Naturhouse Health, S.A. and Subsidiaries

Consolidated Annual Accounts for the year ended 31 December 2020, prepared in accordance with the International Financial Reporting Standards adopted in the European Union (IFRS-EU) and Consolidated Management Report

Naturhouse Health, S.A. and Subsidiaries

Consolidated Profit and Loss Account for the 2020 financial year

(Thousands of Euros)

ASSETS	Explanatory notes	31/12/2020	31/12/2019	EQUITY AND LIABILITIES	Explanatory notes	31/12/2020	31/12/2019
NON-CURRENT ASSETS:				**NET EQUITY:**			
Intangible fixed assets	**Note 8**	**972**	**1,296**	**Capital and reserves-**			
Tangible fixed assets	**Note 9**	**3,998**	**9,618**	Subscribed capital	**Note 14**	3,000	3,000
Non-current financial assets	**Note 11.1**	**696**	**828**	Issue premium		2,149	2,149
Investments in associates -				Reserves		13,452	11,175
Investments recognised using the equity method	**Note 11.2**	**3,276**	**3,152**	Own shares	**Note 14**	(142)	(142)
Deferred tax assets	**Note 18.3**	**197**	**138**	Conversion differences	**Note 14**	(1,875)	(1,587)
Total non-current assets		9,139	15,032	Profit / (Loss) for the financial year		9,379	13,257
				Interim dividend		-	(11,400)
				EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**25,963**	**16,452**
				NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**Note 14**	**65**	**62**
				Total net equity		**26,028**	**16,514**
				NON-CURRENT LIABILITIES:			
				Non-current provisions	**Note 15**	**1,224**	**1,107**
				Non-current debts	**Note 16**	**5,441**	**7,757**
				Deferred tax liabilities	**Note 18.5**	**154**	**9**
CURRENT ASSETS:				**Total non-current liabilities**		**6,819**	**8,873**
Inventory	**Note 12**	**3,256**	**4,124**	**CURRENT LIABILITIES:**			
Trade receivables for sales and provision of services		**3,798**	**3,355**	**Current provisions**	**Note 15**	**479**	**-**
Customers, related companies	**Note 20.1**	**236**	**151**	**Current debts**	**Note 16**	**1,592**	**2,662**
Current tax assets and other credits				**Trade creditors and other receivables**	**Note 17**	**4,144**	**5,091**
with public administrations	**Note 18.1**	**4,006**	**3,639**	**Suppliers, related companies**	**Note 20.1**	**2,627**	**3,243**
Other current assets		**531**	**955**	**Current tax liabilities and other debts**			
Cash and cash equivalents	**Note 13**	**21,611**	**10,305**	**with public administrations**	**Note 18.1**	**888**	**1,178**
Total current assets		**33,438**	**22,529**	**Total current liabilities**		**9,730**	**12,174**
Total Assets		**42,577**	**37,561**	**TOTAL EQUITY AND LIABILITIES**		**42,477**	**37,561**

Notes 1 to 24 in the explanatory notes and Annex I attached are an integral part of the consolidated statement of financial position as of 31 December 2020.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 2020 FINANCIAL YEAR
(Thousands of Euros)

	Explanatory notes	Financial year 2020	Financial year 2019
Net amount of revenue	**Note 19.1**	55,081	81,667
Supplies	**Note 19.2**	(15,876)	(23,841)
Gross Margin		**39,205**	**57,826**
Other operating income		1,157	685
Personnel costs	**Note 19.3**	(12,376)	(19,331)
Other operating expenses	**Note 19.5**	(10,607)	(16,061)
Operating income before amortizations, impairments and other results		**17,379**	**23,119**
Amortization of fixed assets	**Notes 8 and 9**	(3,258)	(4,291)
Impairment losses and income from disposal of fixed assets	**Note 9**	(1,146)	489
Other results		250	(138)
OPERATING RESULT		**13,225**	**19,179**
Financial income	**Note 19.4**	**24**	**134**
Other financial income		24	134
Financial expenses	**Note 19.4**	**(185)**	**(258)**
Debts with third parties		(185)	(258)
Exchange differences	**Note 19.4**	**153**	**(61)**
Financial result		**(8)**	**(185)**
Result in entities valued by the equity method	**Note 11.2**	**297**	**243**
Consolidated profit before tax		**13,514**	**19,237**
Corporate Tax	**Note 18.2**	(4,127)	(6,031)
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS		**9,387**	**13,206**
NET CONSOLIDATED PROFIT / (LOSS)		**9,387**	**13,206**
Profit or loss attributable to third party shareholders	**Note 14**	(8)	51
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY		**9,379**	**13,257**
Profit per share (in Euros per share):			
- Basic	**Note 14**	**0.16**	**0.22**
- Diluted	**Note 14**	**0.16**	**0.22**

Notes 1 to 24 in the explanatory notes and Annex I attached are an integral part of the consolidated profit and loss account for the 2020 financial year.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2020 FINANCIAL YEAR
(Thousands of Euros)

	Financial year 2020	Financial year 2019
A- PROFIT AND LOSS ACCOUNT BALANCE	**9,387**	**13,206**
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	(288)	(561)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	**9,099**	**12,645**
Total Comprehensive Income attributable to:		
- The Parent Company	9,091	12,696
- Minority shareholders	8	(51)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**9,099**	**12,645**

Notes 1 to 24 in the explanatory notes attached and Annex I are an integral part of the consolidated statement of comprehensive income for the 2020 financial year.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2020 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 2018	**3,000**	**2,149**	**12,602**	**(64)**	**(1,026)**	**15,373**	**(13,200)**	**6**	**18,840**
Recognised income and expenses	-	-	-	-	(561)	13,257	-	(51)	**12,645**
Distribution of profit for the 2018 financial year									
- Distribution to reserves	-	-	(314)	-	-	314	-	-	**-**
- Distribution of dividends	-	-	(1,113)	-	-	(15,687)	13,200	-	**(3,600)**
Transactions with shareholders:									
- Transactions with shares (net)	-	-	-	(78)	-	-	-	-	**(78)**
- Distribution of dividends	-	-	-	-	-	-	(11,400)	-	**(11,400)**
Other changes in equity	-	-	-	-	-	-	-	107	**107**
Balance at 31 December 2019	**3,000**	**2,149**	**11,175**	**(142)**	**(1,587)**	**13,257**	**(11,400)**	**62**	**16,514**
Recognised income and expenses	-	-		-	(288)	9,379	-	8	**9,099**
Distribution of profit for the 2019 financial year									
- Distribution to reserves	-	-	1,857	-	-	(1,857)	-	-	**-**
- Distribution of dividends	-	-	420	-	-	(11,400)	11,400	-	**420**
Transactions with shareholders:									
- Transactions with shares (net)	-	-	-	-	-	-	-	-	**-**
- Distribution of dividends	-	-	-	-	-	-	-	-	**-**
Other changes in equity	-	-	-	-	-	-	-	(5)	**(5)**
Balance at 31 December 2020	**3,000**	**2,149**	**13,452**	**(142)**	**(1,875)**	**9,379**	**-**	**65**	**26,028**

Notes 1 to 24 in the explanatory notes and Annex I attached are an integral part of the consolidated statement of changes in equity for the 2020 financial year

Naturhouse Health, S.A. and Subsidiaries

Annual Report for the Consolidated Financial Statements for the 2020 financial year
(Thousands of Euros)

	Explanatory notes	Financial year 2020	Financial year 2019
CASH FLOWS FROM OPERATING ACTIVITIES		**14,580**	**19,677**
Pre-tax result for the financial year		**13,514**	**19,237**
Adjustments to the result:		**4,711**	**3,947**
- Amortization of fixed assets (+)	Notes 8 and 9	3,258	4,291
- Variation in provisions (+/-)		596	203
- Income from derecognition or disposal of fixed assets (+/-)	Notes 8 and 9	1,146	(489)
- Financial income (-)	Note 19.4	(24)	(134)
- Financial expenses (+)	Note 19.4	185	258
- Exchange rate differences (+/-)	Note 19.4	(153)	61
- Participation in entities valued by the equity method net of dividends (+/-)	Note 11.2	(297)	(243)
Changes in working capital		**(799)**	**(1,517)**
- Inventory (+/-)	Note 12	868	305
- Debtors and other accounts receivable (+/-)		(528)	792
- Other current assets (+/-)		424	(268)
- Creditors and other accounts payable (+/-)		(1,563)	(2,346)
Other cash flows from operating activities		**(2,846)**	**(1,990)**
- Interest payments (-)		(185)	(258)
- Receipt of dividends (+)	Note 11.2	-	477
- Interest receivable (+)		24	134
- Sums received /(paid) for tax on profits (+/-)		2,685	(2,343)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**112**	**846**
Payments for investments (-)		**(201)**	**(886)**
- Intangible and tangible assets	Notes 8 and 9	(201)	(886)
- Other financial assets		-	-
- Payments from related companies	Note 11.2	-	-
Sums received from divestments (+)		**313**	**1,732**
- Intangible and tangible assets	Note 9	181	1,678
- Other financial assets		132	54
CASH FLOWS FROM FINANCING ACTIVITIES		**(3,386)**	**(18,465)**
Sums received and paid for equity instruments		**-**	**(78)**
- Net disposals (acquisitions) of the Parent Company's equity	Note 14.f	-	(78)
Sums received and paid for financial liability instruments		**(3,386)**	**(3,387)**
- Repayment and net amortization of:			
Amounts owed to credit institutions and other debts (-)		(3,386)	(3,387)
Dividend payments and remuneration on other equity instruments		**-**	**(15,000)**
- Dividends (-)	Note 5	-	(15,000)
EFFECT OF VARIATIONS IN EXCHANGE RATES		**-**	**-**
INCREASE/DECREASE (NET) IN CASH AND CASH EQUIVALENTS		**11,306**	**2,058**
Cash or cash equivalents at start of financial year		10,305	8,247
Cash or cash equivalents at year end		21,611	10,305

Notes 1 to 24 in the explanatory notes and Annex I attached are an integral part
of the consolidated statement of cash flows for the 2020 financial year.

Naturhouse Health, S.A.
and Subsidiaries

Explanatory Notes to the Financial Statements
for the 2020 financial year

1. Nature and corporate purpose of the Group companies

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

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

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

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 26 February 2021.

These consolidated financial statements for the financial year ending 31 December 2020 have been prepared in accordance with the provisions of the International Financial Reporting Standards, as approved by the European Union (EU-IFRS), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the European Council, as well as taking into consideration all the accounting principles and standards and valuation criteria that are mandatory, as well as the Commercial Code, the circulars of the CNMV, Spanish Corporate Law and other corporate legislation applicable.

They have been prepared from the Parent Company's individual accounts and those of each of the consolidated companies (detailed in Annex I) and they accurately present the assets, financial position, results of the Group, changes in consolidated equity and consolidated cash flows under EU-IFRS and other regulatory financial reporting frameworks applicable.

The financial consolidated statements for the 2019 financial year were approved by the Annual General Meeting held 22 June 2020 and filed with the Companies Registry of Madrid.

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

- Statement of Financial Position

-Profit and Loss Account

-Statement of Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

Since the accounting principles and valuation criteria used in preparing the Group's consolidated financial statements for the 2020 financial year (EU-IFRS) on occasion differ from those used by the Group companies (local regulations), during the consolidation process all the adjustments and reclassifications required to standardise such principles and criteria and to adapt them to the International Financial Reporting Standards adopted by the European Union have been introduced.

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

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

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

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

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

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

b) Adoption of the International Financial Reporting Standards

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

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

C) Changes in accounting policies and effective breakdowns of information in the year 2020

New accounting standards came into effect in the 2020 financial year, therefore, they have been taken into consideration in the preparation of the attached consolidated financial statements. The following standards have been applied in these consolidated financial statements, but they did not have a significant impact on the figures and breakdown therein:

New standards, amendments and interpretations		Mandatory application for financial years from:
Revised version of the IFRS Conceptual Framework	The revised version of the Conceptual Framework establishes a number of fundamental concepts that guide the IASB in developing the rules, and helps to ensure that the rules are consistent and that similar transactions are treated in the same way. In addition, it helps entities to develop their accounting policies when there are no specific regulations applicable to a transaction. The revised Conceptual Framework includes a new chapter on valuation, improves definitions and guidelines, and clarifies important areas such as prudence and the valuation of uncertainty.	1 January 2020
Amendments to IFRS 3 - Business combinations	The amendments change the definition of business in IFRS 3 to help entities determine whether a transaction should be recorded as a business combination or as the acquisition of an asset group. This distinction is important, as the acquirer only recognises goodwill when a business is acquired. The new definition of business emphasises that the product of a business is to provide goods and services to customers, that generate investment income (such as dividends or interest) or that generate other income from ordinary activities; while the previous definition focused on providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of material:	The amendments to the definition of material are made to make it easier to make judgements as to what is material. The definition of material helps entities to decide whether the information should be included in the consolidated annual financial statements, or, where appropriate, the consolidated abridged interim financial statements. These amendments clarify said definition and include guidelines on how it should be applied. In addition, the explanations accompanying the definition have been improved and it has been ensured that the definition of material is consistent across all rules. These amendments have no impact on the Group's consolidated abridged interim financial statements.	1 January 2020

New standards, amendments and interpretations		Mandatory application for financial years from:
Amendments to IFRS 9, IAS 39 and IFRS 17: Reforms to the reference interest rate	The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and measurement provide a series of practical solutions, which apply to all hedging relationships that are directly affected by the reforms to the reference interest rate. A hedging relationship is affected if the reforms give rise to uncertainties about the timing and/or amount of the cash flows arising from the reference interest rate, both for the hedged item and for the hedging instrument. These amendments have no impact on the Group's consolidated abridged interim financial statements.	1 January 2020
Amendment to IFRS 16 Covid-19-related rent concessions	This amendment permits, as a practical solution, the lessee to choose not to recognise rent concessions arising due to Covid-19 as a modification of the lease. If applicable, if the lessee so chooses, they can recognise the concessions by applying the criteria of IFRS 16 Leases as if said concessions were not a modification. This practical solution can only be applied to rent concessions that have been a direct consequence of Covid-19, consequently, a series of conditions must be met.	1 June 2020

d) Accounting policies issued not in force for the 2020 financial year

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

New rules, amendments and interpretations not yet approved for use in the European Union		IASB application date
Amendments to IFRS 4 Insurance policies - deferral of IFRS 9	Currently, with IFRS 4 Insurance policies, the date of application of IFRS 9 Financial Instruments for entities that apply said standard is 1 January 2021. The IASB has decided to delay the entry into force, for these entities, to periods starting 1 January 2023.	1 January 2021
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.	1 January 2023
IAS 1 Presentation of financial statements.	Classification of liabilities as current or non-current	1 January 2023

New rules, amendments and interpretations not yet approved for use in the European Union		IASB application date
Amendments to: -IFRS 3 Business combinations -IAS 16 Property, plant and equipment -IAS 37 Provisions, contingent liabilities and contingent assets -Annual improvements 2018 - 2020	These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Conceptual Framework with a reference to the 2018 framework, without significantly changing the requirements. These amendments, issued by the IASB in May 2020, prohibit deducting from the asset acquisition cost the amount of the sales obtained from the asset while it is being brought to the location and conditions necessary for it to be able to operate in the manner envisaged by Management. Instead, these amounts will be recognised on the income statement. These amendments, issued by the IASB in May 2020, detail the costs that entities have to include when assessing whether a contract is onerous or making a loss. The amendments propose a "direct cost approach". As part of the 2018-2020 annual improvements to the IFRS, the IASB has published amendments to IFRS 9 and IAS 40.	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reforms to the reference interest rate - phase 2	In August 2020, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reforms to the reference interest rate - phase 2. These amendments provide temporary relief in financial reporting while inter-bank offered rates (IBORs) are replaced by risk-free interest rates (RFRs).	They are applicable in the EU from 1 January 2021

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

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

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 that comprise 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, which have been considered reasonable under the circumstances. While the estimates have been made on the best information available as of the date of preparing these consolidated financial statements, in accordance with IAS 8, any amendment in the future to these estimates would be applied prospectively from such time, recognising the effect of the change in the estimate made in the consolidated profit and loss account for the financial year in question.

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

- Useful lives of intangible and tangible fixed assets (see Notes 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 Notes 6.k).

g) Information comparison

The information contained in this consolidated report referring to the 2019 financial year is presented, for comparison purposes, with information from the 2020 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 2020 financial year.

3. Consolidation criteria

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

a) Subsidiaries and associates

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

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

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

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

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

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

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

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

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

c) Variations in the scope of the consolidation

During the 2020 financial year, there have been no variations in the scope of consolidation of the Naturhouse Group.

On 11 June 2019, the Company subscribed to the share capital increase carried out by Name 17, S.A. de C.V., through which it acquired 51% of the shares for 112 thousand euros, and therefore the control of the said Company. The business combination recognised under IFRS 3 was recorded in the annual financial statements for the financial year ending 31 December 2019.

4. **Exposure to risks associated with COVID-19**

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The evolution of events, both nationally and internationally, has led to an unprecedented health crisis, which has had an impact on the macroeconomic environment and on the evolution of businesses. During the 2020 financial year, a series of measures have been adopted to address the economic and social impact that this situation has created, which among other aspects have led to restrictions on people's mobility. In particular, the Government of Spain declared a state of emergency through Royal Decree 463/2020 of 14 March, which was lifted on 1 July 2020, and approved a series of extraordinary urgent measures to address the economic and social impact of COVID-19 through Royal Decree-Act 8/2020 of 17 March, and other legislation. As of the date these financial statements were prepared, the state of emergency declared by the Government of Spain is in force through Royal Decree 926/2020 of 25 October. Initially approved until 9 November 2020, it has been extended until 9 May 2021 through Royal Decree 956/2020 of 3 November.

COVID-19 has had an adverse effect on the Group's businesses, mainly during the second quarter of the year, due to the lockdown measures imposed and the subsequent restriction of the normal course of business at both its own and Group franchisee points of sale. Similarly, as a result of the high level of uncertainty inherent in the economic crisis caused by the pandemic, the results of the Group's operations may continue to suffer in the financial years to come; it is not possible to estimate with certainty the moment in time and the degree to which the future economic recovery will drive demand for the Group's products and services to pre-COVID-19 levels.

Taking the above into account, the Group has identified the following risks, for which it has implemented the actions that are likewise listed below:

a) 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 consolidated statement of financial position as of 31 December 2020, as well as the lines of financing available in Note 16.

The Group manages its liquidity risk based on holding sufficient cash and marketable securities, as well as additional financing under various modalities with credit institutions in order to have sufficient capacity so as to settle market positions and manage the corresponding debt commitments and payment obligations in advance.

Irrespective of the foregoing, the Group has adopted the following liquidity protection measures and improvement of its ability to access sources of financing in the current economic environment:

- Partial cancellation of the expected distribution of dividends on the profits of the previous financial year amounting to 2,800 thousand euros (note 14 b) and the total cancellation of the distribution of dividends on the profits of the 2020 financial year.

- Presentation of Temporary Layoffs (EREs) due to force majeure in Spain, France and Italy affecting approximately 80% of the Group's workforce.

- Renegotiation of lease contracts and review of the network of own stores with a view to maximizing the efficacy of the omnichannel interaction of the physical points of sale with the Group's new "ecommerce" platform.

b) Credit risk

Credit risk is the risk that an entity, as opposed to a financial asset of the Group, causes a loss for the Group by not meeting their respective payment obligation. In this regard:

In general, the Group holds its liquid assets and cash equivalents in financial institutions with high credit ratings.

Management has intensified the individualised monitoring of accounts receivable as a result of the situation created by COVID-19, without a significant increase in customer defaults becoming apparent, mainly due to the cash sales prioritisation policy followed by the Group.

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, COVID-19 may trigger some financial difficulties for some customers, which has prompted a reassessment of the estimate of the adjustment for expected losses under IFRS 9, which has resulted in an increase in the adjustment for expected losses of 13 thousand euros, placing the same at 31 December 2020 at 24 thousand euros (11 thousand euros at 31 December 2019).

Regardless of the fact that COVID-19 is an incremental credit risk factor, the Group's Financial Management has continued to give the highest priority to the proper control and supervision of the evolution of accounts receivable and the management of potential defaults, particularly in markets with higher risk. In this regard, the Group's policies, which include the prior requirement of bank guarantees or deposits from customers to guarantee their commitments are met, have enabled very effective management and control of the credit risk in the current environment.

Additionally, the Group has established a policy of accepting customers based on periodic liquidity and solvency risk assessments and the establishment of credit limits for debtors. On the other hand, the Group conducts regular analyses of the key factors in the adjustment for expected losses to cover possible risks of default.

The average collection period continues to be, depending on the country, between 30 and 60 days, although, as has been explained, a very significant portion of sales is collected in advance or at the time it is performed.

c) Capital management

The Group continues to manage its capital to ensure that Group companies will be able to continue operating under an adequate level of profitability. 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. In this regard, the ratio of net financial debt to Operating Income before amortisation, impairment and other income as of 31 December 2020 and 31 December 2019 stands at -0.84 and -0.03, 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 both financial years is due to the increase in cash and cash equivalents as a consequence of the liquidity protection measures adopted by the Group during the financial year.

d) Market risk in the interest rate and the exchange rate:

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

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of the close of the 2020 financial year and yearend 2019, 100% of the borrowings were at variable interest rates.

Finally, at the close of the 2020 financial year, the Group has cash resources of an amount that covers practically all current and non-current financial debt, including the debt relating to lease contracts recognised in accordance with IFRS 16, consequently, the Directors believe that the exposure to interest rate risk is in no way significant.

e) Support and relief measures

The Group has implemented efficiency measures to reduce costs and non-strategic investments. In connection with other operating expenses, the Group has obtained savings, mainly focused on the cost of supplies and rentals. In the latter case, the Group has achieved waivers of lease payments due to COVID-19 amounting to 67 thousand euros. Likewise, the Group has accelerated the rollout of its online sales channel, which has accelerated its process to rationalise non-strategic points of sale. In this way, Management trusts that its commitment to the omnichannel sale can benefit its network of own stores and Naturhouse franchisees by enabling greater efficacy and agility in the capacity to supply the end customer. Finally, in line with the Group's commitment to its Franchisee Network, the terms for supplying goods have been revised in countries such as France and Italy in order to increase the levels of sales on credit to customers with an adequate level of coverage through guarantees or deposits.

f) Non-currrent Asset valuation

In the first half of the financial year, COVID-19 has had an adverse impact on the Entity due to the fact that the lockdown and control measures imposed in the main countries in which the Group operates have impeded the normal course of the sales business at own and franchisee points of sales until the corresponding lockdown and control measures are lifted in each country.

In accordance with the provisions of IAS 36 *Impairment of assets*, the Group has considered that the impact of COVID-19 is an objective indicator of signs of impairment on the following assets:

<u>Own stores</u>

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.

In order to come to a conclusion as to the existence of potential impairments, the Group has conducted a preliminary analysis with a view to identifying the points of sale with less profitability that have had their business expectative deteriorate as a result of the effects of COVID-19. After identifying these points of sale, the cash flow projections for each CGU have been estimated. As a result of the analysis carried out, impairment of rights of use of 861 thousand euros as of 31 December 2020 has been revealed (see note 6 c)) corresponding mainly to centres that were planned to be closed in the short term. Likewise, impairment of the tangible fixed assets (mainly facilities) associated with these points of sale of 86 thousand euros as of 31 December 2020 has been revealed.

Investments recognised using the equity method

As of 31 December 2020, the Group has carried out an analysis of the existence of objective evidence of potential impairment losses in the investment in Ichem Sp. Zo.o. (Ichem), recognised using the equity method, as a consequence of the effects of COVID-19.

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, understanding the latter to be the higher of the fair value less selling costs and the present 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 distribution of dividends made by the invested company and the disposal or derecognition of the investment in it, or;

- By estimating its participation in the cash flows that are expected to be generated by the invested company 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 cash flow forecasts for a period of 5 years, incorporating the best available estimates as respects income and expenses, using sector forecasts, Ichem's historical results and future expectations (the entity's budgets, business plans etc.) as well as macroeconomic indicators that reflect the current and foreseeable market situation. Likewise, another projected estimate to be considered has been the margin depending on 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 macroeconomic indicators (inflation, GDP etc.).

Additionally, a residual value is calculated based on the normal cash flow of the last year in the projection, 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 residual value takes into account the investments that are necessary for future business continuity at the estimated growth rate.

For discounted cash flows, the weighted average cost of capital is used, which is determined before taxes and is adjusted for country risk, the corresponding business risk and other variables dependent on the current market situation. The average discount rate in the 2020 financial year stands at 14.75%.

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

It should finally be noted that, as of 31 December 2020, the invested company has a net worth of approximately 13 million euros.

g) Going concern

Taking into consideration all the aforementioned measures and impacts, as well as the fact that the Parent Company has an equity balance and the Group has positive working capital amounting to 23,708 thousand euros and consolidated profits of the financial year and operating profit of 9,379 thousand euros and 13,225 thousand euros respectively, the Directors consider that there are no factors arising from the current uncertainty due to COVID-19 that could cast significant doubts on the Group's ability to continue its business under the going concern principle.

5. Distribution of the result

The proposal for the distribution of the individual result of Naturhouse Health, S.A. for the year 2020 formulated by the Directors of the Parent Company, subject to the approval of the General Shareholders' Meeting, is as follows:

	Thousands of Euros	
	2020	2019
Distribution basis:		
Profit for the financial year	5,725	14,200
	5,725	**14,200**
Distribution:		
To dividends	-	14,200
To reserves	5,725	-
	5,725	**14,200**

As part of the measures described in Note 4 a), the Parent Company's Directors modified the proposed distribution of profit for the 2019 financial year, with the final amount distributed as dividends totalling 11,400 thousand euros.

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 (IFRS IC) and adopted by the European Commission for application in the European Union (EU-IFRS).

a) Intangible assets

As a general rule, intangible assets are initially valued at their acquisition price or production cost. Subsequently, they are valued at cost less any accumulated amortization and, if applicable, impairment losses under the criteria described in Note 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 2020 financial year amounted to 32 thousand euros (12 thousand euros in the 2019 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 at 10 years.

Software

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

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

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

b) Tangible fixed assets

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

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

Financial expenses, incurred during the construction or production period prior to commissioning the assets, are capitalized, with both the sources of specific financing intended expressly for acquiring the fixed asset element, as well as the sources of generic financing in accordance with the guidelines established for qualifying assets in IAS 23. During the 2020 and 2019 financial years, there were no financial expenses capitalized as a higher value of an asset.

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

	Years of estimated useful life
Buildings	33.33
Other facilities, tools and furniture	8.33 - 30
Information processing equipment	3 - 4
Transportation elements	6.25 - 10

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

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

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

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

c) Impairment of non-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.

The analysis carried out in this regard is broken down in note 4.f).

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 (note 4f.).

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 lease term 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 discretionary for the Group, if there is reasonable certainty that it is going to be exercised (or it is not going to be 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 business model of the entity to manage its financial assets, as follows:

-Loans and accounts receivable.

- Financial assets available for sale.

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

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

2. <u>Financial assets: fair value through profit or loss</u>

   This includes equity instruments that were acquired with the purpose of continuation and with the objective of monetising the investment on a date not initially foreseen.

As of 31 December 2020, the Group does not have significant financial assets that are classified as valued at fair value through profit or loss.

Initial valuation

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

Subsequent valuation

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

For financial assets valued at fair value through profit or loss, variations in said fair value are recognised in the profit or loss.

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

Financial liabilities

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

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

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

f) Stock

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

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

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

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

g) Cash and other equivalent liquid assets

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

h) Provisions and contingencies

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

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

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

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

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

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

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

i) Redundancies

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

j) Commitments to staff

The long term benefits liability recognised in the consolidated statement of financial position attached represents the current value of the obligations assumed at the date of closure by the Italian subsidiary Naturhouse, S.R.L. (see Note 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.

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

The Naturhouse Group has recognised deferred tax liabilities for tax on profits in the retained earnings of subsidiaries amounting to 145 thousand euros in the 2020 financial year. Unrecognised temporary differences for this item amount to 82 thousand euros as it is expected that they will be reinvested in the subsidiaries.

l) Foreign currency

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

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

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

m) Recognition of income

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

Sale of goods

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

- Identify the contract or contracts with a customer.

- Identify the obligations of the contract.

- Determine the price of the transaction.

- Distribute the price of the transaction between the obligations of the contract.

- Recognize income when the entity complies with each of the obligations.

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

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

Provision of services

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

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

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

Other operating income

The Group mainly recognises rebilling of expenses to related companies or third party franchisees in this heading.

Interest and dividend income

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

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

n) Recognition of expenses

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

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

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

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

As stated in Note 20.2, the majority of the purchases of finished products are made with related parties.

ñ) Transactions with related parties

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

Transactions with related parties not conducted at market prices are accounted for at their fair value. During the 2020 and 2019 financial years, this situation has not arisen.

o) Environmental information

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

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

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

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

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

p) Segment information

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

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

Financial risks

As stated in Note 4 above, the Group's activities are exposed to various financial risks: market risk (including exchange rate risk), credit risk, liquidity risk and interest rate risk on cash flows.

1. Credit Risk

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

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

The Group's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the consolidated statement of financial position net of provisions for bad debts, estimated by the Group's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the consolidated statement of financial position attached as of 31 December 2020 is as follows:

	Thousands of Euros	
	31-12-2020	31-12-2019
Impairment of credits (expected loss)	(24)	(11)

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.

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

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

2. Liquidity risk

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

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

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of yearend 2020 and 2019, 100% of the borrowings were at variable interest rates.

However, as of year end 2020 and 2019, 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.

This way, the Company has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2020 and 2019 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 13% and 9% 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 31st December 2020 and 2019 is at -0.84 and -0.03, 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 both financial years is due to the increase in cash and cash equivalents as a consequence of the liquidity protection measures adopted by the Group during the financial year.

8. Intangible fixed assets

The changes in this heading in the consolidated statement of financial position for the financial years 2020 and 2019 were as follows:

Cost	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2018	22	2,352	338	83	2,795
Additions	-	-	217	5	222
Withdrawals	-	-	(111)	-	(111)
Balance at 31 December 2019	22	2,352	444	88	2.906
Additions			39	46	85
Withdrawals			7	(122)	(129)
Balance at 31 December 2020	**22**	**2,352**	**476**	**12**	**2.862**

Accumulated amortization	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2018	(5)	(1,071)	(234)	(73)	(1,383)
Allocations	(12)	(235)	(78)	(2)	(327)
Applications	-	-	100	-	100
Balance at 31 December 2019	(17)	(1,306)	(212)	(75)	(1,610)
Allocations	-	(233)	(157)	(267)	(657)
Applications	-	-	43	334	377
Balance at 31 December 2020	**(17)**	**(1,539)**	**(326)**	**(8)**	**(1,890)**

Net book value	Thousands of Euros	
	31-12-2020	31-12-2019
Transfer rights	5	5
Industrial property	813	1,046
Software	150	232
Other intangible assets	4	13
Total Intangible Assets	**972**	**1,296**

During the 2020 and 2019 financial year, the main additions corresponded to software for the Parent Company's new E-commerce department. There have been no other significant additions in intangible assets during the 2020 and 2019 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 797 and 1,030 thousand euros as of 31 December 2020 and 31 December 2019, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Group Board has concluded that said brands do not present impairment indicators as of 31 December 2020.

As of yearend 2020, the Group had fully amortized intangible assets still in use amounting to 90 thousand euros (90 thousand euros in the 2019 financial year).

The intangible assets located outside of Spain as of 31 December 2020 and 2019 are not significant (see Note 23).

9. Tangible fixed assets

The movement during the 2020 and 2019 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

Cost	Thousands of Euros						
	Land and natural assets	Buildings	Other facilities, tools and furniture	Information processing equipment	Transportation elements	Assets in construction and advances	Total
Balance at 31 December 2018	100	314	6,015	311	75	24	6,839
Additions	-	12,394	547	51	147	20	13,159
Withdrawals	(100)	(2,701)	(2,675)	(49)	(56)	(20)	(5,601)
Conversion differences	-	-	-	-	-	-	-
Balance at 31 December 2019	-	10,007	3,887	313	166	24	14,397
Additions	-	88	578	35	58	-	759
Withdrawals	-	(1,898)	(859)	(79)	(14)	-	(2,850)
Conversion differences	-	-	-	-	-	-	-
Balance at 31 December 2020	**-**	**8,197**	**3,606**	**269**	**210**	**24**	**12,306**

Accumulated amortization	Thousands of Euros				
	Buildings	Other facilities, tools and furniture	Information processing equipment	Transportation elements	Total
Balance at 31 December 2018	(1)	(2,873)	(140)	(25)	(3,039)
Allocations	(3,247)	(582)	(68)	(67)	(3,964)
Applications	843	1,330	37	19	2,229
Conversion differences	(5)	-	-	-	(5)
Balance at 31 December 2019	(2,410)	(2,125)	(171)	(73)	(4,779)
Allocations	(3,585)	(597)	(85)	(67)	(4,334)
Applications	153	590	62	-	805
Conversion differences	-	-	-	-	-
Balance at 31 December 2020	**(5,842)**	**(2,132)**	**(194)**	**(140)**	**(8,308)**

Net book value	Thousands of Euros	
	31-12-2020	31-12-2019
Land and natural assets	-	-
Buildings	2,355	7,597
Other facilities, tools and furniture	1,474	1,762
Information processing equipment	75	142
Transportation elements	70	93
Assets in construction and advances	24	24
Total Tangible Fixed Assets	**3,998**	**9,618**

The variation in said heading essentially corresponds to additions in the installations in new owned stores, as well as to improvements needed in existing stores. On the other hand, the derecognitions of tangible fixed assets correspond to the sale of material from owned stores transferred to franchisees or other third parties.

Additionally, during the 2019 financial year, there were significant variations in the Group's tangible fixed assets due to the first application of IFRS 16, recognising assets for the right of use for a net accumulated amortisation amount of 7,632 thousand euros as of 31 December 2019 (see Note 10).

As of 31 December 2019 and under "Other facilities, furniture and tools", photovoltaic panels were included with a net book value amounting to 1,183 thousand euros respectively. These fixed assets were amortised by the straight-line method as with any of the Company's fixed assets, but they did not directly affect the Company's activities. During the 2019 financial year, the Parent Company sold the aforementioned photovoltaic panels to a related company (Tartales, S.L.), for a sale price of 1,678 thousand euros (see Note 20.2). The book value of these assets at the date of sale was 1,136 thousand euros, thus having generated a profit of 542 thousand euros in said transaction, included under the heading "Impairment and income from disposal of fixed assets".

Additionally, as of 31 December 2020, the attached consolidated profit and loss account includes losses totalling 1,146 thousand euros recognised under the heading "Impairment and income from disposal of fixed assets" as a result, mainly, of the impairment analysis mentioned in Note 4 f) that has revealed impairment of rights of use and tangible fixed assets of 861 thousand euros and 86 thousand euros, respectively, as well as a consequence of derecognitions of fixed assets related to own stores that have been transferred to franchisees or other third parties.

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2020, 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 2020 and 2019 are broken down below:

	Thousands of Euros	
	31-12-2020	31-12-2019
Net book value		
Land and natural assets	-	-
Buildings	2,355	5,031
Other facilities, tools and furniture	996	1,069
Information processing equipment	45	87
Transportation elements	57	49
Assets in construction	24	24
Total Net book value	**3,477**	**6,260**

The fully amortized tangible fixed assets still in use at yearend 2020 amount to 2,247 thousand euros (2,102 thousand euros at yearend 2019).

Firm purchase commitments

At the close of the 2020 and 2019 financial years, the Group did not have firm commitments to purchase property, plant and equipment for any significant amount.

10. Leases

Rights of use

The breakdown and changes by class of assets for the right of use during the 2020 financial year have been as follows:

Cost	Thousands of Euros			
	Buildings	Information processing equipment	Transportation elements	Total
Balance at 1 January 2020	**10,007**	**12**	**47**	**10,066**
Additions	1,290	-	22	1,312
Disposals	(4,058)	-	-	(4,058)
Balance at 31 December 2020	**7,239**	**12**	**69**	**7,320**

Accumulated amortization	Thousands of Euros			
	Buildings	Information processing equipment	Transportation elements	Total
Balance at 1 January 2020	**(2,411)**	**(5)**	**(18)**	**(2,434)**
Allocations	(2,527)	(5)	(44)	(2,576)
Applications	1,311	-	8	1,319
Balance at 31 December 2020	**(3,627)**	**(10)**	**(54)**	**(3,691)**

Accumulated amortization	Thousands of Euros			
	Buildings (note 4.f.)	Information processing equipment	Transportation elements	Total
Balance at 1 January 2020	**-**	**-**	-	**-**
Allocations	(861)	-	-	(861)
Applications	-	-	-	-
Balance at 31 December 2020	**(861)**	**-**	**-**	**(861)**

	Thousands of Euros	
	31-12-2020	31-12-2019
Net book value		
Buildings	2,751	7,596
Information processing equipment	2	7
Transportation elements	15	29
Total Net book value	**2,768**	**7,632**

Due to the application of IFRS 16, as of 31 December 2019, the Group recognised assets for the right of use net of accumulated amortisation amounting to 7,632 thousand euros.

In addition, the assets for the right of use guarantee the associated lease liabilities. The lease liabilities were recognised as of 31 December 2019 under long-term and short-term liabilities on the attached Statement of Financial Position, amounting to 7,688 thousand euros (see Note 16).

Relevant breakdowns and amounts in the lease agreements

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

Year 2020	Thousands of Euros			
	Buildings	Information processing equipment	Transportation elements	Total
Amounts:				
Fixed lease payments	2,554	5	43	2,602
Expenses recognised, variable payments	-	-	-	-
Financial expenses, lease liabilities	121	-	2	123
Lease liabilities	3,604	2	89	3,695
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	31/12/2020	31/12/2019
Less than one year	1,229	2,538
Between one and five years	2,034	5,150
More than five years	432	-
Total (nota 16)	**3,695**	**7,688**

11. Financial assets

11.1 Non-current financial assets

At 31 December 2020 and 2019, the breakdown under this heading is as follows:

	Thousands of Euros	
	31-12-2020	31-12-2019
Equity instruments		
Other equity instruments	76	76
Other financial assets		
Long term deposits and guarantees	620	752
	696	**828**

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

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

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

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

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

11.2 Investments in associates and affiliates

Investments recognised using the equity method

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

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

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

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

The detail of the investment in companies valued by the equity method at the close of the 2020 and 2019 financial years, as well as the movement that took place during both periods are as follows:

Year 2020

		Thousands of Euros				
	Balance on 1 January 2020	Result in Entities Valued by the Equity Method	Dividends	Conversion differences	Other movements	Balance on 31 December 2020
Ichem Sp. Zo.o	3,152	297	-	(227)	54	3,276

Year 2019

	Thousands of Euros				
	Balance on 1 January 2019	Result in Entities Valued by the Equity Method	Dividends	Conversion differences	Balance on 31 December 2019
Ichem Sp. Zo.o	3,348	243	(477)	38	3,152

Other information related to this investee is as follows (figures as of 31 December 2020):

		Thousands of Euros			
Name and Registered Office	Activity	Total Assets	Equity	Sales	Result after tax
Ichem Sp. zo.o. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	16,161	13,157	10,748	1,161

The total assets and equity is presented at the closing rate as of 31 December 2020, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2020 financial year. La Sociedad está obligada a auditoría estatutaria a 31 de diciembre de 2020 (al igual que en el ejercicio anterior).

12. Inventory

The breakdown of "stock" in the consolidated statement of financial position attached, to 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31-12-2020	31-12-2019
Goods	3,256	4,124

The Group has not made any adjustments for impairment since the net realizable value of the inventories is higher than its acquisition price (or production cost), which is why no losses have been made under this item in the years 2020 and 2019.

13. Cash and other equivalent liquid assets

Almost all of the balances of this heading in the consolidated statement of financial position at 31 December 2020 and 2019 correspond to the amount deposited in current accounts and financial deposits for periods less than 3 months that the Group held on those dates with financial institutions, freely disposed and remunerated at market rates, with the amount of cash not being significant.

14. Net equity

a) Share capital

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

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

As of 31 December 2020, the Parent Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Parent Company's share capital, both directly as well as indirectly, higher than 3% of the share capital as of 31 December 2020 are as follows:

Shareholder	%
Kiluva, SA	72.60
Ferev Uno Strategic Plans	4.33

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

b) Distribution of profit and dividends

On 29 April 2019, 30 July 2019 and 5 November 2019, the Board of Directors approved an interim distribution of dividends amounting to 3,600 thousand euros, 4,200 thousand euros, and 3,600 thousand euros, respectively, for the profit for the 2019 financial year.

As part of the measures described in Note 4 a), the Parent Company's Directors modified the initial proposed distribution of profit for the 2019 financial year (see Note 5), with the final amount distributed as dividends totalling 11,400 thousand euros.

c) Legal reserve

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

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

As of December 31, 2020, the Parent Company's reserve is fully constituted.

d) Net equity attributable to minority interests

The breakdown of this heading in the consolidated statement of financial position to 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31-12-2020	31-12-2019
Zamodiet México, S.A de C.V.	6	6
Name 17, S.A. de C.V.	59	56
	65	**62**

The variations in the years 2020 and 2019 in this section of the consolidated statement of financial position is shown below:

	Thousands of Euros
Balance on 31 December 2018	6
Business combination (Note 3.c)	107
Profit attributable to minority interests	(51)
Conversion differences	-
Balance on 31 December 2019	**62**
Business combination (Note 3.c)	-
Profit attributable to minority interests	(8)
Conversion differences	11
Balance on 31 December 2020	**65**

e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, 31 December 2020 and 2019 corresponds to the exchange differences that occur as a result of the conversion into Euros of financial statements of subsidiaries whose local currency is not the Euro: Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse Sp. zo.o. (Poland), Ichem Sp. zo.o (Poland), Zamodiet México, S.A. (Mexico), Naturhouse Inc. (US) and Naturhouse d.o.o. (Croatia), according to the following breakdown:

	Thousands of Euros	
	31-12-2020	31-12-2019
Naturhouse Inc.	(77)	(97)
Naturhouse Sp. zo.o.	(434)	(386)
Ichem Sp. Zo.o	(470)	(206)
Other	(894)	(898)
	(1,875)	**(1,587)**

f) Own shares

As of yearend 2020 and 2019, the Parent Company held company shares in accordance with the following breakdown:

Year	Number of shares	Euros		
		Nominal value	Average acquisition price	Total acquisition cost
2020	50,520	2,526	2,81	141,886
2019	50,520	2,526	2,82	142,330

As of 31 December 2020, 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.

The movement in company own shares during the 2020 and 2019 financial years has been as follows:

Number of shares	2020	2019
Start of the financial year	50,520	14,000
Sales	(14,782)	(161,313)
Purchases	14,782	197,833
Yearend	**50,520**	**50,520**

g) Earnings per share

The profit or loss per share is calculated based on the profit or loss attributable to shareholders of the parent company by the average number of ordinary shares outstanding during the period. At yearend 2020 and 2019, the profit or loss per share is as follows:

	31-12-2020	31-12-2019
Weighted average number of shares in circulation	60,000,000	60,000,000
Average number of own shares	50,520	32,260
Average number of shares to determine basic profit per share	59,949,480	59,967,740
Consolidated Net Income of the Parent Company (Thousands of Euros)	9,379	13,257
Profit per share (in Euros per share)(*)		
Basic	0.16	0.22
Diluted	0.16	0.22

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

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

15. <u>Provisions and contingencies</u>

a) Non-current provisions

The balance of other non-current provisions mainly refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 903 thousand euros at yearend 2020 (756 thousand euros in 2019). This TFR commitment (end-of-contract severance pay), payable at the time of termination of the employment relationship, regardless of whether the termination is voluntary or not. As of 1 January 2007, with the regulatory change in Italy, the reserve constituted for TFR up until 31 December 2006 remains in the company, and is revalued within the parameters of Law 297/82, and the withholding of wages paid to each employee is paid by the company to INPS (Italian state entity equivalent to Social Security). This commitment is not outsourced and the expense thereof is recorded under "Personnel expenses" in the consolidated income statement, which amounted to 158 and 239 thousand Euros for the years 2020 and 2019, respectively. During the 2020 financial year, the actuarial update of the TFR commitment was carried out, having recognised a restatement amounting to 142 thousand euros.

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

b) Contingencies

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

16. Financial Debts

The breakdown of current and non-current financial debt of the Group at 31 December 2020 and 2019 is as follows:

Year 2020

	Thousands of Euros			
	Amount Initial Limit	Maturity		
		Current	Non Current	Total
Current debts:				
Lease liabilities	-	1,230	-	1,230
Other financial liabilities	-	362	-	362
Non-current debts:				
Lease liabilities	-	-	2,465	2,465
Other financial liabilities	-	-	2,976	2,976
		1,592	**5,441**	**7,033**

Year 2019

	Thousands of Euros			
	Amount Initial Limit	Maturity		
		Current	Non Current	Total
Current debts:				
Lease liabilities	-	2,538	-	2,538
Other financial liabilities	-	124	-	124
Non-current debts:				
Lease liabilities	-	-	5,150	5,150
Other financial liabilities	-	-	2,607	2,607
		2,662	**7,757**	**10,419**

This heading includes lease liabilities for a total amount of 3,695 thousand euros (1,230 short-term and 2,465 long-term) recognised in accordance with IFRS 16 *Leases*.

Similarly, lease liabilities with related companies, Tartales S.L.U. and Casewa S.A.U. are included (see Note 20.1).

Additionally, the amounts paid as deposits by S.A.S. Naturhouse (France) franchisees to guarantee compliance with their contractual obligations are included under "Other non-current financial liabilities". Naturhouse as a guarantee of compliance with its contractual obligations. In the rest of the Group companies, these guarantees are obtained through guarantees. At 31 December 2020, these deposits are valued at amortized cost.

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

Likewise, the Parent Company has bill discounting facilities with a limit of 1,000 thousand euros, which as of 31 December 2020 and 31 December 2019 has not been drawn on.

17. Trade creditors and other receivables

The balances of this heading in the current liabilities of the consolidated statement of financial position at 31 December 2020 and 2019 have the following composition:

	Thousands of Euros	
	31-12-2020	31-12-2019
Suppliers	3,041	3,170
Various creditors	230	340
Staff (remuneration pending payment)	385	1,058
Short-term accruals	488	523
	4,144	**5,091**

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

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

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

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

Information on the average payment period to suppliers

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

	Days	
	31-12-2020	31-12-2019
Average payment period to suppliers	46.80	39.13
Ratio of paid operations	47.93	37.64
Ratio of operations pending payment	42.90	53.91

	Euros	
	31-12-2020	31-12-2019
Total payments made	11,325	14,529
Total outstanding payments	1,276	1,471

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

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

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

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

18. Tax situation

18.1 Current balances with Public Administrations

The composition of current balances with Public Administrations at 31 December 2020 and 2019 is as follows:

Debit balances

	Thousands of Euros	
	31-12-2020	31-12-2019
VAT (refund) receivable	110	151
Corporation tax (refund) receivable	3,896	3,488
All other credit with Public Administration bodies	**4,006**	**3,639**

Credit balances

	Thousands of Euros	
	31-12-2020	31-12-2019
VAT (refund) payable	60	55
VAT (refund) withholdings payable	169	113
Creditor Social Security Organisms	227	282
Corporation tax (refund) payable	432	728
All other debts with Public Administration bodies	**888**	**1,178**

18.2 The reconcilement between income and expenses for Corporation Tax

At 31 December 2020 and 2019, the Group is not established in the consolidated statement regime, therefore the heading "Income Tax Payments" in the consolidated income statement reflects the sum of the amounts reported in the individual statements of each of the Group companies from the time of inclusion in the scope of each one of them.

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

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

	Thousands of Euros	
	2020	2019
Consolidated profit before tax	13,514	19,237
Permanent differences and consolidation adjustments	2,994	1,419
Adjusted profit	**16,508**	**20,656**
Tax rate	25%	25%
Profit adjusted according to tax rate	**4,127**	**5,164**
Differences according to tax rate	-	647
Other adjustments	-	220
Total tax expense	**4,127**	**6,031**

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at yearend 2020 are as follows:

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

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

	Thousands of Euros	
	2020	2019
Expense/(income) deferred tax	86	(282)
Expense/(income) current tax	4,041	6,313
Total expense (income) due to tax	**4,127**	**6,031**

During the 2020 financial year, the Parent Company has paid instalment payments on account of the Corporate Tax corresponding to October and December of the 2020 financial year amounting to 1,703 thousand euros. On this basis, at yearend the parent company holds a balance to be recovered from the Tax Authorities amounting to 1,374 thousand euros, which has been registered as a current tax asset. Additionally, as of year end 2020, an amount of 955 thousand euros corresponding to the settlement of Corporate Tax in Spain for the 2019 financial year that has been credited to the Parent Company after year end was pending receipt (see Note 24).

18.3 Recorded deferred tax assets

The detail of the balance of this account at the close of the 2020 and 2019 financial years and the movement that took place in 2020 is as follows:

	Thousands of Euros		
	31-12-2019	Additions	31-12-2020
Temporary differences (prepaid taxes):			
Tax effect of the consolidation adjustments	65	-	65
70% depreciation limit	59	59	118
Others	14	-	14
Total deferred tax assets	**138**	**59**	**197**

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

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

18.4 Non-recorded deferred tax assets

At the close of the 2020 and 2019 financial years, there are only unregistered deferred tax assets corresponding to entities included in the "Other countries" segment (See Note 23) and which have not been recognized, since the expected recovery probability requirement was not met, nor are they broken down due to their insignificance.

18.5 Deferred tax liabilities

The detail of the balance of this account at the close of the 2020 and 2019 financial years and the movement that took place in 2020 is as follows:

	Thousands of Euros		
	31-12-2019	Additions	31-12-2020
Temporary differences (deferred taxes):			
Others	9	145	154
Total deferred tax liabilities	**9**	**145**	**154**

The Naturhouse Group has recognised deferred tax liabilities for tax on profits in the retained earnings of subsidiaries amounting to 145 thousand euros in the 2020 financial year. Unrecognised temporary differences for this item amount to 82 thousand euros as it is expected that they will be reinvested in the subsidiaries.

18.6 Years pending approval and auditing actions

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

The interim statements and income to tax account are made regularly and based on the book record transactions, but are not considered definitive until the tax authorities have inspected them or the statute of limitation has lapsed, which in Spain is four years for all the applicable taxes. 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, as well as its tax advisers, there are no tax exposures 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.

19. <u>Income and expenses</u>

19.1 Net amount of revenue

The breakdown of net revenues for the years of 2020 and 2019 of the Group is detailed below:

	Thousands of Euros	
	2020	2019
Sales	54,193	80,806
Provision of services	888	861
	55,081	**81,667**

19.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2020 and 2019 has the following composition:

	Thousands of Euros	
	2020	2019
Consumption of merchandise:		
Purchases	15,008	23,536
Changes in stocks (Note 12)	868	305
	15,876	**23.841**

The breakdowns of the purchases made by the Group during 2020 and 2019, by source, is as follows:

	Thousands of Euros	
	2020	2019
Spain	6,092	5,847
Europe	8,916	17,648
Others	-	41
Total purchases	**15,008**	**23,536**

19.3. Personnel costs

The breakdown of staff expenses accrued during 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Wages, salaries and similar expense	9,374	15,070
Social security contributions	2,764	3,841
Severance indemnities	238	420
	12,376	**19,331**

19.4 Financial income and expenses

The breakdowns of the financial result of the Group during the year 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Financial income	24	134
In third parties	24	134
Financial expenses:	(185)	(258)
Debts with third parties	(185)	(258)
Exchange differences	153	(61)
Financial result	**(8)**	**185**

As of 31 December 2020, the heading “Other financial expenses” includes 126 thousand euros due to the effect of updating the lease liability (see Note 10).

19.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2020 and 2019 has the following composition:

	Thousands of Euros	
	2020	2019
Leases	1,009	1,212
Repairs	237	377
Transportation	1,686	2,274
Supplies	757	1,044
Advertising	2,865	6,094
Other external services	4,053	5,060
	10,607	**16,061**

The heading "Leases and fees" includes, as of 31 December 2020, leases with a maturity of less than one year and low-value assets.

20. Balances and transactions with related parties

The following are considered related parties:

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

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

20.1 Balances with affiliate companies

As of December 31 of 2019 and 2020, the Group had the following balances with affiliated companies:

Company	Thousands of Euros			
	Debit balances		Credit balances	
	2020	2019	2020	2019
Short-term commercial balances				
Gartabo, SA	-	-	-	-
Girofibra, SL	-	-	139	99
Healthouse Sun, S.L.	-	-	-	-
Ichem Sp. Zo.o	-	-	1,990	2,491
Indusen, SA	-	-	464	614
Kiluva, SA	-	-	24	2
Laboratorios Abad, S.L.U.	-	1	2	-
U.D. Logroñés, SAD	-	-	-	-
Zamodiet, SA	-	-	8	8
Tartales, SLU	16	-	-	29
Ferev S.A.R.L.	220	150	-	-
Total short-term commercial balances	236	151	2,627	3,243
	236	**151**	**2,627**	**3,243**

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

Additionally, the headings "Non-current debt" and "Current debt" on the consolidated statement of financial position as of 31 December 2020 include lease liabilities with Tartales, S.L.U. amounting to 1,225 thousand euros (517 thousand euros in the short term and 708 thousand euros in the long term) and with Casewa, S.A.U. amounting to 56 thousand euros (32 thousand euros in the short term and 25 thousand euros in the long term).

20.2 Transactions with affiliate companies

During the years 2020 and 2019, the Group performed the following transactions with related companies:

Company	Thousands of Euros	
	2020	2019
Sells:		
Ichem Sp. Zo.o	-	-
Ferev S.A.R.L.	49	154
Services provided		
Ferev S.A.R.L.	4	5
Total operating revenues	**53**	**159**
Sales of fixed assets:		
Kiluva, SA	-	-
Tartales, S.r.l.	-	-
Tartales, Lda	-	-
Tartales, SLU	-	1,678
Total sales of fixed assets (Note 9)	**-**	**1,678**
Purchases:		
Girofibra, SL	745	1,032
Ichem Sp. Zo.o	8,916	13,630
Indusen, SA	2,086	2,905
Laboratorios Abad, S.L.U.	92	205
Services received:		
Tartales, S.r.l.	9	-
Ichem Sp. Zo.o	28	27
Kiluva, SA	20	-
Heatlhouse Sun, S.L.	10	16
Luair, S.L.U. (Directly and indirectly)	-	411
U.D. Logroñés, SAD	188	266
Ferev S.A.R.L.	-	20
Leasing and Insurance *:		
Casewa, S.A.U.	108	103
Tartales, SLU	597	537
Total operating expenses	**12,799**	**19,152**

(*) Lease expenses with Casewa, S.A.U. and Tartales, S.L.U. in the 2020 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 63 thousand euros in the 2020 financial year (61 thousand euros in the 2019 financial year).

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

As of the date of drawing up these consolidated financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2019 financial year together with its tax advisors, which includes the main transactions that the Parent Company performs with its related companies:

- Royalties from the sale of brands

- Support services to the management (management fees).

- Sale of products

- Purchase of products

- Financial operation: liquid asset management.

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

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

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

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

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

This report has been issued in relation to transactions with affiliate companies in 2019. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2020 financial year, consequently, they believe that they are duly backed up.

20.3 Compensation to Directors and Senior Management of the Parent Company

During 2020 the current Directors of the Parent Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 316 (316 thousand Euros). Likewise, a member of the Board of Directors has provided services to the Company amounting to 63 thousand euros during the 2020 financial year (61 thousand euros during the 2019 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 financial year of 2019, no member of the Board of Directors has any advances, guarantees or other commitments in the area of pensions or life insurance contracted with the Directors. The current Directors of the Parent Company were appointed during the year 2014, except for one of them who was appointed during the year 2017 to replace another member who stood down from their position.

The compensation received in the year 2020 by the senior executives of the Group amounted to 2,467 thousand Euros for salaries and wages and services and compensations (1,447 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Group has received no remuneration for other services. The remunerations received by the Group's Senior Management in the 2019 financial year amounted to 2,268 thousand euros (1,514 thousand euros received by members of the Board of Directors in the development of their executive positions).

At the close of the 2020 and 2019 financial years, the Group's Senior Management body is composed of the following persons:

	2020		2019	
Categories	Men	Women	Men	Women
Senior Management	8	1	9	1

No advances or loans granted to senior management at year-end 2020 and 2019, nor pension obligations or life insurance.

The Board of Directors consists of six men and one woman at the end of 2020 (nine men and one woman at the end of 2019).

The Parent Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros to 31 December 2020 (5 thousand euros in 2019).

20.4 Information relating to conflicts of interest by the Directors

As of year-end 2020, neither the members of the Board of Naturhouse Health, S.A. nor any persons related to them as defined by the refunded Spanish Corporate Law, have communicated to the other members of the Board of Directors any situation involving direct or indirect conflict that they or persons related to them, as defined by Spanish Corporate Law, may have with the Company's interests.

21. <u>Information about the environment</u>

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

22. Other information

22.1 Staff

The average number of employees during the years 2020 and 2019, broken down by category, is as follows:

Categories	Number of employees	
	2020	2019
Senior Management	9	10
Rest of Senior Staff	17	26
Administrative and technical staff	44	47
Commercial, sales' staff and operators	335	505
	405	**588**

Likewise, the gender distribution of the Group at the end of the years 2020 and 2019, broken down by category, is as follows:

Categories	2020		2019	
	Men	Women	Men	Women
Senior Management	8	1	9	1
Rest of Senior Staff	14	1	20	5
Administrative and technical staff	14	33	11	36
Commercial, sales' staff and operators	14	204	27	486
	50	**239**	**67**	**528**

22.2 Audit fees

During 2020 and 2019, the fees for audit services and other services provided by the auditor of the consolidated annual accounts of the Group, and companies belonging to its network, as well as fees for services billed by the auditors of individual annual accounts of the companies included in the consolidation and by entities linked to same by control, common ownership or management, were as follows:

Description	Thousands of Euros	
	Audit Services from the main auditor	
	EY	Deloitte
	Year 2020	Year 2019
Audit Services	131	173
Other verification services (*)	1	1
Total auditing and related services	132	174
Tax services	-	-
Other services	4	-
Total Professional Services	**136**	**174**

(*) Other verification services correspond to a report on agreed procedures (same concepts referred in 2019).

23. Information by segments

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

Segmentation criteria

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

- Spain
- France
- Italy
- Poland
- Other countries

The principal activities of the Group are described in Note 1 of the consolidated notes. The Group does not perform activities differentiated by relevant amounts that involve the identification of additional operating segments.

The Directors of the Parent Company have identified these segments based on the following criteria:

- It engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

- Those whose operating results are regularly reviewed by management, making operational and management decisions of the entity, making decisions about resources to be allocated to the segment, and assess their performance, and

- It has different financial information.

Basis and methodology of the information by business segment

The segment information provided below is based on reports prepared by Group management and is generated using the same software used for all accounting data of the Group.

The ordinary revenue of the segment relates to the ordinary income directly attributable to the segment plus the relevant proportion of overall revenues of the Group which may be assigned to it using reasonable distribution bases.

The expenses of each segment are determined by the costs of operating activities thereof which are directly attributable to same plus the relevant portion of expenses that can be allocated to the segment using reasonable distribution bases.

The segment result is presented before income taxes and any adjustment for minority interests.

In the column "Consolidation Eliminations" of the consolidated income statement it basically includes eliminations of sales and purchases between segments and costs passed on by the Parent Company and other consolidation adjustments.

Information regarding the consolidated income statements for 2020 and 2019, broken down by Segment, is as follows:

	Thousands of Euros															
	Sectors															
	Spain		France		Italy		Poland		Other countries		Eliminations and other consolidation adjustments		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External Sales	11,200	16,975	20,691	32,656	14,191	19,304	7,161	10,285	1,838	2,447	-	-	-	-	55,081	81,667
Sales between sectors	1,586	5,357	352	1,865	21	3	8	28	-	482	(1,967)	(7,735)	-	-	-	-
Other operating income	2,877	349	1,266	-	-	192	253	144	192	-	(3,431)	-	-	-	1,157	685
Total revenues	**15,663**	**22,681**	**22,309**	**34,521**	**14,212**	**19,499**	**7,422**	**10,457**	**2,030**	**2,929**	**(5,398)**	**(7,735)**	**-**	**-**	**56,238**	**82,352**
Supplies	(4,081)	(6,027)	(6,183)	(10,016)	(4,141)	(5,614)	(2,920)	(4,505)	(665)	(959)	2,000	3,280	114	-	(15,876)	(23,841)
Staff	(5,238)	(7,545)	(2,431)	(3,555)	(2,853)	(5,112)	(1,035)	(1,908)	(819)	(1,211)	-	-	-	-	(12,376)	(19,331)
Amortization	(440)	(495)	(82)	(120)	(127)	(279)	(63)	(149)	(49)	(53)	-	86	(2,497)	-	(3,258)	(1,010)
Other operating expenses and other results	(4,655)	(6,476)	(5,381)	(8,567)	(3,727)	(4,989)	(1,814)	(2,637)	(1,018)	(1,802)	3,648	4,865	2,590		(10,357)	(19,606)
Impairment losses and income from disposal of fixed assets	(172)	496	(24)	(7)	(3)	-	-	-	-	-	-	-	(947)	-	(1,146)	489
Operating results	**1,077**	**2,634**	**8,208**	**12,256**	**3,361**	**3,505**	**1,590**	**1,258**	**(521)**	**(1,096)**	**250**	**496**	**(740)**	**-**	**13,225**	**19,053**
Financial income	5,185	-	7	-	1	-	2	-	1	-	(5,205)	-	33	125	24	-
Financial expenses	(22)	-	-	-	(28)	-	(1)	-	(27)	-	18	-	(125)	(128)	(185)	-
Impairment and income from disposal of financial instruments	(242)	-	-	-	(20)	-	153	-	-	-	262	-	-	-	153	-
Financial result	**4,921**	**-**	**7**	**-**	**(47)**	**-**	**154**	**-**	**(26)**	**-**	**(4,925)**	**-**	**(92)**	**(3)**	**(8)**	**(3)**
Result in entities valued by the equity method	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**297**	**243**	**-**	**-**	**297**	**243**
Profit before tax	**5,998**	**2,634**	**8,215**	**12,256**	**3,314**	**3,505**	**1,744**	**1,258**	**(547)**	**(1,096)**	**(4,378)**	**739**	**(832)**	**(3)**	**13,514**	**19,293**
IFRS 16 Impact on Amortisation	**(963)**	**(1,146)**	**(336)**	**(607)**	**(534)**	**(756)**	**(174)**	**(104)**	**(514)**	**(668)**	**-**	**-**	**-**	**-**	**(2,521)**	**(3,281)**
IFRS 16 impact on Other operating expenses	**996**	**1,183**	**347**	**620**	**552**	**776**	**159**	**124**	**546**	**704**	**-**	**-**	**-**	**-**	**2,600**	**3,407**
IFRS 16 impact on Financial Result	**(36)**	**(59)**	**(9)**	**(21)**	**(10)**	**(34)**	**(2)**	**(4)**	**(43)**	**(64)**	**-**	**-**	**-**	**-**	**(100)**	**(182)**

The segment "Eliminations" includes consolidation eliminations and financial income and expenses considered as corporate not assignable to any particular segment. There has been no distribution of revenue and general expenses between segments.

The breakdown per segment of certain items of the consolidated statement of financial position, to 31 December 2020 and 2019 is as follows:

	Thousands of Euros													
	Sectors												Total	
	Spain		France		Italy		Poland		Other countries		Eliminations and other consolidation adjustments			
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
ASSETS														
Other intangible assets	915	1,214	16	18	33	43	8	17	-	4	-	-	972	1,296
Tangible fixed assets	525	762	258	403	305	530	73	109	155	182	2,682	-	3,998	1,986
Total Assets	**21,483**	**7,260**	**15,994**	**10,960**	**6,804**	**6,607**	**3,973**	**3,696**	**2,502**	**1,756**	**(8,179)**	**(350)**	**42,577**	**29,929**
Total Liabilities	**2,118**	**2,104**	**7,104**	**5,657**	**3,449**	**3,460**	**1,007**	**829**	**2,346**	**1,309**	**525**	**-**	**16,549**	**13,359**

IFRS 16 impact (Assets)	**1,644**	**2,596**	**454**	**704**	**490**	**1,505**	**236**	**170**	**1,663**	**2,657**	**(1,717)**	**-**	**2,768**	**7,632**
IFRS 16 impact (Liabilities)	**1,671**	**2,619**	**460**	**712**	**496**	**1,519**	**238**	**154**	**1,697**	**2,684**	**(867)**	**-**	**3,695**	**7,688**

The segment "Other and eliminations" includes assets and liabilities considered as corporate and not attributable to any particular segment, i.e. under "Investments in related companies" and "Current financial assets" and "Non-Current Liabilities" and " Current liabilities ", respectively, as well as consolidation eliminations.

Other segment information

None of the Group's customers accounts for over 10% of revenues from ordinary activities.

Furthermore, plant and equipment additions and intangible assets by segment were as follows:

	In Thousands of Euros					
	Spain	France	Italy	Poland	Other	**Total**
Additions 2019	323	84	225	128	96	**886**
IFRS 16 additions	4,112	1,862	2,745	326	3,450	**12,495**
Additions 2020	77	17	41	66	-	**201**

During the 2020 financial year, no significant additions of fixed assets have been carried out.

24. Subsequent events

On 20 January 2021, the Parent Company recovered 955 thousand euros corresponding to Corporate Tax for the 2019 financial year, which was pending return by the Tax Authorities.

With the exception of the above, there have been no significant subsequent events between the close of 31 December 2020 and the date the consolidated financial statements were drawn up.

ANNEX I
Companies included in the Consolidation

At 31 December 2020 and 2019 the affiliate companies in full consolidation and the information relating to same is as follows:**Year 2020**

Company	Activity	% participation
Naturhouse Health S.A. Calle Claudio Coello, 91 Madrid (Spain)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Manufacturing and marketing of dietetic products	100%
Ichem Sp. zo.o. (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24,9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (USA)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc. (**) Rue de la Guachetière Ouest Montreal Quebec (Canada)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
S.A.S. Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Retail sales of all kinds of products related to dietetics,	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Retail sales of all kinds of products related to dietetics,	79%
Name 17, S.A. de C.V. Doctor Balmis, 222 Mexico City (Mexico)	Retail sales of all kinds of products related to dietetics,	51%

(*) Sole company integrated with the equity method and the rest by full consolidation.
(**) Company not consolidated due to being inactive.

Year 2019

Company	Activity	% participation
Naturhouse Health S.A. Calle Claudio Coello, 91 Madrid (Spain)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
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Management Report

REPORT CORRESPONDING TO THE YEAR ENDING

31 DECEMBER 2020

INDEX

1. Situation and Business Development

Naturhouse Group is a business group dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. At yearend 2020 it had an active presence in 28 countries through a network of 1,788 centres, with France, Italy, Spain and Poland being its most important markets.

The companies included in full consolidation in the year 2019 are: Naturhouse Health S.A. (Spain), S.A.S. Naturhouse (France), Housediet S.A.R.L. (France), Naturhouse S.R.L. (Italy), Naturhouse Sp Zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Lda (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. of C.V. and Name 17 S.A. of C.V. (Mexico), Nutrition Naturhouse Inc. (Canada), Naturhouse d.o.o. (Croatia) and Naturhouse Inc. (USA).

2020 has been a year marked by the pandemic caused by the CoVid-19 virus having an impact on the world economy and leaving no sector unaffected.

Due to this pandemic, the company has faced a difficult challenge to continue operating and maintaining positive results, making cost control decisions, including starting a temporary layoff (ERTE) process, and managing to minimise the impact on the business as far as possible.

The Group Naturhouse closed the year 2020 with a positive result of 9.4 million net profit.

Likewise, in its decision to digitalise the business, the company has continued to develop the online sales business that was started in 2020 in the company's main markets, continuing with the decision to capture younger market value, as well as providing a service in areas where there is no physical presence through a store.

The Annual General Meeting was held on 22 June 2020, approving the following;

- Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Consolidated Explanatory Notes and the Consolidated Management Report for the Consolidated Naturhouse Health, S.A. Group and subsidiaries for the financial year ending 31 December 2019.
- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2019 financial year. Authorisation for the distribution of unrestricted voluntary reserves.
- Approval of the Non-Financial Information Statement of the Consolidated Group of Naturhouse Health, S.A. and subsidiaries for the 2019 financial year
- Approval of the management of the Board of Directors corresponding to the year 2019.
- Approval of the appointment of Ernst & Young as the company's auditors for at least the 2020, 2021 and 2022 financial years.
- Remuneration of the company's Board of Directors.

  7.1 Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2019 financial year.

  7.2 Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2020 financial year.

7.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2020 financial year.

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

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

Consolidated Profit and Loss Account

	Year 2020	Year 2019
Net amount of revenue	55,081	81,667
Supplies	(15,876)	(23,841)
Gross Margin	**39,205**	**57,826**
Other operating income	1,157	685
Personnel costs	(12,376)	(19,331)
Other operating costs	(10,607)	(16,061)
Operating income before depreciation and amortization, impairment and other results	**17,379**	**23,119**
Depreciation and amortization	3,258)	(4,291)
Impairment losses and income from disposal of fixed assets	(1,146)	489
Other results	250	(138)
OPERATING INCOME	**13,225**	**19,179**
Financial income	**24**	**134**
Other financial incomes	24	134
Financial expenses	**(185)**	**(258)**
Debts with third parties	(185)	(258)
Exchange differences	**153**	**(61)**
FINANCIAL RESULT	**(8)**	**(185)**
Results in entities valued by the equity method	**297**	**243**
CONSOLIDATED PROFIT BEFORE TAX	**13,514**	**19,237**
Corporation Tax	(4,127)	(6,031)
NET INCOME FROM CONTINUING OPERATIONS	**9,387**	**13,206**
CONSOLIDATED NET INCOME - BENEFIT	**9,387**	**13,206**
Profit or loss attributable to third party shareholders	(8)	51
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**9,379**	**13,257**
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**9,379**	**13,257**
Profit per share (in Euros per share):		
- Basic	**0.16**	**0.22**
- Diluted	**0.16**	**0.22**
	31.12.2020	**31.12.2019**
Average number of employees	**405**	**588**
Gross Margin without Sales	**71%**	**71%**
Operating Income without Sales	**24%**	**23%**
Net Income without Sales	**17%**	**16%**

- The net turnover is composed of two main aspects:

    1. Sale of goods Corresponds to the sale of products through the Naturhouse channel (either through franchising, online, master franchising or centres of our property). Represents the bulk of revenues with 98,09% in 2020.

    2. Provision of services
        a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.83% of net turnover for the 2020 financial year.
        b. Master franchise fee: corresponds to the entry fee that the Group bills to the masters franchisees for the operation of the business in an exclusively new country. This fee is charged in advance in the first year of operation of the business and entitles the exploitation of the Naturhouse channel for next 7 years. The amount of the fee varies according to the estimated potential number of Naturhouse centres in that country. This type of income represents a total of 0.08% of the net amount of turnover in the year 2020.

- Net turnover in the 20 financial year amounted to 55,081 thousand euros, representing a decrease of (- 33%) over the previous year. This variation mainly includes the following effects:
    - In France sales are 20,691 thousand Euros. In 2019 it was 32,656 thousand euros, a drop of 36.7% as a result of the closure of 130 centres during the 2020 financial year. The impact of the pandemic forcing the cessation of activity at practically the entire company has been the main reason for the decrease in turnover.
    - In Spain, sales are 11,200 thousand euros. In the 2019 financial year, it was 16,975 thousand euros, a drop of 34.02% as a result of the closure of 101 centres during the 2019 financial year. The impact of the pandemic forcing the cessation of activity at practically the entire company has been the main reason for the decrease in turnover.
    - In Italy, sales are 14,191 thousand euros. In the 2019 financial year, it was 19,304 thousand euros, which has meant a decrease of 26.48% as a result of 59 own centres, thus reducing the Italian subsidiary's operating result. The impact of the pandemic forcing the cessation of activity at practically the entire company has been the main reason for the decrease in turnover.
    - In Poland, sales are 7,161 thousand euros. In the 2019 financial year, it was 10,285 thousand euros, a reduction of 30.37%. The impact of the pandemic forcing the cessation of activity at practically the entire company has been the main reason for the decrease in turnover (74 centres less)

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

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

- In 2020 there is an average workforce of 405 employees in the Group, of which 83% are direct employees of the Naturhouse centres under self-management and commercial offices that control the smooth running of all the centres, both franchises and the Group's own centres, and the remaining 17% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.

  Personnel Costs represent 22.46% of the net turnover, less than its relative weight in the 2019 financial year.

- "Other operating expenses" has fallen by 34% with respect to 2019, mainly due to the reduction in Advertising costs; in this regard, advertising spending on sales volume has been reduced during the 2019 financial year, standing at 5,2% of turnover, this in turn represents a decrease of 53% compared to 2019. All markets have been affected by the decrease in advertising investment.

- "Operating income before amortization, impairment and other income" on turnover has increased 4 percentage points compared to 2019, 28% compared to 32%, as a result of the application of cost controls. The main factors in this increase include the application of the temporary layoff (ERTE) process, the negotiations on leases and the decrease in advertising.

- As a result of the 24.9% stake of the company Ichem Sp Z.o.o, in the 2020 financial year, 297 thousand euros is recognised in the "Results in entities valued by the equity method" in the attached abridged profit and loss account.

- The net result on turnover increased one percentage point, from 16% to 17%, compared to the 2019 financial year, as a consequence of the decrease in operating costs during the 2020 financial year.

Consolidated Statement of Financial Position

ASSET	31/12/2020	31/12/2019
NON-CURRENT ASSETS:		
Intangible fixed assets	**972**	**1,296**
Tangible fixed assets	**3,998**	**9,618**
Non-current financial assets	**696**	**828**
Investments in associated companies		
Investments recognised using the equity method	**3,276**	**3,152**
Deferred tax assets	**197**	**138**
Non-current assets	**9,139**	**15,032**
CURRENT ASSETS:		
Inventory	**3,256**	**4,124**
Customer receivables for sales and services	**3,798**	**3,355**
Customers, related companies	**236**	**151**
Current tax assets and other receivables with public administrations	**4,006**	**3,639**
Other current assets	**531**	**955**
Cash and cash equivalents	**21,611**	**10,305**
Total current assets	**33,438**	**22,529**
Total assets	**42,577**	**37,561**

EQUITY AND LIABILITIES	31/12/2020	31/12/2019
NET EQUITY:		
Capital and Reserves		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Premium	13,452	11,175
Treasury Shares	(142)	(142)
Conversion differences	(1,875)	(1,587)
Profit / (Loss) for the financial year	9,379	13,257
Interim dividend	-	(11,400)
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**25,963**	**16,452**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**65**	**62**
Total net equity	**26,028**	**16,514**
NON-CURRENT LIABILITIES:		
Non-current provisions	**1,224**	**1,107**
Non-current liabilities	**5,441**	**7,757**
Deferred tax liabilities	**154**	**9**
Non-current liabilities	**6,819**	**8,873**
CURRENT LIABILITIES:		
Current liabilities	**479**	**-**
Current liabilities	**1,592**	**2,662**
Trade creditors and other receivables	**4,144**	**5,091**
Suppliers, related companies	**2,627**	**3,243**
Current tax liabilities and other payables with public administrations	**888**	**1,178**
Total current liabilities	**9,730**	**12,174**
TOTAL NET EQUITY AND LIABILITIES	**42,577**	**37,561**

- The variation in the item "Tangible assets" is due to the following reasons:
  - In 2020, there is a decrease in euros in "Tangible assets" as a result of the divestment and reorganisation of our own centres.
  - The impact of the application of IFRS 16, which has led to the recognition of right-of-use assets amounting to 2,768 thousand euros compared to 7,632 thousand euros in 2019.
- The amount of the item "investments in associates" corresponds to the 24.9% stake of the company Ichem Sp Z.o.o, the main supplier of the Naturhouse Group.
- "Current tax assets" epigraph includes the amount paid to the Tax Authorities as an advance corporate tax payment for the 2019 and 2020 financial years. All of the amount advanced for corporate tax for the 2019 financial year has been returned in February 2021, with the return of the amount for the 2020 financial year outstanding.
- As of year end 2020, 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 decrease in the item "Non-current debts" mainly corresponds to the negotiations in leases, which has an impact on the application of IFRS 16, reducing the amount by 2,316 thousand euros. This item also includes 2,388 thousand euros of deposits that the French subsidiary has from franchisee customers as commercial guarantees.

- The decrease in the item "Current debts" corresponds to the impact of the application of IFRS 16, decreasing the amount by 1,308 thousand euros.

- The average payment period of the Spanish company included in the Naturhouse Group was 46.26 days, within the maximum period established in the delinquency regulations.

3. <u>Financial risk management and use of hedging instruments</u>

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

Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2020, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question.

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

Credit risk:

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

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

Liquidity risk:

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

4. <u>Risk Factors</u>

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

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

5. <u>R + D + i activities</u>

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

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

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 56% of total consolidated purchases to 31 December 2020. Naturhouse Health, S.A. holds 24.9% of its capital. The benefits sought with this holding are:

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

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

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., majority shareholder of Naturhouse Health S.A>, has stakes (Indusen, Girofibra, Laboratorios Abad and Zamodiet), which represent approximately 25% of total purchases in 2019, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 25% of total purchases in 2019.

6. Treasury Shares

As of 31 December 2020, the Parent Company holds a total of 50,520 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

7. Subsequent events

On 31 January 2020, the liquidity contract held with Renta 4 was terminated for failing to meet the expectations of increasing the share’s liquidity in the 2019 financial year.

On 11 February 2020, the Spanish Tax Agency formalised the refund of 955 million euros pending on the tax payment for the 2019 financial year.

8. Capital structure and significant shareholdings

As of 31 December 2020, the Naturhouse Group does not have any restrictions on the use of capital resources that, directly or indirectly, have affected or may significantly affect operations, except for restrictions legally established.

As of 31 December 2020, 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 4.33%.

9. Shareholder agreements and restrictions on transferability and vote

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

10. Administrative Body, Board

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

11. Significant agreements

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

12. Annual Corporate Governance Report

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

13. Corporate Social Responsibility Report

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

www.cnmv.es

www.naturhouse.com

14. Non-Financial information

In relation to the requirements regarding non-financial information and diversity required under Act 11/2018 of 28 December, said information is included in the Corporate Social Responsibility Report, reported in another document.

Madrid, 26 February 2021

DILIGENCIA DE FIRMA DE LAS CUENTAS ANUALES E INFORME DE GESTIÓN CONSOLIDADOS DE NATURHOUSE HEALTH, S.A. Y SOCIEDADES DEPENDIENTES CORRESPONDIENTES AL EJERCICIO CERRADO EL 31 DE DICIEMBRE DE 2020

Diligencia que levanta el Secretario No-Consejero del Consejo de Administración de Naturhouse Health, S.A. ("Naturhouse Health" o la "Sociedad"), Alfonso Barón Bastarreche y con el Visto Bueno del Sr. Presidente Don Félix Revuelta Fernández, para hacer constar que:

1. Las cuentas anuales (balance, cuenta de pérdidas y ganancias, estados de cambios en el patrimonio neto, estado de flujos de efectivo y memoria), el estado de información no financiera, el informe de gestión del Naturhouse Health , S.A. y el informe anual de gobierno corporativo, correspondientes al ejercicio cerrado el 31 de diciembre de 2020, adjuntos a la presente como Anexo, (en adelante, las Cuentas Anuales, el Estado de Información No Financiera, el Informe de Gestión y el Informe Anual de Gobierno Corporativo) se corresponden íntegramente con los formulados por el Consejo de Administración de la Sociedad en su reunión celebrada en el día de hoy, 26 de febrero de 2021, habiendo sido aprobados por unanimidad de todos los miembros del Consejo, y sin que ninguno de ellos haya manifestado expresa reserva o disconformidad respecto de ningún aspecto de tales documentos, y con los entregados a los auditores de cuentas de cara a la emisión de su informe de auditoría.

2. A pesar de la unanimidad habida en la formulación, en las Cuentas Anuales y el Informe de Gestión solo figuran las firmas del Presidente Don Félix Revuelta Fernández y del Consejero Don Ignacio Bayón Marine, únicos que han asistido presencialmente a la reunión, no figurando por tanto las firmas de los siguientes miembros del Consejo de Administración:

- Dña. Vanessa Revuelta Rodríguez
- D. Kilian Revuelta Rodríguez
- D. Rafael Moreno Barquero
- D. José María Castelllanos Ríos
- D. Pedro Nueno Iniesta

en todos los casos, por imposibilidad manifiesta, dado que la reunión del Consejo en que se han formulado las Cuentas Anuales y el Informe de Gestión y el Informe Anual de Gobierno Corporativo se ha realizado por videoconferencia, con motivo del Estado de Alarma decretado por el Gobierno de España, el pasado 25 de octubre de 2020 (RD 926/2020) y aprobado inicialmente hasta 9 de noviembre de 2020, y que mediante el Real Decreto 956/2020, de 3 de noviembre, ha sido prorrogado hasta el 9 de mayo de 2021, para la gestión de la situación de crisis sanitaria ocasionada por el COVID-19. La presente diligencia se extiende, expresamente, y con el visto bueno del Sr. Presidente Don Félix Revuelta Fernández a los efectos previstos en el artículo 253.2 de la Ley de Sociedades de Capital. En Madrid, a 26 de febrero de 2021.

SECRETARIO NO-CONSEJERO	Vº. Bº. PRESIDENTE
D. Alfonso Barón Bastarreche	D. Félix Revuelta Fernández

Vº. Bº. CONSEJERO INDEPENDIENTE

D. Ignacio Bayón Mariné

Declaración de responsabilidad del Consejo de Administración de Naturhouse Health, S.A. conforme al artículo 8 apartado b) del capítulo I del Real Decreto 1362/2007, de 19 de octubre por el que se desarrolla la Ley 24/1988, de 28 de julio, del Mercado de Valores, en relación con los requisitos de transparencia relativos a la información sobre los emisores cuyos valores estén admitidos a negociación en un mercado secundario oficial o en otro mercado regulado de la Unión Europea.

Con fecha 26 de febrero de 2021 se han formulado las Cuentas Anuales consolidadas de Naturhouse Health, S.A. correspondientes al ejercicio anual terminado el 31 de diciembre de 2020 -comprensivas del Balance , Cuenta de Pérdidas y ganancias, estado de flujos de efectivo y estado de cambios en el patrimonio neto y la Memoria- y el Informe de Gestión, constan en 70 hojas de papel común, por una sola cara, numeradas correlativamente de la 1 a la 70, siendo firmadas de la 1 a la 69 por el Secretario del Consejo de Administracion y la hoja número 70 por la totalidad de los consejeros asistentes a la reunión. El Informe de Anual de Gobierno Corporativo está contenido en 64 hojas de papel común, por una sola cara, numeradas correlativamente del 1 a la 64.

Las Cuentas Anuales consolidadas y el Informe Anual de Gobierno Corporativo son firmados por el Secretario del Consejo de Administración y por los consejeros asistentes presencialmente, que fueron el Presidente, Don Félix Revuelta Fernández y Don Ignacio Bayón Marine, haciéndose constar que el resto de consejeros, que asistieron telemáticamente a la reunión, formularon las cuentas anuales y el informe de gestión, pero que no han podido firmarlas debido a la situación sanitaria provocada por el estado de alarma.

VºBº

Presidente
del Consejo de Administración

Félix Revuelta Fernández

El Secretario
del Consejo de Administración

Alfonso Barón Bastarreche