

Results note: 1st half 2014

Following the sales decline at the beginning of the year

Natraceutical stabilizes its turnover in the second quarter and protects its contribution margin

- Natraceutical ended the first six months of the year with a turnover of 17.74 M€ compared to 18.51 M€ in June 2013, primarily driven by a 6.0% decline in sales in the first quarter after the change of purchase dynamics in the pharmaceutical channel. In the second quarter, sales of the company stood at 7.64 M€, in line with the 7.77 M€ in the second quarter of 2013.
- The company managed this decrease in sales did not affect the gross margin of the first half of the year, which stood at 76%. EBITDA stood at the end of June at 1.94 M€ against 2.52 M€ in the same period last year following the sales variation.
- Due to the merger with Laboratorio Reig Jofre, Natraceutical audited its accounts to the end of June, which explains the inclusion of taxes in the half year profit and loss account. The mentioned sales drop and tax impact of 0.62 M€ explain the difference in the net profit of the semester, which stood at 1.22 M€ compared to 2.38 M€ in June 2013. This tax item does not involve cash outflow because of the existence of tax credits and it is estimated to be lower at year end.
- The merger between Natraceutical and Laboratorio Reig Jofre, reported on 26 June, is progressing on schedule and is expected to be closed before year end. After the merger, the new company will be the fifth laboratory in the Spanish stock market.

1.- Evolution of the turnover

As already reported in the first quarter results, the evolution of Natraceutical in the first months of the year was clearly marked by a change in purchases in the pharmacy channel, especially in France, Forté Pharma's main market.

Funding constraints in Europe coupled with a lack of visibility on the evolution of consumption in the medium term led the pharmacy channel to change their purchase habits in recent quarters. While traditionally pre-sales campaigns –with preferential conditions- concentrated a higher volume of purchases, the first quarter of the year showed the will of this channel to encompass purchases to the evolution of end-consumer sales throughout the semester.

Head Office:

Pl. Xavier Cugat, 2, Ed. D, 2 B
08174 St. Cugat del Vallès, Barcelona
Spain
Tel. (+34) 93 584 81 85
Fax. (+34) 93 584 81 90

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This represented a reduction of 6.0% in Natraceutical's turnover between the months of January to March, while in the second quarter sales stood at similar levels than last year, after reaching 7.64 million euros between April and June, compared to 7.77 million euros in the same period of 2013, while still with signs of prudence by the pharmacy channel in France.

Evolution of Natraceutical's operating result, 2013-2014

(in million euros)

	2013			2014			
	1Q	2Q	1H	1Q	2Q	1H	Evol.
Turnover	10,74	7,77	18,51	10,10	7,64	17,74	-4,2%
EBITDA	2,94	-0,42	2,52	2,61	-0,67	1,94	-23,0%
Result from operations	2,81	-0,53	2,28	2,50	-0,79	1,71	-25,0%

By markets

By geographical markets, France, Spain and Belgium accounted for 91.8% of the company sales. The change in the purchasing process discussed above primarily affected France, Natraceutical's main market, which in the first half of 2014 accounted for 62.2% of turnover and suffered a 5.5% decrease in sales.

Spain accounted for 18.0% of the sales, with growth of 0.9% in the first six months of the year, while the turnover of Belgium grew by 2.9% and represented 11.6% of total sales of Natraceutical.

By product range

Due to Forté Pharma's leadership in the weight control segment, sales of this range still condition the performance of the company during the first months of the year.

At the end of the first half, the weight control range accounted for 77.8% of total company sales. The 5.5% decrease in revenues in this range in the first quarter was followed by a recovery of 4.2% between April and June, thanks to advertising and promotional support that takes place in this quarter.

The health/energy range accounted for 12.3% of turnover and fell 33.6% in the first six months of the year, a fact primarily motivated in the first quarter of the year by the launch in the first quarter of 2013 of a range of bio products that included health references.

Finally, the beauty range accounted for 9.9% sales and increased by 5.4%, backed by the good performance of the new launches in recent months.

2.- Evolution of the profit and loss account

Despite the decline in sales of 4.2% in the first six months of the year, Natraceutical was able to protect its gross margin, which stood at 76%. EBITDA stood at the end of June at 1.94 million euros against 2.52 million euros in the same period last year following the sales variation.

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Since the cancellation of the syndicated loan in December 2012, Natraceutical has a positive financial result, which at the end of the first half of 2014 stood at 0.13 million euros.

Regarding taxes, given the existence of tax credits on Natraceutical's individual companies and, therefore, the non-existence of quarterly tax settlements, in general terms the company makes only a year-end calculation of the tax impact of the evolution of business. However, due to the merger under way between Natraceutical and Laboratorio Reig Jofre, Natraceutical audited its accounts for the first half of 2014 and incorporated a forecast of income taxes in the first six months of the year, amounting to 0.62 million euros. This fact has only an accounting effect and the amount recorded at the end of June is expected to be reduced by the end of the year to levels similar to 2013.

The decline of 0.77 million euros in sales over the first half of 2013 and the referred temporary tax impact explain the difference in the net profit of the semester, which stood at 1.22 million euros compared to 2.38 million euros in June 2013.

3.- Financial debt

At the end of June, bank borrowings amounted to 1.46 million euros. However, net debt -calculated as bank borrowings less cash and highly liquid financial assets- recorded a cash surplus of 5.16 million euros.

Additionally, and as a result of the sale of Natraceutical Industrial SLU to Naturex in July 2013, Natraceutical has got a collection right from Naturex amounting to 8.5 million euros through a credit with maturity in June 2017. This is accounted on the company's balance sheet under "Other non-current financial assets".

4.- Merger project between Natraceutical and Laboratorio Reig Jofre

Last June 26, Natraceutical and Laboratorio Reig Jofre reported the agreement on a merger protocol, which is expected to be effective before the end of this year.

Through this transaction, the Spanish multinational Laboratorio Reig Jofre, one of the leaders in the European pharmaceutical sector in formulation and development of high value-added principles, will be integrated into Natraceutical, thus creating the fifth pharmaceutical company by revenue in the Spanish stock market, behind renowned companies in the stock market as Grifols, Almirall, Rovi and Faes Farma.

The combined company will have a pro forma 2013 revenues of 149.7 million euros, EBITDA of 16.1 million euros and a net debt ratio below 1.2 times EBITDA. This solid financial structure is an additional strength of this integration project, which will count on a strong capacity to undertake new developments and strategic investments.

The formal execution of the transaction is conditioned by the Spanish Stock Exchange Commission to grant Laboratorio Reig Jofre the exemption for a takeover bid, as well as the approval of the transaction by the competition authorities and both companies' general shareholders' meetings.

Both companies expect to submit in the coming days to the Stock Exchange Commission the report of the independent expert on the valuations considered for the merger and call by mid-September the shareholders' extraordinary meetings that must approve the transaction.

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5.- First half 2014 consolidated profit and loss account

Due to the ongoing merger between Natraceutical and Laboratorio Reig Jofre, the company audited its accounts for the first half of 2014. The financial criteria suggested by the auditors in some of the items in the financial statements for the first half of 2014 were applied retroactively on the accounts of the first half of 2013 to ensure comparability. This caused slight variations on the data published at the end of June 2013, which however do not affect the results published at year end 2013.

<i>(in thousand euros)</i>	1H 2014	1H 2013
Revenue	17736	18509
Changes in inventories	-467	147
Procurements	-3822	-4590
Gross margin	13447	14066
Other operating income	2	91
Personnel costs	-3891	-3741
Other operating expenses	-7616	-7896
Depreciation and amortization	-235	-242
Profit from operations	1707	2278
Financial income	109	179
Financial costs	-67	-58
Exchange differences	0	-3
Impairment and loss on disposal of financial instruments	84	
Profit before taxes	1833	2396
Income tax	-615	-15
Net result	1218	2381

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6.- Consolidated balance sheet on June 30, 2014

<i>(in thousand euros)</i>	30/06/2014	31/12/2013
ASSETS		
Non-current assets:		
Intangible assets	59539	59518
Property, plant and equipment	163	183
Other non-current financial assets	8646	8646
Deferred tax assets	1420	2035
TOTAL NON-CURRENT ASSETS	69768	70382
Current assets:		
Inventories	2087	2574
Trade and other receivables	5001	3789
Other current financial assets	3820	816
Tax receivables	1043	845
Other current assets	539	800
Disposable group assets classified as held for sale	0	0
Cash and cash equivalents	2808	4560
TOTAL CURRENT ASSETS	15298	13384
TOTAL ASSETS	85066	83766
EQUITY AND LIABILITIES		
Equity:		
Ordinary capital	32871	32871
Share premium	103494	103494
Retained earnings	-59530	-60748
TOTAL EQUITY	76835	75617
Non-current liabilities:		
Financial debt	0	0
Other non-current financial liabilities	0	0
Deferred tax liabilities	0	0
Provisions for other liabilities and charges	973	973
TOTAL NON-CURRENT LIABILITIES	973	973
Current liabilities:		
Financial debt	1465	1633
Other current financial liabilities	0	0
Trade and other payables	4113	3801
Tax liabilities	1017	919
Other current liabilities	663	823
Provisions for other liabilities and charges	0	0
TOTAL CURRENT LIABILITIES	7258	7176
TOTAL EQUITY AND LIABILITIES	85066	83766

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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 sold exclusively in pharmacies and parapharmacies, mainly in Europe.

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

For further information

Gloria Folch
Investor Relations and Communication
Tel. (+34) 93 584 81 87
E-mail: gloria.folch@natraceuticalgroup.com