

Results note: 2014 Q1

In line with company forecasts

Natraceutical sales declined by 6% in the first quarter due to a change in procurements in the pharma channel

- At the end of the first quarter of 2014, Natraceutical's turnover stood at 10.10 M€ compared to 10.74 M€ in the first quarter of 2013. This decline was mainly due to the change in the purchasing dynamics of the pharmaceutical channel. While main procurements of slimming food supplements were traditionally carried out during the pre-sales campaign of the first quarter (thereby benefiting from preferential terms), recent quarters showed changes towards a more linear pattern throughout the semester.
- Consequently, and despite the decrease of operating costs, EBITDA for the first quarter stood at 2.61 M € compared to 2.94 M € in the same period last year and net income stood at 2.52 M € compared to 2.88 M € in the first quarter of 2013.
- At comparable perimeters regarding the number of countries in which Forté Pharma markets its products, Natraceutical expects to end 2014 with a positive evolution in sales and EBITDA, following the trend of operational strengthening achieved in the previous two years.

1.- Business performance

Natraceutical's evolution in the first quarter of 2014 was clearly marked by the change in the purchase dynamics of the pharmaceutical channel, especially in France, main Forté Pharma's market.

Financing constraints in Europe coupled with a lack of visibility on the evolution of consumption in the medium term led the pharmacy channel to change its procurement model in recent quarters. While traditionally higher purchase volumes were concentrated in the pre-sales campaign - in which preferential terms were offered- the first quarter of the year revealed the channel's will to encompass procurements with sales evolution throughout the semester. This resulted in a reduction of 6.0% in Natraceutical's turnover between January to March, which the company expects to recover in the coming quarters.

This decline had a direct effect on the operating profitability of the business, with EBITDA going down by 11.2% to 2.61 million euros, despite a decrease in operating costs.

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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Operating performance of Natraceutical Q1 2013-2014

(in million euro)

	<u>Q1 2013</u>	<u>Q2 2014</u>	<u>Evol.</u>
Turnover	10,74	10,10	-6,0%
EBITDA	2,94	2,61	-11,2%
Result from operations	2,81	2,50	-11,0%

By markets

By geographical markets, France, Spain and Belgium joined 91.9% of the company sales. The change of the procurements process mentioned above primarily affected France, Forté Pharma's main market, which in the first quarter of 2014 accounted for 60.3% of turnover and had a decline in sales of 9.9%.

By contrast, the company achieved again an optimal performance in Spain, which reached 18.0% of the business sales, and saw the recovery of Belgium, whose sales grew +8.3 %, accounting for 13.6% of total turnover.

By product categories

Due to Forté Pharma's leadership in the weight control segment, this product range usually determines the performance of the company during the first months of the year.

At the end of the first quarter, weight control products accounted for 80.0% of the company's total sales, with a drop of 5.5% over the first quarter of 2013, due to the aforementioned reasons.

Meanwhile, the health range accounted for 11.0% of turnover and fell by 20.5%. This was due to the launch in the first quarter of 2013 of a bio range which included not only slimming but also health products. On the contrary, in 2014 new products in the health range will be launched in the second quarter, as is common.

Finally, the beauty range concentrated 9.0% of Natraceutical's sales, with an increase of 14.3%, mainly thanks to the good performance of Expert Hialuronic and Expert Keratine, the latter launched in end 2013.

Operating leverage

Throughout the first quarter of 2014, Natraceutical reduced its operating costs by 4.9%, largely by the media investment in the first quarter of 2013, which will be carried out in the second quarter this year. However, this did not offset the effect of the sales correction mentioned and the company ended the quarter with EBITDA of 2.61 million euros, compared to 2.94 million euros in March 2013.

It is important to note that the lack of financing costs following the cancellation of debt in December 2012, the low tax cost and the absence of recurrent investments due to the outsourcing of production result in a conversion of Natraceutical's EBITDA into free cash of around 70%.

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Natraceutical closed the first quarter of 2014 with a net profit of 2.52 million euros compared to 2.88 million euros in the same period last year, mainly due to the effect of the correction in sales.

2.- Financial debt

From January 2013 Natraceutical's bank financing is only linked to Forté Pharma's operations, with a monthly average amount of 2.47 million euros in the first quarter of 2014.

At the end of March 2014, bank borrowings amounted to 2.81 million euros. However, net financial debt (calculated as bank borrowings less cash and highly liquid financial assets) resulted in a cash surplus of 2.68 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, accounted on the company's balance sheet under "Other non-current financial assets".

3.- Consolidated profit and loss account of Natraceutical

<i>(in thousand euros)</i>	Q1 2013	Q1 2014
Revenue	10.741	10.096
Changes in inventories	245	0
Procurements	-2.755	-2.450
Gross margin	8.231	7.646
Other operating income	44	0
Personnel costs	-2.137	-2.243
Depreciation and amortization	-124	-115
Operating allowances	0	0
Other operating expenses	-3.200	-2.791
Profit from operations	2.814	2.496
Financial income	109	49
Financial costs	-41	-28
Exchange differences	-1	1
Profit before taxes	2.881	2.519
Income tax	0	0
Net result	2.881	2.519

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4.- Consolidated balance sheet of Natraceutical at March 31, 2014

<i>(in thousand euros)</i>	31/03/2013	31/03/2014
ASSETS		
Non-current assets:		
Intangible assets	59.506	59.561
Property, plant and equipment	249	175
Investment in group and equity companies	0	0
Other non-current financial assets	149	8.646
Deferred tax assets	3.198	2.040
TOTAL NON-CURRENT ASSETS	63.103	70.423
Current assets:		
Inventories	2.686	2.477
Trade and other receivables	9.276	8.182
Intercompany accounts receivable	50	5
Other current financial assets	14.577	3.007
Tax receivables	1.038	775
Other current assets	1.812	1.405
Assets held for sale	8.492	0
Cash and cash equivalents	1.572	2.485
TOTAL CURRENT ASSETS	39.503	18.336
TOTAL ASSETS	102.606	88.758
EQUITY AND LIABILITIES		
Equity:		
Ordinary capital	32.871	32.872
Share premium	103.494	103.494
Retained earnings	-46.715	-58.225
TOTAL EQUITY	89.650	78.140
Non-current liabilities:		
Financial debt	0	0
Other non-current financial liabilities	257	0
Deferred tax liabilities	1	0
Non-current provisions	253	974
TOTAL NON-CURRENT LIABILITIES	511	974
Current liabilities:		
Financial debt	2.911	2.811
Intercompany	41	46
Trade and other payables	5.799	4.110
Other current financial liabilities	0	0
Other current liabilities	2.466	2.235
Tax liabilities	439	442
Current provisions	790	0
TOTAL CURRENT LIABILITIES	12.445	9.644
TOTAL EQUITY AND LIABILITIES	102.606	88.758

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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

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