

Natraceutical Group further improves its performance ratios with 7.5% EBITDA growth and 17% recurrent earnings

- Quarterly sales reached € 124.88 million (+3,3%), a performance marked by the impact of currency exchange rate fluctuations and the discontinuance of synthetic caffeine production in 2008. These facts aside, the company's organic growth stands at 11%.
- The Company's EBITDA was € 15.88 million (+7.5%), with recurrent earnings of € 5.47 million (+17%).
- Net income reached similar levels to the previous year (€ 4.48 million in September 2008 compared with € 4.44 million in same period of 2007), due to non-recurrent costs related to the conclusion of the product portfolio optimization plan in this quarter.

Valencia (Spain), 6th November 2008. Natraceutical Group, a leading biotechnology corporation in the field of research & development on functional ingredients, active principles and nutritional supplements, has obtained in the third quarter of the year 2008 recurrent earnings before tax of € 5.47 million, a 17% increase over the same period the previous year.

Within the current world economic environment, Natraceutical Group has remained committed to improving their performance ratios during the third quarter of the year, for the purpose of strengthening the company's future profitability.

Throughout said quarter, the company has completed their product portfolio optimization plan for the Ingredients division, which was designed following the new acquisitions made in the last three years. This has led to the discontinuance of cocoa butter production activities, as it was a low-margin-yielding sub-product obtained from extraction processes of functional cocoa-sourced ingredients. This has enabled the company to further improve the division's performance ratios and operational margins, which during the third quarter have reached a 22.5% increase in EBITDA as compared with that of September 2007, reaching an Ebitda margin of 14.4% over sales (sales +5.6%).

The Group's sales in September reached € 124.88 million, which represents a 3.3% increase over last year's same period sales. In relation to these figures, it is important to highlight the negative impact of the Sterling Pound and US Dollar currency exchange rate fluctuations —with an impact calculated at € 2.7 million in accumulated turnover to 30 September— as the Company operates principally with said currencies, Euro, Swiss Franc and Australian Dollar.

In addition, the discontinuance of synthetic caffeine production in 2008, the purpose of which was to focus on the production of natural caffeine, has resulted in a € 6.5 million drop in turnover for the Group during the third quarter of 2008. These facts aside, the organic growth of the company's turnover was 11%.

Meantime, the Nutritional Supplements division —which specializes in natural food supplements for the health, beauty and weight control sectors and which Natraceutical markets in Europe under the brand Forté Pharma— had to face adverse weather conditions during the last quarter, which had a negative influence on the summer marketing campaign for weight loss products, of which Forté Pharma is the leading company in France (their main market). These products currently represent 75% of the division's overall turnover. Despite this setback, sales by the Nutritional Supplements division reached € 48.96 million in September, a 1.8% increase over sales in the third quarter of 2007.

Setting aside all meteorological factors that had a strong effect on the evolution of the Nutritional Supplements division during the third quarter of the year, Natraceutical has at the same time strengthened customer loyalty to the brand in the countries in which it operates, as the growth rates reached during the health product pre-sale campaign directed to pharmacies has demonstrated. In France, purchase orders for these products, which are received during June and July for delivery and retail from October on, grew by 35% as compared with the same period the previous year. Higher growth was also achieved in other countries with less penetration, such as Spain. The company has also experienced double-digit growth in the number of new clients (pharmacies and HBSs)

In a year in which Natraceutical was forced to slow down their European expansion projects for Forté Pharma, due to the current financial market downturn, the Company has focused on further investing in and strengthening their range of health products. This strategy will lead to reducing the Company's reliance on weight control products in the future, and paving the way to North European markets when the opportunity arises — countries where consumption regarding this kind of products is less beauty oriented and more focused on disease prevention. In this sense, Forté Pharma has developed eight new products in the multi-vitamin, phytotherapy and menopause ranges, which will be launched between June 2008 and June 2009.

Furthermore, in this last quarter Natraceutical has developed a new online personalized health, wellness and beauty monitoring and consulting service (e-coaching), a service that will enable the company to access end consumers directly, and to launch more effective and direct marketing campaigns.

The project of turning Forté Pharma into a Pan-European brand implies that, rather than depending on the evolution of consumption, the growth driver in this first stage is mainly related to the company's ability to increase the number of pharmacies in their scope of

activity. From the total number of pharmacies in each country, Natraceutical has estimated the target number in 40%, which the company wants to access through their own sales force (8,500 target pharmacies in France, 4,000 in Spain, 2,000 in Belgium, etc). The strategy of own distribution (which the company complements with agreements with wholesalers) guarantees a higher-quality penetration in the sales point. From this 40% targeted, Forté Pharma is now present in around 24%, with a growth strategy for next year very much focused on increasing the penetration. During 2008 the company has strengthened their sales teams and has undertaken the investments necessary to have their own subsidiary in Portugal, as of January 2009,. Natraceutical is also moving forward in the analysis of alternatives to enter the three main European markets: Italy, Germany and the United Kingdom.

All things considered, profits yielded by the Nutritional Supplements division (Ebitda/sales margin) stood at 15.8% in spite of the fact that said investments were the reason for the negative Ebitda growth in September (-4.08%) as compared with the same period the previous year.

In relation to net profits obtained by Natraceutical in the third quarter of the year, the non-recurring costs arising from the discontinuance of cocoa butter production (€ 1.9 million) has set this performance on a par with last year's results (€ 4.48 million in September 2008 vs. € 4.44 million in same period of 2007).

Natraceutical Group

Spanish multinational corporation Natraceutical Group is at the forefront of biotechnology applied to nutrition, a leading reference in the research and development of naturally-sourced functional / active ingredients and nutritional complements for the foodstuffs, pharmaceutical and cosmetics sectors. The company streamlines its industrial activity through two divisions (Ingredients and Nutritional Supplements) with the purpose of contributing to the prevention of diseases and improving quality of life through nutrition.

The Group's Ingredients division currently runs production facilities in Spain, UK, Switzerland, Australia and Brazil; and operates actively in over 60 countries, running branches in Europe, US and the Asia Pacific region, plus several sales networks worldwide. Natraceutical provides products and services to over 1,000 companies worldwide, including eight of the world's ten leading food corporations.

In October 2006, Natraceutical expanded its sphere of activity by penetrating the nutritional complement sector following the acquisition of Monaco-based company Laboratoires Forté Pharma, specializing in nutritional supplements for health, beauty and weight control, thanks to which the company gained direct access to end consumers.

Natraceutical Group closed the financial year 2007 with earnings of € 158.6 million, and EBITDA of € 19.2 million, representing an organic growth of 16% in turnover and 40% in EBITDA as compared with the previous year.

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



**natraceutical
group**

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