NATUHOUSE HEALTH, S.A

Los Estados Financieros e Informe de Gestión Consolidados del ejercicio 2022 han sido traducidos por la compañía. En caso de discrepancia, prevalecerá la versión en Español.

The Consolidated Financial Statements and Management Report for the year ended December, 2022 have been translated by the company. In case of discrepancy, Spanish version will prevail.

Audit Report on Financial Statements
issued by an Independent Auditor

NATURHOUSE HEALTH, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2022

Ernst & Young, S.L.
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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of Naturhouse Health, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Naturhouse Health, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2022, the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2022 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement and disclosure of transactions with related parties

Description	As described in note 20 to the accompanying consolidated financial statements, the Group maintains a significant volume of transactions with related parties, primarily product purchases and transactions between Naturhouse Group companies which, although eliminated on consolidation, have a significant impact on taxation in the main countries in which the Group operates. In accordance with the regulatory tax framework for transfer pricing, the Group prepares transfer pricing documentation annually with the support of its tax advisors. Due to significance of the amount of the transactions, the potential impact that they may have on the evaluation and interpretation of users of Group companies' financial information as well as when evaluating compliance with prevailing audit accounting regulations in the different jurisdictions where the Group operates, we determined the valuation and disclosures pertaining to related-party transactions as a key audit matter.
Our response	With regard to this matter, our audit procedures included: ▶ Understanding the process for measuring and recording transactions with related parties as well as the design of controls implemented by the Group in this area. ▶ Reviewing, in collaboration with our tax specialists, the most recent transfer pricing report prepared by the Group with the support of its tax advisors, of whom we have also evaluated their competence, capacity and objectivity. ▶ Analyzing, in collaboration with our tax specialists, the supporting documentation for the most significant transactions carried out with related-parties during the year. ▶ Verifying balances and transactions with Group and related companies. ▶ Reviewing the disclosures included in the notes to the consolidated financial statements in accordance with the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Naturhouse Health, S.A. and subsidiaries for the 2022 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

The directors of Naturhouse Health, S.A. are responsible for submitting the annual financial report for the 2022 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, the Corporate Governance Report and the Board remuneration report have been incorporated by reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the directors of the parent company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 28, 2023.

Term of engagement

The ordinary general shareholders' meeting held on June 22, 2020 appointed us as auditors for three years, commencing on December 31, 2020.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signature on the original in Spanish)

Alfonso Manuel Crespo
(Registered in the Official Register of Auditors under No. 22308)

February 28, 2023

Naturhouse Health, S.A. and Subsidiaries

Consolidated Financial Statements for the financial year ending 31 December 2022, prepared in accordance with the International Financial Reporting Standards adopted in the European Union (EU-IFRS) and Consolidated Management Report

Naturhouse Health S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

(Thousands of Euros)

ASSETS	Notes Report	31/12/2022	31/12/2021
NON-CURRENT ASSETS:			
Intangible assets	Note 8	609	753
Tangible fixed assets	Note 9	3,979	2,674
Non-current financial assets	Note 11.1	529	1,399
Investments in associates-			
Investments recognised using the equity method	Note 11.2	10,554	6,793
Deferred tax assets	Note 18.3	81	107
Total non-current assets		15,752	11,726
CURRENT ASSETS:			
Stock	Note 12	2,669	2,550
Trade receivables for sales and provision of services		2,400	2,691
Customers, related companies	Note 20.1	3	17
Current tax assets and other credits with public administrations	Note 18.1	6,759	3,988
Other current assets	Note 11.3	3,126	779
Cash and cash equivalents	Note 13	12,108	27,250
Total current assets		27,065	37,275
TOTAL ASSETS		42,817	49,001

EQUITY AND LIABILITIES	Notes Report	31/12/2022	31/12/2021
EQUITY:			
Capital and reserves-			
Subscribed capital	Note 14	3,000	3,000
Issue premium		2,149	2,149
Reserves		16,930	18,443
Own shares	Note 14	(142)	(142)
Conversion differences	Note 14	(754)	(790)
Profit / (Loss) for the financial year		9,627	13,361
Interim dividend	Note 5	(3,000)	-
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		27,810	36,021
EQUITY - MINORITY INTERESTS	Note 14	52	60
Total Equity		27,862	36,081
NON-CURRENT LIABILITIES:			
Non-current provisions	Note 15	2,399	1,188
Non-current debts	Note 16	3,858	3,375
Deferred tax liabilities	Note 18.5	306	294
Total non-current liabilities		6,563	4,857
CURRENT LIABILITIES:			
Current provisions	Note 15	401	982
Current debts	Note 16	1,524	992
Trade creditors and other accounts payable	Note 17	2,559	2,375
Suppliers, related companies	Note 20.1	1,900	2,008
Current tax liabilities and other debts with public administrations	Note 18.1	2,008	1,706
Total current liabilities		8,392	8,063
TOTAL EQUITY AND LIABILITIES		42,817	49,001

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated statement of financial position as of 31 December 2022.

Naturhouse Health S.A. and Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 2022 FINANCIAL YEAR
(Thousands of Euros)

	Notes Report	Financial year 2022	Financial year 2021
Net turnover	Note 19.1	52,403	57,594
Supplies	Note 19.2	(14,920)	(16,335)
Gross Margin		37,483	41,259
Other operating income		172	344
Staff expenses	Note 19.3	(10,628)	(10,765)
Other operating expenses	Note 19.5	(11,308)	(10,306)
Operating result before amortisation, impairment and other income		15,719	20,532
Amortization of fixed assets	Notes 8 and 9	(2,298)	(2,457)
Impairment and income from disposal of fixed assets	Note 9	9	(206)
Other results		(577)	(531)
OPERATING RESULT		12,853	17,338
Financial income	Note 19.4	111	361
Other financial income		111	361
Financial expenses	Note 19.4	(206)	(100)
Debts with third parties		(206)	(100)
Exchange differences	Note 19.4	36	56
FINANCIAL RESULT		(59)	317
Income from equity-accounted entities	Note 11.2	309	590
PRE-TAX CONSOLIDATED PROFIT OR LOSS		13,103	18,245
Corporate Tax	Note 18.2	(3,484)	(4,879)
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS		9,619	13,366
NET CONSOLIDATED RESULT - PROFIT		9,619	13,366
Less profit or loss - minority interests	Note 14	(8)	5
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY		9,627	13,361
Earnings per share (in euros per share):			
- Basic	Note 14	0.16	0.22
- Diluted	Note 14	0.16	0.22

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated profit and loss account for the 2022 financial year.

Naturhouse Health S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2022 FINANCIAL YEAR
(Thousands of Euros)

	Financial year 2022	Financial year 2021
A- PROFIT AND LOSS ACCOUNT BALANCE	9,619	13,366
B- OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		
Items not to be transferred to income:	-	-
Items that can later be transferred to income:		
Differences due to the conversion of financial statements in foreign currency	36	297
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	9,655	13,663
Total Comprehensive Income attributable to:		
- The Parent Company	9,663	13,658
- Minority shareholders	(8)	(5)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	9,655	13,653

Notes 1 to 24 described in the attached consolidated explanatory notes and Annex I are an integral part of the consolidated statement of comprehensive income for the 2022 financial year.

Naturhouse Health S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2022 FINANCIAL YEAR
(Thousands of Euros)

	Share Capital	Issue premium	Reserves	Own shares	Conversion differences	Profit or loss for the financial year attributable to the Parent Company	Interim dividend	Minority interests	Total Equity
Balance at 31 December 2020	3,000	2,149	13,452	(142)	(1,875)	9,379	-	65	26,028
Recognised income and expenses	-	-	-	-	297	13,361	-	(5)	13,653
Distribution of profit for the 2020 financial year									
- Distribution to reserves	-	-	24	-	-	(9,379)	-	-	(9,355)
- Distribution of dividends	-	-	9,355	-	-	-	-	-	9,355
Transactions with shareholders:									
- Transactions with shares (net)	-	-	-	-	-	-	-	-	-
- Distribution of dividends	-	-	(3,600)	-	-	-	-	-	(3,600)
Other changes in equity	-	-	(788)	-	788	-	-	-	-
Balance at 31 December 2021	3,000	2,149	18,443	(142)	(790)	13,361	-	60	36,081
Recognised income and expenses	-	-	-	-	36	9,627	-	(8)	9,655
Distribution of profit for the 2021 financial year									
- Distribution to reserves	-	-	2,374	-	-	(2,374)	-	-	-
- Distribution of dividends	-	-	(1,013)	-	-	(10,987)	-	-	(12,000)
Transactions with shareholders:									
- Transactions with shares (net)	-	-	-	-	-	-	-	-	-
- Distribution of dividends	-	-	(3,000)	-	-	-	-	-	(3,000)
Other changes in equity	-	-	126	-	-	-	(3,000)	-	(2,874)
Balance at 31 December 2022	3,000	2,149	16,930	(142)	(754)	9,627	(3,000)	52	27,862

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the Consolidated Statement of Changes in Equity for the 2022 financial year

Naturhouse Health S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2022 FINANCIAL YEAR
(Thousands of Euros)

	Notes Report	Financial year 2022	Financial year 2021
CASH FLOWS FROM OPERATING ACTIVITIES		7,097	16,173
Pre-tax result for the financial year		13,103	18,245
Adjustments to the result:		2,669	2,223
- Amortization of fixed assets (+)	Notes 8 and 9	2,298	2,457
- Variation in provisions (+/-)		630	467
- Income from derecognition or disposal of fixed assets (+/-)	Notes 9	(9)	206
- Financial income (-)	Note 19.4	(111)	(361)
- Financial expenses (+)	Note 19.4	206	100
- Exchange differences (+/-)	Note 19.4	(36)	(56)
- Interests in equity-accounted entities net of dividends (+/-)	Note 11.2	(309)	(590)
Changes in working capital		(3,294)	(586)
- Stock (+/-)	Note 12	(119)	706
- Debtors and other accounts receivable (+/-)		305	1,326
- Other current assets (+/-)		(3,556)	(230)
- Creditors and other accounts payable (+/-)		76	(2,388)
Other cash flows from operating activities		(5,381)	(3,709)
- Interest payments (-)		(206)	(100)
- Receipt of dividends (+)	Note 11.2	839	139
- Interest receivable (+)		111	361
- Sums received /(paid) for tax on profits (+/-)		(6,125)	(4,109)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(5,218)	(4,268)
Payments for investments (-)		(6,044)	(4,270)
- Intangible and tangible assets	Notes 8 and 9	(964)	(50)
- Other financial assets		(692)	(703)
- Payments from related companies	Note 11.2	(4,388)	(3,517)
Sums received from divestments (+)		826	2
- Intangible and tangible assets	Note 9	-	2
- Other financial assets		826	-
CASH FLOWS FROM FINANCING ACTIVITIES		(16,985)	(6,266)
Sums received and paid for equity instruments		-	-
- Net disposals (acquisitions) of Parent Company assets	Note 14.f	-	-
Collections and payments for financial liability instruments		(16,985)	(6,266)
- Repayment and net amortization of:			
Amounts owed to credit institutions and other debts (-)		1,015	(2,666)
Dividend payments and remuneration on other equity instruments			
- Dividends (-)	Note 5	(18,000)	(3,600)
EFFECT OF VARIATIONS IN EXCHANGE RATES		(36)	-
NET INCREASE / DECREASE OF CASH OR CASH EQUIVALENTS		(15,142)	5,639
Cash or cash equivalents at start of financial year		27,250	21,611
Cash or cash equivalents at year end		12,108	27,250

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated statement of cash flows for the 2022 financial year.

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Naturhouse Health, S.A.
and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the 2022 financial year

1. Nature and corporate purpose of the Group companies

Naturhouse Health, S.A., (hereinafter, the "Company" or the "Parent Company") was established for an indefinite period in Barcelona on 29 July 1991 and has the tax identification number A-01115286. Its registered offices are at Calle Claudio Coello, 91 (Madrid).

The Company's corporate purpose, coinciding with its activity and in accordance with its articles of association, is the export and wholesale and retail sales of all kinds of products related to dietetics, herbal remedies 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, herbal remedies and natural cosmetics. This activity is mainly carried out through franchisees and its own stores. 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.

The Parent Company's securities have been listed on the stock market in Spain since 24 April 2015.

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 28 February 2023.

These consolidated financial statements for the financial year ending 31 December 2022 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 Comisión Nacional del Mercado de Valores, 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 consolidated financial statements for the 2021 financial year were approved at the Annual General Meeting on 17 May 2022 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
- Cash flow statement

Since the accounting principles and valuation criteria used in preparing the Group's consolidated financial statements for the 2022 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 cash flow statement) 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 19th 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 30th December on fiscal and administrative measures and social order.

The main accounting policies and valuation standards adopted by Naturhouse Group are presented in Note 6.

c) Changes in accounting policies and breakdown of information effective in the 2022 financial year

New accounting standards came into force in the 2022 financial year, which have therefore been taken into account 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:
Amendments to: -IFRS 3 Business combinations	These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Conceptual Framework with a reference to that of 2018, without significantly changing the requirements. The IASB also added an exception to the IFRS 3 requirements to avoid “day 2” gains or losses that could arise from liabilities or contingent liabilities (under IAS 37 or IFRIC 21) if incurred separately. At the same time, the IASB has decided to clarify the existing guidance on IFRS 3 for the recognition of contingent assets that will not be affected by the references to the Conceptual Framework.	01 January 2022
-IAS 16 Property, plant and equipment	These amendments, issued by the IASB in May 2020, prohibit deducting from the acquisition cost of the assets the amount of the sales obtained from the asset while it is being brought to the location and conditions necessary for it to operate in the manner envisaged by Management. Instead, these amounts will be recognised on the income statement.	01 January 2022
-IAS 37 Provisions, contingent liabilities and contingent assets	These amendments, issued by the IASB in May 2020, detail the costs that companies have to include when assessing whether a contract is onerous or at a loss. The amendments propose a “direct cost approach”. Costs directly related to a contract to supply goods or provide services include both incremental costs as well as an allocation of the costs directly related to the contract. Administrative and general costs are not directly attributable to a contract, consequently, they are excluded from the calculation unless they are explicitly passed on to the counterparty in line with the contract.	01 January 2022
2018 - 2020 annual improvements	Amendments to these standards have been issued as part of the 2018-2020 annual improvements: - IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from those of the original financial liability. In determining fees paid net of fees received, a borrower includes only the fees paid or received between the borrower and the lender, including those paid or received by either on behalf of the other. - IAS 41 Agriculture: eliminates the requirement of paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows earmarked for taxes when measuring fair value applying IAS 41. These amendments have no impact on the Group's Consolidated Abridged Interim Financial Statements.	1 January 2022

d) Accounting policies issued not in force for the 2022 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 become effective, 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):

New rules, amendments and interpretations not yet approved for use in the European Union		IASB application date
IFRS 17 Insurance policies (published in May 2017)	Replaces IFRS 4. Includes the principles for the recognition, valuation, presentation and breakdown of insurance contracts with the aim of the entity providing relevant and reliable information that allows users of the financial information to determine the effect that insurance contracts have on the financial statements.	01 January 2023
IFRS 17 - Insurance Contracts	In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new comprehensive accounting standard for insurance contracts that covers recognition, measurement, presentation and disclosure. Once in force, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and uniform for insurers.	01 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	In these amendments, the IASB has included guidance and examples to apply judgement when identifying which accounting policies are material. The amendments replace the criterion of breaking down significant accounting policies by material accounting policies. It also provides guidance on how to apply the concept of materiality to decide which accounting policies are material.	01 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	In these amendments, the IASB has introduced a new definition of “accounting estimate” that clarifies the difference between changes in accounting estimates, changes in accounting policies and corrections of errors.	01 January 2023
Amendments to IAS 12 - Deferred Taxes related to Assets and Liabilities arising from a single transaction.	The proposed amendments would require an entity to recognise deferred taxes in the initial recognition of specific transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The proposed amendments would apply to specific transactions for which an entity recognises an asset and a liability, such as leases and dismantling obligations. These amendments are effective for periods beginning on or after 1 January 2023.	01 January 2023
IAS 1 Presentation of financial statements.	In January 2020, the IASB issued its amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to clarify the requirements to be applied in the classification of liabilities as current or non-current. Subsequently, in October 2022, the IASB published the “2022 amendment”, which is additional to the “2020 amendment”. The amendments will be effective for financial years beginning on or after 1 January 2024 (IASB) and will be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	01 January 2024

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 assessing the potential impact of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated financial statements.

e) Functional currency

These consolidated financial statements are presented in euros as this is the presentation currency and, in turn, the functional currency of the primary economic environment in which the majority of the companies comprising the Group operate. Foreign operations are accounted for in accordance with the policies described in Note 6.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, that 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 6.a and 6.b).
- Impairment losses of non-financial assets (see Note 6.c).
- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (see Note 6.h).
- Estimate of impairments for defaults in accounts receivable and inventory obsolescence (see Notes 6.e and 6.f).
- Estimate of income tax expenses and recoverability of deferred tax assets (see Note 6.k).

g) Information comparison

The information contained in this consolidated report referring to the 2022 financial year is presented, for comparison purposes, with information from the 2021 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 2022 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 the power to exercise rights that give the present ability to direct the relevant 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 14).

- The income from the financial year is presented under "Income attributable to third-party shareholders" in the consolidated profit and loss account (Note 14).

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 year end. 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.

In addition, as is standard practice, the attached consolidated financial statements only include the tax which, if applicable, may arise as a result of the distribution of the profit and reserves of the consolidated companies to the Parent Company, except for what will be used as financing resources in each company and, therefore, not distributed as dividends.

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

The equity method consists of incorporating in the consolidated balance line "Investments in associates - Investments accounted under the equity method" the value of the net assets and goodwill, if any, corresponding to the holding in the associate. The net result obtained each financial year corresponding to the percentage holding in these companies is reflected in the consolidated statements of income as "Income from equity-accounted entities".

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

On 13 May 2022, the Parent Company acquired from the related company Kiluva, S.A. all the shares it held in the Spanish company Indusen, S.A., that is, 23,748 registered shares representing 39.58 % of the share capital of Indusen, for a total price of 3,562 thousand euros. Likewise, on 10 June 2022, the Parent Company acquired from the related company Kiluva, S.A. all the shares it held in the Spanish company Girofibra, S.L., that is, 9,483 registered shares representing 49% of the share capital of Girofibra, for a total price of 826 thousand euros. Both transactions were carried out taking into consideration market valuations of said shares and shareholdings. The Parent Company's Directors consider that it does not have control of Indusen or Girofibra as it does not hold the majority of the voting rights or members of the Board of Directors, and it does not have the power to direct most of these companies' relevant business activities. Therefore, the Parent Company's directors consider that the Parent Company does not control these companies and, therefore, consolidates both by the equity method (Note 11.2).

During the first half of 2022, the Parent Company approved the merger between Housediet, S.A.R.L. (acquired company) and Naturhouse S.A.S. (acquiring company).

During the first half of 2021, the Parent Company acquired 100% of the shares of Takk Asia Pte. Ltd. (company located in Singapore, not operational) for 45 thousand euros, thus acquiring control of the Company and changing its name to Naturhouse Pte. Ltd. In addition, during the first half of 2021, the Parent Company constituted 100% of the share capital of Naturhouse Health Limited, located in Ireland, for an amount of 100 thousand euros.

The consolidation perimeter has not undergone any other changes except for those mentioned above.

4. Business evolution in the current economic context

Due to the armed conflict in Ukraine that began on 24 February 2022, inflation has intensified as a result of different factors, including higher energy prices, disruptions in the supply of certain raw materials and food, transport issues, and rising interest rates in the euro zone, which has affected the demand for the Group's products and has caused its profitability levels to go down throughout the year.

The Parent Company's Directors continue to apply policies to control costs and improve the sales channels with a view to restoring profitability levels in the medium/long term.

5. Distribution of profit

The proposed distribution of the individual profit of Naturhouse Health, S.A. for the 2022 financial year, prepared by the Parent Company's Directors, to be submitted for approval at the Annual General Meeting, is as follows:

	Thousands of Euros	
	2022	2021
Distribution basis:		
Voluntary Reserves	-	1,013
Profit for the financial year	16,401	10,987
	16,401	12,000
Distribution:		
To dividends	3,000	12,000
To interim dividend	3,000	-
To voluntary reserves	10,401	-
	16,401	12,000

The proposed distribution of the individual profit of Naturhouse Health, S.A. for the 2021 financial year drawn up by the Directors of the Parent Company, which was submitted for approval at the Annual General Meeting on 17 May 2022, consisted of the distribution of a dividend against the profit for the 2021 financial year, amounting to 10,987 thousand euros, as well as an amount of 1,013 thousand euros against reserves prior to the 2020 financial year.

Additionally, on 19 September 2022, the Parent Company approved a distribution of dividends amounting to 6,000 thousand euros, with 3,000 thousand euros being against voluntary reserves and 3,000 thousand euros being an interim amount against the profit for the 2022 financial year.

The provisional accounting statement prepared by the Parent Company's Directors that demonstrates that there is sufficient liquidity for the distribution of such dividend is as follows:

	Thousands of Euros
	Provisional Accounting Statement Prepared
Profits as at 30/06/2022	11,595
Estimated Corporate Tax	(406)
Maximum amount available for distribution	11,189
Liquid Assets and Short-Term Financial Investments Group	2,898
Interim dividends	(3,000)
Remaining liquid assets after payment	(102)
Sums to be received to year end	21,408
Sums to be paid to year end	(19,459)
Liquid assets forecast at year end	1,847

6. 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 (IFRSIC) 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 6.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 2022 financial year amounted to 8 thousand euros (8 thousand euros in the 2021 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 8. The industrial property is amortized by the straight-line method over its useful life, which has been estimated as 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 6.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 recognised as a higher cost of the same.

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 2022 and 2021 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 life Estimated Useful
Buildings	33.33
Other facilities, tools and furnishings	8.33 - 30
Information processing equipment	3 - 4
Transport 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-current 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.

d) Leases

In accordance with IFRS 16 Leases, the Group recognises an asset for the right of use and a lease liability for all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless there is another systematic basis that is more representative of the time frame in which the economic benefits of the leased asset are consumed.

Assets for the right of use include the initial valuation of the corresponding lease liability, the lease payments made on or before the start date and any initial direct costs. Subsequently, the accumulated depreciation and impairment losses are measured at cost.

The lease liability is initially measured at the current value of the lease payments that are not paid on the start date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses its incremental borrowing rate. The book value of the lease liability increases when the interest on said liability is reflected (using the effective interest method) and decreases when the lease payments made are reflected.

The Group determines the term of the lease to be the non-cancellable term of the contract, together with any period covered by an extension (or termination) option, the exercise of which is at the discretion of the Group, if there is reasonable certainty that it will be exercised (or not exercised).

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 entity's business model for managing its financial assets, into the following categories:

- Loans and accounts receivable.

- Financial assets at fair value with changes in profit or loss.

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

1. <u>Loans and accounts receivable</u>

   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 recognises a provision for expected losses in its sales operations 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 credit loss, adjusted for the debtors' specific factors, general economic conditions and the individual evaluation carried out by Management.

2. Financial assets at fair value through profit or loss

   Equity instruments that were acquired with the objective of monetizing the investment on a date not initially foreseen are included.

   As of 31 December 2022, the Group holds shares in listed entities amounting to 1,562 thousand euros (1,672 thousand US dollars), which are recognised at fair value through the consolidated profit and loss account. These acquisitions are recognised as a result of the execution of put options by the counterparty when the market value is below the strike price. Likewise, the derivative corresponding to these put options is recognised at fair value at each accounting close, recognising the changes in value in the consolidated profit and loss account.

Initial measurement

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

Subsequent measurement

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.

For financial assets accounted for at fair value through profit or loss, changes in said fair value are recognised in income for the period.

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 recognizes 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 15). 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.

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.

At each close, the deferred taxes recognised (both assets as well as liabilities) are reviewed in order to check whether they are still current, making the appropriate adjustments to them according to the results of the analyses conducted.

Under deferred tax liabilities, the Naturhouse Group has recognised an amount of 260 thousand euros in the 2022 financial year for aggregated undistributed profits in subsidiaries and associates (217 thousand euros in 2021).

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

Revenue is recognised in such a way that the transfer of goods or services provided to customers is shown for 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 a five-step revenue recognition approach for the sale of goods:

- Identify the contract or contracts with a customer.

- Identify the obligations arising from the contract.

- Determine the transaction price.

- Distribute the transaction price between the obligations arising from the contract.

- Recognise the revenue when the entity meets each of the obligations.

The Group's main activity is the sale of goods (dietary products), primarily through the sale of products to the franchisee customer or to the end customer (consumer), with this being the performance obligation acquired for which the transaction price is determined.

The recognition of income in these activities is not complex and occurs on fulfilment of said contractual performance obligation in accordance with the conditions of transfer of ownership of the goods sold. On the other hand, in owned stores, the performance obligations for product sales and dietary advice are likewise met at a determined and specific moment in time and their price is not variable, there are no guarantee commitments, free second visits with customers or any other kinds of commitments acquired with them, for which reason the Group considers that the performance obligations are, in any case, met under the same conditions.

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, and on the other hand, "master franchise" contracts, which 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 and charged in advance.

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

Revenues from master franchises are recognised under "Trade creditors and other accounts payable" on the current balance sheet and are recognised on the profit and loss account by the straight-line method over the term of the contract (7 years in most cases).

Other operating income

Under this heading, the Group primarily recognises rebilling of expenses to related companies or third-party franchisees for transactions in which the group acts as the principal.

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.

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 20.2, the majority of the purchases of finished products are made with related parties.

n-bis) 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 20.2).

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, considering the transfer pricing to be duly justified based on a report issued by the same (see Note 20.2).

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 23).

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.

7. Risk Exposure

Financial risks

The Group's activities are exposed to different 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 appropriately monitors accounts receivable individually in order to determine potential situations of default.

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 detail of impairment losses recognised under "Trade Receivables for Sales and Services" on the attached consolidated statement of financial position as of 31 December 2022 is as follows:

	Thousands of Euros	
	31-12-2022	31-12-2021
Impairment of credits (expected loss)	(24)	(24)

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.

In addition, the Group has a policy in place 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 the financing available detailed in Note 16.

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.

3. Interest rate and exchange rate market risk:

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

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of year end 2022 and 2021, 100% of the borrowings were at variable interest rates.

However, as of year end 2022 and 2021, the Group has an amount available in liquid assets that is equivalent to its debt, including its obligations under leases, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

In this way, the Group has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2022 and 2021 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 11% and 5% 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 16, and own funds, including capital and reserves as discussed in Note 14. 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 31 December 2022 and 2021 is at 0.43 and 1.11, 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. The variation in the same between the two financial years is due to the increase in cash and cash equivalents as a consequence of the liquidity protection measures adopted by the Group in the financial year.

8. Intangible assets

The changes in this heading in the consolidated statement of financial position for the financial years 2022 and 2021 were as follows:

Cost	Thousands of Euros				
	Transfer Rights	Industrial property	Software	Other Intangible Assets	Total
Balance at 31 December 2020	22	2,352	476	12	2,862
Additions	-	-	157	38	195
Withdrawals	-	(2)	(1)	-	(3)
Balance at 31 December 2021	22	2,350	632	50	3,054
Additions	4	-	181	9	194
Withdrawals	(4)	-	-	-	(4)
Balance at 31 December 2022	22	2,350	813	59	3,244

Accumulated Amortisation	Thousands of Euros				
	Transfer Rights	Industrial property	Software	Other Intangible Assets	Total
Balance at 31 December 2020	(17)	(1,539)	(326)	(8)	(1,890)
Allocations	(5)	(233)	(143)	(32)	(413)
Applications	-	-	2	-	2
Balance at 31 December 2021	(22)	(1,772)	(467)	(40)	(2,301)
Allocations	(4)	(233)	(100)	(1)	(334)
Applications	4	-	-	-	4
Balance at 31 December 2022	(22)	(2,005)	(567)	(41)	(2,635)

Net Book Value	Thousands of Euros	
	31-12-2022	31-12-2021
Transfer rights	-	-
Industrial property	345	578
Software	246	165
Other intangible assets	18	10
Total intangible assets	609	753

During the 2022 and 2021 financial years, the main additions have corresponded to software for the Parent Company’s new E-commerce department. There have been no other significant additions in intangible assets during the 2022 and 2021 financial years.

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 331 and 564 thousand euros as of 31 December 2022 and 31 December 2021, respectively. These brands are amortised by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Group's Management has concluded that said brands do not present impairment indicators as of 31 December 2022.

As of year end 2022, the Group had fully amortized intangible assets still in use amounting to 1,554 thousand euros (958 thousand euros in the 2021 financial year).

The intangible assets located outside of Spain as of 31 December 2022 and 2021 are not significant (see Note 23).

9. Tangible fixed assets

The movement during the 2022 and 2021 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

	Thousands of Euros						
Cost	Land and Natural Assets	Buildings	Other Facilities, Tools and Furnishings	Information Processing Equipment	Transport Elements	Assets in Construction and Advances	Total
Balance at 31 December 2020	-	8,197	3,606	269	210	24	12,306
Additions	-	1,657	(242)	11	13	20	1,459
Withdrawals	-	(5,713)	(512)	(11)	(92)	(35)	(6,363)
Conversion differences	-	-	5	1	2	-	8
Balance at 31 December 2021	-	4,141	2,857	270	133	9	7,410
Additions	-	4,099	356	43	371	-	4,869
Withdrawals	-	(2,360)	(118)	(13)	(191)	(9)	(2,691)
Conversion differences	-	(23)	-	-	-	-	(23)
Balance at 31 December 2022	-	5,857	3,095	300	313	-	9,565

	Thousands of Euros				
Accumulated Amortisation	Buildings	Other Facilities, Tools and Furnishings	Information Processing Equipment	Transport Elements	Total
Balance at 31 December 2020	(5,842)	(2,132)	(194)	(140)	(8,308)
Allocations	(1,837)	(127)	(51)	(29)	(2,044)
Applications	5,271	245	10	92	5,618
Conversion differences	-	(1)	(1)	-	(2)
Balance at 31 December 2021	(2,408)	(2,015)	(236)	(77)	(4,736)
Allocations	(1,651)	(241)	(19)	(53)	(1,964)
Applications	992	89	10	23	1,114
Conversion differences	-	-	-	-	-
Balance at 31 December 2022	(3,067)	(2,167)	(245)	(107)	(5,586)

	Thousands of Euros	
Net Book Value	31-12-2022	31-12-2021
Land and natural assets	-	-
Buildings	2,790	1,733
Other facilities, tools and furnishings	928	842
Information processing equipment	55	34
Transport elements	206	56
Assets in construction and advances	-	9
Total tangible assets	3,979	2,674

As in the previous financial year, the additions and derecognitions in 2022 correspond mainly to investments for new openings and closures of the Group's physical points of sale due to the growing omnichannel integration of the business. Likewise, derecognitions of fixed assets include the sale of material in own stores transferred to franchisees or other third parties.

The Group defines each of its own points of sale as Cash-Generating Units (CGU), since these constitute the smallest asset groups that generate cash inflows that are largely independent of the inflows produced by other assets or asset groups.

The main assets associated with each CGU are the rights of use of the leases associated with the commercial spaces at each point of sale, which are recognised on the consolidated statement of financial position in accordance with IFRS 16 Leases. The other assets in each CGU are insignificant and most are relocatable to other points of sale.

During the 2021 financial year, there were results from impairment and derecognitions of fixed assets amounting to 206 thousand euros, corresponding mostly to penalties for the cancellation and disposal of the rights of use over the lease of the Dolphin Mall in the United States (note 10).

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 year end 2022, 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 2022 and 2021 are detailed below:

	Thousands of Euros	
	31-12-2022	31-12-2021
Net book value:		
Land and natural assets		-
Buildings	973	1,081
Other facilities, tools and furnishings	499	423
Information processing equipment	14	13
Transport elements	64	48
Assets in construction	-	9
Total net book value	1,550	1,574

The fully amortized tangible fixed assets still in use at year end 2022 amount to 3,357 thousand euros (3,175 thousand euros at year end 2021).

Firm purchase commitments

As of year end 2022 and 2021, the Group had no firm commitments to purchase tangible assets of a significant amount.

10. Leases

Rights of use

The breakdown and changes by class of assets for the right of use during the 2022 financial year have been as follows:

Cost	Thousands of euros			
	Buildings	Information Processing Equipment	Transport Elements	Total
Balance at 01 January 2022	4,535	-	69	4,604
Additions	4,075	-	17	4,092
Derecognitions	(2,352)	-	(28)	(2,380)
Balance at 31 December 2022	6,258	-	58	6,316

Accumulated Amortisation	Thousands of euros			
	Buildings	Information Processing Equipment	Transport Elements	Total
Balance at 01 January 2022	(2,355)	-	(54)	(2,409)
Allocations	(1,649)	-	(21)	(1,670)
Derecognitions	987	-	23	1,010
Balance at 31 December 2022	(3,017)	-	(52)	(3,069)

Impairment	Thousands of euros			
	Buildings (note 4 f)	Information Processing Equipment	Transport Elements	Total
Balance at 01 January 2022	(462)	-	-	(462)
Allocations	-	-	-	-
Derecognitions (Note 9)	-	-	-	-
Balance at 31 December 2022	(462)	-	-	(462)

	Thousands of Euros	
	31-12-2022	31-12-2021
Net book value:		
Buildings	2,779	1,717
Information processing equipment	-	-
Transport elements	6	16
Total net book value	2,785	1,733

During the 2022 financial year, the Group's Management reassessed the term of its most significant leases under IFRS 16, with the most relevant rights of use being those related to the central offices and warehouses.

Relevant breakdowns and amounts in the lease agreements

The relevant breakdowns and amounts in the lease agreements by asset class are as follows:

2022 financial year	Thousands of euros			
	Buildings	Information Processing Equipment	Transport Elements	Total
Amounts:				
Fixed lease payments	1,698	-	22	1,720
Expenses recognised, variable payments	-	-	-	-
Financial expenses, lease liabilities	51	-	-	51
Lease liabilities	3,253	-	14	3,267
Conditions:				
Lease term	2 – 5 years	2 years	2 – 4 years	
Interest rate	0.75% - 2.50%	1.59%	1.59% - 1.85%	

2021 financial year	Thousands of euros			
	Buildings	Information Processing Equipment	Transport Elements	Total
Amounts:				
Fixed lease payments	1,866	2	23	1,891
Expenses recognised, variable payments	-	-	-	-
Financial expenses, lease liabilities	47	-	1	48
Lease liabilities	2,206	-	23	2,229
Conditions:				
Lease term	2 – 5 years	2 years	2 – 4 years	
Interest rate	0.75% - 2.50%	1.59%	1.59% - 1.85%	

Breakdown of lease liabilities

The lease liabilities recognised, classified by maturity, are broken down as follows:

	Thousands of euros	Thousands of euros
Payments	31/12/2022	31/12/2021
Less than one year	1,199	894
Between one and five years	2,068	1,322
More than five years	-	13
Total (note 16)	3,267	2,229

11. Financial assets

11.1 Non-current financial assets

The breakdown of this heading as at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31-12-2022	31-12-2021
Equity instruments:		
Other equity instruments	79	79
Other financial assets:		
Loans to related companies	-	826
Long-term deposits and guarantees	450	494
	529	1,399

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

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

- Level 1: those referenced to quoted prices (without adjustment) on 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 (that is, prices) or indirectly (that is, derived from prices).

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

Other financial assets

During 2022, there have been no significant movements under this heading, except for the settlement of the loan granted by the Parent Company to the related company Tartales, L.L.C. totalling 826 thousand euros.

11.2 Investments in associates and related companies

Investments recognised using the equity method

The interest in equity-accounted companies corresponds to the owned company Ośrodek Badawczo-Produkcyjny Politechniki Łódzkiej ICHEM Sp. z o.o. (hereinafter, “Ichem, Sp. Zo.o”), the owned company Indusen, SA and the owned company Girofibra, S.L.

On 13 May 2022, the Parent Company acquired from the related company Kiluva, S.A. all the shares it held in the Spanish company Indusen, S.A., that is, 23,748 registered shares representing 39.58 % of the share capital of Indusen, for a total price of 3,562 thousand euros. Likewise, on 10 June 2022, the Parent Company acquired from the related company Kiluva, S.A. all the shares it held in the Spanish company Girofibra, S.L., that is, 9,483 registered shares representing 49% of the share capital of Girofibra, for a total price of 826 thousand euros. Both transactions were carried out taking into consideration market valuations of said shares and shareholdings.

The Parent Company’s Directors consider that it does not have control of Indusen or Girofibra as it does not hold the majority of the voting rights or members of the Board of Directors, and it does not have the power to direct most of these companies’ relevant business activities. In this respect, most of the voting rights are held by majority shareholders with whom the Parent Company has no relationship.

On 22 November 2021, the Parent Company acquired from its shareholder and related company Kiluva, S.A. a total of 99 additional shares in the share capital of Ichem Sp. zo.o. for a price of 3,208 thousand euros after the agreements reached by this company with Zamodiet, S.A.

This acquisition adds a 24.8% direct stake in the capital of Ichem Sp. Zo.o., therefore holding a total of 49.75% of the capital of said company as of 31 December 2021. The remaining shares of Ichem Sp. Zo.o. are held by natural persons and local Polish entities with no connection to the Naturhouse Group or its related companies.

The Parent Company's Directors consider that, as in the past year, they still do not have control over Ichem Sp. Zo.o. given that, regardless of this increased holding, the Parent Company still does not hold the majority of the voting rights, consequently, the situation prior to said acquisition is maintained, which was already the subject of a communication to the Comisión Nacional del Mercado de Valores on the occasion of the IPO in April 2015. Therefore, in accordance with the provisions of IFRS 11, the Parent Company’s Directors consider that joint control over Ichem Sp. Zo.o. is maintained, given that the Parent Company has the capacity to appoint three of the six board members of Ichem Sp. Zo.o, while the Polish shareholders (not related) appoint the three remaining board members, including the Chairperson of the Board of Directors, who has the casting vote in the event of a tie. Likewise and finally, the Parent Company can only exercise its right to veto relevant economic decisions with a protective nature.

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

All the product purchase transactions are made at market prices (supported by a study conducted by the Group's tax advisers) (see Note 20).

The breakdown on investment in equity accounted companies at year end 2022 and 2021, as well as the movement occurring during both periods, is as follows:

2022 financial year

	Thousands of Euros					
	Balance at 1 January 2022	Other movements	Dividends	Conversion Differences	Income from Equity-Accounted Entities	Balance at 31 December 2022
Ichem Sp. zo.o	6,793	-	(744)	(97)	255	6,207
Indusen, S.A.	-	3,562	(95)	-	81	3,548
Girofibra, S.L.	-	826	-	-	(27)	799

2021 financial year

		Thousands of Euros				
	Balance at 1 January 2021	Other movements	Dividends	Conversion Differences	Income from Equity-Accounted Entities	Balance at 31 December 2021
Ichem Sp. zo.o	3,276	3,195	(139)	(129)	590	6,793

As mentioned previously, on 13 May 2022 and 10 June 2022, the Parent Company acquired from its related company Kiluva, S.A. a stake in Indusen, S.A. and Girofibra, S.L. equivalent to 39.58% and 49%, amounting to 3,562 thousand euros and 826 thousand euros, respectively.

In addition, on 22 November 2021, the Parent Company acquired 99 shares in Ichem Sp. zo.o for a price of 3,208 thousand euros from Kiluva, S.A. This acquisition represented 24.8% of the capital of Ichem Sp. zo.o, thus obtaining a total of 49.75% of the capital at year end 2021.

Other information related to said investees is as follows (figures as at 31 December 2022 and 31 December 2021):

Name and Registered Offices	Activity	Thousands of Euros			
		Total Assets	Equity	Sales (*)	Result after tax (*)
Indusen, S.A. Lugar Monte de la Abadesa, 3 09001 Burgos (Spain)	Production and marketing of dietary products	6,769	5,752	4,939	205
Girofibra, S.L. Polígono industrial Mas Portella, 8 17853 Girona (Spain)	Production and marketing of dietary products	1,226	1,004	1,354	(55)
Ichem Sp. zo.o. Dostawcza 12 93-231 Łódź (Poland)	Production and marketing of dietary products	14,382	12,476	10,893	512

(*) The total assets and equity of Ichem Sp. Zo.o is presented at the closing rate as at 31 December 2022, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2022 financial year. The Company Ichem Sp. zo.o. is required to undergo a statutory audit as of 31 December 2022 (as in the previous financial year).

Name and Registered Offices	Activity	Thousands of Euros			
		Total Assets	Name and Registered Offices	Activity	Total Assets
Ichem Sp. zo.o. Dostawcza 12 93-231 Łódź (Poland)	Production and marketing of dietary products	16,212	13,654	11,443	1,180

The total assets and equity is presented at the closing rate as at 31 December 2021, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2022 financial year. The Company is required to undergo a statutory audit as of 31 December 2021 (as in the previous financial year).

The difference between the value of the investment in equity-consolidated companies and their equity is due to the existence of implicit goodwill arising from the commercial and production synergies that the Group obtains from its shareholdings in these entities.

At 31 December 2022, the Group carried out an analysis of the existence of objective indicators of potential impairment of the investment in Girofibra, S.L.U., recognised using the equity method.

In accordance with the applicable regulatory framework (see Note 6.c), the amount of the valuation restatement will be the difference between the book value of said investment and the recoverable amount, taken as the greater of the fair value less selling costs and the current value of the future cash flows arising from the investment, obtained from any of the following procedures:

- By estimating what is expected to be received as a result of the dividend distribution made by the investee and the disposal or derecognition of the investment in it, or;

- By estimating the share of the cash flows expected to be generated by the investee from both its ordinary activities and its disposal or derecognition.

Taking the foregoing into account, the Group has determined the recoverable amount through the value in use based on the estimated future cash flows from its ordinary activities, discounted at a rate that reflects current market valuations with respect to the value of money and the specific risks associated with the investment.

The Group prepares 5-year cash flow forecasts, incorporating the best available estimates of income and expenses using sector forecasts, Girofibra's historical results and future expectations (the company's budgets, business plans etc. .) as well as macroeconomic indicators that reflect the current and foreseeable market situation. Another forecast estimate to also be considered has been the margin according to the nature of the business-product.

The Group's management considers that the weighted average sales growth rate for the next 5 years is consistent with past experience, taking into account the expansion plans and the evolution of the macroeconomic indicators (inflation, GDP etc.).

Additionally, a terminal value is calculated based on the normalized cash flow of the last year forecast, to which a perpetual growth rate is applied that under no circumstances exceeds the growth rates of previous years. The cash flow used to calculate the terminal value takes into account the investments required for future business continuity at the estimated growth rate.

For discounted cash flows, the weighted average cost of capital is used, which is determined after tax and is adjusted for country risk, the corresponding business risk and other variables dependent on the current market situation. The average discount rate in 2022 was 8%.

As a result of the impairment test carried out, the recoverable value of the investment in Girofibra exceeds its book value, consequently, it has not been necessary to carry out any valuation restatements due to impairment.

11.3. Current financial assets

	Thousands of Euros	
	31/12/2022	31/12/2021
Other financial assets:		
Other receivables	127	-
Short-term financial investments:		
Equity instruments	1,562	-
Other financial assets	1,105	
Short-term accruals	332	779
	3,126	779

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

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

- Level 1: those referenced to quoted prices (without adjustment) on 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 (that is, prices) or indirectly (that is, derived from prices).

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

Short-term financial investments

As at 31 December 2022, the Group holds 2,667 thousand euros as "Short-term financial investments", which primarily includes the following:

On the one hand, the Group holds shares in listed entities amounting to 1,562 thousand euros (1,672 thousand US dollars), which are recognised at fair value through the consolidated profit and loss account. These acquisitions are recognised as a result of the execution of put options by the counterparty when the market value is below the strike price. Likewise, the derivative corresponding to these put options is recognised at fair value at each accounting close, recognising the changes in value in the consolidated profit and loss account.

The equity instruments in listed entities amounting to 1,562 thousand euros described above are included in level one of the fair value hierarchy.

Likewise, as of 31 December 2022, the Group has a total of 981 thousand euros deposited in the form of legal guarantees to cover the different contingencies of the French Company S.A.S. Naturhouse (see Note 15).

12. Stock

The breakdown of "Stock" on the consolidated statement of financial position as at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31-12-2022	31-12-2021
Goods	2,669	2,550

The Group has not recognised impairment losses given that the net realisable value of the stock is higher than the acquisition price (or production cost), which is why no losses have been recorded for this in 2022 and 2021.

13. Cash and cash equivalents

Practically all the balances under this heading on the consolidated statement of financial position as at 31 December 2022 and 2021 correspond to the amount deposited in current accounts and financial deposits of under 3 months that the Group held on said dates with financial institutions, unrestricted and remunerated at market rates, with the amount of cash on hand not being significant.

14. 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 admitted to trading by 1,097,637, reaching a total of 16,097,637 shares.

As of 31 December 2022, the Parent Company's share capital is represented by 60,000,000 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 2022 are as follows:

Shareholder	%
Kiluva, S.A.	72.60
Ferev Uno Strategic Plans	5.15

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

The proposed distribution of the individual profit of Naturhouse Health, S.A. for the 2021 financial year drawn up by the Directors of the Parent Company, which was submitted for approval at the Annual General Meeting on 17 May 2022, consisted of the distribution of a dividend against the profit for the 2021 financial year, amounting to 10,987 thousand euros, as well as an amount of 1,013 thousand euros against reserves prior to the 2020 financial year.

Additionally, on 19 September 2022, the Parent Company approved a distribution of dividends amounting to 6,000 thousand euros, with 3,000 thousand euros being against voluntary reserves and 3,000 thousand euros being an interim amount against the profit for the 2022 financial year.

c) Legal reserve

In accordance with the Revised Text of the Spanish Corporate Law, a figure equal to 10% of profits from the financial year must be allocated to the legal reserve until this reaches at least 20% of the share capital. The legal reserve may be used to increase the capital to the extent of the balance of the legal reserve that exceeds 10% of the increased capital.

Except for the aforementioned purpose, and provided that it does not exceed 20% of the share capital, this reserve may only be used to offset losses, provided sufficient other reserves are not available for this purpose.

As of 31 December 2022, this reserve of the Parent Company has been completely established.

d) Equity - minority interests

The breakdown of this item on the consolidated statement of financial position as at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31-12-2022	31-12-2021
Zamodiet México, S.A. de C.V.	6	6
Name 17, S.A. de C.V.	46	54
	52	60

The movement that occurred during 2022 and 2021 in this section of the consolidated statement of financial position is shown below:

	Thousands of Euros
Balance at 31 December 2020	65
Business combination	-
Profit or loss attributable to minority interests	(5)
Conversion differences	-
Balance at 31 December 2021	60
Business combination	-
Profit or loss attributable to minority interests	(8)
Conversion differences	-
Balance at 31 December 2022	52

e) Conversion differences

The breakdown of "Conversion differences" on the consolidated statement of financial position as at 31 December 2022 and 2021 corresponds to the exchange differences arising from the conversion into euros of the financial statements of investees whose local currency is not the euro: Naturhouse Franchising Co, Ltd (UK), Naturhouse Sp. zo.o. (Poland), Ichem Sp. zo.o (Poland), Zamodiet México, S.A. (Mexico), Naturhouse Inc. (USA) and Naturhouse d.o.o. (Croatia), according to the following breakdown:

	Thousands of Euros	
	31-12-2022	31-12-2021
Naturhouse Inc.	41	67
Naturhouse Sp. zo.o.	(403)	(408)
Ichem Sp. Zo.o	(349)	(380)
Others	(43)	(69)
	(754)	(790)

f) Own shares

As of year end 2022 and 2021, the Parent Company held company shares in accordance with the following breakdown:

		Euros		
Year	No. of Shares	Nominal Value	Average Acquisition Price	Total Acquisition Cost
2022	50,520	2,526	2.81	141,886
2021	50,520	2,526	2.81	141,886

As of 31 December 2022, the Parent Company's shares held by it represent 0.08% of the Parent Company's share capital, totalling 50,520 shares with a cost of 142 thousand euros and an average purchase price of 2.81 euros per share.

There has been no movement of own shares during 2022 and 2021.

g) Earnings per share

The profit or loss per share is calculated based on the profit or loss corresponding to the Parent Company's shareholders for the average number of ordinary shares outstanding during the period. At year end 2022 and 2021, the earnings or losses per share were as follows:

	31-12-2022	31-12-2021
Weighted average number of outstanding shares	60,000,000	60,000,000
Average number of own shares	50,520	50,520
Average number of shares to determine basic earnings per share	59,949,480	59,949,480
Parent Company's Consolidated Net Profit or Loss (Thousands of euros)	9,627	13,361
Earnings per share (in euros per share) (*):		
Basic	0.16	0.22
Diluted	0.16	0.22

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

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

15. Provisions and contingencies

a) Non-current provisions

During the 2022 financial year, the Group increased the provision for risks and expenses by 1,401 thousand euros to cover the contingencies of the French company S.A.S. Naturhouse in relation to the legal proceedings against said Company by franchisees, as well as to cover the probable risk of other less significant law suits.

In addition, the amount presented under non-current provisions also refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 491 thousand euros at year end 2022 (686 thousand euros at year end 2021 plus 188 thousand euros of provisions for other items). Said TFR commitment (end-of-contract compensation) is 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 established for the TFR to 31 December 2006 has remained in the company, revalued with the parameters of Act 297/82 and the deductions from the salary paid to each employee by the company to the INPS (the Italian state agency for social security). This commitment is not outsourced and the expenses thereof are recognised under "Personnel Costs" on the consolidated profit and loss account, amounting to 153 thousand euros and 132 thousand euros for 2022 and 2021, respectively. During the 2022 financial year, the TFR commitment was updated actuarially and an adjustment to reduce the provision amounting to 13 thousand euros (101 thousand euros increase in the provision at year end 2021) was recognised.

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

b) Current provisions

Current provisions essentially includes the short-term part of the provision for the TFR described above. Additionally, at year end 2021, the provision for the cancellation expenses for the Dolphin Mall lease in the United States amounting to 528 thousand euros was included.

c) 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.

16. Financial debt

The breakdown of the Group's current and non-current financial debt as at 31 December 2022 and 2021 is as follows:

2022 financial year

	Thousands of Euros			
	Initial Amount or Limit	Expiration date		
		Current	Non Current	Total
Current debts:				
Lease liabilities	-	1,199	-	1,199
Other financial liabilities	-	325	-	325
Non-current debts:				
Lease liabilities	-	-	2,068	2,068
Other financial liabilities	-	-	1,790	1,790
	-	1,524	3,858	5,382

2021 financial year

	Thousands of Euros			
	Initial Amount or Limit	Expiration date		
		Current	Non Current	Total
Current debts:				
Lease liabilities	-	894	-	894
Other financial liabilities	-	98	-	98
				-
Non-current debts:				
Lease liabilities	-	-	1,335	1,335
Other financial liabilities	-	-	2,040	2,040
	-	992	3,375	4,367

This heading includes lease liabilities for a total amount of 3,267 thousand euros (1,199 short-term and 2,068 long-term) recognised in accordance with IFRS 16 *Leases*. As at 31 December 2021, the amount for this item was 2,229 thousand euros (894 short-term and 1,335 long-term).

Similarly, lease liabilities with the related company Tartales S.L.U. are included (see Note 20.1).

Additionally, the amounts paid as guarantee deposits for the Naturhouse S.A.S. franchise holders in guarantee of compliance with their contractual obligations are included under "Other non-current financial liabilities". In the other Group companies, these guarantees are obtained through bank guarantees. As at 31 December 2022, these guarantee deposits are valued at amortised cost.

The Group considers that the fair value of these guarantee deposits is reasonably close to their amortised cost, which is why their fair value is not broken down in accordance with IFRS 7.29.

"Other current financial liabilities" includes 193 thousand euros corresponding to the fair value of the financial derivative of the put options described in note 11.3 above.

Likewise, the Parent Company has bill discounting facilities with a limit of 1,000 thousand euros, which as of 31 December 2022 and 31 December 2021 has not been drawn on.

17. Trade creditors and other accounts payable

The balances of this item under current liabilities on the consolidated statement of financial position as at 31 December 2022 and 2021 have the following breakdown:

	Thousands of Euros	
	31-12-2022	31-12-2021
Suppliers	1,476	1,238
Sundry creditors	448	474
Staff (remuneration pending payment)	285	283
Short-term accruals	350	380
	2,559	2,375

The book value of trade creditors and other accounts payable does not significantly differ from their fair value.

Remuneration pending payment corresponds mainly to the accrual of the extra summer pay, as well as the variable remuneration of certain Group workers.

Short-term accruals include the anticipated revenue for "master franchises" that is charged against income during the term of the contract (normally 7 years).

The Group's Directors have recognised all anticipated revenue in current liabilities, regardless of the years pending allocation to long-term, as they do not consider its effect to be significant.

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 3 December) is broken down below, drawn up according to the ICAC Resolution of 29 January 2016 on the information to be included in the explanatory notes to consolidated financial statements in connection with the average payment period to suppliers in commercial operations.

	Days	
	31-12-2022	31-12-2021
Average supplier payment period	47.23	47.29
Ratio of paid operations	42.92	48.66
Ratio of operations pending payment	72.41	36.97

	Euros	
	31-12-2022	31-12-2021
Total payments made	9,349	9,280
Total outstanding payments	1,603	1,232

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 supplier payment period, 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 statement of financial position.

"Average supplier payment period" is understood to mean 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 the 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).

The monetary volume of invoices paid within the deadline established by Law 3/2004, of 29 December, amounted to 5,877 thousand euros, representing 63% of the total monetary volume. The number of invoices paid amounted to 3,867 invoices paid within the deadline, representing 96% of the total number of invoices

18. Tax situation

18.1 Current balances with Public Administrations

The breakdown of the current balances with Public Administrations as at 31 December 2022 and 2021 is as follows:

Debtor balance

	Thousands of Euros	
	31-12-2022	31-12-2021
Tax Authorities, debtor due to IVA (VAT)	56	97
Tax Authorities, debtor due to Corporate Tax	6,703	3,891
Total other credits with Public Administrations	6,759	3,988

Creditor balance

	Thousands of Euros	
	31-12-2022	31-12-2021
Tax Authorities, creditor due to IVA (VAT)	47	56
Tax Authorities, creditor due to income tax withholdings	101	243
Social Security agencies, creditors	420	234
Tax Authorities, creditor due to Corporate Tax	1,440	1,173
Total other debts with Public Administrations	2,008	1,706

18.2 Reconciliation between accounting profit and Corporate Tax expense

As at 31 December 2022 and 2021, the Group is not subject to the consolidated tax return regime, therefore, "Tax on Profits" on the consolidated profit and loss account reflects the sum of the figures resulting from the individual tax returns of each of the Group companies from the time of incorporation into the scope of each of them.

The Tax on Profits expense on the consolidated profit and loss account is determined from the consolidated pre-tax result, increased or decreased by the permanent differences between the tax base for said tax and the accounting profit and the consolidation adjustments. The corresponding tax rate is applied to said adjusted accounting profit that according to legislation is applicable to each company, reduced by the discounts and deductions accrued during the financial year, and in turn adding the positive or negative differences between the tax estimate for the closure of the accounts for the previous financial year and the subsequent settlement of the tax at the time of payment.

The reconciliation between the consolidated pre-tax result and the Corporate Tax expense is presented below:

	Thousands of Euros	
	2022	2021
Consolidated pre-tax result	13,103	18,245
Permanent differences and consolidation adjustments	625	1,271
Adjusted result	13,728	19,516
Tax rate	25%	25%
Tax rate adjusted result	3,432	4,879
Tax rate differences	52	-
Other adjustments	-	-
Total tax expense	3,484	4,879

The different companies calculate the Corporate Tax expense based on their respective legislation. The main tax rates applicable to the Group at year end 2022 are as follows:

Country	Tax Rate
Spain	25%
France	25%
Italy	24%
Poland	19%
Portugal	21%
Mexico	30%
United Kingdom	19%
Belgium	25%
Germany	15%
Croatia	10%
Lithuania	15%
United States (Federal)	21%

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

	Thousands of Euros	
	2022	2021
Expense / (Income) for deferred tax	38	230
Expense / (Income) for current tax	3,448	4,649
Total tax expense (Income)	3,484	4,879

During the 2022 financial year, the Parent Company has made instalment payments for the Corporate Tax corresponding to April and October of the 2022 financial year amounting to 2,981 thousand euros. On this basis, at yearend the company holds a balance to be recovered from the Tax Authorities, which has been recognised as a current tax asset.

18.3 Deferred tax assets recognised

The breakdown of this account balance at year end 2022 and 2021 and the movement in 2022 is as follows:

	Thousands of Euros		
	31-12-2021	Derecogniti ons	31-12-2022
Temporary differences (Prepaid taxes):			
Tax effect of consolidation adjustments	65	(12)	53
Limit 70% amortization	28	-	28
Other	14	(14)	-
Total deferred tax assets	107	(26)	81

	Thousands of Euros		
	31-12-2020	Derecognitions	31-12-2021
Temporary differences (Prepaid taxes):			
Tax effect of consolidation adjustments	65	-	65
Limit 70% amortization	118	(90)	28
Other	14	-	14
Total deferred tax assets	197	(90)	107

The deferred tax assets indicated above have been recognised on the consolidated statement of financial position as the Parent Company's Directors consider, in line with the best estimates of the Group's future results, including certain tax planning measures, that it is likely that these assets will be recovered.

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

18.4 Deferred tax assets not recognised

At year end 2022 and 2021, there are only deferred tax assets for deductible temporary differences on which their offset with taxes to be paid in the future is probable in accordance with the likelihood of recovery requirement established in the standard.

18.5 Deferred tax liabilities

The breakdown of this account balance at year end 2022 and 2021 and the movement in 2022 is as follows:

	Thousands of Euros		
	31-12-2021	Additions/ (Derecognitions)	31-12-2022
Temporary differences (Deferred taxes):			
Taxation on the distribution of dividends	217	43	260
Other	77	(31)	46
Total deferred tax liabilities	294	12	306

	Thousands of Euros		
	31-12-2020	Additions	31-12-2021
Temporary differences (Deferred taxes):			
Other	154	140	294
Total deferred tax liabilities	154	140	294

Under deferred tax liabilities, the Naturhouse Group has recognised an amount of 260 thousand euros in the 2022 financial year for aggregated undistributed profits in subsidiaries and associates (217 thousand euros in 2021).

18.6 Financial years pending verification and inspections

The Group's activity, by its nature, is not effected by any significant tax risks.

Provisional tax returns are filed and tax payments on account are made regularly based on the transactions on the accounts, but they are not considered final until the tax authorities inspect them or the statute of limitations expires, which in Spain is four years for all applicable taxes. The Parent Company has the last four financial years open for inspection for all applicable taxes.

In the opinion of the Parent Company's Directors and its tax advisors, there are no tax contingencies of significant amounts that could arise, in the event of an inspection, from possible differing interpretations of the tax regulations applicable to the operations carried out by the Parent Company and its subsidiaries.

19. Income and expenses

19.1 Net turnover

The Group's net turnover corresponding to the 2022 and 2021 financial years is broken down below:

	Thousands of Euros	
	2022	2021
Sales	51,459	56,693
Provision of services	944	901
	52,403	57,594

19.2. Supplies

The amount recognised under "Goods consumed" for 2022 and 2021 has the following breakdown:

	Thousands of Euros	
	2022	2021
Goods consumed:		
Shopping	14,801	15,629
Changes in stocks (Note 12)	119	706
	14,920	16,335

The breakdown of the purchases made by the Group during 2022 and 2021, based on their origin, is as follows:

	Thousands of Euros	
	2022	2021
Spain	5,984	6,105
Europe	8,817	9,524
Other	-	-
Total purchases	14,801	15,629

19.3. Staff expenses

The breakdown of staff expenses accrued during the 2022 and 2021 financial years is as follows:

	Thousands of Euros	
	2022	2021
Wages, salaries and similar	8,302	8,386
Social Security costs	1,951	1,958
Compensation	375	421
	10,628	10,765

19.4 Financial income and expenses

The breakdown of the Group's financial result in 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Financial income:	111	361
Group	-	140
Third party	111	221
Financial expenses:	(205)	(98)
Debts with third parties	(205)	(98)
Exchange differences	36	56
Impairment and income from disposal of financial instruments	(1)	(2)
Financial income	(59)	317

Financial income and expenses from transactions with third parties include the variation in the fair value of the shares described in Note 11 and the corresponding put options. Likewise, as at 31 December 2022, “Financial expenses, debts with third parties” includes 51 thousand euros due to the effect of updating the lease liability (see Note 10) (48 thousand euros as at 31 December 2021).

19.5 Other operating expenses

The amount recognised under "Other operating expenses" for 2022 and 2021 has the following breakdown:

	Thousands of Euros	
	2022	2021
Leases	484	267
Repairs	244	245
Transport	1,783	1,740
Supplies	419	658
Advertising	3,504	3,933
Other external services	4,874	3,463
	11,308	10,306

The heading "Leases and fees" includes, as of 31 December 2022, leases with a maturity of less than one year and low-value assets.

20. Balances and transactions with related parties

The following are considered to be related parties:

- The majority shareholder of the Parent Company, Kiluva, S.A., as well as all the companies related to said majority shareholder as defined in IAS 24.

- The Directors and executives of any company belonging to the Naturhouse Group or its majority shareholder, Kiluva, S.A., as well as their close family, with "Directors" meaning a member of the Board of Directors, and "executives" meaning those who report directly to the Board or the chief executive of the Parent Company.

20.1 Balances with related companies

As at 31 December 2022 and 2021, the Group held the following balances with related companies:

	Thousands of Euros			
	Debtor Balance		Creditor Balance	
Company	2022	2021	2022	2021
Short-term trade balances:				
Finverki	-	5	-	-
Girofibra, S.L.	-	-	222	72
Healthouse Sun, S.L.	-	-	36	36
Ichem, Sp. zo.o.	-	6	1,093	1,428
Indusen, S.A.	-	-	372	409
Kiluva, S.A.	-	4	-	26
Laboratorios Abad, S.L.U.	-	-	-	2
U.D. Logroñés, SAD	-	-	136	-
Distrito TV, S.L.	-	-	18	-
Tartales LLC	3	2	-	-
Zamodiet, S.A.	-	-	-	-
Tartales, S.L.U.	-	-	22	35
Ferev S.A.R.L.	-	-	1	-
Total short-term trade balances	3	17	1,900	2,008
	3	17	1,900	2,008

As a general rule the Group records the debt or credit balances of a commercial nature with related companies as current balances.

Additionally, the headings “Non-current debt” and “Current debt” on the consolidated statement of financial position as of 31 December 2022 include lease liabilities with Tartales, S.L.U. amounting to 1,877 thousand euros (529 thousand euros in the short term and 1,348 thousand euros in the long term).

As described in Note 11.1, in 2022 the loan granted by the Parent Company to the related company Tartales, L.L.C. totalling 826 thousand euros was settled.

Lastly, as detailed in note 11.2 above, the Parent Company has acquired from its related company Kiluva, S.A. a stake in Indusen, S.A. and Girofibra, S.L., equivalent to 39.58% and 49%, amounting to 3,562 thousand euros and 826 thousand euros respectively.

Likewise, in the 2021 financial year, the Parent Company acquired from its related company Kiluva, S.A. an additional stake in Ichem SP Z.o.o. equivalent to 24.8% amounting to 3,208 thousand euros.

20.2 Transactions with related companies

During the 2022 and 2021 financial years, the Group carried out the following transactions with related companies:

Company	Thousands of Euros	
	2022	2021
Sales:		
Ichem, Sp. zo.o	-	6
Healthhouse Sun, S.L.	2	3
Ferev S.A.R.L.	-	-
Services provided:		
Ferev S.A.R.L.	-	-
Finverki	-	5
Healthhouse Sun, S.L.	-	6
Kiluva, S.A.	-	4
Laboratorios Abad, S.L.U.	3	2
Tartales LLC	1	2
Other operating income	6	28
Sales of tangible fixed assets:		
Kiluva, S.A.	-	-
Ferev Uno Strategic Plans	6	-
Healthhouse Sun, S.L.	8	-
Tartales, S.r.l.	-	-
Tartales, Lda	-	-
Tartales, S.L.U.	-	-
Total sales of fixed assets (Note 9)	14	-
Purchases:		
Girofibra, S.L.	727	716
Ichem, Sp. zo.o	8,671	9,524
Indusen, S.A.	1,937	2,143
Laboratorios Abad, S.L.U.	34	77
Tartales, S.r.l.	13	-
Healthhouse Sun, S.L.	8	-
Services received:		
Tartales, S.r.l.	-	3
Ichem, Sp. zo.o	-	22
Kiluva, S.A.	117	188
Heatlhouse Sun, S.L.	126	83
Tartales Portuguesa, S.A.	39	41
U.D. Logroñés, SAD	237	175
Distrito TV, S.L.	18	-
Ferev S.A.R.L.	-	-
Laboratorios Abad, S.L.U.	13	-
Leases and insurance policies *(*)*:		
Casewa, S.A.U.	101	107
Tartales, S.L.U.	830	788
Other operating costs	12,871	13,867

(*) Lease expenses with Casewa, S.A.U. and Tartales, S.L.U. in the 2022 financial year include lease payments made to these entities, which have been recognised in accordance with IFRS 16.

Consideration should be given to the dividend distributions described in Note 14.

Likewise, there are transactions with a company related to a member of the Parent Company's Board of Directors amounting to 62 thousand euros in the 2022 financial year (60 thousand euros in the 2021 financial year).

The Parent Company's Directors and its tax advisers believe that the transfer prices are properly accounted for, based on a report issued by the latter, consequently, they believe that there are no significant risks in this regard that 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 2021 financial year together with its tax advisors, which includes the main transactions that the Parent Company performs with its related companies:

- Royalties for assignment of trademarks

- Management fees

- Product sales

- Product purchases

- Financial operation: liquid asset management.

The report does not include significant limitations, caveats or safeguards, except for those typical of this type of work. Likewise, in order to analyse whether the prices agreed between related parties as a result of the transactions described above comply with the applicable regulations and to determine that they are in line with market values, the following methodology has been used, depending on the type of each transaction:

- Obtaining comparables, that is, comparison of the circumstances of related-party transactions with the circumstances of transactions between independent persons or entities that could be comparable (CUP - comparable uncontrolled price method).

- 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 been used, by which the margin applied by the reseller itself is subtracted from the sale price of goods or services in identical or similar transactions with independent persons or entities or, failing that, the margin that independent persons or entities apply to comparable transactions, making, where necessary, the necessary adjustments to obtain equivalence and consider 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 said analysis, it has been determined that these transactions are at market value.

Said report has been issued in relation to the transactions carried out with related companies in the 2021 financial year. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2022 financial year, consequently, they believe that they are duly backed up.

20.3 Remuneration of the Parent Company's Directors and Senior Management

During the 2022 financial year, the current Directors of the Parent Company accrued remuneration by way of fixed allowance and expenses for attending board meetings amounting to 316 thousand euros (316 thousand euros in 2021). Likewise, a member of the Board of Directors has provided services to the Parent Company amounting to 62 thousand euros during the 2022 financial year (60 thousand euros during the 2021 financial year). 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 2021 financial year, no member of the Board of Directors has held with the Parent Company any advances, had any guarantees granted or held any other commitments in terms of pensions or life insurance contracted with the Directors. The Parent Company's current Directors were re-elected at the last Annual General Meeting held on 17 May 2022.

The remuneration received during the 2022 financial year by the Group's Senior Management amounted to 2,140 thousand euros for wages and salaries, the provision of services and severance pay (1,317 thousand euros has been received by members of the Board of Directors in the development of their executive positions). The Group's Senior Management has not received any remuneration for other concepts. The remunerations received by the Group's Senior Management in the 2021 financial year amounted to 2,236 thousand euros (1,529 thousand euros received by members of the Board of Directors in the development of their executive positions).

At year end 2022 and 2021, the Group's Senior Management body is made up of the following people:

	2022		2021	
Categories	Men	Women	Men	Women
Senior Management	5	1	7	1

As of year end 2022 and 2021, there are no advances, loans granted, pension obligations or life insurance obligations with Senior Management.

The Board of Directors is made up of six men and one woman as of yearend 2022 (six men and one woman as of year end 2021).

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 8 thousand euros to 31 December 2022 (5 thousand euros in 2021).

20.4 Information in relation to situations involving conflicts of interest on the part of the Directors

As of year end 2022, neither the members of the Board of Naturhouse Health, S.A. nor any persons related to them as defined by the Revised Text of the 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 the Revised Text of the Spanish Corporate Law, may have with the Parent Company's interests.

21. Environmental information

The Group is highly committed to the environment; proof of this commitment can been seen in the environmental policies developed by the Parent Company's Management insofar as they contribute to more sustainable growth through the implementation of initiatives that mitigate the impact of the Group's activity on the environment, for example, through the use of recycled materials in the bags of the products sold, promotion of more sustainable materials in the packaging etc.

At year end, the Group 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 Group. The potential impact arising from climate change has been considered and analysed without, as a result of said analysis, the most significant estimates and judgements made for the preparation of the consolidated financial statements having been significantly affected.

22. Other information

22.1 Staff

The average number of persons employed during the 2022 and 2021 financial years, broken down by category, is as follows:

	Number of Employees	
Categories	2022	2021
Senior Management	9	9
Other management personnel	13	15
Administrative and technical	40	45
Salespersons, sellers and operators	160	194
	222	263

In addition, the Group's gender distribution at the end of 2022 and 2021, detailed by category, is as follows:

	2022		2021	
Categories	Men	Women	Men	Women
Senior Management	5	1	7	1
Other Management Personnel	13	1	14	1
Administrative and technical	10	27	11	29
Salespersons, sellers and operators	10	141	11	157
	38	170	43	188

As at 31 December 2022 and 2021, the Group had 3 and 4 people employed with disabilities equal to or above 33%, respectively.

22.2 Audit fees

During the 2022 and 2021 financial years, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements have been as follows:

	Services Provided by the Lead Auditor	
	EY	EY
	2022 financial year	2021 financial year
The Company's audit services (individual and consolidated)	142,500	135,990
Other verification services (*)	28,500	26,010
Total audit and related services	171,000	162,000
Tax services	-	-
Other services	-	-
Total professional services	171,000	162,000

(*) The 'Other verification services' section includes the limited review of the Group's Half-Yearly Financial Statements as well as a report on agreed procedures (same concept in the 2021 financial year).

23. Segment reporting

Considering that IFRS 8 establishes the obligatory nature of the application and breakdown of information by segments for companies whose equity or debt securities are publicly traded or for companies that are in the process of issuing securities to be traded on public stock markets, the Group presents said information in four segments on the attached consolidated financial statements.

Segmentation criteria

For management reasons, the Group is currently made up of the following operating segments, which are the following geographical areas:

- Spain
- France
- Italy
- Poland
- Other countries

The main activities developed by the Group are described in Note 1 of these consolidated notes. The Group does not carry out differentiated activities for significant amounts that entail the identification of additional operating segments.

The Parent Company's Directors have identified said segments based on the following criteria:

- It carries out business activities for which it can obtain ordinary income and incur expenses (including ordinary income and expenses from transactions with other components of the same entity),

- Whose operating results are regularly reviewed by management, which makes the entity's operating and management decisions, to decide on the resources that should be allocated to the segment and evaluate its performance, and

- Differentiated financial information is available.

Bases and methodology for reporting by business segments

The segment reporting set out below is based on the reports prepared by the Group's Management and is generated by the same computer application used to obtain all the Group's accounting data.

The segment's ordinary income corresponds to ordinary income directly attributable to the segment plus the relevant proportion of the Group's general income that can be allocated to it using reasonable distribution bases.

The expenses of each segment are determined by the expenses arising from its operating activities that are directly attributable to it, plus the corresponding proportion of the expenses that can be allocated to the segment using a reasonable distribution basis.

The segment's result is presented pre-tax on profits and before any adjustments that may correspond to minority interests.

The "Consolidation eliminations" column on the consolidated profit and loss account essentially includes the eliminations of sales and purchases between segments and the costs passed on by the Parent Company and other consolidation adjustments.

The information for the consolidated profit and loss account for 2022 and 2021, broken down by segment, is as follows:

	Thousands of Euros															
	Segments															
	Spain		France		Italy		Poland		Other Countries		Eliminations and other consolidation adjustments		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External sales	10,623	11,885	19,086	20,156	15,241	16,826	5,881	6,922	1,572	1,805	-	-	-	-	52,403	57,594
Sales between segments	1,474	1,594	154	355	11	-	16	16	-	-	(1,655)	(1,965)	-	-	-	-
Other operating income	2,787	2,830	116	534	-	-	27	224	546	653	(3,304)	(3,897)	-	-	172	344
Total income	14,884	16,309	19,356	21,045	15,252	16,826	5,924	7,162	2,118	2,458	(4,959)	(5,862)	-	-	52,575	57,938
Supplies	(3,639)	(4,186)	(5,363)	(5,758)	(4,511)	(4,926)	(2,371)	(2,709)	(543)	(638)	1,655	1,965	(148)	(83)	(14,920)	(16,335)
Personal	(4,464)	(4,733)	(2,466)	(2,281)	(2,405)	(2,417)	(691)	(662)	(602)	(672)	-	-	-	-	(10,628)	(10,765)
Amortisation	(410)	(398)	(48)	(52)	(95)	(106)	(32)	(28)	(43)	(36)	-	-	(1,670)	(1,837)	(2,298)	(2,457)
Other operating expenses and other results	(5,177)	(4,689)	(6,350)	(5,767)	(3,578)	(3,550)	(1,475)	(1,565)	(1,142)	(851)	3,831	3,705	2,006	1,880	(11,885)	(10,837)
Impairment and income, disposal of fixed assets	2	(23)	7	(39)	-	-	-	-	-	-	-	-	-	(144)	9	(206)
Operating result	1,196	2,280	5,136	7,148	4,663	5,827	1,355	2,198	(212)	261	527	(192)	188	(184)	12,853	17,338
Financial income	15,849	9,411	105	6	87	1	22	-	127	165	(15,990)	(9,223)	(89)	60	111	420
Financial expenses	(101)	(34)	-	14	(15)	(7)	50	(3)	(41)	(30)	39	6	(101)	(47)	(169)	(101)
Impairment and income from disposal of financial instruments	(52)	1	(1)	(4)	-	-	-	-	-	-	52	1	-	-	(1)	(2)
Financial income	15,696	9,378	104	16	72	(6)	72	(3)	86	135	(15,899)	(9,216)	(190)	13	(59)	317
Income from equity-accounted entities											309	590			309	590
Pre-tax profit	16,892	11,658	5,240	7,164	4,735	5,821	1,427	2,195	(126)	396	(15,063)	(8,818)	(2)	(171)	13,103	18,245
IFRS 16 Impact on Amortisation	(752)	(802)	(393)	(285)	(193)	(282)	(99)	(138)	(233)	(330)	-	-	-	-	(1,670)	(1,837)
IFRS 16 impact on Other operating expenses	777	831	403	293	199	290	102	139	239	338	-	-	-	-	1,720	1,891
IFRS 16 impact on Financial Result	(37)	(22)	(12)	(6)	(6)	(6)	(4)	1	(7)	30	-	-	-	-	(66)	(3)

The “Eliminations” segment includes the consolidation eliminations and the “Others” segment includes financial income and expenses considered to be corporate and not allocable to any specific segment. No distribution of general income and expenses has been made between segments.

The breakdown by segment of certain items on the consolidated statement of financial position as of 31 December 2022 and 2021 is as follows:

	Thousands of Euros													
	Segments													
	Spain		France		Italy		Poland		Other Countries		Eliminations and other consolidation adjustments		Total	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021
ASSETS														
Other intangible assets	540	677	14	14	20	29	26	33	9	-	-	-	609	753
Tangible fixed assets	700	439	218	172	192	238	70	62	100	115	2,699	1,648	3,979	2,674
Total Assets	28,682	28,810	9,716	13,113	8,025	9,015	2,873	3,830	5,305	5,379	(11,784)	(11,146)	42,817	49,001
Total Liabilities	3,469	2,055	5,054	4,621	3,891	3,458	644	464	4,850	4,531	(2,953)	(2,209)	14,955	12,920

IFRS 16 impact (Assets)	1,881	1,615	713	348	300	347	142	189	489	592	(740)	(1,358)	2,785	1,733
IFRS 16 impact (Liabilities)	1,886	1,635	717	351	302	350	144	189	496	599	(278)	(895)	3,267	2,229

The “Others and eliminations” segment includes assets and liabilities considered to be corporate non-assignable to any specific segment, that is, “Investments in related companies” and “Current financial assets”, and “Non-current debt” and “Current debt”, respectively, as well as the consolidation eliminations.

Other segment information

None of the Group's customers accounts for more than 10% of the income from its ordinary activities.

Movements in tangible fixed assets, intangible assets and rights of use by segment were as follows:

	In Thousands of Euros					
	Spain	France	Italy	Poland	Others	Total
IFRS 16 movements	266	365	(47)	(47)	514	1,052
Movements 2022	548	242	41	57	76	964

During the 2022 financial year, no significant additions of fixed assets have been carried out at the segment level.

24. Subsequent events

There have been no significant subsequent events between the close of 31 December 2022 and the date these financial statements were drawn up.

ANNEX I

Companies included in the consolidation

As at 31 December 2022 and 2021, the subsidiaries consolidated by full integration and the information related to them is as follows:

<u>2022 financial year</u>

Company	Activity	% Holding
Naturhouse Health S.A. Claudio Coello, 91 Madrid (Spain)	Marketing of dietary products herbal remedies and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products herbal remedies 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)	Preparation and marketing of dietary products	100%
Ichem Sp. zo.o. (*) ul. Dostawcza 12 93-231 Łódź (Poland)	Production and marketing of dietary products	49.75%
Indusen, S.A. (*) Nacional 1, km.233-U.E. 38.02-Parcela 3 P.I. Monte de la Abadesa-09001 Burgos (Spain)	Production and marketing of dietary products	39.58%
Girofibra, S.L. (*) PG Can Portella 8 17853 Argelaguer – Girona (Spain)	Production and marketing of dietary products	49%
Naturhouse Belgium S.P.R.L. Avenida de la porte, Hall 11b 1060 Saint Gilles (Belgium)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 257 Old Brompton Road, Earl´s Court SW5 9HP London (Great Britain)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (US)	Marketing of dietary products herbal remedies and natural cosmetics	100%

(*) Companies integrated by the equity method, the others are by full integration.
(**) Company not consolidated due to being inactive.

Company	Activity	% Holding
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse S.R.L. Via Federico Fellini, 6 44122 Ferrara (Italy)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Nutririon Naturhouse Inc. (**) Rue de la Guachetière Ouest Montreal Quebec (Canada)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Marketing of dietary products herbal remedies and natural cosmetics	100%
S.A.S. Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Marketing of dietary products	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Marketing of dietary products	79%
Name 17, S.A. de C.V. Doctor Balmis, 222 Mexico City (Mexico)	Marketer of dietary products	51%
Naturhouse Health Limited 165 Lower Kimmage Road Dublin 6, (Ireland)	Marketer of dietary products	100%
Naturhouse Pte. Ltd. 64D Kallang Pudding Road (Tannery Building) 349323 Singapore	Marketer of dietary products	100%

(*) The only company integrated by the equity method, the others are by full integration.
(**) Company not consolidated due to being inactive.

2021 financial year

Company	Activity	% Holding
Naturhouse Health S.A. Claudio Coello, 91 Madrid (Spain)	Marketing of dietary products herbal remedies and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products herbal remedies 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)	Preparation and marketing of dietary products	100%
Ichem Sp. zo.o. (*) ul. Dostawcza 12 93-231 Łódź (Poland)	Production and marketing of dietary products	49.75%
Naturhouse Belgium S.P.R.L. Avenida de la porte, Hall 11b 1060 Saint Gilles (Belgium)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 257 Old Brompton Road, Earl´s Court SW5 9HP London (Great Britain)	Marketing of dietary products herbal remedies and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products herbal remedies and natural cosmetics	100%
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(**) Company not consolidated due to being inactive.

Management Report

FOR THE FINANCIAL YEAR ENDING

31 DECEMBER 2022

CONTENTS

1. Business situation and evolution

The Naturhouse Group is a business group dedicated to the dietetics and nutrition sector with its own exclusive business model based on the Naturhouse method. At year end 2022, it had an active presence in 31 countries through a network of 1556 centres, with its most relevant markets being France, Italy, Spain and Poland.

The companies included in the consolidation by full integration in the 2022 financial year are as follows: Naturhouse Health S.A. (Spain), S.A.S. Naturhouse (France), Naturhouse S.R.L. (Italy), Naturhouse Sp Zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Ltd (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (UK), Naturhouse, Gmbh (Germany), Zamodiet México S.A. de C.V. and Name 17 S.A. de C.V. (Mexico), Nutrition Naturhouse Inc. (Canada), Naturhouse d.o.o. (Croatia), Naturhouse Inc. (US), Naturhouse Health Limited (Ireland), Naturhouse Pte. Ltd. (Singapore) and Naturhouse Health S.A.S. (Dominican Republic).

The Naturhouse Group closed the 2022 financial year with a positive result of 9.6 million net profit.

2022 has been a difficult year in macroeconomic terms, with the appearance of new variants of Covid-19 as well as the war in Ukraine being the main causes that have had an impact on the evolution of the economy globally. This has led to increases in operating costs globally, causing less profitability in the group.

In order to continue creating value for its shareholders, the Naturhouse Group acquired 39.58% and 49% of the shares of the Group's suppliers, Indusen and Girofibra, respectively.

On 14 November, Ms. Patricia Sanz de Burgoa was appointed as Managing Director of the Group, reporting directly to the Chairperson and CEO, Mr. Félix Revuelta. In the same order of business, Ms. Vanessa Revuelta and Mr. Kilian Revuelta ceased their executive duties while maintaining the status of Independent Directors.

The Annual General Meeting was held on 17 May 2022, approving the following;

1. Financial Statements of Naturhouse Health S.A., Individual and Consolidated (Balance Sheet, Profit and Loss Account, Statement of Changes in Equity for the financial year, Cash Flow Statement and explanatory notes, Individual and Consolidated), and Management Reports of Naturhouse Health S.A. and its Consolidated Group for the financial year ending 31 December 2022.
2. The proposed distribution of profit of Naturhouse Health, S.A. for the 2022 financial year. Authorisation for the distribution of unrestricted voluntary reserves.
3. Approval of the Non-Financial Information Statement of the Consolidated Group of Naturhouse Health, S.A. and subsidiaries for the 2022 financial year.
4. Re-election and determination of the number of Board Members.
5. Approval of the Board of Directors' management for the 2022 financial year.
6. Remuneration of the company's Board of Directors.

   6.1 Advisory vote on the Annual Report on Remuneration of the Board Directors of Naturhouse Health, S.A. for the 2021 financial year.

   6.2 Approval of the remuneration policy for the Board Directors of Naturhouse Health, S.A. for the 2022 financial year.

   6.3 Approval of the remuneration of the Board of Directors of Naturhouse Health, S.A. for the 2022 financial year.

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

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

Consolidated Profit and Loss Account

(Thousands of euros)	Financial year 2022	Financial year 2021
Net turnover	52,403	57,594
Supplies	(14,920)	(16,335)
Gross Margin	37,483	41,259
Other operating income	172	344
Staff expenses	(10,628)	(10,765)
Other operating expenses	(11,308)	(10,306)
Operating result before amortisation, impairment and other income	15,719	20,532
Amortization of fixed assets	(2,298)	(2,457)
Impairment and income from disposal of fixed assets	9	(206)
Other results	(577)	(531)
OPERATING RESULT	12,853	17,338
Financial income	111	361
Other financial income	111	361
Financial expenses	(206)	(100)
Debts with third parties	(206)	(100)
Exchange differences	36	56
FINANCIAL RESULT	(59)	317
Income from equity-accounted entities	309	590
PRE-TAX CONSOLIDATED PROFIT OR LOSS	13,103	18,245
Corporate Tax	(3,484)	(4,879)
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS	9,619	13,366
NET CONSOLIDATED RESULT - PROFIT	9,619	13,366
Profit or loss - minority interests	(8)	(5)
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	9,627	13,361
Earnings per share (in euros per share):		
- Basic	0.16	0.22
- Diluted	0.16	0.22

Average number of employees	262	405
Gross Margin without Sales	72%	71%
Operating Result without Sales	30%	24%
Net Result without Sales	23%	17%

- Net turnover is comprised of two main aspects:

    1. Sale of goods: Corresponds to product sales through the Naturhouse channel (whether through franchises, master franchises, online sales or through our own centres). This represents the bulk of the income, 98.52% in 2022.

    2. Provision of services:
        a. Annual fee of €600 per franchise to the Group's subsidiaries. This represents 1.48% of net turnover in the 2022 financial year.
        b. Master franchise fee: corresponds to the entry fee that the Group invoices the master franchisees for exclusively operating the business in a new country. This fee is collected in advance during the first year of operation of the business and grants the right to operate the Naturhouse channel for the following 7 years. The amount of this fee varies according to the estimated potential number of Naturhouse centres in the country in question.

- Net turnover in the 2022 financial year amounted to 52,403 thousand euros, representing a decrease of 9.01% compared to the previous year. This variation mainly includes the following effects:
    - In France, sales were 19,086 thousand euros. In the 2021 financial year, it was 20,156 thousand euros, a decrease of 5.31%, as a result of the closure of 34 centres during the 2022 financial year.
    - In Spain, sales were 10,623 thousand euros. In the 2021 financial year, it was 11,885 thousand euros, a decrease of 10.62%.
    - In Italy, sales were 15,241 thousand euros. In the 2021 financial year, it was 16,826 thousand euros, representing a decrease of 9.42%.
    - In Poland, sales were 5,881 thousand euros. In the 2021 financial year, it was 6,922 thousand euros, a decrease of 15.04%, as a result of the closure of 32 centres during the 2022 financial year.

- The gross margin on net turnover remains at 72%.

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

- During the 2022 financial year, the Group's average workforce was 222 employees, of which 72% are direct employees of the Naturhouse centres under the Group's own management and salespersons that control the proper development of all the centres, both franchises and own centres. The remaining 28% of the personnel correspond to general management, administration and accounting, logistics, marketing and technicians.

  Personnel Costs represents 20.28% of net turnover.

- The "Operating Result before amortisation, impairment and other income" on turnover has decreased 6 percentage points compared to 2021, from 36% to 30%, as a result of the closure of owned centres as well as the increases in operating costs.

- As a result of the 49.75% stake in the company Ichem Sp Z.o.o, and the acquisition of shares and interests in the companies Indusen, S.A. (39.58%) and Girofibra (49%) in the 2022 financial year, 309 thousand euros is recognised in "Income from equity-accounted entities" on the attached abridged profit and loss account.

- The net result on turnover decreased 5 percentage points, from 23% to 18%, compared to the 2021 financial year, as a result of the drop in sales and the increase in operating expenses in the 2022 financial year.

3. Consolidated Statement of Financial Position

ASSETS (thousands of euros)	31/12/2022	31/12/2021
NON-CURRENT ASSETS:		
Intangible assets	609	753
Tangible fixed assets	3,979	2,674
Non-current financial assets	529	1,399
Investments in associates-		
Investments recognised using the equity method	10,554	6,793
Deferred tax assets	81	107
Total non-current assets	15,752	11,726
CURRENT ASSETS:		
Stock	2,669	2,550
Trade receivables for sales and provision of services	2,400	2,691
Customers, related companies	3	17
Current tax assets and other credits with public administrations	6,759	3,988
Other current assets	3,126	779
Cash and cash equivalents	12,108	27,250
Total current assets	27,065	37,275
TOTAL ASSETS	42,817	49,001

EQUITY AND LIABILITIES (thousands of euros)	31/12/2022	31/12/2021
EQUITY:		
Capital and reserves-		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Reserves	16,930	18,443
Own shares	(142)	(142)
Conversion differences	(754)	(790)
Profit / (Loss) for the financial year	9,627	13,361
Interim dividend	(3,000)	-
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	27,810	36,021
EQUITY - MINORITY INTERESTS	52	60
Total Equity	27,862	36,081
NON-CURRENT LIABILITIES:		
Non-current provisions	2,399	1,188
Non-current debts	3,858	3,375
Deferred tax liabilities	306	294
Total non-current liabilities	6,563	4,857
CURRENT LIABILITIES:		
Current provisions	401	982
Current debts	1,524	992
Trade creditors and other accounts payable	2,559	2,375
Suppliers, related companies	1,900	2,008
Current tax liabilities and other debts with public administrations	2,008	1,706
Total current liabilities	8,392	8,063
TOTAL EQUITY AND LIABILITIES	42,817	49,001

- The change in "Tangible fixed assets" is due to the following reasons:

    - In 2022, there was an increase of 298 euros under "Tangible Fixed Assets" as a result of the acquisition of transport elements.

    - The impact of the application of IFRS 16, which has led to the recognition of assets for the right of use amounting to 2,699 thousand euros compared to 2,195 thousand euros in 2021.

- "Investments in associates" corresponds to the 49.75% stake in the company Ichem Sp Z.o.o, the main supplier of the Naturhouse Group, as well as the acquisition of shares and interests in the companies Indusen, S.A. (39.58%) and Girofibra (49%).

- "Current tax assets" includes the amount paid to the Tax Authorities as an advance corporate tax payment for the 2021 and 2022 financial years. All of the amount advanced for corporate tax for the 2021 financial year was returned in February 2023, with the return of the amount for the 2022 financial year outstanding.

- "Other Current Assets" includes the company's securities portfolio in the United States, as well as guarantees and short-term accruals.

- As of year end 2022, the company held a balance in own shares and company shares of €141,886, represented by a total of 50,520 shares at an average acquisition price of € 2.81/share, as a result of the development of the liquidity contract signed with Renta 4 in January 2019.

- The increase in "Non-current debt" is mainly due to the application of IFRS 16, with this increasing the figure by 733 thousand euros, and the decrease of 250 thousand euros in other financial assets. This item also includes, among other concepts, 1,790 thousand euros of deposits that the French subsidiary has from franchisee customers by way of a commercial guarantee.

- The increase in "Current debts" is due to the impact of the application of IFRS 16, with the impact being an increase of 497 thousand euros, and an increase in 'Other Financial Liabilities' of 35 thousand euros.

- The average payment period of the Spanish company included in the Naturhouse Group was 47.23 days, in compliance with the period set out in the regulations on late payments.

4. Financial risk management and use of hedging instruments

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

Interest rate and exchange rate market risk:

The Group's operating activities are largely independent with respect to variations in market interest rates. The Group's interest rate risk arises from long-term borrowings. As of 31 December 2022, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to hedge these interest rate fluctuations given that the Group's external financing is not significant, consequently, it has not taken out hedging instruments during the financial years in question.

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

Credit risk:

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

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

Liquidity risk:

In order to ensure liquidity and meet all payment obligations arising from its activities, the Group has ample financing and credit lines with financially responsible institutions. A proactive policy has been maintained with respect to liquidity risk management, essentially focused on preserving the same by maintaining sufficient cash and marketable securities, the availability of financing through an adequate number of credit facilities and sufficient capacity to settle market positions.

5. Risk factors

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

As for 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 increase in it that the development of pharmaceutical products and other technological and scientific advances in the field of weight loss entail could have a negative impact on the Group's activities, operating results and financial situation.

6. R&D&i activities

The procedure that the company uses in connection with the research and development of new products is as follows:

It is in the commercial, technical and marketing department where the initial need arises to study the expansion of the range of products offered by Naturhouse or simply modify existing products. This need is conveyed to one or more of our current suppliers, according to the product format (sachets, vials or capsules). The suppliers develop and present proposals for the needs in question, and if they are met from a commercial, technical and financial point of view, a new product or format is launched. Consequently, the company does not generate higher spending on R&D&i than registering the trademark and the formula with the corresponding department of health.

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 59% of total consolidated purchases to 31 December 2022. Naturhouse Health, S.A. holds 49.75% of its capital. The benefits sought with this holding are as follows:

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

With this, it is achieved that Naturhouse Health, S.A. is differentiated from its competitors because it is present throughout the entire nutritional supplement sector value chain, from R & D and product manufacturing to the final sale and customer advice.

Besides Ichem, the Group acquired from its main shareholder, Kiluva, S.A., the shares that the latter held in the Spanish companies Indusen and Girofibra, specifically 39.58% and 49% respectively.

7. Own shares

As of 31 December 2022, the Parent Company holds a total of 50,520 treasury shares. No subsidiary owns any shares or holding in the Parent Company.

8. Subsequent events

There have been no relevant significant events.

9. Capital structure and significant holdings

As of 31 December 2022, the Naturhouse Group has no restrictions on the use of capital resources that, directly or indirectly, have affected or may significantly affect operations, except for those legally established.

As of 31 December 2022, 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 Ferev Uno Strategic Plans, S.L. with 5.15%.

10. Shareholders' agreements and restrictions on transferability and voting

There are no kinds of shareholders' agreements or statutory restrictions on the free transferability of the Parent Company's shares, nor statutory restrictions or regulations on voting rights.

11. Administrative bodies, 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

There are no significant agreements, both in relation to changes of control of the Parent Company and between the Parent Company and its positions of Directors and Management or Employees in relation to severance pay for resignation or redundancies.

13. Annual Directors' Remuneration Report

The Annual Directors' Remuneration Report that is part of the management report can be seen on the Comisión Nacional del Mercado Valores (CNMV) website and on the Naturhouse Group website.

www.cnmv.es

www.naturhouse.com

14. Annual Corporate Governance Report

The annual corporate governance report that is part of the management report can be seen on the Comisión Nacional del Mercado Valores (CNMV) website and on the Naturhouse Group website.

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15. Non-financial information

In relation to the diversity and non-financial reporting requirements under Act 11/2018 of 28 December, said information is included in the Non-Financial Information Statement, which has been drawn up separately and can be viewed on the Comisión Nacional del Mercado de Valores (CNMV) website and on the Naturhouse Group website.

www.cnmv.es

www.naturhouse.com

Madrid, 28 February 2023

Board of Directors