Naturhouse Health, S.A. and Subsidiaries

Consolidated Annual Accounts for the year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards adopted in the European Union (IFRS-EU) and Consolidated Management Report

Naturhouse Health S.A. and Subsidiary Companies

Consolidated Statement of Financial Position to 31 December 2018

(Thousands of Euros)

ASSET	Report notes	31/12/2018	31/12/2017	NET EQUITY AND LIABILITIES	Report notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS:				**NET EQUITY:**			
Intangible fixed assets	Note 7	1.412	1.687	**Capital and reserves-**			
Tangible fixed assets	Note 8	3.806	5.035	Subscribed capital	Note 13	3.000	3.000
Non-current financial assets	Note 10.1	882	1.038	Share premium		2.149	2.149
Investments in associates				Reserves		12.602	11.944
Investments accounted for using the equity method	Note 10.2	3.348	3.136	Own Shares	Note 13	(64)	(64)
Deferred tax assets	Note 17.3	150	324	Conversion differences	Note 13	(1.026)	(409)
Non-current assets		9.598	11.220	Results of the year / Profits		15.373	19.855
				Interim dividend		(13.200)	(12.000)
				NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		18.834	24.475
				NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	Note 13	6	28
				Total net equity		18.840	24.503
				NON-CURRENT LIABILITIES:			
				Provisions	Note 14	904	1.143
				Non-current liabilities	Note 15	2.870	3.080
CURRENT ASSETS:				**Deferred tax liabilities**	Note 17.5	303	362
Inventory	Note 11	4.429	4.449	**Non-current liabilities**		4.077	4.585
Customer receivables for sales and services		4.250	4.072	**CURRENT LIABILITIES:**			
Customers, related companies	Note 19.1	38	301				
Current tax assets and other receivables				**Current borrowings**	Note 15	5	55
with public administrations	Note 17.1	6.866	9.373	**Trade creditors and other receivables**	Note 16	6.091	4.790
Other current assets		687	1.095	**Suppliers, related companies**	Note 19.1	3.793	3.560
Investments in affiliate companies		-	1	**Current tax liabilities and other payables**			
Cash and cash equivalents	Note 12	8.247	8.326	**with public administrations**	Note 17.1	1.309	1.344
Total current assets		24.517	27.617	**Total current liabilities**		11.198	9.749
Total assets		34.115	38.837	**TOTAL NET EQUITY AND LIABILITIES**		34.115	38.837

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of this Consolidated Statement of Financial Position on 31 December 2018.

Naturhouse Health S.A. and Subsidiary Companies

CONSOLIDATED LOSS AND PROFIT ACCOUNT AT DECEMBER 2018

(Thousands of Euros)

	Report notes	Year 2018	Year 2017
Net amount of revenue	**Note 18.1**	87.289	94.700
Supplies	**Note 18.2**	(25.158)	(27.120)
Gross Margin		**62.131**	**67.580**
Other operating income		1.365	746
Personnel costs	**Note 18.3**	(20.709)	(20.390)
Other operating costs	**Note 18.5**	(19.598)	(18.644)
Operating income before depreciation and amortization, impairment and other results		**23.189**	**29.292**
Depreciation and amortization	**Notes 7 and 8**	(1.112)	(1.097)
Impairment losses and income from disposal of fixed assets	**Note 8**	92	67
Other results		(21)	-
OPERATING INCOME		**22.148**	**28.262**
Financial income	**Note 18.4**	**22**	**65**
Other financial income		22	65
Financial expenses	**Note 18.4**	**(66)**	**(93)**
Debts with third parties		(66)	(93)
Exchange differences	**Note 18.4**	**18**	**(12)**
FINANCIAL RESULT		**(26)**	**(40)**
Result in entities valued by the equity method	**Note 10.2**	**597**	**434**
CONSOLIDATED PROFIT BEFORE TAX		**22.719**	**28.656**
Corporation Tax	**Note 17.2**	(7.364)	(8.808)
NET INCOME FROM CONTINUING OPERATIONS		**15.355**	**19.848**
CONSOLIDATED NET INCOME / PROFITS		**15.355**	**19.848**
Equity attributable to third-party shareholders		18	7
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**Note 13**	**15.373**	**19.855**
Profit per share (in Euros per share)(*)			
- Basic		**0,26**	**0,33**
- Diluted		**0,26**	**0,33**

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss account from financial year 2018.

Naturhouse Health S.A. and Subsidiary Companies

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2018 FINANCIAL YEAR
(Thousands of Euros)

	Year 2018	Year 2017
A- RESULT OF THE PROFIT AND LOSS ACCOUNT	**15.355**	**19.848**
B- OTHER GLOBAL RESULT DIRECTLY RECOGNISED IN THE EQUITY		
Line items that will not be transferred to the result:	-	-
Line items that may be transferred to the results later:		
Because of differences in the conversion of financial accounts in foreign currency	(621)	136
TOTAL COMPREHENSIVE INCOME FROM THE FINANCIAL YEAR (A+B+C)	**14.734**	**19.984**
Total Comprehensive Income attributable to:		
- The parent company	14.756	19.994
- Minority partners	(22)	(10)
TOTAL COMPREHENSIVE INCOME	**14.734**	**19.984**

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss account from financial year 2018.

Naturhouse Health S.A. and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2018 FINANCIAL YEAR
(Thousands of Euros)

	Share Capital	Issue premium	Premium	Treasury Shares	Conversion differences	Result of the financial year attributed to the dominant company	Interim dividend	Minority interests	Total Equity
Balance at 31 December 2016	**3.000**	**2.149**	**12.230**	**(227)**	**(548)**	**22.504**	**(12.000)**	**38**	**27.146**
Recognised income and expenses	-	-	-	-	139	19.855	-	(10)	**19.984**
Distribution of profit from financial year 2016									
- Distribution to reserves	-	-	43	-	-	(12.043)	12.000	-	**-**
- Distribution of dividends	-	-	(339)	-	-	(10.461)	-	-	**(10.800)**
Operations with treasury shares									
Operations with shares (net)	-	-	10	163	-	-	-	-	**173**
Other operations with shareholders:									
- Distribution of dividends	-	-	-	-	-	-	(12.000)	-	**(12.000)**
Balance at 31 December 2017	**3.000**	**2.149**	**11.944**	**(64)**	**(409)**	**19.855**	**(12.000)**	**28**	**24.503**
Recognised income and expenses	-	-	-	-	(617)	15.373	-	(22)	**14.734**
Distribution of profit from financial year 2017									
- Distribution to reserves	-	-	2.891	-	-	(14.891)	12.000	-	**-**
- Distribution of dividends	-	-	(2.233)	-	-	(4.964)	-	-	**(7.197)**
Other operations with shareholders:									
- Distribution of dividends	-	-	-	-	-	-	(13.200)	-	**(13.200)**
Balance at 31 December 2018	**3.000**	**2.149**	**12.602**	**(64)**	**(1.026)**	**15.373**	**(13.200)**	**6**	**18.840**

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss statement from financial year 2018.

Naturhouse Health S.A. and Subsidiary Companies

Consolidated Statement of Cash Flows for the 2018 financial year
(Thousands of Euros)

	Report notes	Year 2018	Year 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**20.095**	**16.001**
Pre-tax profit		**22.719**	**28.656**
Adjustments to profit:		**266**	**749**
- Depreciation of fixed assets (+)	Notes 7 and 8	1.112	1.097
- Changes in provisions (+/-)		(239)	113
- Results from removing or decommissioning fixed assets (+/-)	Notes 7 and 8	(92)	(67)
- Financial income (-)	Note 18.4	(22)	(65)
- Financial expenses (+)	Note 18.4	66	93
- Exchange-rate differences (+/-)	Note 18.4	(18)	12
- Shareholdings in entities valued by the equity method net of dividends (+/-)	Note 10.2	(541)	(434)
Changes in working capital		**1.781**	**(1.673)**
- Stocks (+/-)	Note 11	20	(218)
- Debtors and other accounts payable (+/-)		85	433
- Other current assets (+/-)		177	(173)
- Creditors and other accounts due (+/-)		1.499	(1.715)
Other cash flows from operating activities		**(4.671)**	**(11.731)**
- Payment of interest (-)		(66)	(93)
- Receipt of dividends (+)	Note 10.2	329	643
- Receipt of interest (+)		22	65
- Receipt (payment) of profit tax (+/-)		(4.956)	(12.346) **Pending tc**
CASH FLOWS FROM INVESTMENT ACTIVITIES		**483**	**(999)**
Payments for investments (-)		**(875)**	**(1.373)**
- Intangible and tangible fixed assets	Notes 7 and 8	(720)	(1.327)
- Other financial assets		(156)	(46)
- Payments of related companies	Note 10.2	1	48
Receipts for divestments (+)		**1.358**	**374**
- Intangible and tangible fixed assets		1.358	326
CASH FLOWS FROM FINANCIAL ACTIVITIES		**(20.657)**	**(22.759)**
Receipts and payments from equity instruments		**-**	**173**
- Net decommissions (acquisitions) of equity of the Dominant Company		-	173
Receipts and payments from financial liability instruments		**(260)**	**(132)**
- Net return and depreciation of:			
Debts with credit entities and other debts (-)		(260)	(132)
Payments from dividends and remuneration from other equity instruments		**(20.397)**	**(22.800)**
- Dividends (-)		(20.397)	(22.800)
EFFECT OF CHANGES IN EXCHANGE RATES		**-**	**2**
NET INCREASE/DECREASE IN CASH OR EQUIVALENT		**(79)**	**(3.749)**
Cash or equivalent at the start of the financial year		8.326	16.081
Cash or equivalent at the end of the financial year		8.247	8.326

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss statement from financial year 2018.

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1. Nature and corporate purpose of the Group companies

Naturhouse Health, S.A., (hereinafter, the "Company" or the "Parent Company"), was founded for an indefinite period in Barcelona on 29th July 1991 with VAT number A-01115286.

During 2017, the Parent Company moved its registered office from the previous location at Pasaje Pedro Rodríguez 4-6 in Barcelona to the current location in Calle Claudio Coello, 91 (Madrid).

The Company's corporate purpose, in accordance with its activity and articles of association, is the export and wholesale and retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics, as well as the preparation, promotion, creation, edition, dissemination, sale and distribution of all kinds of magazines, books and brochures and the marketing of dietary products, medicinal herbs and natural cosmetics. This activity is mainly carried out through its own shops and through franchisees. In addition to the operations carried out directly, the Parent Company is the parent of a group of subsidiaries that engage in the same activity and which, together with it, make up Grupo Naturhouse Health (hereinafter, the "Group" or "Naturhouse Group"). Note 3 and Annex I detail the main data related to the subsidiaries in which the Parent Company, directly or indirectly, has a holding that have been included in the scope of the consolidation.

At present, Naturhouse Group mainly operates in Spain, Italy, France and Poland.

On 9 April 2015, the Board of Directors of the Parent Company, exercising the delegation of its Sole Shareholder of 2 October 2014, requested official listing for trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and the subsequent public stock offering on the Spanish Stock Market, which culminated successfully, consequently, the securities of the Parent Company have been listed since 24 April 2015 (See Note 13.a).

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements for Naturhouse Health, S.A. and Subsidiaries, which have been obtained from the accounting records kept by the Parent Company and the other entities making up the Group, were prepared by the Directors of the Parent Company on 25 February 2019.

These consolidated financial statements for the financial year ending 31 December 2018 have been prepared in accordance with the provisions of the International Financial Reporting Standards, as approved by the European Union (EU-IFRS), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the European Council, as well as taking into consideration all the accounting principles and standards and valuation criteria that are mandatory, as well as the Commercial Code, the circulars of the CNMV, Spanish Corporate Law and other corporate legislation applicable. They have been prepared from the Parent Company's individual accounts and those of each of the consolidated companies (detailed in Annex I) and they accurately present the assets, financial position, results of the Group, changes in consolidated equity and consolidated cash flows under EU-IFRS and other regulatory financial reporting frameworks applicable.

The financial consolidated statements for the 2017 financial year were approved by the Annual General Meeting held 20 April 2018 and filed with the Companies Registry of Madrid.

Under the IFRS , these consolidated financial statements include the Group's following consolidated statements:

- Statement of Financial Position
- Profit and Loss Account
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows

Since the accounting principles and valuation criteria used in preparing the Group's consolidated financial statements for the 2018 financial year (EU-IFRS) on occasion differ from those used by the Group companies (local regulations), during the consolidation process all the adjustments and reclassifications required to standardise such principles and criteria and to adapt them to the International Financial Reporting Standards adopted by the European Union have been introduced.

The consolidated financial statements have been prepared based on the principle of uniformity of recognition and valuation. In the event of new regulations being applicable which modify existing valuation principles, this will be applied in accordance with the standard's own transition criterion.

Certain amounts in the consolidated profit and loss account and consolidated statement of financial position have been grouped together for clarity, duly broken down in the notes to the consolidated financial statements.

The distinction presented in the consolidated statement of financial position between current and non-current items has been made according to the receipt or extinction of assets and liabilities before or after one year.

Additionally, the consolidated financial statements include all the information considered necessary for a fair presentation in accordance with current corporate legislation in Spain.

Finally, the figures contained in all the financial statements forming part of the consolidated financial statements (consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows) and the notes to the consolidated financial statements are expressed in thousands of euros, unless otherwise stated.

Also, in order to present the different items making up the consolidated financial statements in a standardised manner, the valuation standards and principles used by the Parent Company have been applied to all the companies included within the scope of the consolidation.

b) Adoption of the International Financial Reporting Standards

Naturhouse Group's consolidated financial statements are presented in accordance with the International Financial Reporting Standards, in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under the IFRS adopted by the European Union was also regulated in Final Provision Eleven of Law 62/2003 of 30 December on fiscal and administrative measures and social order.

The main accounting policies and valuation standards adopted by Naturhouse Group are presented in Note 5.

C) Changes in accounting policies and effective breakdowns of information in the year 2018

New accounting standards came into effect in the 2018 financial year, therefore, they have been taken into consideration in the preparation of the attached consolidated financial statements. The following standards have been applied in these consolidated financial statements, but they did not have a significant impact on the figures and breakdown therein:

New standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
IFRS 15 - Revenue from contracts with customers (published in May 2014) and their clarifications (published in April 2016)	New revenue recognition standard, replaces NIC 11, NIC 18, CIIFRS 13, CIIFRS 15, CIIFRS 18 y SIC 31.	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	Replacing the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
Amendments and & or interpretations		
Amendment to IFRS 2 Classification and valuation of share-based payments (published in June 2016)	These are limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payments with net settlement features and some aspects of the amendments to the type of share-based payments.	1 January 2018
Amendments to IFRS 4 Insurance policies (published in September 2016)	Allows the entities under the scope of IFRS 4, the option of applying IFRS 9 under some exceptions ("overlay approach") or its temporary exemption.	1 January 2018
Amendment to IAS 40 Reclassification of real estate investments (published in December 2016)	The amendment clarifies that a reclassification of an investment from or to investment property is only permitted when there is evidence of a change in the use thereof.	1 January 2018
Improvements to IFRS 2014-2016 cycle (published in December 2016)	Minor amendments to a series of standards.	1 January 2018
CIFRS 22 Transactions and advances in foreign currency (published in December 2016)	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with advances in foreign currency.	1 January 2018

IFRS 15.

With respect to IFRS 15, in May 2014, the IASB and the FASB jointly issued a convergent standard in relation to the recognition of ordinary income from contracts with customers. Under this standard, income is recognized when a customer obtains control of the good or service sold, that is, when it has both the ability to direct the use and obtain the benefits of the good or service. This IFRS includes a new guide to determine whether they should recognize income over time or at a particular time. IFRS 15 requires extensive information on both recognized income and future expected income in relation to existing contracts. Likewise, it requires quantitative and qualitative information on the significant judgements made by the management in the determination of the income that is recognized, as well as on the changes in these judgements.

Subsequently, in April 2016, the IASB published amendments to this standard that, although they do not modify the fundamental principles, they do clarify some of the more complex aspects.

IFRS 15 (Amendment) "Clarifications of IFRS 15 " "Revenue from contracts with customers"

The IASB amended IFRS 15 in order to:

- Clarify the guide for the identification of performance obligations, the accounting for industrial property licenses and the principal evaluation versus agent evaluation (presentation of net revenues versus gross revenues).

- Include new illustrative examples and amendments for each of these areas of the guide.

- Provide additional practical resources related to the transition to the new standard.

These amendments do not change the fundamental principles of IFRS 15, but they do clarify some more complex aspects of this standard.

The Group has analysed whether the new requirements established by IFRS 15 could have given rise to changes considering that, with the new standard, revenues must be recognized in such a way that the transfer of the committed assets is shown for an amount that reflects the remuneration which the Group expects to have the right to change.

Considering that the main activity of the Group refers to the sale of dietary products to franchisees and final consumers (through its own stores) and the recognition of income occurs at the moment in which the significant risks and benefits inherent in the ownership of the property have been transferred to the buyer, who does not maintain current management, nor effective control over the ownership, it is concluded that the application of this IFRS has not led to significant differences in the year.

The Group has not opted for the retroactive application method.

<u>IFRS 9</u>

IFRS 9 replaces IAS 39 from the year beginning January 1, 2018. There are very significant differences compared to the previous standard in the recognition and measurement of financial instruments, the most significant being applicable to the Group, which is related to the impairment of financial assets, since IFRS 9 requires the application of a model based on the expected loss compared to the IAS 39 model which is structured on the loss incurred. Under this model, the expected loss is accounted for along with its changes on each presentation date in order to reflect the changes in credit risk from the date of initial recognition, and therefore it is not necessary for an impairment event to occur before recognizing a credit loss.

The Group has applied IFRS 9 and its application has not had significant impacts, since it has established strict conditions for the sale of assets with prepayment and a low historical percentage of insolvencies.

d) Accounting policies issued not in force for the 2018 financial year

At the date of preparing these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standard Board (IASB) but had not yet entered into force, either because their effective date is later than the date of these consolidated financial statements, or because they have not yet been adopted by the European Union (EU-IFRS):

The Parent Company's Directors have not considered the early application of the aforementioned Standards and Interpretations and, in any case, their application will be considered by the Group once approved, where appropriate, by the European Union.

In any case, the Parent Company's Directors are evaluating the potential impacts of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated annual accounts of the Group, except for the following standard:

IFRS 16 Leases

IFRS 16 Leases is the comprehensive standard that replaces IAS 17, CIIFRS 4, SIC 15 and SIC-27. IFRS 16 (whose effective date is for annual periods beginning on or after January 1, 2019, with the option of early adoption that the Group has not made use of) establishes the principles for recognition, valuation, presentation and breakdown of lease agreements, with the aim of guaranteeing that both the lessee and the lessor provide relevant information that represents the true image of said operations. The Standard provides for a single accounting model for the lessee, according to which the lessee must recognize the right-of-use assets and the corresponding lease liabilities of all lease contracts, unless the lease term is 12 months or less, or the underlying asset is of low value.

The criteria established by said Standard for the recording of lease agreements shall be applied retrospectively and modified by adjusting the opening balance on the date of first application (January 1, 2019) according to the criteria established in paragraph C8 (b) (ii) of the standard, that is, recognizing a lease liability equal to the present value of the remaining lease payments, discounted using the lessee's incremental rate on the date of initial application and recognizing a right of use for an amount equal to the lease liability, adjusted by the amount of any advance or accumulated lease payment (accrued) related to that lease recognized in the statement of financial position immediately before the initial application date.

Naturhouse Group estimates that rights of use will be recognized for an amount of approximately 11,919 thousand euros and liabilities for leasing will be recognized for the same amount. Likewise, the impact on the income statement will result in 2019, in a reduction of the heading "Other operating expenses" amounting to 3,740 thousand euros, an increase in the heading "Amortizations" for an amount of 3,546 thousand euros and an increase in the heading "Financial expenses" amounting to approximately 194 thousand euros.

The main causes of this impact are the requirements to register the asset for right of use and the lease liability derived from all the lease agreements in force on the date of first application, the most significant impact for the Group being that corresponding to the offices and its own stores that are leased at that date.

Likewise, Naturhouse Group has decided to apply the following accounting policies of said Standard stating that:

- Contracts with a duration of less than one year and whose assets are of little value will not be applied for the calculation.

- The lease term applied will be the contractual minimum expected or 3 years, the minimum term, considering that the penalties for cancellation of contract are minimal or null in the case of its own stores transferred to franchisees, and that the average turnover of its own transferred stores does not exceeds the approximate term of 3 years.

Lastly, the difference between the liability to be recorded as of January 1, 2019, and the lease commitments included in Note 9 of the consolidated report are due to:

- The effect of the discount rate.
- Short-term contracts.
- Low-value asset contracts.

e) Functional currency

These consolidated financial statements are presented in euros as this is the functional currency of the primary economic environment in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 5.l.

f) Responsibility for the information and accounting estimates and judgements made

The preparation of the consolidated financial statements under IFRS requires the Parent Company's Directors to perform certain accounting estimates and to consider certain elements of judgement. These are continually evaluated and are based on historical experience and other factors, including expectations of future events, which have been considered reasonable under the circumstances. While the estimates have been made on the best information available as of the date of preparing these consolidated financial statements, in accordance with IAS 8, any amendment in the future to these estimates would be applied prospectively from such time, recognising the effect of the change in the estimate made in the consolidated profit and loss account for the financial year in question.

The main estimates and judgements considered in preparing the consolidated financial statements are as follows:

- Useful lives of intangible and tangible fixed assets (see Notes 5.a and 5.b).

- Impairment losses of non-financial assets (see Note 5.c).

- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (see Note 5.h).

- Estimate of impairments for defaults in accounts receivable and inventory obsolescence (see Notes 5.e and 5.f).

- Estimate of income tax expenses and recoverability of deferred tax assets (see Notes 5.k).

g) Information comparison

The information contained in this consolidated report referring to the 2017 financial year is presented, for comparison purposes, with information from the 2018 financial year.

h) Relative importance

When determining the information to be broken down in the consolidated notes on the different items of the consolidated financial statements or other matters, the Group has taken into consideration the relative importance in relation to these consolidated financial statements for the 2018 financial year.

3. Consolidation criteria

The accounting closing date of the individual financial statements for all the companies included within the scope of the consolidation is the same as that of the Parent Company. Additionally, in order to present the different items comprising these consolidated financial statements in a standardised manner, accounting standardisation criteria have been applied, using the Parent Company's accounting criteria as the basis. The preparation of the consolidated financial statements has been based on applying the following methods:

a) Subsidiaries and associates

"Subsidiaries" are those over which the Parent Company has the capacity to exercise effective control, this capacity is generally manifested, but not exclusively, by the direct or indirect ownership of over 50% of the voting rights of the subsidiaries or, if this percentage is lower or null, there are agreements with other shareholders thereof which give the Company control. Under IFRS 10, control is understood as the power to direct an entity's financial and operating policies so as to obtain benefits from its activities. The most important information on these companies is provided in Annex I of these Notes.

The subsidiaries' financial statements are consolidated with those of the Parent Company by using the full integration method. Consequently, all balances and effects of transactions made between the consolidated companies have been eliminated in the consolidation process. If necessary, adjustments are made to the subsidiaries' financial statements in order to adapt the accounting policies used to those used by the Group.

Additionally, the following must be considered for the participation of third parties:

- The assets of its subsidiaries is presented under "Equity attributable to third-party shareholders" in the consolidated statement of financial position in the chapter on the Group's Equity (see Note 13).

- The income from the financial year is presented under "Income attributable to third-party shareholders" in the consolidated profit and loss account (Note 13).

The consolidation of income generated by the companies acquired during a financial year is made by only taking into consideration those relating to the period between the date of acquisition and the relevant yearend. In parallel, the consolidation of income generated by the companies disposed of during a financial year is made by only taking into consideration those relating to the period between the start of the financial year and the date of disposal.

Furthermore, as is usual practice, the accompanying consolidated financial statements do not include the tax effect which, if appropriate, may arise as a result of the incorporation of the consolidated companies' income and reserves to the Parent Company, as it is considered that no transfers of reserves not taxed at source will be made, and because of considering that these will be used as sources of financing in each company.

Companies over which Naturhouse Health, S.A. has a significant influence or joint control are consolidated by participation method in cases where the requirements of IFRS 11 to be classified as "joint operations" are not met.

The equity method consists in the inclusion in the line of the consolidated balance sheet "Investments in associated companies - Investments accounted for using the equity method" of the value of net assets and goodwill, if there are any, corresponding to the shareholding held in the associated company. The net result obtained each year corresponding to the percentage of shareholding in these companies is reflected in the consolidated income statements as "Results in entities valued using the equity method".

b) Conversion of financial statements in currencies other than the euro

The financial statements of subsidiaries whose records are in currencies other than the euro included in the consolidation process are converted by applying the closing rate to all their assets and liabilities, except for equity, which is valued at the historical exchange rate. The income, in turn, is converted at the average exchange rate for the financial year. The difference arising from applying the conversion process described above is recorded on the Consolidated Statement of Comprehensive Income as "Conversion differences".

c) Variations in the scope of the consolidation

Year 2018

During the financial year 2018, the subsidiary UAB Naturhouse (Lithuania) was closed without causing significant impacts on the Group's consolidated financial statements. The consolidation perimeter has not undergone any other variation except for the one mentioned above.

Year 2017

During 2017 financial year, there were no variations occurred in the scope of consolidation of the Group Naturhouse.

None of the variations in the scope of the 2018 and 2017 financial years has resulted in a business combination within the scope of IFRS 3.

4. Distribution of the result

The proposal for the distribution of the individual result of Naturhouse Health, S.A. for the year 2018 formulated by the Directors of the Parent Company, subject to the approval of the General Shareholders' Meeting, is as follows:

	Thousands of Euros	
	2018	2017
Distribution basis:		
Profit for the financial year	15,687	22,088
	15,687	**22,088**
Distribution:		
To voluntary reserves	-	2,888
To interim dividend	13,200	12,000
To dividends	2,487	7,200
	15,687	**22,088**

In addition, the Board of Directors at its meeting held on February 25, 2019, proposed the distribution of a dividend amounting to 1,113 thousand euros, charged to unrestricted reserves.

In accordance with the requirements of Article 277 of the refunded texts of the Spanish Corporate Law, the provisional financial statements prepared by the Parent Company are transcribed, showing the existence of sufficient profits in the periods so as to allow the distribution of interim dividends, proving the existence of sufficient liquidity so as to be able to make such payment.

Year 2018

At meetings held on July 20, 2018 and October 30, 2018, the Directors agreed to distribute interim dividends for the year 2018, amounting to 10,200 thousand euros and 3,000 thousand euros, respectively:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01-01-2018	9,640
Estimated Corporate Tax	(583)
Maximum amount available for distribution	**9,057**
Liquid Assets and Short-Term Group Financial Investments (*)	18,755
Interim dividend	(13,200)
Remaining liquid assets after payment	**5,555**

On October 30, 2018, the Group had sufficient liquidity to cover the second dividend, so that no interim financial statement was formulated.

Year 2017

On 21 July 2017, the Parent Company's Directors agreed to distribute an interim dividend for the 2017 financial year amounting to 12,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01-01-2017	15,333
Estimated Corporate Tax	(858)
Maximum amount available for distribution	**14,475**
Liquid Assets and Short-Term Group Financial Investments (*)	20,429
Interim dividend	(12,000)
Remaining liquid assets after payment	**8,429**

Therefore, the dividends distributed and paid and those agreed to be distributed in the last 2 financial years, as well as the dividend per share paid and agreed for distribution per share are as follows:

	2018	2017
Dividends:		
Dividends distributed and paid (in thousands of euros)	20,397	22,800
Dividends agreed to be distributed (in thousands of euros)	16,800	19,200
Number of shares	60,000,000	60,000,000
Dividend per share distributed and paid (in euros)	0.34	0.38
Dividend per share agreed to be distributed (in euros)	0.28	0.32

5. Valuation standards

As stated in Note 2, the Group has applied accounting policies in accordance with IFRS and interpretations published by IASB (International Accounting Standards Board) and the IFRS Interpretations Committee (IFRS IC) and adopted by the European Commission for application in the European Union (EU-IFRS).

a) Intangible assets

As a general rule, intangible assets are initially valued at their acquisition price or production cost. Subsequently, they are valued at cost less any accumulated amortization and, if applicable, impairment losses under the criteria described in Note 5.c. These assets are amortized according to their useful life.

Research and Development

The Group's activity, due to its nature, does not involve significant Research and Development expenses, not generating more R&D&I expenses than those relating to registering the brand and product formula with the appropriate department of health. The Group's policy is to directly record as expenses, the expenses incurred in both Research as well as Development, deeming that they do not meet the criteria for activation established by IAS 38 and as they are not significant, given that the majority of these activities are performed directly by the Group's suppliers.

The expenses recorded in the consolidated profit and loss account for the 2018 financial year amounted to 27 thousand euros (20 thousand euros in the 2017 financial year).

Transfer rights

Correspond to the amounts paid by way of transfer of premises in acquiring new shops. Amortised by the straight-line method over a period of 5 to 10 years.

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Group are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 7. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

Software

Licenses for software acquired from third parties, or internally developed software, are capitalized on the basis of the costs incurred to acquire or develop them and to prepare them for use.

Software is amortized by the straight-line method over its useful life, at a rate of between 20% to 33% annually.

Software maintenance costs incurred during the financial year are recorded in the consolidated profit and loss account.

b) Tangible fixed assets

Tangible fixed assets are initially valued at acquisition price or production cost and are subsequently reduced by accumulated amortization and impairment losses, if any, according to the criteria described in Note 5.c.

Upkeep and maintenance costs for the different elements making up the tangible fixed assets are allocated to the consolidated profit and loss account for the financial year in which they are incurred. On the contrary, the amounts invested in improvements contributing to increased capacity or efficiency or extended useful life for these assets are recorded as a higher cost thereof.

Replacements or renewals of complete fixed asset elements are accounted for as assets, with the resulting accounting derecognition of the elements replaced or renewed.

Financial expenses, incurred during the construction or production period prior to commissioning the assets, are capitalized, with both the sources of specific financing intended expressly for acquiring the fixed asset element, as well as the sources of generic financing in accordance with the guidelines established for qualifying assets in IAS 23. During the 2018 and 2017 financial years, there were no financial expenses capitalized as a higher value of an asset.

The years of useful life estimated by the Group for each group of elements are listed below:

	Years of estimated useful life
Buildings	33.33
Other facilities, tools and furniture	8,33 - 30
Information processing equipment	3 - 4
Transportation elements	6,25 - 10

The total tangible fixed assets is amortized by the straight-line method based on the years of estimated useful life.

"Assets in construction" includes the additions made to technical facilities and transport elements that are not yet operational. The transfer of assets in construction to assets in operation is performed when the assets are ready to become operational.

An item in tangible fixed assets is derecognised when sold or when no future economic benefits are expected from the continuing use of the asset. Profits or losses derived from the disposal or derecognition of an item of tangible fixed assets are determined as the difference between the profit from the sale and the book value of the asset, and are recognised in the consolidated profit and loss account.

The investments made by the Group in leased (or assigned) premises, which are not separable from the leased (or assigned) asset, are amortized by the straight-line method over their useful life, which corresponds to the lesser of the duration of the lease (or transfer) contract including the renewal period when there is evidence to support that it will occur, and the asset's economic life.

c) Impairment of non-financial assets

Where there is an indication of impairment, the Group estimates, using the "impairment test", the possible existence of impairments reducing the recoverable value of such assets to an amount below their book value.

Assets subject to amortization are reviewed for impairments whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognised by the amount that the asset book value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The Group annually evaluates the existence of impairment indicators (or in interim periods in the event of evidence of impairment occurring). As of the date of these consolidated financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Group has not subjected any non-financial assets to impairment. On the other hand, the Group has no significant intangible assets or any trade fund as of 31 December 2018, excepting the brands stated in Note 7 which, in accordance with the gross margins obtained in their marketing, have not been subjected to the impairment test as of 31 December 2018 due to there not being any impairment indicators.

d) Operating and financial leases

Leases are classified as financial leases whenever the lease terms and conditions substantially transfer all risks and rewards of ownership to the Group, which usually has the option to acquire it at the end of the contract under the terms and conditions agreed when formalising the transaction. All other leases are classified as operating leases.

The Group recognises financial leases as assets and liabilities in the consolidated statement of financial position, at the start of the lease, at the market value of the leased asset or the current value of the minimum lease payments, whichever is lower. To calculate the current value of the lease payments, the interest rate implied in the contract is used. The cost of the assets acquired under financial lease contracts is presented in the consolidated statement of financial position, according to the nature of the asset covered by the contract.

As regards operating leases, the lease expenses, when the Group is the lessee, are allocated on a straight-line basis to the consolidated profit and loss account during the term of the contract regardless of the way stipulated in said contract for the payment thereof. In the event that the contract had established incentives thereof by the lesser consisting of payments due, the proceeds thereof should correspond to the lessee, charged to the profit and loss account as a reduction in the contract costs in a straight-line manner like these.

Rentals do not have periods of shortages or countervailing clauses that generate a future payment commitment obligation, which could have a significant impact on these consolidated financial statements.

e) Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The financial assets held by the Group are classified, based on the characteristics of the contractual cash flows of the financial asset and the business model of the entity to manage its financial assets, as follows:

-Loans and accounts receivable.

- Financial assets available for sale.

The classification depends on the financial asset's nature and function and is determined at the time of initial recognition.

1. Loans and accounts receivable.

   Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable (including trade debtors and other accounts receivable, cash and bank balances etc.) are valued at amortized cost using the effective interest rate method, less any impairment loss.

   Interest income is recognised by applying the effective interest rate, except for short term accounts receivable with terms under 12 months, as in this case the effect of discounting is not significant.

   The effective interest rate method is used to calculate the amortized cost of a debt instrument and to allocate interest income over the relevant period. The effective interest rate is that which allows the estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) to be accurately discounted over the expected life of the debt instrument or, where appropriate, for a shorter period until reaching the net book value at the time of initial recognition.

   The Group recognizes a provision for expected losses in its operations, sale of goods to franchisees and master franchisees, which have not been collected in advance or bank guarantees have not been obtained. Said provision estimate is based on the historical experience of loss of credit, adjusted for specific factors of the debtors, general economic conditions and the individual evaluation carried out by the Management.

2. Financial assets available for sale.

   Equity instruments that are not classified as loans or receivables, investments held to maturity and financial assets held for trading are included.

   All the financial assets available for sale held by the Group at yearend 2018 mainly relate to shares in companies listed on the Stock Exchanges.

Initial valuation

The financial assets are initially recorded at the fair value of the consideration paid plus the transaction costs that are directly attributable.

Subsequent valuation

Loans, receivables and investments held to maturity are valued at their amortized cost using the effective interest rate method. In the consolidated statement of financial position, loans and accounts receivable with maturities under 12 months from the date of the same are classified as current.

The financial assets available for sale are valued at their fair value, the income from variations in such fair value being recorded in the Consolidated Statement of Comprehensive Income, until the asset is disposed of or has undergone an impairment (stable or permanent), at which time such accumulated income previously recognised in Equity are recorded in the profit and loss account. In this regard, there is a presumption of impairment (permanent) if there has been a decline of over 40% in the asset's list value or if there has been a prolonged decline in the same over a period of one and a half years without the value being recovered.

At yearend, at least, the Group performs an impairment test for the financial assets that are not recorded at fair value. It is considered that there is objective evidence of impairment when a financial asset's recoverable value is less than its book value. When this occurs, the impairment loss is recorded in the consolidated profit and loss account.

The Group derecognises financial assets when they expire or the rights to the cash flows for the financial asset concerned have been transferred and the risks and rewards inherent to their ownership have been substantially transferred. On the contrary, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which the risks and rewards inherent to their ownership are substantially retained.

Financial liabilities

Financial liabilities are the debits and payables that the Group has and that have arisen from the purchase of goods and services in the ordinary course of business, or those that do not have commercial substance and cannot be considered as financial derivatives.

Debits and payables are initially valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently valued at amortized cost, considering the effective interest rate.

The Group derecognise financial liabilities when the obligations generated are extinguished.

f) Stock

Stock is valued at the lower of the acquisition price, production cost or net realisable value.

The net realisable value represents the estimated selling price less all estimated costs to finish manufacture and the costs to be incurred in the marketing, sales and distribution processes.

In assigning value to its stock, the Group uses the weighted average price method.

The Group makes the appropriate value adjustments, recognising them as an expense in the consolidated profit and loss account when the net realisable value of the stock is less than the acquisition price (or production cost).

g) Cash and other equivalent liquid assets

Cash and cash equivalents include cash on hand, demand deposits with credit institutions and other short term highly liquid investments with an original maturity of three months or less.

h) Provisions and contingencies

The Group's Directors make a distinction between the following in preparing the annual consolidated statements:

a. Provisions: credit balances covering current obligations arising from past events, whose cancellation is likely, causing an outflow of resources, but the amount and/or timing of the cancellation is uncertain.

b. Contingent liabilities: possible obligations arising as a result of past events, whose future existence is conditional on the occurrence, or otherwise, of one or more future events beyond the Group's control.

The consolidated statement of financial position attached includes all the provisions with respect to which it is estimated that the likelihood of having to meet the obligation is greater than it not being the case.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements, unless they are considered to be remote.

The provisions are valued at the current value of the best estimate possible of the amount required to settle or transfer the obligation, taking into consideration the information available on the event and its consequences, and reporting any adjustments arising from updating such provisions as a financial expense as they accrue.

The compensation received from a third party in settlement of the obligation, provided there are no doubts that such reimbursement will be received, is recorded as an asset, except in the event that there is a legal relationship whereby part of the risk has been externalised and by virtue of which the Group is not obliged to respond; in this situation, the compensation will be taken into consideration when estimating the amount by which, if appropriate, the relevant provision will be included.

i) Redundancies

In accordance with current legislation, the Group is required to pay redundancies to employees with whom, under certain conditions, it terminates their employment relationship. Therefore, redundancies that may be reasonably quantified are recorded as an expense in the financial year in which the decision to terminate employment is made. In the consolidated financial statements attached, no provision for this item has been recorded with a significant amount.

j) Commitments to staff

The long term benefits liability recognised in the consolidated statement of financial position attached represents the current value of the obligations assumed at the date of closure by the Italian subsidiary Naturhouse, S.R.L. (see Note 14). The Group recognises as an expense or accrued income by way of long term benefits the net cost of the services provided during the financial year, as well as that corresponding to any reimbursements and the effect of any reduction or settlement of commitments assumed. The Group has considered the effect of updating such provision and the consequent financial impact on the consolidated equity and income to be insignificant.

k) Corporate tax and deferred taxes

The expense or revenue for Spanish corporate tax and similar taxes applicable to the foreign consolidated entities is recognised in the consolidated profit and loss account, except when it is a consequence of a transaction whose results are directly recorded in the consolidated equity, in which case the tax concerned is also recorded in the equity.

The tax on profits represents the sum of the current tax payment and the variation in deferred tax assets and liabilities recognised.

The current tax expense is calculated on the consolidated companies' taxable base for the financial year. The consolidated taxable base differs from the net profit or loss presented in the consolidated profit and loss account as it excludes income or expense items that are taxable or deductible in other financial years and it also excludes items that will never become taxable or deductible. The Group's liability by way of current tax is calculated using tax rates approved on the date of the consolidated statement of financial position.

The deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable for the differences between the book value of assets and liabilities and their tax value, as well as the negative tax bases to be offset and the credits for tax deductions not applied. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled to the temporary difference or credit.

The deferred tax assets identified with temporary differences are only recognised if it is deemed likely that the consolidated entities will have sufficient future taxable profits against which to utilize them, not deriving from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The remaining deferred tax assets (negative tax bases and deductions to be offset) are only recognised if it is deemed likely that the consolidated entities will have sufficient future taxable profits against which to utilize them.

Each time the accounts are closed, the deferred tax (both assets as well as liabilities) is reviewed in order to check whether it is still current, making the appropriate adjustments to them according to the results of the analyses performed.

l) Foreign currency

The Group's consolidated financial statements are presented in euros, which is the Parent Company's functional currency. When preparing the financial statements of each individual entity in the Group, the transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the exchange rates prevailing on the date of the transaction. At the close of each financial year, the monetary items denominated in foreign currencies are converted at the rates prevailing on that date. Non-monetary items recognised at fair value and denominated in foreign currencies are converted at the rates prevailing on the date when the fair value was determined. Non-monetary items valued at historical cost in a foreign currency are not re-converted.

Exchange differences in monetary items are recognised in the consolidated profit and loss account in the period in which they occurred.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are converted into euros at the exchange rates prevailing at the close of each financial year. Income and expense items are converted at the average exchange rates for the period, except if the rates significantly fluctuate during such period, in which case those prevailing on the dates of the transactions will be used. Exchange differences, if any, are recognised in other comprehensive income and are accumulated in assets (allocating them to external shareholders, as appropriate).

m) Recognition of income

Revenues are recognized in such a way that the transfer of goods or services provided to customers is shown at an amount that reflects the consideration to which the Group expects to be entitled in exchange for said goods or services. Income is measured at the fair value of the consideration received or receivable.

Sale of goods

The Company uses an income recognition approach for the sale of goods based on five steps:

- Identify the contract or contracts with a customer.
- Identify the obligations of the contract.
- Determine the price of the transaction.
- Distribute the price of the transaction between the obligations of the contract.
- Recognize income when the entity complies with each of the obligations.

The main activity of the Group corresponds to the sale of goods (dietary products), mainly, through the sale of the product to the franchised client or to the final customer (consumer), this being the performance obligation acquired and for which the price of the transaction is determined.

The recognition of income in these activities is not complex and this occurs upon the fulfilment of said contractual performance obligation in accordance with the conditions of transfer of ownership of the merchandise sold. On the other hand, in own stores, the performance obligations of product sales and dietary advice are equally satisfied at a specific moment and time and their price is not variable nor are there guarantee commitments or second free visits with customers, nor any other type of commitment acquired with them, for which reason the Group considers that, in any case, the performance obligations are met under the same conditions as the current method of income recognition.

Provision of services

The Group's income from the provision of services mainly relates to the annual fee that the Group directly charges its franchisees, as well as "master franchise" contracts, an amount that the Group charges a third party for such third party to directly operate the Group's franchises in a given country. This master franchise is usually signed for a period of 7 years and the amount varies between 50,000 and 300,000 euros, which is billed once in advance.

The performance obligations assumed by the Group in contracts with franchisees and "master franchisees" are based, mainly, on the assignment of the right to use and exploit the brand and the subsequent commitment to supply and sell Naturhouse branded products (whose recognition is defined as stipulated in the section "Sale of goods").

Master franchise income is recorded in the "Trade payables and other accounts payable" heading of the current balance sheet and its recognition in the income statement occurs linearly for the period of the contract (7 years in most cases).

Other operating income

Under this heading, the Group records, mainly, re-billings of expenses to related companies or third-party franchisees, as well as, to a lesser extent, the income from the photovoltaic plants it owns (see Note 8) and whose recognition is carried out as stipulated in the "Sale of goods" section.

Interest and dividend income

Dividends from investments are recognised when the shareholder's right to receive payment has been established (provided it is likely that the Group will receive the economic benefits and that the amount of income can be reliably measured).

Interest income arising from a financial asset is recognised when it is likely that the Group will receive the economic benefits and the amount of income can be reliably measured. Interest income is accrued on a time proportion basis, depending on the principal outstanding and the effective interest rate applicable, which is the rate that allows the estimated future cash flows to be discounted over the expected life of the financial asset in order to accurately obtain such asset's net book value.

n) Recognition of expenses

Expenses are recognised in the consolidated statement of income when a decrease in future economic benefits related to a reduction of an asset, or an increase of a liability occurs which can be reliably measured. This implies that the recording of expenses occurs simultaneously with the recording of a liability increase or asset reduction.

An expense is immediately recognised when a payment does not generate future economic benefits or when it does not meet the requirements for recognition as an asset.

Additionally, an expense is recognised when incurred in a liability and no asset is recorded, such as a liability for a guarantee.

The Group's main expenses relate to Supplies (purchase of finished products from its suppliers), Other Operating Expenses (leases, advertising, transport, services received from its majority shareholder, and independent professional services, primarily) and Personnel Expenses (salaries, social security contributions and redundancies).

As stated in Note 19.2, the majority of the purchases of finished products are made with related parties.

ñ) Transactions with related parties

The Group conducts its business transactions with related parties (sales, services provided, purchases, services received and leases), as defined in IAS 24, at market prices (see Note 19.2).

The Parent Company's Directors and its tax advisers consider that there are no significant risks in this regard that could lead to significant liabilities in the future.

Transactions with related parties not conducted at market prices are accounted for at their fair value. During the 2018 and 2017 financial years, this situation has not arisen.

o) Environmental information

Assets that are constantly used in the Group's business, whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution, are considered to be environmental assets.

These assets are valued, as with any other tangible assets, at acquisition price or production cost.

The Group amortizes these elements on a straight-line basis, according to the years of estimated useful life remaining for the different elements.

The environmental expenses for managing the environmental impact of the Group's operations, as well as the prevention of pollution related to the operation thereof and/or treatment of waste and disposals, are allocated to the consolidated profit and loss account based on an accrual basis, regardless of when the resulting monetary or financial flow occurs.

The Group's activity, by its nature, has no significant environmental impact.

p) Segment information

The business segments broken down in the consolidated notes are included consistently based on the internal information available to the Parent Company's Directors. The operating segments are components of Naturhouse Group involving business activities where income is generated and expenses incurred, including ordinary income and expenses from transactions with other Group components. Regarding the segments, the financial information is regularly broken down and the operating income reviewed by the Parent Company's Director in order to decide which resources should be allocated to the segments and to evaluate their performance.

In the Group's consolidated financial statements, the Parent Company's Directors have considered the following segments: Spain, Italy, France, Poland and Other countries (see Note 22).

q) Consolidated statement of cash flows

In the consolidated statement of cash flows, the following expressions are used:

-Cash flows: inflows and outflows of cash and cash equivalents, including short-term investments with high liquidity and low risk of variations in value.

-Operating activities: the usual activities of the Group's business operations, as well as other activities that cannot be classified as investment or financing activities.

-Investment activities: those regarding the acquisition, disposal or sale by other means of long-term assets and other investments not included in cash and cash equivalents.

-Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not part of the operating activities.

r) Earnings per share

The basic earnings per share are calculated as the quotient of the net profit or loss for the financial year attributable to the Parent Company and the weighted average number of ordinary shares outstanding during the period, excluding the Parent Company's average number of shares held by the Group companies.

On the other hand, the diluted earnings per share are calculated as the quotient of the net profit or loss for the financial year attributable to ordinary shareholders adjusted for the effect attributable to the potential dilutive ordinary shares and the weighted average number of ordinary shares outstanding during the financial year, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into the Parent Company's ordinary shares. To this end, it is considered that the conversion takes place at the start of the financial year or when the potential ordinary shares are issued, if the latter were issued during the current financial year.

6. Exposure to risk

Financial risks

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk), credit risk, liquidity risk and interest rate risk on cash flows.

1. Credit Risk

In general, the Group holds its liquid assets and cash equivalents in financial institutions with high credit ratings. It also performs adequate monitoring of accounts receivable individually, in order to determine situations of potential insolvency.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivable and investments, which represent the Group's highest exposure to credit risk in connection with its financial assets.

The Group's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the consolidated statement of financial position net of provisions for bad debts, estimated by the Group's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the consolidated statement of financial position attached as of 31 December 2018 is as follows:

	Thousands of Euros	
	31-12-2018	31-12-2017
Provision for bad debts	(11)	(9)

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of customers, markets and areas and their individual amounts being insignificant.

However, the Group's Financial Management considers this risk to be a key aspect in daily business management, focusing all efforts on the appropriate control and monitoring of the development of accounts receivable and arrears, especially in sectors of activity with increased risk of default. Additionally, it is one of the Group's policies to obtain guarantees or deposits from customers in order to ensure compliance with their commitments.

The Group has established a policy of accepting customers based on periodic liquidity and solvency risk assessments and the establishment of credit limits for debtors. Moreover, the Group conducts periodic analysis of the age of the debt with commercial customers in order to cover potential risks of default.

The average collection period varies, depending on the country, between 30 and 60 days, although a very significant portion of sales is collected in advance or at the time it is performed.

2. Liquidity risk

   In order to ensure liquidity and meet all payment obligations arising from its activities, the Group has the liquid assets shown on its statement of financial position, as well as available financing detailed in Note 15.

   In this regard, the Group performs liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of financing through an adequate number of credit facilities and sufficient capacity to settle market positions.

   On the other hand, it has always sought to utilize the liquid assets available for anticipative payment obligation and debt commitment management.

   The financial liabilities of the Company as of December 31, 2018, with the exception of the amounts delivered as bonds for the franchises of S.A.S Naturhouse, are not significant and expire in 2019 (see Note 15).

3. Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to variations in market interest rates.

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of yearend 2018 and 2017, 100% of the borrowings were at variable interest rates.

However, as of yearend 2018 and 2017, the Group has an amount available in liquid assets that is much higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

This way, the Company has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2018 and 2017 financial years.

With regard to exchange rate risk, the Group does not operate significantly internationally in countries with currencies other than the euro and, therefore, its exposure to exchange rate risk from foreign currency transactions is not significant, except for its exposure to the Zloty (Poland), which represents 12% and 8% of the Group's sales and assets, respectively.

Capital management

The Group manages its capital to ensure that Group companies will be able to continue as profitable businesses. The Group's capital structure includes debt, which is, in turn, composed of loans and credit facilities, cash and liquid assets, detailed in Note 15, and own funds, including capital and reserves as discussed in Note 13. In this regard, the Group is committed to maintaining leverage levels in line with the objectives of growth, solvency and profitability.

The Parent Company's Management, which is responsible for financial risk management, periodically reviews the capital structure.

The net financial debt ratio to Operating Income before amortization, impairment and other income as of 31st December 2018 and 2017 is at -0.2 and -0.2, respectively. In calculating this ratio, the Parent Company has considered the headings of the consolidated statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt.

7. Intangible fixed assets

The changes in this heading in the consolidated statement of financial position for the financial years 2018 and 2017 were as follows:

	Thousands of Euros				
Cost	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2016	26	2,349	186	83	2,644
Additions	-	8	84	-	92
Withdrawals	(4)	(5)	(4)	-	(13)
Balance at 31 December 2017	22	2,352	266	83	2,723
Additions	-	-	77	-	77
Withdrawals	-	-	(5)	-	(5)
Balance at 31 December 2018	**22**	**2,352**	**338**	**83**	**2,795**

Accumulated amortization	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2016	21	(606)	(136)	(26)	(747)
Allocations Applications	(13) -	(235) 5	(46) 2	(2) -	(296) 7
Balance at 31 December 2017	8	(836)	(180)	(28)	(1,036)
Allocations Applications	(13) -	(235) -	(56) 2	(45) -	(349) 2
Balance at 31 December 2018	**(5)**	**(1.071)**	**(234)**	**(73)**	**(1.383)**

Net book value	Thousands of Euros	
	31-12-2018	31-12-2017
Transfer rights	17	30
Industrial property	1,281	1,516
Software	104	86
Other intangible assets	10	55
Total Intangible Assets	**1,412**	**1,687**

During the 2018 and 2017 financial years, there have been no significant additions to intangible assets.

The main asset under intangible assets basically corresponds to a set of brands acquired in the 2014 financial year amounting to 2,331 thousand euros, the net book value of which amounts to 1,263 and 1,496 thousand euros as of 31 December 2018 and 31 December 2017, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Parent Company has not subjected them to the impairment test as of 31 December 2018, due to impairment indicators not being seen in them.

As of yearend 2018, the Group had fully amortized intangible assets still in use amounting to 182 thousand euros (160 thousand euros in the 2017 financial year).

The intangible assets located outside of Spain as of 31 December 2018 and 2017 are not significant (see Note 22).

8. Tangible fixed assets

The movement during the 2018 and 2017 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

Cost	Thousands of Euros						
	Land and natural assets	Buildings	Other facilities, tools and furniture	Information processing equipment	Transport. elements	Assets in construction and advances	Total
Balance at 31 December 2016	256	793	5,863	316	93	17	7,338
Additions Withdrawals Conversion differences	32 - -	138 (5) -	917 (604) (28)	105 (121) (1)	1 (18) -	42 - 1	1,235 (748) (28)
Balance at 31 December 2017	288	926	6,148	299	76	60	7,797
Additions Withdrawals Conversion differences	- (188) -	36 (648) -	547 (680) -	29 (17) -	- (1) -	30 (66) -	642 (1,600) -
Balance at 31 December 2018	**100**	**314**	**6,015**	**311**	**75**	**24**	**6,839**

Accumulated amortization	Thousands of Euros				
	Buildings	Other facilities, tools and furniture	Information processing equipment	Transport. elements	Total
Balance at 31 December 2016	(101)	(2,050)	(154)	36	(2,269)
Allocations Applications Conversion differences	(23) 3 -	(677) 356 12	(55) 130 1	(46) 6 -	(801) 495 13
Balance at 31 December 2017	(121)	(2,359)	(78)	(4)	(2,562)
Allocations Applications Conversion differences	(11) 131 -	(660) 155 (3)	(69) 7 -	(23) 2 -	(763) 295 (3)
Balance at 31 December 2018	**(1)**	**(2,873)**	**(140)**	**(25)**	**(3,033)**

Impairment	Thousands of Euros		
	Land and natural assets	Buildings	Total
Balance at 31 December 2016	**-**	**(200)**	**(200)**
Balance at 31 December 2017	**-**	**(200)**	**(200)**
Reversal of impairment	**-**	**200**	**200**
Balance at 31 December 2018	**-**	**-**	**-**

Net book value	Thousands of Euros	
	31-12-2018	31-12-2017
Land and natural assets	100	288
Buildings	314	605
Other facilities, tools and furniture	3.148	3,789
Information processing equipment	171	221
Transportation elements	50	72
Assets in construction and advances	23	60
Total Tangible Fixed Assets	**3,806**	**5,035**

The additions for the year 2018 correspond, fundamentally, to installations in new own stores, as well as to improvements needed for the existing ones. On the other hand, disposals of property, plant and equipment correspond to the sale of material from own stores transferred to franchisees or other third parties. In addition, the Parent Company has sold various works of art to its parent company (Kiluva, S.A.), which have been sold at a price equal to their book value, not generating any result, since said book value is found by an independent appraiser to be aligned with the valuations made during the year

2018. For its part, the company Naturhouse, S.r.l. has sold a building to the related entity Tartales, S.r.l. for an amount of 200 thousand euros, generating a profit for disposal of 40 thousand euros, and that sale amount is aligned with the valuation made during the year by an independent expert. In addition, Kiluva Portuguesa-Nutriçap e Dietetica, Lda has sold two buildings to the related entity Tartales, Lda for an amount of 649 thousand euros, generating a profit for disposal of 312 thousand euros, and said sale amount is found to be aligned with the valuation carried out during the year by an independent expert (see Note 19.2). The accompanying income statement includes a consolidated profit for a total amount of 92 thousand euros recorded under the heading "Impairment and gains or losses on disposals of fixed assets" as a result of the assets alienation.

As of 31 December 2018 and 2017 under "Other facilities, tools and furniture", photovoltaic panels are included with a net book value amounting to 1,183 and 1,248 thousand euros respectively. These fixed assets are amortized by the straight-line method as with any of the Group's fixed assets, but they do not directly affect the Group's activities. As of 31 December 2018, such fixed assets did not meet the criteria set out by IFRS 5 for classification as "Non-current assets held for sale".

As of 31 December 2018 and 2017, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to and 134 thousand euros, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 9).

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2018, the Parent Company's Directors deem that there was no deficit in insuring against these risks.

The tangible fixed assets located outside the Spanish territory as of 31 December 2018 and 2017 are broken down below:

	Thousands of Euros	
	31-12-2018	31-12-2017
Net book value		
Land and natural assets	100	288
Buildings	309	605
Other facilities, tools and furniture	1,240	1,578
Information processing equipment	95	105
Transportation elements	20	31
Assets in construction	24	60
Total Net book value	**1,788**	**2,667**

The fully amortized tangible fixed assets still in use at yearend 2018 amount to 2,255 thousand euros (2,111 thousand euros at yearend 2017).

Firm purchase commitments

At the close of the 2018 and 2017 financial years, the Group did not have firm commitments to purchase property, plant and equipment for any significant amount.

9. Leases

Financial leases

At yearend 2018 and 2017 the Group, in its capacity as financial lessee, has recognised assets that are leased according to that broken down below:

Year 2018

Concept	Contract length in months	Thousands of Euros				
			Paid contributions		Outstanding contributions	
		Original cost	From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Transportation elements	36-48	134	81	24	5	-
		134	**81**	**24**	**5**	**-**

Year 2017

Concept	Contract length in months	Thousands of Euros				
			Paid contributions		Outstanding contributions	
		Original cost	From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	339	27	7	-
Transportation elements	36-48	134	59	22	24	5
		507	**398**	**49**	**31**	**5**

The net book value of assets associated with leasing contracts at yearend 2018 and 2017 is as broken down below:

	Thousands of Euros	
	31-12-2018	31-12-2017
Land and structures	-	304
Transportation elements	79	79
	79	**383**

At yearend 2018 and 2017 the Group has contracted with lessors the following minimum lease payments (including, where appropriate, purchase options), according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments:

Financial leases Minimum payments	Thousands of Euros	
	31-12-2018	31-12-2017
Less than one year	5	31
Between one and five years	-	5
	5	**36**

At the close of the 2018 and 2017 financial years, the financial leases correspond mainly to commercial vehicles.

Operating leases

At yearend 2018 and 2017, the Group has contracted with lessors the following minimum lease payments, according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments:

Minimum payments	Thousands of Euros 31-12-2018	31-12-2017
Less than one year	3,987	3,734
Between one and five years	9,777	10,121
More than five years	3,098	3,871
	16,862	**17,726**

Operating leases relate primarily to the rental of offices, warehouses and stores owned by the Group. The Group has various leases with a company linked to its majority shareholder, Tartales, SLU, as described in Note 19.2.

The cost of these leases are recorded under "Other operating expenses" in the consolidated income statement and amount to 4,648 and 4,271 thousand of euros in 2018 and 2017, respectively.

10. Financial assets

10.1 Non-current financial assets

At 31 December 2018 and 2017, the breakdown under this heading is as follows:

	Thousands of Euros 31-12-2018	31-12-2017
Equity instruments		
Assets available for sale	35	42
Other equity instruments	76	76
Other financial assets		
Long term deposits and guarantees	771	920
	882	**1,038**

Fair value of financial instruments: Valuation techniques and assumptions applicable to the measurement of fair value

Financial instruments are grouped into three levels according to the degree to which the fair value is observable.

Level 1: those tied to quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: those referenced to other inputs (other than the quoted prices included in Level 1) observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from the prices).

Level 3: are referenced to valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The amount recorded under "assets held for sale" in the consolidated statement of financial position attached corresponds, exclusively, to the portfolio on equity instruments, financial instruments Level 1, publicly traded equity securities at fair value.

Assets available for sale

This section shows no significant transactions for the years 2018 and 2017.

Deterioration of portfolio

Profits and losses arising from changes in fair value of these investments available for sale are recognised directly in the equity of the Group until the asset is disposed of or is determined to have suffered an impairment, at which time the cumulative gains or losses previously recognised in equity are included in net earnings.

It is assumed that there is evidence of impairment if there has been a fall of more than 40% of the value of the asset over a period of 1.5 years, without the value being recovered, notwithstanding entries due to impairment prior to compliance with these parameters.

10.2 Investments in associates and affiliates

The participation in **companies valued following the participation method** corresponds to the investee company Ośrodek Badawczo-Produkcyjny Politechniki Łódzkiej ICHEM Sp. z o.o. (hereinafter, "Ichem, Sp. zo.o").

The Group do not have control over this company as it lacks the majority of the voting rights in its Governing Body as states the IFRS 10. However, as established by IFRS 11, it is considered that there is joint control over such company (joint venture) as the Group, with the voting rights it holds, can veto any significant decision, consequently, decisions on relevant activities require the unanimous consent of the parties sharing control. The remaining Ichem shareholders are the related company Zamodiet, S.A., with 24.9%, and Polish individuals or entities without any connection to Naturhouse, with 50.2%. In previous years, the relative weight of Ichem's sales to Naturhouse increased in relation to its total sales basically as a result of the decision taken by the management of the Ichem subsidiary to reduce its sales of pharmaceutical products whose margins were relatively low.

The Management of the Naturhouse Group evaluated whether the facts and circumstances mentioned above indicated changes in the control elements of the investee, concluding that the ability to direct the relevant activities of the Ichem investee had not been modified, since the voting rights that it holds and its percentage of shareholdings had not been amended, and due to not managing the relevant operations and activities of Ichem that are managed by third parties outside the Naturhouse Group.

All its product purchase transactions are made at market prices (supported by a study conducted by Group tax advisers (see Note 19).

The detail of the investment in companies valued by the equity method at the close of the 2018 and 2017 financial years, as well as the movement that took place during both periods are as follows:

Year 2018

	Thousands of Euros				
	Balance on 1 January 2018	Result in Entities Valued by the Equity Method	Dividends	Conversion differences	Balance on 31 December 2018
Ichem Sp. Zo.o	3,136	597	(329)	(56)	3,348

Year 2017

	Thousands of Euros					
	Balance on 1 January 2017	Result in Entities Valued by the Equity Method	Dividends	Other movements	Conversion differences	Balance on 31 December 2017
Ichem Sp. Zo.o	3,208	434	(643)	(40)	177	3,136

Other information related to this investee is as follows (figures as of 31 December 2018):

		Thousands of Euros			
Name and Registered Office	Activity	Total Assets	Equity	Sales (*)	Result after tax (*)
Ichem Sp. zo.o. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	16,283	13,450	15,402	2,398

(*) Sales and result from Ichem, Sp. Zo.o included that corresponding to the year ended 31 December 2018. The total assets and equity is presented at the closing rate as of 31 December 2018, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2018 financial year.

11. Inventory

The breakdown of "stock" in the consolidated statement of financial position attached, to 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31-12-2018	31-12-2017
Goods	4,429	4,449

The Group has not made any adjustments for impairment since the net realizable value of the inventories is higher than its acquisition price (or production cost), which is why no losses have been made under this item in the years 2018 and 2017.

12. Cash and other equivalent liquid assets

Almost all of the balances of this heading in the consolidated statement of financial position at 31 December 2018 and 2017 correspond to the amount deposited in current accounts and financial deposits for periods less than 3 months that the Group held on those dates with financial institutions, freely disposed and remunerated at market rates, with the amount of cash not being significant.

13. Net equity

a) Share capital

On 9 April 2015, the Board of Directors of the Parent Company, exercising the delegation of the Sole Shareholder dated 2 October 2014, unanimously agreed to the public new stock offering on the Stock Market.

On 24 April 2015, the Comisión Nacional del Mercado de Valores admitted to trading 15 million shares of the Parent Company's share capital, with a nominal value of 5 euro cents each, which were sold by Kiluva, S.A. at the price of 4.8 euros. Subsequently, on 22 May 2015, the Green Shoe option was executed, expanding the number of shares admitting to trading by 1,097,637, reaching a total of 16,097,637 shares.

As of 31 December 2018, the Parent Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Parent Company's share capital, both directly as well as indirectly, higher than 3% of the share capital as of 31 December 2018 are as follows:

Shareholder	%
Kiluva, SA	72.60

The Directors of the Parent Company have no knowledge of other shares equal to or higher than 3% of the Parent Company's share capital or voting rights, or that are lower than the percentage established, allowing significant influence to be exercised over the Parent Company.

b) Distribution of profit and dividends

On 20 April 2018, the Annual General Meeting approved the allocation of the Parent Company's profits for the 2017 financial year, which amounted to 22,088 thousand euros, to dividends amounting to 19,200 thousand euros, of which 12,000 thousand euros had been distributed as interim dividends for the 2017 financial year.

Additionally, on July 20 October 30, 2018, the Company approved the distribution of dividends amounting to 10,200 thousand euros and 3,000 thousand euros, respectively, on account of the result of the 2018 financial year.

c) Legal reserve

In accordance with Consolidated Text of Capital Company Law, an amount equal to 10% of the annual profit must be assigned to the legal reserve until said reserve reaches an amount of 20% of the Company's share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital.

With the exception of that mentioned above, and while it does not exceed 20% of the share capital, said reserve may only be used to offset losses, provided that there are no sufficient other reserves available for this purpose.

As of December 31, 2018, the Parent Company's reserve is fully constituted.

d) Net equity attributable to minority interests

The breakdown of this heading in the consolidated statement of financial position to 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31-12-2018	31-12-2017
Zamodiet México, S.A de C.V.	6	28
	6	**28**

The variations in the years 2018 and 2017 in this section of the consolidated statement of financial position is shown below:

	Thousands of Euros
Balance on 31 December 2016	38
Profit attributable to minority interests	(7)
Conversion differences	(3)
Balance on 31 December 2017	28
Profit attributable to minority interests	(18)
Conversion differences	(4)
Balance on 31 December 2018	**6**

e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, 31 December 2018 and 2017 corresponds to the exchange differences that occur as a result of the conversion into Euros of financial statements of subsidiaries whose local currency is not the Euro: Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse Sp. zo.o. (Poland), Ichem Sp. zo.o (Poland), Zamodiet México, S.A. (Mexico), Naturhouse Inc. (US) and Naturhouse d.o.o. (Croatia), according to the following breakdown:

	Thousands of Euros	
	31-12-2018	31-12-2017
Naturhouse Inc.	(94)	(121)
Naturhouse Sp. zo.o.	(376)	(151)
Ichem Sp. Zo.o	(168)	(33)
Other	(388)	(104)
	(1,026)	**(409)**

f) Own shares

As of yearend 2018 and 2017, the Parent Company held company shares in accordance with the following breakdown:

		Euros		
Year	Number of shares	Nominal value	Average acquisition price	Total acquisition cost
2018	14,000	700	4.58	64,186
2017	14,000	700	4.58	64,186

As of 31 December 2018, the Parent Company's shares held by it represent 0.02% of the Parent Company's share capital, totalling 14,000 shares with a cost of 64 thousand euros and an average purchase price of 4.58 euros per share.

The movement in company own shares during the 2018 and 2017 financial years has been as follows:

Number of shares	2018	2017
Start of the financial year	14,000	49,500
Sales	-	(35,500)
Yearend	**14,000**	**14,000**

g) Earnings per share

The profit or loss per share is calculated based on the profit or loss attributable to shareholders of the parent company by the average number of ordinary shares outstanding during the period. At yearend 2018 and 2017, the profit or loss per share is as follows:

	31-12-2018	31-12-2017
Weighted average number of shares in circulation	60,000,000	60,000,000
Average number of own shares	14,000	31,750
Average number of shares to determine basic profit per share	59,986,000	59,968,250
Consolidated Net Income of the Parent Company (Thousands of Euros)	15,373	19,855
Profit per share (in Euros per share)(*)		
Basic	0.26	0.33
Diluted	0.26	0.33

(*) The Group's earnings per share in accordance with IAS 33.

There are no financial instruments that could dilute the earnings or loss per share.

14. Provisions and contingencies

a) Non-current provisions

The balance of other non-current provisions mainly refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 904 thousand euros at yearend 2018 (730 thousand euros in 2017). This TFR commitment (end-of-contract severance pay), payable at the time of termination of the employment relationship, regardless of whether the termination is voluntary or not. As of 1 January 2007, with the regulatory change in Italy, the reserve constituted for TFR up until 31 December 2006 remains in the company, and is revalued within the parameters of Law 297/82, and the withholding of wages paid to each employee is paid by the company to INPS (Italian state entity equivalent to Social Security). This commitment is not outsourced and the expense thereof is recorded under "Personnel expenses" in the consolidated income statement, which amounted to 174 and 19 thousand Euros for the years 2018 and 2017, respectively.

The remaining non-current provisions registered correspond to obligations and risks that the Group keeps provisioned due to considering them to be probable.

b) Contingencies

The Parent Company's Directors consider that there are no contingencies that could lead to unregistered liabilities or that could have a significant impact on the attached consolidated financial statements.

15. Financial Debts

The breakdown of current and non-current financial debt of the Group at 31 December 2018 and 2017 is as follows:

Year 2018

	Thousands of Euros			
	Amount Initial or Limit	Maturity		
		Current	Non - Current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	5	-	5
Credit lines	1,000,000	-	-	-
	-	5	-	5
Subtotal of debts to credit institutions:				
Other financial liabilities	-	-	2.870	2,964
	-	**5**	**2,870**	**2,969**

Year 2017

	Thousands of Euros			
	Amount Initial or Limit	Maturity		
		Current	Non - Current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	31	5	36
	-	31	5	36
Subtotal of debts to credit institutions:				
Other financial liabilities	-	24	3,075	3,099
	-	**55**	**3,080**	**3,135**

Loans and credit facilities

The Group does not hold willing balances at the close of the 2018 and 2017 periods for loans and/or credit policies.

Other financial liabilities

Included under the heading "Other non-current financial liabilities" are the amounts given as surety by franchisees of S.A.S Naturhouse (France) to guarantee compliance with its contractual obligations.

Naturhouse as a guarantee of compliance with its contractual obligations. In the rest of the Group companies, these guarantees are obtained through guarantees. At 31 December 2018, these deposits are valued at amortized cost.

The Group considers that the fair value of these guarantees reasonably approximates their amortized cost, which is why their fair value is not disclosed in accordance with IFRS 7.29.

16. Trade creditors and other receivables

The balances of this heading in the current liabilities of the consolidated statement of financial position at 31 December 2018 and 2017 have the following composition:

	Thousands of Euros	
	31-12-2018	31-12-2017
Suppliers	3,024	2,062
Various creditors	609	542
Staff (remuneration pending payment)	1,878	1,574
Short-term accruals	580	612
	6,091	**4,790**

The book value of commercial creditors and other accounts payable does not differ materially from its fair value.

Outstanding remuneration relates mainly to the accrual of the summer bonus as well as the variable compensation of certain employees of the Group.

The short-term accruals include the anticipated income for the "master franchise" that is charged to income in the contract period (normally 7 years).

Group directors have recorded all anticipated income in current liabilities, regardless of the years pending long-term allocation, in consideration of their non-significant effect.

Information on the average payment period to suppliers

The information required by the Third Additional Provision of Law 15/2010 of 5 July (as amended by the Second Final Provision of Law 31/2014 of 3rd December) is detailed below, drawn up according to the ICAC Resolution of 29th January 2016 on the information to be included in the explanatory notes to financial consolidated statements in connection with the average payment period to suppliers in commercial operations.

	Days	
	31-12-2018	31-12-2017
Average payment period to suppliers	44.33	42.74
Ratio of paid operations	43.65	44.84
Ratio of operations pending payment	65.16	28.62

	Euros	
	31-12-2018	31-12-2017
Total payments made	10,606	11,191
Total outstanding payments	808	1,454

The data presented in the above table on payments to suppliers refers to those made by the Spanish consolidable group company. In accordance with the ICAC Resolution, in order to calculate the average payment period to suppliers, commercial operations corresponding to delivering goods or providing services accrued from the date of entry into force of Law 31/2014 of 3 December have been taken into account.

For the sole purpose of providing the information required by this Resolution, suppliers includes trade creditors for debts with suppliers of goods or services included under "Trade creditors and other accounts payable" and "Suppliers, related companies" of the current liabilities of the consolidated balance sheet.

"Average payment period to suppliers" is understood to be the time that elapses from the delivery of goods or the provision of services by the supplier and material payment for the operation.

The maximum legal payment period applicable to Spanish consolidable group company under Law 3/2014 of 29 December, which establishes measures to combat delays in payments for commercial operations, and in accordance with the transitional provisions established under Law 15/2010 of 5 July, was 60 days before publication of Law 11/2013 of 26 July and 30 days from publication of this Law and to the present (unless the conditions established in the same are met, which would allow the maximum payment period to be raised to 60 days).

17. Tax situation

17.1 Current balances with Public Administrations

The composition of current balances with Public Administrations at 31 December 2018 and 2017 is as follows:

Debit balances

	Thousands of Euros	
	31-12-2018	31-12-2017
VAT (refund) receivable	161	167
Corporation tax (refund) receivable	6,705	9,206
All other credit with Public Administration bodies	**6,866**	**9,373**

Credit balances

	Thousands of Euros	
	31-12-2018	31-12-2017
VAT (refund) payable	167	219
VAT (refund) withholdings payable	426	630
Creditor Social Security Organisms	633	465
Corporation tax (refund) payable	63	28
Other concepts (refund) payable	20	2
All other debts with Public Administration bodies	**1,309**	**1,344**

17.2 The reconcilement between income and expenses for Corporation Tax

At 31 December 2018 and 2017, the Group is not established in the consolidated statement regime, therefore the heading "Income Tax Payments" in the consolidated income statement reflects the sum of the amounts reported in the individual statements of each of the Group companies from the time of inclusion in the scope of each one of them.

The expense for income tax payments under the consolidated profit and loss account is determined from consolidated profit before tax, increased or decreased by the permanent differences between the taxable income of said tax and book income and the consolidation adjustments. To the adjusted book income is applied the tax rate applicable under the law that applies to each company and which decreases according to tax credits and deductions accrued during the year, adding in turn those differences, positive or negative, between the estimated tax on closure of accounts for the previous year and the subsequent settlement of tax at the time of payment.

The reconciliation between the consolidated profit before tax and income tax expense is as follows:

	Thousands of Euros	
	2018	2017
Consolidated profit before tax	22,719	28,656
Permanent differences and consolidation adjustments	330	331
Adjusted profit	**23,049**	**28,987**
Tax rate	25%	25%
Profit adjusted according to tax rate	**5,762**	**7,247**
Differences according to tax rate	1,293	1,273
Other adjustments	309	288
Total tax expense	**7,364**	**8,808**

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at yearend 2018 are as follows:

Country	Tax rate
Spain	25%
France	33.33%
Italy	24%
Poland	19%
Portugal	21%
Mexico	30%
United Kingdom	20%
Belgium	33.99%
Germany	30%
Croatia	20%
Lithuania	15%
United States	21%

Similarly, the breakdown of tax expense between current and deferred tax is as follows:

	Thousands of Euros	
	2018	2017
Expense/(income) deferred tax	43	87
Expense/(income) current tax	7,321	8,721
Total expense (income) due to tax	**7,364**	**8,808**

During the 2018 financial year, the Parent Company made payments on account and withholdings and tax payments on account for Corporate Tax have been carried out for the 2018 financial year amounting to 2,390 thousand euros. On this basis, at yearend the parent company holds a balance to be recovered from the Tax Authorities amounting to 1,659 thousand euros, which has been registered as a current tax asset. Additionally, as of yearend 2018, an amount of 3,685 thousand euros corresponding to the Corporate Tax settlement for the 2017 financial year was also pending collection (Note 23).

17.3 Recorded deferred tax assets

The detail of the balance of this account at the close of the 2018 and 2017 financial years and the movement that took place in 2018 is as follows:

	Thousands of Euros		
	31-12-2017	Disposals	31-12-2018
Temporary differences (prepaid taxes):			
Tax effect of the consolidation adjustments	124	(59)	65
70% depreciation limit	83	(13)	70
Others	117	(102)	15
Total deferred tax assets	**324**	**(174)**	**150**

The deferred tax assets referred to above have been recorded in the consolidated financial statement since the Directors of the Company consider that, in accordance with the best estimation regarding the future results of the Group, including certain tax planning measures, it is likely that said assets will be recovered.

The aforementioned deferred tax assets specified above were registered by applying the tax rate estimated to be recovered.

17.4 Non-recorded deferred tax assets

At the close of the 2018 and 2017 financial years, there are only unregistered deferred tax assets corresponding to entities included in the "Other countries" segment (See Note 22) and which have not been recognized, since the expected recovery probability requirement was not met, nor are they broken down due to their insignificance.

17.5 Deferred tax liabilities

The detail of the balance of this account at the close of the 2018 and 2017 financial years and the movement that took place in 2018 is as follows:

	Thousands of Euros		
	31-12-2017	Disposals	31-12-2018
Temporary differences (deferred taxes):			
Financial leases	329	(37)	292
Others	33	(22)	11
Total deferred tax liabilities	**362**	**(59)**	**303**

17.6 Years pending approval and auditing actions

The Group's activity, by its nature, is not affected by significant fiscal risks.

The interim statements and income to tax account are made regularly and based on the book record transactions, but are not considered definitive until the tax authorities have inspected them or the statute of limitation has lapsed, which in Spain is four years for all the applicable taxes.

During the year 2017, the tax inspection of the corporate tax for the year 2012 of the Italian subsidiary was initiated and resolved, with a penalty of 229 thousand euros.

During financial year 2018, a new procedure was initiated by the Italian tax authorities corresponding to Corporate Tax for 2014. Currently, this procedure is ongoing and the Directors do not believe that significant losses for the Group will arise as a result.

At the date of preparation of these annual accounts, there are no other tax inspections in progress other than the one referred to above. It is not expected that additional liabilities will be accrued for the Group as a result of the upcoming years pending tax inspections.

The directors of the Parent Company consider that said taxes have been appropriately settled, so that even in the case of discrepancies in the interpretation of standards in effect for tax treatment afforded to the transactions, the contingent liabilities, should they arise, would not significantly affect the consolidated financial statements of the Group in 2018.

18. Income and expenses

18.1 Net amount of revenue

The breakdown of net revenues for the years of 2018 and 2017 of the Group is detailed below:

	Thousands of Euros	
	2018	2017
Sales	86,224	93,590
Provision of services	1,065	1,110
	87,289	**94,700**

18.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2018 and 2017 has the following composition:

	Thousands of Euros	
	2018	2017
Consumption of merchandise:		
Purchases	25,138	27,338
Changes in stocks (Note 11)	20	(218)
	25,158	**27,120**

The breakdowns of the purchases made by the Group during 2018 and 2017, by source, is as follows:

	Thousands of Euros	
	2018	2017
Spain	4,483	5,022
Europe	20,628	22,303
Others	27	13
Total purchases	**25,138**	**27,338**

18.3. Personnel costs

The breakdown of staff expenses accrued during 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Wages, salaries and similar expense	15,612	14,995
Social security contributions	4,205	4,406
Severance indemnities	892	989
	20,709	**20,390**

18.4 Financial income and expenses

The breakdowns of the financial result of the Group during the year 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Financial income	22	65
In third parties	22	65
Financial expenses:	(66)	(93)
Debts with third parties	(66)	(93)
Exchange differences	18	(12)
Financial result	**(26)**	**(40)**

18.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2018 and 2017 has the following composition:

	Thousands of Euros	
	2018	2017
Leases	4,650	4,271
Repairs	379	421
Transportation	2,458	2,593
Supplies	1,048	1,033
Advertising	5,738	5,647
Other external services	5,325	4,679
	19,598	**18,644**

19. Balances and transactions with related parties

The following are considered related parties:

- The main shareholder of the Parent Company, Kiluva, S.A. and all affiliates of said main shareholder as defined in IAS 24.

- The Directors and Managers of any company belonging to the Naturhouse Group or its main shareholder, Kiluva, S.A., and their immediate family, where "Administrator" is understood to be a member of the Board of Directors, and "Manager" is understood to be a person who reports directly to the Board or the Chief Executive of the company.

19.1 Balances with affiliate companies

As of December 31 and 2017, the Group had the following balances with affiliated companies:

	Thousands of Euros			
	Debit balances		Credit balances	
Company	2018	2017	2018	2017
Short-term commercial balances				
Gartabo, SA	-	-	-	42
Girofibra, SL	-	-	142	113
Healthouse Sun, S.L.	-	-	-	1
Ichem Sp. Zo.o	-	-	2,874	2,718
Indusen, SA	-	-	762	650
Kiluva, SA	-	-	-	12
Laboratorios Abad, S.L.U.	-	-	7	9
U.D. Logroñés, SAD	-	-	-	7
Zamodiet, SA	-	-	8	8
Tartales, SLU	9	-	-	-
Ferev S.A.R.L.	29	301	-	-
Total short-term commercial balances	38	301	3,793	3,560
	38	**301**	**3,793**	**3,560**

In a general way, the Group recorded as current balances the debit or credit balances of a commercial nature with related companies.

19.2 Transactions with affiliate companies

During the years 2018 and 2017, the Group performed the following transactions with related companies:

Company	Thousands of Euros	
	2018	2017
Sells:		
Healthouse Sun, S.L.	-	2
Ichem Sp. Zo.o	1	-
Ferev S.A.R.L.	220	254
Total operating revenues	**221**	**256**
Sales of fixed assets:		
Kiluva, SA	209	-
Tartales, S.r.l.	200	-
Tartales, Lda	649	-
Total sales of fixed assets (Note 8)	**1,058**	**-**
Compras:		
Girofibra, SL	1,147	1,197
Ichem Sp. Zo.o	14,587	15,954
Indusen, SA	3,173	3,630
Laboratorios Abad, S.L.U.	161	195
Services received:		
Ichem Sp. Zo.o	11	30
Kiluva, SA	209	-
Heatlhouse Sun, S.L.	57	204
Girofibra, SL	-	2
Luair, S.L.U. (Directly and indirectly)	-	337
U.D. Logroñés, SAD	194	269
Leasing and Insurance:		
Kiluva, SA	-	14
Tartales, SLU	360	380
Total operating expenses	**19,899**	**22,212**

Consideration should be given to the dividend distributions described in Note 13.

Likewise, there are transactions with a company related to a member of the Parent Company's Board of Directors amounting to 61 thousand euros in the 2018 financial year (62 thousand euros in the 2017 financial year).

The Directors of the Parent Company and its tax advisers, consider that the transfer prices are adequately justified on the basis of a report issued by the above parties, and therefore consider that there are no significant risks, in this sense, that they could lead to significant liabilities in the future.

As of the date of drawing up these consolidated financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2017 financial year together with its tax advisors, which includes the main transactions that the Parent Company performs with its related companies:

- Royalties from the sale of brands

- Support services to the management (management fees).

- Sale of products

- Purchase of products

- Financial transaction: treasury management.

The report does not include limitations, cautions or significant safeguards, except for the characteristics inherent to this type of work. Furthermore, in order to examine whether the prices agreed between the related parties as a result of the above-described transactions comply with applicable regulations and in order to determine its suitability to market values, the following methodology has been used depending on each kind of transaction:

- Obtaining comparable examples, i.e. comparing the circumstances of transactions related to the circumstances of transactions between independent persons or entities that may be comparable (comparable uncontrolled price method "CUP").

- On the other hand, the transactional net margin method ("TNMM") has also been applied. Under this method, the objective profitability indicators obtained by independent entities performing the same activity under similar circumstances has been analysed.

- Finally, the resale price method ("RPM") has also been used, where a margin is subtracted from the selling price of a good or service applied by the reseller itself, in identical or similar operations with independent persons or entities, or, in the absence thereof, the margin that independent persons or entities apply to comparable transactions, performing, where applicable, the necessary corrections for equivalence and taking into account the particularities of the transaction.

In the particular case of product purchases from related companies, the analysis provides a comparison of the gross margin on sales (both through owned as well as franchised centres) in purchases from related companies compared to that obtained in purchases made from comparable independent companies, among others. Based on these analyses it was determined that these operations are in accordance with the market.

This report has been issued in relation to transactions with affiliate companies in 2017. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2018 financial year, consequently, they believe that they are duly backed up.

19.3 Compensation to Directors and Senior Management of the Parent Company

During 2018 the current Directors of the Parent Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 316 (268 thousand Euros). Likewise, one member of the Board of Directors has provided services to the Company for an amount of 61 thousand euros during the year 2018. In addition, the members of the Board of Directors with executive positions have received the remuneration stated in the following paragraph. On the other hand, in the current financial year and in the financial year of 2017, no member of the Board of Directors has any advances, guarantees or other commitments in the area of pensions or life insurance contracted with the Directors. The current Directors of the Parent Company were appointed during the year 2014, except for one of them who was appointed during the year 2017 to replace another member who stood down from their position.

The compensation received in the year 2018 by the senior executives of the Group amounted to 2,652 thousand Euros for salaries and wages and services and compensations (1,606 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Group has received no remuneration for other services. The remunerations received by the Group's Senior Management in the 2017 financial year amounted to 3,787 thousand euros (1,782 thousand euros received by members of the Board of Directors in the development of their executive positions).

At the close of the 2018 and 2017 financial years, the Group's Senior Management body is composed of the following persons:

	2018		2017	
Categories	Men	Women	Men	Women
Senior Management	8	1	8	1

No advances or loans granted to senior management at year-end 2018 and 2017, nor pension obligations or life insurance.

The Board of Directors consists of six men and one woman at the end of 2018 (six men and one woman at the end of 2017).

The Parent Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros to 31 December 2018 (5 thousand euros in 2017).

19.4 Information relating to conflicts of interest by the Directors

As of year-end 2018, neither the members of the Board of Naturhouse Health, S.A. nor any persons related to them as defined by the refunded Spanish Corporate Law, have communicated to the other members of the Board of Directors any situation involving direct or indirect conflict that they or persons related to them, as defined by Spanish Corporate Law, may have with the Company's interests.

20. Information about the environment

Given the activities in which the Group is engaged, it has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could be significant in relation to the assets, financial position and results of the Group. For this reason, specific breakdowns are not included in these consolidated notes.

21. Other information

21.1 Staff

The average number of employees during the years 2018 and 2017, broken down by category, is as follows:

	Number of employees	
Categories	2018	2017
Senior Management	9	8
Rest of Senior Staff	25	25
Administrative and technical staff	50	42
Commercial, sales' staff and operators	504	468
	588	**543**

Likewise, the gender distribution of the Group at the end of the years 2018 and 2017, broken down by category, is as follows:

Categories	2018 Men	2018 Women	2017 Men	2017 Women
Senior Management	8	1	8	1
Rest of Senior Staff	19	6	18	8
Administrative and technical staff	6	43	6	39
Commercial, sales' staff and operators	29	477	16	477
	62	**527**	**48**	**525**

21.2 Audit fees

During 2018 and 2017, the fees for audit services and other services provided by the auditor of the consolidated annual accounts of the Group, Deloitte, S.L. and companies belonging to the Deloitte network, as well as fees for services billed by the auditors of individual annual accounts of the companies included in the consolidation and by entities linked to same by control, common ownership or management, were as follows:

Description	Thousands of Euros Audit Services from the main auditor Year 2018	Year 2017
Audit Services	165	163
Other verification services (*)	1	1
Total auditing and related services	166	164
Tax services	-	-
Other services	-	-
Total Professional Services	**166**	**164**

(*) Other verification services correspond to a report on agreed procedures (same concepts referred in 2017).

22. Information by segments

The Group, considering that IFRS 8 mandates the application and disclosure of itemized information for those companies whose equity securities or debt is publicly traded, or companies that are in the process of issuing securities in public equity markets, presents this information in four itemized segments in the accompanying consolidated financial statements.

Segmentation criteria

For management purposes, the Group is currently comprised of the following operating segments which are in the following geographical areas:

- Spain
- France
- Italy
- Poland
- Other countries

Management Report

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2018

31 DECEMBER 2018

INDEX

1. Situation and Business Development

Naturhouse Group is a business group dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. At yearend 2018 it had an active presence in 32 countries through a network of 2,283 centres, with France, Italy, Spain and Poland being its most important markets.

The companies included in full consolidation in the year 2018 are: Naturhouse Health S.A. (Spain), S.A.S. Naturhouse (France), Housediet S.A.R.L. (France), Naturhouse S.R.L. (Italy), Naturhouse Sp Zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Lda (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. of C.V. (Mexico), Nutrition Naturhouse Inc. (Canada), Naturhouse d.o.o. (Croatia), UAB Naturhouse (Lithuania) and Naturhouse Inc. (USA).

The year 2018 is marked by the commercial effort aimed at consolidating existing markets, especially in Europe, and the opening of new international geographic markets, specifically the United States and the United Kingdom.

The company closed the year 2018 with a positive result of 15.37 million net profit.

The sales forecasts that the company was set at the beginning of the year have not been reached, the bad weather conditions of the first quarter of the year have significantly influenced the result of the year.

The upward trend of the company in recent years did not foresee these results, for this reason we fully trust in the company's ability to reverse the situation.

In terms of international expansion the company continues to grow, with the entry into Austria we have increased our geographical presence to 32 countries. During the first half of 2018, the Naturhouse subsidiary in Lithuania was closed as a result of a better optimization of the group's operating costs. Furthermore, the good trend of the master franchise contracts can be highlighted that, during 2018, have increased the number of centres by 12% thanks to the contribution of Ireland, Slovakia, Czech Republic and Romania.

We start 2019 in a good position to resume the path of growth, not only because Naturhouse is a leading brand in its sector in Europe, but because we are convinced that the commercial strategies adopted will yield the desired results.

We expect a lot from the project to change the image and layout of the centres, called store 2.0, a new concept of store aimed at enhancing the commercial area that will contribute to increasing its profitability as a result of the sale of products that are not linked to obesity, and that will attract a younger audience.

- Naturhouse Health, S.A., corresponding to the year 2017.
- Approval of the management of the Board of Directors corresponding to the year 2017.
- Re-election and establishment of the number of Directors:

  5.1. Re-election for the statutory period of four years of Mr Felix Revuelta Fernández in the position of Executive Director.

  5.2. Re-election for the statutory period of four years of Mrs Vanesa Revuelta Rodríguez in the position of Executive Director.

  5.3. Re-election for the statutory period of four years of Mr Kilian Revuelta Rodríguez in the position of Executive Director.

  5.4. Re-election for the statutory period of four years of Mr José María Castellano Ríos in the position of Independent Director.

  5.5. Re-election for the statutory period of four years of Mr Pedro Nueno Iniesta in the position of Independent Director.

5.6. Re-election for the statutory period of four years of Mr Ignacio Bayón Marine in the position of Independent Director.

5.7. Re-election for the four-year statutory period of Mr Rafael Moreno Barquero in the position of Proprietary Director.

- Re-election and appointment of Deloitte, S.L. as auditors of the Company for a maximum term of three years for the audit of the Group's individual and consolidated annual accounts, corresponding to the years 2018, 2019 and 2020, maximum.

- Remuneration of the company's Board of Directors.

  7.1 Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2017 financial year.

  7.2 Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2018 financial year.

  7.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2018 financial year.

- Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury shares, within the limits and legal requirements, directly or through group companies, in accordance with the provisions of article 146 of the Capital Companies Act.

- Delegation of powers to supplement, develop, execute, remedy and formalise the resolutions adopted by the General Meeting.

On April 23, 2018, the departure of Mr Didier Ricaud as Managing Director of the subsidiary in France of Naturhouse Health, S.A. took place. Furthermore, Mr François Gaydier, following the favourable report of the members of the Appointments and Remuneration Committee and the conformity of the Board of Directors, has been appointed Director General of France. Mr Gaydier has extensive experience in senior management positions, having been Vice President of Kiluva, and Chief Executive Officer and member of the Board of Directors of Natraceutical for 6 years, where he led its recent merger with Laboratorios Reig Jofre, as well as being Managing Director of Forté Farma. He previously worked as International Director of Procter & Gamble and Wella-Cosmopolitan Cosmetics. François Gaydier holds a degree in Business Administration and Management and also has an MBA from ESCP Europe. He speaks French, English, German, Spanish and Portuguese.

On April 30, 2018, it is reported that Mr Ignacio Bayón Marine, Independent Director and member of the Audit Committee, is appointed by the Board of Directors as Chairman of the aforementioned Naturhouse Audit Committee to replace Mr José María Castellano Ríos, who continues to be a member of the Audit Committee. The replacement takes place as a result of the expiration of the regulatory and legal period of four years from the appointment of Mr José María Castellano Ríos as Chairman of the Audit Committee.

On 7th May 2018, an advance dividend distribution for the 2017 financial year was made, amounting to 7,200 thousand euros.

On 14 September 2018, the payment of interim dividends was made for the 2018 financial year, amounting to 10,200 thousand euros.

On 14 December 2018, the payment of interim dividends was made for the 2018 financial year, amounting to 3,000 thousand euros.

2. Evolution of the main figures of the consolidated profit and loss account

Consolidated Profit and Loss Account

(Thousands of Euros)	Year 2018	Year 2017
Net amount of revenue	87,289	94,700
Supplies	(25,158)	(27,120)
Gross Margin	**62,131**	**67,580**
Other operating income	1,365	746
Personnel costs	(20,709)	(20,390)
Other operating costs	(19,598)	(18,644)
Operating income before depreciation and amortization, impairment and other results	**23,189**	**29,292**
Depreciation and amortization	(1,112)	(1,097)
Impairment losses and income from disposal of fixed assets	92	67
Other results	(21)	-
OPERATING INCOME	**22,148**	**28,262**
FINANCIAL RESULT	**(26)**	**(40)**
Results of equity method associated companies	597	434
CONSOLIDATED PROFIT BEFORE TAX	**22,719**	**28,656**
Corporation Tax	**(7,364)**	**(8,808)**
NET INCOME FROM CONTINUING OPERATIONS	**15,355**	**19,848**
CONSOLIDATED NET INCOME	**15,355**	**19,848**

	31.12.2018	31.12.2017
Average number of employees	586	543
Gross Margin without Sales	71%	71%
Operating Income without Sales	25%	30%
Net Income without Sales	18%	21%

- The net turnover is composed of two main aspects:

  1. Sale of goods
     Corresponds to the sale of products through the Naturhouse channel (either through franchising, master franchising or centres of our property). Represents the bulk of revenues with 98,5% in 2018.

  2. Provision of services
     a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.28% of net turnover for the 2018 financial year.
     b. Master franchise fee: corresponds to the entry fee that the Group bills to the masters franchisees for the operation of the business in an exclusively new country. This fee is charged in advance in the first year of operation of the business and entitles the exploitation of the Naturhouse channel for 7 years. The amount of the fee varies according to the estimated potential number of Naturhouse centres in that country. During 2018, a new franchise master contract was signed in Austria. This type of income represents a total of 0.06% of the net amount of turnover in the year 2018.

- Net turnover in the 201 financial year amounted to 87,289 thousand euros, representing a decrease of (- 7.82%) over the previous year. This variation mainly includes the following effects:
  - In France sales are 35,770 thousand Euros. In the year of 2017, they were 40,875 thousand euros, a decrease of -12.49%, as a result of the transition in the management of the country.

Following the sick leave of the managing Director of France in June 2017, in March 2018, his successor had to be dismissed as a result of the poor results.

- In Spain, sales are 18,549 thousand euros. In the financial year of 2017, they were 19,343 thousand euros, a decrease of -4.10%, as a result of the bad weather during the first half of 2018, which caused a decrease in the number of visitors to our stores.
- In Italy, sales are 20,085 thousand euros. In the financial year of 2017, they were 20,764 thousand euros, a reduction of -3.27%, as a result of a first quarter affected by bad weather.
- In Poland, sales are 10,360 thousand euros. In 2017 they were 11,208 thousand euros, a reduction of -7.56%, as a result of the transition in the direction of the country, which has concluded with the incorporation of two commercial directors under the direct supervision of a new general director incorporated in November 2017. We observe that in 2018 and particularly in the last quarter of the year, the market improves its sales figures.

- The gross margin over the net amount of turnover remains at 71%.

- "Other operating income" corresponds to revenue from activities outside of the Naturhouse business.

- In 2018 there is an average workforce of 588 employees in the Group, of which 86% are direct employees of the Naturhouse centres under self-management and commercial offices that control the smooth running of all the centres, both franchises and the Group's own centres, and the remaining 14% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.

  Personnel Expenses represents 23,72% of net revenues. This increase of 3 points with respect to the financial year of 2017 is the result of the transfer of staff from the former headquarters in Barcelona to Madrid, which had to be compensated and the departure of two employees from the commercial department in Italy.

- Other Operating Expenses has increased by 5.1% over the 2017 financial year basically due to the following reasons:
  - Increased Lease costs: Derived from the group's strategy in the Polish market to open its own centres, there has been an increase from 29 to 53 own centres in a year, as a defensive measure to the competition that arose in 2017. The opening of own centres in Poland slows down in the last quarter of the year due to the better figures obtained in the quarter.
  - *Increase in Advertising costs;* In the same way that the own centres in the Polish market have increased, more investment in advertising is destined for this market as a defensive measure to the competition that arose in the year 2017.
  - Expenses derived from the outsourcing of the logistics service in France, Italy and Poland. Before said outsourcing of the service, the expenses were divided between Staff Expenditure and Other Operating Expenses. With the current outsourcing, all the expense are charged to the Operating Expenses item.

- The operating result on the amount of the turnover decreased one percentage point, from 30% to 25%, as a result of the increase in personnel expenses and other operating expenses on which we have previously commented.

- As a result of the 24.9% stake of the company Ichem Sp zo.o, in the 2018 financial year, 597 thousand euros is registered in the "Share in profits from equity accounted companies" in the attached abridged profit and loss account.

- The net result on the amount of the turnover decreased three percentage points, from 21% to 18%, with respect to the year 2017, as a result of the increase in extraordinary costs to the ordinary activity of the company, transfer of staff in Spain, staff compensation in Italy and defensive measures in Poland.

3. **Consolidated Statement of Financial Position**

ASSET (Thousands of Euros)	31.12.2018	31.12.2017
NON-CURRENT ASSETS:		
Intangible fixed assets	**1,412**	**1,687**
Tangible fixed assets	**3,806**	**5,035**
Non-current financial assets	**882**	**1,038**
Investments in associates	**3,348**	**3,136**
Deferred tax assets	**150**	**324**
Non-current assets	**9.598**	**11,220**
CURRENT ASSETS:		
Inventory	**4.281**	**4,449**
Customer receivables for sales and services	**4,250**	**4,072**
Customers, related companies	**38**	**301**
Current tax assets and other receivables with public administrations	**6,866**	**9,373**
Other current assets	**747**	**1,095**
Investments in affiliate companies	**88**	**1**
Current financial assets		
Cash and cash equivalents	**8,247**	**8,326**
Total current assets	**24.517**	**27,617**
Total assets	**34,115**	**38,837**

LIABILITIES (Thousands of Euros)	31.12.2018	31.12.2017
NET EQUITY:		
Capìtal and Reserves		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Premium	12,602	11,944
Own shares and company shares	(64)	(64)
Conversion differences	(1,026)	(409)
Results of the year	15,373	19,855
Interim dividend	(13,200)	(12,000)
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**18.830**	**24,475**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**6**	**28**
Total net equity	**18.836**	**24,503**
NON-CURRENT LIABILITIES:		
Non-current provisions	**904**	**1,143**
Non-current liabilities	**2,870**	**3,080**
Deferred tax liabilities	**303**	**362**
Non-current liabilities	**4,077**	**4,585**
CURRENT LIABILITIES:		
Current liabilities	**5**	**55**
Trade creditors and other receivables	**6.091**	**4,790**
Suppliers, related companies	**3,793**	**3,560**
Current tax liabilities and other payables with public administrations	**1,309**	**1,344**
Total current liabilities	**11,198**	**9,749**
TOTAL NET EQUITY AND LIABILITIES	**34,115**	**38,837**

- The reduction of the item "Property, plant and equipment" due to the sale of assets not related to the Group's activity to related companies (transactions carried out at market price);

- Sale of Paintings that were in the Spanish headquarters of Naturhouse Health for the amount of 209 thousand euros.
- Sale of commercial premises in Italy for an amount of 200 thousand euros.
- Sale of two commercial premises in Portugal amounting to 649 thousand euros.

- The increase of 212 thousand euros of the "Investments in associated companies" is as a consequence of the share in results of the company Ichem Sp. Zo.o, is the balance resulting from the distribution of dividends for the year of 2017 and the contribution of the result for the year 2018.

- The reduction of 2,507 thousand euros from the item "Assets for current tax and other credits with public administrations" is a consequence of a corporate tax refund for the year 2016 advanced by the Spanish Tax Administration in the month of January. At the close of the financial year 2018, the Spanish company is still waiting for the return of 3,618 thousand euros for the advance of corporate tax for the year 2017, which was fully repaid in February 2019.

- Even though the company terminated the liquidity contract with Banco Alcalá on 15 December 2016, at 31 December 2017 there is a balance in own shares and company shares of €64,186, represented by a total of 14,000 shares at an average acquisition price of €4.58/share.

- On 14 September 2018, Naturhouse Health, S.A. decided to distribute an interim dividend for the 2018 financial year amounting to 10.200.000 euros. And on December 14, 2018 it was decided to distribute another interim dividend for the 2018 financial year for an amount of 3,000,000 euros.

- The average payment period of the Spanish company included in the Naturhouse Group was 43.65 days, within the maximum period established in the delinquency regulations.

4. Financial risk management and use of hedging instruments

The Group's activities are exposed to various financial risks: market risk (including foreign exchange and interest rate risk), credit risk, liquidity risk and interest rate risk on cash flows.

Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2017, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question.

Regarding the exchange rate risk, the Group does not operate internationally outside the Euro Currency to any great extent, so its exposure to exchange rate risk on foreign currency operations is not significant.

Credit risk:

In general the Group maintains its cash and equivalent liquid assets at banks with high credit ratings. It also performs adequate monitoring of accounts receivable individually, in order to determine situations of potential insolvency.

The Group's credit risk is primarily attributable to its trade receivables. There is no significant concentration of credit risk, with exposure spread over a large number of customers, markets and geographic areas.

Liquidity risk:

In order to ensure liquidity and be able to meet all payment obligations arising from its activities, the Group has abundant credit lines and financing with credit institutions. It has maintained a proactive policy on the management of liquidity risk, focusing primarily on the preservation of same, maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to liquidate market positions.

5. Risk Factors

The activities of the companies of the Group are developed in different countries with different socio-economic environments and regulatory frameworks. The authorities of the countries where the Group operates may adopt laws and regulations that impose new obligations which entail an increase in operating costs.

The competitive environment: The company is competing with self-administered weight loss systems and other commercial programmes from other competitors, together with other food suppliers and distributors who are entering this market. This competition and any future increases in same involving the development of pharmaceuticals and other technological and scientific advances in the field of weight loss could have a negative impact on the business, operating results and financial position of the Group.

6. R + D + i activities

The method used by the Group in relation to research and development of new products is as follows:

It is in the commercial, technical and marketing department where the initial need to consider extending the range of products that Naturhouse offers arises, or simply modify one of the existing offers. This need is transferred to one or more of our current suppliers, according to the product format (sachets, vials or capsules). Suppliers develop and submit proposals according to our needs, and if these are covered from a commercial, technical and economic point of view, we proceed to launch the new product or format. Therefore the Group does not generate increased costs in R + D + i in the registration of the brand and the formula in the corresponding department for health.

The main supplier of the Group is the Polish company Ichem Sp. Zo.o, since it represents 58% of total consolidated purchases as of December 31, 2018. The Group holds 24.9% of its capital. The benefits sought with this holding are:

1. Faster launching of new products, sharing know-how in R & D
2. Ensure supply and reduce dependence on third party manufacturers outside the Group
3. Ensure product quality while maintaining high levels of competitiveness

By doing this Naturhouse Health is able to differentiate itself from its competitors because it is present throughout the entire value chain of the nutritional supplement industry, from R & D and product manufacturing to the final sale and client consultation.

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., majority shareholder of Naturhouse Health, has stakes (Indusen SA, Girofibra SL and Laboratorios Abad SLU), which represent approximately 18% of total purchases in 2018, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 24% of total purchases in 2018.

7. Treasury Shares

As of 31 December 2018, the Parent Company holds a total of 14,000 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

There have been no significant subsequent events after close at December 31, 2018 and the formulation of the consolidated abridged interim financial statements.

9. Capital structure and significant shareholdings

As of 31 December 2018, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2017, the share capital is represented by 60.000.000 shares. The main shareholders of the Group are, Kiluva, S.A. with a participation of 72.60%, and Schroder PLC. with 2.99%

10. Shareholder agreements and restrictions on transferability and vote

There is no shareholders agreement or statutory restrictions on the free transferability of the shares of the Parent Company and there are no statutory restriction or regulatory restrictions on voting rights.

11. Administrative Body, Board

The Parent Company's administrative body is made up of a Board of Directors composed of 7 members: Mr. Félix Revuelta Fernández, Mr. Kilian Revuelta Rodríguez, Ms. Vanesa Revuelta Rodríguez, Mr. Rafael Moreno Barquero, Mr. José María Castellanos, Mr. Pedro Nueno Iniesta and Mr. Ignacio Bayón Marine.

12. Significant agreements

No significant agreements are recorded in terms of changes in the control of the Parent Company or between the Parent Company and its Manager and Directors or employees concerning compensation for resignation or dismissal.

13. Annual Corporate Governance Report

The Annual Corporate Governance report that is part of the management report can be found on the website of the National Securities Market Commission (CNMV) and on the website of the Naturhouse Group.

14. Corporate Social Responsibility Report

The Corporate Social Responsibility report that is part of the management report can be found on the website of the National Securities Market Commission (CNMV) and on the website of the Naturhouse Group.

www.cnmv.es
www.naturhouse.com

Madrid, 25 February 2019

Board of Directors

ANNEX I
Companies included in the Consolidation

As of December 31, 2018 and 2017, the subsidiaries consolidated by the global integration method and the information relating thereto is as follows:

Year 2018

Company	Activity	% participation
Naturhouse Health S.A. Calle Claudio Coello, 91 Madrid (Spain)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Manufacturing and marketing of dietetic products	100%
Ichem Sp. zo.o. (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24,9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (UK)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (USA)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc. (**) Rue de la Guachetière Ouest Montréal Québec (Canada)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, Ciudad de Zagreb (Croatia)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%

Company	Activity	% participation
S.A.S. Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Retail sales of all kinds of products related to dietetics,	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Retail sales of all kinds of products related to dietetics,	79%

(*) Only company integrated by the equity method, the rest are integrated by the global integration method

(**) Company not consolidated because it is inactive.

Year 2017

Company	Activity	% participation
Naturhouse Health S.A. Pasaje Pedro Rodríguez 4-6 Barcelona (Spain)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Manufacturing and marketing of dietetic products	100%
Ichem Sp. zo.o. (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24,9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (UK)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (USA)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc. (**) Rue de la Guachetière Ouest Montréal Québec (Canada)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, Ciudad de Zagreb (Croatia)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%

Company	Activity	% participation
S.A.S. Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Retail sales of all kinds of products related to dietetics,	100%
UAB Naturhouse Konstitucijos pr. 7 09308 Vilna (Lithuania)	Retail sales of all kinds of products related to dietetics,	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Retail sales of all kinds of products related to dietetics,	79%

(*) Única sociedad integrada por el método de la participación, el resto por integración global.
(**) Sociedad no consolidada por encontrarse inactiva.

Naturhouse Health, S.A.

Financial Statements for the
year ended 31 December 2018 and
Management Report

Naturhouse Health, S.A.

BALANCE AL 31 DE DICIEMBRE DE 2018

(Euros)

ASSET	Notes Report	31/12/2018	31/12/2017	NET EQUITY AND LIABILITIES	Notes Report	31/12/2018	31/12/2017
NON-CURRENT ASSETS:				**NET EQUITY:**			
Intangible fixed assets	Note 5	**1.343.402**	**1.590.528**	**Own Funds-**			
Administrative concessions and patents		1.263.077	1.496.141	**Capital**		**3.000.000**	**3.000.000**
Transfer rights		13.432	24.265	**Share premium**		**2.148.996**	**2.148.996**
Software		66.893	70.122	**Reserves**		**6.936.309**	**4.043.913**
Tangible fixed assets	Note 6	**2.018.169**	**2.367.298**	Legal and statutory		600.000	600.000
Technical facilities and other items of property, plant and equipment		2.018.169	2.367.298	Other reserves		6.336.309	3.443.913
Long term Investments in Group companies	Note 8	**8.361.604**	**9.206.569**	**Own Shares**		**(64.186)**	**(64.186)**
Equity instruments.		8.361.604	9.206.569	Own Shares		(64.186)	(64.186)
Long-term financial investments	Note 9	**348.451**	**428.005**	**Results of the year / Profits**		**15.686.941**	**22.087.920**
Deferred tax assets	Note 14	**49.779**	**83.370**	**Interim dividend**		**(13.200.000)**	**(12.000.000)**
Non-current assets		**12.121.405**	**13.675.770**	**Total net equity**	Note 11	**14.508.060**	**19.216.643**
				NON-CURRENT LIABILITIES:			
				Long term debts	Note 13	**-**	**5.437**
				Finance lease liabilities		-	5.437
				Deferred tax liabilities	Note 14	**292.645**	**329.216**
				Non-current liabilities		**292.645**	**334.653**
				CURRENT LIABILITIES:			
CURRENT ASSETS:				**Short-term debts**	Note 13	**47.801**	**25.514**
Inventory	Note 10	**1.014.787**	**1.228.908**	Finance lease liabilities		5.437	12.611
Commercial debts and others receivables		**6.534.922**	**9.182.579**	Other financial liabilities		42.364	12.903
Customer receivables for sales and services		311.936	267.317	**Short term Debts with group companies and associates**	Note 15	**3.123.000**	**2.700.000**
Clients, Group companies and associates	Note 15	852.702	617.054	**Trade creditors and other receivables**		**2.154.770**	**2.023.622**
Other debtors		23.180	14.193	Suppliers		421.213	218.884
Current tax assets	Note 14	5.344.651	8.281.311	Suppliers, Group companies and associates	Note 15	948.591	829.283
Other credits with public administrations	Note 14	2.453	2.704	Sundry accounts		387.284	413.305
Short term investments with group companies and associates	Note 15	**-**	**1.157**	Staff		52.598	279.119
Short-term accruals		**89.204**	**158.634**	Other debts with public administrations	Note 14	345.084	283.031
Cash and cash equivalents		**590.244**	**306.955**	**Short-term accruals**		**224.286**	**253.571**
Total current assets		**8.229.157**	**10.878.233**	**Total current liabilities**		**5.549.857**	**5.002.707**
Total assets		**20.350.562**	**24.554.003**	**TOTAL NET EQUITY AND LIABILITIES**		**20.350.562**	**24.554.003**

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the balance at 31 Decembre 2018.

Naturhouse Health, S.A.

LOSS AND PROFIT ACCOUNT AT
31 DE DECEMBRE 2018
(Euros)

	Report notes	Year 2018	Year 2017
OPERACIONES CONTINUADAS:			
Net amount of revenue	**Note 16.1**	**20.573.665**	**21.656.570**
Ventas		18.370.947	19.285.755
Prestación de servicios		2.202.718	2.370.815
Supplies	**Note 16.2**	**(6.047.368)**	**(6.468.368)**
Consumption of merchandise:		(6.047.368)	(6.468.368)
Other operating income		**3.404.974**	**3.668.464**
Non-core and core earnings		3.404.974	3.668.464
Personnel costs		**(8.087.752)**	**(7.189.315)**
Wages, salaries and similar expense		(6.819.368)	(6.005.278)
Social security contributions	**Note 16.4**	(1.268.384)	(1.184.037)
Other operating costs		**(6.333.587)**	**(6.194.672)**
External services		(5.925.262)	(5.693.934)
Taxes		(186.458)	(204.207)
Losses, deterioration and variation of provisions for commercial operations	**Note 9**	(1.867)	(56.552)
Other current management costs		(220.000)	(239.979)
Amortization of fixed assets	**Notes 5 and 6**	**(514.103)**	**(558.868)**
Impairment losses and income from disposal of fixed assets		**(49.928)**	**39.761**
Result from disposals and other	**Note 6**	(49.928)	39.761
Other results		**1.624**	-
Exceptional expenditure and revenue		1.624	-
Operating results - Benefit		**2.947.525**	**4.953.572**
Financial income	**Notes 8 and 16.5**	**14.344.429**	**19.206.348**
Income from shares in equity instruments, group companies and associates		14.344.290	19.197.444
Other income from marketable securities and other financial instruments		139	8.904
Financial expenses	**Note 16.5**	**(30.915)**	**(45.097)**
Due to debts with Group companies	**Note 17**	(1.578)	(6.693)
Debts with third parties		(29.337)	(38.404)
Impairment losses and income from disposal of financial instruments	**Note 8**	**(844.965)**	**(789.596)**
Financial result - Profit		**13.468.549**	**18.371.655**
Result before taxes - Profit		**16.416.074**	**23.325.227**
Corporation Tax	**Note 14**	(729.133)	(1.237.307)
Results of the year / Profits		**15.686.941**	**22.087.920**

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the earnings corresponding to the financial year ended December 31, 2018.

Naturhouse Health, S.A.

STATEMENT OF CHANGE IN NET EQUITY OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(Euros)

A) STATEMENT OF INCOME AND RECOGNIZED EXPENSES

	Year 2018	Year 2017
RESULT OF THE PROFIT AND LOSS ACCOUNT	**15.686.941**	**22.087.920**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN NET EQUITY (II)	-	-
TRANSFERS TO THE PROFIT AND LOSS ACCOUNT (III)	-	-
RECOGNIZED INCOME AND EXPENSES (I+II+III)	**15.686.941**	**22.087.920**

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the recognized income and expenses for the year ended December 31, 2018.

Naturhouse Health, S.A.

STATEMENT OF CHANGE IN NET EQUITY OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(Euros)

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY

	Notes of the notes	Capital	Share issue	Premium legal	Premium voluntary	Shares own	Results of the year	Dividend to account	Total
Balance as of December 31, 2016	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**3.387.813**	**(226.942)**	**22.843.479**	**(12.000.000)**	**19.753.346**
Total recognised income and expenses		-	-	-	-	-	22.087.920	-	22.087.920
Distribution of profit from financial year 2016									
- Distribution to reserves		-	-	-	43.479	-	(12.043.479)	12.000.000	-
- Distribution of dividends		-	-	-	-	-	(10.800.000)	-	(10.800.000)
Operations with treasury shares									
Operations with shares (net)		-	-	-	9.821	162.756	-	-	172.577
Operations with shareholders:									
- Distribution of dividends		-	-	-	-	-	-	(12.000.000)	(12.000.000)
Otras variaciones del patrimonio neto		-	-	-	2.800	-	-	-	2.800
Balance at 31 December 2017	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**3.443.913**	**(64.186)**	**22.087.920**	**(12.000.000)**	**19.216.643**
Total recognised income and expenses		-	-	-	-	-	15.686.941	-	15.686.941
Distribution of profit from financial year 2017									
- Distribution to reserves		-	-	-	2.891.260	-	(14.891.260)	12.000.000	-
- Distribution of dividends		-	-	-	-	-	(7.196.660)	-	(7.196.660)
Operations with shareholders:									
- Distribution of dividends		-	-	-	-	-	-	(13.200.000)	(13.200.000)
Other changes in equity		-	-	-	1.136	-	-	-	1.136
Balance at 31 December 2018	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**6.336.309**	**(64.186)**	**15.686.941**	**(13.200.000)**	**14.508.060**

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the of the changes in equity for the year ended December 31, 2018.

Naturhouse Health, S.A.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(Euros)

	Report notes	Year 2018	Year 2017
Pre-tax profit		**16.416.074**	**23.325.227**
Adjustments to profit:		**(12.902.651)**	**(17.962.425)**
Amortization of fixed assets	Notes 5 and 6	514.103	558.868
- Value adjustments for impairment	Note 9	1.867	56.552
- Results due to sales and disposals of fixed assets	Note 6	49.928	(39.761)
- Impairment and results due to sales and disposals of financial instruments	Note 8	844.965	789.596
- Financial income	Note 16.5	(14.344.429)	(19.206.348)
- Financial expenses	Note 16.5	30.915	45.097
- Other income and expenses		-	103.571
Changes in working capital		**92.700**	**608.818**
- Inventory	Note 10	214.121	56.206
- Debtors and other accounts receivable		(292.714)	886.552
- Other current assets		69.430	(107.938)
- Creditors and other accounts payable		131.148	(226.002)
- Other current liabilities		(29.285)	-
Other cash flows from operating activities		**16.521.041**	**14.241.489**
- Interest payments		(30.915)	(45.097)
- Dividend collections	Note 8	14.344.290	19.197.444
- Interest charges		139	8.904
- Collections (payments) for income tax	Note 14	2.207.527	(4.919.762)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**20.127.164**	**20.483.109**
Payments for investments		**(190.706)**	**(1.423.845)**
- Intangible and tangible fixed assets	Notes 5 and 6	(190.706)	(421.108)
- Investments in affiliate companies	Note 8	-	(1.000.000)
- Other financial assets		-	(2.737)
Charges for disinvestments		**303.641**	**152.102**
- Other financial assets		79.554	-
- Short term investments with group companies and associates		1.157	78.888
- Intangible and tangible fixed assets	Notes 5 and 6	222.930	73.214
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**112.935**	**(1.271.743)**
Receipts and payments from equity instruments		**-**	**172.577**
- Disposals (acquisitions) net of own assets.	Note 11	-	172.577
Receipts and payments from financial liability instruments		**439.850**	**2.695.752**
- Issuance and return of other debts		29.461	-
- Issuance and return of debts with group companies	Note 15	423.000	2.700.000
- Return and amortization of other debts		(12.611)	(4.248)
Payments from dividends and remuneration from other equity instruments		**(20.396.660)**	**(22.800.000)**
- Dividend payments		(20.396.660)	(22.800.000)
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(19.956.810)**	**(19.931.671)**
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)		**283.289**	**(720.305)**
Cash or equivalent at the start of the financial year		306.955	1.027.260
Cash or equivalent at the end of the financial year		590.244	306.955

The Notes 1 to 22 and Annex I described in the attached report form an integral part of the statement of cash flows for the year ended December 31, 2018

Naturhouse Health, S.A.

Financial Statements for the
year ended 31 December 2018 and
Management Report

INDEX Page

Naturhouse Health, S.A.

Notes corresponding to the year ended
December 31, 2018

1. Activity of the Company

Naturhouse Health, S.A., (hereinafter, the "Company"), was founded for an indefinite period in Barcelona on 29th July 1991 with VAT number A-01115286.

During 2017, the Parent Company moved its registered office from the previous location at Pasaje Pedro Rodríguez, 6 in Barcelona to the current location in Calle Claudio Coello, 91 (Madrid).

The Company's corporate purpose, in accordance with its activity and articles of association, is the export and wholesale and retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics, as well as the preparation, promotion, creation, edition, dissemination, sale and distribution of all kinds of magazines, books and brochures and the marketing of dietary products, medicinal herbs and natural cosmetics. This activity is mainly carried out through its own shops and through franchisees. In addition to the operations carried out directly, the Company is the parent of a group of subsidiaries that engage in the same activity and which, together with it, make up Grupo Naturhouse Health (hereinafter, the "Group" or "Naturhouse Group").

At present, Naturhouse Group mainly operates in Spain, Italy, France and Poland.

On April 9, 2015, the Board of Directors of the Company, in the exercise of the delegation of its Sole Shareholder on October 2, 2014, requested admission to official trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and the subsequent public offer of sale and subscription of shares in the Spanish Stock Market, a process that was successful, and therefore the shares of the Company have been listed on the stock exchange since April 24, 2015 (See Note 11).

On July 29, 2013, the merger by absorption of the company Naturhouse Health S.A. as absorbing company, and Kiluva Diet S.L.U. as absorbed company, was registered in the Commercial Registry of Barcelona. The date from which the transactions were deemed carried out, for accounting purposes, on behalf of the acquiring company, was January 1, 2013. The report that formed part of the annual accounts for the 2013 financial year included detailed information on the merger process, as required by Royal Legislative Decree 4/2004 of March 5, approving the revised text of the Corporate Tax Law.

2. Basis of presentation of the financial statements

2.1 Regulatory framework of financial information applicable to the Company

These annual accounts have been prepared by the Directors in accordance with the regulatory framework of financial information applicable to the Company, which is established in:

a. Commercial Code, Capital Companies Act and the remaining commercial legislation.

b. General Accounting Plan approved by Royal Decree 1514/2007 with the amendments introduced by Royal Decrees 1159/2010 and 602/2016, as well as the circulars of the National Securities Market Commission and its sectoral adaptations.

c. The obligatory standards approved by the Institute of Accountants and Auditors in development of the General Accounting Plan and its complementary standards.

d. The remaining applicable Spanish accounting regulations.

2.2 Faithful image

The accompanying annual accounts have been obtained from the accounting records of the Company and are presented in accordance with the regulatory framework of financial information that is applicable thereto and, in particular, the accounting principles and criteria contained therein, so that they show a true image of the net worth, of the financial situation, of the results of the Company, and of the cash flows during the corresponding year. These financial statements, which have been drawn up by the Company's Directors, are subject to approval at the Annual General Meeting, and are expected to be approved without any modifications.

The financial statements for the 2017 financial year were approved by the Annual General Meeting held 20 April 2018 and filed with the Companies Registry of Madrid.

2.3 Comparative effect with consolidated financial statements

The Company is a majority shareholder of several companies (Note 8). These financial statements refer to the individual Company and, therefore, do not show the variations that would occur in the different components of equity or the profit and loss account with the consolidation of the aforementioned Subsidiaries.

The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS), which differ from the regulatory framework described in Note 2.1 under which these financial statements have been drawn up. In accordance with the consolidated financial statements drawn up under International Financial Reporting Standards (IFRS), the consolidated equity attributable to the Parent Company as of 31 December 2018 amounts to 18,836 thousand euros (24,475 thousand euros in 2017), consolidated profit amounts to 15,170 thousand euros (19,855 thousand euros in 2017) and the figure for assets and net turnover amounts to 34,112 and 87,289 thousand euros, respectively (38,837 and 94,700 thousand euros in 2017).

The Naturhouse Group's consolidated financial statements for the 2018 financial year have been drawn up by the Company's Directors at the meeting of its Board of Directors held on 25 February 2019.

2.4 Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. Likewise, the Company's Directors have drawn up these financial statements taking into consideration all the mandatory accounting principles and rules that have a significant effect on these financial statements. There is no accounting principle which, being mandatory, has not been applied.

2.5 Critical aspects in assessing and estimating uncertainty

In preparing the attached financial statements, estimates made by the Company's Directors have been used to assess some of the assets, liabilities, income, expenses and commitments reported herein. These critical estimates basically refer to:

- Useful lives of intangible and tangible fixed assets (see Notes 4.1 and 4.2).

- Impairment losses of non-financial assets (Note 4.1).

- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (Notes 4.9).

- Estimate of impairments for defaults in accounts receivable and inventory obsolescence (see Notes 4.4 and 4.5).

- Estimate of income tax expenses and recoverability of deferred tax assets (see Notes 4.8).

Although these estimates have been made on the basis of the best information available as of yearend 2018, it is possible that events that could take place in the future require them to be adjusted (upwards or downwards) in coming financial years, which would be done, where appropriate, prospectively, recognising the effects of the change in estimate in the profit and loss account for the financial year affected.

2.6 Grouping items

Certain items on the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement are presented grouped together to facilitate the understanding thereof, while, to the extent that it is significant, the disaggregated information has been included in the corresponding notes of the explanatory notes.

2.7 Correction of errors

In drawing up the attached financial statements, no significant errors have been detected that have led to the restatement of the amounts included in the financial statements for the 2017 financial year.

2.8 Changes in accounting standards

When drawing up the attached financial statements, the same accounting standards have been applied as when drawing up the financial statements for the 2017 financial year.

2.9 Information comparison

The information contained in this annual report referring to the 2017 financial year is presented, for comparison purposes, with information from the 2018 financial year.

3. Distribution of the result

The proposed distribution of profit for the financial year drawn up by the Company's Directors, subject to approval at the Annual General Meeting, is as follows:

	Euros	
	2018	2017
Distribution basis:		
Profit for the financial year	15,686,941	22,087,920
	15,686,941	**22,087,920**
Distribution:		
To voluntary reserves	-	2,887,920
To interim dividend	13,200,000	12,000,000
To dividends	2,486,941	7,200,000
	15,686,941	**22,087,920**

In addition, the Board of Directors at its meeting held on February 25, 2019, proposed the distribution of a dividend amounting to 1,113 thousand euros, charged to unrestricted reserves.

In accordance with the requirements of Article 277 of the refunded texts of the Spanish Corporate Law, the provisional financial statements prepared by the Company are transcribed, showing the existence of sufficient profits in the periods so as to allow the distribution of interim dividends, proving the existence of sufficient liquidity so as to be able to make such payment.

Year 2018

At meetings held on July 20 and October 30, 2018, the Directors agreed to distribute interim dividends for the year 2018, amounting to 10,200 thousand euros and 3,000 thousand euros, respectively:

	(Thousands of Euros)
	Provisional Accounting Statement Formulated
Profits from 01-01-2018 Estimated Corporate Tax	9,640 (583)
Maximum amount available for distribution	**9,057**
Liquid Assets and Short-Term Group Financial Investments (*) Interim dividends	18,755 (13,200)
Remaining liquid assets after payment	**5,555**

Year 2017

On 20 July 2017, the Directors agreed to distribute an interim dividend for the 2017 financial year amounting to 12,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01-01-2017 Estimated Corporate Tax	15,333 (858)
Maximum amount available for distribution	**14,475**
Liquid Assets and Short-Term Group Financial Investments (*) Interim dividend	20,429 (12.000)
Remaining liquid assets after payment	**8,429**

4. Valuation and registration rules

The main valuation and registration rules used by the Company in drawing up its financial statements, in accordance with the rules set out under Spanish Generally Accepted Accounting Principles, have been the following:

4.1 Intangible fixed assets

As a general rule, intangible assets are initially valued at their acquisition price or production cost. Subsequently, they are valued at cost less any accumulated amortization and, if applicable, impairment losses. These assets are amortized according to their useful life. Whenever the useful life of these assets cannot be estimated in a reliable way they are amortized in 10 years.

Research and Development Expenses

The Company's activity, due to its nature, does not involve significant Research and Development expenses, not generating more R&D&I expenses than those relating to registering the brand and product formula with the appropriate department of health. The Company's policy is to directly record as expenses, the expenses incurred in both Research as well as Development, deeming that they do not meet the criteria for activation established and as they are not significant, given that the majority of these activities are performed directly by the Company's suppliers.

The expenses recorded in the profit and loss account for the 2018 financial year amounted to 27 thousand euros (16 thousand euros in the 2017 financial year).

Transfer rights

Correspond to the amounts paid by way of transfer of premises in acquiring new shops. Amortised by the straight-line method over a period of 5 to 10 years.

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Company are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 5. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

Software

Licenses for software acquired from third parties, or internally developed software, are capitalized on the basis of the costs incurred to acquire or develop them and to prepare them for use.

Software is amortized by the straight-line method over its useful life, at a rate of between 20% to 33% annually.

Software maintenance costs incurred during the financial year are recorded in the profit and loss account.

Impairment of intangible and tangible assets

Where there is an indication of impairment, the Company estimates, using the "impairment test", the possible existence of impairments reducing the recoverable value of such assets to an amount below their book value.

Assets subject to amortization are reviewed for impairments whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognised by the amount that the asset book value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The Company annually evaluates the existence of impairment indicators (or in interim periods in the event of impairment indicators occurring), determining that on the date of these financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Company has not subjected them to impairment. In this sense, the Company has no significant intangible assets or any trade fund as of 31 December 2018, excepting the brands stated in Note 5 which, in accordance with the gross margins obtained in their marketing, have not been subjected to the impairment test as of 31 December 2018 due to there not being any impairment indicators.

4.2 Tangible fixed assets

Tangible fixed assets are initially valued at acquisition price or production cost and are subsequently reduced by accumulated amortization and impairment losses, if any, according to the criteria described in Note 4.1.

Expenses for enlargements, modernisation or improvements which lead to increased productivity, capacity or efficiency or which extend the useful life of assets, are capitalised as the greater cost of the corresponding assets.

Assets in construction is transferred to tangible fixed assets in use at the time that it is available to start operation or, where appropriate, once the corresponding test period has elapsed, with the amortisation thereof starting at such time.

Upkeep and maintenance costs are allocated to the profit and loss account for the financial year in which they are incurred.

The Company amortises its tangible fixed assets using the straight-line method, distributing the cost of the assets over the years of estimated useful life. The following table shows the estimated useful life for the 2018 and 2017 financial years for each fixed asset item:

	Years of estimated useful life
Other facilities, tools and furniture	8,33 - 30
Information processing equipment	3 - 4
Transportation elements	6,25 - 10

Profits or losses arising from the sale or withdrawal of an asset are determined as the difference between the net book value and the sale price, recognised under "Impairment and income from disposal of fixed assets" on the profit and loss account.

For fixed assets that require a period of more than one year to be serviceable, the capitalised costs include the financial expenses accrued prior to the asset being put into operating condition and which have been charged by the supplier or correspond to loans or other external financing, specific or generic, directly attributable to the acquisition or manufacture of the same. During the 2018 and 2017 financial years, there were no financial expenses capitalized as a higher value of an asset.

4.3. Leases

Leases are classified as financial leases whenever, from the conditions thereof, it is demonstrated that the risks and rewards of ownership of the asset under the contract are substantially transferred to the lessee. All other leases are classified as operating leases.

Financial leases

In financial leasing transactions in which the Company acts as the lessee, the cost of the leased assets is presented on the balance sheet according to the nature of the asset under the contract as well as, simultaneously, a liability for the same amount. This amount is the lower of the fair value of the leased asset and the present value at the start of the lease of the minimum amounts agreed, including the purchase option, when there are no reasonable doubts about the exercise of such. Contingent rent, the cost of services and taxes to be passed on to the lessor will not be included in this calculation. The total financial burden of the contract is allocated to the profit and loss account for the financial year in which it accrues, using the effective interest rate method. Contingent rents are recognised as an expense in the financial year in which they are incurred.

The assets recorded for these kinds of transactions are amortised using standards similar to those applied to tangible assets, according to the nature thereof.

Operating leases

The expenses arising from operating lease agreements are allocated to the profit and loss account for the financial year in which they accrue.

Any collection or payment that could be made on contracting an operating lease will be treated as an advance payment or collection to be allocated to income throughout the term of the lease, as the income from the asset leased is ceded or received.

4.4 Financial Instruments

Financial assets

The financial assets held by the Company are classified into the following categories:

a. Loans and accounts receivable: financial assets arising from the sale of goods or the provision of services from the company's ordinary course of business, or those which, not having commercial substance, are not equity instruments or derivatives and the collections for which are fixed or determinable amounts and not traded on an active market.

b. Equity investments in Group companies and associates: Group companies are considered to be those related to the Company through a relationship of control, and associates are companies over which the Company exercises significant influence.

c. Financial assets available for sale> include debt securities and equity instruments of other companies that have not been classified in any of the above categories.

Initial valuation

The financial assets are initially recorded at the fair value of the consideration paid plus the transaction costs that are directly attributable.

In the case of equity investments in Group companies that provide control over the subsidiary, the fees paid to legal advisers or other professionals related to the acquisition of the investment are directly allocated to the profit and loss account.

Subsequent valuation

These liabilities are subsequently valued at amortised cost.

Investments in Group companies and associates are valued at cost less, where appropriate, the cumulative amount of the impairment losses. These losses are calculated as the difference between the book value and the recoverable amount, understanding the latter as the higher of the fair value less selling costs and the present value of the future cash flows arising from the investment. Excepting better evidence on the recoverable amount, the equity of the investee is taken into consideration, adjusted for unrealised gains as of the valuation date (including goodwill, if any).

The financial assets available for sale are valued at their fair value, the income from variations in such fair value being recorded in the Consolidated Statement of Comprehensive Income, until the asset is disposed of or has undergone an impairment (stable or permanent), at which time such accumulated income previously recognised in Equity are recorded in the profit and loss account. In this regard, there is a presumption of impairment (permanent) if there has been a decline of over 40% in the asset's list value or if there has been a prolonged decline in the same over a period of one and a half years without the value being recovered.

At yearend, at least, the Company performs an impairment test for the financial assets that are not recorded at fair value. It is considered that there is objective evidence of impairment when a financial asset's recoverable value is less than its book value. When this occurs, the impairment loss is recorded in the profit and loss account.

In particular, regarding the valuation adjustments relating to trade and other accounts receivable, the criterion used by the Company to calculate the corresponding valuation adjustments, if any, consists of conducting a specific analysis for each debtor based on the solvency thereof.

The Company derecognises financial assets when they expire or the rights to the cash flows for the financial asset concerned have been transferred and the risks and rewards inherent to their ownership have been substantially transferred. On the contrary, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which the risks and rewards inherent to their ownership are substantially retained.

Financial liabilities

Financial liabilities are the debits and payables that the Company has and that have arisen from the purchase of goods and services in the ordinary course of business, or those that do not have commercial substance and cannot be considered as financial derivatives.

Debits and payables are initially valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently valued at amortised cost.

The Company derecognise financial liabilities when the obligations generated are extinguished.

Equity instruments

An equity instrument represents a residual interest in the Company's Assets after deducting all of its liabilities.

The equity instruments issued by the Company are recorded in equity for the amount received, net of issue expenses.

The treasury shares acquired by the Company are recorded at the value of the consideration paid in exchange, directly as a reduction of Equity. The income arising from the purchase, sale, issue or amortisation of own equity instruments are directly recognised Equity, in no case is any income recorded on the Profit and Loss Account.

4.5. Inventory

Stock is valued at the lower of the acquisition price, production cost or net realisable value.

The net realisable value represents the estimated selling price less all estimated costs to finish manufacture and the costs to be incurred in the marketing, sales and distribution processes.

In assigning value to its stock, the Company uses the weighted average price method.

The Company makes the appropriate value adjustments, recognising them as an expense in the profit and loss account when the net realisable value of the stock is less than the acquisition price (or production cost).

4.6 Cash and other equivalent liquid assets

Cash and cash equivalents include cash on hand, demand deposits with credit institutions and other short term highly liquid investments with an original maturity of three months or less.

4.7 Current and non/current assets

Current assets are considered to be those linked to the normal operating cycle which, in general, is considered to be one year; also other assets whose maturity, disposal or realisation is expected to occur in the short term from yearend, financial assets held for trading, except for financial derivatives whose settlement period exceeds one year and cash and cash equivalents. Assets that do not meet the aforementioned requirements are classified as non-current.

Similarly, current liabilities are those linked to the normal operating cycle, financial liabilities held for trading, except for financial derivatives whose settlement period exceeds one year and, in general, all obligations whose maturity or termination will occur in the short term, including in this category all obligations for which the Company does not hold, at yearend, an irrevocable right to meet the same in a period exceeding one year. Otherwise, they are classified as non-current.

4.8 Corporate Tax

Income tax expense or income comprises the part concerning current tax expense or income and the part corresponding to deferred tax expense or income.

Current tax is the amount that the Company pays as a result of tax settlements for the income tax concerning a financial year. Tax credits and other tax benefits, excluding withholdings and payments on account, as well as compensable tax losses from prior financial years and effectively applied in this year, result in a lower amount of current tax.

The deferred tax expense or income corresponds to the recognition and derecognition of deferred tax liabilities and assets. These include temporary differences, which are identified as the amounts expected to be payable or recoverable arising from the differences between the book value of assets and liabilities and their tax value, as well as the negative tax bases to be offset and the credits for tax deductions not applied. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled to the temporary difference or credit.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and is not a business combination.

On the other hand, deferred tax assets are only recognized to the extent that it is considered probable that the Company will have future taxable profits against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity will also be recognised with a balancing entry in equity.

At each accounting close, the deferred tax assets recorded are reviewed and the appropriate adjustments to them made to the extent that there are doubts concerning the future recovery thereof. Likewise, at each accounting close, the deferred tax assets not recorded on the balance sheet are assessed and recognised to the extent that the recovery thereof becomes probable, with future tax benefits.

4.9 Provisions and contingencies

The Company's Directors make a distinction between the following in preparing the annual statements:

a. Provisions: credit balances covering current obligations arising from past events, whose cancellation is likely, causing an outflow of resources, but the amount and/or timing of the cancellation is uncertain.

b. Contingent liabilities: possible obligations arising as a result of past events, whose future existence is conditional on the occurrence, or otherwise, of one or more future events beyond the Company's control.

The statement of financial position includes all the provisions with respect to which it is estimated that the likelihood of having to meet the obligation is greater than it not being the case. Contingent liabilities are not recognised in the financial statements, but are disclosed in the notes of the explanatory notes, to the extent that they are not considered to be remote.

The provisions are valued at the current value of the best estimate possible of the amount required to settle or transfer the obligation, taking into consideration the information available on the event and its consequences, and reporting any adjustments arising from updating such provisions as a financial expense as they accrue.

The compensation received from a third party in settlement of the obligation, provided there are no doubts that such reimbursement will be received, is recorded as an asset, except in the event that there is a legal relationship whereby part of the risk has been externalised and by virtue of which the Company is not obliged to respond; in this situation, the compensation will be taken into consideration when estimating the amount by which, if appropriate, the relevant provision will be included.

4.10 Redundancies

In accordance with current legislation, the Company is required to pay redundancies to employees with whom, under certain conditions, it terminates their employment relationship. Therefore, redundancies that may be reasonably quantified are recorded as an expense in the financial year in which the decision to terminate employment is made and a valid expectation is created in third parties respecting the dismissal. In the financial statements attached, no provision for this item has been recorded, as none of them are estimated.

4.11 Income and expenses

Income is recognised to the extent that it is likely that the Company will obtain economic benefits and if the income can be reliably measured, regardless of when the payment is made. Income is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before recording income:

Sale of goods

Income from the sale of goods is recognised when the goods are delivered and ownership has been transferred, when all the following conditions are met:

- The Company has transferred to the buyer the main risks and rewards arising from ownership of the goods;

- The Company does not maintain any involvement in the current management of the goods sold, nor does it retain effective control over them;

- the amount of income can be reliably determined;

- it is likely that the Company will receive the economic benefits arising from the transaction;

The sale of goods is primarily carried out through the sale of products to the franchisee customer, or directly to end customers (consumers) through the shops owned by the Company. Likewise, one-time sales to other Group companies are made for marketing abroad.

There are no significant product returns either from the franchisee customer or the end customer.

Provision of services

The Company's income from the provision of services on the one side relates to the annual fee that the Company directly charges its franchisees, and in the other hand "master franchise" contracts, an amount that the Company charges a third party for such third party to directly operate the Naturhouse Group's franchises in a given country. This master franchise is usually signed for a period of 7 years and the amount varies between 50,000 and 300,000 euros, which is billed once in advance.

Likewise, this heading includes the income from royalties that the Company charges to Group companies and third parties in accordance with the terms and conditions included in the "master franchise" contracts it has signed.

Other operating income

Under this heading, the Company mainly records the rebilling of expenses (management fees) to Group companies and, to a lesser extent, income from the photovoltaic plants it owns (see Note 6).

Interest and dividend income

Dividends from investments are recognised when the shareholder's right to receive payment has been established (provided it is likely that the Company will receive the economic benefits and that the amount of income can be reliably measured).

Interest income arising from a financial asset is recognised when it is likely that the Company will receive the economic benefits and the amount of income can be reliably measured. Interest income is accrued on a time proportion basis, depending on the principal outstanding and the effective interest rate applicable, which is the rate that allows the estimated future cash flows to be discounted over the expected life of the financial asset in order to accurately obtain such asset's net book value.

Expenses are recognised in the statement of income when a decrease in future economic benefits related to a reduction of an asset, or an increase of a liability occurs which can be reliably measured. This implies that the recording of expenses occurs simultaneously with the recording of a liability increase or asset reduction.

An expense is immediately recognised when a payment does not generate future economic benefits or when it does not meet the requirements for recognition as an asset.

Additionally, an expense is recognised when incurred in a liability and no asset is recorded, such as a liability for a guarantee.

4.12 Foreign currency transactions

The functional currency used by the Company is the euro. Therefore, transactions in currencies other than the euro are considered to be denominated in foreign currency and are recorded at the exchange rates prevailing at the transaction date.

At yearend, monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate at the date of the balance sheet. Any resulting profits or losses are directly allocated to the profit and loss account for the financial year in which they arise.

4.13 Transactions with related parties

The Company performs all its transactions with related parties at market values. The Company's Directors and its tax advisers consider that there are no significant risks in this regard that could lead to significant liabilities in the future.

4.14 Statement of Cash Flows

In the statement of cash flows, the following expressions are used in the following sense:

-Cash flows: inflows and outflows of cash and cash equivalents, including current investments with high liquidity and low risk of variations in value.

-Operating activities: the activities typically carried out, as well as other activities that cannot be classified as investment or financing activities.

-Investment activities: those regarding the acquisition, disposal or sale by other means of non-current assets and other investments not included in cash and cash equivalents.

-Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not part of the operating activities.

4.15 Environmental assets

Assets that are constantly used in the Company's business, whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution, are considered to be environmental assets.

Given the activity in which the Company engages, it has no liabilities, expenses, assets or provisions and contingencies of an environmental nature that could be significant in relation to the equity, financial position and results of the same. Therefore, no specific breakdowns are included in these financial statements with respect to information concerning environmental matters.

5. Intangible fixed assets

The changes in this heading on the balance sheet for the 2018 and 2017 financial years have been as follows:

Year 2018

Cost	Euros			
	31-12-2017	Additions	Disposals	31-12-2018
Industrial property	0	-	-	2,330,638
Transfer rights	50,000	-	-	50,000
Software	232,554	33,308	(3,645)	262,217
Total cost	**282,554**	**33,308**	**(3,645)**	**2,642,855**

Amortisations	Euros			
	31-12-2017	Allocations	Disposals	31-12-2018
Industrial property	(834,497)	(233,064)	-	(1,067,561)
Transfer rights	(25,735)	(10,833)	-	(36,568)
Software	(162,432)	(33,301)	409	(195,324)
Total amortisation	**(1,022,664)**	**(277,198)**	**409**	**(1,299,453)**

Total intangible assets	Euros	
	31-12-2018	31-12-2017
Cost	2,642,855	2,613,192
Amortisations	(1,299,453)	(1,022,664)
Net total	**1,343,402**	**1,590,528**

Year 2017

Cost	Euros		
	31-12-2016	Additions	31-12-2017
Industrial property	2,330,638	-	2,968
Transfer rights	50,000	-	50,000
Software	162,543	70,011	232,554
Total cost	**2,543,181**	**70,011**	**285,522**

Amortisations	Euros		
	31-12-2016	Allocations	31-12-2017
Industrial property	(601,332)	(233,165)	(834,497)
Transfer rights	(15,735)	(10,000)	(25,735)
Software	(133,225)	(29,207)	(162,432)
Total amortisation	**(750,292)**	**(272,372)**	**(1,022,664)**

Total intangible assets	Euros	
	31-12-2017	31-12-2016
Cost	2,613,192	2,543,181
Amortisations	(1,022,664)	(750,292)
Net total	**1,590,528**	**1,792,889**

During the 2018 and 2017 financial years, there have been no significant additions to intangible assets.

The main asset under intangible assets basically corresponds to a set of brands acquired in the 2014 financial year amounting to 2,331 thousand euros, the net book value of which amounts to 1,263 and 1,496 thousand euros as of 31 December 2018 and 31 December 2017, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Company has not subjected them to the impairment test as of 31 December 2018, due to impairment indicators not being seen in them.

At year end 2018 and 2017, the Company had fully amortised intangible assets still in use, as detailed below:

Fully amortized intangible fixed assets	Euros	
	Book Value (Gross)	
	31-12-2018	31-12-2017
Software	149,407	119,288
	149,407	**119,288**

6. Tangible fixed assets

The movement in this heading of the balance sheet in 2018 and 2017, as well as the most significant information affecting this heading, were as follows:

Year 2018

Cost	Euros			
	31-12-2017	Additions	Disposals	31-12-2018
Other facilities, tools and furnishings	4,397,919	133,124	(276,791)	4,254,252
Information processing equipment	722,864	24,274	(13,154)	733,984
Transportation elements	262,405	-	-	262,405
Total cost	**5,383,188**	**157,398**	**(289,945)**	**5,250,641**

Amortisations	Euros			
	31-12-2017	Allocations	Disposals	31-12-2018
Other facilities, tools and furnishings	(2,187,964)	(166,197)	14,921	(2,339,240)
Information processing equipment	(607,328)	(56,775)	5,402	(658,701)
Transportation elements	(220,598)	(13,933)	-	(234,531)
Total amortisation	**(3,015,890)**	**(236,905)**	**20,323**	**(3,232,472)**

Total Tangible Fixed Assets	Euros	
	31-12-2018	31-12-2017
Cost	5,250,641	5,383,188
Amortization	(3,232,472)	(3,015,890)
Net total	**2,018,169**	**2,367,298**

Year 2017

Cost	Euros			
	31-12-2016	Additions	Disposals	31-12-2017
Other facilities, tools and furnishings	4,227,506	261,782	(91,369)	4,397,919
Information processing equipment	746,385	89,315	(112,836)	722,864
Transportation elements	262,405	-	-	262,405
Total cost	**5,236,296**	**351,097**	**(204,205)**	**5,383,188**

Amortisations	Euros			
	31-12-2016	Allocations	Disposals	31-12-2017
Other facilities, tools and furnishings	(2,036,217)	(209,883)	58,136	(2,187,964)
Information processing equipment	(669,288)	(50,656)	112,616	(607,328)
Transportation elements	(194,641)	(25,957)	-	(220,598)
Total amortisation	**(2,900,146)**	**(286,496)**	**170,752**	**(3,015,890)**

Total Tangible Fixed Assets	Euros	
	31-12-2017	31-12-2016
Cost	5,383,188	5,236,296
Amortization	(3,015,890)	(2,900,146)
Net total	**2,367,298**	**2,336,150**

The additions for the years 2018 and 2017 correspond, fundamentally, to installations in new own stores, as well as to improvements needed for the existing ones. In addition, the Company has sold various works of art to its parent company (Kiluva, S.A.), which have been sold at a price equal to their book value, not generating any result, since said book value is found by an independent appraiser to be over the valuations made during the year 2018 by an independent expert (see note 6). Additionally, the accompanying income statement includes a loss for a total amount of 50 thousand euros recorded under the heading "Impairment and gains or losses on disposals of fixed assets" as a result of sales of fixed assets affecting the stores that have been transferred to franchisees or other third parties.

As of December 31, 2018 and 2017, the "Other stores, tools and furniture" heading includes photovoltaic panels whose net book value amounts to 1,183 and 1,248 thousand euros, respectively. These fixed assets are amortised by the straight-line method as with any of the Company's fixed assets, but they do not directly affect the Company's activities. As of December 31, 2018, this asset did not meet the criteria established in Rule 7 of the Registration and Valuation Regulations of the General Accounting Plan for classification as "Non-current assets held for sale".

As of 31 December 2018 and 2017, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to and 80 thousand euros, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 13).

The fully amortized tangible fixed assets still in use at yearend 2018 amount to 1,985 thousand euros (1,125 thousand euros at yearend 2017).

Firm purchase commitments

As of yearend 2018, the Company does not have any firm commitments to purchase fixed assets.

Insurance policy

The Company continues its policy to take out insurance policies to cover the potential risks to which the different elements of its tangible fixed assets are subject. It is estimated that the cover taken out as of yearend 2018 is sufficient so as to cover the risks inherent in the Company's activities.

7. Leases

Operating leases

As of 31 December 2018 and 2017, the Company has contracted with lessors the following non-cancellable minimum lease payments in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases in the CPI or future updates to rents agreed under contract:

	Euros	
	Nominal value	
Minimum operating lease payments	31-12-2018	31-12-2017
Less than 1 year	1,077,637	1,301,422
Between one and six years	2,546,559	3,351,506
More than five years	537,930	952,657
	4,162,126	**5,605,585**

The amount of operating lease payments recognised as an expense in the 2018 and 2017 financial years is as follows:

	Euros	
Operating lease payments	2018	2017
Rental offices and warehouse	221,935	242,400
Other rentals	1,242,487	1,180,518
	1,464,422	**1,422,918**

In its position as lessee, the most significant operating lease agreement the Company has on December 31, 2018, is as follows:

- Leasing of a building in which the Madrid offices are located to a related party (Note 17). The lease was renewed in January 2014 with validity until December 2023.

The lease contracts have been classified as operating leases because of the particular terms and conditions thereof.

8. Investments in Group companies (long and short term)

The account balance under "Long-term Investments in Group companies" at 31 December 2018 and 2017 is as follows:

	Euros	
	31-12-2018	31-12-2017
Equity instruments	13,332,777	13,332,777
Provision for impairment losses on equity instruments	(4,971,173)	(4,126,208)
Total long-term investments in Group companies	**19,253**	**18,443**

8.1 Group company equity instruments

The changes under the headings "Equity instruments" and "Provision for impairment losses on equity instruments" for the 2018 and 2017 financial years are broken down in the following table:

Year 2018

	Euros		
	31-12-2017	Additions	31-12-2018
Cost:			
Naturhouse, GmBh	288,000	-	288,000
Naturhouse, S.R.L.	193,937	-	193,937
Naturhouse Franchising Co Ltd.	118,832	-	118,832
Zamodiet México, S.A. de C.V.	855,224	-	855,224
Housediet, S.A.R.L	200,000	-	200,000
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	2,800,000	-	2,800,000
Naturhouse, Sp zo.o.	676,427	-	676,427
SAS Naturhouse	4,535,000	-	4,535,000
Ichem Sp. Zo.o	2,275,405	-	2,275,405
Naturhouse, Inc.	1,389,952	-	1,389,952
Total cost	13,332,777	-	13,332,777
Impairment			
Naturhouse, GmBh	(255,782)	(32,218)	(288,000)
Naturhouse Franchising Co Ltd.	(64,904)	(17,290)	(82,194)
Zamodiet México, S.A. de C.V.	(855,225)	-	(855,225)
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	(2,225,209)	(187,018)	(2,412,227)
Naturhouse, Inc.	(725,088)	(608,439)	(1,333,527)
Total impairment	(4,126,208)	(844,965)	(4,971,173)
Net total	**9,206,569**	**844,965**	**8,361,604**

Year 2017

	Euros		
	31-12-2016	Additions	31-12-2017
Cost:			
Naturhouse, GmBh	288,000	-	288,000
Naturhouse, S.R.L.	193,937	-	193,937
Naturhouse Franchising Co Ltd.	118,832	-	118,832
Zamodiet México, S.A. de C.V.	855,224	-	855,224
Housediet, S.A.R.L	200,000	-	200,000
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	2,800,000	-	2,800,000
Naturhouse, Sp zo.o.	676,427	-	676,427
SAS Naturhouse	4,535,000	-	4,535,000
Ichem Sp. Zo.o	2,275,405	-	2,275,405
Naturhouse, Inc.	389,952	1,000,000	1,389,952
Total cost	12,332,777	1,000,000	13,332,777
Impairment			
Naturhouse, GmBh	(139,079)	(116,703)	(255,782)
Naturhouse Franchising Co Ltd.	(41,192)	(23,712)	(64,904)
Zamodiet México, S.A. de C.V.	(756,065)	(99,160)	(855,225)
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	(2,225,209)	-	(2,225,209)
Naturhouse, Inc.	(175,067)	(550,021)	(725,088)
Total impairment	(3,336,612)	(789,596)	(4,126,208)
Net total	**8,996,165**	**210,404**	**9,206,569**

During the financial year 2018, there were no changes in the acquisition cost of the shares held by the Company in the group companies. On the other hand, the only movement in 2017, under the heading "Equity instruments in Group companies", was as follows:

-Capital increase in the United States, Naturhouse Inc.: During the financial year 2017, the Company increased its capital stock by one million euros, maintaining a 100% stake.

Information related to the direct and indirect financial shareholdings held by the Company are broken down in Annex I.

The dividends received by the Company from its subsidiaries have been as follows:

	Euros	
	2018	2017
Naturhouse, S.R.L.	2,982,994	3,490,000
Naturhouse, Sp zo.o.	1,015,201	4,574,229
SAS Naturhouse	10,000,000	10,445,000
Ichem Sp.	329,201	643,806
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	16,894	44,409
	14,344,290	**19,197,444**

As of December 31, 2018, the Company has reassessed the impairment of shareholdings in Group companies based on the theoretical book value of the different investee companies, considering this to be the best evidence of their recoverable value.

9. Long-term financial investments

As of December 31, 2018 and 2017, the balance in the "Long-term financial investments" heading is as follows:

	Euros	
	31-12-2018	31-12-2017
Equity instruments		
Assets available for sale	-	42,147
Other financial assets		
Long term deposits and guarantees	348,451	385,858
	348,451	**428,005**

The financial assets recorded under the heading "Long-term deposits and guarantees" primarily correspond to deposits associated with the leases described in Note 7.

Information concerning the nature and level of risk of financial instruments

The Company's activities are exposed to various financial risks: market risk (including exchange rate risk), credit risk, liquidity risk and interest rate risk on cash flows.

1. *Credit risk*

In general the Company maintains its cash and equivalent liquid assets at banks with high credit ratings. It also performs adequate monitoring of accounts receivable individually, in order to determine situations of potential insolvency.

The Company's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivable and investments, which represent the Company's highest exposure to credit risk in connection with its financial assets.

The Company's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the balance sheet net of provisions for bad debts, estimated by the Company's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the balance sheet as of 31 December 2018 is as follows:

	Euros	
	31-12-2018	31-12-2017
Provision for bad debts	(10,792)	(8,925)

The Company does not have a significant concentration of credit risk, with exposure spread over a large number of customers (franchised) and their individual amounts being insignificant. During the year 2018, the Company recognized a loss in the year for an amount of 1,867 euros (56,552 euros in the financial year 2017).

However, the Company's Financial Management considers this risk to be a key aspect in daily business management, focusing all efforts on the appropriate control and monitoring of the development of accounts receivable and arrears, especially in sectors of activity with increased risk of default. Additionally, it is one of the Company's policies to obtain guarantees or deposits from customers in order to ensure compliance with their commitments.

Additionally, the Company has established a policy of accepting customers based on periodic liquidity and solvency risk assessments and the establishment of credit limits for debtors. Moreover, the Company conducts periodic analysis of the age of the debt with commercial customers in order to cover potential risks of default.

The average collection period varies, depending on the country, between 30 and 60 days, although a very significant portion of sales is collected in advance at the time it is performed. Significant balances with third parties overdue for more than 180 days are fully provisioned.

2. *Liquidity risk*

   In order to ensure liquidity and meet all payment obligations arising from its activities, the Company has the liquid assets shown on its balance and on its statement of financial position, as well as available financing detailed in Note 13.

   In this regard, the Company performs liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of financing through an adequate number of credit facilities and sufficient capacity to settle market positions.

   On the other hand, it has always sought to utilize the liquid assets available for anticipative payment obligation and debt commitment management.

   The financial liabilities of the Company as of December 31, 2018 are not significant and expire in 2019 (see Note 13).

3. *.Market risk in the interest rate and the exchange rate:*

   The Company's operating activities are largely independent with respect to changes in market interest rates.

   The interest rate risk of the Company arises from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on the cash flows. As of yearend 2018, the Company has no significant variable rate long-term borrowings.

   In addition, as of yearend 2018 and 2017, the Company has an amount available in liquid assets that is higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

   Thus, the Company has not considered it necessary to cover interest rate fluctuations, consequently, it has not maintained derivative instruments during the 2018 and 2017 financial years.

   With regard to exchange rate risk, the Group does not operate significantly internationally in countries with currencies other than the euro and, therefore, its exposure to exchange rate risk from foreign currency transactions is not significant.

10. Inventory

The composition of the Company's stock at 31 December 2018 and 2017 is as follows:

	Euros	
	31-12-2018	31-12-2017
Commercial stocks	1,014,787	1,228,908
	1,014,787	**1,228,908**

The Company has not made any adjustments for impairment since the net realizable value of the inventories is higher than its acquisition price (or production cost), which is why no losses have been made under this item in the years 2018 and 2017 .

11. Equity and Own Funds

Share Capital

On 9 April 2015, the Board of Directors of the Company, exercising the delegation of the Sole Shareholder dated 2 October 2014, unanimously agreed to the public new stock offering on the Stock Market.

On 24 April 2015, the Comisión Nacional del Mercado de Valores admitted to trading 15 million shares of the Company's share capital, with a nominal value of 5 euro cents each, which were sold by Kiluva, S.A. at the price of 4.8 euros. Subsequently, on 22 May 2015, the Green Shoe option was executed, expanding the number of shares admitting to trading by 1,097,637, reaching a total of 16,097,637 shares.

As of 31 December 2018, the Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Company's share capital, both directly as well as indirectly, higher than 3% of the share capital, as of 31 December 2018 are as follows:

Shareholder	%
Kiluva, SA	72.60

The Directors of the Company have no knowledge of other shares equal to or higher than 3% of the Company's share capital or voting rights, or that are lower than the percentage established, allowing significant influence to be exercised over the Company.

Distribution of profit and dividends

On 20 April 2018, the Annual General Meeting approved the allocation of the Company's profits for the 2017 financial year, which amounted to 22,088 thousand euros, to dividends amounting to 19,200 thousand euros, of which 12,000 thousand euros had been distributed as interim dividends for the 2017 financial year.

Additionally, on July 20, 2018 and October 30, 2018, the Company approved the distribution of dividends amounting to 10,200 thousand euros and 3,000 thousand euros, respectively, on account of the result of the 2018 financial year.

Legal reserve

In accordance with Consolidated Text of Capital Company Law, an amount equal to 10% of the annual profit must be assigned to the legal reserve until said reserve reaches an amount of 20% of the Company's share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital. With the exception of that mentioned above, and while it does not exceed 20% of the share capital, said reserve may only be used to offset losses, provided that there are no sufficient other reserves available for this purpose.

As of 31 December 2018, this reserve has been completely established.

Treasury Shares

As of yearend 2018 and 2017, the Company held company shares in accordance with the following breakdown:

		Euros		
Year	Number of shares	Nominal value	Average acquisition price	Total acquisition cost
2018	14,000	700	4.58	64,186
2017	14,000	700	4.58	64,186

As of 31 December 2018, the Company's shares held by it represent 0.02% of the Company's share capital, totalling 14,000 shares with a cost of 64 thousand euros and an average acquisition price of 4.58 euros per share.

The movement in company shares during the 2018 financial years has been as follows:

Number of shares	2018	2017
Start of the financial year	14,000	49,500
Sales	-	(35,500)
Yearend	**14,000**	**14,000**

12. Provisions and contingencies

Provisions:

As of December 31, 2018 and 2017, the Company had no recorded provisions.

Contingencies

The Company's Directors consider that there are no contingencies that could lead to unregistered liabilities or that could have a significant impact on the attached financial statements.

13. Amounts owed to credit institutions and other financial liabilities

The account balance under "Long-term debts" and "Short-term debts" at 31 December 2018 and 2017 is as follows:

December 31, 2018

	Euros			
	Amount	Maturity		
	Initial or Limit	Current	Current Non-	Total
Amounts owed to credit institutions:				
Financial leases	79,538	5,437	-	5,437
Credit lines	1,000,000	-		-
	1,079,538	5,437	-	5,437
Subtotal of debts to credit institutions:				
Other financial liabilities	-	42,364	-	42,364
	1,079,538	**47,801**	**-**	**47,801**

December 31, 2017

	Euros			
	Amount Initial or Limit	Maturity		
		Current	Current Non-	Total
Amounts owed to credit institutions:				
Financial leases	79,538	12,611	5,437	18,048
Credit lines	1,000,000	-	-	-
Subtotal of debts to credit institutions:	1,079,538	12,611	5,437	18,048
Other financial liabilities	-	12,903	-	12,903
	1,079,538	**25,514**	**5,437**	**30,951**

Financial leases

The reduction of the amount pending for financial leases during the financial year 2018 is explained by the payments made during the year.

14. Public Administrations and fiscal situation

The composition of balances with Public Administrations at 31 December 2018 and 2017 is as follows:

	Euros			
	Debit balances		Credit balances	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
Current balances:				
Company tax (refund) receivable	5,344,651	8,281,311	-	-
Tax Authorities, debtor/creditor due to IVA (VAT)	2,453	2,606	50,508	93,184
Social Security agencies, creditor	-	-	124,147	67,633
Tax Authorities, creditor due to income tax	-	98	170,429	122,214
Total current balances	**5,347,104**	**8,284,015**	**345,084**	**283,031**

14.1 Reconciliation of accounting profit and taxable base

Corporate Tax is calculated from the book income or accounting profit, obtained by the application of generally accepted accounting principles, which does not necessarily need to coincide with taxable income, understood as the tax base.

The reconciliation of the Company's accounting profit for the financial year ending 31 December 2018 and 31 December 2017 with the Corporate Tax taxable base is as follows:

Year 2018

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	16,416,071
Permanent differences:			
Arising in the financial year	958,911	(14,344,290)	(13,385,379)
Arising in previous financial years	51,272	-	51,272
Temporary differences:			
Arising in the financial year	63,235	(945)	62,290
Arising in previous financial years	-	(50,367)	(50,367)
Total tax base	**1,073,418**	**(14,395,602)**	**3,093,887**

Year 2017

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	23,325,227
Permanent differences:			
Arising in the financial year	873,221	(19,197,444)	(18,324,223)
Arising in previous financial years	51,272	-	51,272
Temporary differences:			
Arising in the financial year	65,526	(945)	64,581
Arising in previous financial years	-	(54,756)	(54,756)
Total tax base	**990,019**	**(19,253,145)**	**5,062,101**

The permanent differences correspond, mainly, to the exemption for double taxation of the dividends received from the Group companies as of December 31, 2018 and 2017 (Note 8) and, on the other hand, positive impairment has been adjusted for investments in long-term Group companies, non-deductible donations and penalties.

Meanwhile, the temporary differences basically correspond to differences between accounting and tax amortisations of the Company's fixed assets.

Additionally, during the 2018 financial year, the Company made payments on account and withholdings and tax payments on account for Corporate Tax have been carried out for the 2018 financial year amounting to 2,390 thousand euros. On this basis, at yearend the company holds a balance to be recovered from the Tax Authorities amounting to 1,659 thousand euros, which has been registered as a current tax asset. Additionally, as of yearend 2018, an amount of 3,685 thousand euros corresponding to the Corporate Tax settlement for the 2017financial year was also pending collection (see Note 22).

14.2 The reconcilement between income and expenses for Corporation Tax

Reconciliation between accounting profit and Corporate Tax expense is as follows:

	Euros	
	2018	2017
Accounting profit before tax	16,416,071	23,325,227
Permanent differences	(13,334,107)	(18,272,951)
Fee 25%	770,491	1,263,069
Deductions not activated	(41,358)	(25,762)
Total expense (income) for recognized tax in the profit and loss account	**729,133**	**1,237,307**

14.3 Breakdown of corporate tax expense or income

The breakdown of the amount recorded for corporate tax corresponding to the 2018 and 2017 financial years is as follows:

	Euros	
	2018	2017
Current tax:		
Continuing operations	732,114	1,239,763
Deferred tax:		
Continuing operations	(2,981)	(2,456)
Total tax expense	**729,133**	**1,237,307**

14.4 Deferred tax assets

Deferred tax assets, registered -

Deferred tax assets basically correspond to temporary differences between accounting and tax amortisations of the Company's fixed assets.

The deferred tax assets indicated above have been recorded on the attached balance sheet as the Company's Directors consider, in line with the best estimates of the Company's future results, including certain tax planning measures, that it is likely that these assets will be recovered.

Deferred tax assets, not registered -

At yearend 2018 and 2017, there are no deferred tax assets that are not registered on the attached balance sheet.

14.5 Deferred tax liabilities

The amount registered under the heading "Deferred tax liabilities" as of 31 December 2018 and 31 December 2017 is as follows:

	Euros	
	31-12-2018	31-12-2017
Financial leases	292,645	329,216
	292,645	**329,216**

14.6 Years pending approval and auditing actions

In accordance with current legislation, tax cannot be considered as definitively settled until the returns submitted have been inspected by the tax authorities or the limitation period of four years has expired. As of 31 December 2018, the Company has the 2014 and following financial years open for inspection for Corporate Tax and the 2015 and following financial years open for the other applicable taxes.

The Company's Directors consider that the aforementioned taxes have been appropriately settled, consequently, even in the case of discrepancies arising in the interpretation of rules in force due to the tax treatment given to transactions, the resulting contingent liabilities, if materialised, would not significantly affect the attached balance sheet and explanatory notes.

15. Balances with related parties

Balances with related parties

In addition to the subsidiaries, associates companies, the "key personnel" in the Company's Management (members of its Board of Directors and the Directors, together with their close relatives) are considered to be "related parties" to the Company, as are the entities over which the key personnel in Management may exercise significant influence or have control.

The balances held with group companies and companies related to shareholders or members of the Board of Directors are shown below.

Year 2018

	Euros		
	Current		
	Debtor balance	Creditor balance	
Company	Commercial debts	Other financial liabilities	Commercial transactions
From the ordinary course of business:			
Other Group Companies			
Naturhouse Gmbh	67,816	-	-
SAS Naturhouse	289,125	1,623,000	11,720
Kiluva Portuguesa Lda	2,475	1,000,000	-
Naturhouse Franchising Ltd. Co.	185,473	-	66,565
Naturhouse Sp Zoo	66,174	-	-
Naturhouse Inc.	96,622	-	-
Naturhouse, S.R.L.	136,458	500,000	-
Associates			
Zamodiet, S.L.	-	-	8,272
Indusen, SA	-	-	276,814
Giro Fibra S.A.	-	-	53,422
Ichem, Sp.Z.o.o.	-	-	531,044
Healthhouse Sun S.L.	30	-	297
Laboratorios Abad, S.L.U.	-	-	457
Tartales, SLU	8,529		
Parent Company			
Kiluva, SA	-	-	-
	852,702	**3,123,000**	**948,591**

Year 2017

Company	Euros			
	Current			
	Debtor balance		Creditor balance	
	Commercial debts	Other financial assets	Other financial liabilities	Commercial transactions
From the ordinary course of business:				
Other Group Companies				
Naturhouse Gmbh	35,369	-	-	-
SAS Naturhouse	202,486	-	2,700,000	-
Naturhouse Franchising Ltd. Co.	93,158	-	-	-
Naturhouse Sp Zoo	31,996	-	-	-
Naturhouse Inc.	90,062	-	-	-
Naturhouse, S.R.L.	163,954	-	-	-
Associates				
Zamodiet, S.L.	-	-	-	8,272
Indusen, SA	-	-	-	301,296
Giro Fibra S.A.	-	-	-	51,343
Ichem, Sp.Z.o.o.	-	-	-	447,987
Healthhouse Sun S.L.	29	-	-	612
Laboratorios Abad, S.L.U.	-	-	-	826
Tartales, SLU	-	1,157	-	-
U.D.Logroñés, S.A.D.	-	-	-	7,381
Parent Company				
Kiluva, SA	-	-	-	11,566
	617,054	**1,157**	**2,700,000**	**829,283**

The other current financial liabilities as of December 31, 2018 maintained with Naturhouse S.A.S., Kiluva Portuguesa Lda and Naturhouse S.R.L. correspond to the balance arranged with these companies through cashpooling accounts that accrue market interest.

16. Income and expenses

16.1 Net amount of revenue

The breakdown of net revenues for the years of 2018 and 2017 of the Company is detailed below:

	Euros	
	2018	2017
Sales	18,370,947	19,285,755
Provision of services	2,202,718	2,370,815
	20,573,665	**23,225**

"Provision of services" mainly includes royalties billed to the subsidiaries Naturhouse S.R.L., Naturhouse Sp Zo.o, S.A.S. Naturhouse, as well as the income from the royalties billed to franchisees and the income from the master franchises in other countries.

The main activities developed by the Company are described in Note 1 of these explanatory notes. A segmentation of activities has not been carried out due to considering that there are activities differentiated by significant amounts which involve the identification of business segments. Moreover, neither the Company nor the Group use information with a distinction between activities in their management.

The distribution of net turnover corresponding to the 2018 and 2017 financial years, distributed by geographical market, is as follows:

	Euros	
	2018	2017
Domestic Market	18,131,830	18,624,928
Export Market	2,441,835	3,031,642
Total sales	**20,573,665**	**21,656,570**

16.2 Supplies

The amount recorded under "Consumption of Merchandise" for the years 2018 and 2017 has the following composition:

	Euros	
	2018	2017
Purchases	5,833,247	6,412,162
Changes in stocks (Note 10)	214,121	56,206
Total supplies	**6,047,368**	**6,468,368**

16.3 Breakdown of purchases by origin

The details of the purchases made by the Company during 2018 and 2017, by source, is as follows:

	Euros			
	2018		2017	
	Domestic	Intracommunity	Domestic	Intracommunity
Purchases	3,016,492	2,816,755	3,420,432	2,991,730

16.4 Personnel costs

The account balance for "Social costs" for the 2018 and 2017 financial years has the following composition:

	Euros	
	2018	2017
Social Security paid by the company	1,178,949	1,106,270
Other social expenses	89,435	77,767
	1,268,384	**1,184,037**

Management report

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2018

31 DECEMBER 2018

INDEX

1. Situation and Business Development

Naturhouse Health S.A. is a company dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. At the close of financial year 2018, it had a network of 563 centres.

The company closed the year 2018 with a positive result of 15.68 million net profit.

The sales forecasts that the company was set at the beginning of the year have not been reached, the bad weather conditions of the first quarter of the year have significantly influenced the result of the year.

The upward trend of the company in recent years did not foresee these results, for this reason we fully trust in the company's ability to reverse the situation.

In terms of international expansion the company continues to grow, with the entry into Austria we have increased our geographical presence to 32 countries. This growing expansion shows once again the ability to adapt the business model to any country in the world regardless of its culture, religion and level of development. Furthermore, the good trend of the master franchise contracts can be highlighted that, during 2018, have increased the number of centres by 12% thanks to the contribution of Ireland, Slovakia, Czech Republic and Romania.

We start 2019 in a good position to resume the path of growth, not only because Naturhouse is a leading brand in its sector in Europe, but because we are convinced that the commercial strategies adopted will yield the desired results.

We expect a lot from the project to change the image and layout of the centres, called store 2.0, a new concept of store aimed at enhancing the commercial area that will contribute to increasing its profitability as a result of the sale of products that are not linked to obesity, and that will attract a younger audience.

On April 20, 2018 the General Shareholders' Meeting was held, approving the following points;

- Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Statement of Changes in the Consolidated Net Equity, Statement of Consolidated Cash Flows and Consolidated Report and Consolidated Management Report of the Consolidated Group of Naturhouse Health, S.A. and subsidiaries corresponding to the year ended December 31, 2017.
- The proposal for the application of results and the management of the Board of Directors of Naturhouse Health, S.A., corresponding to the year 2017.
- Approval of the management of the Board of Directors corresponding to the year 2017.
- Re-election and establishment of the number of Directors:

  5.1. Re-election for the statutory period of four years of Mr Felix Revuelta Fernández in the position of Executive Director.

  5.2. Re-election for the statutory period of four years of Mrs Vanesa Revuelta Rodríguez in the position of Executive Director.

  5.3. Re-election for the statutory period of four years of Mr Kilian Revuelta Rodríguez in the position of Executive Director.

  5.4. Re-election for the statutory period of four years of Mr José María Castellano Ríos in the position of Independent Director.

  5.5. Re-election for the statutory period of four years of Mr Pedro Nueno Iniesta in the position of Independent Director.

  5.6. Re-election for the statutory period of four years of Mr Ignacio Bayón Marine in the position of Independent Director.

5.7. Re-election for the four-year statutory period of Mr Rafael Moreno Barquero in the position of Proprietary Director.

- Re-election and appointment of Deloitte, S.L. as auditors of the Company for a maximum term of three years for the audit of the Group's individual and consolidated annual accounts, corresponding to the years 2018,2019-2018 and 2020, maximum.

- Remuneration of the company's Board of Directors.

  7.1 Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2017 financial year.

  7.2 Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2018 financial year.

  7.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2018 financial year.

- Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury shares, within the limits and legal requirements, directly or through group companies, in accordance with the provisions of article 146 of the Capital Companies Act.

- Delegation of powers to supplement, develop, execute, remedy and formalise the resolutions adopted by the General Meeting.

On April 20 2018, it is reported that Mr . Bayón Marine, Independent Director and member of the Audit Committee, is appointed by the Board of Directors as Chairman of the aforementioned Naturhouse Audit Committee to replace Mr José María Castellano Ríos, who continues to be a member of the Audit Committee. The replacement takes place as a result of the expiration of the regulatory and legal period of four years from the appointment of Mr José María Castellano Ríos as Chairman of the Audit Committee.

On 7th May 2018, an advance dividend distribution for the 2017 financial year was made, amounting to 7,200 thousand euros.

On 14 September 2018, the payment of interim dividends was made for the 2018 financial year, amounting to 10,200 thousand euros.

On 14 December 2018, the payment of interim dividends was made for the 2018 financial year, amounting to 3,000 thousand euros.

2. Evolution of the main figures of the individual profit and loss account

Individual Profit and Loss Account

	Year 2018	Year 2017
CONTINUING OPERATIONS		
Net amount of revenue	**20,573,665**	**21,656,570**
Sales	18,370,947	19,285,755
Provision of services	2,202,718	2,370,815
Supplies	**(6,047,368)**	**(6,648,368)**
Consumption of merchandise:	(6,047,368)	(6,468,368)
Other operating income	**3,404,974**	**3,668,464**
Non-core and core earnings	3,404,974	3,668,464
Operating subsidies included in the income for the year	-	-
Personnel costs	**(8,087,752)**	**(7,189,315)**
Wages, salaries and similar expense	(6,819,368)	(6,005,278)
Social security contributions	(1,268,384)	(1,184,037)
Other operating costs	**(6,333,587)**	**(6,194,672)**
External services	(5,925,262)	(5,693,934)
Taxes	(186,458)	(204,207)
Losses, deterioration and variation of provisions for commercial operations	(1,867)	(56,552)
Other current operating expenses	(220,000)	(239,979)
Amortisation of fixed assets	**(514,103)**	**(558,868)**
Impairment losses and income from disposal of fixed assets	**(49,928)**	**39,761**
Exceptional expenditure and revenue	1,624	39,761
Operating Profit / (Loss)	**2,947,525**	**4,953,572**
Financial income	**14,344,429**	**19,206,348**
Income from shares in equity instruments, group companies and associates	14,344,290	19,197,444
Other income from marketable securities and other financial instruments with third parties	139	8,904
Financial expenses	**(30,915)**	**(45,097)**
Due to debts with the group		(6,693)
Debts with third parties	(30,915)	(38,404)
Impairment losses and income from disposal of financial instruments	**(844,965)**	**(789,596)**
Financial Profit / (Loss)	**13,468,549**	**18,371,655**
Pre-tax Profit / (Loss)	**16,416,074**	**23,325,227**
Corporate Tax	(729,133)	(1,237,307)
Profit / (Loss) for the financial year	**15,686,941**	**22,087,920**

	31-12-2018	31-12-2017
Average number of employees	**208**	**216**
Gross Margin without Sales	71%	**70%**
Operating Profit/(Loss) without Sales	14%	23%
Net Income without Sales	76%	102%

- The net turnover is composed of two main aspects:

  1. Sale of goods. Corresponds to the sale of products through the Naturhouse channel (either through franchising, master franchising or centres of our property). Represents the bulk of revenues with 89% in 2018.

  2. Prevision of service;
     a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.39% of net turnover for the 2018 financial year.
     b. In the financial year 2018, 0.29% of the total turnover was invoiced as an entry fee for the Master Franchise. Incorporation of Austria.
     c. Fee for direct supply to suppliers by the master franchisee; corresponds to the fee of 10% of purchases made directly by the master franchises from suppliers approved by Naturhouse Health, S.A. This represents 9% of net turnover in the 2018 financial year.

- The net amount of the turnover in the financial year 2018 amounts to 20,573,660 euros, which represents a decrease in sales of 5% compared to the year 2017, derived from the closure of 26 centres due to the restructuring of centres that is being carried out with the objective of modernizing the business model.

- The gross margin over the net amount of turnover remains at 70%.

- "Other operating income" corresponds to income from activities that fall outside the Naturhouse business, which in 2018 mainly includes management fees to the Group's subsidiaries amounting to 2.996.216 euros.

- In 2018 there is an average workforce of 208 employees in the Company, of which 85% are direct employees of the Naturhouse centres under self-management and commercial offices that control the smooth running of all the centres, both franchises and the Group's own centres, and the remaining 18% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.
  Personnel Expenses represents 39% of net revenues. There has been an increase in this heading with respect to the year 2017 derived from the compensation paid to the staff of offices in Barcelona as a result of the transfer of the headquarters from Barcelona to Madrid.

- "Other operating expenses" has increased by 2% with respect to 2017, mainly due to:

  - *Advertising* Spending on advertising has increased due to the launch of the *pack express*, with the aim of expanding sales to a customer who wants more moderate weight loss and in a shorter time.

- The net result on turnover is around 76% due to dividends received from Naturhouse Group companies during the 2018 financial year. The decrease of 29% of the net result on the year 2017 derives from the increase shown above under staff expenses for the compensation of the Barcelona staff and the advertising of the *pack express* . Another item that contributed to the fall was the lower dividend amount received during the 2018 financial year of Naturhouse Group's subsidiaries.

3. Individual Statement of Financial Position

ASSET	31/12/2018	31/12/2017
NON-CURRENT ASSETS:		
Intangible fixed assets	**1,343,402**	**1,590,528**
Concessions and Patents	1,263,078	1,496,141
Transfer rights	10,936	24,265
Software	69,388	70,122
Tangible fixed assets	**2,018,169**	**2,367,298**
Technical facilities and other tangible fixed assets	2,018,169	2,367,298
Assets in construction and advances	-	-
Long-term investments in Group companies-	**8,361,604**	**9,206,569**
Equity instruments	8,631,604	9,206,569
Long-term financial investments-	**348,451**	**428,005**
Deferred tax assets-	**49,779**	**83,370**
Non-current assets	**12,121,405**	**13,675,770**
CURRENT ASSETS:		
Inventory	**1,014,787**	**1,228,908**
Trade and other accounts receivable-	**6,534,921**	**9,182,579**
Customer receivables for sales and services	311,936	267,317
Customers, group companies and associates	852,702	617,054
Other debtors	23,180	14,193
Current tax assets	5,344,651	8,281,311
Other credits with Public Administrations	2,453	2,704
Short-term investments in Group companies and associates	**-**	**1,157**
Short-term accruals	**89,204**	**158,634**
Cash and other equivalent liquid assets	**590,244**	**306,955**
Total current assets	**8,229,156**	**10,878,233**
Total Assets	**20,350,562**	**24,554,003**

EQUITY AND LIABILITIES	31/12/2018	31/12/2017
NET EQUITY:		
Own funds-		
Capital	**3,000,000**	**3,000,000**
Share Premium	**2,148,996**	**2,148,996**
Reserves-	**6,936,309**	**4,043,913**
Legal and statutory	600,000	600,000
Other reserves	6,336,309	3,443,913
Own shares and company shares	**(64,186)**	**(64,186)**
Own shares and company shares	(64,186)	(64,186)
Profit or loss for the financial year	**15,686,941**	**22,087,920**
Interim dividend	**(13,200,000)**	**(12,000,000)**
Total net equity	**14,508,060**	**19,216,643**
NON-CURRENT LIABILITIES:		
Long-term debts	**-**	**5,437**
Amounts owed to credit institution:	-	-
Financial lease creditors	-	5,437
Other financial liabilities	-	-
Deferred tax liabilities	**292,645**	**329,216**
Non-current liabilities	**292,645**	**329,216**
CURRENT LIABILITIES:		
Short-term debts-	**47,801**	**25,514**
Amounts owed to credit institution:	-	-
Financial lease creditors	5,437	12,611
Other financial liabilities	42,364	12,903
Short-term debts with Group companies and associates	**3,123,000**	**2,700,000**
Trade creditors and other receivables	**2,154,770**	**2,023,622**
Suppliers	421,213	218,884
Suppliers, group companies and associates	948,591	829,283
Various creditors	387,284	413,305
Personnel	52,598	279,119
Other debts with Public Administrations	345,084	283,031
Short-term accruals	**224,286**	**253,571**
Short-term accruals	224,286	253,571
Total current liabilities	**5,549,857**	**5,002,707**
TOTAL NET EQUITY AND LIABILITIES	**20,350,562**	**24,554,003**

- Under "Customers, group companies and associates", this is the debt balance resulting from the supply of products and bills for services from the company to Naturhouse Group subsidiaries.

- "Current tax assets", which includes the amount paid to the Tax Agency as an advance of the corporate tax for the year 2017 and the financial year of 2018. The amount advanced for corporate tax for the year 2017 was returned in February 2019, with the return of the amount for the 2018 financial year still pending.

- Even though the company terminated the liquidity contract with Banco Alcalá on 15 December 2016, at 31 December 2017 there is a balance in own shares and company shares of €64,186, represented by a total of 14,000 shares at an average acquisition price of €3.81/share.

- On 14 September 2018, Naturhouse Health, S.A. decided to distribute an interim dividend for the 2018 financial year amounting to 10.200.000 euros. And on December 14, 2018 it was decided to distribute another interim dividend for the 2018 financial year for an amount of 3,000,000 euros.

- The heading "Debts with Group companies and short-term associates" are loans from the subsidiaries of Naturhouse Health, S.A. to undertake the agreed dividend payments. When the Tax Agency gives the advanced refund of the corporate tax for 2017, said loans will be paid.

- "Short-term accruals" in liabilities includes income for master franchises collected during the 2016, 2017 and 2018 financial years (Malta, Hungary, India, Ireland and Austria), which are accrued for the duration of the master franchise agreement, i.e. seven years.

- The average payment period of the Spanish companies included in the Naturhouse Group was 43.65 days, within the maximum period established in the delinquency regulations.

4. Financial risk management and use of hedging instruments

The Company's activities are exposed to various financial risks: market risk (including foreign exchange and interest rate risk), credit risk, liquidity risk and interest rate risk on cash flows.

.Market risk in the interest rate and the exchange rate:

The Company's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2018, 100% of borrowings were at variable interest rates. However, the Company has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

Regarding the exchange rate risk, the Company does not operate internationally outside the Euro Currency to any great extent, so its exposure to exchange rate risk on foreign currency operations is not significant.

Credit risk

In general, the Company maintains its cash and equivalent liquid assets at banks with high credit ratings. It also performs adequate monitoring of accounts receivable individually, in order to determine situations of potential insolvency.

The Company's credit risk is primarily attributable to its trade receivables. There is no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk

In order to ensure liquidity and be able to meet all payment obligations arising from its activities, the Company has abundant credit lines and financing with credit institutions. It has maintained a proactive policy on the management of liquidity risk, focusing primarily on the preservation of same, maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to liquidate market positions.

5. Risk Factors

Spanish authorities may adopt laws and regulations that impose new obligations entailing an increase in operating costs.

The competitive environment: The company competes with self-administered weight loss schemes and other commercial programmes from other competitors, along with other suppliers and food retailers that operate in this market. This competition and any future increases in same involving the development of pharmaceuticals and other technological and scientific advances in the field of weight loss could have a negative impact on the business, operating results and financial position of the Company.

6. R + D + i activities

The method used by the Company in relation to research and development of new products is as follows:

It is in the commercial, technical and marketing department where the initial need to consider extending the range of products that Naturhouse offers arises, or simply modify one of the existing offers. This need is transferred to one or more of our current suppliers, according to the product format (sachets, vials or capsules). Suppliers develop and submit proposals according to incoming needs, and if these are covered from a commercial, technical and economic point of view, we proceed to launch the new product or format. Therefore the Company does not generate increased costs in R + D + i in the registration of the brand and the formula in the corresponding department for health.

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 42% of total consolidated purchases to 31 December 2018. Naturhouse Health, S.A. holds 24.9% of its capital. The benefits sought with this holding are:

1. Faster launching of new products, sharing know-how in R & D
2. Ensure supply and reduce dependence on third party manufacturers outside the Group
3. Ensure product quality while maintaining high levels of competitiveness

By doing this Naturhouse Health SA is able to differentiate itself from its competitors because it is present throughout the entire value chain of the nutritional supplement industry, from R & D and product manufacturing to the final sale and client consultation.

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., majority shareholder of Naturhouse Health S.A., has stakes (Indusen, Girofibra, Laboratorios Abad and Zamodiet), which represent approximately 33% of total purchases in 2018, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 25% of total purchases in 2018.

7. Treasury Shares

As of 31 December 2018, the Parent Company holds a total of 14,000 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

There are no relevant subsequent events to mention.

9. Capital structure and significant shareholdings

As of 31 December 2018, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2018, the share capital is represented by 60.000.000 shares. The Group's main shareholders are Kiluva, S.A. with a 72.60% stake and Schroder Investment Management Ltd. with 2.99%.

10. Shareholder agreements and restrictions on transferability and vote

There is no shareholders agreement or statutory restrictions on the free transferability of the shares of the Parent Company and there are no statutory restriction or regulatory restrictions on voting rights.

11. Administrative Body, Board

The Parent Company's administrative body is made up of a Board of Directors composed of 7 members: Mr. Félix Revuelta Fernández, Mr. Kilian Revuelta Rodríguez, Ms. Vanesa Revuelta Rodríguez, Mr. Rafael Moreno Barquero, Mr. José María Castellanos, Mr. Pedro Nueno Iniesta and Mr. Ignacio Bayón Marine.

12. Significant agreements

No significant agreements are recorded in terms of changes in the control of the Parent Company or between the Parent Company and its Manager and Directors or employees concerning compensation for resignation or dismissal.

13. Annual Corporate Governance Report

The Annual Corporate Governance report that is part of the management report can be consulted on the website of the National Securities Commission (CNMV) and on the website of the Naturhouse Group.

14. Corporate Social Responsibility Report

The Corporate Social Responsibility report corporate governance report that is part of the management report can be consulted on the website of the National Securities Commission (CNMV) and on the website of the Naturhouse Group.

www.cnmv.es
www.naturhouse.com

Madrid, 25 February 2019

ANNEX I

NATURHOUSE HEALTH, S.A.
31 DECEMBER 2018

Companies of the Group- 2018 Equity Instruments

Company	Euros					
	Capital	Reserves and Net equity	Net result	Participation % Direct	Participation % Indirect	Shareholder
Housediet S.A.R.L. (1) 75 rue Beaubourg 75003 Paris (France)	200,000	149,712	(15,085)	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa –Nutriçao e Dietetica, Lda (1) Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	49,880	993,893	341,128	28% - -	- 43% 29%	Naturhouse Health S.A. Naturhouse S.R.L. S.A.S. Naturhouse
Ichem, Sp. zo.o. (2) ul. Dostawcza 12 93-231 Łódź (Poland)	185,056	10,887,501	2,395,622	25%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. (1) Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(426,684)	(181,595)	-	100%	S.A.S. Naturhouse
Naturhouse Franchising Co, Ltd (1) 33 church road, Ashford Middlesex (UK)	335,372	(176,531)	(35,953)	33% -	- 67%	Naturhouse Health S.A. Naturhouse S.R.L.
Naturhouse, Gmbh (1) Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(447,662)	(133,794)	56% -	- 44%	Naturhouse Health S.A. S.A.S. Naturhouse
Naturhouse, Sp. zo.o. (2) Ul/Dostawcza, 12 93-231 Lozd (Poland)	87,181	935,437	1,082,120	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. (2) Viale Panzacchi, nº 19 Bologna (Italy)	100,000	477,238	3,585,590	100%	-	Naturhouse Health S.A.
Naturhouse Inc. (1) 1395 Brickellave 800 STE Miami FL (USA)	1,241,651	(617,930)	(574,422)	100%	-	Naturhouse Health S.A.
Nutrition Naturhouse Inc. (3) Rue de la Gauchetière Ouest Montréal Québec (Canada)	-	-	-	-	100%	S.A.S. Naturhouse
Naturhouse d.o.o. (1) Ilica 126, Ciudad de Zagreb (Croacia)	102,125	(149,584)	(45,291)	-	100%	Naturhouse Sp. zo.o.
S.A.S. Naturhouse (2) 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	(2,876,154)	9,673,579	100%	-	Naturhouse Health S.A.
UAB Naturhouse (1) Konstitucijos pr. 7 09308 Vilna (Lithuania)	193,131	(193,131)	(21,337)	-	100%	Naturhouse Sp. zo.o.
Zamodiet México S.A. de C.V. (1) Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	930,047	(903,049)	-	79%	-	Naturhouse Health S.A.

(1) Financial statements without obligation to be subject to external review available on December 31, 2018.

(2) Audited annual accounts as of December 31, 2018.

(3) Company in registration proceedings, pending formalization.

Companies of the Group- 2017 Equity Instruments

Company	Capital	Reserves and Net equity	Net result	Participation % Direct	Participation % Indirect	Shareholder
Housediet S.A.R.L. [(1)] 75 rue Beaubourg 75003 Paris (France)	200,000	161,874	(12,161)	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa –Nutriçao e Dietetica, Lda [(1)] Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	49,880	993,893	60,336	28% - -	- 43% 29%	Naturhouse Health S.A. Naturhouse S.R.L. S.A.S. Naturhouse
Ichem, Sp. zo.o. [(2)] ul. Dostawcza 12 93-231 Łódź (Poland)	190,567	10,627559	1,778,215	25%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. [(1)] Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(252,178)	(174,506)	-	100%	S.A.S. Naturhouse
Naturhouse Franchising Co, Ltd [(1)] 33 church road, Ashford Middlesex (UK)	338,131	(122,984)	(55,397)	33% -	- 67%	Naturhouse Health S.A. Naturhouse S.R.L.
Naturhouse, Gmbh [(1)] Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(236,231)	(206,237)	56% -	- 44%	Naturhouse Health S.A. S.A.S. Naturhouse
Naturhouse, Sp. zo.o. [(2)] Ul/Dostawcza, 12 93-231 Lozd (Poland)	89,777	(746,347)	2,941,767	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. [(2)] Viale Panzacchi, nº 19 Bologna (Italy)	100,000	627,238	2,832,994	100%	-	Naturhouse Health S.A.
Naturhouse Inc. [(1)] 1395 Brickellave 800 STE Miami FL (USA)	1,348,852	(216,089)	(419,961)	100%	-	Naturhouse Health S.A.
Nutrition Naturhouse Inc. [(3)] Rue de la Gauchetière Ouest Montréal Québec (Canada)	-	-	-	-	100%	S.A.S. Naturhouse
Naturhouse d.o.o. [(1)] Ilica 126, Ciudad de Zagreb (Croatia)	101,747	(102,422)	(46,322)	-	100%	Naturhouse Sp. zo.o.
S.A.S. Naturhouse [(2)] 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	(3,120,299)	10,287,594	100%	-	Naturhouse Health S.A.
UAB Naturhouse [(1)] Konstitucijos pr. 7 09308 Vilna (Lithuania)	100,000	(114,125)	(46,094)	-	100%	Naturhouse Sp. zo.o.
Zamodiet México S.A. de C.V. [(1)] Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	884,094	(714,277)	(35,095)	79%	-	Naturhouse Health S.A.

Euros (all amount columns)

(1) Financial statements without obligation to be subject to external review available on December 31, 2018.

(2) Audited annual accounts as of December 31, 2018.

(3) Company in registration proceedings, pending formalization.