

Results note: Q3 2014

3.2% growth in sales between July and September, after the sales decline in the first half of the year

Natraceutical ended the first nine months of 2014 with net profit of 2.52 M€ compared to 2.17 M€ in September 2013

- Natraceutical ended the first nine months of the year with turnover of 24.75 M€ compared to 25.30 M€ in September 2013, a 2.2% decline mainly due to the decrease of 4.2% occurred in the first half of the year. However, sales for the months of July to September showed an improvement of 3.2%, strongly supported by the evolution of the weight control segment and the correction of the health/energy range.
- The company's EBITDA stood at the end of September at 2.72 M€ compared to 3.36 M€ in the same period last year, mainly by the sales decline from the beginning of the year and increased advertising expenditure in the third quarter.
- The continued cash generation of the business enabled Natraceutical to further improve its net cash position after the deduction of debt, which evolved from 1.52 M€ in September 2013 to 3.69 M€ in the same period of 2014.
- The merger between Natraceutical and Laboratorio Reig Jofre, disclosed on June 26, is progressing on schedule after the approval by the respective shareholders' meetings last October 24. The merger is expected to be effective before the end of the year.

1.- Evolution of the turnover

As already reported in the first half-year results, the performance of Natraceutical between the months of January to June was clearly marked by a change in the procurement model of the pharmacy channel, especially in France -Forte Pharma's main market.

Funding constraints in Europe coupled with a lack of visibility on the evolution of consumption in the medium term and led the pharmacy channel to change their procurement 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 to encompass purchases to the evolution of consumption throughout the semester.

This represented a reduction of 4.2% in Natraceutical's turnover between the months of January to June, which was partially offset by the recovery in sales by 3.2% between July and September. Natraceutical closed September with accumulated turnover in 2014 of 24.75 million euros, compared to 25.30 million in the first nine months of 2013.

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Despite the correction in total sales, Natraceutical managed to slightly increase its gross margin, which progressed from 73.7% at end-September 2013 to 74.4% in the first nine months of 2014.

Meanwhile, EBITDA stood at the end of September 2014 at 2.72 million euros, compared to 3.36 million in the first nine months of 2013, mainly due to the variation in sales as well as some increase in advertising expenditure and costs linked to the ongoing merger with Laboratorio Reig Jofre.

Evolution of Natraceutical's operating result, 2013-2014

(in million euros)

	2013			2014			6M/6M	3Q/3Q	9M/9M
	6M	3Q	9M	6M	3Q	9M			
Turnover	18,51	6,79	25,30	17,74	7,01	24,75	-4,2%	3,2%	-2,2%
EBITDA	2,52	0,84	3,36	1,94	0,78	2,72	-23,0%	-7,1%	-19,0%

By markets

By geographic markets, and like in the first nine months of 2013, also in 2014 France, Spain and Belgium accounted for 92% of the company sales. The lower strength of consumption in France (62.1% of revenues) mainly affected Natraceutical sales in this market, which fell by 4.5% in the first nine months. Turnover in Spain (17.1% of sales) remained stable and Belgium (12.5%) recovered by 6.3%. In the rest of the markets, the company achieved an overall growth of 1.5%.

By product range

Due to Forte Pharma's leadership in the weight control segment, sales of this range still condition the performance of the company during the year, concentrating in the first nine months 64.7% of the turnover.

After the decline of 3.4% in sales of this range in the first half of the year due to the lower involvement of the pharmacy channel in pre-sales campaign, the months of July to September saw sales progress by 20.5% in this category. This was mainly due to the performance of 2014's new launch *Liporedux*, as well as to the re-launching of *Minceur 24* in France in September. Given the lower seasonality of this range in the second half of the year, the sales increase in the third quarter helped the turnover of the weight control category in the first nine months of the year to stay at similar levels than that of the previous year, i.e., 16.01 million euros.

Meanwhile, the health/energy range, representing 21.3% of sales in the first nine months of the year, closed the first half with a drop in sales of 14.6%, 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. In the months of July to September 2014 this category corrected this adjustment in sales and its turnover stood 4.2% below to prior year levels. All in all, the health/energy range closed the nine months with sales of 5.27 million euros, 9.8% less than in the same period last year.

Finally, the beauty range concentrated 14.0% of Natraceutical's sales in the first nine months of the year, with total growth of 0.7%.

2.- Financial debt

Since the cancellation of the syndicated loan in December 2012, Natraceutical has got only short-term financing related to Forte Pharma's working capital. At the end of September gross bank borrowings amounted to 2.49 million euros compared to 3.30 million in September 2013. However, the continued cash generation of the business enabled Natraceutical to further improve its net cash position after deduction of debt, which evolved from 1.52 million euros in September 2013 to 3.69 million euros in the same period of 2014.

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".

3.- Net result

Natraceutical ended the first nine months of the year with a net profit of 2.52 million euros compared to 2.17 million euros in September 2013, an increase of 16.1%.

Due to the existence of tax credits in the individual companies of Natraceutical group, the company makes no payment for income tax. This fact and the seasonality of the business explain why Natraceutical makes the calculation of the corporate tax only at year end. However, Q3 2013's results contained a tax amount of 0.94 million euro, for the effect of the sale of Industrial Natraceutical to Naturex formalized in July. Again, this did not represent a cash outflow .

4.- Merger project between Natraceutical and Laboratorio Reig Jofre

Last June 26, Natraceutical and Laboratorio Reig Jofre disclosed the agreement on a merger protocol, which was approved by the respective shareholders' meetings on 24 October

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 revenues in the Spanish stock market, behind renowned companies in the stock market as Grifols, Almirall, Rovi and Faes Farma.

The combined company has a pro forma 2013 revenues of 149.60 million euros, EBITDA of 16.12 million euros and net debt ratio around 0.8 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.

Also, at the presentation of the merger recently conducted at the Stock Exchange of Madrid, Valencia and Barcelona, and whose documentation is available on Natraceutical's website, companies set forward their combined forecast for the year 2014 closing, according to which revenues will grow by 5.6% to 158.00 million euros and EBITDA will stand at 19.50 million, with a progression of 21.0% compared to pro forma year 2013.

Following the approval of the transaction by the shareholders' meetings, the formal execution of the transaction is conditioned by the Spanish Stock Exchange Commission to grant Laboratorio Reig Jofre's sole shareholder the exemption for a takeover bid. The companies expect the merger to be effective before the end of this year.

5.- Consolidated balance sheet on September 30, 2014

<i>(in thousand euros)</i>	30/09/2013	30/09/2014
ASSETS		
Non-current assets:		
Intangible assets	59.468	59.527
Property, plant and equipment	214	143
Investment in group and equity companies	0	0
Other non-current financial assets	8.650	8.645
Deferred tax assets	2.249	2.040
TOTAL NON-CURRENT ASSETS	70.582	70.355
Current assets:		
Inventories	2.468	1.918
Trade and other receivables	9.679	6.270
Intercompany accounts receivable	48	5
Other current financial assets	2.653	4.038
Tax receivables	516	547
Disposable group assets classified as held for sale	0	571
Cash and cash equivalents	2.167	3.172
TOTAL CURRENT ASSETS	17.530	16.521
TOTAL ASSETS	88.111	86.876
EQUITY AND LIABILITIES		
Equity:		
Ordinary capital	32.872	32.871
Share premium	103.494	103.494
Retained earnings	-59.654	-58.258
TOTAL EQUITY	76.712	78.107
Non-current liabilities:		
Financial debt	0	0
Derivative financial instruments	0	0
Other non-current financial liabilities	0	0
Deferred tax liabilities	0	0
Intercompany payables	0	0
Provisions for other liabilities and charges	253	953
TOTAL NON-CURRENT LIABILITIES	253	953
Current liabilities:		
Provisions for other liabilities and charges	642	0
Financial debt	3.298	2.487
Intercompany	0	101
Trade and other payables	6.884	3.605
Other current financial liabilities	0	704
Tax liabilities	322	919
TOTAL CURRENT LIABILITIES	11.146	7.816
TOTAL EQUITY AND LIABILITIES	88.111	86.876

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6.- Consolidated profit and loss account of Natraceutical

<i>(in thousand euros)</i>	9M 2013	9M 2014
Revenue	25.302	24.752
Changes in inventories	160	483
Procurements	-6.809	-6.828
Gross margin	18.653	18.407
Other operating income	92	3
Personnel costs	-6.081	-5.724
Depreciation and amortization	-360	-351
Other operating expenses	-9.302	-9.967
Profit from operations	3.001	2.368
Financial income	206	164
Financial costs	-98	-88
Exchange differences	-2	-3
Impairment and loss on disposal of financial instruments	0	84
Change in fair value of financial assets	0	0
Profit before taxes	3.108	2.525
Income tax	-935	0
Net result	2.173	2.525

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Natraceutical channels its activity through Forte Pharma, a pharma company 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

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