

Results note: 9 months 2012

New quarter of operational recovery in Forté Pharma

Natraceutical's operating income in the first nine months reached 1.29 M€, compared to -1.54 M€ in September 2011

- After a decline in turnover of 19.5% in the first quarter, the positive development of sales in the following quarters (+3.4% in 2Q and +8.8% in 3Q stand) placed Natraceutical's turnover at 23.59 M€ (-6.4% compared to September 2011).
- Operational optimization policies implemented throughout the year enabled the company to bring its EBITDA to 1.78 M€ in September 2012, compared to -0.64 M€ in the third quarter of 2011.
- Despite Forté Pharma's operational improvement, Natraceutical closed the third quarter with a net loss of 0.28 M€ compared to net income of 1.48 M€ in September 2011. The difference was mainly due to the variation in the contribution of Naturex to Natraceutical's accounts in these two years (6.52 M€ up to September 2011 compared to 1.40 M€ to September 2012).
- At the end of the third quarter, the value of the financial investment in Naturex rose 72.52 M€, while net financial debt stood at 50.23 M€, compared to 75.40 M€ at 30 September 2011.

Operating results of Natraceutical

(in milion euros)

	2012				2011			
	1Q	2Q	3Q	9M	1Q	2Q	3Q	9M
Turnover	9,47	7,39	6,73	23,59	11,77	7,15	6,18	25,10
EBITDA	1,82	-0,74	0,70	1,78	1,10	-2,02	0,28	-0,64
Profit from operations	1,62	-0,90	0,57	1,29	0,87	-2,41	0,00	-1,54

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1.- Business performance

Between July and September, Natraceutical, through its industrial subsidiary Forté Pharma, showed a significant recovery in turnover, both in France, its main market, as well as in the exporting countries.

Natraceutical's sales closed the third stand quarter with a growth of 8.8% over the months of July to September 2011, a clear improvement compared to the 19.5% decline in the first quarter of the year and the growth of 3.4% in the months of April to June. However, the gradual recovery in sales did not counteract the results of the first quarter, which concentrates 40% of the turnover for the first nine months of the year, and the company ended September with a turnover of 23.59 million euro, 6.4% less than the same period last year.

As mentioned in the results note for the first quarter of the year, the decline in sales in that quarter was mainly due to the fall in sales of a specific product in the Weight Control range. Regardless of this fact, the company's sales had remained at similar levels of last year.

By geographical markets, France -bringing 66.6% of the turnover (69.0% in September 2011)- presented a clear improvement in Forté Pharma's activity between July and September, with a 11.2% increase in its turnover, after declines of 23.9% and 1.2% in the first two stand quarters of the year, respectively.

Meanwhile, export markets evolved more lineal, showing growth of 8.6% in the third stand quarter, with a similar evolution to that recorded in the months of April to June (+8.7%), after a decrease of 7.3% in the first quarter of 2012.

As usual, when looking into detail to each market, their behaviour is heterogeneous. Benelux, Forté Pharma's second target market, which accounts for around 13% of sales, had a flat evolution in the first nine months of the year (+0.3%), while Spain, third market, with around 10% of the turnover, accumulated a 4.9% decline. The negative sales trend in Spain is explained by the effect of an extraordinary withdrawal of low-rotation products at some distribution agents, which the company carried out in September. Regardless of this action, sales in the Spanish market increased by 6.0% in the first nine months of the year.

Among the rest of export markets, with a weight around the 1.5-2.0% each, it is worth highlighting the evolution of UK, a country where Forté Pharma started its business in 2011 with presence in the two leading pharmacy and parapharmacy chains, and which at the end of the third quarter of 2012 showed an increase of 23.1%.

By product categories, Weight Control closed the first nine months with a drop of 11.8% in revenues, primarily driven by the negative performance of the business in the first quarter.

Meanwhile, Health and Beauty segments, representing together 34.4% of Forte Pharma's turnover closed September with a growth of 7.7% and 8.4% respectively, compared to the first nine months of the previous year.

The performance of the Health range in July-September's presales campaign led to a growth of 32.8% in this stand quarter. Forté Pharma is developing the Health range to increase its presence in the largest and most dynamic segment in Europe, as it stands for 50% of the food supplements industry in this market. Additionally, the positive performance of this segment over the past years has driven the growth of the whole industry, despite the sharp contraction of other segments such as Weight Control. On top of that, the strategy around the Health segment allows Forté Pharma to balance its sales seasonality throughout the year, which is traditionally concentrated in the first half for the effect of weight loss campaigns.

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According to the latest market data, the food supplements industry in France grew by 6% between January and July 2012. The Weight Control sector remained stable in this period, after a fall of 14% in the same period last year. Meanwhile, the Health sector remained in positive progression, with an increase of 8.7% in the first seven months of 2012. Finally, the Beauty sector reduced the negative performance to a negative 1.3% at the end of July, by the good performance of the Solar range during the months of June (+7.7%) and July (+3.7%).

Together with the sales recovery, operational optimization policies implemented throughout the year by Natraceutical enabled the company to bring its EBITDA to 1.78 million euro to September 2012, compared to a negative 0.64 million euro in the third quarter of 2011.

Forté Pharma allocates most advertising budget in the second and fourth quarters of the year, in order to support the campaigns of Weight Control, in spring, and Health in fall-winter. However, the add spending optimization during the year, together with the aforementioned operational recovery measures, suggests a return to the path of positive results in 2012, after the losses due to sharp falls in the last three years of the weight control food supplement industry in France.

Shareholding in Naturex

On September 30, 2012, Natraceutical's shareholding in Naturex was made of 1,368,331 shares, representing 17.7% of the French publicly traded company.

Since the beginning of 2012, Natraceutical accounts the stake in Naturex at market value, the changes being periodically collected in Natraceutical's profit and loss account.

Naturex's contribution in Natraceutical in the first nine months of 2011 was 6.52 million euro, through asset consolidation by the equity method as well as capital gains on the partial sale of the shareholding in company. However, from November 2011, after accounting Naturex's stake as held for sale, the asset is valued at market price. The valuation update resulted in revenues of 1.40 billion euro in the first nine months of 2012

2.- Financial debt

On September 30, 2012, Natraceutical's net financial debt amounted to 50.23 million euro, compared to 75.40 million euro on September 30, 2011, which represents a reduction of 25.17 million euro in the last twelve months.

The syndicated financing amounting to 77.9 million euro that Natraceutical signed in April 2010 has a single maturity in April 2013. At the beginning of 2011, Natraceutical decided to start the reduction of its financial leverage and the company intends to cancel the syndicated loan agreement completely in the coming months.

Currently, the main assets that support Natraceutical's financial structure are the activity of the Food Supplements Division and the stake in Naturex. At the end of the third quarter of 2012, the market value of the stake in Naturex stood at 72.52 million euro.

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3.- Consolidated profit and loss account – 9 months 2012

<i>(in thousand euros)</i>	9M 2012	9M 2011
Net business turnover	23.591	25.104
+/- change in inventories	-28	-107
Procurements	-5.831	-5.679
Gross Margin	17.732	19.318
Other operating income	14	250
Staff expenses	-6.351	-7.156
Depreciation allocation	-492	-897
Other operating expenses	-9.616	-13.056
Profit from operations	1.287	-1.541
Financial earnings	161	0
Financial expenses	-3.243	-3.326
Currency exchange differences	169	-135
Impairment losses and income from disposals of financial instruments	-99	1.559
Change in fair value of financial assets	1.502	0
Result of companies accounted for by the equity method	0	4.960
Profit before taxes	-223	1.517
Income tax	-59	-36
Net result	-282	1.481

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4.- Consolidated balance sheet on September 30, 2012

<i>(in thousand euros)</i>	30/09/2012	30/09/2011
ASSETS		
Non-current assets:		
Intangible assets	59.644	71.108
Property, plant and equipment	237	352
Investment in associates	0	76.576
Other non-current financial assets	334	975
Deferred tax assets	2.774	2.757
Intercompany	0	1.865
TOTAL NON-CURRENT ASSETS	62.989	153.634
Current assets:		
Inventories	1.779	3.099
Customers and other receivables	10.356	6.811
Intercompany accounts receivable	7	1.204
Financial assets at fair value with changes in profit and loss	72.522	0
Current tax assets	836	1.394
Other current financial assets	0	336
Disposable Group assets classified as held for sale	8.492	8.408
Cash and cash equivalents	1.411	1.796
TOTAL CURRENT ASSETS	95.403	23.048
TOTAL ASSETS	158.392	176.682
EQUITY AND LIABILITIES		
Equity:		
Ordinary stock	32.872	32.872
Share premium	103.494	103.494
Other reserves	-1.484	6.388
Retained earnings	-48.802	-68.434
TOTAL EQUITY	86.080	74.320
Non-current liabilities:		
Financing debt	0	74.209
Derivative financial instruments	641	661
Other non-current financial liabilities	591	808
Deferred tax liabilities	517	1
Intercompany	6.928	6.577
Provisions for other liabilities and expenses	169	198
TOTAL NON-CURRENT LIABILITIES	8.846	82.454
Current liabilities:		
Financing debt	51.000	2.323
Intercompany	3.127	6.711
Trade and other payables	8.538	10.231
Other current financial liabilities	121	183
Current tax liabilities	194	239
Provisions for other liabilities and expenses	486	221
TOTAL CURRENT LIABILITIES	63.466	19.908
TOTAL EQUITY AND LIABILITIES	158.392	176.682

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About Natraceutical

Natraceutical is a Spanish multinational which is a reference in the research and development of natural functional ingredients, active elements and nutritional supplements for the food, pharmaceutical and cosmetics industry. The company directs its industrial activity through Laboratoires Forté Pharma, which specializes in nutritional supplements in the fields of health, beauty and weight control and which it sells exclusively in pharmacies and drugstores in Europe, as well as through its shareholding in the quoted French company Naturex, resultant from the recent contribution of its Ingredients Division to the French multinational.

Natraceutical is quoted on the Spanish stock exchange's continuous market under the ticker NTC. Total shares in circulation: 328,713,946.

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For further information

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