



**natraceutical**

Valencia, August 31, 2010

## Results Report: 2010 1S

In the first half of the year, after the integration of the Ingredients Division into Naturex:

### **Recovery of the net profit to 0.78 M € compared with -2.07 M € in June 2009**

- After the change in the consolidation perimeter due to the integration of the Ingredients Division into Naturex, Natraceutical closed the first half of the year with a turnover of € 24.56 million and net profit of € 0.78 million, compared with € -2.07 million in the first half of 2009.
- This result included extraordinary financial costs amounting to € 0.8 million after the debt restructuring process completed in the second quarter. The resulting agreement includes long-term refinancing of all debt through a syndicated loan with a single maturity in 2013.
- By divisions, the Food Supplements Division (Forté Pharma) closed June with sales of € 24.11 million and EBITDA of € 1.29 million. The net profit of this Division stood at € 0.17 million.
- The Ingredients activity, which Natraceutical participates in through its shareholding in Naturex, is picking up merger synergies at good pace and, like-for-like, half-year sales were up 17% to € 112.1 million, EBITDA grew 35% (€ 14.5 M) and net profit was up 45.7%, to € 7.6 million. Natraceutical integrate in their accounts the proportion of Naturex's net profit.

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

Following the incorporation of the Ingredients Division into the French multinational Naturex in December 30, 2009, as of January 1, 2010 Natraceutical focusses their operational activity on the development of their Food Supplements Division in Europe, whose products the company markets exclusively through pharmacies under the brand name Forté Pharma.

Parallel to that, Natraceutical continues to participate in the natural ingredients project for the food, pharmaceuticals and cosmetics industry by means of a 33.9% stake in Naturex, consolidated by the equity method, integrating in their accounts the proportion of Naturex's net profit.

#### ***Food Supplements Division***

The evolution of the Food Supplements Division (Forté Pharma) in the first half of the year was mainly marked by the process of diversifying the company's sales outside France and the interest of promoting the "Health" range of products, which is more defensive in the current economic environment and strategic in the expansion into northern European markets. This, along with the complex business conditions that has been affecting over the last year the industry in which Forté Pharma operates.

The strategic evolution towards the internationalization of the company and the strength of the "Health" range is part of the plan designed by Natraceutical after the acquisition of Forté Pharma in late 2006. However, this has been reinforced by the food supplement market changes within the international economic crisis that is specially affecting the weight control segment.

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

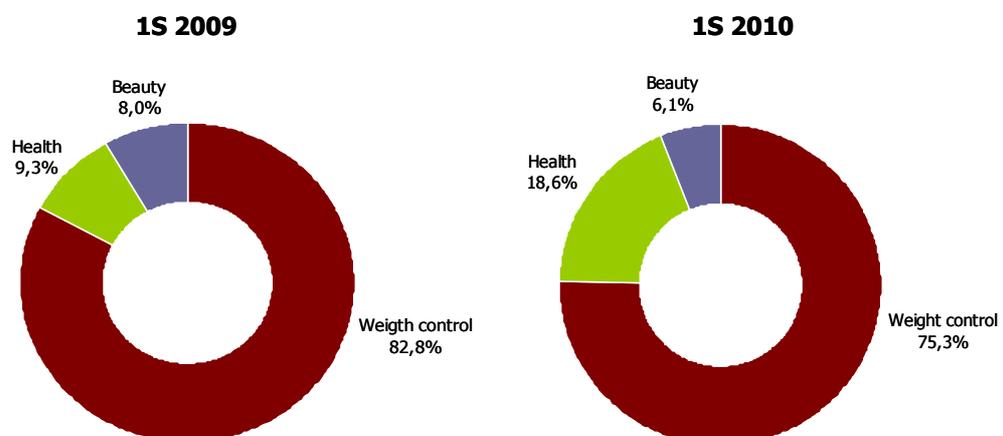
In the first half of the year, the still high sales concentration on the French market (67%) and, particularly, in the weight control segment (75%) meant a decrease of 26.3% in the Division's turnover, whose sales stood at € 24.11 million compared to € 32.73 million in the first half of 2009.

Caution shown by the pharmaceutical channel in recent months in terms of stock levels meant that sales of weight control products were not brought forward during the 2010 pre-order period (first quarter), showing a decrease of 15.2% compared with the first quarter of 2009. By contrast, the development of the "Health" range allowed Forté Pharma to reach a good level of sales of these products in the first quarter (+105.3% compared to the first quarter of 2009) and a gradual, though still slow, recovery of sales of the "Weight Control" sales in the second quarter and especially in France, Forté Pharma's main market.

Over the semester, in spite of the decline in sales of slimming food supplements of 32.8%, the momentum of the "Health" range materialized in an increase of 48.6% in Forté Pharma's sales in this category.

As a result of the new business strategy, at the end the first half of 2010 the "Health" range doubled its weight in the total company sales, from 9.3% in the first half of 2009 to 18.6% in June 2010.

**Sales distribution of the Food Supplements Division by product range**



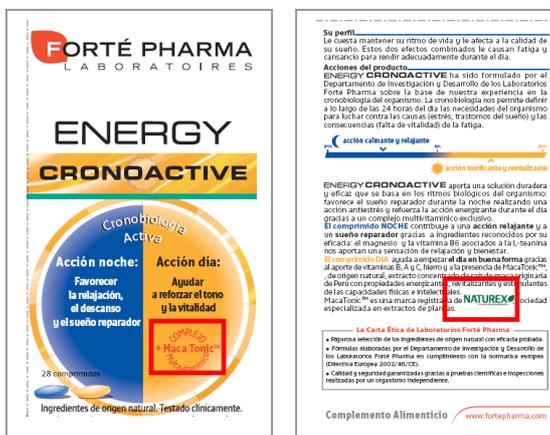
Measures implemented by the end 2009 to achieve the objectives mentioned include:

- Streamlining the product portfolio for better specialization in the brand's flagship products, and discontinuing those references with unsuitable sales volumes.
- Strengthening the focus on products in the "Health" versus "Weight control".
- Diversification in product providers, by specialty, in order to obtain better purchase conditions. In the first half of 2010 this already enabled an improvement in gross margin of 2 points, reaching 79.5%.
- Investment in advertising accrued during the year, which allows monitoring adjustments to turnover.
- Start of advertising campaigns for the "Health" range and some additional advertising investment in "Weight control", also with the aim of helping to reduce over-stocking in the pharmacy channel.

Some of these measures have involved loss of sales from discontinued products, although it will allow better rationalization of resources and a strengthening of the business sales force.

The main driver for the good performance of the "Health" range in the first half of the year was the launch of an innovative new product: Energie ChronoActive. Energie ChronoActive is a food supplement developed following the chronobiology principles: one tablet for the day and one for the night, with complementary formulations. During the day, Energie ChronoActiv reinforces the vitality and energy of the body, while at night promotes sleep and acts as anti-stress. Energie ChronoActiv contains MacaTonic as its main ingredient, a multivitamin patented by Naturex.

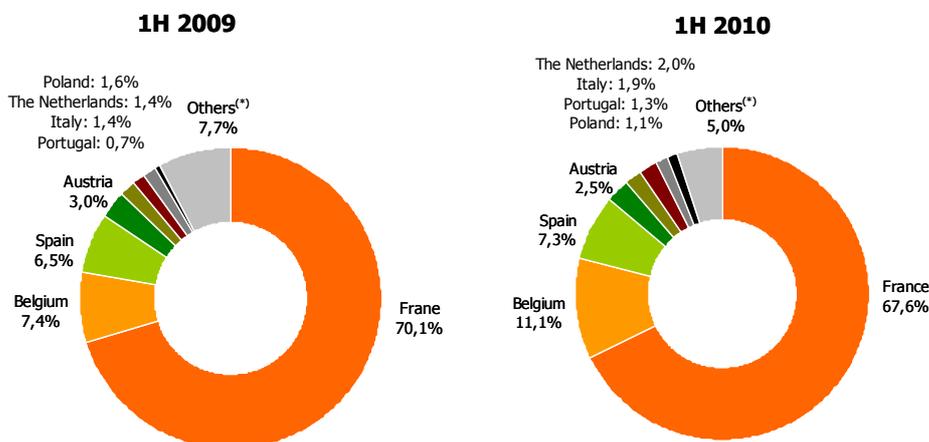
Energie ChronoActiv is marketed in France and Belgium since last February and reached other markets throughout the second quarter of the year.



Energie ChronoActiv was introduced to the market sponsored by the success of Turboslim ChronoActive, a weight control food supplement, first formulated in 2004 (under the name Slim 24+) following the chronobiology principles, and which still maintains itself among the company's best-selling products.

By markets, France experienced the biggest drop in sales in the first half (-28.7%) compared to a fall of 20% across the rest of the markets. At the end of June, France's weight versus other markets where the company operate decreased from 70.1% to 67.6%. Even so, Forté Pharma continues to maintain a leadership position in France in the range of weight control, with a market share of 19.6%.

### Sales geographical distribution



(\*) It includes the countries in which Forté Pharma does not have its own delegations: Switzerland, Greece, Romania, Bulgaria, Ukraine, Croatia, Canada, French-speaking Caribbean islands, Mauritius, Morocco, Algeria, Lebanon, Tunisia, South Africa, Singapore and Vietnam.

In the main markets after France, the evolution of Forté Pharma's activity in the first half of the year was heterogeneous, with growth of 11.3% in Belgium or 4.7% in the Netherlands, compared with declines of 17.6% in Spain.

At operational level, despite an improvement in the Division's gross margin (from 77.7% in June 2009 to 79.5% in first half 2010) and the containment of the main expenditure items (-12% in staff costs and -15% in other operating expenses), declining sales, especially in the first quarter, prevented to protect the semester operating results. The Food Supplements Division closed the first half of the year with an EBITDA of € 1.29 million (€ 4.60 million in June 2009) and net profit of € 0.17 million (€ 3.05 million in 2009).

With regard to the expected trend for the coming months, the company has shown some recovery of sales in the second quarter of the year, which improves in the months of July and August, with growth of 9% and 40% respectively in the total sales of the Division, compared to the months of July and August last year. This, combined with a significantly lower seasonality of weight control supplements versus health products, whose good behaviour has been shown in the first half of the year, does provide good business expectations for the coming months. It should be noted, however, the low weight still under development of the "Health" range in total sales of the Division.

### ***Shareholding in Naturex***

After the merge between Natraceutical's Ingredients Division and Naturex, which gave rise to the leading independent company of speciality ingredients in the world, Naturex's revenues for the first six months of 2010 stood at € 112.1 million, up 17% like-for-like. Naturex strengthened the trend to improve their objectives for the year, which were first set between 5-10% increase in sales.

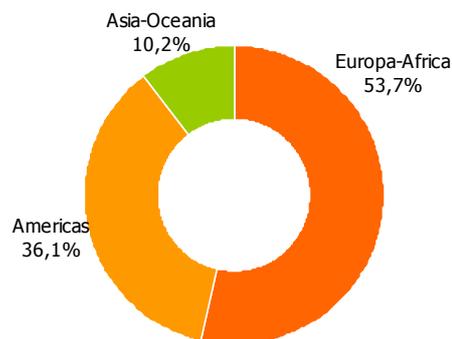
The company's EBITDA increased 34.3%, up to € 19.5 million, which confirmed the improvement in the operating margins. Naturex's cost structure is mostly a fix one, so higher sales volumes soon benefit cost rationalisation and margins improvement.

Net profit for the first half of 2010 amounted to € 7.6 million, up 45.7% and higher than the company's pro forma profit for the whole of 2009 (€ 6.8 million).

After the deal with Natraceutical, Naturex's sales geographical distribution has experienced a significant change. The main market for the company is currently Europe-Africa, representing 53.7% of the total revenues (previously 33.1%). This is followed by the Americas, with 36.1%, being previously the main market for Naturex, where the company concentrated 62.2% of their sales. Finally, the commercial activity that Natraceutical had in Asia-Oceania, through the ownership of a production site and sales offices in the area, has enabled Naturex to increase the activity in these markets from 4.7% to 10.2% of their total revenues.

**Naturex's sales geographical distribution**

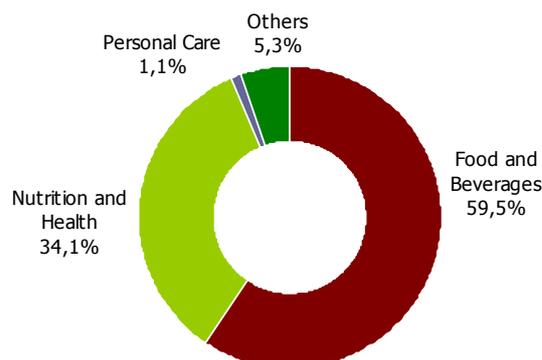
**1H 2010**



Activity segments have also developed notably after the integration of Natraceutical's Ingredients Division, being today the following: "Food and Beverages" acquaints for 59.5% of Naturex's turnover (previously 29.1%); "Nutrition and Health" represent 34.1% (before, 65.0%); "Personal Care" stands at around 1.1% and the category "Special formulations and Others" grew from 4.7% to 5.3%.

**Sales distribution by segments**

**1H 2010**



The company expects to keep growing in the market of speciality natural ingredients, which presents strong potential opportunities. The strategic integration of Natraceutical's activity opened the door to new product and range developments, as well as to the strengthening of the international sales network.

Naturex has two additional areas to grow, that the company is already working on. There are sound development opportunities in Asian and South American markets, as well as in the "Personal Care" segment, where Naturex provides with ingredients to the industry of natural cosmetics.

Naturex's last Shareholders' General Assembly, celebrated in June 2010, agreed the payment of a dividend of 0.11 euros per share, which means an increase of 10% from the previous year payment. The company offers their shareholders the possibility to receive part or the whole of this dividend in shares, with a discount of 10% from the average quoting price in the twenty days prior to the date of the General Assambly. Natraceutical has informed Naturex about their decision to receive such dividend in shares.

## **2.- Corporate structure**

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During 2009, and especially in view of the Ingredients Division's integration into Naturex, Natraceutical's head office structure, upon which the Ingredients Division and the Food Supplements Division were dependent, was subject to a in-depth restructuring process that reduced the company's head office cost significantly.

The head office cost in the first half of 2010 quarter was € 0.75 million, down 57% than in June 2009.

## **3.- Financial structure**

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At the end of the first half of the year, Natraceutical net financial debt amounted to € 78.4 million.

On April 15 the company announced the completion of its financial debt restructuring process. The resulting agreement included the long-term refinancing of all debt and the provision of new funds by means of a syndicated loan with a single maturity in 2013.

Natraceutical's financial result in the first half of the year was € 2.84 million, which included € 0.8 million for the cancellation of an interest rate hedging derivative and other costs linked to the restructuring.

The main assets that currently support Natraceutical's financial debt are the activity of the Food Supplements Division and the 33.9% shareholding in Naturex, representing 2,166,007. As a guideline, the value of Natraceutical's shareholding in Naturex amounted to € 68.8 million at market close of today, August 31st(31.76 €/share).

#### 4.- Stock market evolution

During the first half of 2010, Natraceutical's market quote dropped 25.5%, down from € 0.49 per share on December 30 2009 to € 0.37 per share on June 29. The company's market capitalization was set to € 121.62 million at the end of June 2010. Spanish index IBEX had a similar pattern, with a drop of 22.4% in the first six months of the year.

**Stock market evolution in 1H 2010  
Natraceutical vs Ibex 35**



Similarly, Naturex's share price increased from € 27.85 per share at the close of December 31, 2009 to € 29.92 per share in the half-year's last trading day, an increase of 7.4% and a market capitalization of € 190.41 million. After Naturex's report of results for the first half of 2010 on Monday August 30, the company's share price is up 14% after the first eight months of the year. Naturex's market cap stands at € 202,12 million, 33.9% hold by in Natraceutical.

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

<i>(thousand euros)</i>	1H 2010 *	1H 2009
Net business turnover	24.568	76.113
+/- Variation of finished or in-process product stock	(1.002)	(2.079)
Procurements	(4.316)	(30.076)
<b>Bross margin</b>	<b>19.250</b>	<b>43.958</b>
Capitalized expenses on fix assets		49
Other operating income	182	158
Staff expenses	(6.248)	(14.697)
Depreciation allocation	(509)	(3.265)
Variation in operating allowances	654	25
Other operating expenses	(12.919)	(24.564)
<b>Operating results</b>	<b>410</b>	<b>1.664</b>
Results from equity consolidated companies	2.590	(26)
Financial earnings	1.306	425
Financial expenses	(4.152)	(3.679)
Currency exchange differences (income and expenses)	629	(326)
Non-current assets disposal results	0	(1)
<b>Income before taxes</b>	<b>783</b>	<b>(1.943)</b>
Income tax		(133)
<b>Year's results</b>	<b>783</b>	<b>(2.076)</b>

*(\*) Non-audited. It does not include the activity of the Ingredients Division, integrated in December 2009 into French multinational corporation Naturex and accounted by the equity method*

## 6.- Natraceutical's Balance Sheet on March, 31 2010

<i>(thousand euros)</i>	1H 2010 *	1H 2009
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS:</b>		
Goodwill	102.983	102.983
Other intangible assets	2.861	1.731
Property, plant and units	4.331	4.447
Investments recorded by the equity accounting method	50.946	48.366
Non-current financial assets	2.412	4.950
Deferred tax assets	8.501	11.208
<b>Total non-current assets</b>	<b>172.034</b>	<b>173.685</b>
<b>CURRENT ASSETS</b>		
Stocks	5.682	4.647
Trade and other receivables	15.644	18.641
Other current financial assets		246
Current tax assets	4.720	1.866
Cash and other cash-equivalents	2.576	1.095
<b>Total current assets</b>	<b>28.622</b>	<b>26.495</b>
<b>TOTAL ASSETS</b>	<b>200.656</b>	<b>200.180</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY:</b>		
Share capital	32.871	32.871
Share premium	103.494	103.494
Reserves (accrued earnings)	(13.009)	6.826
Reserves of fully consolidated companies	(24.510)	330
Reserves of companies consolidated by the equity method	0	0
Treasury stock	(4.883)	(4.883)
Exchange rate differences	(922)	(144)
Profit for the year allocated to Parent Company	783	(44.907)
<b>Total equity</b>	<b>93.824</b>	<b>93.587</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term bank liabilities	77.614	6.707
Other long-term financial liabilities	7.656	4.390
Deferred tax liabilities	303	612
Long-term provisions	106	106
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>85.679</b>	<b>11.815</b>
<b>CURRENT LIABILITIES</b>		
Bank liabilities	3.423	63.754
Trade and other payables	10.232	14.192
Provisions	364	482
Current tax liabilities	1.257	1.266
Other current liabilities	5.877	15.084
<b>Total current liabilities</b>	<b>21.153</b>	<b>94.778</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>200.656</b>	<b>200.180</b>

(\*) *Nonaudited*



### **Natraceutical Group**

Natraceutical Group is a Spanish multinational which is a reference in the research and development of natural functional ingredients, active elements and nutritional supplements for the food, pharmaceutical and cosmetics industry. The company directs its industrial activity through Laboratoires Forté Pharma, which specializes in nutritional supplements in the fields of health, beauty and weight control and which it sells exclusively in pharmacies and drugstores in Europe, as well as through its shareholding in the quoted French company Naturex, resultant from the recent contribution of its Ingredients Division to the French multinational.

Natraceutical is quoted on the Spanish stock exchange's continuous market under the ticker NTC. Total shares in circulation: 328,713,946.

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

### **For further information**

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