

H1 2013: Results note

Consolidation of the organic growth trend

Natraceutical closed the first half of the year with a net profit of 2.38 M€ compared with losses of 8.82 M€ in June 2012

- Turnover stood at 18.16 M€, a growth of 7.7% over the first half of 2012.
- Forté Pharma's gradual recovery in sales together with the operational optimization conducted in the last two years led Natraceutical's EBITDA up to 2.51 M€, compared to 1.08 M€ in the first half of 2012. EBITDA margin more than doubled from 6.4% to 13.8%.
- The cancellation of the syndicated loan in December 2012 allowed the company to reduce the net figure between financial expenses and income from negative 2.31 M€ in the first half of 2012 to positive 0.09 M€ in the same period of 2013.

1.- Business performance

Following the total divestment of the stake in Naturex in December 2012, Natraceutical's accounts reflect now only Forté Pharma's results, a reference company in Europe in the food supplement industry.

Regarding the performance of Forté Pharma, after three years of industry and business contraction and still a 10.8% decline in turnover in the first half of 2012, the subsequent recovery in the following quarters allowed Natraceutical to close last year with a positive sales growth. Following this recovery, the first quarter of 2013 presented an excellent sales performance with growth of 13.4%.

The first and third quarter of the year show the seasonality of the sales campaigns in health and weight control respectively, while the second and fourth quarters are lower-activity months and those where the company concentrates the main advertising investment to support pharmacy sales to the end consumer.

The usual lower activity in the second quarter together with bad weather conditions during the spring months this year had their effect on the consumption of slimming products in the months before summer.

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This fact limited Natraceutical's sales growth in the second quarter to 0.4% compared to the second quarter of 2012, still in line with the company forecast. All in all, the first half of 2013 ended with a turnover growth of 7.7%.

Operating performance of Natraceutical 2012-2013

(in million euro)

	2012			2013			
	Q1	Q2	H1	Q1	Q2	H1	Evol.
Turover	9,47	7,39	16,86	10,74	7,42	18,16	7,7%
EBITDA	1,82	-0,74	1,08	2,94	-0,43	2,51	132,4%
Result from operations	1,62	-0,90	0,72	2,81	-0,54	2,27	215,3%

By product categories

The weight control range, responsible for 77.1% of the company sales, closed the first half of the year with a growth of 8.2%, strongly supported by the excellent results of the pre-sales campaign in the first quarter and despite the consumption slowdown in Europe in the second quarter because of the bad weather in the months before summer.

The health and tonics range, which covered 14.0% of sales in the first half of the year, kept a positive trend in the first two quarters. This allowed the company to conclude the first six months with a turnover growth of 25.0%. *Vitalite 4G*, the flagship of this range, continued giving good results, which were joined by those of the new launches *Noctifor*, *Memorex* and a line of bio phytotherapy.



The beauty range accumulated 9.0% of the total company sales in the first half of the year. After a flat performance in the first quarter, this category achieved a sales growth of 15.3% in the second quarter stand, which led it to close the semester with a positive 7.0% increase. In 2012 the company launched *Expert Hyaluronic* in its three main markets, a new oral cosmetic treatment that combines hyaluronic acid, marine collagen and vitamin C to recover the skin elasticity. The company is positive with the good sales performance of this product, considering that the "new-on-the-market effect" was already collected in the previous year results.



By markets

By geographic markets, France, which at the end of the semester brought together 63.1% of the company turnover, had a sales contraction of 6.5% in the second quarter stand, after a growth of 12.5 % in the first three months of the year. The latter allowed an aggregated sales increase of 4.0% in the first half of the year as the sales contraction in the second quarter due to bad weather conditions was offset by an excellent pre-campaign of the weight control range in the first quarter.

Meanwhile, the whole of remaining markets presented a positive evolution of 22.0%, after two quarters of continuous growth.

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Spain, the company's second largest market with 16.4% of its turnover, was the main growth driver, with sales increase of 90.8% in the semester, combining strong growths in the first two quarters of the year.

Meanwhile Benelux, third market with 10.8% of business sales, saw its revenues decrease by 6.2% following a similar behaviour in the first two quarters of the year. As discussed after the end of the first quarter, this trend was mainly due to the weight control new launches in this market in 2012, which prevented it from collecting in 2013 its effect, as it was the case in other markets. Poor weather conditions also had an impact on the business performance in this market.

UK continued to develop positively and concluded the semester as the number four market for Forté Pharma and a turnover evolution of 74.5% -after 64.5% and 83.8% growth in the first two quarters of the year respectively. Currently, UK concentrates 2.6% of the company sales, having started its presence in this market in late 2011.

Operating leverage

In 2012 Natraceutical set up 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 savings of 14% in personnel costs from 2011 to 2013 and 30% reduction in media and marketing investments, which will stand below 20% of sales in 2013.

Along with the sales recovery, these operating optimization policies enabled Natraceutical to close the first half of 2013 with EBITDA of 2.51 million euro, an increase of 132.4% compared to 1.08 million euro at end of June 2012. Thus, the EBITDA margin increased from 6.4% to 13.8%.

As already mentioned, the second quarter of the year is usually a period of lower sales activity and the weather affected significantly the running of the business in the spring months this year. However, Natraceutical managed to achieve some improvements compared to the results of the second quarter stand in 2012, which stood in line with the company forecasts.

The production outsourcing in Forté Pharma results in low capex requirements for the company. After amortizations of 0.24 million euro in the first half of the year, the operating profit stood at 2.27 million euro, compared to 0.72 million euro last year (+215.3%).

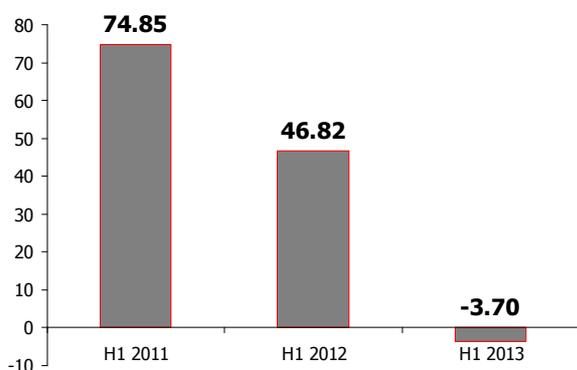
2.- Financial debt

After the cancellation of the syndicated loan at year-end 2012, Natraceutical keeps only some bank financing related to Forté Pharma's operations.

At the end of the first half of 2013, financial debt amounted to 0.99 million euro compared with 1.47 million euro on December 31, 2012. However, net debt (calculated as bank borrowings, minus cash and highly liquid financial assets) showed a cash surplus of 3.70 million euro on June 30, 2013.

Evolution of the net financial debt H1 2011-2013

(in million euro)



3.- Net result

Natraceutical closed the first half of 2013 with a net profit of 2.38 million euro compared with losses of 8.82 million euro in the same period last year. This improvement was explained by the significant recovery of the business operations in recent months, the lack of financial costs and the exit of the shareholding in Naturex from the consolidation scope, which in the first half of last year provided a negative result of 7.19 million euro for the change in its market value.

Note that the virtual absence of recurring investments for business operations, together with positive financial income and low tax costs favors that Natraceutical's gross operating profit (EBITDA) remains almost entirely as free cash flow in the year.

4.- Distribution of dividend

Following the divestment of the stake in Naturex, completed in December 2012, Natraceutical's Shareholders General Meeting held on May 30, 2013, approved the distribution of a dividend amounting to 12.00 million euro, which was paid in full on June 6. The dividend per share amounted to 0,037 euro, a capital gain of 15.2% over the stock price on May 30.

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5.- Consolidated balance sheet of Natraceutical at June 30, 2013

<i>(in thousand euros)</i>	30/06/2013	31/12/2012
ASSETS		
Non-current assets:		
Intangible assets	59.490	59.515
Property, plant and equipment	215	281
Investment in group and equity companies	0	0
Other non-current financial assets	150	149
Deferred tax assets	3.199	3.199
TOTAL NON-CURRENT ASSETS	63.055	63.144
Current assets:		
Inventories	2.933	2.786
Trade and other receivables	7.724	4.462
Intercompany accounts receivable	54	152
Other current financial assets	2.653	15.544
Tax receivables	1.105	1.063
Other current assets	7	473
Disposable group assets classified as held for sale	8.492	8.492
Cash and cash equivalents	2.037	1.943
TOTAL CURRENT ASSETS	25.005	34.915
TOTAL ASSETS	88.059	98.059
EQUITY AND LIABILITIES		
Equity:		
Ordinary capital	32.871	32.871
Share premium	103.494	103.494
Retained earnings	-59.220	-49.612
TOTAL EQUITY	77.145	86.753
Non-current liabilities:		
Financial debt	0	0
Other non-current financial liabilities	257	257
Deferred tax liabilities	1	1
Provisions for other liabilities and charges	253	253
TOTAL NON-CURRENT LIABILITIES	511	511
Current liabilities:		
Provisions for other liabilities and charges	0	0
Financial debt	989	1.467
Intercompany	80	88
Trade and other payables	8.228	6.456
Other current financial liabilities	59	59
Other currents liabilities	703	1.489
Tax liabilities	345	1.236
TOTAL CURRENT LIABILITIES	10.403	10.795
TOTAL EQUITY AND LIABILITIES	88.059	98.059

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6.- Consolidated profit and loss account of Natraceutical

<i>(in thousand euros)</i>	2013 1H	2012 1H
Revenue	18.159	16.859
Changes in inventories	215	-25
Procurements	-4.680	-4.223
Gross margin	13.694	12.611
Sales commissions		
Other operating income	87	9
Personnel costs	-4.133	-4.432
Depreciation and amortization	-242	-354
Other operating expenses	-7.137	-7.110
Profit from operations	2.269	724
Financial income	172	10
Financial costs	-73	-2.315
Exchange differencies	-2	112
Impairment and loss on disposal of financial instruments	0	-99
Change in fair value of financial assets	0	-7.192
Profit before taxes	2.366	-8.760
Income tax	15	-58
Net result	2.381	-8.818

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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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