name of shareholder	Transaction date	Description of transaction
KUTXABANK, S.A.	04/01/2012	3% of share capital exceeded

**A.3 Complete the following tables on voting rights held by members of the Board of Directors:**

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
NATRA, S.A.	154,034,791	12,279,834	50.596
FÉLIX REVUELTA FERNÁNDEZ	160,000	25,050,000	7.669
BMS PROMOCIÓN Y DESARROLLO, S.L.	2,460,000	559,374	0.919
JUAN IGNACIO EGAÑA AZURMENDI	681,561	0	0.207
MARIA TERESA LOZANO JIMÉNEZ	1,300	0	0.000

Name or company name of indirect holder of shareholding	Through: Name or company name of direct holder of shareholding	Number of direct voting rights	% of total voting rights
NATRA, S.A.	CARAFAL INVESTMENTS SLU	12,279,834	3.736
FÉLIX REVUELTA FERNÁNDEZ	KILUVA, S.A.	17,241,588	5.245
FÉLIX REVUELTA FERNÁNDEZ	HOUSEDIET S.L.U	6,058,412	1.843
FÉLIX REVUELTA FERNÁNDEZ	KILUVA DIET S.L.	1,750,000	0.532
BMS PROMOCIÓN Y DESARROLLO, S.L.	GRUPO LAFUENTE	559,374	0.170
<b>% total voting rights held by board of directors</b>			<b>59.391</b>

Complete the following tables on the members of the Company's Board of Directors holding rights over the company shares:

**A.4** Where applicable, indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, in so far as they are known to the company (unless they are insignificant or derived from ordinary trading or exchange activities):

**A.5** Where applicable, indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or its group, unless they are insignificant or derive from ordinary trading or exchange activities:

**A.6** Indicate whether the company is aware of the existence of shareholders agreements that may affect its activities, pursuant to article 112 of the Securities Market Act. When applicable, briefly describe these agreements and indicate the shareholders bound by the same:

NO

Indicate whether the company is aware of the existence of shareholders agreements between company shareholders. Where applicable, describe briefly:

YES

**% of share capital affected:** 0.919

**Brief description of agreement:** Concerted action between BMS Promoción y Desarrollo, S.L. and Grupo Lafuente.

**Intervening parties in the shareholders' agreement**

GRUPO LAFUENTE

BMS PROMOCIÓN Y DESARROLLO, S.L.

**Expressly indicate any amendment to or termination of such agreements or concerted actions during the year:**

There were no amendments to the company's concerted actions during 2012.

**A.7 Indicate whether any individual or company exercises control or may exercise control over the company under article 4 of the Securities Market Act. If so, identify:**

YES

**Name or company name**

NATRA, S.A.

**Remarks**

At December 31, 2012, Natra SA is the direct holder of 46.86% of the Natraceutical, SA., shares.

**A.8 Complete the following tables about the company's treasury stock:**

**At year-end:**

Number of direct shares	Number of indirect shares (*)	% of total share capital
4,305,677	0	1.310

**(\*) Through:**

Total	0
-------	---

**List any significant changes that have taken place during the year, as provided for in Royal Decree 1362/2007:**

Gain/(loss) of treasury shares during the period (thousands of euros)	0
---	---

**A.9 Detail the conditions and the terms of the General Shareholders Meeting's current mandate to the Board of Directors for the acquisition or transfer of treasury shares.**

The General Shareholders Meeting held on June 28, 2012 delegated to the Board of Directors the authority to repurchase the Company's treasury shares, directly or through subsidiaries, within the limits and requirements established in the Public Limited Companies Act, rendering without effect the authorisation granted during the Meeting of June 23, 2011.

**A.10 Indicate, where applicable, any restrictions under law or the company's bylaws on the exercise of voting rights and any legal restrictions on the acquisition and/or transfer of shareholdings in the share capital. Indicate any legal restrictions on the exercise of voting rights:**

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	0
---	---



**Indicate any restrictions included in the company's Bylaws on the exercise of voting rights:**

YES

Maximum percentage of voting rights that a shareholder may exercise due to restrictions statutory	0.000
---	-------

**Description of any legal restrictions and restrictions included in the company's bylaws on the exercise of voting rights:**

Under Article 17 of the Company's Bylaws, holders of at least one thousand shares represented by book entries of shares in the corresponding accounting register five days prior to the Meeting, to be accredited by the provision of the corresponding certificates, have the right to attend the General Shareholders Meetings.

**Indicate any legal restrictions on the acquisition or transfer of interests in the share capital:**

NO

**A.11 Indicate if neutralisation measures in the event of a takeover bid were agreed upon at the General Shareholders Meeting pursuant to Law 6/2007.**

NO

**Where applicable, explain the measures approved and the terms under which the inefficiency of the restrictions would occur:**

## B STRUCTURE OF THE CORPORATE MANAGEMENT

### B.1 Board of Directors

#### B.1.1 List the maximum and minimum number of Directors under the Bylaws:

Maximum number of Directors	15
Minimum number of Directors	5

#### B.1.2 Complete the following table with the Board members' details:

Name or company name of Director	Representative	Position on the Board	Date of First appoint.	Date of Last appoint.	Election procedure
NATRA, S.A.	GALO ÁLVAREZ GOICOCHEA	CHAIRMAN	28/06/2004	18/06/2009	VOTE IN SHAREHOLDERS MEETING
FÉLIX REVUELTA FERNÁNDEZ	-	VICE-CHAIRMAN	21/02/2008	21/02/2008	VOTE IN SHAREHOLDERS MEETING
FRANÇOIS GAYDIER	-	CHIEF EXECUTIVE OFFICER	19/06/2008	19/06/2008	VOTE IN SHAREHOLDERS MEETING
BMS PROMOCIÓN Y DESARROLLO, S.L.	JOSÉ LUIS NAVARRO FABRA	DIRECTOR	10/09/2002	28/06/2012	VOTE IN SHAREHOLDERS MEETING
IBERSUIZAS ALFA, S.L.	RICARDO IGLESIAS BACIANA	DIRECTOR	28/06/2012	28/06/2012	VOTE IN SHAREHOLDERS MEETING
JUAN IGNACIO EGAÑA AZURMENDI	-	DIRECTOR	13/12/2012	13/12/2012	CO-OPTION
MARÍA TERESA LOZANO JIMÉNEZ	-	DIRECTOR	23/06/2011	23/06/2011	VOTE IN SHAREHOLDERS MEETING
<b>Total number of Directors</b>					<b>7</b>

Indicate any removals that have occurred on the Board of Directors during the period:

Name or company name of Director	Condition of Director at the time of termination	Termination date
ERIC BENDELAC &NBSP;	EXECUTIVE	28/02/2012
KUTXA KORPORAZOIA, S.L.	PROPRIETARY	28/06/2012
MARÍA JESÚS ARREGUI ARIJA	PROPRIETARY	13/12/2012

**B.1.3 Complete the following tables on Board members and their directorships:****EXECUTIVE DIRECTORS**

Name or company name of Director	Commission which proposed appointment	Position held in the company
FRANÇOIS GAYDIER	APPOINTMENT AND REMUNERATION COMMITTEE	CHIEF EXECUTIVE OFFICER

Total number of Executive Directors	<b>1</b>
% of total Board	<b>14.286</b>

**EXTERNAL PROPRIETARY DIRECTORS**

Name or company name of Director	Commission which proposed appointment	Name or corporate name of significant shareholder represented or proposing the appointment
NATRA, S.A.	BOARD OF DIRECTORS	NATRA, S.A.
FÉLIX REVUELTA FERNÁNDEZ	APPOINTMENT AND REMUNERATION COMMITTEE	KILUVA, S.A.
BMS PROMOCIÓN Y DESARROLLO, S.L.	BOARD OF DIRECTORS	BMS PROMOCIÓN Y DESARROLLO, S.L.
JUAN IGNACIO EGAÑA AZURMENDI	BOARD OF DIRECTORS	NATRA, S.A.
MARÍA TERESA LOZANO JIMÉNEZ	APPOINTMENT AND REMUNERATION COMMITTEE	KUTXABANK, S.A.

<b>Total number of proprietary Directors</b>	<b>6</b>
<b>% of total Board</b>	<b>85.714</b>

Indicate the reasons why the Director(s) cannot be considered proprietary or independent and their relationships with the company, its Directors or shareholders.

List any changes in each Director's classification that may have taken place during the period:

**B.1.4 Explain, if applicable, the reasons why proprietary Directors have been appointed by shareholders whose ownership interests are less than 5% of the share capital.**

**Name or company name of shareholder**

BMS PROMOCIÓN Y DESARROLLO, S.L.

**Justification**

BMS PROMOCION Y DESARROLLO, S.L. holds 0.919% of NATRACEUTICAL SA and is a Director and significant shareholder in NATRA, SA, the Company's controlling shareholder.

**Name or company name of shareholder**

KUTXABANK, S.A.

**Justification**

KUTXABANK,S.A. holds 4.588% of the share capital (close to 5%).

**Indicate any rejection of a formal request for a Board presence from shareholders whose equity stake is equal to or greater than that of others who have successfully applied for a proprietary directorship. If applicable, explain why these requests have been rejected.**

NO

**B.1.5 Indicate, in the event of any Directors having resigned from their position prior to the expiry of their term, if such Directors have explained the reasons for their respective resignations to the Board and through which means. If such reasons were provided in writing to the full Board, explain below, as a minimum, the reasons given:**

YES

**Name of Director**

MARÍA JESÚS ARREGUI ARIJA

**Reason for termination**

Due to her growing professional responsibilities with other companies and to maintain the proportionality between Kutxabank's shareholding and the number of Directors proposed by this company.

**B.1.6 Indicate, where applicable, any powers delegated to Chief Executives:**

**Name or company name of Director**

FRANCOIS GAYDIER

**Brief description**

1. The appointment and removal of all staff, as well as the contracting, payment and cancellation of the obligatory social security and work accident insurance.
2. Administrate, rule and govern all issues and negotiations included in the corporate business and the affected corporate assets, collect rents, debts, profits, earnings, pensions, request, liquidate and charge accounts, issuing receipts, balances and termination settlements, give or receive rural or urban properties on behalf of or for the company as a lease or sharecropping, with the agreements deemed appropriate, terminate or cancel such contracts, evict sharecropping farmers, settlers, tenants, leasers, hold-over tenants and any other type of occupants; sign invoices, data, guides and legal statements, accept and settle accounts, and to provide corporate funds for investment and placement.

**B.1.7 List any Board members holding senior management posts or directorships in other companies belonging to the listed company's group:**

Name or company name of Director	Name of the group entity	Position
NATRA, S.A.	COCOTECH S.L.	CHAIRMAN OF THE BOARD OF DIRECTORS
NATRA, S.A.	HABITAT NATRA SA	SOLE ADMINISTRATOR

Name or company name of Director	Name of the group entity	Position
NATRA, S.A.	NATRA CHOCOLATE INTERNATIONAL SL	MEMBER OF BOARD OF DIRECTORS
NATRA, S.A.	NATRA OÑATI SA	MEMBER OF BOARD OF DIRECTORS
FRANÇOIS GAYDIER	FORTE PHARMA IBERICA. SL	INDIVIDUAL REPRESENTING THE SOLE ADMINISTRATOR NATRACEUTICAL INDUSTRIAL. SLU
FRANÇOIS GAYDIER	FORTE SERVICES SAM	REPRESENTATIVE OF ADMIN. AND DIRECTOR
FRANÇOIS GAYDIER	LABORATOIRES FORTE PHARMA SAM	INDIVIDUAL REPRESENTING THE ADMIN.
FRANÇOIS GAYDIER	NATRACEUTICAL INDUSTRIAL S.L.U	INDIVIDUAL REPRESENTING THE ADMIN.
BMS PROMOCIÓN Y DESARROLLO, S.L.	NATRA. SA	MEMBER OF BOARD OF DIRECTORS
JUAN IGNACIO EGAÑA AZURMENDI	COCOATECH S.L.	REPRESENTATIVE OF ADMIN. NATRA SA
JUAN IGNACIO EGAÑA AZURMENDI	NATRA CACAO. SL	MEMBER OF BOARD OF DIRECTORS
JUAN IGNACIO EGAÑA AZURMENDI	NATRA. SA	CHAIRMAN OF THE BOARD OF DIRECTORS

**B.1.8 List all Board members who are also members of the Board of Directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:**

Name or company name of Director	Name of the listed company	Position
FÉLIX REVUELTA FERNÁNDEZ	SNIACE SA	DIRECTOR

**B.1.9 Indicate and explain if the company has established rules limiting the number of directorships that may be held by its Board members:**

NO

**B.1.10 In relation to recommendation 8 of the Unified Code, indicate the company's general policies and strategies pending approval by the Board:**

Investment and financing policy	YES
The definition of the corporate group structure	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plan, management targets and annual budgets	YES
Remuneration and assessment of senior management performance plan	YES
The risk management and control policy, periodic monitoring of the internal information and control systems	YES
The dividend and treasury policies, and in particular their limits	YES

**B.1.11 Complete the following tables, indicating the aggregate remuneration accrued by Directors during the year:**

**a) In the company subject to this report:**

Remuneration concept	In thousands of euros
Fixed remuneration	286
Variable remuneration	0
Per diems	126
Statutory compensation	0
Share options and/or other financial instruments	0
Other	0
Total	412

Other Benefits	In thousands of euros
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of Directors	0

**b) For Directors belonging to other Boards of Directors and/or holding senior management positions in group companies:**

Remuneration concept	In thousands of euros
Fixed remuneration	0
Variable remuneration	0
Per diems	0
Statutory compensation	0
Share options and/or other financial instruments	0
Other	0
Total	0

Other Benefits	In thousands of euros
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of Directors	0

**c) Total remuneration by type of Directorship:**

Type of Director	By company	By group
Executives	286	0
External proprietary Directors	126	0
External independent Directors	0	0
Other external Directors	0	0
Total	412	0

**d) Remuneration as a percentage of profit attributed to parent company:**

Total remuneration of Directors (in thousands of euros)	412
Total remuneration of Directors/Profit attributed to parent (in %)	2.9

**B.1.12 List Senior Management members who are not executive Directors and indicate the total remuneration accrued in their favour during the year:**

**B.1.13 Identify, in aggregate terms, any guarantee or protective clauses for dismissal or changes in control benefiting Senior Management (including executive Directors) of the company or its group. Indicate whether these clauses must be reported to and/or authorised by the governing bodies of the company or its group:**

Number of beneficiaries	0
-------------------------	---

	Board of Directors	General Shareholders Meeting
Body authorising clauses	YES	NO

Is the General Shareholders Meeting informed of the clauses?	YES
--	-----

**B.1.14 Indicate the procedures for establishing Board members' remuneration and any related clauses in the Bylaws.**

**Process for establishing Board members' remuneration and any the Bylaw clauses.**

The content of Articles 24 and 25 of the Board of Directors Regulations follows:

**REMUNERATION OF DIRECTORS**

Directors will have the right to obtain the remuneration established by the Board of Directors pursuant to the provisions of the Bylaws.

The Board of Directors shall ensure that the remuneration is commensurate with that paid in the market in companies of similar size and activity.

The Directors' remuneration shall be fully transparent, and to this effect the Directors' remuneration policy is to figure in the annual report.

The remuneration policy, which must be approved by the Board of Directors and submitted to the advisory vote of the General Shareholders Meeting, must cover the following minimum concepts:

- a. The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.
- b. Variable concepts, including:
  - i. The types of Director to which they apply.
  - ii. The results assessment criteria on which any rights to remuneration in share options, shares or variable components are based.
  - iii. The main parameters and rationale for any annual bonus scheme and any other non-cash benefits.
  - iv. An estimate of the total amount of variable remuneration.
- c. The main features of pension systems, with an estimate of their amount or equivalent annual cost.
- d. The conditions that apply to the contracts of those performing Senior Management functions, such as executive Directors, including:
  - i. Duration.
  - ii. Notice periods.
  - iii. Any other clauses covering contracting bonuses and compensation, golden parachutes or early termination of the contractual relationship between the company and the Executive Director.

The remuneration derived from the membership of the Board of Directors shall be compatible with the other professional or contractual remuneration corresponding to the Director for any other executive or advisory functions that they perform in the Company.

**REMUNERATION OF INDEPENDENT DIRECTORS**

The Board of Directors will adopt all measures available to ensure that the remuneration of independent Directors offers incentives for their dedication without compromising their independence. Furthermore, in reference to the remuneration of the Board of Directors, Article 32 of the Company's Bylaws states that the Board members are to receive compensatory per diems for any expenses incurred as a result of attending Board meetings, and which are to be established by the Board. Notwithstanding the aforementioned compensation, the Directors are to receive fixed, periodic remuneration for the performance of their duties, to be determined by the General Shareholders Meeting and which will vary annually according to the Consumer Price Index, until such time as the amount is modified by a new General Shareholders Meeting agreement. The Board of Directors, by means of a resolution adopted to this effect, is to distribute the aforementioned remuneration among its members in accordance with the criteria, method and amount



which it determines. Both the aforementioned remuneration and per diems are to be compatible with and independent of any remuneration that the Directors may perceive for performing any other executive duties within the Company.

**Indicate whether the Board acting in full has reserved the approval of the following decisions.**

On the proposal of the company's CEO, the appointment and removal of Senior Management, as well as their compensation clauses.	YES
Directors' remuneration and, in the case of Executive Directors, the additional remuneration for their management duties and other contract conditions.	YES

**B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:**

YES

The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	YES
Variable remuneration components	YES
The main features of pension systems, with an estimate of their amount or equivalent annual cost.	NO
The conditions that apply to the contracts of those performing Senior Management functions, such as executive Directors	YES

**B.1.16 Indicate whether the Board submits a report on the Directors' remuneration policy to the advisory vote of the General Shareholders Meeting as a separate item on the agenda. Where applicable, explain the aspects of the report regarding the remuneration policy approved by the Board for future years, the most significant changes in these policies with regard to the policy applied during the year and an overall summary of how the remuneration policy was applied during the years. Indicate the role of the Remuneration Committee, along with the identity of any external advisors engaged:**

YES

**Questions dealt with by the remuneration policy**

Yes, submitted for consultation

Has an external advisor been engaged? NO
Identity of external advisors

**B.1.17 Indicate, where applicable, the identity of the members of the Board who are also members of the Board of Directors, management or employees of companies which hold major shareholdings in the listed company and/or in the entities pertaining to the group:**

<b>Name or company name of Director</b>	<b>Company name of major shareholder</b>	<b>Position</b>
NATRA, S.A.	NATRA, S.A.	CHAIRMAN OF THE BOARD OF DIRECTORS
BMS PROMOCIÓN Y DESARROLLO, S.L.	NATRA, S.A.	MEMBER OF THE BOARD OF DIRECTORS
JUAN IGNACIO EGAÑA AZURMENDI	NATRA, S.A.	BOARD OF DIRECTORS

**List, where applicable, any relevant relationships other than those indicated in the section above relating members of the Board of Directors with significant shareholders and/or their group companies:**

**B.1.18 Indicate any changes made to the Board's regulations during the year:**

NO

**B.1.19 Indicate the procedures for the appointment, re-election, assessment and removal of Directors. Describe the competent bodies, procedures to be followed and criteria to be employed in each of the procedures.**

Under Article 8 of the Board of Directors Regulation, the Directors are to be appointed by the General Shareholders Meeting or by the Board of Directors, in accordance with the provisions of the applicable Law.

Directors shall hold office for a maximum period of five years, upon the termination of which they may be reappointed for periods of equal or shorter duration.

The proposals for the appointment of Board members which the Board of Directors submits for the consideration of the General Meeting and the decisions regarding appointments adopted by said body by virtue of its attributed powers of co-option, must be effected in accordance with the provisions of the Board's Regulation, which may be consulted on the website [www.natraceuticalgroup.com](http://www.natraceuticalgroup.com), under Legal Information for Shareholders.

Proposals for the re-election of Directors submitted by the Board of Directors to the General Shareholders Meeting must be subject to a formal preparation process, during which the quality of the work and the dedication to the position of the Directors proposed during the previous mandate are to be assessed.

The Board of Directors Regulations do not formally establish an assessment method for Board members, although assessment is carried out informally.

Directors are to step down from their positions upon the conclusion of the term for which they were appointed, and when thus deemed appropriate by the General Shareholders Meeting or by the Board of Directors, by virtue of their legal or statutory powers.

**B.1.20 Indicate the circumstances under which Directors are be obliged to resign.**

Pursuant to Article 12 of the Board Regulation, Directors must tender their resignation to the Board of Directors and, if deemed appropriate by the Board, formalise their resignation in the following cases:

- a) When they cease to hold the executive positions associated with their appointment as Directors.
- b) When they are involved in any of the situations of incompatibility or legal prohibition established in law.
- c) When seriously reprimanded by the Audit and Compliance Committee for having breached their duties as Directors.
- d) When their continuation on the Board may jeopardize the interests of the Company or when the reasons for which they were appointed cease to exist.
- e) When indicted for an alleged criminal offense or are the subject of disciplinary proceedings for serious or very serious misconduct by the supervisory authorities.

**B.1.21 Explain whether the duties corresponding to the CEO are carried out by the Chairman of the Board. Where applicable, indicate the measures taken to limit the risk of the accumulation of powers in a single person:**

NO

Indicate, and explain where applicable, if regulations have been established to empower an independent Director to request the calling of Board Meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external Directors; and to lead the Board's assessment of the Chairman of the Board.

NO

**B.1.22 Are qualified majorities, other than those established by law, required for certain decisions?**

NO

Describe how agreements are adopted by the Board of Directors and specify the minimum attendance quorum and the type of majority necessary for adopting agreements:

**Description of agreement:**

All agreements

Quorum	%
Personal attendance or representation of half of the directors plus one	50.01

Type of majority	%
Agreements are adopted by the favourable vote of the majority of those present and, in the case of ties, the chairman has the casting vote.	50.01

**B.1.23 Explain if there are any specific requirements, other than those applicable to Directors, for appointment as Chairman.**

NO

**B.1.24 Indicate whether the Chairman has the casting vote:**

YES

**Matters for which a casting vote is required**

In the event of a tie between those present

**B.1.25 Indicate whether the Bylaws or the Board of Directors Regulation establish an age limit for Directors:**

NO

**Age limit for Chairman -****Age limit for CEO -****Age limit for Director -****B.1.26 Indicate whether the Bylaws or the Board of Directors Regulation establish a limit on the term for independent Directors:**

NO

Maximum term of office (in years)

0

**B.1.27 In the event of a reduced or inexistent number of female Directors, state the reasons for such a situation and the corrective measures taken.****Explanation of reasons and initiatives**

On 18/02/2011, the Board of Directors appointed María Teresa Lozano Jiménez, whose appointment was ratified by the General Shareholders Meeting held on 23 June 2011.

**Explanation of reasons and initiatives**

Both the Board of Directors and the Appointment and Remuneration Committee are increasing their efforts to ensure that there is gender parity in the composition of the corporate bodies.

**In particular, indicate whether the Appointments and Remuneration Committee has established procedures in order to avoid any implicit bias in the selection processes that hinders the selection of female Directors, and whether it deliberately seeks female candidates that meet the required profile:**

YES

**Indicate the main procedures**

There is no indication at Article 26 of the Bylaws, which defines the requirements for Company Directors, contains any requirements that could be considered as having an implicit bias. Nevertheless, when faced with future vacancies, the Company will take all measures possible to identify candidates that meet the target profile.

**B.1.28 Indicate the existence of any formal processes for proxy voting in the Board of Directors. Where applicable, provide a brief description:**

Representation by another Director, in writing and valid for one meeting of the Board of Directors.

**B.1.29 Indicate the number of sessions held by the Board of Directors during the year. Likewise, indicate the number of times, if any, that the Board has met in the absence of its Chairman:**

Number of Board Meetings	11
Number of Board Meetings held in the absence of the Chairman	0

**Indicate the number of Board Committee meetings held during the year:**

Number of Executive Committee meetings	0
Number of Audit Committee meetings	0
Number of Appointment and Remuneration Committee meetings	0
Number of Appointment Committee meetings	0
Number of Remuneration Committee meetings	0

**B.1.30 Indicate the number of sessions held during the years by the Board of Directors without the presence of all its members. Non-attendance shall also include proxies without specific instructions:**

Number of non-attendances of Directors during the year	5
% of non-attendances of the total votes cast during the year	62.500

**B.1.31 Indicate whether the individual and consolidated financial statements are certified prior to their presentation to the Board of Directors for approval:**

NO

**Identify, where applicable, the person(s) certifying the individual and consolidated financial statements for their formulation by the Board:**

**B.1.32 Explain, where applicable, the mechanisms established by the Board of Directors to avoid the presentation to the General Shareholders Meeting of individual and consolidated financial statements formulated by the Board with reservations in the audit report.**

Pursuant to Article 31 of the Regulation, the Board will establish an objective, professional and continuing relationship with the Company's External Auditor appointed by the General Shareholders Meeting, ensuring its independence and making available all information necessary for the exercise of its functions. The Board of Directors is to make every effort to prepare the Financial Statements in such a manner as to avoid the inclusion of reservations on behalf of the Auditors.

**B.1.33 Is the Secretary of the Board also a Director?**

NO

**B.1.34 Explain the procedures for the appointment and removal of the Secretary of the Board and indicate whether his/her appointment and removal were informed by the Appointment and Remuneration Committee and approved by a Board meeting in full.****Appointment and removal procedure**

Pursuant to Article 27 of the Company's bylaws, the Board is to elect a Chairman from among its members. The Board will also elect a Secretary. If the Secretary is chosen from among the Directors, he/she will not be eligible to vote during the Board of Directors Meetings. Chairmen and Secretaries who are re-elected as members of the Board by the General Shareholders Meeting will continue to hold the positions held previously in the Board of Directors without the need for a new election, notwithstanding the power to revoke such positions held by the Board.

Is the appointment informed by the Appointment Committee?	YES
Is the removal informed by the Appointment Committee?	YES
Does the Board in full approve the appointment?	YES
Does the Board in full approve the removal?	YES

**Is the Secretary of the Board specifically responsible for overseeing the good governance recommendations?**

YES

**B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.****B.1.36 Indicate whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:**

NO

Outgoing auditor	Incoming auditor
-	-

**Explain any disagreements with the outgoing auditor and the reasons for the same:**

NO

**B.1.37 Indicate whether the auditor provides other services to the Company and/or its group other than those related to the audit and, where applicable, indicate the fees received for any such work and the percentage such fees represent in relation to the total fees invoiced by the auditor to the company and/or its group:**

YES

	Company	Group	Total
Amount for work other than auditing (thousands of euros)	8,000	0	8,000
Amount for work other than auditing/Total amount invoiced by the audit company (in %)	11.270	0.000	7.020

**B.1.38 Indicate whether the audit report for the previous year's financial statements contains reservations or conditions. Where applicable, detail the reasons given by the Chairman of the Audit Committee in explanation of the content and the scope of the mentioned reservations and conditions.**

NO

**B.1.39 Indicate the number of years during which the current audit company has uninterruptedly audited the financial statements of the company and/or its group. Similarly, indicate the percentage represented by the number of years audited by the current audit company over the total number of years during which the financial statements have been subject to audit:**

	Company	Group
<b>Number of consecutive years</b>	3	3

	Company	Group
<b>Number of years audited by the current auditor/Number of years during which the company has been audited (in %).</b>	27.3	27.3

**B.1.40 List the interests held by the members of the company's Board of Directors in the capital of companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Similarly, indicate the positions held or duties performed in such companies:**

Name or company name of Director	Name of the company	% Ownership interest	Position or functions
FÉLIX REVUELTA FERNÁNDEZ	NATRACEUTICAL CORP.	0.060	WITHOUT POSITION
FÉLIX REVUELTA FERNÁNDEZ	NATURHOUSE SP ZOO	77.030	DIRECTOR
FÉLIX REVUELTA FERNÁNDEZ	KILUVA PORTUGUESA	77.030	MANAGER
FÉLIX REVUELTA FERNÁNDEZ	ZAMODIET, S.A.	35.890	DIRECTOR
FÉLIX REVUELTA FERNÁNDEZ	KILUVA, S.A.	77.030	CHAIRMAN AND CEO
FÉLIX REVUELTA FERNÁNDEZ	ZAMOGSLAS SA	18.150	WITHOUT POSITION
FÉLIX REVUELTA FERNÁNDEZ	HOUSEDIET S.L.U	77.030	JOINT ADMINISTRATOR
FÉLIX REVUELTA FERNÁNDEZ	KILUVA DIET S.L.	77.030	JOINT ADMINISTRATOR
FÉLIX REVUELTA FERNÁNDEZ	NH SPRL (BELGIUM)	77.030	CHAIRMAN

Name or company name of Director	Name of the company	% Ownership interest	Position or functions
FÉLIX REVUELTA FERNÁNDEZ	HO, SARL	77.030	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	NATURHOUSE SRL	77.030	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	NH FRANCHISING CO, LTD	77.030	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	NATURHOUSE GMBH	73.950	DIRECTOR
FÉLIX REVUELTA FERNÁNDEZ	ICHEM, SP ZOO	27.590	DIRECTOR
FÉLIX REVUELTA FERNÁNDEZ	GARTABO SA	17.590	DIRECTOR
FÉLIX REVUELTA FERNÁNDEZ	LABORATORIOS ABAD SL	77.030	JOINT ADMINISTRATOR
FÉLIX REVUELTA FERNÁNDEZ	HOUSEDIET LLC	66.740	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	ZAMODIET DE MEXICO SA	55.890	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	NATURHOUSE SARL	77.030	CHAIRMAN
FÉLIX REVUELTA FERNÁNDEZ	GIROFIBRA SL	37.740	WITHOUT POSITION

**B.1.41 Indicate and, where applicable, provide details of any procedures through which Directors may receive external advice:**

YES

**Details of the procedure**

During Board sessions, the Directors are provided with information on the financial/economic situation of the company and the group sufficiently in advance. The most significant decisions on investment, disinvestment and all relevant issues regarding the company's performance are examined. In addition to the information provided during Board meetings, the Board members also have the right to request any information that they deem necessary or useful in order to carry out their duties.

**B.1.42 Indicate, and where appropriate provide details of, the existence of procedures for facilitating Directors in advance with the information necessary for the preparation of the corporate bodies' meetings.**

YES

**Details of the procedure**

During Board sessions, the Directors are provided with information on the financial/economic situation of the company and the group sufficiently in advance. The most significant decisions on investment, disinvestment and all relevant issues regarding the company's performance are examined. In addition to the information provided during Board meetings, the Board members also have the right to request any information that they deem necessary or useful in order to carry out their duties.



**B.1.43 Indicate, and where appropriate provide details of, whether the company has established rules binding Directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be:**

YES

**Explain the regulations**

Directors must tender their resignation to the Board of Directors and, if deemed appropriate, formalize their resignation in the following cases:

- a) When they cease to occupy the executive positions associated with their appointment as Directors.
- b) When they are involved in any of the situations of incompatibility or legal prohibition established in law.
- c) When they are seriously reprimanded by the Audit and Compliance Committee for the violation of their obligations as directors.
- d) When their permanence on the Board may place the company at risk or when the reasons for which they were appointed cease to exist.
- e) When they have been prosecuted or charged in connection with criminal proceedings or have been subject to disciplinary actions for serious or very serious offences instructed by the supervisory authorities.

**B.1.44 Indicate whether any Directors have notified the company of their prosecution or trial for any of the crimes stated in Article 124 of the Public Limited Companies Act:**

NO

**Indicate whether the Board has examined this case. If yes, provide a reasoned explanation of the decision taken in relation to the Director's continuity in his/her corresponding position.**

NO

**B.2 Board of Directors' Committees**

**B.2.1 List the Board of Directors Committees and their members:**

**AUDIT COMMITTEE**

Name	Position	Type
IBERSUIZAS ALFA, S.L.	MEMBER	
NATRA, S.A.	MEMBER	PROPRIETARY

**APPOINTMENT AND REMUNERATION COMMITTEE**

Name	Position	Type
IBERSUIZAS ALFA, S.L.	MEMBER	
NATRA, S.A.	MEMBER	PROPRIETARY

### B.2.2 Indicate whether the following functions correspond to the Audit Committee.

Supervise the preparation and integrity of company's and, where appropriate, the group's financial reporting, monitoring compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.	YES
Review internal control and risk management systems on a regular basis in order to correctly identify, manage and disclose the main risks.	YES
Safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that Senior Management is acting on the findings and recommendations of its reports.	YES
Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities of potential importance, especially those of a financial and accounting nature, detected within the company.	YES
Submit proposals to the Board for the selection, appointment, reappointment and removal of external auditors, and the terms of their engagement.	YES
Receive regular information from the external auditor on the progress and findings of the audit programme, and verify Senior Management's observance of its recommendations.	YES
Safeguard the independence of the external auditor.	YES
In the case of groups, favour the undertaking by the group auditor of the auditing of all the group companies.	YES

### B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the Board committees.

#### Name of committee

APPOINTMENT AND REMUNERATION COMMITTEE

#### Brief description

The main purpose of the Appointment and Remuneration Committee, which meets at least twice a year, is to make proposals to the Board of Directors in relation to:

- the Group's remuneration policy at the highest level.
- the general lines of the remuneration policy of the Group and its subsidiaries;
- provide the Board of Directors with recommendations, in turn to be presented to the General Shareholders Meeting, on the Directors' retribution systems and on systems of participation in Natraceutical's share capital for managers and employees;
- analyse the Group's related-party transactions. In the event of a transaction involving a particular Committee member, s/he is to abstain from participating in the analysis;
- the characteristics and conditions of the Company's share option plans and the managers and employees to whom they are directed.

The members of the Appointment and Remuneration Committee do not receive any remuneration for their participation in this Committee.

#### Name of committee

AUDIT COMMITTEE

#### Brief description

The main rules governing the functioning of the Audit Committee are:

- to propose the appointment and the terms and conditions of engagement of the Accounts Auditor and, where applicable, the cancellation or extension of the corresponding contract. .
- to supervise the suitability of the internal audit procedures and control systems.
- to review, with the external auditor, the processes and conclusions of the same.
- to supervise the application of the generally accepted accounting principles.

There are currently no specific regulations governing the Audit Committee, and its duties are thus governed by the provisions of the Board of Directors Regulations.

The members of the Audit Committee receive no remuneration.

**B.2.4 Indicate any advisory or consulting powers and, where applicable, delegated powers held by each of the committees:**

**Name of committee**

APPOINTMENT AND REMUNERATION COMMITTEE

**Brief description**

The main purpose of the Appointment and Remuneration Committee, which meets at least twice a year, is to make proposals to the Board of Directors in relation to; the Group's remuneration policy at the highest level;

- the general lines of both the Group's and its subsidiaries' remuneration policies; to submit recommendations to the Board of Directors, for their proposal to the General Shareholders Meeting, on the Directors' remuneration systems and on systems of participation in Natraceutical's share capital for management and employees;
- to analyse the Company's related-party transactions. In the event of a transaction involving a particular Board member, he/she is to abstain from participating in the analysis;
- the characteristics and conditions of the Company's share option plans and the managers and employees to whom they are directed. The members of the Appointment and Remuneration Committee do not receive any remuneration for their participation in this Committee.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The main rules governing the functioning of the Audit Committee are;

- to propose the appointment and the terms and conditions of engagement of the Accounts Auditor and, where applicable, the cancellation or extension of the corresponding contract;
- to supervise the suitability of the internal audit procedures and control systems;
- to review the external auditing processes and conclusions with the external auditor;
- to supervise the application of the generally accepted accounting principles.

There are currently no specific regulations governing the Audit Committee, and its duties are thus governed by the provisions of the Board of Directors Regulations. The members of the Audit Committee receive no remuneration.

**B.2.5 Indicate, where applicable, any regulations governing the Board committees, the location in which they are made available for consultation and any amendments to the same made during the financial year. Indicate whether an annual report on the activities of each committee has been prepared.**

**Name of committee**

AUDIT COMMITTEE

**Brief description**

Article 36 of the Bylaws establishes that:

The Audit Committee is to be composed of a minimum of three and a maximum of five Directors appointed by the Board of Directors from among its members. All of the Committee's members must be non-executive Directors.

The Chairman of the Audit Committee will be appointed by the Board of Directors from among the Committee's members, and must be substituted each four years. A Director may be re-elected Chairman of the Audit Committee one year after the termination of his/her previous term.

The Audit Committee is to appoint a Secretary, who need not be a member of the same. The Audit Committee is to have the following minimum competences:

1. To inform the General Shareholders Meeting, through its Chairman and/or Secretary, of the issues raised that are within the Committee's scope of competence;
2. To propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment of the Accounts Auditor referred to in Article 264 of the Companies Act.
3. To supervise the internal audit services.
4. To be informed of the Company's financial reporting process and internal control systems.
5. To liaise with the accounts auditors to receive information concerning matters that may jeopardise their independence, in addition to any other issues related to the development of account auditing procedures, as well as any other notifications stipulated in the account auditing legislation and technical audit regulations.
6. Any other competences defined in the Bylaws.

The Audit Committee is to meet at least once every half-year and whenever deemed necessary, subsequent to a call issued by the Chairman, either upon the initiative of the Chairman or in response to a request by three of its members or by three members of the Executive Committee.

The Audit Committee shall be validly constituted with the direct or represented attendance of at least half of its members. Agreements are to be adopted with a majority of votes in favour cast by the members in attendance.

Article 31 of the Board of Directors Regulations states that:

1. The Bylaws must define the number of the Audit Committee's members and its competences and operational regulations.
2. Notwithstanding the provisions established in the Bylaws, the Audit, Control and Conflict of Interest Committee is to be composed of at least 3 members, the majority of whom are to be external Directors, and chaired by an independent Director.
3. The Audit Committee members shall be appointed taking into account their knowledge and experience in accounting, auditing and risk management.
4. The Audit, Control and Conflict of Interest Committee shall have the following basic responsibilities, notwithstanding other duties assigned by the Board of Directors and as determined in the Bylaws:
  - a. To report to the General Shareholders Meeting on the issues raised by shareholders in matters of its competence.
  - b. To propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment of the external Accounts Auditor referred to in Article 264 of the Companies Act.
  - c. To supervise the internal audit services, in the event of the designation of such a body within the Company's business organisation.
  - d. To be informed of the Company's financial reporting process and internal control systems.
  - e. To liaise with the external auditors to receive information concerning matters that may jeopardise their independence, in addition to any other issues related to the development of account auditing procedures, and any communications provided for by the account auditing legislation and technical auditing regulations.
  - f. To review the annual financial statements and the periodic financial statements to be submitted to the markets' regulatory or supervisory bodies.
  - g. To review the financial statements, ensure compliance with the legal requirements and the correct application of generally accepted accounting principles, and to report on the proposed amendments to principles and criteria suggested by the management team.
  - h. To report to the Board of Directors on any amendments to accounting criteria and balance sheet and off balance risks.
  - i. To propose the appointment, terms and conditions, and when applicable cancellation or extension, of the engagement of the Auditor.
  - j. To receive regular information from the external Auditor on the audit plan.
  - k. To safeguard the independence of the external Auditor.
  - l. To act as liaison between the Board of Directors and the auditors, assess the results of each audit and the management team's response to its recommendations and mediate in cases of discrepancy between both in relation to the principles and criteria applicable to the preparation of financial statements.

- m. To assess the adequacy and integrity of the internal control systems and review the appointment and replacement of key personnel.
- n. To establish and supervise a mechanism whereby staff can report confidentially and anonymously, any irregularities of potential importance, especially those of a financial and accounting nature, detected within the company.
- o. To supervise compliance with the internal codes of conduct and corporate governance regulations.
- p. To report to the Board of Directors in relation to the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens. At the beginning of each session, a Secretary is to be appointed from among the Committee members. Up to December 13, 2012, the Audit Committee had three proprietary Directors among its members. This number was reduced to two as of the mentioned date. The Company is engaged in covering the vacancy through the addition of an independent Director. The process of identifying and selecting an independent Director has been hindered by the Company's operations related to the divestment in Natrex and the amortisation of the syndicated loan.

**B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of Directors:**

NO

**If not, explain the composition of the executive committee**

Not applicable, as there is no Executive Committee

## C RELATED-PARTY TRANSACTIONS

**C.1** Indicate whether the Board has reserved the right to approve, subsequent to the issue of a favourable report by the Audit Committee or by any other body charged with the task, the transactions which the company effects with the Directors, major shareholders or shareholders with representation on the Board, or with related persons:

YES

**C.2** List any relevant transactions entailing a transfer of resources or debentures between the company or its group companies and the significant shareholders in the company:

Name or company name of significant shareholder	Name or corporate name of company or group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
KUTXABANK, S.A.	NATRACEUTICAL, S.A.	Kutxabank S.A. owns 4.588% of Natraceutical S.A.	Repayment or cancellation of loans and leases (lessee)	3,220
KUTXABANK, S.A.	NATRACEUTICAL, S.A.	Kutxabank S.A. owns 4.588% of Natraceutical S.A.	Finance costs	161

**C.3** List any relevant transactions entailing the transfer of resources or debentures between the company or its group companies and the company's managers or Directors:

Name or Company name of the Directors or managers	Name or company name of the company or group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
BMS PROMOCIÓN Y DESARROLLO, S.L.	NATRACEUTICAL, S.A.	Reception of services	Reception of services	6
NATRA, S.A.	NATRACEUTICAL, S.A.	Finance costs	Finance costs	528
NATRA, S.A.	NATRACEUTICAL, S.A.	Reception of services	Reception of services	422
NATRA, S.A.	NATRACEUTICAL, S.A.	Provision of services	Provision of services	1

**C.4** List any relevant transactions undertaken by the company with other companies in its group and which are not eliminated during the preparation of the consolidated financial statements and whose object and conditions set them apart from the company's habitual trading activities:

**C.5** Identify, where appropriate, any conflicts of interest affecting company Directors pursuant to Article 127 of the Companies Act.

NO

**C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group and its Directors, management or significant shareholders.**

The Appointment and Remuneration Committee establishes whether transactions involving parties related to the Company are to be analysed.

In the event of a transaction involving a particular Committee member, s/he is to abstain from participating in the analysis. Article 16 of the Board of Directors Regulation establishes that Directors must avoid conflicts of interest between the Directors and their most direct family and the Company.

The Board of Directors is to be notified of any such situations, when unavoidable.

Article 19 of the Board of Directors Regulations states that:

1. Directors are to abstain from intervening in deliberations that affect issues in which they are directly or indirectly an interested party.
2. Directors are considered to have personal interest when the issue affects a member of their family or a company in which they hold a management position or a significant ownership interest in its share capital.
3. Directors may not effect commercial transactions with the Company or any of the companies which are part of the group without the previous agreement of the Board of Directors.

**C.7 Is more than one Group company listed in Spain?**

YES

**Identify the listed subsidiaries:**

**Listed subsidiary**

NATRA, S.A.

**Indicate whether the respective areas of activity and any business dealings between the same, as well as those of the listed subsidiary and other group companies, have been publicly defined:**

YES

**Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies**

NATRA SA (this company is not a subsidiary, but a controlling shareholder in NATRACEUTICAL, SA).

**Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:**

**Mechanisms to resolve possible conflicts of interest**

No mechanisms for resolving such conflicts of interest have been formally defined. In practice, conflicts of interest are resolved by the Board of Directors, with assessment, when necessary, from the committees.

## D RISK CONTROL SYSTEMS

**D.1 Provide a general description of company's and/or its group's risk policy, detailing and assessing the risks covered by the system, together with evidence of the system's suitability for the profile of each type of risk.**

In order to establish suitable control systems, the Company prepares a series of regulations, which are periodically reviewed and which are intended to regulate the system's basic aspects, and implements the control systems. Those in executive positions in the Company actively participate in the preparation of proposals for these regulations.

### **Types of risks**

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

- Material risk: relates to the risk of possible damage to goods belonging to or under the control of the Company.
- Third-party liability: relates to liability that might arise, pursuant to current legislation, from personal and material damage as well as harm to third parties as a result of events arising from the activities carried out by the Company.
- Loss of profit: relates to losses arising from the discontinuation or disruption 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.

Furthermore, a special report on the control of risks associated to the issue of financial reporting, in accordance with the new requirements under the Sustainable Economy Law, is attached to this Corporate Governance Report.

**D.2 Indicate if any different types of risk (operative, technological, financial, legal, reputation, etc.) affecting the company and/or the group have been arisen during the year.**

NO

**If yes, indicate the motivating circumstances and whether the established control systems worked adequately.**

**D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control systems.**

YES

**If yes, explain its duties.**



**Name of committee or body**

AUDIT COMMITTEE

**Description of duties**

The Audit Committee's duties include the establishment and supervision of the various control systems for assessing, mitigating and reducing the different types of risks to which the company and its group are exposed.

**D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.**

The Audit and Control Committee provides support to the Board of Directors in its monitoring tasks, safeguarding the compliance with the laws and internal standards applicable to the Company. It supervises the compliance with both domestic and international regulations in matters related to securities market behaviour and data protection. It ensures that the Internal Codes of Ethics and Conduct and those relative to the Securities Markets and applicable to the Group's staff comply with the required regulations and that they are appropriate for the Company. Similarly, the Audit and Control Committee supervises the preparation and the integrity of the financial reporting relative to the Company and the Group, verifying the compliance with the regulatory requisites and the correct application of the accountancy criteria.

## E GENERAL MEETING

**E.1 Indicate, and where applicable describe, any differences that exist between the minimum provided in the Companies Act and the quorum required for the constitution of the General Shareholders Meeting**

YES

	<b>Quorum % different to that established in Art. 102 of the Companies Act for general circumstances</b>	<b>Quorum % different to that established in Art. 103 of the Companies Act for general circumstances</b>
Quorum required for 1st session	50.000	0
Quorum required for 2nd session	0	0

### Description of the differences

Both Ordinary and Extraordinary General Meetings will be validly assembled:

- In general terms, at first call when attended by shareholders representing at least half of the paid-in capital. The second call will be considered valid regardless of the capital present or represented.
- For the Board to validly agree on the issue of debentures, promissory notes, bonds and other similar financial instruments, capital increases or reductions, the transformation, merger, de-merger of the company and, in general, any modification of the Bylaws, the favourable vote corresponding to two-thirds of the shares present or represented at the General Shareholders Meeting will be necessary, when shareholders representing less than 50% of the subscribed capital with the right to vote are present. At first call, sufficient quorum is required pursuant to the applicable Law, which establishes a quorum of 25%.

**E.2 Indicate, and where applicable describe, the differences required for adopting shareholder agreements with respect to the minimum established by the Companies Act.**

NO

**Describe any differences from the provisions established in the Companies Act.**

**E.3 List all shareholders' rights relative to the General Shareholders Meetings, other than those established under the Companies Act.**

**E.4 Indicate, where applicable, the measures adopted to encourage the participation of shareholders in the General Shareholders Meetings.**

In accordance with Article 528.2 of the Consolidated Companies Act, prior to the last General Shareholders Meeting the Company the activated an Electronic Shareholders Forum in its website.

**E.5 Indicate whether the General Shareholders Meeting is chaired by the Chairman of the Board of Directors. List the measures, if any, adopted to guarantee the independence and functioning of the General Shareholders Meeting:**

YES

**Describe the measures**

1. The Table of the General Shareholders Meeting is to be composed by its Chairman and Secretary, notwithstanding the right of the members of the Board of Directors attending the session to form part of the same.
2. The Chairman or Vice-Chairman of the Board of Directors is to chair the General Shareholders Meeting. In their absence, they are to be substituted in accordance with the provisions of Article 21 of the Bylaws. In the absence of the above, this function will correspond to the shareholder elected in each case by the shareholders attending the meeting. In the event of a Meeting being called upon the orders of a court, the Judge in question shall decide who is to act as Chairman.
3. The Chairman or acting Chairman has the following responsibilities:
  - a) To direct the meeting in such a manner that all points in the Agenda are covered.
  - b) To resolve doubts raised in relation to the list of shareholders and the content of the Agenda.
  - c) To give the floor to shareholders who so request, when deemed appropriate, and withdraw the same when a specific issue is deemed sufficiently debated or if it is affecting the course of the meeting.
  - d) To indicate when it is necessary to vote on agreements and to announce the results of votes.
  - e) In general, to exercise all powers necessary for the optimum management of the meeting, including the interpretation of the provisions of this Regulation.
4. The Secretary or the Vice-Secretary of the Board of Directors or, in their absence, the corresponding substitute, in accordance with Article 21 of the Bylaws, will act as Secretary of the General Meeting. In the absence of the above, this function will correspond to the shareholder elected in each case by the shareholders attending the meeting.
5. If for any reason the Chairman or Secretary have to excuse themselves during the celebration of the General Meeting, their substitution shall proceed in accordance with the provisions of sections 2 and 4 above.

**E.6 Indicate the amendments, if any, made to the General Shareholders Meeting Regulations during the year.**

No amendments were made during 2012.

The General Shareholders Meeting Regulations are available in the Company website:  
[www.natraceuticalgroup.com](http://www.natraceuticalgroup.com)

**E.7 Indicate the attendance figures for the General Shareholders Meetings held during the financial year referred to in this report:**

		Details of attendance			
Date of General Shareholders Meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic voting	Others	
28/06/2012	17.150	53.470	0.000	0.000	70.620

**E.8 Briefly describe the resolutions adopted at the General Shareholders Meetings held during the year and the percentage of votes by which each resolution was adopted.**

The General Shareholders Meeting of June 28, 2012 adopted the following agreements:

I. The individual and consolidated financial statements and the Directors' Report for 2011 were unanimously approved.

II. The allocation of the 2011 profits to the losses of previous years to be offset by profits from future years was unanimously approved.

III. The remuneration for the Board of Directors for 2012 was established at 150,000 euros, the same as that of the previous year, by an ample majority.

IV. It was agreed by ample majority to authorise the Board of Directors to carry out the derivative acquisition of treasury stock, either directly or via investees, with the limits and requirements established in the Companies Act, thus superseding the authorisation granted in the Meeting of 23 June 2011.

V. It was agreed by ample majority to maintain the number of seven members of the Board of Directors and:

- To ratify the company IBERSUIZAS ALFA, SL, sole proprietorship, with registered offices in Madrid, Calle Marqués de Villamagna, n 3, registered in Company House, Madrid, Tome 14104, Book 0, Sheet 13, Section 8, Leaf M231.737 and holder of Tax Identification Code B-82294315, as a Director.

- To re-elect the entity BMS PROMOCIÓN Y DESARROLLO, S.L., with registered offices in Valencia, Avenida Menéndez Pelayo 1, puerta 10, registered at Companies House, Valencia, Tome 4976, Book 2284, Sheet 221, Section 8, Leaf V-36.569 and holder of Tax Identification Code B96329354, as a Director for a period of five years as of this date.

- To re-elect the FÉLIX REVUELTA FERNÁNDEZ, of legal age, married, resident in Barcelona, Pasaje Pedro Rodríguez, no 4, puerta 6, and holder of Tax Identification Number 16483572-R, as a Director for a period of five years as of this date.

- To cease the Director CK CORPORACION KUTXA-KUTXA KORPORAZIOA, S.L.U. and designate MARÍA JESÚS ARREGUI ARIJA, of legal age, unmarried, resident of Donostia-San Sebastián (Gipuzkoa), Calle Garibai, 15, and holder of Tax Identification Number 15984931-S, in replacement thereof, as director for a period of five years as of this date.

VI. The Secretary of the Board of Directors was unanimously granted the powers necessary for the development, documentation and enforcement of the agreements adopted by the General Shareholders Meeting.

**E.9 Indicate any statutory restrictions which establish the minimum number of shares required to attend General Shareholders Meetings.**

YES

Number of shares required to attend General Shareholders Meeting	1,000
--	-------

**E.10 Indicate and justify the policies followed by the company in relation to the delegation of votes during the General Shareholders Meetings.**

Shareholders with attendance rights may delegate their representation to another person who, as a Company shareholder, forms part of the Meeting.

The representation must be accepted by the representative. The representation will only be valid for one Meeting and may be granted in the following ways:

a) By sending either a signed letter, on paper, by means of which the representation is conferred, or the card referred to in the previous article, duly completed and signed by the shareholder, in the terms established in the Bylaws, to the Chairman.

b) Through electronic or remote means that duly guarantee the attributed representation and the identity of the representative. Representation granted via these means will be admitted when the electronic document by means of which it is granted includes the represented party's electronic signature, or any other type of electronic signature which, by virtue of a prior resolution adopted to the effect, is considered by the Board of Directors to offer appropriate guarantees of authenticity and identification of the shareholder granting representation. Representation conferred by these methods is to be sent to the Company by the procedure and within the term determined by the Board of Directors in the Meeting convocation agreement.

In the event of a public request for representation, the provisions of Article 107 of the current Companies Act and, where applicable, Article 114 of Law 24//1988, 28 July, Securities Market, will be applicable. Specifically, documents in printed or electronic format and reflecting the granted power are to contain or have as an attachment the agenda, as well as the request for instructions to exercise the voting right and the indication of the representative's voting intention in the absence of precise instructions.

Individual shareholders who are not in full possession of their civil rights and legal entity shareholders may be represented by their duly accredited legal representatives. In both cases and in the event of the shareholder delegating the right of attendance, there may not be more than one representative in the Meeting. The representation is always revocable.

The attendance of the shareholder at the Meeting, in person or through remote communication, as well as that arising from the votes cast by such means, supposes the revocation of any proxy, regardless of the date thereof.

**E.11 Indicate whether the company is aware of the institutional investors' policy regarding participation in the company's decisions:**

NO

**E.12 Indicate the address and access to the corporate governance content in the company's website.**

Natraceutical's Corporate Governance information is available from <http://www.natraceuticalgroup.com> It is located in the Corporate Governance sub-menu of the Shareholders and Investors Information section.

## F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

**Indicate the degree of the company's compliance with the Unified Good Governance code. Should the company not comply with any of the aforementioned recommendations, explain the recommendations, rules, practices or criteria the company applies.**

1. The Bylaws of the listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

### **Compliant**

2. When a parent and a subsidiary company are listed, the two should provide detailed disclosure on:

a) The respective areas of activity existent between the companies, as well as those between the listed subsidiary and the other companies within the group;

b) The mechanisms for the resolution any possible conflicts of interest that may arise.

See sections: C.4 and C.7

### **Partially compliant**

The areas of activity between the group's companies are disclosed in the companies' financial statements. No formal mechanisms for resolving conflicts of interest have been defined.

In practice, conflicts of interest are resolved by the Board of Directors, with assessment, when necessary, from the committees. Points 1 and 2 of Article 19 of the Natraceutical Board of Directors' (of which Natra S.A. is a Director) Regulation establish:

1 - Directors are to abstain from intervening in deliberations that affect issues in which they are directly or indirectly an interested party.

2 - Directors are considered to have personal interest when the issue affects a company in which they hold a management position or a significant ownership interest in its share capital.

3. That, although not expressly required under mercantile law, transactions which involve a structural change in the company and, in particular, the following are subject to approval by the General Shareholders Meeting:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively are equivalent to the company's liquidation.

### **Compliant**

4. Detailed proposals of the resolutions to be adopted at the General Shareholders Meeting, including the information stated in Recommendation 28, should be made available simultaneous to the publication of the Meeting notice.

**Compliant**

5. That the General Shareholders Meeting shall vote separately on matters that are substantially independent in order that shareholders may separately exercise their right to vote. This regulation shall specifically apply to:

- a) The appointment or ratification of Directors, with separate voting on each candidate;
- b) Amendments to the Bylaws, with votes taken on all articles or groups of articles that are materially different

See section: E.8

**Compliant**

6. Companies should allow split votes in order that financial intermediaries acting as nominees on behalf of different clients may issue their votes according to instructions.

See section: E.4

**Compliant**

7. The Board is to carry out its duties with a unified intention and independent criteria, dispense the same treatment to all the shareholders and be guided by the interests of the company, understood as the sustainable maximisation of the company's economic value. It should likewise ensure that the company abides by the applicable laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories in which it operates; and upholds any additional social responsibility principles to which it has voluntarily subscribed.

**Compliant**

8. The Board is to understand the core components of its mission as to approve the company's strategy and authorise the organisational resources to develop the same, and to ensure that the management meets the objectives established and respects the company's interests and corporate purpose. As such, the Board in full reserves the right to approve:

- a) The company's policies and strategies, and in particular:
  - i) The strategic or business plan, as well as the management targets and annual budgets;
  - ii) The investment and financing policy;
  - iii) The definition of the group companies structure;
  - iv) The corporate governance policy;
  - v) The corporate social responsibility policy;
  - vi) The Senior Management remuneration and performance assessment policy;

vii) The control and risk management policy, and the periodic monitoring of internal information and control systems.

viii) The dividend policy, as well as the treasury policy and, especially, its limits.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) On the proposal of the company's CEO, the appointment and removal of Senior Management, as well as their compensation clauses;

See section: B.1.14

ii) The Directors' remuneration and, in the case of Executive Directors, the additional remuneration for their management duties and other contract conditions.

See section: B.1.14

iii) The financial reporting which, due to its condition as a listed entity, the company must periodically disclose.

iv) Any investments or operations which, by virtue of their amount or special characteristics, are considered of a strategic nature, unless their approval corresponds to the General Shareholders Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with Directors, significant shareholders or shareholders represented on the Board, or with persons related thereto ("related-party transactions"). Board authorisation will not, however, be required for related-party transactions that simultaneously meet the following three conditions:

1st. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2nd. They are undertaken at general tariffs or prices as established by the person/entity acting as the supplier of the goods or services in question;

3rd. The amount does not exceed 1% of the company's annual revenue.

It is recommendable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or another committee with the same function; and that the Directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated, with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See sections: C.1 and C.6

## **Compliant**



9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

### **Compliant**

10. Proprietary and independent external Directors should occupy an ample majority on the Board, while the number of executive Directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

### **Partially compliant**

The operations undertaken by the Company during 2012 have required a greater concentration and dedication on the part of its governing and executive bodies. Following the implementation of these operations (divestment in Naturex and the amortisation of the syndicated loan), the company is able to resume its efforts to appoint at least one independent Director. The Company has only one executive Director.

11. In the event of an external Director not holding the consideration of either a representative or an independent Director, the company must provide an explanation of this circumstance and of the Director's relationships with the company, its Directors or its share holders.

See section: B.1.3

### **Not applicable**

The operations undertaken by the Company during 2012 have required a greater concentration and dedication on the part of its governing and executive bodies. Following the implementation of these operations (divestment in Naturex and the amortisation of the syndicated loan), the company is able to resume its efforts to appoint at least one independent Director. The Company has only one executive Director.

12. The relationship between proprietary and independent external Directors is to reflect the relationship between the capital represented on the Board by proprietary Directors and the remainder of the company's capital.

This strict proportional criterion can be relaxed in order that the representation of proprietary Directors is greater than would strictly correspond to the total percentage of capital they represent.

1st In heavily capitalised companies with a scarce or null proportion of shares that may legally be considered as major shareholdings, notwithstanding the existence of shareholdings representing a high absolute value.

2nd In the case of companies with multiple, unrelated shareholders represented on the Board.

See sections: B.1.3, A.2 and A.3

### **Explain**

The Company has no independent Directors, but is taking steps aimed at the appointment of at least one by the General Shareholders Meeting.

**13.** The number of independent Directors is to represent at least one third of all Board members.

See section: B.1.3

#### **Explain**

The Company has no independent Directors, but is taking steps aimed at the appointment of at least one by the General Shareholders Meeting.

**14.** The nature of each Director should be explained to the General Shareholders Meeting, which will effect or ratify the appointment, which is to be confirmed or reviewed in each year's Annual Corporate Governance Report, following verification by the Appointment Committee. The above-mentioned report should also contain an explanation of the reasons behind the appointment of proprietary Directors at the request of shareholders representing less than 5% of the company's capital; it should detail the reasons behind the dismissal, when applicable, of any formal requests for presence on the Board received from shareholders holding an ownership interest that is equal to or greater than those of shareholders who have successfully requested the designation of proprietary Directors.

See sections: B.1.3 and B.1.4

#### **Explain**

BMS PROMOCIÓN Y DESARROLLO, S.L was appointed due to its condition as a major shareholder in Natra SA and its position as a Director of the same.

**15.** In the event of a reduced or inexistent presence of female Directors, the Board is to state the reasons for such a situation and the corrective measures taken; in particular, the Appointment Committee must take steps to ensure that:

- a) The procedures for covering Board vacancies have no implicit bias against female candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for Board posts.

See sections: B.1.2, B.1.27 and B.2.3

#### **Compliant**

**16.** The Chairman, as the person responsible for the efficient functioning of the Board of Directors, is to ensure that the Directors are provided with sufficient information in advance of board meetings, and work to procure a suitable level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she is to organise and coordinate regular assessments of the Board and, where appropriate, the company's chief executive, along with the Chairmen of the relevant Board Committees.

See section: B.1.42

#### **Compliant**

**17.** When the Chairman of the Board is also the Company CEO, an independent Director is to be empowered to request the calling of Board Meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external Directors; and to lead the Board's assessment of the Chairman of the Board.

See section: B.1.21

**Not applicable**

**18.** The Secretary is to specifically ensure that the Board's actions:

a) Conform to the spirit and letter of the law and its implementing regulations, including those issued by regulatory agencies;

b) Are informed by the company's Bylaws, the General Shareholders Meeting and Board of Directors Regulations, and any other Regulations applicable to the company;

c) Observe any corporate governance recommendations contained in this Unified Code and which have been accepted by the company. In order to safeguard the Secretary's independence, impartiality and professionalism, the appointment and dismissal of the same should be informed by the Appointment Committee and approved by a full Board meeting; and this appointment and dismissal procedure must be reflected in the Board's Regulation.

See section: B.1.34

**Compliant**

**19.** The Board is to meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas established at the beginning of the year, to which each Director may propose the addition of other items.

See section: B.1.29

**Compliant**

**20.** Director absences are to be kept to a minimum and quantified in the Annual Corporate Governance Report. When Directors have no option but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

**Compliant**

**21.** When Directors or the Secretary express concerns about proposals or, in the case of Directors, about the company's performance, and such concerns are not resolved at the Meeting, the person responsible for expressing the same may request that they be recorded in the minutes.

**Compliant**

**22.** The Board in full is to assess the following points on a yearly basis:

- a) The quality and the efficiency of the Board's actions;
- b) The performance of the Chairman and the chief executive, based on a report submitted by the Appointment Committee;
- c) The performance of its committees, based reports submitted by the same;

See section: B.1.19

#### **Compliant**

**23.** All Directors must be able to exercise their right to receive any additional information they deem necessary on matters within the Board's competence. Unless the bylaws or Board regulations indicate otherwise, such requests are to be addressed to the Chairman or Secretary of the Board.

See section: B.1.42

#### **Compliant**

**24.** All Directors must have the right to receive from the company the advisory services they require in order to perform their duties. The company is to provide suitable channels for the exercise of this right, extending in special circumstances to external advisory services, to be provided at the company's expense.

See section: B.1.41

#### **Compliant**

**25.** The companies are to establish induction programmes for new Directors in order that they may rapidly acquaint themselves with the workings of the company and its corporate governance rules. Directors are also be offered refresher programmes when circumstances so advise.

#### **Partially compliant**

There is currently no defined and structured guidance programme to rapidly provide Directors with appropriate knowledge of the company, however:

- a) Directors have the widest powers for the collection of information on the Company.
- b) In the event of new Directors requiring further information about a specific matter, the Chairman or Secretary of the Board must provide the requested information and/or any opportune explanations, or direct the Director to the most appropriate interlocutor. In the event of such guidance proving insufficient, the Director may request the contracting of external experts.

**26.** Companies are to require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors are to inform the Appointment Committee of any other professional obligations which may detract from the necessary dedication;
- b) Companies are to establish rules regarding the number of directorships their Board members may hold.

See sections: B.1.8, B.1.9 and B.1.17

**Explain**

The general obligations of Directors (Art. 16 of the Regulations of the Board of Directors) do not specifically mention that companies are to establish rules on the number of Boards in which their Directors may participate, although they do contain indications of the necessary time and effort required in order to regularly monitor the issues raised by the Company's Board of Directors and of the requirement for the Directors to actively participate in the Board.

**27.** The proposal for the appointment or renewal of Directors which the Board submits to the General Shareholders Meeting, as well as provisional appointments by the method of co-option, must be approved by the Board:

- a) On the proposal of the Appointments Committee, in the case of independent Directors.
- (b) Following a report by the Appointments Committee, in the case of the other Directors.

See section: B.1.2

**Compliant**

**28.** Companies must post the following details about the Directors on their websites, and keep the information permanently updated:

- a) Professional and biographical profile;
- b) Other Boards of Administration to which they belong, whether or not in listed companies;
- c) An indication of the Director category to which each Director belongs, indicating, in the case of proprietary Directors, the shareholder that they represent or to whom they are related.
- d) The date of the first appointment as a Director of the company, as well as the dates of subsequent appointments, and;
- e) The company's shares, and the options on the same, held by the Director.

**Explain**

The Company is in the process of updating its website. The process is being carried out under the responsibility of the Company's Communication Manager, Gloria Folch.

**29.** Independent Directors are not to remain in their positions for a continuous period of more than 12 years.

See section: B.1.2

**Compliant**

**30.** Proprietary Directors are to resign when the shareholders they represent dispose of their entire ownership interest. If such shareholders reduce their ownership, thereby losing their entitlement to proprietary Directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

**Compliant**

**31.** The Board of Directors is not to propose the removal of independent Directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointment Committee. Specifically, just cause will be presumed when a Director is in breach of his or her fiduciary duties or incurs one of the disqualifying circumstances enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

#### **Compliant**

**32.** Companies are to establish rules requiring Directors to inform the Board of any circumstance that may damage the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

When a Director is indicted or tried for any of the offences stated in Article 124 of the Companies Act, the Board is to examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not the Director is to continue in his/her position. The Board is to duly reflect the above in a reasoned manner in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

#### **Compliant**

**33.** All Directors are to clearly express their opposition if they believe that a proposal submitted for the Board's approval may damage the corporate interest. Specifically, independents and other Directors unaffected by the potential conflict of interest should challenge any decision that may oppose the interests of shareholders lacking Board representation.

When the Board adopts material or reiterated decisions about which a Director has expressed serious reservations, the Director in question must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the following Recommendation. The terms of this Recommendation are also to apply to the Secretary of the Board; Director or otherwise.

#### **Compliant**

**34.** In the event of the removal of a Director prior to the termination of the appointed term, whether through resignation or other reasons, the Director is to explain the reasons motivating the resignation in writing to all Board members. Irrespective of whether such resignation is filed as a significant event, the motive for the same is to be explained in the Annual Corporate Governance Report.

See section: B.1.5

#### **Compliant**

**35.** The remunerations policy approved by the Board must define the following concepts, as a minimum:

a) The amount of the fixed components, itemised where necessary, of Board and Board Committee attendance fees, with an estimate of the fixed annual payment to which they give rise;

b) Variable remunerations, including:

i) The types of Directors to which they apply, with an explanation of the relative importance of the variable remuneration concepts in relation to fixed remuneration concepts.

ii) Performance assessment criteria used to establish any rights to remuneration in shares or share options or any variable component;

iii) The main parameters and rationale for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the absolute variable remuneration on which the present plan is based, in accordance with the degree of compliance with the reference hypotheses or objectives.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.

d) The conditions to apply to the contracts of executive Directors exercising senior management functions, including:

i) Duration.

ii) Notice periods.

iii) Any other clauses relative to contracting bonuses, as well as compensation or “golden parachutes” in the event of the early termination of the contractual relationship between the company and the Executive Director.

See section: B.1.15

### **Compliant**

**36.** Remuneration comprising the awarding of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes are to be confined to Executive Directors.

The concession of shares is excluded from this limitation when Directors are obliged to retain the same until the end of their tenure.

See sections: A.3 and B.1.3

### **Compliant**

**37.** The external Directors' remuneration must compensate the dedication, qualifications and responsibility inherent to each position, whilst avoiding reaching sums capable of compromising the corresponding Director's independence.

### **Compliant**

**38.** In the case of performance-related remuneration, any reservations appearing in the external auditor's report and which give rise to a reduction in the company's profits are to be taken into account.

### **Compliant**

**39.** In the case of variable remunerations, the remuneration policies are to include technical safeguards to ensure that these concepts reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

**Not applicable**

**40.** The Board is to submit a report on the Directors' remuneration policy to the advisory vote of the General Shareholders Meeting, as a separate item on the agenda. This report is to be forwarded to the shareholders, separately or in the manner deemed appropriate by each company.

The report is to place specific importance on the remunerations policy approved by the Board for the current year, as well as, when applicable, the policy applicable to coming years. It is to address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. Importance is to be placed on the most significant changes to the mentioned policies in relation to the policies applied during the previous tax year. It is also to include a global summary of the application of the remunerations policy during the mentioned previous tax year.

The Board is to inform of the role of the Remuneration Committee in the preparation of the remuneration policy, along with the identity of any external advisors engaged in the process.

See section: B.1.16

**Compliant**

**41.** The Report is to list individual Director's remuneration during the year, including:

a) A breakdown of the remuneration obtained by each company Director, to include where appropriate:

- i) Attendance per diems and other fixed Director remunerations;
- ii) Additional remuneration for acting as Chairman or member of a Board Committee;
- iii) Any remuneration made under profit-sharing or bonus schemes, and the motive for their accrual;
- iv) Contributions on the Director's behalf to defined-contribution pension plans, or any increase in the Director's vested rights in the case of contributions to defined-benefit schemes;
- v) Any severance packages agreed or paid;
- vi) Any remuneration received as Directors of other companies in the Group;
- vii) Any remuneration received by executive directors for undertaking senior management functions;
- viii) Any remuneration other than those listed above, of whatever nature and provenance within the Group, especially when having the consideration of a related-party transaction or when the omission of the same would detract from a true and fair view of the total remuneration received by the Director.

b) An individual breakdown of the concessions to Directors of shares, share options or other share-based instruments, itemised by:

- i) Number of shares or options granted in the year, and the terms established for their execution;
- ii) Number of options exercised in the year, specifying the number of shares involved and the option price;



- iii) Number of options pending at year-end, specifying their price, date and other option conditions;
- iv) Any change occurred in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration perceived by Executive Directors and the company's profits, or other means of measuring the company's performance.

### **Explain**

The provisions of the Law are applicable. The aggregate remuneration amounts are presented in the individual Company and consolidated Group financial statements. The information is detailed in this Annual Corporate Governance Report.

**42.** When the company has an Executive Committee, the breakdown of its members by Director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

### **Not applicable**

**43.** The Board is to be kept fully informed of the issues dealt with and the decisions taken by the Executive Committee. To this end, all Board members are to receive a copy of the Committee's minutes.

### **Not applicable**

**44.** The Board of Directors must, in addition to the Audit Committee required by the Securities Market Act, create an Appointment and Retribution Committee, or two separate committees, from among its members. The rules governing the composition and operation of the Audit Committee and the Appointment and Remuneration Committee or Committees should be set forth in the Board regulations, and include the following:

- a) The Board of Directors is to appoint the members of such committees taking into account the knowledge, aptitudes and experience of its Directors and the tasks entrusted to each committee; deliberate the corresponding proposals and reports; and be responsible for overseeing and assessing their work, which should be reported to the first Board plenary following each meeting;
- b) Such committees are to be formed exclusively of external Directors and have a minimum of three members. The above is to be interpreted notwithstanding the attendance of Executive Directors or senior managers, in the event of the presence of such figures being expressly agreed upon by the Committee members
- c) The committees are to be chaired by an independent Director.
- d) The committees may engage external advisors when considered necessary for the discharge of their duties.
- e) Meeting proceedings are to be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

### Partially compliant

There is no compliance with point b), since both the Appointment and Remuneration Committee and the Audit Committee are composed of two Directors and the Appointment and Remuneration Committee.

Point c) is not met, as the Chairman of the Audit Committee is a proprietary Director. .

**45.** The task of supervising compliance with internal codes of conduct and corporate governance rules is to be entrusted to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

### Explain

In accordance with Article 29 of the Board of Directors Regulations and in compliance with Natraceutical S.A.'s Internal Code of Conduct, these duties currently correspond to Secretary of the Board.

**46.** The Audit Committee's members, and specifically its Chairman, are to be appointed in accordance with their knowledge and experience in the field of accounts, audits or risk management.

### Compliant

**47.** Listed companies are to have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of the internal reporting and control systems.

### Explain

The internal audit function was implemented in 2011, as registered in the minutes of the Audit Committee of 27 October 2011. Due to a lack of the Audit Committee's necessary quorum, in 2012 the internal auditor has been placed under the supervision of the Board.

**48.** The person responsible for the internal audit function should present an annual work programme to the Audit Committee; report directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

### Explain

While a work plan has not been submitted to the Audit Committee, the Board of Directors has been informed of the work already performed and the incidents arising in its development.

**49.** The control and risk management policy should identify at least:

a) The different types of risk (operative, technological, financial, legal, reputation, etc.) faced by the company, including contingent liabilities and other off-balance sheet risks;

b) The determination of the level of risk considered acceptable by the company;

c) The measures in place to mitigate the impact of the identified risk;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See sections: D

**Compliant**

**50.** The Audit Committee is responsible for:

1st In relation to the internal information and control systems:

a) Monitor the preparation and the integrity of the financial reporting relative to the company and, where appropriate, the group, verifying compliance with the legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) The periodic revision of the internal control and risk management systems in order to identify, manage and appropriately inform of the main risks.

c) Safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2nd In relation to the external auditor:

a) Submit proposals to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of engagement;

b) Regularly receive information on the audit plan from the external auditor, and verify that senior management are acting on its recommendations;

c) Ensure the independence of the external auditor and, to this effect:

i) That the company reports any change of auditor to the Spanish Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) Ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) Investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, favour the undertaking by the group auditor of the auditing of all the group companies

See sections: B.1.35, B.2.2, B.2.3 and D.3

**Compliant**

**51.** The Audit Committee is to be empowered to meet with any company employee or manager, to the extent that it must be able to require their appearance without the presence of another senior officer.

**Compliant**

**52.** The Audit Committee is to prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial reporting that all listed companies must periodically disclose. The Committee must ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.
- c) Related-party transactions, except where their scrutiny has been entrusted to committee other than the supervision and control committees.

See sections: B.2.2 and B.2.3

#### **Compliant**

**53.** The Board of Directors is to procure to present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should any such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors are to give a clear account to shareholders of their scope and content.

See section: B.1.38

#### **Compliant**

**54.** The majority of Appointment Committee members – or Appointment and Remuneration Committee members, as the case may be – should be independent Directors.

See section: B.2.1

#### **Explain**

The Appointment and Remuneration Committee currently has only two proprietary Directors. The Company is making its best efforts to include independent Directors as explained in section F.10.

**55.** The Appointment Committee is to have the following functions, in addition to those stated in earlier recommendations:

- a) Assess the skills, knowledge and experience necessary for the members of the Board, defining the roles and capabilities required of the candidates to fill each vacancy, and assessing the time and dedication necessary for the Board members to properly perform their duties.
- b) Examine or organise, in an appropriate manner, the succession of the Chairman and Chief Executive, making recommendations to the Board so the succession takes place in a planned and orderly manner.
- c) Report on the appointments and removals of Senior Officers proposed to the Board by the Chief Executive.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

#### **Compliant**

**56.** The Appointment Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors. Any Board member may suggest directorship candidates to the Appointment Committee for its consideration to cover vacancies.

**Compliant**

**57.** The Remuneration Committee is to have the following functions, in addition to those stated in earlier Recommendations:

- a) Submitting proposals to the Board of Directors regarding:
  - i) The remuneration policy for Directors and senior management;
  - ii) The individual remuneration and other contractual conditions of Executive Directors.
  - iii) The standard conditions for senior management employment contracts.
- b) Safeguard compliance with the remuneration policy established by the Company.

See sections: B.1.14 and B.2.3

**Compliant**

**58.** The Remuneration Committee is to consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and senior management.

**Compliant**

## G OTHER RELEVANT INFORMATION

**List and explain below the contents of any relevant principles or aspects of corporate governance applied by the Company that have not been covered by this report.**

It has not been possible in this report to reflect Natra SA's condition as a significant shareholder, group company and company Director. The reason is that the application does not permit the simultaneous validation of the 3 characteristics.

**This section may include any other relevant but not re-iterative information, clarification or detail related to previous sections of the report.**

**Specifically, indicate whether the Company is subject to the corporate governance legislation of a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.**

**Binding definition of independent Director:**

**List any independent Directors who have or have had a relationship with the Company, its significant shareholders or managers, which is sufficiently significant nature to determine that the Directors may not be deemed independent as per the definition included in point 5 of the Unified Good Governance Code:**

NO

**Date and signature:**

**This Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting on**

26/02/2013

**Indicate whether any Directors voted against or abstained from the approval of this report.**

NO

## APPENDIX TO NATRACEUTICAL, SA CORPORATE GOVERNANCE REPORT FOR 2012 REQUIRED BY ARTICLE 61 A OF THE SECURITIES MARKET ACT (SMA)

During its session held on 26 February 2013, the NATRACEUTICAL, S.A. Board of Directors (hereinafter "NATRACEUTICAL" or the "Company"), pursuant to the provisions of Article 253 of the Corporations Act, has prepared the parent's and the consolidated group's financial statements and management report for 2012.

In accordance with Article 61 a of Law 24/1988 of 28 July, on the Securities Market Act (hereinafter, the "SMA"), added by Act 2/2011 Sustainable Economy (hereinafter the "LES"), the NATRACEUTICAL Board of Directors has agreed to include additional information which is not contemplated in the current Corporate Governance Report model approved by the Spanish Securities Market Commission's Circular 4/2007, of December 27, which is still in force, in this document.

Specifically, the Corporate Governance Report for 2012 is accompanied by the following information:

- a) Article 61a 4, a, 3rd SMA - Information on securities that are not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred.**

Not applicable. All shares comprising the share capital of NATRACEUTICAL are listed on the Spanish Stock Exchanges' Continuous Market, specifically in Madrid, Barcelona, Bilbao and Valencia.

- b) Article 61a 4, a, 4th SMA - Information relative to the rules applicable to the amendment of the company's Bylaws.**

Article 13 of the Bylaws establishes that the General Shareholders Meeting is the supreme body of the Company and, therefore, is empowered to adopt any resolutions for which it is competent pursuant to the Law and the Company Bylaws.

Similarly, Article 19 of the Bylaws establishes that, in order for General Shareholders Meetings to validly approve the issue of debentures, promissory notes, bonds and other analogous financial instruments, capital increases or decreases, the transformation, merger or de-merger of the Company and, in general, any amendment of the Company Bylaws, the quorum of shareholders demanded by law for such cases must be present.

- c) Article 61a 4, b SMA - Restrictions on the transfer of securities and on voting rights.**

There are no statutory restrictions on the transfers of securities representing the share capital or on the exercising of voting rights, with the sole exception that, pursuant to Article 17 of the Bylaws, all shareholders holding two hundred and fifty or more shares represented by means of book entries are entitled to attend General Meetings. Shares must be registered in the corresponding accounts register at least five days prior to the date of the Meeting.

- d) Article 61a 4, c, 4th SMA - Significant agreements entered into by the company that will come in effect, alter or terminate upon a change of control of the company following a takeover bid, and their effects.**

There company has not entered into any significant agreements that will come into effect, alter or terminate upon a change of control of the company following a takeover bid.

- e) Article 61a 4, c, 5th SMA. - Information on agreements between the Company and its Directors and executives or employees providing for compensation in the event of their resignation or dismissal without just cause or if the employment relationship is terminated as a result of a takeover bid.**

There are no senior management or administration personnel protection clauses.

- f) Article 61a 4, h SMA - Description of the main features of the internal control and risk management systems in relation to the process of issuing financial information.**

### **F1 Company control**

F.1.1. Which organs and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR, (ii) its implementation, and (iii) its monitoring.

By means of its regulation, the Board of Directors has formally assumed the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR, as stated in Article 5.2 of the Board of Directors regulation: "The full Board reserves the non-delegable authority to approve the financial information which the company must periodically disclose."

The Audit, Control and Conflicts of Interest Committee is responsible for monitoring the mentioned ICFR, as stated in the Bylaws (Article 36-A.3) and Article 31.4 of the Board of Directors Regulations: "Knowledge of the Company's financial reporting process and internal control systems" and "monitoring the internal audit services, in the event of the designation of such a body within the Company's business organisation".

The Finance Department is responsible for the design, implementation and updating of the ICFR, ensuring compliance with the internal control procedures, while the Internal Audit Department is responsible for assessing the effectiveness of the ICFR and regularly reporting to the Audit, Control and Conflicts of Interest Committee in order that it may exercise its monitoring responsibility.

F.1.2. The existence of the following elements, especially in relation to the financial reporting preparation process:

**- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure, (ii) clearly defining lines of responsibility and authority, with an appropriate distribution of tasks and functions, and (iii) the existence of adequate procedures for appropriate dissemination within the company.**

Article 32 of the Board of Directors Regulation establishes the authority of the Appointments and Remuneration Committee to ratify the appointment of managers. The Committee is responsible for defining and periodically reviewing the organisational structure at the highest level, whilst the Senior Management is responsible for ensuring that it has access to the necessary resources.

The Appointments and Remuneration Committee is created by the Board of Directors to inform on or make proposals regarding the appointments, terminations, and compensation of the Company's Directors and Senior Management.

Pursuant to Article 32 of the Board of Directors Regulation, the Appointments and Remuneration Committee "is to be composed of a majority of independent Directors and its Chairman is to be an independent Director".



The Appointments and Remuneration Committee is responsible for:

- Assessing the skills, knowledge and experience necessary for Board members, for defining the functions and capabilities to be met by the candidates for each vacancy, and for determining the time and dedication necessary to properly perform their duties.
- Examining or organising the succession of the Chairman and chief executive and, where appropriate, making recommendations to the Board in order that the succession occurs in an orderly and well-planned manner.
- Reporting the appointment and removal of senior managers proposed to the Board by the CEO.
- Reporting to the Board on matters of gender diversity.
- Consulting with the company's Chairman and chief executive, especially on matters relating to executive directors and senior management.
- Making proposals to the Board of Directors on:
  - The remuneration policy for directors and senior managers.
  - The individual remuneration of executive directors and other terms of their contracts.
  - The basic conditions of senior management contracts,
- Ensuring observation of the remuneration policy established by the company.

The Human Resources Department is responsible for the design, development, implementation and review of the organisational structure dependent on Natraceutical's highest management level. Consequently, it is also responsible for the areas and units involved in the preparation of financial information.

The organisation process is not formally defined as a whole, but is taken into account in the overall People Management process. Once the Job Definition Map, which is under development, has been completed, it will be presented to all the company's employees.

**- Code of Conduct, approval body, degree of dissemination and training, principles and values included (indicating whether there are specific references to the recording of transactions and the preparation of financial information), the body responsible for analysing non-compliances and proposing corrective actions and sanctions.**

The Natraceutical Code of Conduct, which aims to establish standards of conduct, integrity and ethical behaviour consistent with the Company's image and reputation within the communities in which it operates, was approved by the Natraceutical Board of Directors. The code was presented to the Spanish Securities Market Commission and, as the Code itself provides, was published on the website [www.natraceutical.es](http://www.natraceutical.es).

The Natraceutical Code of Conduct has been in force since its approval and is applicable to the members of the company's Board of Directors and management, as well as to all the employees of the companies forming Natraceutical.

The purpose of the Code is:

- To ensure the professional, ethical and responsible behaviour of all Natraceutical employees when undertaking their activities and performing their duties.
- To create a corporate culture based on the integrity of the employees behaviour, in accordance with Natraceutical's corporate reputation.

Under the provisions of the Code of Conduct, the body responsible for monitoring compliance with the same is the Board of Directors. Nevertheless, the implementation of an Ethics Committee is under study, to act under the supervision of the Audit Committee and the Board of Directors. The main functions of this Committee will be to promote the dissemination and knowledge of and compliance with the Code of Conduct, as well as to establish lines of communication with employees in order to collect or to provide information or to resolve issues regarding compliance with the Code, advising on the actions to be taken in case of doubt.

The code of conduct makes express reference to the recording of transactions and to the personnel responsible for preparing the financial information.

Employees directly involved in the ICFR have signed a statement by means of which they have committed to safeguarding the confidential information to which they have access and to observing the principles of transparency, accuracy and reliability in the preparation of the financial information with which they are entrusted and in the due accounting of transactions in the Company's files and books.

There is a space reserved for the Code of Conduct in the website [www.natraceutical.es](http://www.natraceutical.es), which may be consulted without restriction.

**- Complaints channel, enabling the communication to the Audit Committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities in the organisation, indicating, when applicable, if the matter in question is confidential.**

The Complaints Channel, which is called the "Code of Conduct Mailbox", establishes the communication channels through which employees and other stakeholders will be able to provide information to the Ethics Committee (when formally established) on incidents and complaints prior to their examination, where applicable, by the Audit Committee.

The complaints channel is currently regulated and its future implementation is being analysed in order to ensure the confidentiality of the entire process.

**- Training and periodic refresher programmes for the staff involved in the preparation and revision of the financial information, as well as the assessment of the ICFR, which cover, as a minimum, accounting, audit, internal control and risk management standards.**

The training provided in Natraceutical is planned. A training item is established annually within the budget and each Natraceutical department identifies the individual training requirements of each of its staff members.

One of the Finance Department's objectives is to remain up to date regarding the developments in applicable internal control and accounting material. Natraceutical employs the services of external advisers who inform on applicable updates relevant to internal control, accounting, International Financial Reporting Standards, Risk Management, consolidation and other relevant areas.

The personnel involved in the preparation and review of financial reporting has received courses in accounting, consolidation and management control. They have also attended several seminars given by ASSEF (Spanish Treasurers Association). These training activities are carried out externally, and there are mechanisms to evaluate their effectiveness.

## F.2 Financial reporting risk assessment

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, in terms of:

**- If the process exists and is documented:**

The Risk Control and Management System established by Natraceutical is based on the methodology of the "Committee of Sponsoring Organizations of the Treadway Commission (COSO II)", which covers all relevant areas and processes within each of the Organisational Units.

The Risk Control and Management System covers, among others, financial, fraud and consolidation risks. For the detailed analysis of these risks, the Group has a formalised ICFR updating protocol, which sets out the responsibilities in risk identification and the definition of additional controls.

**- If the process covers all financial reporting objectives, (existence and occurrence, integrity, assessment, presentation, disclosure and comparability, and rights and obligations), if it is updated and how often.**

The ICFR covers all the objectives of each of the following sections:

- To identify and assess the key risks.
- To identify the risks that must be assumed and the risks to be avoided for the development of the business.
- To prepare the action plans necessary to mitigate the main risks.

The ICFR covers all the objectives of each of the following sections:

- Existence and occurrence: The transactions, facts and other events reflected in the financial reporting effectively exist and have been recorded at the appropriate time.
- Integrity: The information reflects all the transactions, facts and other events in which the company is an affected part.
- Measurement and accuracy: The transactions, facts and other events are recorded and measured in accordance with applicable regulations.
- Rights and obligations: The financial information reflects, on the relevant date, the rights and obligations through the related assets and liabilities, in accordance with applicable regulations.
- Presentation and disclosure: Transactions, events and other events are categorised, presented and disclosed in the financial reporting in accordance with applicable regulations.

**- The existence of a scope of consolidation identification process, taking into account, among other concepts, the possible existence of complex corporate structures and special purpose entities.**

The Economic-Finance Department Management, responsible for the consolidation process, has adequately documented the entire process. The consolidation and year-end flowchart process includes the risks and controls relevant to the updating of the perimeter and the consolidation of the Financial Statements.

**- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent in which they affect the financial statements.**

In accordance with this methodology, Natraceutical has structured the risks into four groups:

- Strategic Risk: referring to those risks that are considered key to the Group and which must be managed proactively and with priority (e.g., decisions on investment, entering new segments, personnel replacement, etc).
- Operational Risks: Those risks that affect the operational management and are capable of significantly disrupting the Group's operations (e.g., system failures, accidents in the workplace and environmental accidents, process failures, etc.).
- Reporting / Financial Risks: Those risks that directly affect aspects related to the information reported to the company and/or third parties (e.g., erroneous information to investors and shareholders, etc.). This category also includes financial risks (e.g., credit, market and liquidity risks, etc.).
- Compliance Risk: Those risks affecting the internal or external regulatory compliance with third parties (e.g., compliance with safety and environmental standards, filing and payment of taxes, compliance with personal data protection regulations, etc.).

In this manner, the company assesses:

- The inherent risks (the risk present for Natraceutical in the absence of any action from the Management aimed at altering the probability of the risk occurring and the impact of the same).
- The residual risks (the risk that remains after the Management has implemented a mitigation measure).

**- Which of the company's governing bodies is to oversee the process?**

Natraceutical has a Risk Control and Management System documentation procedure which is adapted both to its activity and to the associated risk profile. It also has a system for the continuous control of the risks within each process and Organisational Unit. Their status and management is reported to the Audit Committee and the Board of Directors through the channels established in this procedure.

The Audit Committee has the responsibility to propose the assumed risk profile to the Board of Directors, as well as to carry out the monitoring of the risks, establishing the appropriate measures to ensure its opportune control and management.

The Board of Directors is ultimately responsible for overseeing the functioning of the Risk Control and Management System.

### **F3 Control Activities**

F3.1. Procedures for the review and approval of the financial reporting and the description of the ICFR to be published in the securities markets, indicating those responsible for the same, as well as the documentation describing the control and activities flows (including those relating to fraud risk) of the different types of transactions that may significantly affect the financial statements, including the year-end procedure and the specific review of the judgments, estimates, measurements and projections.

There are procedures for the review and approval of the financial reporting and ICFR description, documenting the control activities and the risks of the processes relative to the Financial Statements in the form of flowcharts, process narratives and risk and control matrices.

The Economic-Finance Department is responsible for their review and updating, as well as for coordinating the other areas involved in maintaining the ICFR up to date.

In 2012, the processes relevant to financial reporting were updated, following quantitative (impact on financial statements) and qualitative (difficulty of associated transactions, perceived risk, etc.) criteria for their identification.

The following are considered relevant processes for financial reporting in Natraceutical, which in turn are broken down, in some cases, into sub-processes:

- Property, plant and equipment
- Accounts payable
- Accounts receivable
- H.R.
- Consolidation
- Year-end
- Financial reporting

The areas involved, the risks that impact on the financial information (including fraud) and the associated control activities have been defined for each process and sub-process, including:

- The relevant financial information objectives covered.
- If key or not, considering a key control as that which mitigates, correctly and sufficiently in advance, the existence of fraud or errors which have a significant impact on the financial information issued.
- The person or body responsible, the person or body which implements the control and the frequency of the implementation.
- The type of control and the level of automation.
- The systems involved in the implementation of the control.

Additionally, an Offence Prevention and Detection Model is scheduled to be implanted in 2013 with the collaboration of an external consultant. The model is to include measures such as the adequate segregation of duties, regular checks to detect illegal activities, staff training, etc.

F3.2. Internal control policies and procedures for the information systems (including access security, monitoring of changes, their operation, operational continuity and segregation of duties, among others) that support the company's relevant processes in relation to the preparation and publication of financial information.

Natraceutical's information systems are currently subject to policies and procedures governing the access to and operation of the systems and applications that enable:

- The management of access to the systems and applications so as to ensure the adequate segregation of duties within the applications, adding access permissions to the system's user profiles.

- The availability of mechanisms that enable the continuity of the business' different operational systems in the event of a failure.
- The availability of data recovery mechanisms (backups, fireproof chambers for the storage of backup copies, external servers, etc.).
- The guarantee that the development of new applications or the maintenance of existing applications facilitates a definition, development and testing process that ensures the correct treatment of the information.
- The management of the proper operation of the systems. To do so, the IT Department is responsible for ensuring the correct, efficient operation of the systems and communication networks.

F.3.3. Internal control policies and procedures for monitoring the management of outsourced activities, as well as those aspects of assessment, calculation or measurement entrusted to independent experts and which may significantly affect the financial statements.

Within the processes that make up the Natraceutical value chain, the outsourced activities related to the financial reporting preparation and ICFR assessment processes are subcontracted to companies of renowned prestige that have certified their competence, training and independence. This procedure is followed in order to avoid relevant risks in the financial reporting. Notwithstanding the above, outsourced activities are always overseen and monitored by the area within Natraceutical affected by the same.

#### **F.4 Information and communication**

F.4.1. A specific function responsible for defining and maintaining updated the accounting policies (accounting policies area or department) and for resolving questions or disputes regarding their interpretation, maintaining fluid communication with those responsible for the organisation's operations, as well as maintaining an updated accounting policies manual and providing the company's operational unit's with access to the same.

The Economic-Finance Department is responsible for maintaining the accounting policies up to date, for defining and maintaining Natraceutical's Accounting Policy Manual and for resolving any questions and conflicts that may arise in its interpretation. It provides access to the same to all those with a significant involvement in the preparation of financial information. Additionally, Natraceutical has the support of external advisers of recognised standing which inform the company of new accounting standards.

The Manual contains the policies and activities necessary for the correct recording of each accountable transaction, in addition to practical examples for the most significant transactions. The latest update of the Manual was produced in November 2009. However, any changes of legislation affecting the accounts of the subsidiaries are taken into account and communicated to those responsible for preparing and monitoring the financial information.

F.4.2. Financial information collection and preparation mechanisms employing homogeneous formats for application and use by all units of the organization or group, capable of supporting the main financial statements and notes, as well as detailed information about the ICFR.

Natraceutical centralises the financial reporting collection, consolidation and preparation process.

Natraceutical employs software that enables the standardisation of the budgeting, monitoring and consolidation processes.

In order to cover all risks relevant to financial reporting, the year-end and consolidation process is accompanied by a series of implemented and documented controls with their corresponding flowcharts and risk and control matrices.

**F.5 System operation monitoring**

F.5.1. The ICFR monitoring activities carried out by the Audit Committee, as well as the existence of an internal audit function with competences that include providing support to the committee in its supervision of the internal control system, including the ICFR. Information is to be provided on the scope of the ICFR assessment carried out during the period and the procedure by which the person responsible for carrying out the assessment reports its results, whether the company has an action plan that details the applicable corrective measures, and whether it has considered the impact of the same on the financial reporting.

The Audit Committee is responsible for ICFR monitoring activities, which include:

- Approving the audit plans, which are currently being defined by the Internal Audit function (implemented in 2011, as stated in the Audit Committee minutes dated October 27, 2011) and which will have a risk-based approach;
- Determining those responsible for their implementation, assessing the adequacy of the work carried out, reviewing and assessing the results and considering their effect on the financial information;
- Reviewing and assessing the reliability of the accounting and management financial reporting with regard to compliance with the procedures for its recording and the use of information, accounting management and data processing systems;
- Advising the organization on issues relating to the prevention of fraud, corruption and other illegal activities;
- Implementing the prioritisation and monitoring of corrective actions, and reporting on the evolution of the same to Senior Management.
- Advising on issues relating to corporate governance and the prevention of fraud, corruption and other illegal activities.

The Internal Audit Department is responsible for supporting the Audit Committee in the monitoring of the ICFR, which is defining a three-year plan for the monitoring of all the key controls and processes for the financial statements. This requires the definition of a consistent methodology based on best Internal Control and Internal Audit practices.

The Internal Audit function is regulated by the Internal Audit Charter approved by the Board of Directors' Audit Committee. It is functionally dependent on the Audit Committee and hierarchically dependent on the Board of Directors. The rest of the Organisation's Departments have no authority over the Internal Audit Department.

F.5.2. The existence of a discussion process by means of which the accounts auditor (in accordance with the provisions of the NTA), the internal audit function and other experts are able to inform the senior management and the Audit Committee or company directors about the internal control's material weaknesses identified during the financial statements review process or during any other review process which they have been entrusted. Information is also to be provided about the existence of an action plan for the correction or mitigation of the weaknesses observed.

The Audit Committee is subject to a formal procedure that ensures the periodic communications with the external auditors to receive information concerning matters that may jeopardise their independence, in addition to any other issues related to the development of account auditing procedures, and any communications provided for by the account auditing legislation and technical auditing regulations.

It must receive written confirmation from the external auditors on an annual basis of their independence vis-à-vis the Company or entities directly or indirectly related thereto, as well as information on additional services of any kind provided to such entities by such auditors or persons or entities related thereto pursuant to the regulations applicable to the auditing of accounts. Subsequently, it must inform senior management and the Board of Directors of any material internal control incidents and weaknesses identified during audits.

The Internal Audit Department is to regularly report to the Audit Committee on any incidents detected in the course of its work. When considered necessary, other experts are required to present the results of their work to the Audit Committee.

#### **F.6 Other relevant information**

N/A

#### **F.7 External auditor's report**

F.7.1. If ICFR information sent to markets has reviewed by the external auditor, in which case the company must include the report as an Appendix. To the contrary, it must report its reasons.

Natraceutical has not submitted the If ICFR information sent to markets to review by an external auditor. However, Natraceutical's Management plans to commission an external auditor to review the ICFR sent to the markets.

In Valencia, on 26 February 2013.



# **ANNUAL REPORT ON NATRACEUTICAL S.A.'S DIRECTORS' REMUNERATION**

This Annual Report on the remuneration of NATRACEUTICAL S.A.'s Directors (hereinafter "NATRACEUTICAL" or the "Company") has been prepared by the Company's Board during its meeting held on February 26, 2013, in compliance with the provisions of Article 61 3rd of the Securities Market Act, introduced by Law 2/2011, 4 March, on Sustainable Economy.

It is the Board's will to comply with recommendation 40 of the Unified Code of Good Governance, consistent in the submission of a report on the remuneration policy of the Directors for consultation by the General Shareholders Meeting as a separate item on the agenda.

This report is to detail the Company's remuneration policy for the current financial year, the policy scheduled for future years, the summary of the implementation of the remuneration policy in the financial year 2011, as well as the details of individual remuneration earned by each Director.

## **COMPANY REMUNERATION POLICY**

The regime applicable to the Board of Directors' remuneration is provided in Article 32 of the Bylaws, which is developed in Articles 24 and 25 of the Board of Directors Regulation.

Specifically, it establishes that the Directors are to receive per diems to compensate any costs that they may generate through their attendance at the Board's meetings. Notwithstanding the aforementioned compensation, the Directors are to receive fixed, periodic remuneration for the performance of their duties, to be determined by the General Shareholders Meeting and which will vary annually according to the Consumer Price Index, until such time as the amount is modified by a new General Shareholders Meeting agreement.

The Board of Directors, by means of a resolution adopted to this effect, is to distribute the aforementioned remuneration among its members in accordance with the criteria, method and amount which it determines.

Both the aforementioned remuneration and per diems are to be compatible with and independent of any remuneration that the Directors may perceive for performing any other executive duties within the Company.

Similarly, the Directors' remuneration may consist of shares, share options or other options referenced to the share value, provided that such remuneration agreements are determined by the General Shareholders Meeting in accordance with the provisions of Article 217 of the Corporations Act.

The Board of Directors must approve the remuneration policy, which must be submitted to the consultation of the General Shareholders Meeting. This policy, in accordance with Article 24 of the Board of Directors Regulation, must be proposed by the Appointment and Remuneration Committee, which must also propose the individual remuneration of executive Directors and other terms of their contracts and the basic contract conditions of senior managers.

## **SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY IN 2011**

The General Shareholders Meeting held on June 28, 2011 approved the proposal for Directors remuneration issued by the Board of Directors and formulated on the proposal of the Appointment and Remuneration Committee, amounting to 150,000 euros in the concept of annual global remuneration for the entire Board of Directors.

The individual remuneration earned by the Directors in 2011 for the performance of their corresponding duties is as follows:

NATRA, S.A.	91,667
IBERSUIZAS S.L.	7,609
Maria Jesus Arregui	4,348
Félix Revuelta Fernández	6,522
BMS PROMOCIÓN Y DESARROLLO, S.L.	7,609
CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	3,261
María Teresa Lozano Jiménez	5,435

## REMUNERATION FOR EXECUTIVE FUNCTIONS

The CEO, François Gaydier, performed executive functions in the Company during the financial year 2012, earning the remuneration detailed below.

Fixed remuneration: 267,155 euros

The executive Director, Eric Bendelac, performed executive functions in the Company during the financial year 2012, earning the remuneration detailed below.

Fixed remuneration: 19,167 euros

The criteria for the accrual of variable remuneration for the CEO's and Enric Bendelac's (Director of Corporate Development) executive functions are established in accordance with annual targets, both on a group and on an individual level.

## REMUNERATION POLICY APPLICABLE IN FINANCIAL YEAR 2013

The remuneration policy applicable to Directors during 2013 is to respond to the same criteria as employed for 2012.

In this regard, the Board forecasts that the amount of the global remuneration for the performance of the Directors' functions will remain the same as in 2012, following adjustment to the CPI.

Upon the preparation date of this report, no fixed or variable remuneration, assignable in accordance with the objectives related to the compliance with the Group's budget for the period, has been established for the Group's Chief Executive.

On the date of the preparation of this report, Mr. Bendelac, Director of Corporate Development, is no longer a member of the Board of Directors

In Valencia, on 26 February 2013.

**natraceutical**

Av. Alcalde Barnils 64-68, Esc. A, 1º, 3ª  
08174 St. Cugat del Vallés – Barcelona, Spain

Tel. (+34) 93 584 81 85  
Fax. (+34) 93 584 81 90  
[www.natraceuticalgroup.com](http://www.natraceuticalgroup.com)