

Q1 2013: Results note

Excellent results after the full focus of the company in Forté Pharma and the cancellation of the debt

Natraceutical closed the first quarter of 2013 with a net profit growth of 38%, to 2.88 M€

- Turnover stood at 10.74 M€, a growth of 13.4% over the first quarter of 2012.
- Forté Pharma's growth in sales and the operating optimization conducted over the past two years contributed to an EBITDA growth of 62.4% to 2.94 M€, which lead to an EBITDA margin increase from 19.1% to 27.4%.
- The cancellation of the syndicated loan in December 2012 allowed the company to eliminate the financial costs related to that debt, of around 1.1 M€ per quarter, and to incorporate financial gains from the significant cash position after the divestment of the shareholding stake in Naturex.
- The board of directors of Natraceutical agreed at its meeting yesterday in convening a general shareholders' meeting for the upcoming May 30 and submit for the approval of said board, among other issues, a dividend distribution for an overall 12 M€.

1.- Business performance

Natraceutical's exit as a relevant shareholder in Naturex in December 2012 allowed the company to cancel all and in advance its syndicated loan and to define a business plan totally focused on the development of Forté Pharma.

Regarding the performance of this business, after the decline in turnover of 18% in the first quarter of 2012, the subsequent recovery in the following quarters allowed Natraceutical to close last year with a sales growth of 1.5%. Following this recovery, the first quarter of 2013 presented an excellent sales performance. The company achieved a turnover of 10.74 million euro, compared to 9.47 million euro in the first quarter of 2012, representing a growth of 13.4%.

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Operating performance of Natraceutical 2011-2013

(in million euro)

| | Q1 2011 | Q1 2012 | Diff. 11/12 | Q1 2013 | Diff. 12/13 |
|------------------|---------|---------|-------------|--------------|--------------|
| Turnover | 11.77 | 9.47 | -19.5% | 10.74 | 13.4% |
| EBITDA | 1.10 | 1.81 | 64.5% | 2.94 | 62.4% |
| Operating income | 0.87 | 1.62 | 86.2% | 2.81 | 73.5% |

By product categories

This positive evolution was mainly due to the significant recovery of the weight control business, whose sales increased 18.1% this first quarter of the year, compared to figures up to March 2012. It is important to remember that this segment accounted for around 62% of the company's yearly sales in 2012 and, therefore, its evolution has a direct effect on the overall performance of Natraceutical.

The good start of the year was also supported by the performance of the health range, representing around 27% of the total sales in 2012. In the first quarter of 2013, this range achieved a growth of 30.4%.

The first three months of the year include the result of the pre-sales campaign to the pharmacy channel for the weight control range; whose sales to final consumers take place mainly in spring. That is why the business usually shows some seasonality in the first quarter, which made the distribution of sales by product category up to March 2013 to accumulate a 79.5% in the weight control range and 13.1% in the health range. On its turn, the beauty range represented 7.4% of total company's sales in the first quarter, with a flat performance compared to the same period last year. Natraceutical expects however a sales recovery in the beauty range in the forthcoming months.

In the weight control range, the positive evolution of its flagship products, Turbodraine and CaloriLight, with growth of 5.9% and 23.3%, respectively, joined the effect of the launch of a new product -Turboslim-, which in the first three months of the year provided 1.37 million euro on sales to this segment.



On the other hand, the good performance of the health range was backed by the positive evolution of the new product launches that were presented to the market last fall -Gélee Royale, DéfensActiv' and Chondralgic- as well as on the maintenance of sales of one of its flagship products, Vitalité 4G.



By markets

By geographical markets, France, which at the end of 2012 brought together 66.9% of the company's turnover, presented a clear improvement in the first quarter of 2013, with an increase of 12.5% in sales, mainly because of its leadership in the weight control segment and the company's commitment to strengthen its presence in the healthcare segment.

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Meanwhile, the whole other markets showed a growth of 27.7%, strongly driven by a 96.6%-growth in sales in Spain, which concentrated 16.4% of the total turnover. Also to highlight is the sales progression of 64.5% in the UK, which accounted for 1.9% of the total turnover, and became the fourth market for Natraceutical, behind France, Spain and Benelux.

Forté Pharma started its activity in the UK in 2011, and the brand closed 2012 with a commercial presence in the parapharmacy chains Boots, Superdrug and Lloyds. Additionally, in the first quarter of 2013 the company signed a distribution agreement with Holland & Barrett.

Benelux, third market in the first quarter 2013, with 11.8% of the turnover, closed the accumulated sales figure up to March with a drop in sales of 6.3%, mainly due to the company's new product launches in weight control in this market in 2012. Therefore, Benelux did not collect in 2013 the novelty effect, as it was the case of other markets.

The universe of pharmacies and parapharmacies in the three main markets of Forté Pharma (France, Spain and Benelux) stands at 50,000 points of sale, around 14,500 being targeted by Forté Pharma by their location. At the end of 2012 the company was present in 10,600 of them and it works to end the year 2013 at 12,050.

Operating leverage

Natraceutical began in 2011 an operating optimization plan focused mainly on the reorganization of the administrative and sales resources and a redefinition of the media strategy to adapt media expenditure to new market needs.

This plan will result in a saving of 14% in personnel costs from 2011 to 2013 and a 30% reduction in media and marketing investment, which will stand at approximately 18% of sales in 2013.

Along with the sales recovery, these operating optimization policies enabled Natraceutical to close the first quarter of 2013 with EBITDA of 2.94 million euro, an increase of 62.4% compared to the end of March 2012. Thus, the EBITDA margin increased from 19.1% to 27.4%.

The outsourcing of production processes in Forté Pharma results in low capex requirements for the company. After amortization of 0.12 million euro in the quarter, the operating profit stood at 2.81 million euro, compared to 1.62 million euro last year (+73.5%).

In relation to the performance of operating margins expected for the coming months, be recalled that 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, therefore, higher operating margins, while also an increase in working capital. By contrast, the start of the selling campaign to the final consumers in the second quarter (spring) and fourth quarter (autumn) respectively, leads to the concentration of the largest advertising expenditure in those months.

2.- Shareholding in Naturex

On December 5, 2012 Natraceutical announced the latest divestment of its stake in the French multinational Naturex. Therefore, in the financial statements of the first quarter of 2013, there are no assets or results related to such shareholding.

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This final divestment closed a process that began in late 2009 with the integration of Natraceutical's Ingredients Division into Naturex, by which Natraceutical became the main shareholder in Naturex and led to the financial and business reorganization in Natraceutical.

3.- Financial debt

Following the above shareholding divestment in Naturex, Natraceutical cancelled its entire syndicated loan and credit balances with its main shareholder Natra.

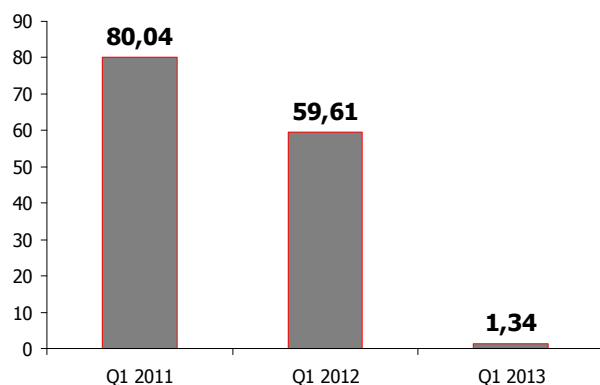
After this debt repayment, Natraceutical only maintains a monthly average bank financing of around 2.52 million euro, related to Forté Pharma's operations.

Additionally, Natraceutical closed the first quarter with a cash position of 16.15 million euro, of which, 14.58 million euro resulting from the sale of the shareholding in Naturex and included in the company's balance sheet as "Other current investments".

The full repayment of the syndicated loan in December 2012 allowed Natraceutical to eliminate monthly financial costs linked to that debt for around 1.1 million euro and, on the other hand, to incorporate financial incomes from the cash position.

Evolution of the net financial debt Q1 2011-2013

(in million euro)



Net debt at the end of the first quarter of 2013 does not include the cash position 14.58 million euro, following the divestment of its shareholding stake in Naturex.

4.- Net result

The significant operating recovery of the business, coupled with the lack of financial costs, enabled Natraceutical to close the first quarter of 2013 with net profit growth of 37.8% to 2.88 million euro.

As the company stated at the end of 2012, the positive development of Forté Pharma since the second quarter of 2012 -which was again confirmed at the start of 2013-, together with the operating leverage of the business, will allow Natraceutical some further margins improvement in 2013. These will also be driven by the lack of financial costs following the debt cancellation.

It is important to remember, however, the seasonality of the business in the first and third quarters of the year and the concentration of investment in advertising in the second and fourth quarters, leading to a non-linear results evolution throughout the year.

5.- Dividend distribution

The board of directors of Natraceutical, at its meeting yesterday, April 24, 2013, agreed to convene the general shareholders' meeting of the company, to take place next May 30.

As one of the main issues to submit for approval to the shareholders' meeting this year, the board agreed to allocate the bulk of surplus cash after the divestment of Naturex for a dividend distribution for a total amount of 12 million euro.

The official announcement of the shareholders' meeting and any supporting documents for the same will be published in the coming days on the website of the company (www.natraceuticalgroup.com) and other legally required channels.

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6.- Consolidated balance sheet of Natraceutical on March, 31st 2013

| <i>(in thousand euros)</i> | 31/03/2013 | 31/12/2012 |
|--|----------------|---------------|
| ASSETS | | |
| Non-current assets: | | |
| Intangible assets | 59.506 | 59.515 |
| Tangible assets | 249 | 281 |
| Investment in group and equity companies | 0 | 0 |
| Other non-current financial investments | 149 | 149 |
| Deferred tax assets | 3.198 | 3.199 |
| TOTAL NON-CURRENT ASSETS | 63.103 | 63.144 |
| Current assets: | | |
| Inventories | 2.686 | 2.786 |
| Accounts receivable, trade | 9.276 | 4.462 |
| Intercompany accounts receivable | 50 | 152 |
| Other current investments | 14.577 | 15.544 |
| Tax receivables | 1.038 | 1.063 |
| Other current assets | 1.812 | 473 |
| Assets held for sale | 8.492 | 8.492 |
| Cash and cash equivalents | 1.572 | 1.943 |
| TOTAL CURRENT ASSETS | 39.503 | 34.915 |
| TOTAL ASSETS | 102.606 | 98.059 |
| EQUITY AND LIABILITIES | | |
| Equity: | | |
| Share capital | 32.871 | 32.871 |
| Share premium | 103.494 | 103.494 |
| Accrued earnings | -46.715 | -49.612 |
| TOTAL EQUITY | 89.650 | 86.753 |
| Non-current liabilities: | | |
| Bank borrowings | 0 | 0 |
| Other non-current liabilities | 257 | 257 |
| Deferred tax liabilities | 1 | 1 |
| Non-current provisions | 253 | 253 |
| TOTAL NON-CURRENT LIABILITIES | 511 | 511 |
| Current liabilities: | | |
| Current allowances | 790 | 0 |
| Payable to credit institutions | 2.911 | 1.467 |
| Intercompany | 41 | 88 |
| Trade accounts payable | 5.799 | 6.456 |
| Other current liabilities | 2.466 | 1.548 |
| Tax liabilities | 439 | 1.236 |
| TOTAL CURRENT LIABILITIES | 12.445 | 10.795 |
| TOTAL EQUITY AND LIABILITIES | 102.606 | 98.059 |

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7.- Consolidated profit and loss account of Natraceutical

| <i>(in thousand euros)</i> | 2012 1Q | 2013 1Q | <i>Dif.</i> |
|--|--------------|---------------|--------------|
| Net business turnover | 9.466 | 10.741 | <i>13,5%</i> |
| +/- inventories | -2 | 245 | |
| Procurements | -2.336 | -2.755 | |
| Gross margin | 7.128 | 8.231 | <i>15,5%</i> |
| Sales commissions | 0 | 0 | |
| Other operating income | 5 | 44 | |
| Staff expenses | -2.247 | -2.137 | |
| Depreciation allocation | -194 | -124 | |
| Other operating expenses | -3.071 | -3.200 | |
| Profit from operations | 1.621 | 2.813 | <i>73,5%</i> |
| Financial expenses | -1.068 | 68 | |
| Currency exchange differences | -9 | -1 | |
| Result from non-current assets disposal | -6 | 0 | |
| Result from companies accounted for by the equity method | 1.635 | 0 | |
| Profit before taxes | 2.173 | 2.879 | <i>32,5%</i> |
| Income tax | -85 | 0 | |
| Net result | 2.088 | 2.879 | <i>37,9%</i> |

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

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

www.natraceuticalgroup.com

For further information

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