Audit Report on Financial Statements
issued by an Independent Auditor

NATURHOUSE HEALTH, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2021

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

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

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

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Naturhouse Health, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2021, the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

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

Measurement and disclosure of transactions with related parties

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

Other information: consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

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

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

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

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Naturhouse Health, S.A. and subsidiaries for the 2021 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

The directors of Naturhouse Health, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

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

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

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 28, 2022.

Term of engagement

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

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

(Signature on the original in Spanish)

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María del Tránsito Rodríguez Alonso
(Registered in the Official Register of
Auditors under No. 20539)

February 28, 2022

Naturhouse Health, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2021, 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 Statement of Financial Position to 31 December 2021
(Thousands of Euros)

ASSET	Explanatory notes	31/12/2021	31/12/2020	NET EQUITY AND LIABILITIES	Explanatory notes	31/12/2021	31/12/2020
NON-CURRENT ASSETS:				**NET EQUITY:**			
Intangible fixed assets	Note 8	753	972	**Capital and reserves-**			
Tangible fixed assets	Note 9	2,674	3,998	Subscribed capital	Note 14	3,000	3,000
Non-current financial assets	Note 11.1	1,399	696	Issue premium		2,149	2,149
Investments in associates -				Premium		18,443	13,452
Investments recognised using the equity method	Note 11.2	6,793	3,276	Own Shares	Note 14	(142)	(142)
Deferred tax assets	Note 18.3	107	197	Conversion differences	Note 14	(790)	(1,875)
Non-current assets		11,726	9,139	Profit / (Loss) for the financial year		13,361	9,379
				NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		36,021	25,963
				NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	Note 14	60	65
				Total net equity		36,081	26,028
				NON-CURRENT LIABILITIES:			
				Non-current provisions	Note 15	1,188	1,224
				Non-current liabilities	Note 16	3,375	5,441
				Deferred tax liabilities	Note 18.5	294	154
CURRENT ASSETS:				**Non-current liabilities**		4,857	6,819
Inventory	Note 12	2,550	3,256	**CURRENT LIABILITIES:**			
Customer receivables for sales and services		2,691	3,798	**Current provisions**	Note 15	982	479
Customers, related companies	Note 20.1	17	236	**Current liabilities**	Note 16	992	1,592
Current tax assets and other receivables				**Trade creditors and other receivables**	Note 17	2,375	4,144
with public administrations	Note 18.1	3,988	4.006	**Suppliers, related companies**	Note 20.1	2,008	2,627
Other current assets		779	531	**Current tax liabilities and other payables**			
Cash and cash equivalents	Note 13	27,250	21,611	**with public administrations**	Note 18.1	1,706	888
Total current assets		37,275	33,438	**Total current liabilities**		8,063	9,730
TOTAL ASSETS		49,001	42,577	**TOTAL NET EQUITY AND LIABILITIES**		49,001	42,577

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated statement of financial position as of 31 December 2021.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 2021 FINANCIAL YEAR
(Thousands of Euros)

	Explanatory notes	Financial year 2021	Financial year 2020
Net amount of revenue	**Note 19.1**	57,594	55,081
Supplies	**Note 19.2**	(16,335)	(15,876)
Gross Margin		**41,259**	**39,205**
Other operating income		344	1,157
Personnel costs	**Note 19.3**	(10,765)	(12,376)
Other operating costs	**Note 19.5**	(10,306)	(10,607)
Operating income before depreciation and amortization, impairment and other results		**20,532**	**17,379**
Depreciation and amortization	**Notes 8 and 9**	(2,457)	(3,258)
Impairment losses and income from disposal of fixed assets	**Note 9**	(206)	(1,146)
Other results		(531)	250
OPERATING INCOME		**17,338**	**13,225**
Financial income	**Note 19.4**	**361**	**24**
Other financial incomes		361	24
Financial expenses	**Note 19.4**	**(100)**	**(185)**
Debts with third parties		(100)	(185)
Exchange differences	**Note 19.4**	**56**	**153**
FINANCIAL RESULT		**317**	**(8)**
Result in entities valued by the equity method	**Note 11.2**	**590**	**297**
CONSOLIDATED PROFIT BEFORE TAX		**18,245**	**13,514**
Corporation Tax	**Note 18.2**	(4,879)	(4,127)
NET INCOME FROM CONTINUING OPERATIONS		**13,366**	**9,387**
CONSOLIDATED NET INCOME - BENEFITS		**13,366**	**9,387**
Profit or loss attributable to minority interests	**Note 14**	(5)	(8)
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY		**13,361**	**9,379**
Profit per share (in Euros per share):			
- Basic	**Note 14**	**0,22**	**0,16**
- Diluted	**Note 14**	**0,22**	**0,16**

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated profit and loss account for the 2021 financial year.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2021 FINANCIAL YEAR
(Thousands of Euros)

	Year 2021	Year 2020
A- PROFIT AND LOSS ACCOUNT BALANCE	**13,366**	**9,387**
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	297	(288)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	**13,653**	**9,099**
Total Comprehensive Income attributable to:		
- The parent company	13,658	9,091
- Minority shareholders	(5)	8
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**13,653**	**9,099**

Notes 1 to 24 described in the attached consolidated explanatory notes and Annex I are an integral part of the consolidated statement of comprehensive income for the 2021 financial year.

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2021 FINANCIAL YEAR
(Thousands of Euros)

	Share Capital	Issue premium	Premium	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 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**
Recognised income and expenses	-	-	-	-	297	13,361	-	(5)	**13,653**
Distribution of profit for the 2020 financial year									
- Distribution to reserves	-	-	9,379	-	-	(9,379)	-	-	**-**
Transactions with shareholders:									
- Transactions with shares (net)	-	-	-	-	-	-	-	-	**-**
- Distribution of dividends	-	-	(3,600)	-	-	-	-	-	**(3,600)**
Other changes in equity	-	-	(788)	-	788	-	-	-	**-**
Balance at 31 December 2021	**3,000**	**2,149**	**18,443**	**(142)**	**(790)**	**13,361**	**-**	**60**	**36,081**

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 2021

Naturhouse Health, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2021 FINANCIAL YEAR
(Thousands of Euros)

	Explanatory notes	Financial year 2021	Financial year 2020
CASH FLOWS FROM OPERATING ACTIVITIES		**16,173**	**14,580**
Pre-tax result for the financial year		**18,245**	**13,514**
Adjustments to the result:		**2,223**	**4,711**
- Amortization of fixed assets (+)	Notes 8 and 9	2,457	3,258
- Variation in provisions (+/-)		467	596
- Income from derecognition or disposal of fixed assets (+/-)	Notes 9	206	1,146
- Financial income (-)	Note 19.4	(361)	(24)
- Financial expenses (+)	Note 19.4	100	185
- Exchange differences (+/-)	Note 19.4	(56)	(153)
- Interests in equity-accounted entities net of dividends (+/-)	Note 11.2	(590)	(297)
Changes in working capital		**(586)**	**(799)**
- Stock (+/-)	Note 12	706	868
- Debtors and other accounts receivable (+/-)		1,326	(528)
- Other current assets (+/-)		(230)	424
- Creditors and other accounts payable (+/-)		(2,388)	(1,563)
Other cash flows from operating activities		**(3,709)**	**(2,846)**
- Interest payments (-)		(100)	(185)
- Receipt of dividends (+)	Note 11.2	139	-
- Interest receivable (+)		361	24
- Sums received /(paid) for tax on profits (+/-)		(4,109)	(2,685)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(4,268)**	**112**
Payments for investments (-)		**(4,270)**	**(201)**
- Intangible and tangible assets	Notes 8 and 9	(50)	(201)
- Other financial assets		(703)	-
- Payments from related companies	Note 11.2	(3,517)	-
Sums received from divestments (+)		**2**	**313**
- Intangible and tangible assets	Note 9	2	181
- Other financial assets			132
CASH FLOWS FROM FINANCING ACTIVITIES		**(6,266)**	**(3,386)**
Sums received and paid for equity instruments		**-**	**-**
- Net disposals (acquisitions) of Parent Company assets	Note 14.f	-	-
Sums received and paid for financial liability instruments		**(6,266)**	**(3,386)**
- Repayment and net amortization of:			
Amounts owed to credit institutions and other debts (-)		(2,666)	(3,386)
Dividend payments and remuneration on other equity instruments			**-**
- Dividends (-)	Note 5	(3,600)	-
EFFECT OF VARIATIONS IN EXCHANGE RATES		**-**	**-**
NET INCREASE / DECREASE OF CASH OR CASH EQUIVALENTS		**5,639**	**11,306**
Cash or cash equivalents at start of financial year		21,611	10,305
Cash or cash equivalents at year end		27,250	21,611

Notes 1 to 24 described in the consolidated explanatory notes and Annex I attached are an integral part of the consolidated statement of cash flows for the 2021 financial year.

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Naturhouse Health, S.A.
and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the 2021 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 28 February 2022.

These consolidated financial statements for the financial year ending 31 December 2021 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 2020 financial year were approved by the Annual General Meeting held 18 June 2021 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 2021 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 2021

New accounting standards came into effect in the 2021 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:**
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 as interbank offered rates (IBORs) are replaced with risk-free interest rates (RFRs).	1 January 2021
Amendment 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 companies that apply this standard is 1 January 2021. The IASB has decided to delay the entry into force, for these companies, to periods starting 1 January 2023. This rule does not apply to the Group.	1 January 2021
Amendment to IFRS 16 Covid-19-related rent concessions to 30 June 2022	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.	01 April 2021

d) Accounting policies issued not in force for the 2021 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**
IFRS 17 Insurance policies (published in May 2017)	Replaces IFRS 4. It includes the principles of registration, valuation, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the financial information to determine the effect that the insurance contracts have on the financial statements.	01 January 2023
IAS 1 Presentation of financial statements.	Classification of liabilities as current or non-current	01 January 2023
Amendments to: -IFRS 3 Business combinations -IAS 16 Property, plant and equipment -IAS 37 Provisions, contingent liabilities and contingent assets -2018 - 2020 annual improvements	These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Conceptual Framework with a reference to that of 2018, without significantly changing the requirements. These amendments, issued by the IASB in May 2020, prohibit deducting from the acquisition cost of the assets the amount of the sales obtained from the asset while it is being brought to the location and conditions necessary for it to operate in the manner envisaged by Management. Instead, these amounts will be recognised on the income statement. These amendments, issued by the IASB in May 2020, detail the costs that companies have to include when assessing whether a contract is onerous or at a loss. The amendments propose a "direct cost approach". As part of the 2018-2020 annual improvements to the IFRS, the IASB has published an amendment to IFRS 9 and IAS 40.	01 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	In these amendments, the IASB has included guidance and examples to apply judgement when identifying which accounting policies are material. The amendments replace the criterion of breaking down significant accounting policies by material accounting policies. It also provides guidance on how to apply the concept of materiality to decide which accounting policies are material. These amendments are effective for periods beginning on or after 1 January 2023. The Group is currently analysing the impact of these amendments.	01 January 2023

New rules, amendments and interpretations not yet approved for use in the European Union		IASB application date
Definition of Accounting Estimates (Amendments to IAS 8)	In these amendments, the IASB has introduced a new definition of "accounting estimate" that clarifies the difference between changes in accounting estimates, changes in accounting policies and corrections of errors. These amendments are effective for periods beginning on or after 1 January 2023	01 January 2023
Deferred Taxes related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	The proposed amendments would require an entity to recognise deferred taxes in the initial recognition of specific transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The proposed amendments would apply to specific transactions for which an entity recognises an asset and a liability, such as leases and dismantling obligations. These amendments are effective for periods beginning on or after 1 January 2023.	01 January 2023

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 financial statements 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 most significant companies comprising the Group operate. Foreign operations are accounted for in accordance with the policies described in Note 6.l.

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

The preparation of the consolidated financial statements under IFRS requires the Parent Company's Directors to perform certain accounting estimates and to consider certain elements of judgement. These are continually evaluated and are based on historical experience and other factors, including expectations of future events, 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 2020 financial year is presented, for comparison purposes, with information from the 2021 financial year.

h) Relative importance

When determining the information to be broken down in the consolidated notes on the different items of the consolidated financial statements or other matters, the Group has taken into consideration the relative importance in relation to these consolidated financial statements for the 2021 financial year.

3. Consolidation criteria

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

a) Subsidiaries and associates

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

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

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

- The assets of its subsidiaries is presented under "Equity attributable to third-party shareholders" in the consolidated statement of financial position in the chapter on the Group's Equity (see Note 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 only include the tax effect which, if appropriate, may arise as a result of the distribution of the consolidated companies' income and reserves to the Parent Company, except for those funds which will be used as sources of financing in each company and therefore, not distributed as dividends.

Companies over which Naturhouse Health, S.A. has a significant influence or joint control are consolidated by 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 first half of 2021, the Parent Company acquired 100% of the shares of Takk Asia Pte. Ltd. (company located in Singapore, not operational) for 45 thousand euros, thus acquiring control of the Company and changing its name to Naturhouse Pte. Ltd. In addition, during the first half of 2021, the Parent Company constituted 100% of the share capital of Naturhouse Health Limited, located in Ireland, for an amount of 100 thousand euros.

The consolidation perimeter has not undergone any other variation except for the one mentioned above.

4. COVID-19

Despite the impact of the new COVID-19 variants in the second half of the year, the 2021 financial year has brought with it a gradual relaxation of the containment scenarios for the COVID-19 pandemic in the main markets in which the Group operates. This has allowed for an improvement in commercial activity and consolidated turnover. Irrespective of the foregoing, the Group's Management has continued with the line of prudence in the liquidity risk management, credit risk and capital and market risk management policies, and likewise, has kept the other measures in place described in the consolidated annual financial statements for the previous financial year in order to guarantee the continuity of the Group's activities within adequate levels of profitability and financial solvency.

5. Distribution of the result

The proposal for the distribution of the individual result of Naturhouse Health, S.A. for the year 2021 formulated by the Directors of the Parent Company, subject to the approval of the General Shareholders' Meeting, is as follows:

	Thousands of Euros	
	2021	2020
Distribution basis:		
Premium	1,013	-
Profit for the financial year	10,987	5,725
	12,000	**5,725**
Distribution:		
To dividends	12,000	-
To reserves	-	5,725
	12,000	**5,725**

The proposed distribution of the individual profit of Naturhouse Health, S.A. for the 2020 financial year drawn up by the Directors of the Parent Company, which was submitted for approval at the Annual General Meeting on 18 June 2021, consisted of the distribution of the entire profit for the 2020 financial year to reserves, amounting to 5,725 thousand euros. In addition, the Annual General Meeting agreed on the same date to distribute dividends amounting to 3,600 thousand euros against reserves.

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, in addition to the expenses incurred in Research, those of Development, deeming that these last ones 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 2021 financial year amounted to 8 thousand euros (32 thousand euros in the 2020 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 2021 and 2020 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.

d) Leases

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

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

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

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

e) Financial instruments

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

Financial assets

The financial assets held by the Group are classified, based on the characteristics of the contractual cash flows of the financial asset and the 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 at fair value through profit or loss</u>

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

   As of 31 December 2021, the Group does not have significant financial assets that are classified as accounted for 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 accounted for at fair value through profit or loss, changes in said fair value are recognised in income for the period.

The Group derecognises financial assets when they expire or the rights to the cash flows for the financial asset concerned have been transferred and the risks and rewards inherent to their ownership have been substantially transferred. On the contrary, the Group does not derecognise financial assets, and 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.

Under deferred tax liabilities, the Naturhouse Group has recognised an amount of 217 thousand euros in the 2021 financial year for aggregated undistributed profits in subsidiaries and associates (145 thousand euros in 2020).

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 cashed-in but pending to be recognized as revenue is recorded against the "Trade payables and other accounts payable" heading of the current balance sheet and its recognition in the income statement occurs linearly for the period of the contract (7 years in most cases).

Other operating income

Under this heading, the Group primarily recognises rebilling of expenses to related companies or third-party franchisees in transactions where the Group is a principal.

Interest and dividend income

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

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

n) Recognition of expenses

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

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

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

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

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

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

o) Environmental information

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

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

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

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

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

p) Segment information

The business segments broken down in the consolidated notes are included consistently based on the internal information available to the Parent Company's Directors. The operating segments are geographical 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

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 2021 is as follows:

	Thousands of Euros	
	31-12-2021	31-12-2020
Impairment of credits (expected loss)	(24)	(24)

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

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

Furthermore, 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 2021 and 2020, 100% of the borrowings were at variable interest rates.

   However, as of yearend 2021 and 2020, 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 2021 and 2020 financial years.

With regard to exchange rate risk, the Group does not operate significantly internationally in countries with currencies other than the euro and, therefore, its exposure to exchange rate risk from foreign currency transactions is not significant, except for its exposure to the Zloty (Poland), which represents 12% and 4% 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 2021 and 2020 is at -1.11 and -0.84, respectively. In calculating this ratio, the Parent Company has considered the headings of the consolidated statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt. The variation in the same between the two financial years is due to the increase in cash and cash equivalents as a consequence of the liquidity protection measures adopted by the Group in the financial year.

8. Intangible fixed assets

The changes in this heading in the consolidated statement of financial position for the financial years 2021 and 2020 were as follows:

	Thousands of Euros				
Cost	Transfer rights	Industrial property	Software	Other intangible assets	Total
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**
Additions	-	-	157	38	195
Withdrawals	-	(2)	(1)	-	(3)
Balance at 31 December 2021	**22**	**2,350**	**632**	**50**	**3,054**

	Thousands of Euros				
Accumulated amortization	Transfer rights	Industrial property	Software	Other intangible assets	Total
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)**
Allocations	(5)	(233)	(143)	(32)	(413)
Applications	-	-	2	-	2
Balance at 31 December 2021	**(22)**	**(1,772)**	**(467)**	**(40)**	**(2,301)**

Net book value	Thousands of Euros	
	31-12-2021	31-12-2020
Transfer rights	-	5
Industrial property	578	813
Software	165	150
Other intangible assets	10	4
Total Intangible Assets	**753**	**972**

During the 2021 and 2020 financial years, the main additions have corresponded to software for the Parent Company's new E-commerce department. During the 2021 and 2020 financial years, there have been no significant additions to intangible assets.

The main asset under intangible assets basically corresponds to a set of brands acquired in the 2014 financial year amounting to 2,331 thousand euros, the net book value of which amounts to 564 and 797 thousand euros as of 31 December 2021 and 31 December 2020, 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's Management has concluded that said brands do not present impairment indicators as of 31 December 2021.

As of yearend 2021, the Group had fully amortized intangible assets still in use amounting to 958 thousand euros (526 thousand euros in the 2020 financial year).

The intangible assets located outside of Spain as of 31 December 2021 and 2020 are not significant (see Note 23).

9. Tangible fixed assets

The movement during the 2021 and 2020 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 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**
Additions	-	1,657	(242)	11	13	20	1,459
Withdrawals	-	(5,713)	(512)	(11)	(92)	(35)	(6,363)
Conversion differences	-	-	5	1	2	-	8
Balance at 31 December 2021	**-**	**4,141**	**2,857**	**270**	**133**	**9**	**7,410**

Accumulated amortization	Buildings	Other facilities, tools and furniture	Information processing equipment	Transportation elements	Total
	Thousands of Euros				
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)**
Allocations	(1,837)	(127)	(51)	(29)	(2,044)
Applications	5,271	245	10	92	5,618
Conversion differences	-	(1)	(1)	-	(2)
Balance at 31 December 2021	**(2,408)**	**(2,015)**	**(236)**	**(77)**	**(4,736)**

Net book value	Thousands of Euros 31-12-2021	31-12-2020
Land and natural assets	-	-
Buildings	1,733	2,355
Other facilities, tools and furniture	842	1,474
Information processing equipment	34	75
Transportation elements	56	70
Assets in construction and advances	9	24
Total Tangible Fixed Assets	**2,674**	**3,998**

As in the previous financial year, the additions and derecognitions in 2021 correspond mainly to investments for new openings and closures of the Group's physical points of sale due to the growing omnichannel integration of the business. Likewise, derecognitions of fixed assets include the sale of material in own stores transferred to franchisees or other third parties.

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

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

In order to come to a conclusion as to the existence of potential impairment, the Group conducted an analysis in the previous financial year with a view to identifying the points of sale with less profitability that have had their business expectations deteriorate as a result of the effects of COVID-19. This exercise revealed impairments of rights of use over leases amounting to 861 thousand euros, and 86 thousand euros of impairment of tangible fixed assets. During the 2021 financial year, there have been results from impairment and derecognitions of fixed assets amounting to 206 thousand euros, corresponding mostly to penalties for the cancellation and disposal of the rights of use over the lease of the Dolphin Mall in the United States (Note 10).

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2021, 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 2021 and 2020 are broken down below:

	Thousands of Euros	
	31-12-2021	31-12-2020
Net book value		
Land and natural assets	-	-
Buildings	1,081	2,355
Other facilities, tools and furniture	423	996
Information processing equipment	13	45
Transportation elements	48	57
Assets in construction	9	24
Total Net book value	**1,574**	**3,477**

The fully amortized tangible fixed assets still in use at yearend 2021 amount to 3,175 thousand euros (2,247 thousand euros at yearend 2020).

Firm purchase commitments

At the close of the 2021 and 2020 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 2021 financial year have been as follows:

	Thousands of Euros			
Cost	Buildings	Information processing equipment	Transportation elements	Total
Balance at 01 January 2021	**7,239**	**12**	**69**	**7,320**
Additions	2,790	-	36	2,826
Disposals	(5,494)	(12)	(36)	(5,542)
Balance at 31 December 2021	**4,535**	**-**	**69**	**4,604**

	Thousands of Euros			
Accumulated amortization	Buildings	Information processing equipment	Transportation elements	Total
Balance at 01 January 2021	**(3,627)**	**(10)**	**(54)**	**(3,691)**
Allocations	(1,849)	(2)	(26)	(1,877)
Disposals	3,121	12	26	3,159
Balance at 31 December 2021	**(2,355)**	**-**	**(54)**	**(2,409)**

Impairment	Thousands of Euros			
	Buildings (note 4 f)	Information processing equipment	Transportation elements	Total
Balance at 01 January 2021	**(861)**	**-**	**-**	**(861)**
Allocations	-	-	-	-
Derecognitions (Note 9)	399	-	-	399
Balance at 31 December 2021	**(462)**	**-**	**-**	**(462)**

	Thousands of Euros	
	31-12-2021	31-12-2020
Net book value		
Buildings	1,717	2,751
Information processing equipment	-	2
Transportation elements	16	15
Total Net book value	**1,733**	**2,768**

Due to the application of IFRS 16, as of 31 December 2020, the Group recognised assets for the right of use net of accumulated amortisation amounting to 2,768 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 2020 under long-term and short-term liabilities on the attached Statement of Financial Position, amounting to 3,695 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 2021	Thousands of Euros			
	Buildings	Information processing equipment	Transportation elements	Total
Amounts:				
Fixed lease payments	1,866	2	23	1,891
Expenses recognised, variable payments	-	-	-	-
Financial expenses, lease liabilities	47	-	1	48
Lease liabilities	2,206	-	23	2,229
Conditions:				
Lease term	2 – 5 years	2 years	2 – 4 years	
Interest rate	0,75% - 2.50%	1.59%	1,59% - 1.85%	

2020 financial year	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	31/12/2021	31/12/2020
Less than one year	894	1,229
Between one and five years	1,322	2,034
More than five years	13	432
Total (Note 16)	**2,229**	**3,695**

11. Financial assets

11.1 Non-current financial assets

At 31 December 2021 and 2020, the breakdown under this heading is as follows:

	Thousands of Euros	
	31-12-2021	31-12-2020
Equity instruments		
Other equity instruments	79	76
Other financial assets		
Loans to related companies	826	-
Long term deposits and guarantees	494	620
	1,399	**696**

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).

In the 2021 financial year, the Company granted a loan to Tartales, L.L.C., amounting to 826 thousand euros, maturing in 2023. Said loan accrues an annual interest rate of 0.5%.

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").

On 22 November 2021, the Parent Company acquired from its shareholder and related company Kiluva, S.A. a total of 99 additional shares in the share capital of Ichem Sp. zo.o. for a price of 3,208,010 euros after the agreements reached by this company with Zamodiet, S.A.

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

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

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

All 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 2021 and 2020 financial years, as well as the movement that took place during both periods are as follows:

Year 2021

	Thousands of Euros					
	Balance on 1 January 2021	Result in Entities Valued by the Equity Method	Dividends	Conversion differences	Other movements	Balance on 31 December 2021
Ichem Sp, Zo,o	3,276	590	(139)	(129)	3,195	6,793

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

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

Other information related to this investee is as follows (figures as of 31 December 2021):

		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	16,212	13,654	11,443	1,180

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

12. Inventory

The breakdown of "stock" in the consolidated statement of financial position attached, to 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31-12-2021	31-12-2020
Goods	2,550	3,256

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 2021 and 2020.

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 2021 and 2020 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 2021, 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 2021 are as follows:

Shareholder	%
Kiluva, SA	72.60
Ferev Uno Strategic Plans	4.83

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

b) Distribution of profit and dividends

The proposed distribution of profit for the 2020 financial year drawn up by the Directors of the Company, which was submitted for approval at the Annual General Meeting on 18 June 2021, consisted of the distribution of the entire profit for the 2020 financial year to reserves, amounting to 5,725 thousand euros. In addition, the Annual General Meeting agreed on the same date to distribute dividends amounting to 3,600 thousand euros against reserves.

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, 2021, 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 2021 and 2020 is as follows:

	Thousands of Euros	
	31-12-2021	31-12-2020
Zamodiet México, S.A de C.V.	6	6
Name 17, S.A. de C.V.	54	59
	60	**65**

The variations in the years 2021 and 2020 in this section of the consolidated statement of financial position is shown below:

	Thousands of Euros
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**
Business combination (Note 3.c)	-
Profit attributable to minority interests	(5)
Conversion differences	-
Balance on 31 December 2021	**60**

e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, 31 December 2021 and 2020 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	
	31-12-2021	31-12-2020
Naturhouse Inc.	67	(77)
Naturhouse Sp. zo.o.	(408)	(434)
Ichem Sp. Zo.o	(380)	(470)
Other	(69)	(894)
	(790)	**(1.875)**

f) Own shares

As of yearend 2021 and 2020, the Parent Company held company shares in accordance with the following breakdown:

		Euros		
Year	Number of shares	Nominal value	Average acquisition price	Total acquisition cost
2021	50,520	2,526	2.81	141,886
2020	50,520	2,526	2.81	141,886

As of 31 December 2021, 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 2021 and 2020 financial years has been as follows:

Number of shares	2021	2020
Start of the financial year	50,520	50,520
Sales	-	(14,782)
Purchases	-	14,782
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 2021 and 2020, the profit or loss per share is as follows:

	31-12-2021	31-12-2020
Weighted average number of shares in circulation	60,000,000	60,000,000
Average number of own shares	50,520	50,520
Average number of shares to determine basic earnings per share	59,949,480	59,949,480
Consolidated Net Income of the Parent Company (Thousands of Euros)	13,361	9,379
Profit per share (in Euros per share)(*)		
Basic	0.22	0.16
Diluted	0.22	0.16

(*) 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. Provisions and contingencies

a) Non-current provisions

The balance of other non-current provisions mainly refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 874 thousand euros at yearend 2021 (903 thousand euros in 2020). 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 132 and 158 thousand Euros for the years 2021 and 2020, respectively. During the 2021 financial year, the TFR commitment was updated actuarially, having recognised an adjustment of 101 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) Current provisions

The current provisions heading essentially includes the short-term part of the TFR provision described above and the provision for the cancellation expenses for the Dolphin Mall lease in the United States amounting to 528 thousand euros.

c) Contingencies

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

16. Financial Debts

The breakdown of current and non-current financial debt of the Group at 31 December 2021 and 2020 is as follows:

Year 2021

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

Year 2020

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

This heading includes lease liabilities for a total amount of 2,229 thousand euros (894 short-term and 1,335 long-term) recognised in accordance with IFRS 16 *Leases*.

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

Additionally, the amounts paid as guarantee deposits for the Naturhouse S.A.S. franchise holders in guarantee of compliance with their contractual obligations are included under "Other non-current financial liabilities". In the other Group companies, these guarantees are obtained through guarantees. At 31 December 2021, 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 2021 and 31 December 2020 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 2021 and 2020 have the following composition:

	Thousands of Euros	
	31-12-2021	31-12-2020
Suppliers	1,238	3,041
Various creditors	474	230
Staff (remuneration pending payment)	283	385
Short-term accruals	380	488
	2,375	**4,144**

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

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

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

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

Information on the average payment period to suppliers

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

	Days	
	31-12-2021	31-12-2020
Average payment period to suppliers	47.29	46.80
Ratio of paid operations	48.66	47.93
Ratio of operations pending payment	36.97	42.90

	Euros	
	31-12-2021	31-12-2020
Total payments made	9,280	14,529
Total outstanding payments	1,232	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 2021 and 2020 is as follows:

Debit balances

	Thousands of Euros	
	31-12-2021	31-12-2020
VAT (refund) receivable	97	110
Corporation tax (refund) receivable	3,891	3,896
All other credit with Public Administration bodies	**3,988**	**4,006**

Credit balances

	Thousands of Euros	
	31-12-2021	31-12-2020
VAT (refund) payable	56	60
VAT (refund) withholdings payable	243	169
Creditor Social Security Organisms	234	227
Corporation tax (refund) payable	1,173	432
All other debts with Public Administration bodies	**1,706**	**888**

18.2 The reconcilement between income and expenses for Corporation Tax

At 31 December 2021 and 2020, 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	
	2021	2020
Consolidated profit before tax	18,245	13,514
Permanent differences and consolidation adjustments	1,271	2,994
Adjusted profit	**19,516**	**16,508**
Tax rate	25%	25%
Profit adjusted according to tax rate	**4,879**	**4,127**
Differences according to tax rate	-	-
Other adjustments	-	-
Total tax expense	**4,879**	**4,127**

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at yearend 2021 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	
	2021	2020
Expense/(income) deferred tax	230	86
Expense/(income) current tax	4,649	4,041
Total expense (income) due to tax	**4,879**	**4,127**

During the 2021 financial year, the Parent Company has made instalment payments on account for the Corporate Tax corresponding to April and October of the 2021 financial year amounting to 2,844 thousand euros. On this basis, at yearend the parent company holds a balance to be recovered from the Tax Authorities amounting to 2,254 thousand euros, which has been registered as a current tax asset.

18.3 Recorded deferred tax assets

The detail of the balance of this account at the close of the 2021 and 2020 financial years and the movement that took place in 2020 is as follows:

	Thousands of Euros		
	31-12-2020	Disposals	31-12-2021
Temporary differences (prepaid taxes):			
Tax effect of the consolidation adjustments	65	-	65
70% depreciation limit	118	(90)	28
Others	14	-	14
Total deferred tax assets	**197**	**(90)**	**107**

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 2021 and 2020 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 2021 and 2020 financial years and the movement that took place in 2021 is as follows:

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

Under deferred tax liabilities, the Naturhouse Group has recognised an amount of 217 thousand euros in the 2021 financial year for aggregated undistributed profits in subsidiaries and associates (145 thousand euros in 2020).

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

19. Income and expenses

19.1 Net amount of revenue

The breakdown of net revenues for the years of 2021 and 2020 of the Group is detailed below:

	Thousands of Euros	
	2021	2020
Sales	56,693	54,193
Provision of services	901	888
	57,594	**55,081**

19.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2021 and 2020 has the following composition:

	Thousands of Euros	
	2021	2020
Consumption of merchandise:		
Purchases	15,629	15,008
Changes in stocks (Note 12)	706	868
	16,335	**15,876**

The breakdowns of the purchases made by the Group during 2021 and 2020, by source, is as follows:

	Thousands of Euros	
	2021	2020
Spain	6,105	6,092
Europe	9,524	8,916
Others	-	-
Total purchases	**15,629**	**15,008**

19.3. Personnel costs

The breakdown of staff expenses accrued during 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Wages, salaries and similar expense	8,386	9,374
Social security contributions	1,958	2,764
Severance indemnities	421	238
	10,765	**12,376**

19.4 Financial income and expenses

The breakdowns of the financial result of the Group during the year 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Financial income	361	24
Group	140	-
In third parties	221	24
Financial expenses:	(100)	(185)
Debts with third parties	(100)	(185)
Exchange differences	56	153
Financial Result	**317**	**(8)**

As of 31 December 2021, the heading "Other financial expenses" includes 48 thousand euros due to the effect of updating the lease liability (see Note 10) (126 thousand euros as of 31 December 2020).

19.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2021 and 2020 has the following composition:

	Thousands of Euros	
	2021	2020
Leases	267	1,009
Repairs	245	237
Transportation	1,740	1,686
Supplies	658	757
Advertising	3,933	2,865
Other external services	3,463	4,053
	10,306	**10,607**

The heading "Leases and fees" includes, as of 31 December 2021, 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 Parent Company.

20.1 Balances with affiliate companies

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

	Thousands of Euros			
	Debit balances		Credit balances	
Sociedad	2021	2020	2021	2020
Short-term commercial balances				
Finverki	5	-	-	-
Girofibra, S.L.	-	-	72	139
Healthouse Sun, S.L.	-	-	36	-
Ichem, Sp. zo.o.	6	-	1.428	1.990
Indusen, S.A.	-	-	409	464
Kiluva, S.A.	4	-	26	24
Laboratorios Abad, S.L.U.	-	-	2	2
Tartales LLC	2	-	-	-
Zamodiet, S.A.	-	-	-	8
Tartales, S.L.U.	-	16	35	-
Ferev S.A.R.L.	-	220	-	-
Total Short-term commercial balances	17	236	2.008	2.627
	17	**236**	**2.008**	**2.627**

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 2021 include lease liabilities with Tartales, S.L.U. amounting to 1,023 thousand euros (458 thousand euros in the short term and 565 thousand euros in the long term).

As has been described in Note 11.1, in the 2021 financial year, the Company granted a loan to Tartales, L.L.C., amounting to 826 thousand euros, maturing in 2023. Said loan accrues an annual interest rate of 0.5%.

Lastly, as detailed in note 11.2 above, the Parent Company has acquired from its related company Kiluva, S.A. an additional stake in Ichem SP Z.o.o. equivalent to 24.8% amounting to 3,208,010 euros.

20.2 Transactions with affiliate companies

During the years 2021 and 2020, the Group performed the following transactions with related companies:

	Thousands of Euros	
Company	2021	2020
Sales:		
Ichem Sp. Zo.o	6	-
Healthhouse Sun, S.L.	3	-
Ferev S.A.R.L.	-	49
Services provided		
Ferev S.A.R.L.	-	4
Finverki	5	-
Healthhouse Sun, S.L.	6	-
Kiluva, SA	4	-
Laboratorios Abad, S.L.U.	2	-
Tartales LLC	2	-
Total operating revenues	**28**	**53**
Sales of fixed assets:		
Kiluva, SA	-	-
Tartales, S.r.l.	-	-
Tartales, Lda	-	-
Tartales, SLU	-	-
Total sales of fixed assets (Note 9)	**-**	**-**
Purchases:		
Girofibra, SL	716	745
Ichem Sp. Zo.o	9.524	8.916
Indusen, SA	2.143	2.086
Laboratorios Abad, S.L.U.	77	92
Services received:		
Tartales, S.r.l.	3	9
Ichem Sp. Zo.o	22	28
Kiluva, SA	188	20
Heatlhouse Sun, S.L.	83	10
Tartales Portuguesa, S.A.	41	-
U.D. Logroñés, SAD	175	188
Ferev S.A.R.L.	-	-
Leasing and Insurance:		
Casewa, S.A.U.	107	108
Tartales, SLU	788	597
Total operating expenses	**13.867**	**12.799**

(*) Lease expenses with Casewa, S.A.U. and Tartales, S.L.U. in the 2021 financial year include lease payments made to these entities, which have been recognised in accordance with IFRS 16.

The distribution of dividends indicated in Note 14 should be taken into consideration.

Likewise, there are transactions with a company related to a member of the Parent Company's Board of Directors amounting to 60 thousand euros in the 2021 financial year (63 thousand euros in the 2020 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 2020 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 2020. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2021 financial year, consequently, they believe that they are duly backed up.

20.3 Compensation to Directors and Senior Management of the Parent Company

During 2021 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 60 thousand euros during the 2021 financial year (63 thousand euros during the 2020 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 2020, 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 2018.

The compensation received in the year 2021 by the senior executives of the Group amounted to 2,236 thousand Euros for salaries and wages and services and compensations (1,529 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 2020 financial year amounted to 2,467 thousand euros (1,447 thousand euros received by members of the Board of Directors in the development of their executive positions).

At the close of the 2021 and 2020 financial years, the Group's Senior Management body is composed of the following persons:

Categories	2021		2020	
	Men	Women	Men	Women
Senior Management	7	1	8	1

No advances or loans granted to senior management at year-end 2021 and 2020, nor pension obligations or life insurance.

The Board of Directors consists of six men and one woman at the end of 2021 (six men and one woman at the end of 2020).

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 2021 (5 thousand euros in 2020).

20.4 Information relating to conflicts of interest by the Directors

As of year-end 2021, 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. Information about the environment

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

22. Other information

22.1 Staff

The average number of employees during the years 2021 and 2020, broken down by category, is as follows:

Categories	Number of employees	
	2021	2020
Senior Management	9	9
Rest of Senior Staff	15	17
Administrative and technical staff	45	44
Commercial, sales' staff and operators	194	335
	263	**405**

Likewise, the gender distribution of the Group at the end of the years 2021 and 2020, broken down by category, is as follows:

Categories	2021		2020	
	Men	Women	Men	Women
Senior Management	7	1	8	1
Rest of Senior Staff	14	1	14	1
Administrative and technical staff	11	29	14	33
Commercial, sales' staff and operators	11	157	14	204
	43	**188**	**50**	**239**

As of 31 December 2021 and 2020, the group employed 5 and 6 people with disabilities equal to or above 33%, respectively.

22.2 Audit fees

During the 2021 and 2020 financial years, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements have been as follows:

	Services Provided by the Lead Auditor	
	EY	EY (*)
	Year 2021	Year 2020
The Company's audit services (individual and consolidated)	135,990	139,440
Other verification services (*)	26,010	26,010
Total auditing and related services	**162,000**	**165,450**
Tax services	-	-
Other services	-	3,000
Total Professional Services	**162,000**	**168,450**

(*) The audit fees for the 2020 financial year included fees for the audit of SAS Naturhouse amounting to 32,550 euros, which was carried out by Deloitte, a firm for which the financial year ending 31 December 2020 was the last year of its current appointment.

(**) The 'Other verification services' section includes the limited review of the Group's Half-Yearly Financial Statements as well as a report on agreed procedures (same concept in the 2020 financial year).

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 2021 and 2020, broken down by Segment, is as follows:

	Thousands of Euros															
	Sectors															
	Spain		France		Italy		Poland		Other countries		Eliminations and other consolidation adjustments		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External Sales	11,885	11,200	20,156	20,691	16,826	14,191	6,922	7,161	1,805	1,838	-	-	-	-	57,594	55,081
Sales between sectors	1,594	1,586	355	352	-	21	16	8	-	-	(1,965)	(1,967)	-	-	-	-
Other operating income	2,830	2,877	534	1,266	-	-	224	253	653	192	(3,897)	(3,431)	-	-	344	1,157
Total revenues	**16,309**	**15,663**	**21,045**	**22,309**	**16,826**	**14,212**	**7,162**	**7,422**	**2,458**	**2,030**	**(5,862)**	**(5,398)**	**-**	**-**	**57,938**	**56,238**
Supplies	(4,186)	(4,081)	(5,758)	(6,183)	(4,926)	(4,141)	(2,709)	(2,920)	(638)	(665)	1,965	2,000	(83)	114	(16,335)	(15,876)
Staff	(4,733)	(5,238)	(2,281)	(2,431)	(2,417)	(2,853)	(662)	(1,035)	(672)	(819)	-	-	-	-	(10,765)	(12,376)
Amortization	(398)	(440)	(52)	(82)	(106)	(127)	(28)	(63)	(36)	(49)	-	-	(1,837)	(2,497)	(2,457)	(3,258)
Other operating expenses and other results	(4,689)	(4,655)	(5,767)	(5,381)	(3,550)	(3,727)	(1,565)	(1,814)	(851)	(1,018)	3,705	3,648	1,880	2,590	(10,837)	(10,357)
Impairment losses and income from disposal of fixed assets	(23)	(172)	(39)	(24)	-	(3)	-	-	-	-	-	-	(144)	(947)	(206)	(1,146)
Operating results	**2,280**	**1,077**	**7,148**	**8,208**	**5,827**	**3,361**	**2,198**	**1,590**	**261**	**(521)**	**(192)**	**250**	**(184)**	**(740)**	**17,338**	**13,225**
Financial income	9,411	5,185	6	7	1	1	-	2	165	1	(9,223)	(5,205)	60	33	420	24
Financial expenses	(34)	(22)	14	-	(7)	(28)	(3)	(1)	(30)	(27)	6	18	(47)	(125)	(101)	(185)
Impairment losses and income from disposal of financial instruments	1	(242)	(4)	-	-	(20)	-	153	-	-	1	262	-	-	(2)	153
Financial Result	**9,378**	**4,921**	**16**	**7**	**(6)**	**(47)**	**(3)**	**154**	**135**	**(26)**	**(9,216)**	**(4,925)**	**13**	**(92)**	**317**	**(8)**
Result in entities valued by the equity method		**-**		**-**		**-**		**-**		**-**	**590**	**297**		**-**	**590**	**297**
Profit before tax	**11,658**	**5,998**	**7,164**	**8,215**	**5,821**	**3,314**	**2,195**	**1,744**	**396**	**(547)**	**(8,818)**	**(4,378)**	**(171)**	**(832)**	**18,245**	**13,514**

IFRS 16 Impact on Amortisation	**(802)**	**(963)**	**(285)**	**(336)**	**(282)**	**(534)**	**(138)**	**(174)**	**(330)**	**(514)**	**-**	**-**	**-**	**-**	**(1,837)**	**(2,521)**
IFRS 16 impact on Other operating expenses	**831**	**996**	**293**	**347**	**290**	**552**	**139**	**159**	**338**	**546**	**-**	**-**	**-**	**-**	**1,891**	**2,600**
IFRS 16 impact on Financial Result	**(22)**	**(36)**	**(6)**	**(9)**	**(6)**	**(10)**	**1**	**(2)**	**30**	**(43)**	**-**	**-**	**-**	**-**	**(3)**	**(100)**

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 2021 and 2020 is as follows:

	Thousands of Euros													
	Sectors													
	Spain		France		Italy		Poland		Other countries		Eliminations and other consolidation adjustments		Total	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
ASSETS														
Other intangible assets	677	915	14	16	29	33	33	8	-	-	-	-	753	972
Tangible fixed assets	439	525	172	258	238	305	62	73	115	155	1,648	2,682	2,674	3,998
Total Assets	**28,810**	**21,483**	**13,113**	**15,994**	**9,015**	**6,804**	**3,830**	**3,973**	**5,379**	**2,502**	**(11,146)**	**(8,179)**	**49,001**	**42,577**
Total Liabilities	**2,055**	**2,118**	**4,621**	**7,104**	**3,458**	**3,449**	**464**	**1,007**	**4,531**	**2,346**	**(2,209)**	**525**	**12,920**	**16,549**

IFRS 16 impact (Assets)	**1,615**	**1,644**	**348**	**454**	**347**	**490**	**189**	**236**	**592**	**1,663**	**(1,358)**	**(1,719)**	**1,733**	**2,768**
IFRS 16 impact (Liabilities)	**1,635**	**1,671**	**351**	**460**	**350**	**496**	**189**	**238**	**599**	**1,697**	**(895)**	**(867)**	**2,229**	**3,695**

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 and intangible assets movements by segment were as follows:

	In Thousands of Euros					
	Spain	France	Italy	Poland	Other	**Total**
IFRS 16 movements	(86)	(86)	(67)	(11)	(1.073)	**(1.323)**
Movements 2021	(29)	(106)	(143)	(47)	(709)	**(1.034)**

During the 2021 financial year, no significant additions of fixed assets have been carried out in relation with these segments.

24. Subsequent events

There have been no significant subsequent events between the close of 31 December 2021 and the date these financial statements were drawn up.

ANNEX I

Companies included in the Consolidation

At 31 December 2021 and 2020 the affiliate companies in full consolidation and the information relating to same is as follows:

<u>Year 2021</u>

Company	Activity	% participation
Naturhouse Health S.A. 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	49.75%
Naturhouse Belgium S.P.R.L. Avenida de la porte, Hall 11b 1060 Saint Gilles (Belgium)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 257 Old Brompton Road, Earl´s Court SW5 9HP London (UK)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (USA)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Via Federico Fellini, 6 44122 Ferrara (Italy)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc. Rue de la Guachetière Ouest Montréal Québec (Canada)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%

Naturhouse d.o.o. Ilica 126, 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 Ciudad de México (México)	Retail sales of all kinds of products related to dietetics,	51%
Naturhouse Health Limited 165 Lower Kimmage Road Dublin 6, (Ireland)	Retail sales of all kinds of products related to dietetics,	100%
Naturhouse Pte. Ltd. 64D Kallang Pudding Road (Tannery Building) 349323 Singapore	Retail sales of all kinds of products related to dietetics,	100%

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

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 (UK)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (USA)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc. (**) Rue de la Guachetière Ouest Montréal Québec (Canada)	Retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, 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-accounted method and the rest by full consolidation.
(**) Company not consolidated due to being inactive

Management Report

REPORT CORRESPONDING TO THE YEAR ENDING

31 DECEMBER 2021

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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 2021 it had an active presence in 32 countries through a network of 1,686 centres, with France, Italy, Spain and Poland being its most important markets.

The companies included in full consolidation in the year 2021 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), Naturhouse Inc. (US), Naturhouse Health Limited (Ireland), Naturhouse Pte. Ltd. (Singapore).

2021 has been a year of transition, marked by the lifting of restrictions, the progressive advance of the vaccination plan, the favourable evolution of the pandemic and the growth in household consumption, which has contributed to a recovery of economic activities.

The Group Naturhouse closed the year 2021 with a positive result of 13.4 million net profit.

After leaving behind 2020, the most severe year of the pandemic, the company shows signs of recovery. The measures adopted in 2020 and 2021, together with the positive evolution of the pandemic, have allowed the company to return to the path of growth, as well as to recover the staff that were still affected by temporary layoffs (ERTEs). The improvement in the net result is mainly due to the spending containment measures and the optimisation of the commercial structure, adopted as part of the contingency plan initiated since the outbreak of the pandemic, mainly aimed at strengthening the company's liquidity.
The Annual General Meeting was held on 18 June 2021, approving the following;

- Financial Statements of Naturhouse Health S.A., Individual and Consolidated (Balance Sheet, Profit and Loss Account, Statement of Changes in Equity for the financial year, Cash Flow Statement and explanatory notes, Individual and Consolidated), and Management Reports of Naturhouse Health S.A. and its Consolidated Group for the financial year ending 31 December 2020.
- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2020 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 2020 financial year.
- Approval of the management of the Board of Directors corresponding to the year 2020.
- Remuneration of the company's Board of Directors.

  5.1 Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2020 financial year.

  5.2 Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2021 financial year.

  5.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2021 financial year.

- Amendment to the Naturhouse Health, S.A. articles of association

- In accordance with the proposal to amend the Articles of Association indicated in the previous point, amendment (and introduction of new articles) to the Regulations of the Annual General Meeting.

- Record of the amendment to Article 16 of the Regulations of the Naturhouse Health, S.A. Board of Directors to adjust its wording to the new text proposed for the Articles of Association.

- Delegation for a period of five years in favour of the Board of Directors of the power to increase the share capital at any time.

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

2. <u>Evolution of the main figures of the consolidated profit and loss account</u>

Consolidated Profit and Loss Account

(thousand euros)	31/12/2021	31/12/2021
Net amount of revenue	57,594	55,081
Supplies	(16,335)	(15,876)
Gross Margin	**41,259**	**39,205**
Other operating income	344	1,157
Personnel costs	(10,765)	(12,376)
Other operating costs	(10,306)	(10,607)
Operating income before depreciation and amortization, impairment and other results	**20,532**	**17,379**
Depreciation and amortization	(2,457)	(3,258)
Impairment losses and income from disposal of fixed assets	(206)	(1,146)
Other results	(531)	250
OPERATING INCOME	**17,338**	**13,225**
Financial income	**361**	**24**
Other financial incomes	361	24
Financial expenses	**(100)**	**(185)**
Debts with third parties	(100)	(185)
Exchange differences	**56**	**153**
FINANCIAL RESULT	**317**	**(8)**
Income from equity-accounted entities	**590**	**297**
CONSOLIDATED PROFIT BEFORE TAX	**18,245**	**13,514**
Corporation Tax	(4,879)	(4,127)
NET INCOME FROM CONTINUING OPERATIONS	**13,366**	**9,387**
CONSOLIDATED NET INCOME - PROFIT	**13,366**	**9,387**
Profit or loss - minority interests	(5)	(8)
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**13,361**	**9,379**
Earnings per share (in euros per share):		
- Basic	**0,22**	**0,16**
- Diluted	**0,22**	**0,22**

Average number of employees	**263**	**405**
Gross Margin without Sales	**72%**	**71%**
Operating Income without Sales	**30%**	**24%**
Net Income without Sales	**23%**	**17%**

- 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 98.56% in 2021.

    2. Provision of services
        a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.44% of net turnover for the 2021 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 0.22% of the net amount of turnover in the year 2021.

- Net turnover in the 21 financial year amounted to 57,594 thousand euros, representing an increase of 4.6% over the previous year. This variation mainly includes the following effects:
    - In France sales are 20,156 thousand Euros. In the 2020 financial year, it was 20,691 thousand euros, a decrease of 2.6%, as a result of the closure of 52 centres during the 2021 financial year.
    - In Spain, sales are 11,885 thousand euros. In the 2020 financial year, it was 11,200 thousand euros, an increase of 6.1%.
    - In Italy, sales are 16,826 thousand euros. In the 2020 financial year, it was 14,191 thousand euros, representing an increase of 18.6%.
    - In Poland, sales are 6,922 thousand euros. In the 2020 financial year, it was 7,161 thousand euros, a decrease of 3.3%, as a result of the closure of 10 centres during the 2021 financial year.

- The gross margin over the net amount of turnover remains at 72%.

- "Other operating income" corresponds to revenue from auxiliary services of the Naturhouse business.

- In 2021 there is an average workforce of 263 employees in the Group, of which 74% 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 26% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.

    Personnel Costs represents 18.69% of net turnover, lower than its relative weight in the 2020 financial year.

- "Operating Income before amortisation, impairment and other income" on turnover has increased 4 percentage points compared to 2020, 32% to 36%, as a result of the spending containment policy, as well as the restructuring of the commercial network of own centres.

- As a result of the 49.75% stake in the company Ichem Sp Z.o.o, in the 2021 financial year, 590 thousand euros is recognised in the "Income from equity-accounted entities" on the attached abridged profit and loss account.

- The net result on turnover rose 6 percentage points, from 17% to 23%, compared to the 2020 financial year, as a result of the decrease in operating expenses in the 2021 financial year.

3. Consolidated Statement of Financial Position

ASSET (thousand euros)	31/12/2021	31/12/2020
NON-CURRENT ASSETS:		
Intangible fixed assets	**753**	**972**
Tangible fixed assets	**2,674**	**3,998**
Non-current financial assets	**1,399**	**696**
Investments in associated companies		
Investments recognised using the equity method	**6,793**	**3,276**
Deferred tax assets	**107**	**197**
Non-current assets	**11,726**	**9,139**
CURRENT ASSETS:		
Inventory	**2,550**	**3,256**
Customer receivables for sales and services	**2,691**	**3,798**
Customers, related companies	**17**	**236**
Current tax assets and other receivables with public administrations	**3,988**	**4,006**
Other current assets	**779**	**531**
Cash and cash equivalents	**27,250**	**21,611**
Total current assets	**37,275**	**33,438**
Total assets	**49,001**	**42,577**

EQUITY AND LIABILITIES (thousand euros)	31/12/2021	31/12/2020
NET EQUITY:		
Capital and Reserves		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Premium	18,443	13,452
Treasury Shares	(142)	(142)
Conversion differences	(790)	(1,875)
Profit or loss for the financial year - Benefit	13,361	9,379
Interim dividend	-	-
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**36,021**	**25,963**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**60**	**65**
Total net equity	**36,081**	**26,028**
NON-CURRENT LIABILITIES:		
Non-current provisions	**1,188**	**1,224**
Non-current liabilities	**3,375**	**5,441**
Deferred tax liabilities	**294**	**154**
Non-current liabilities	**4,857**	**6,819**
CURRENT LIABILITIES:		
Current liabilities	**982**	**479**
Current liabilities	**992**	**1,592**
Trade creditors and other receivables	**2,375**	**4,144**
Suppliers, related companies	**2,008**	**2,627**
Current tax liabilities and other payables with public administrations	**1,706**	**888**
Total current liabilities	**8,063**	**9,730**
TOTAL NET EQUITY AND LIABILITIES	**49,001**	**42,577**

- The change in "Tangible fixed assets" is due to the following reasons:
    - In 2021, there was a decrease in euros under "Tangible Fixed 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 assets for the right of use amounting to 2,195 thousand euros compared to 2,768 thousand euros in 2020.
- "Investments in associates" corresponds to the 49.8% stake in the company Ichem Sp Z.o.o, the main supplier of the Naturhouse Group.
- "Current tax assets" includes the amount paid to the Tax Authorities as an advance corporate tax payment for the 2021 financial year. All of the amount advanced for corporate tax for the 2020 financial year has been returned in February 2021, with the return of the amount for the 2021 financial year outstanding.
- As of yearend 2021, 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 "Non-current debt" corresponds mainly to the negotiations on leases impacting on the application of IFRS 16, with the figure decreasing by 2,066 thousand euros. This item also includes, among other concepts, 2,040 thousand euros of deposits that the French subsidiary has from franchisee customers by way of a commercial guarantee.

- The decrease in "Current debt" corresponds to the impact of the application of IFRS 16, with the figure decreasing by 600 thousand euros.

- The average payment period of the Spanish company included in the Naturhouse Group was 47.29 days, within the maximum period established in the delinquency regulations.

4. Financial risk management and use of hedging instruments

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

Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2021, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question.

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

Credit risk:

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

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

Liquidity risk:

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

5. Risk Factors

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

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.

6. R + D + i activities

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

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

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 55% of total consolidated purchases to 31 December 2021. Naturhouse Health, S.A. holds 49.75% 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 17.07% of total purchases in 2021, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 27% of total purchases in 2021.

7. Treasury Shares

As of 31 December 2021, the Parent Company holds a total of 50,520 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

There have been no relevant significant events

9. Capital structure and significant shareholdings

As of 31 December 2021, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2021, the share capital is represented by 60.000.000 shares. The main shareholders of the Group are: Kiluva, S.A. with a 72.60% stake and Ferev Uno Strategic Plans, S.L. with 4.83%.

10. Shareholder agreements and restrictions on transferability and vote

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

11. Administrative Body, Board

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

12. Significant agreements

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

13. Annual Corporate Governance Report

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

14. Annual Directors Remuneration Report

The annual directors remuneration 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.

15. Non Financial Information

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

www.cnmv.es

www.naturhouse.com

Madrid, 28 February 2022

Board of Directors

Audit Report on Financial Statements
issued by an Independent Auditor

NATURHOUSE HEALTH, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2021

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

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Naturhouse Health, S.A. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2.1 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

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

Measurement and disclosure of transactions with related parties	
Description	As explained in note 18 to the accompanying financial statements, the Company maintains a significant volume of transactions with related parties, including sales revenues, services rendered, and other operating revenues, which include primarily royalties for the assignment of trademarks and management support services. In accordance with the regulatory tax framework for transfer pricing, the Company prepares transfer pricing documentation annually with the support of its tax advisors. Due to significance of the amount of the transactions, the potential impact that they may have on the evaluation and interpretation of users of the Company's financial information as well as when evaluating compliance with prevailing audit accounting regulations, we determined the valuation and disclosures pertaining to related-party transactions as a key audit matter.
Our response	With regard to this matter, our audit procedures included: ▶ Understanding the process for measuring and recording transactions with related parties as well as the design of controls implemented by the Company in this area. ▶ Reviewing, in collaboration with our tax specialists, the most recent transfer pricing report prepared by the Company with the support of its tax advisors, of whom we have also evaluated their competence, capacity and objectivity. ▶ Analyzing, in collaboration with our tax specialists, the supporting documentation for the most significant transactions carried out with related-parties during the year. ▶ Verifying balances and transactions with related companies. ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

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

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

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2.1 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Naturhouse Health, S.A. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Naturhouse Health, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

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

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 28, 2022.

Term of engagement

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

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

(Signature on the original in Spanish)

____
María del Tránsito Rodríguez Alonso
(Registered in the Official Register of
Auditors under No. 20539)

February 28, 2022

Naturhouse Health, S.A.

Financial Statements for the
year ended 31 December 2021 and
Management Report

NATURHOUSE HEALTH, S.A.
Balance on 31 December 2021
(Euros)

ASSET	Notes Report	31/12/2021	31/12/2020	EQUITY AND LIABILITIES	Notes Report	31/12/2021	31/12/2020
NON-CURRENT ASSETS:				**NET EQUITY:**			
Intangible fixed assets	**Note 6**	**676,864**	**914,997**	**Own Funds**			
Industrial property		563,887	796,951	**Capital**		**3,000,000**	**3,000,000**
Transfer rights		-	-	**Issue premium**		**2,148,996**	**2,148,996**
Software		112,977	118,046	**Premium**		**10,760,962**	**8,633,968**
Tangible fixed assets	**Note 7**	**438,502**	**524,633**	Legal and statutory		600,000	600,000
Technical facilities and other tangible fixed assets		438,502	524,633	Other reserves		10,160,962	8,033,968
Long term Investments in Group companies		**15,159,463**	**8,335,766**	Treasury Shares		**(141,886)**	**(141,886)**
Equity instruments	**Note 9**	11,743,361	8,335,766	Treasury Shares		(141,886)	(141,886)
Loans to companies	**Note 16**	3,416,102	-				
Long-term financial investments	**Note 10**	**171,565**	**242,921**	**Results of the year / Profits**		**10,987,124**	**5,724,539**
Deferred tax assets	**Note 15**	**17,389**	**97,685**				
Non-current assets		**16,463,783**	**10,116,002**	**Total net equity**	**Note 12**	**26,755,196**	**19,365,617**
				NON-CURRENT LIABILITIES:			
				Deferred tax liabilities		**473**	**237**
				Non-current liabilities		**473**	**237**
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Inventory	**Note 11**	**863,915**	**1,037,263**	**Short-term debts**	**Note 14**	**18,051**	**15,806**
Commercial debts and others receivables		**2,895,881**	**3,072,458**	Other financial liabilities		18,051	15,806
Customer receivables for sales and services		101,832	142,257	**Short-term debts with Group companies and associates**	**Note 16**	**245,552**	**640,664**
Customers, group companies and associates	**Note 16**	366,226	502,108	**Trade creditors and other receivables**		**1,708,414**	**1,329,799**
Other debtors		35,043	27,200	Suppliers		206,875	196,930
Staff		24,837	-	Suppliers, group companies and associates	**Note 16**	849,103	670,999
Current tax assets	**Note 15**	2,335,465	2,400,610	Various creditors		366,487	176,480
Other credits with Public Administrations	**Note 15**	32,478	283	Staff		8,512	14,769
Short-term financial investments		**123,886**	-	Other debts with public administrations	**Note 15**	277,437	270,621
Short-term accruals		**162,310**	**111,501**	**Short-term accruals**		**82,743**	**131,429**
Cash and cash equivalents		**8,300,654**	**7,146,328**				
Total current assets		**12,346,646**	**11,367,550**	**Total current liabilities**		**2,054,760**	**2,117,698**
Total assets		**28,810,429**	**21,483,552**	**TOTAL NET EQUITY AND LIABILITIES**		**28,810,429**	**21,483,552**

Notes 1 to 23 described in the Report and Annex I attached are an integral part of the balance sheet as of 31 December 2021.

Naturhouse Health, S.A.

PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2021

(Euros)

	Notes Report	Year 2021	Year 2020
CONTINUING OPERATIONS:			
Net amount of revenue	**Note 17.1**	**13,478,922**	**12,785,613**
- Sales		11,971,168	11,388,667
- Provision of services		1,507,754	1,396,946
Supplies	**Note 17.2**	**(4,186,383)**	**(4,081,547)**
- Consumption of goods:		(4,186,383)	(4,081,547)
Other operating income		**2,830,488**	**2,877,004**
- Ancillary and other current operating income		2,830,488	2,733,465
- Operating subsidies included in the profit for the financial year		-	143,539
Personnel costs		**(4,733,157)**	**(5,238,375)**
- Wages, salaries and similar expense		(4,011,398)	(4,318,939)
- Social security contributions	**Note 17.4**	(721,759)	(919,436)
Other operating costs		**(4,703,253)**	**(4,659,747)**
- External services		(4,533,716)	(3,979,412)
- Taxes		(108,871)	(191,252)
- Losses, impairment and changes in trade provisions	**Note 10**	202,761	(275,513)
- Other current operating expenses		(263,427)	(213,570)
Amortisation of fixed assets	**Notes 6 and 7**	**(398,405)**	**(440,276)**
Impairment losses and income from disposal of fixed assets	**Note 7**	**(23,285)**	**(171,758)**
- Impairment and other losses		(23,285)	(171,758)
- **Other results**		**14,601**	**4,233**
- Exceptional expenses and income		14,601	4,233
- **Operating results - Benefit**		**2,279,528**	**1,075,147**
Financial income	**Notes 9 and 17.5**	**9,368,505**	**5,185,404**
- Income from shares in equity instruments, group companies and associates	**Note 9.1**	9,354,687	5,185,364
- Other income from marketable securities and other financial instruments		13,818	40
- **Financial expenses**	**Note 17.5**	**(34,246)**	**(22,006)**
- Debts with third parties		(34,246)	(22,006)
- **Exchange differences**		**42,172**	-
- **Impairment losses and income from disposal of financial instruments**	**Note 9**	**1,263**	**(242,278)**
Financial results - Profits		**9,377,694**	**4,921,120**
Profit before tax - Profits		**11,657,222**	**5,996,267**
Corporate Tax	**Note 15**	(670,098)	(271,728)
Results of the year / Profits		**10,987,124**	**5,724,539**

Notes 1 to 23 described in the Report and Annex I attached are an integral part of the profit and loss account for the financial year ending 31 December 2021.

Naturhouse Health, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021
(Euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year 2021	Year 2020
RESULT OF THE PROFIT AND LOSS ACCOUNT	10,987,124	5,724,539
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	-	-
TRANSFERS TO THE PROFIT AND LOSS ACCOUNT (III)	-	-
RECOGNISED INCOME AND EXPENSE (I+II+III)	10,987,124	5,724,539

Notes 1 to 23 described in the Report and Annex I attached are an integral part of the statement of recognised income and expense for the financial year ending 31 December 2021.

Naturhouse Health, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

(Euros)

B) STATEMENT OF CHANGES IN TOTAL EQUITY

	Notes Report	Capital	Issue premium	Legal reserve	Voluntary premium	Own shares	Results for the financial year	Interim dividend	Total
Balance on 31 December 2019		**3,000,000**	**2,148,996**	**600,000**	**5,233,700**	**(142,330)**	**14,200,268**	**(11,400,000)**	**13,640,634**
Total recognised income and expenses		-	-	-	-	-	5,724,539	-	5,724,539
Distribution of profit from financial year 2019									
- Distribution to reserves		-	-	-	2,800,268	-	(2,800,268)	-	-
- Distribution of dividends	**Note12**	-	-	-	-	-	(11,400,000)	11,400,000	-
Operations with shareholders:									
- Operations with own shares (net)		-	-	-	-	444	-	-	444
- Distribution of dividends	**Note12**	-	-	-	-	-	-	-	-
Other changes in equity		-	-	-	-	-	-	-	-
Balance on 31 December 2020		**3,000,000**	**2,148,996**	**600,000**	**8,033,968**	**(141,886)**	**5,724,539**	**-**	**19,365,617**
Total recognised income and expenses		-	-	-	-	-	10,987,124	-	10,987,124
Distribution of profit from financial year 2020									
- Distribution to reserves					5,724,539		(5,724,539)		-
- Distribution of dividends		-	-	-	-	-	-	-	-
Operations with shareholders:									
- Operations with own shares (net)		-	-	-	-	-	-	-	-
- Distribution of dividends	**Note 12**	-	-	-	(3,600,000)	-	-	-	(3,600,000)
Other changes in equity		-	-	-	2,455	-	-	-	2,455
Balance on 31 December 2021		**3,000,000**	**2,148,996**	**600,000**	**10,160,962**	**(141,886)**	**10,987,124**	**-**	**26,755,196**

Notes 1 to 23 described in the Report and Annex I attached are an integral part of the statement of changes in equity for the financial year ending 31 December 2021.

Naturhouse Health, S.A.

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

(Euros)

	Notes Report	Year 2021	Year 2020
Pre-tax profit		**11,657,221**	**5,996,267**
Adjustments to profit:		**(9,131,194)**	**(4,037,766)**
- Amortisation of fixed assets	**Notes 6 and 7**	398,405	440,276
- Impairment losses	**Note 10**	(202,760)	275,513
- Income from derecognition or disposal of fixed assets	**Note 7**	23,285	171,758
- Impairment and income from derecognition or disposal of financial instruments	**Note 9**	(1,263)	242,278
- Financial income	**Note 17.5**	(9,368,506)	(5,185,364)
- Financial expenses	**Note 17.5**	34,246	22,006
- Other income and expenses		(14,601)	(4,233)
Changes in working capital		**658,072**	**(177,431)**
- Stock	**Note 11**	173,348	136,358
- Debts and others receivables		314,194	256,048
- Other current assets		(159,398)	(12,991)
- Creditors and other receivables		378,614	(510,418)
- Other current liabilities		(48,686)	(46,428)
Other cash flows from operating activities		**8,824,440**	**5,065,712**
- Interest payments		(34,246)	(22,006)
- Receipt of dividends	**Note 9**	9,354,687	5,185,364
- Interest receivable		13,819	40
- Sums received /(paid) for tax on profits	**Note 15**	(524,421)	(99,692)
- Other sums received (paid)		14,601	2,006
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**12,008,539**	**6,846,782**
Payments for investments		**(6,932,703)**	**(274,041)**
- Intangible and tangible fixed assets	**Notes 6 and 7**	(110,269)	(74,041)
- Investments in related companies	**Note 9**	(6,822,434)	(200,000)
Sums received from divestments		**71,356**	**94,090**
- Other financial assets		71,356	94,090
- Tangible fixed assets	**Notes 6 and 7**	-	-
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**(6,861,347)**	**(179,951)**
Receipts and payments from equity instruments		**-**	**444**
- Net acquisitions of own equity	**Note 12**	-	444
Receipts and payments from financial liability instruments		**(392,866)**	**(338,993)**
- Issuance and repayment of other debts		2,245	9,497
- Issuance and repayment of debts with group companies	**Note 16**	(395,111)	(348,490)
Payments from dividends and remuneration from other equity instruments		**(3,600,000)**	**-**
- Dividend payments		(3,600,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(3,992,866)**	**(338,549)**
NET INCREASE / DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)		**1,154,326**	**6,328,282**
Cash or equivalent at the start of the financial year		7,146,328	818,046
Cash or equivalent at the end of the financial year		8,300,654	7,146,328

Notes 1 to 23 described in the Report and Annex I attached are an integral part of the cash flow statement for the financial year ending 31 December 2021.

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Naturhouse Health, S.A.

Explanatory Notes for the financial year ending
31 DECEMBER 2021

1. Company activities

Naturhouse Health, S.A., (hereinafter, the "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 Company is the parent of a group of subsidiaries that engage in the same activity and which, together with it, make up Grupo Naturhouse Health (hereinafter, the "Group" or "Naturhouse Group").

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

On 29 July 2013, the merger by acquisition between the company Naturhouse Health S.A. as the acquiring company, and Kiluva Diet S.L.U. as the acquired company, was registered with the Companies Registry of Barcelona. The date from which the transactions were considered to be performed for accounting purposes for the account of the acquiring company was 1 January 2013. The explanatory notes that formed part of the financial statements for the 2013 financial year included detailed information concerning the merger process, as required under Royal Legislative Decree 4/2004 of 5 March, approving the consolidated text of the Spanish Corporate Tax Law.

On 9th April 2015, the Board of Directors of the Company, exercising the delegation of its Sole Shareholder of 2nd October 2014, requested official listing for trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and the subsequent public stock offering on the Spanish Stock Market, which culminated successfully, consequently, the securities of the Company have been listed since 24th April 2015 (See Note 12).

2. Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

The financial statements have been prepared in accordance with the regulatory financial reporting framework applicable to the Company, as established in the Spanish Generally Accepted Accounting Principles approved by Royal Decree 1514/2007 of 16 November, which since its publication has been subject to various amendments, the last of which was through Royal Decree 1/2021 of 12 January and its implementing regulations, as well as with the other commercial legislation in force.

The financial statements have been drawn up by the Company's Directors for approval at the Annual General Meeting, and are expected to be approved without any modifications.

The figures included in the financial statements are expressed in euros, unless otherwise stated.

2.2 True and fair view

The attached financial statements have been prepared from the Company's accounting records and are presented in accordance with the applicable regulatory financial reporting framework and, in particular, the accounting principles and standards contained therein, so as to show a true and fair view of the Company's equity, financial position and results, as well as the cash flows for the relevant financial year. These financial statements, which have been drawn up by the Company's Directors, are subject to approval at the Annual General Meeting, and are expected to be approved without any modifications.

The financial statements for the 2020 financial year were approved by the Annual General Meeting held 18 June 2021 and filed with the Companies Registry of Madrid.

2.3 Comparative effect with consolidated financial statements

The Company is a majority shareholder of several companies (Note 9). These financial statements refer to the individual Company and, therefore, do not show the variations that would occur in the different components of equity or the profit and loss account with the consolidation of the aforementioned Subsidiaries.

The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS), which differ from the regulatory framework described in Note 2.1 under which these financial statements have been drawn up. In accordance with the consolidated financial statements drawn up under International Financial Reporting Standards (IFRS), the consolidated equity attributable to the Parent Company as of 31 December 2021 amounts to 36,021 thousand euros (25,963 thousand euros in 2020), consolidated profit attributable to the Parent Company amounts to 13,361 thousand euros (9,379 thousand euros in 2020) and the figure for assets and net turnover amounts to 49,001 and 57,594 thousand euros, respectively (42,577 and 55,081 thousand euros in 2020).

The Naturhouse Group's consolidated financial statements for the 2021 financial year have been drawn up by the Parent Company's Directors at the meeting of its Board of Directors held on 28 February 2022. Likewise, they will be submitted for approval at the Annual General Meeting, and are expected to be approved without any modifications.

2.4 Non-mandatory accounting principles applied

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

2.5 Critical aspects in assessing and estimating uncertainty

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

- Useful lives of intangible and tangible fixed assets (see Notes 5.1 and 5.2).

- Impairment losses of non-financial assets (Note 5.1).

- Estimate of impairments for defaults in accounts receivable and inventory obsolescence (see Notes 5.4 and 5.9).

- Estimate of Tax on Profits expense (Note 5.12).

- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (Note 5.13).

Although these estimates have been made on the basis of the best information available as of yearend 2021, it is possible that events that could take place in the future require them to be adjusted (upwards or downwards) in coming financial years, which would be done, where appropriate, prospectively, recognising the effects of the change in estimate in the profit and loss account for the financial year affected.

2.6 Grouping items

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

2.7 Correction of errors

In drawing up the attached financial statements, no significant errors have been detected that have led to the restatement of the amounts included in the financial statements for the 2020 financial year.

2.8 Changes in accounting standards

When drawing up the attached financial statements, the same accounting standards have been applied as when drawing up the financial statements for the 2020 financial year.

2.9 Information comparison

The information contained in this annual report referring to the 2020 financial year is presented, for comparison purposes, with information from the 2021 financial year.

On 30 January 2021, Royal Decree 1/2021 of 12 January was published, modifying the Spanish Generally Accepted Accounting Principles approved by Royal Decree 1514/2007 of 16 November. The changes to the Spanish Generally Accepted Accounting Principles are applicable to financial years beginning on or after 1 January 2021 and are mainly focused on the criteria for the recognition, measurement and breakdown of financial instruments and income, with the following detail:

- Financial instruments

The changes have not significantly affected these financial statements.

- Recognition of income

On 13 February 2021, the Resolution of 10 February 2021 of the Spanish Accounting and Auditing Institute (ICAC) was published, dictating the rules for the recognition, measurement and preparation of financial statements for the recognition of income from the delivery of goods and the provision of services. The changes arising from this change in the regulatory financial reporting framework applicable to the Company have not significantly affected these financial statements.

3. Exposure to risks associated with COVID-19

Despite the impact of the new COVID-19 variants in the second half of the year, the 2021 financial year has brought with it a gradual relaxation of the containment scenarios for the COVID-19 pandemic in the main markets in which the Group and the company operate. This has allowed for an improvement in commercial activity and consolidated turnover. Irrespective of the foregoing, the Management team has continued with the line of prudence in the liquidity risk management, credit risk and capital and market risk management policies, and likewise, has kept the other measures in place described in the annual financial statements for the previous financial year in order to guarantee the continuity of the company's activities within adequate levels of profitability and financial solvency.

Taking the above into account, the Company has identified the following risks, for which it has during the 2021 and 2020 financial years 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 Company has the liquid assets shown on its balance at 31 December 2021 as well as available financing detailed in Note 14.

The Company 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.

b) Credit risk

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

In general the Company maintains its cash and equivalent liquid assets at banks 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 Company.

c) Capital management

The Company's Management regularly 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 2021 and 31 December 2010 stands at -2.99 and -3.86, respectively. In calculating this ratio, the Company has considered the headings of the 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 Company during the financial year.

4. Distribution of profit

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

	Thousands of Euros	
	2021	2020
Distribution basis:		
Premium	1,013	-
Profit for the financial year	10,987	5,725
	12,000	**5,725**
Distribution:		
To dividends	12,000	-
To reserves	-	5,725
	12,000	**5,725**

The proposed distribution of profit for the 2020 financial year drawn up by the Directors of the Company, which was submitted for approval at the Annual General Meeting on 18 June 2021, consisted of the distribution of the entire profit for the 2020 financial year to reserves, amounting to 5,725 thousand euros. In addition, the Annual General Meeting agreed on the same date to distribute dividends amounting to 3,600 thousand euros against reserves.

5. Valuation and registration rules

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

5.1 Intangible fixed assets

As a general rule, intangible assets are initially valued at their acquisition price or production cost. Subsequently, they are valued at cost less any accumulated amortization and, if applicable, impairment losses. These assets are amortized according to their useful life. When the useful life of these assets cannot be reliably estimated, they are amortised over a 10-year period.

Research and Development Expenses

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

The expenses recorded in the profit and loss account for the 2021 financial year amounted to 8 thousand euros (32 thousand euros in the 2020 financial year).

Transfer rights

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

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Company are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 6. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

Software

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

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

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

Impairment of intangible and tangible assets

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

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

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

5.2 Tangible fixed assets

Tangible fixed assets are initially valued at acquisition price or production cost and are subsequently reduced by accumulated amortisation and impairment losses, if any, according to the criteria described in Note 5.1.

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

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

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

The Company amortises its tangible fixed assets using the straight-line method, distributing the cost of the assets over the years of estimated useful life. The following table shows the estimated useful life for the 2021 and 2020 financial years for each fixed asset item:

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

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

For fixed assets that require a period of more than one year to be serviceable, the capitalised costs include the financial expenses accrued prior to the asset being put into operating condition and which have been charged by the supplier or correspond to loans or other external financing, specific or generic, directly attributable to the acquisition or manufacture of the same. During the 2021 and 2020 financial years, there were no financial expenses capitalized as a higher value of an asset.

5.3. Leases

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

Financial leases

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

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

Operating leases

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

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

5.4 Financial Instruments

Classification and measurement

At the time of initial recognition, the Company classifies all financial assets in one of the categories listed below, which determines the applicable initial and subsequent valuation method:

- Financial assets at fair value through the profit and loss account.
- Financial assets at amortized cost
- Financial assets at fair value with changes reported in equity
- Financial assets at cost

Financial assets at fair value through the profit and loss account.

The Company classifies a financial asset in this category unless it is classified in one of the others.

In any case, held-for-trading financial assets are included in this category. The Company considers that a financial asset is held for trading when at least one of the following three situations is met:

a) It arises or is acquired with the purpose of selling it in the short term.

b) It forms part, at the time of its initial recognition, of a portfolio of financial instruments identified and managed jointly for which there is evidence of recent actions to obtain profits in the short term.

c) It is a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

In addition to the foregoing, the Company has the possibility, at the time of initial recognition, of irrevocably designating a financial asset as measured at fair value through the profit and loss account, that otherwise would have been included in another category (often referred to as the "fair value option"). This option may be chosen if a measurement inconsistency or accounting mismatch that would otherwise arise from measuring the assets or liabilities on different bases is eliminated or significantly reduced.

Financial assets classified in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration paid. Transaction costs that are directly attributable are recognised in the profit and loss account for the financial year (that is, not capitalised).

After initial recognition, the Company measures the financial assets included in this category at fair value through the profit and loss account (financial result).

Financial assets at amortized cost

The Company classifies a financial asset in this category, even when it is admitted to trading on an organised market, if the following conditions are met:

- The Company maintains the investment under a management model whose objective is to receive the cash flows arising from the performance of the contract.

- The management of a portfolio of financial assets to obtain their contractual flows does not imply that all the instruments must necessarily be held to maturity; financial assets may be considered to be managed for this purpose even if sales have occurred or are expected to occur in the future. To this end, the Company considers the frequency, amount and schedule of sales in previous financial years, the reasons for such sales and the expectations regarding future sales activity.

- The contractual characteristics of the financial asset give rise, on specified dates, to cash flows that are only sums received concerning the principal and interest on the amount of principal outstanding. That is, the cash flows are inherent to an agreement that has the nature of an ordinary or common loan, notwithstanding the fact that the operation is agreed at a zero interest rate or below the market rate.

  It is assumed that this condition is met in the event that a bond or a straightforward loan with a certain maturity date, and for which the Company charges a variable market interest rate, may be subject to a limit. In contrast, this condition is assumed not to be met in the case of instruments convertible into equity instruments of the issuer, loans with inverse variable interest rates (i.e. a rate that has an inverse relationship with market interest rates) or those in which the issuer can defer payment of the interest, if said payment would affect its solvency, without the deferred interest accruing additional interest.

In general, credits due to trade transactions ("trade receivables for sales and provision of services", including group companies) and credits due to non-trade transactions ("other receivables") are included in this category.

Financial assets classified in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration paid, plus the transaction costs that are directly attributable. That is, inherent transaction costs are capitalised.

However, credits due to trade transactions with a maturity of no more than one year and that do not have an explicit contractual interest rate, as well as credits to staff, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are measured at their nominal value when the effect of not updating the cash flows is not significant.

For subsequent valuation, the amortised cost method is used. Accrued interest is recognised in the profit and loss account (financial income) by applying the effective interest rate method.

Credits maturing in no more than one year which, as stated above, are initially measured at their nominal value, will continue to be measured at that amount, unless there is impairment.

In general, when the contractual cash flows of a financial asset at amortised cost are modified due to the issuer's financial difficulties, the Company analyses whether it is appropriate to recognise an impairment loss.

Financial assets at fair value with changes reported in equity

Financial assets that meet the following conditions are included:

- The financial instrument is not held for trading nor should it be classified at amortised cost.

- The contractual characteristics of the financial asset give rise, on specified dates, to cash flows that are only sums received concerning the principal and interest on the amount of principal outstanding.

In addition, the Company has the option to classify (irrevocably) investments in equity instruments in this category, provided that they are not held for trading, nor should they be measured at cost price (see cost category below).

Financial assets included in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration paid, plus the transaction costs that are directly attributable. That is, inherent transaction costs are capitalised.

The subsequent valuation is at fair value, without deducting the transaction costs that could be incurred in its disposal. The changes that occur in the fair value are recognised directly in equity, until the financial asset is written off the balance sheet or is impaired, at which time the amount thus recognised is charged to the profit and loss account.

Impairment losses and gains and losses resulting from exchange differences in monetary financial assets in foreign currency are recognised in the profit and loss account and not in equity.

The amount of interest, calculated according to the effective interest rate method, and accrued dividends (financial income) are also recognised in the profit and loss account.

Financial assets at cost

The Company in any case includes in this category:

d) Investments in the equity of group, multi-group and associated companies (in the individual financial statements).

e) The remaining investments in equity instruments whose fair value cannot be determined by reference to a quoted price on an active market for an identical instrument, or cannot be estimated reliably, and the derivatives underlying these investments.

f) Hybrid financial assets whose fair value cannot be estimated reliably, unless the requirements for recognition at amortised cost are met.

g) Contributions made as a result of a joint venture agreement and similar.

h) Shareholder loans, the interest of which is contingent, either because of agreeing a fixed or variable interest rate subject to the fulfilment of a milestone in the borrowing company (for example, obtaining profits), or because it is calculated exclusively by reference to the evolution of said company's business.

i) Any other financial asset that should initially be classified in the fair value portfolio through the profit and loss account when it is not possible to obtain a reliable estimate of its fair value.

The investments included in this category are initially measured at cost, which is equivalent to the fair value of the consideration paid plus the transaction costs that are directly attributable. That is, inherent transaction costs are capitalised.

In the case of investments in group companies, if there was an investment prior to its classification as a group, multi-group or associated company, the cost of said investment will be considered to be the book value that it should have immediately before the company comes under such classification.

The subsequent valuation is also at cost, less the cumulative amount of any impairment losses, where appropriate.

Contributions made as a result of a joint venture agreement and similar are measured at cost, increased or decreased by the profit or loss, respectively, corresponding to the company as a passive investor, and less the cumulative amount of impairment losses, where appropriate.

The same criterion is applied to shareholder loans, the interest of which is contingent, either because of agreeing a fixed or variable interest rate subject to the fulfilment of a milestone in the borrowing company (for example, obtaining profits), or because it is calculated exclusively by reference to the evolution of said company's business. If, in addition to contingent interest, irrevocable fixed interest is agreed, the latter is recognised as financial income on an accrual basis. Transaction costs are charged to the profit and loss account on a straight-line basis throughout the life of the shareholder loan.

Derecognition of financial assets on the balance sheet

The Company derecognises a financial asset on the balance sheet when:

- The contractual rights to the asset's cash flows expire. In this regard, a financial asset is derecognised when it has matured and the Company has received the corresponding amount.

- The contractual rights to the financial asset's cash flows have been transferred. In this case, the financial asset is derecognised when the risks and rewards of ownership have been substantially transferred. In particular, in sales transactions with repurchase agreements, factoring and securitisations, the financial asset is derecognised once the Company's exposure before and after the transfer has been compared to the variation in the amounts and in the schedule of the net cash flows of the transferred asset, it is deduced that the risks and rewards have been transferred.

After analysing the risks and rewards, the Company derecognises financial assets when the risks and rewards of ownership of the asset have been substantially transferred. The transferred asset is derecognised on the balance sheet and the Company recognises the result of the transaction: the difference between the consideration received net of attributable transaction costs (considering any new asset obtained less any liability assumed) and the book value of the financial asset, plus any cumulative amount that has been recognised directly in equity.

Impairment of financial assets

Debt instruments at amortised cost or fair value with changes reported in equity

At least at year-end, the Company analyses whether there is objective evidence of impairment of a financial asset, or of a group of financial assets with similar risk characteristics measured collectively, as a result of one or more events that have occurred after their initial recognition and that cause a reduction or delay in the estimated future cash flows, which may be caused by the debtor's insolvency.

If there is such evidence, the impairment loss is calculated as the difference between the book value and the present value of the future cash flows, including, where appropriate, those from the execution of collateral and sureties, which is estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition. For financial assets at a variable interest rate, the effective interest rate corresponding to the closing date of the financial statements is used in accordance with the contractual conditions. In calculating the impairment losses of a group of financial assets, the Company uses models based on statistical methods or formulas.

Impairment losses, as well as their reversal when the amount of said loss decreases for reasons related to a subsequent event, are recognised as an expense or income, respectively, in the profit and loss account. The reversal of impairment is limited to the asset's book value that would be recognised on the date of the reversal if the impairment had not been recognised.

As a substitute for the present value of future cash flows, the Company uses the instrument's market value, provided that this is reliable enough to be considered representative of the value that the company could recover.

In the case of assets at fair value with changes reported in equity, the accumulated losses recognised in equity due to a decrease in fair value, provided there is objective evidence of the asset's impairment, are recognised in the profit and loss account.

Equity instruments at fair value with changes reported in equity

With this type of investment, the Company assumes that there is impairment if there is a drop lasting one and a half years or forty percent in its price, without its value having recovered, notwithstanding the fact that it could be necessary to recognise an impairment loss before said period has elapsed or the price has fallen by said percentage.

Impairment losses are recognised as an expense in the profit and loss account.

In the event that the fair value increases, the valuation restatement recognised in previous financial years is not charged back with a credit to the profit and loss account, and the increase in fair value is recognised directly against equity.

Financial assets at cost

In this case, the amount of the valuation restatement is the difference between its book value and the recoverable amount, understood to be the higher of its fair value less selling costs and the present value of the future cash flows arising from the investment, which, in the case of equity instruments, are calculated either by estimating what is expected to be received as a result of the distribution of dividends made by the investee and the disposal or derecognition of the investment therein, or by estimating its participation in the cash flows that are expected to be generated by the investee, both from its ordinary business activities and from the disposal or derecognition thereof. Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss of this class of assets is calculated based on the investee's equity and the unrealised gains as of the valuation date, net of the tax effect.

The recognition of impairment losses, as well as their reversal, where appropriate, will be recognised as an expense or as income, respectively, in the profit and loss account. The reversal of impairment is limited to the investment's book value that would be recognised on the date of the reversal if the impairment had not been recognised.

Interest and dividends received from financial assets

The interest and dividends on financial assets accrued subsequent to the time of acquisition are recognised as income in the profit and loss account. The interest is recognised using the effective interest rate method, and with dividends, when the right to receive them is declared.

If the distributed dividends unequivocally come from profits generated prior to the acquisition date because amounts greater than the profits generated by the investee since the acquisition have been distributed, they will not be recognised as income, and will reduce the investment's book value. The opinion as to whether profits have been generated by the investee will be made based exclusively on the profits recognised in the individual profit and loss account from the acquisition date, unless the distribution charged to said profits should undoubtedly be classified as a recovery of the investment from the perspective of the entity receiving the dividend.

5.5 Financial liabilities

<u>*Classification and measurement*</u>

At the time of initial recognition, the Company classifies all financial liabilities in one of the categories listed below:

- Financial liabilities at amortised cost

- Financial liabilities at fair value through the profit and loss account

Financial liabilities at amortised cost

The Company classifies all financial liabilities in this category except when they should be measured at fair value through the profit and loss account.

In general, debits due to trade transactions ("suppliers") and debits due to non-trade transactions ("other creditors") are included in this category.

Shareholder loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the fact that the transaction is agreed at a zero interest rate or below the market rate.

Financial liabilities included in this category are initially measured at fair value which, unless there is evidence to the contrary, is considered to be the transaction price, which is equivalent to the fair value of the consideration received, adjusted by the transaction costs that are directly attributable. That is, inherent transaction costs are capitalised.

However, debits due to trade transactions with a maturity of no more than one year and that do not have a contractual interest rate, as well as the disbursements required by third parties on holdings, the amount of which is expected to be paid in the short term, are measured at their nominal value when the effect of not updating the cash flows is not significant.

For subsequent valuation, the amortised cost method is used. Accrued interest is recognised in the profit and loss account (financial expense) by applying the effective interest rate method.

However, debits with a maturity of no more than one year which, in accordance with the foregoing, are initially measured at their nominal value, will continue to be measured at said amount.

Contributions received as a result of a joint venture agreement and similar are measured at cost, increased or decreased by the profit or loss, respectively, that should be attributed to passive investors.

The same criterion is applied to shareholder loans, the interest of which is contingent, either because of agreeing a fixed or variable interest rate subject to the fulfilment of a milestone in the borrowing company (for example, obtaining profits), or because it is calculated exclusively by reference to the evolution of said company's business. Financial expenses are recognised in the profit and loss account in accordance with the accrual principle, and transaction costs will be charged to the profit and loss account in accordance with a financial criterion or, if not applicable, on a straight-line basis throughout the life of the shareholder loan.

Financial liabilities at fair value through the profit and loss account

The Company includes in this category financial liabilities that meet any of the following conditions:

- They are held-for-trading liabilities. A financial liability is considered to be held for trading when it meets one of the following conditions:

    - It is issued or assumed primarily for the purpose of repurchasing it in the short term (for example, obligations and other marketable securities issued listed that the company can buy in the short term based on changes in value).

    - It is an obligation to deliver financial assets borrowed by a short seller ("short selling").

    - It forms part, at the time of its initial recognition, of a portfolio of financial instruments identified and managed jointly for which there is evidence of recent actions to obtain profits in the short term.

    - It is a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

- From the time of initial recognition, it has been irrevocably designated to be recognised at fair value through the profit and loss account ("fair value option"), because:

    - An inconsistency or "accounting mismatch" with other instruments at fair value through the profit or loss is eliminated or significantly reduced; or

    - A group of financial liabilities or financial assets and liabilities that is managed and its performance assessed on the basis of the fair value in accordance with a documented investment or risk management strategy and group information is also reported on the basis of the fair value to key management staff.

- Optionally and irrevocably, hybrid financial liabilities with a separable embedded derivative may be included in their entirety in this category.

Financial liabilities included in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration received. The transaction costs that are directly attributable are recognised directly in the profit and loss account for the financial year.

After initial recognition, the company measures the financial liabilities included in this category at fair value through the profit and loss account.

Derecognition of financial liabilities on the balance sheet

The Company derecognises a previously recognised financial liability on the balance sheet when any of the following circumstances occur:

- The obligation has been extinguished because payment has been made to the creditor to settle the debt (through cash payments or other goods or services), or because the debtor is legally released from any liability over the liability.

- Own financial liabilities are acquired, even with the intention of relocating them in the future.

- An exchange of debt instruments occurs between a lender and a borrower, provided they have substantially different conditions, recognising the new financial liability that arises; similarly, a substantial change to the current conditions of a financial liability is recorded, as indicated for debt restructuring.

A financial liability is derecognised as follows: the difference between the financial liability's book value (or the part of it that has been derecognised) and the consideration paid, including attributable transaction costs, and in which any asset transferred other than cash or liability assumed must also be included, is recognised in the profit and loss account for the financial year in which it occurs.

Debt restructuring

In certain cases the Company restructures its debt obligations with its creditors. For example: extending the payment term of the principal in exchange for a higher interest rate, not paying and adding the interest in a single bullet payment of principal and interest at the end of the life of the debt etc. There are several ways in which these changes to the terms of a debt obligation can be carried out:

- Immediate payment of the nominal amount (before maturity) followed by refinancing of all or part of the nominal amount through a new debt obligation (“debt exchange”).

- Modification of the terms of the debt contract before maturity (“debt modification”).

In these cases of “debt exchange” or “debt modification” with the same creditor, the Company analyses whether there has been a substantial change to the conditions of the original debt. In the event that there has been a substantial change, the accounting treatment is as follows:

- the book value of the original financial liability (or its corresponding part) is derecognised on the balance sheet;

- the new financial liability is initially recognised at fair value;

- transaction costs are recognised against the profit and loss account;

- the difference between the book value of the original financial liability (or the part thereof that has been derecognised) and the fair value of the new liability is also recognised against profit and loss.

On the other hand, if after the analysis the Company reaches the conclusion that both debts do not have substantially different conditions (it is, in essence, the same debt), the accounting treatment is as follows:

- the original financial liability is not derecognised on the balance sheet (that is, it remains on the balance sheet);

- fees paid in the restructuring operation are carried as an adjustment to the debt's book value;

- a new effective interest rate is calculated from the date of restructuring. The amortised cost of the financial liability is determined by applying the effective interest rate, which is the same as the book value of the financial liability on the modification date with the cash flows to be paid under the new conditions.

The contractual conditions will be considered substantially different, among other cases, when the present value of the cash flows under the new contract, including any fees paid, net of any fees received, differs by at least ten percent from the present value of the remaining cash flows under the original contract, with both amounts updated with the effective interest rate provided in the latter.

Certain modifications in the determination of the cash flows may not pass this quantitative analysis, but may also give rise to a substantial modification of the liability, such as: a change from a fixed to a variable interest rate in the remuneration of the liability, the restatement of the liability to a different currency, a fixed interest rate loan that becomes a shareholder loan, among other situations.

5.6 Fair value

The fair value is the price that would be received for selling an asset or that would be paid to transfer or settle a liability in an orderly transaction between market participants on the valuation date. The fair value will be determined without making any deductions for transaction costs that may be incurred due to sale or disposal by other means. Under no circumstances does it have the character of fair value if it is the result of a forced transaction or distress sale, or as a consequence of an involuntary liquidation.

The fair value is estimated for a certain date and, since market conditions may vary over time, said value may be inappropriate for another date. In addition, when estimating the fair value, the company takes into account the conditions of the asset or liability that market participants would take into account when pricing the asset or liability on the valuation date.

In general, the fair value is calculated by reference to a reliable market value. For items for which there is an active market, the fair value is obtained through the application of valuation models and techniques, where appropriate. Valuation models and techniques include the use of references to recent arm's length transactions between duly informed interested parties, if available, as well as references to the fair value of other assets that are substantially the same, estimated future cash flow discount methods and models generally used to measure options.

In any case, the valuation techniques used are consistent with the methodologies accepted and used by the market for pricing, using techniques that have been demonstrated to obtain the most realistic estimates of prices, where available. Likewise, they take into account the use of observable market data and other factors that their participants would consider when pricing, limiting as far as possible the use of subjective considerations and non-observable or verifiable data.

The Company periodically evaluates the effectiveness of the valuation techniques it uses, using as a reference the observable prices of recent transactions with the same asset that is being measured, or using prices based on observable market indices or data that are available and applicable.

In this way, a hierarchy can be deduced in the variables used to determine the fair value and a fair value hierarchy is established that allows the estimates to be classified into three levels:

- Level 1: estimates that use unadjusted quoted prices on active markets for identical assets or liabilities, which the company can access on the valuation date.

- Level 2: estimates that use quoted prices on active markets for similar instruments or other valuation methodologies in which all significant variables are based on directly or indirectly observable market data.

- Level 3: estimates in which some significant variables are not based on observable market data.

An estimate of fair value is classified at the same level of the fair value hierarchy as the lowest level variable that is significant to the result of the valuation. For these purposes, a significant variable is a variable that has a decisive influence on the result of the estimate. In assessing the importance of a specific variable for the estimate, the specific conditions of the asset or liability being measuring are taken into account.

5.7 Hedge accounting

The Company does not carry out hedge accounting operations.

5.8 Treasury Shares

Treasury shares are recognised in equity as less own funds when they are acquired, and no result is recognised in the profit and loss account for their sale or settlement. Income and expenses arising from transactions with treasury shares are recognised directly in equity as less reserves.

5.9 Inventory

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

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

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

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

5.10 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.

5.11 Current and non/current assets

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

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

5.12 Corporate Tax

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

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

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

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

On the other hand, deferred tax assets are only recognised to the extent that it is considered likely that the Company will have future taxable profits against which to make them effective.

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

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

5.13 Provisions and contingencies

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

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

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

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

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

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

5.14 Redundancies

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

5.15 Income and expenses

Income and expenses are recognised on an accrual basis, that is, when the actual flow of goods and services that they represent occurs, regardless of when the monetary or financial flow arising from the same occurs.

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

Sale of goods

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

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

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

- the amount of income can be reliably determined;

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

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

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

Provision of services

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

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

Other operating income
The Company mainly recognises rebilling of expenses (management fees) to Group companies under 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 Company will receive the economic benefits and that the amount of income can be reliably measured).

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

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

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

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

5.16 Foreign currency transactions

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

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

5.17 Transactions with related parties

Transactions with related parties are recognised in accordance with the valuation rules detailed above, except for the following transactions:

- The non-monetary contributions of a business to a group company are measured, in general, at the book value of the assets and liabilities delivered in the consolidated financial statements on the date on which the transaction is carried out.

- In mergers and divisions, the elements acquired are measured, in general, by the amount that corresponds to them, once the operation has been carried out, on the consolidated financial statements. Any differences occurring are recognised in the reserves.

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

5.18 *Statement of Cash Flows*

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

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

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

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

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

5.19 Environmental assets

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

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

6. Intangible assets

The changes in this heading on the balance sheet for the 2021 and 2020 financial years have been as follows:

Year 2021

Cost	Euros			
	31-12-2020	Additions	Disposals	31-12-2021
Industrial property	2,330,638	-	-	2,330,638
Transfer rights	50,000	-	-	50,000
Software	355,466	79,417	-	434,883
Total cost	**2,736,104**	**79,417**	**-**	**2,815,521**

Amortisations	Euros			
	31-12-2020	Allocations	Disposals	31-12-2021
Industrial property	(1,533,687)	(233,064)	-	(1,766,751)
Transfer rights	(50,000)	-	-	(50,000)
Software	(237,420)	(84,486)	-	(321,906)
Total amortisation	**(1,821,107)**	**(317,550)**	**-**	**(2,138,657)**

Total intangible assets	Euros	
	31-12-2021	31-12-2020
Cost	2,815,521	2,736,104
Amortisations	(2,138,657)	(1,821,107)
Net total	**676,864**	**914,997**

Year 2020

Cost	Euros			
	31-12-2019	Additions	Disposals	31-12-2020
Industrial property	2,330,638	-	-	2,330,638
Transfer rights	50,000	-	-	50,000
Software	333,402	26,187	(4,123)	355,466
Total cost	**2,714,040**	**26,187**	**(4,123)**	**2,736,104**

Amortisations	Euros			
	31-12-2019	Allocations	Disposals	31-12-2020
Industrial property	(1,300,623)	(233,064)	-	(1,533,687)
Transfer rights	(45,735)	(4,265)	-	(50,000)
Software	(153,878)	(83,542)	-	(237,420)
Total amortisation	**(1,500,236)**	**(320,871)**	**-**	**(1,821,107)**

Total intangible assets	Euros	
	31-12-2020	31-12-2019
Cost	2,736,104	2,714,040
Amortisations	(1,821,107)	(1,500,236)
Net total	**914,997**	**1,213,804**

The additions in the 2021 and 2020 financial years have mainly corresponded to software for the Company's new e-commerce department.

The main asset under intangible assets 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 564 and 797 thousand euros as of 31 December 2021 and 31 December 2020, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Company considers that said brands do not present impairment indicators as of 31 December 2021.

At yearend 2021 and 2020, the Company had fully amortised intangible assets still in use, as detailed below:

	Euros	
	Book Value (Gross)	
Fully amortised intangible assets	31-12-2021	31-12-2020
Rights of use	50,000	50,000
Software	161,393	130,571
	211,393	**180,571**

7. Tangible fixed assets

The changes in this heading on the balance sheet in the 2021 and 2020 financial years, as well as the most significant information affecting this heading, have been as follows:

Year 2021

	Euros			
Cost	31-12-2020	Additions	Disposals	31-12-2021
Other facilities, tools and furnishings	2,025,633	27,942	(86,564)	1,967,011
Information processing equipment	721,061	2,911	(7,535)	716,437
Transportation elements	262,405	-	(39,055)	223,350
Total cost	**3,009,099**	**30,853**	**(133,154)**	**2,906,798**

	Euros			
Amortisations	31-12-2020	Allocations	Disposals	31-12-2021
Other facilities, tools and furnishings	(1,547,346)	(57,921)	50,615	(1,554,652)
Information processing equipment	(687,723)	(15,502)	7,356	(695,869)
Transportation elements	(249,397)	(7,433)	39,055	(217,775)
Total amortisation	**(2,484,466)**	**(80,856)**	**97,026**	**(2,468,296)**

	Euros	
Total Tangible Fixed Assets	31-12-2021	31-12-2020
Cost	2,906,798	3,009,099
Amortization	(2,468,296)	(2,484,466)
Net total	**438,502**	**524,633**

Year 2020

Cost	Euros			
	31-12-2019	Additions	Disposals	31-12-2020
Other facilities, tools and furnishings	2,369,058	37,162	(380,587)	2,025,633
Information processing equipment	737,442	10,692	(27,073)	721,061
Transportation elements	262,405	-	-	262,405
Total cost	**3,368,905**	**47,854**	**(407,660)**	**3,009,099**

Amortisations	Euros			
	31-12-2019	Allocations	Disposals	31-12-2020
Other facilities, tools and furnishings	(1,675,787)	(84,384)	212,825	(1,547,346)
Information processing equipment	(688,928)	(27,588)	28,793	(687,723)
Transportation elements	(241,964)	(7,433)	-	(249,397)
Total amortisation	**(2,606,679)**	**(119,405)**	**241,618**	**(2,484,466)**

Total Tangible Fixed Assets	Euros	
	31-12-2020	31-12-2019
Cost	3,009,099	3,368,905
Amortization	(2,484,466)	(2,606,679)
Net total	**524,633**	**762,226**

The additions for the years 2021 and 2020 correspond, fundamentally, to installations in new own stores, as well as to improvements needed for the existing ones.

The heading "Impairment and income from disposal of fixed assets" on the attached profit and loss account for the 2021 financial year includes losses of 23 thousand euros as a result of derecognitions of assets relating to owned stores that have been transferred to franchisees or other third parties.

The fully amortized tangible fixed assets still in use at yearend 2021 amount to 2,023 thousand euros (2,085 thousand euros at yearend 2020).

Firm purchase commitments

As of yearend 2021, the Company does not have any firm commitments to purchase fixed assets.

Insurance policy

The Company continues its policy to take out insurance policies to cover the potential risks to which the different elements of its tangible fixed assets are subject. It is estimated that the cover taken out as of yearend 2021 is sufficient so as to cover the risks inherent in the Company's activities.

8. Leases

Operating leases

As of 31 December 2021 and 2020, the Company has contracted with lessors the following non-cancellable minimum lease payments in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases in the CPI or future updates to rents agreed under contract:

	Euros	
	Nominal value	
Minimum operating lease payments	31-12-2021	31-12-2020
Less than 1 year	-	3,828
Between one and five years	99,321	170,650
More than five years	-	-
	99,321	**174,478**

The amount of operating lease payments recognised as an expense in the 2021 and 2020 financial years is as follows:

	Euros	
Operating lease payments	2021	2020
Office and warehouse rentals	355,686	355,686
Other rentals	541,626	893,964
	897,312	**1,249,650**

In its capacity as lessee, the most significant operating lease contracts held by the Company as of 31 December 2021 were the following:

- Leasing of a building in which the Madrid offices are located to a related party. The lease contract was renewed in January 2014 until December 2023.

- Leasing of an industrial unit holding inventory owned by Naturhouse Health, S.A. and Kiluva Portuguesa- Nutriçao e Dietetica, Lda. to a related party. The lease contract was signed in November 2018 until December 2023.

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

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

The account balance under "Long-term Investments in Group companies" at 31 December 2021 and 2020 is as follows:

	Euros	
	31-12-2021	31-12-2020
Equity instruments	17,857,279	14,450,945
Provision for impairment losses on equity instruments	(6,113,918)	(6,115,179)
Total long-term investments in Group companies	**11,743,361**	**8,335,766**

9.1 Group company equity instruments

The changes under the headings "Equity instruments" and "Provision for impairment losses on equity instruments" for the 2021 and 2020 financial years are broken down in the following tables:

Year 2021

	Euros		
	31-12-2020	Additions/ Disposals	31-12-2021
Cost:			
Naturhouse, GmBh	288,000	-	288,000
Naturhouse, S,R,L,	193,937	-	193,937
Naturhouse Franchising Co Ltd,	118,832	-	118,832
Zamodiet México, S,A, de C,V,	855,225	-	855,225
Housediet, S,A,R,L	200,000	-	200,000
Kiluva Portuguesa – Nutriçao e Dietetica, Lda,	2,800,000	-	2,800,000
Naturhouse, Sp zo,o,	676,427	-	676,427
SAS Naturhouse	4,535,000	-	4,535,000
Zo,o	2,275,405	3,208,010	5,483,415
Naturhouse, Inc,	2,396,018	50,000	2,446,018
Name 17	112,102	-	112,102
Naturhouse Health Limited	-	45,471	45,472
Naturhouse Pte, Ltd,	-	100,000	100,000
Naturhouse Health, S,A,S,	-	2,850	2,850
Total cost	14,450,946	3,406,331	17,857,278
Impairment			
Naturhouse, GmBh	(288,000)	-	(288,000)
Naturhouse Franchising Co Ltd,	(91,565)	4,626	(86,939)
Zamodiet México, S,A, de C,V,	(855,225)	-	(855,225)
Kiluva Portuguesa – Nutriçao e Dietetica, Lda,	(2,416,919)	39,119	(2,377,800)
Naturhouse, Inc,	(2,396,018)	(50,000)	(2,446,018)
Name 17	(67,453)	7,518	(59,935)
Total impairment	(6,115,180)	1,263	(6,113,917)
Net total	**8,335,766**	**3,407,595**	**11,743,361**

Year 2020

	Euros		
	31-12-2019	Additions/ Disposals	31-12-2020
Cost:			
Naturhouse, GmBh	288,000	-	288,000
Naturhouse, S,R,L,	193,937	-	193,937
Naturhouse Franchising Co Ltd,	118,832	-	118,832
Zamodiet México, S,A, de C,V,	855,225	-	855,225
Housediet, S,A,R,L	200,000	-	200,000
Kiluva Portuguesa – Nutriçao e Dietetica, Lda,	2,800,000	-	2,800,000
Naturhouse, Sp zo,o,	676,427	-	676,427
SAS Naturhouse	4,535,000	-	4,535,000
Zo,o	2,275,405	-	2,275,405
Naturhouse, Inc,	2,196,018	200,000	2,396,018
Name 17	112,102	-	112,102
Total cost	14,250,946	200,000	14,450,946
Impairment			
Naturhouse, GmBh	(288,000)	-	(288,000)
Naturhouse Franchising Co Ltd,	(82,194)	(9,371)	(91,565)
Zamodiet México, S,A, de C,V,	(855,225)	-	(855,225)
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	(2,451,465)	34,546	(2,416,919)
Naturhouse, Inc.	(2,196,018)	(200,000)	(2,396,018)
Name 17	-	(67,453)	(67,453)
Total impairment	(5,872,902)	(242,278)	(6,115,180)
Net total	**8,378,044**	**(42,278)**	**8,335,766**

The main changes in the 2021 financial year under the heading "Equity instruments in Group companies" have been as follows:

- On 22 November 2021, the Company acquired from its shareholder and related company Kiluva, S.A. a total of 99 additional shares in the share capital of Ichem Sp. zo.o. for a price of 3,208,010 euros after the agreements reached by this company with Zamodiet, S.A.

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

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

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

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

	Euros	
	2021	2020
Naturhouse, S.R.L.	2,256,477	1,750,000
Naturhouse, Sp zo.o.	1,259,173	943,789
SAS Naturhouse	5,700,000	2,491,575
Ichem Sp. zo.o.	139,037	-
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	-	-
	9,354,687	**5,185,364**

The dividends received correspond entirely to income generated after the constitution or acquisition of the holdings in the aforementioned companies.

As of 31 December 2021, the Company has re-estimated the impairment of shareholdings in Group companies based on the underlying book value of the various investees, considering that this is the best evidence of the recoverable value. No impairments or reversals in addition to those recognised in previous financial years have been revealed as a result of this analysis.

As of 31 December 2021, the Company has fully impaired the accounts receivable held with Naturhouse, Gmbh, Naturhouse Inc and Naturhouse Franchising Co Ltd amounting to 50 thousand euros, 94 thousand euros and 134 thousand euros, respectively (Note 10).

10. Financial investments

As of 31 December 2021 and 2020, the existing balance under the heading "Long-term financial investments" is as follows:

	Euros	
	31-12-2021	31-12-2020
Other financial assets		
Long term deposits and guarantees	171,565	242,921
	171,565	**242,921**

The financial assets recorded under the heading "Long-term deposits and guarantees" primarily correspond to deposits associated with the leases described in Note 8.

Information concerning the nature and level of risk of financial instruments

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

1. *Credit risk*

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

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

The Company's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the balance sheet net of provisions for bad debts, estimated by the Company's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "trade receivables for sales and provision of services with group companies" on the balance sheet as of 31 December 2021 is as follows:

	Euros	
	31-12-2021	31-12-2020
Provision for bad debts	(278,522)	(481,906)

The Company does not have a significant concentration of credit risk, with exposure spread over a large number of customers (franchised) and their individual amounts being insignificant. During the 2021 financial year, the Company recognised a reversal in the financial year amounting to 202,761 euros (275,513 euros of losses in the 2020 financial year). The remaining amount, 623 euros, corresponds to definitive derecognitions of provisions for uncollectible losses.

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

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

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

2. *Liquidity risk*

In order to ensure liquidity and meet all payment obligations arising from its activities, the Company has the liquid assets shown on its balance and on its statement of financial position, as well as available financing detailed in Note 14.

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

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

The Company's financial liabilities as of 31 December 2021 are not significant and have maturities in 2022 (see Note 14).

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

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

The interest rate risk of the Company arises from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on the cash flows. As of yearend 2021, the Company has no long-term borrowings.

In addition, as of yearend 2021 and 2020, the Company has an amount available in liquid assets that is much higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

Thus, the Company has not considered it necessary to cover interest rate fluctuations, consequently, it has not maintained derivative instruments during the 2021 and 2020 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.

11. Inventory

The composition of the Company's stock at 31 December 2021 and 2020 is as follows:

	Euros	
	31-12-2021	31-12-2020
Commercial stocks	863,915	1,037,263
	863,915	**1,037,263**

The Company has not made any adjustments for impairment since the net realizable value of the inventories is higher than its acquisition price, which is why no losses have been made under this item in the years 2021 and 2020.

12. Equity and Own Funds

Share Capital

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

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

As of 31 December 2021, the Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Company's share capital, both directly as well as indirectly, higher than 3% of the share capital, as of 31 December 2021 are as follows:

Shareholder	%
Kiluva, SA	72.60
Ferev Uno Strategic Plans	4.83

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

Distribution of profit and dividends

The proposed distribution of profits for the 2020 financial year drawn up by the Directors of the Company, which was submitted for approval at the Annual General Meeting on 18 June 2021, consisted of the distribution of the entire profit for the 2020 financial year to reserves, amounting to 5,725 thousand euros. In addition, the Annual General Meeting agreed on the same date to distribute dividends amounting to 3,600 thousand euros against reserves.

Legal reserve

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

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

As of 31 December 2021, this reserve has been completely established.

Treasury Shares

As of yearend 2021 and 2020, the Company held company shares in accordance with the following breakdown:

		Euros		
Year	Number of shares	Nominal value	Average acquisition price	Total acquisition cost
2021	50,520	2,526	2.81	141,886
2020	50,520	2,526	2.81	141,886

As of 31 December 2021, the Company's shares held by it represent 0.084% of the Company's share capital, totalling 50,520 shares with a cost of 141.886 thousand euros and an average acquisition price of 2.81 euros per share.

The movement in company shares during the 2021 and 2020 financial years has been as follows:

Number of shares	2021	2020
Start of the financial year	50,520	50,520
Sales	-	(14,782)
Purchases	-	14,782
Yearend	**50,520**	**50,520**

13. Provisions and contingencies

Provisions:

As of 31 December 2021 and 2020, the Company had no significant contingencies the risk of which led to the recognition of any provisions.

Contingencies

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

14. Amounts owed to credit institutions and other financial liabilities

The account balance under "Short-term debts" and "Short-term debts" at 31 December 2021 and 2020 respectively is as follows:

31 December 2021

	Euros			
		Maturity		
	Initial Amount or Limit	Current	Non-Current	Total
Amounts owed to credit institutions:				
Financial leases	79,538	-	-	-
Bill discounting facilities	1,000,000	-	-	-
Subtotal of debts to credit institutions:	**1,079,538**	**-**	**-**	**-**
Other financial liabilities	-	18,051	-	18,051
	1,079,538	**18,051**	**-**	**18,051**

31 December 2020

	Euros			
		Maturity		
	Amount Initial or Limit	Current	Non-Current	Total
Amounts owed to credit institutions:				
Financial leases	79,538	-	-	-
Bill discounting facilities	1,000,000	-	-	-
Subtotal of debts to credit institutions:	**1,079,538**	**-**	**-**	**-**
Other financial liabilities	-	15,806	-	15,806
	1,079,538	**15,806**	**-**	**15,806**

Outstanding instalments for financial leases at year end 2020 have been paid in full during the 2021 financial year.

Likewise, the Company has bill discounting facilities with a limit of 1,000 thousand euros, which as of 31 December 2021 and 31 December 2020 has not been drawn on.

15. Public Administrations and Tax Situation

The composition of balances with Public Administrations at 31 December 2021 and 2020 is as follows:

	Euros			
	Debit balances		Credit balances	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Current balances:				
Company tax (refund) receivable	2,335,465	2,400,610		-
Tax Authorities, debtor/creditor due to IVA (VAT)	32,478	283	28,396	33,250
Social Security agencies, creditor		-	134,443	142,193
Tax Authorities, creditor due to income tax		-	114,598	95,178
Total current balances	**2,367,943**	**2,400,893**	**277,437**	**270,621**

15.1 Reconciliation of accounting profit and taxable base

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

The reconciliation of the Company's accounting profit for the financial year ending 31 December 2021 and 31 December 2020 with the Corporate Tax taxable base is as follows:

Year 2021

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	11,657,221
Permanent differences:			
Arising in the financial year	208,714	(8,940,130)	(8,731,416)
Arising in previous financial years	-	-	-
Temporary differences:			
Arising in the financial year		(945)	(945)
Arising in previous financial years	-	(321,186)	(321,186)
Total tax base	**208,714**	**(9,262,261)**	**2,603,674**

Year 2020

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	5,996,267
Permanent differences:			
Arising in the financial year	424,938	(5,219,910)	(4,794,972)
Arising in previous financial years	51,272	-	51,272
Temporary differences:			
Arising in the financial year	-	(945)	(945)
Arising in previous financial years	275,513	(45,673)	229,840
Total tax base	**751,723**	**(5,266,528)**	**1,481,462**

The permanent differences for the 2021 financial year correspond mainly to the 95% exemption on dividends received from Group companies, in application of Article 21 of the Corporate Tax Act, as of 31 December 2020 and 2021, to impairments on investments in Group companies and to non-deductible gifts, fines and donations made by the Company.

On the other hand, the temporary differences correspond to the limitation of the amortisation recognised that was not tax deductible in the tax periods that began in the 2013 and 2014 financial years. In this regard, the Company had to make a positive adjustment corresponding to 30% of the recognised amortisation of such fixed assets, with these non-deductible amounts having to be reversed in the next 10 years, and to the reversals due to impairments of credits arising from possible debtor insolvency.

Likewise, during the 2020 financial year, the Company has made instalment payments for the Corporate Tax corresponding to October and December of the 2021 financial year amounting to 2,843 thousand euros. On this basis, at yearend the company holds a balance to be recovered from the Tax Authorities amounting to 2,254 thousand euros, which has been registered as a current tax asset.

15.2 The reconcilement between income and expenses for Corporation Tax

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

	Euros	
	2021	2020
Accounting profit before tax	11,657,221	5,996,267
Permanent differences	(8,731,416)	(4,743,700)
Instalment 25%	731,451	313,142
Deductions	(61,354)	(41,414)
Total tax expense recognised on the profit and loss account	**670,098**	**271,728**

15.3 Breakdown of corporate tax expense or income

The breakdown of the amount recorded for corporate tax corresponding to the 2021 and 2020 financial years is as follows:

	Euros	
	2021	2020
Current tax:		
Continuing operations	589,566	328,952
Deferred tax:		
Continuing operations	80,532	(57,224)
Total tax expense	**670,098**	**271,728**

15.4 Deferred tax assets

Deferred tax assets, registered

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

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

Deferred tax assets, not registered

At yearend 2021 and 2020, there are no deferred tax assets that are not registered on the attached balance sheet.

15.5 Years pending approval and auditing actions

According to current legal provisions, tax returns cannot be considered final until they have been inspected by the tax authorities or the statute of limitations has passed, currently set at four years. The Company has the last four financial years open for inspection for all applicable taxes.

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

16. Balances with related parties

Balances with related parties

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

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

Year 2021

	Euros		
	Current		
	Debtor balance	Creditor balance	
Company	Commercial debts	Other financial liabilities	Commercial transactions
Other Group Companies			
S.A.S Naturhouse	135,829	-	3,159
Naturhouse Franchising Ltd. Co.	166,643	-	26,417
Naturhouse Sp Zoo	13,302	-	612
Naturhouse, S.R.L.	145,944	-	-
Naturhouse Gmbh	63,286	-	-
Naturhouse Inc	103,710	-	-
Naturhouse Health Limited	5,237	-	24,000
Kiluva Portuguesa Lda	-	245,552	-
Naturhouse d.o.o	-	-	54,000
Name 17 SA de CV	-	-	24,000
Associates			
Zamodiet, S.L.	-	-	-
Indusen, SA	-	-	204,385
Giro Fibra S.A.	-	-	26,475
Ichem, Sp.Z.o.o.	-	-	387,436
Laboratorios Abad, S.L.U.	-	-	2,155
Tartales, SLU	-	-	34,754
Tartales LLC	2,428	-	-
Finverki	4,740	-	-
Healthouse Sun SL	-	-	36,300
Parent Company			
Kiluva, SA	3,630	-	25,410
	644,749	**245,552**	**849,103**

Year 2020

	Euros		
	Current		
	Debtor balance	Creditor balance	
Company	Commercial debts	Other financial liabilities	Commercial transactions
Other Group Companies			
SAS Naturhouse	44,269	-	2,279
Kiluva Portuguesa Lda	2,657	640,664	-
Naturhouse Franchising Ltd. Co.	49,580	-	-
Naturhouse Sp Zoo	1,361	-	-
Naturhouse, S.R.L.	388,393	-	-
Associates			
Zamodiet, S.L.	-	-	8,272
Indusen, SA	-	-	169,815
Giro Fibra S.A.	-	-	18,904
Ichem, Sp.Z.o.o.	-	-	447,288
Laboratorios Abad, S.L.U.	-	-	241
Tartales, SLU	15,848	-	-
Parent Company			
Kiluva, SA	-	-	24,200
	502,108	**640,664**	**670,999**

In the 2021 financial year, the Company granted loans to Naturhouse Inc. and Tartales, L.L.C., amounting to 2,590 and 826 thousand euros, respectively, maturing in 2023. Said loans accrue an annual interest rate of 0.5%.

The other current financial liabilities as of 31 December 2021 held with Kiluva Portuguesa Lda correspond to the balance drawn down with said company through cashpooling accounts that accrue interest at market rates.

Lastly, as detailed in note 9 above, the Parent Company has acquired from its related company Kiluva, S.A. an additional stake in Ichem SP Z.o.o. equivalent to 24.8% amounting to 3,208,010 euros.

17. Income and expenses

17.1 Net amount of revenue

The breakdown of net revenues for the years of 2021 and 2020 of the Company is detailed below:

	Euros	
	2021	2020
Sales	11,971,168	11,388,667
Provision of services	1,507,754	1,396,946
	13,478,922	**12,785,613**

"Provision of services" mainly includes royalties billed to the subsidiaries Naturhouse S.R.L., Naturhouse Sp Zo.o, S.A.S. Naturhouse, amounting to 1,153,167 euros (1,110,746 euros in 2020) (note 18) as well as income from royalties billed to franchisees and income from master franchises in other countries.

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

The distribution of net turnover corresponding to the 2021 and 2020 financial years, distributed by geographical market, is as follows:

	Euros	
	2021	2020
Domestic Market	11,554,203	11,006,184
Export Market	1,924,719	1,779,429
Total sales	**13,478,922**	**12,785,613**

17.2 Supplies

The amount recorded under "Consumption of Merchandise" for the years 2021 and 2020 has the following composition:

	Euros	
	2021	2020
Purchases	(4,013,035)	(3,945,189)
Changes in stocks (Note 11)	(173,348)	(136,358)
Total supplies	**(4,186,383)**	**(4,081,547)**

17.3 Breakdown of purchases by origin

The details of the purchases made by the Company during 2021 and 2020, by source, is as follows:

	Euros			
	2021		2020	
	Domestic	Intracommunity	Domestic	Intracommunity
Purchases	1,853,792	2,159,243	1,881,540	2,063,649

17.4 Social security contributions

The account balance for "Social costs" for the 2021 and 2020 financial years has the following composition:

	Euros	
	2021	2020
Social Security paid by the company	681,276	862,083
Other social expenses	40,483	57,353
	721,759	**919,436**

As part of the measures described in Note 3 a), the Company presented in the 2020 financial year temporary layoffs (ERTEs) due to force majeure concerning approximately 80% of the workforce, which ended in May 2021.

In the 2020 financial year, the Company obtained Social Security subsidies amounting to 143,539 euros, which were recognised in the profit and loss account as "Operating subsidies included in the profit for the financial year". In the 2021 financial year, the Company has not obtained any subsidies for this.

17.5 Financial income and expenses

The financial income and expenses for the 2021 and 2020 financial years have been as follows:

	Euros			
	2021		2020	
	Incomes Financial	Expenses Financial	Incomes Financial	Expenses Financial
Due to debts with Group companies	-	-	-	-
Debts with third parties	-	(34,246)	-	(22,006)
Shares in equity instruments, Group companies and associates/Dividends	9,354,687	-	5,185,364	-
Marketable securities and other financial instruments with third parties	13,818	-	40	-
	9,368,505	**(34,246)**	**5,185,404**	**(22,006)**

18. Transactions with related companies

The transactions carried out by the Group with related companies during the 2021 and 2020 financial years are as follows:

	Euros	
Company	2021	2020
Sales, provision of services and other revenues>		
Group companies		
Naturhouse Franchising Ltd	45,877	49,580
Naturhouse S.R.L.	1,626,229	1,256,884
Naturhouse, Sp zo.o.	681,930	706,030
Kiluva Portuguesa – Nutriçao e Dietetica Lda.	392,160	375,543
Naturhouse Gmbh	18,174	24,084
SAS Naturhouse	1,752,008	1,789,682
Naturhouse Inc.	4,663	(2,955)
Naturhouse Health Limited	5,237	-
Related Companies		
Kiluva S.A.	3,630	-
Finverki	4,740	-
Healthouse Sun, S.L.	3,292	-
Laboratorios ABAD SLU	2,114	-
Tartales LLC	2,428	-
Ichem	285	-
Total revenues	**4,542,767**	**4,198,848**
Purchases:		
Group companies		
SAS Naturhouse	880	3,206
Naturhouse S.R.L.	-	9,299
Naturhouse Sp. Zo.o	612	-
Kiluva Portuguesa – Nutricao e Dietetica Lda.	-	-
Related Companies		
Laboratorios Abad, S.L.U.	20,244	22,936
Indusen, SA	899,448	876,235
Zo.o	1,996,681	1,910,881
Girofibra, SL	150,384	154,517
Total purchases	**3,068,249**	**2,977,074**

Company	Euros 2021	2020
Services received:		
Parent Company		
Kiluva, SA	187,936	20,000
Group companies		
Naturhouse Franchising Ltd	101,760	-
Naturhouse, GmbH	96,000	120,000
Related Companies		
U.D. Logroñés, SAD	175,000	187,500
Healthouse Sun, S.L.	67,390	9,734
Naturhouse Inc	150,000	-
Naturhouse d.o.o.	54,000	-
Naturhouse health limited	24,000	-
Name 17 S.A. de cv	24,000	-
Leasing and Insurance		
Tartales, SLU	6,090	596,530
Casewa, S.A.U.	107,111	108,080
Total services received	**993,287**	**1,041,844**
Financial expenses		
SAS Naturhouse	-	3,462
Naturhouse, S.R.L.	-	-
Total financial expenses	-	**3,462**

Similarly, we detail the balances referring to Royalties and Management fees carried out by the Company with related companies in the 2021 and 2020 financial years:

Company	Euros 2021	2020
Provision of services for royalties and other income from management support services		
Royalties		
S.A.S. Naturhouse	467,413	498,350
Naturhouse S.R.L.	424,518	346,920
Naturhouse, Sp. Zo.o.	261,236	265,476
Total Royalties (nota 17.1)	1,153,167	1,110,746
Management fees		
S.A.S. Naturhouse	1,228,203	1,266,991
Naturhouse S.R.L.	1,004,403	858,531
Naturhouse, Sp. Zo.o.	418,169	437,280
Total Management fees	2,650,775	2,562,802
Total incomes	**3,803,942**	**3,673,548**

The income for "management fees" is recognised under other ancillary income and other current operating income on the profit and loss account, with the rest of the amount corresponding to other advertising services and other services.

Likewise, the Company received from its subsidiaries and associates a total dividend amounting to 9,355 thousand euros during the 2021 financial year (5,185 thousand euros during the 2020 financial year) (Note 9).

The Directors of the 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 financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2020 financial year together with its tax advisors, which includes the main transactions that the 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 value.

This report has been issued in relation to transactions with affiliate companies in 2020. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2021 financial year, consequently, they believe that they are duly backed up.

19. Remuneration and other benefits for the Board of Directors and Senior Management

During 2021 the current Directors of the Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 316 thousand Euros (316 thousand Euros). Likewise, a member of the Board of Directors has provided services to the Company amounting to 60 thousand euros during the 2021 financial year (63 thousand euros during the 2020 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 Company were appointed during the year 2018.

The compensation received in the year 2021 by the senior executives of the Company amounted to 1,895 thousand Euros for salaries and wages and services (1,529 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Company has received no remuneration for other services. In the 2020 financial year, the remuneration received by the Company's Senior Management amounted to 2,040 thousand euros (1,447 thousand euros received by members of the Board of Directors in the development of their executive positions).

At the close of the 2021 and 2020 financial years, the Company's Senior Management body is composed of the following persons:

Categories	2021		2020	
	Men	Women	Men	Women
Senior Management	5	1	6	1

As of yearend 2021 and 2020, there were no advances, loans granted, life insurance or pension obligations.

The Board of Directors consists of six men and one woman at the end of 2021 (six men and one woman at the end of 2020).

The 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 in 2021 (5 thousand euros in 2020).

20. Information relating to conflicts of interest by the Directors

As of year-end 2021, 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. Environmental information

Given the activities in which the Company 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 Company. For this reason, specific breakdowns are not included in these consolidated notes.

22. Other information

22.1 Personnel

The average number of employees during the years 2021 and 2020, broken down by category, is as follows:

Categories	Number of employees	
	2021	2020
Senior Management	7	7
Rest of Senior Staff	5	7
Administrative and technical staff	14	13
Commercial, sales' staff and operators	76	123
	102	**150**

Likewise, the gender distribution of the Company at the end of the years 2021 and 2020, broken down by category, is as follows:

Categories	2021		2020	
	Men	Women	Men	Women
Senior Management	5	1	6	1
Rest of Senior Staff	6	0	5	-
Administrative and technical staff	4	6	8	8
Commercial, sales' staff and operators	5	64	6	78
	20	**71**	**25**	**87**

As of 31 December 2021 and 2020, there were no people employed with disabilities equal to or above 33%.

22.2 Audit fees

During the 2021 and 2020 financial years, the fees for audit services and other services provided by the auditor of the Company's financial statements, have been as follows:

	Services Provided by the Lead Auditor	
	EY	EY (*)
	Year 2021	Year 2020
The Company's audit services (individual and consolidated)	135,990	139,440
Other verification services (**)	26,010	26,010
Total auditing and related services	**162,000**	**165,450**
Tax services	-	-
Other services	-	3,000
Total Professional Services	**162,000**	**168,450**

(*) The audit fees for the 2020 financial year included fees for the audit of SAS Naturhouse amounting to 32,550 euros, which was carried out by Deloitte, a firm for which the financial year ending 31 December 2020 was the last year of its current appointment.

(**) The 'Other verification services' section includes the limited review of the Group's Half-Yearly Financial Statements as well as a report on agreed procedures (same concept in the 2020 financial year).

22.3 *Information on the average payment period to suppliers*

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

	Days	
	31-12-2021	31-12-2020
Average payment period to suppliers	47,29	46,26
Ratio of paid operations	48,66	45,20
Ratio of operations pending payment	39,67	56,95

	Euros	
	31-12-2021	31-12-2020
Total payments made	9,279,503	9,405,914
Total outstanding payments	1,232,481	928,418

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 the Company in the 2016 financial year under Law 3/2014 of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, although this may be extended by agreement between the parties without, in any case, a period of longer than 60 calendar days being agreed.

22.4 Modification or termination of contracts

There has been no conclusion, modification or early termination of any contract between the Company and any of its shareholders, Directors or persons acting on their behalf that affects transactions falling outside the Company's ordinary course of business or that has not been carried out under normal conditions.

22.5 Guarantees

As of 31 December 2021, the Company had commercial bank guarantees granted amounting to 553,164 euros, of which 529,755 euros are guarantees granted to the subsidiary Naturhouse, Inc., which allow it to operate in large shopping centres in the United States.

23. Subsequent events

There have been no significant subsequent events between the close of 31 December 2021 and the date these financial statements were drawn up.

ANNEX I TO THE NATURHOUSE HEALTH, S.A. EXPLANATORY NOTES 31 DECEMBER 2021

Group company equity instruments in the 2021 financial year

	Euros					
		Premium	Net	Holding %		
Company	Capital	and other EQUITY	profit for the period	Direct	Indirect	Shareholder
Housediet S.A.R.L. (1) 75 rue Beaubourg 75003 Paris (France)	200,000	89,553	1,564	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa –Nutriçao e Dietetica, Lda (1) Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	49,880	1,294,908	163,067	28%	- 43% 29%	Naturhouse Health S.A. Naturhouse S.R.L. SAS Naturhouse
Ichem Sp. (1) ul. Dostawcza 12 93-231 Lodz (Poland)	175,304	12,299,126	1,179,779	49,75%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. (1) Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(1,121,905)	29,094	-	100%	SAS Naturhouse
Naturhouse Franchising Co, Ltd (1) 33 church road, Ashford Middlesex (Great Britain)	356,910	(280,857)	8,338	33%	- 67%	Naturhouse Health S.A. Naturhouse S.R.L.
Naturhouse, Gmbh (1) Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(621,771)	13,741	56%	- 44%	Naturhouse Health S.A. SAS Naturhouse
Naturhouse, Sp. zo.o. (1) Ul/Dostawcza, 12 93-231 Lodz (Poland)	81,600	1,491,725	1,793,024	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. (1) Viale Panzacchi, nº 19 Bologna (Italy)	100,000	1,386,914	4,069,832	100%	-	Naturhouse Health S.A.
Naturhouse Inc. (1) 1395 Brickellave 800 STE Miami FL (US)	2,444,95 8	(2,298,461)	100,181	100%	-	Naturhouse Health S.A.
Nutrition Naturhouse Inc. (3) Rue de la Guachetière Ouest Montréal Québec (Canada)	-	-	-	-	100%	SAS Naturhouse
Naturhouse d.o.o. (1) Ilica 126, City of Zagreb (Croatia)	100,780	(280,278)	27,085	-	100%	Naturhouse Sp. zo.o.
SAS Naturhouse (1) 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	2,877,404	5,223,304	100%	-	Naturhouse Health S.A.
Zamodiet México S.A. de C.V. (1) Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	985,793	(957,176)	-	79%	-	Naturhouse Health S.A.
Name 17 S.A. de C.V. Doctor Balmis, 222 Mexico City (Mexico)	201,549	(111,246)	10,155	51%	-	Naturhouse Health S.A.
Naturhouse Health Limited 165 Lower Kimmage Road Dublin 6, (Ireland)	100,000	-	(11,936)	100%	-	Naturhouse Health S.A.
Naturhouse Pte. LTD 64D Kallang Pudding Road (Tannery Building) 349323 Singapore	49,908	(1,371)	(1,862)	100%	-	Naturhouse Health S.A.

(1) Financial statements not required to be audited or the statutory external audit on which is not yet available as of 31 December 2021.

(2) Audited financial statements as of 31 December 2021.

(3) Company being formed, pending formalisation.

Group company equity instruments in the 2020 financial year

Company	Capital	Premium and other EQUITY	Net profit for the period	Holding % Direct	Holding % Indirect	Shareholder
	Euros					
Housediet S.A.R.L. (1) 75 rue Beaubourg 75003 Paris (France)	200,000	117,654	(2,104)	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa – Nutriçao e Dietetica, Lda (1)	49,880	1,179,158	115,750	28%	-	Naturhouse Health S.A.
Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate				-	43%	Naturhouse S.R.L.
Fraçao "M" Abruhneira 2710 Sintra (Portugal)				-	29%	SAS Naturhouse
Ichem Sp. (1) ul. Dostawcza 12 93-231 Lodz (Poland)	174,244	11,821,563	1,161,044	25%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. (1) Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(808,483)	(254,904)	-	100%	SAS Naturhouse
Naturhouse Franchising Co, Ltd (1)	333,990	(180,850)	(51,709)	33%	-	Naturhouse Health S.A.
33 church road, Ashford Middlesex (Great Britain)				-	67%	Naturhouse S.R.L.
Naturhouse, Gmbh (1)	500,000	(633,148)	9,989	56%	-	Naturhouse Health S.A.
Rathausplatz, 5 91052 Erlangen (Germany)				-	44%	SAS Naturhouse
Naturhouse, Sp. zo.o. (1) Ul/Dostawcza, 12 93-231 Lodz (Poland)	82,088	1,471,633	1,412,162	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. (1) Viale Panzacchi, nº 19 Bologna (Italy)	100,000	929,496	2,325,873	100%	-	Naturhouse Health S.A.
Naturhouse Inc. (1) 1395 Brickellave 800 STE Miami FL (US)	2,037,953	(1,832,056)	(352,245)	100%	-	Naturhouse Health S.A.
Nutrition Naturhouse Inc. (3) Rue de la Guachetière Ouest Montréal Québec (Canada)	-	-	-	-	100%	SAS Naturhouse
Naturhouse d.o.o. (1) Ilica 126, City of Zagreb (Croatia)	100,366	(235,862)	(38,527)	-	100%	Naturhouse Sp. zo.o.
SAS Naturhouse (1) 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	2,612,809	5,861,531	100%	-	Naturhouse Health S.A.
Zamodiet México S.A. de C.V. (1) Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	985,793	(957,176)	-	79%	-	Naturhouse Health S.A.
Name 17 S.A. de C.V. Doctor Balmis, 222 Mexico City (Mexico)	192,698	(88,851)	(16,301)	51%	-	Naturhouse Health S.A.

(1) Financial statements not required to be audited or the statutory external audit on which is not yet available as of 31 December 2020.

(2) Audited financial statements as of 31 December 2020.

(3) Company being formed, pending formalisation.

Management Report

REPORT CORRESPONDING TO THE YEAR ENDING

31 DECEMBER 2021

INDEX

1. Situation and Business Development

Naturhouse Health S.A. is a company dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. As of yearend 2021, it had a network of 404 centres.

The company closed the year 2021 with a positive result of 10.987 million net profit.

2021 has been a year of transition, marked by the lifting of restrictions, the progressive advance of the vaccination plan, the favourable evolution of the pandemic and the growth in household consumption, which has contributed to a recovery of economic activities.

After leaving behind 2020, the most severe year of the pandemic, the company shows signs of recovery. The measures adopted in 2020 and 2021, together with the positive evolution of the pandemic, have allowed the company to return to the path of growth, as well as to recover the staff that were still affected by temporary layoffs (ERTEs). The improvement in the net result is mainly due to the spending containment measures and the optimisation of the commercial structure, adopted as part of the contingency plan initiated since the outbreak of the pandemic, mainly aimed at strengthening the company's liquidity.

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 continuing to provide a service in areas where it does not have a physical presence through a store.

The Annual General Meeting was held on 18 June 2021, approving the following;

- Financial Statements of Naturhouse Health S.A., Individual and Consolidated (Balance Sheet, Profit and Loss Account, Statement of Changes in Equity for the financial year, Cash Flow Statement and explanatory notes, Individual and Consolidated), and Management Reports of Naturhouse Health S.A. and its Consolidated Group for the financial year ending 31 December 2020.

- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2020 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 2020 financial year.

- Approval of the management of the Board of Directors corresponding to the year 2020.

- Remuneration of the company's Board of Directors.

  5.1 Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2020 financial year.

  5.2 Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2021 financial year.

  5.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2021 financial year.

- Amendment to the Naturhouse Health, S.A. articles of association.

- In accordance with the proposal to amend the Articles of Association indicated in the previous point, amendment (and introduction of new articles) to the Regulations of the Annual General Meeting.

- Record of the amendment to Article 16 of the Regulations of the Naturhouse Health, S.A. Board of Directors to adjust its wording to the new text proposed for the Articles of Association.

- Delegation for a period of five years in favour of the Board of Directors of the power to increase the share capital at any time.

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

2. <u>Evolution of the main figures of the individual profit and loss account</u>

Individual Profit and Loss Account

	Notes Report	Year 2021	Year 2020
CONTINUING OPERATIONS			
Net amount of revenue	**Note 17.1**	**13,478,922**	**12,785,613**
- Sales		11,971,168	11,388,667
- Provision of services		1,507,754	1,396,946
Supplies	**Note 17.2**	**(4,186,383)**	**(4,081,547)**
- Consumption of merchandise:		(4,186,383)	(4,081,547)
Other operating income		**2,830,488**	**2,877,004**
- Ancillary and other current operating income		2,830,488	2,733,465
- Operating subsidies included in the profit for the financial year		-	143,539
Personnel costs		**(4,733,157)**	**(5,238,375)**
- Wages, salaries and similar expense		(4,011,398)	(4,318,939)
- Social security contributions	**Note 17.4**	(721,759)	(919,436)
Other operating costs		**(4,703,253)**	**(4,659,747)**
- External services		(4,533,716)	(3,979,412)
- Taxes		(108,871)	(191,252)
- Losses, deterioration and variation of provisions for commercial operations	**Note 10**	202,761	(275,513)
- Other current operating expenses		(263,427)	(213,570)
Amortisation of fixed assets	**Notes 6 y 7**	**(398,405)**	**(440,276)**
Impairment losses and income from disposal of fixed assets	**Note 7**	**(23,285)**	**(171,758)**
- Impairment and other losses		(23,285)	(171,758)
Other results		**14,601**	**4,233**
- Exceptional expenses and income		14,601	4,233
Operating Profit / (Loss)		**2,279,528**	**1,075,147**
Financial income	**Notes 9 y 17.5**	**9,368,505**	**5,185,404**
- Income from shares in equity instruments, group companies and associates	**Note 9.1**	9,354,687	5,185,364
- Other income from marketable securities and other financial instruments		13,818	40
Financial expenses	**Note 17.5**	**(34,246)**	**(22,006)**
- Debts with third parties		(34,246)	(22,006)
Exchange differences		**42,172**	**-**
Impairment losses and income from disposal of financial instruments	**Note 9**	**1,263**	**(242,278)**
Financial result - Benefits		**9,377,694**	**4,921,120**
Pre-tax Profit / (Loss)		**11,657,222**	**5,996,267**
- Corporate Tax	**Note 15**	(670,098)	(271,728)
Profit or loss for the financial year - Benefit		**10,987,124**	**5,724,539**

- 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 97% in 2021.

2. Prevision of service;

    a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.66% of net turnover for the 2021 financial year.

    b. In the 2021 financial year, 1.05% of total turnover has been recognised as income from the Master Franchise upfront fee. These are master franchise contracts that have been signed since 2016; the income is accrued over the 7 year term of the master contract.

    c. Fee for direct supply to suppliers by the master franchisee; corresponds to the fee of 10% of purchases made directly by the master franchises from suppliers approved by Naturhouse Health, S.A. This represents 9.36% of net turnover in the 2021 financial year.

- Net turnover in the 2021 financial year amounted to 13.478.922 thousand euros, representing an increase of 5.42% over the previous year.

- The gross margin over the net amount of turnover remains stable over the previous year.

- "Other operating income" corresponds to income from activities that fall outside the Naturhouse business, which in 2021 mainly includes management fees to the Group's subsidiaries amounting to 2.650.775 euros.

    - In 2021 there is an average workforce of 102 employees in the Company, of which 76% 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 26% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff. Personnel Expenses represents 35% of net revenues.

- "Impairments and other losses" includes the result of the disposal of fixed assets due to the closure of some of our centres.

- The 92% increase in the net result over the 2020 financial year is mainly due to the dividends paid by subsidiaries.

3. Individual Statement of Financial Position

ASSET	31/12/2021	31/12/2020
NON-CURRENT ASSETS:		
Intangible fixed assets	**676,864**	**914,997**
Industrial property	563,887	796,951
Transfer rights	-	-
Software	112,977	118,046
Tangible fixed assets	**438,502**	**524,633**
Technical facilities and other tangible fixed assets	438,502	524,633
Long-term investments in Group companies	**15,159,463**	**8,335,766**
Equity instruments	11,743,361	8,335,766
Loans to companies	3,416,102	-
Long-term financial investments	**171,565**	**242,921**
Deferred tax assets	**17,389**	**97,685**
Non-current assets	**16,463,783**	**10,116,002**
CURRENT ASSETS:		
Inventory	**863,915**	**1,037,263**
Trade and other accounts receivable	**2,895,881**	**3,072,458**
Customer receivables for sales and services	101,832	142,257
Customers, group companies and associates	366,226	502,108
Other debtors	35,043	27,200
Staff	24,837	-
Current tax assets	2,335,465	2,400,610
Other credits with Public Administrations	32,478	283
Short-term financial investments	**123,886**	**-**
Short-term accruals	**162,310**	**111,501**
Cash and cash equivalents	**8,300,654**	**7,146,328**
Total current assets	**12,346,646**	**11,367,550**
Total assets	**28,810,429**	**21,483,552**

EQUITY AND LIABILITIES	31/12/2021	31/12/2020
NET EQUITY:		
Own funds		
Capital	**3,000,000**	**3,000,000**
Issue premium	**2,148,996**	**2,148,996**
Premium	**10,760,962**	**8,633,968**
Legal and statutory	600,000	600,000
Other reserves	10,160,962	8,033,968
Treasury Shares	**(141,886)**	**(141,886)**
Treasury Shares	(141,886)	(141,886)
Profit or loss for the financial year - Benefit	**10,987,124**	**5,724,539**
Total net equity	**26,755,196**	**19,365,617**
NON-CURRENT LIABILITIES:		
Deferred tax liabilities	**473**	**237**
Non-current liabilities	**473**	**237**
CURRENT LIABILITIES:		
Short-term debts	**18,051**	**15,806**
Other financial liabilities	18,051	15,806
Short-term debts with Group companies and associates	**245,552**	**640,664**
Trade creditors and other receivables	**1,708,414**	**1,329,799**
Suppliers	206,875	196,930
Suppliers, group companies and associates	849,103	670,999
Various creditors	366,487	176,480
Staff	8,512	14,769
Other debts with Public Administrations	277,437	270,621
Short-term accruals	**82,743**	**131,429**
Total current liabilities	**2,054,760**	**2,117,698**
TOTAL NET EQUITY AND LIABILITIES	**28,810,429**	**21,483,552**

- In 2021, there was a 16% decrease in "Tangible Fixed Assets" as a result of the divestment and reorganisation of our own centres.

- The 29% decrease in "Long-term financial investments" is due to the reduction in deposits for leases of own stores as part of their reorganisation.

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

- "Current tax assets" includes the amount paid to the Tax Authorities as an advance corporate tax payment for the 2021 financial year. All of the amount advanced for corporate tax for the 2020 financial year has been returned in February 2021, with the return of the amount for the 2021 financial year outstanding.

- As of yearend 2021, 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 heading "Short-term debts with Group and associated companies" includes loans of Naturhouse Health, S.A. subsidiaries to centralise the liquid assets of some subsidiaries with the parent company.

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

- The average payment period of the Spanish companies included under the Naturhouse Group has been 47.29 days, within the maximum period set out under the regulations on late payments.

4. Financial risk management and use of hedging instruments

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

Market risk in the interest rate and the exchange rate:

The Company's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2021, 100% of borrowings were at variable interest rates. However, the Company has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

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

Credit Risk

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

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

Liquidity risk

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

5. Risk Factors

Spanish authorities may adopt laws and regulations that impose new obligations entailing an increase in operating costs.

The competitive environment: The company competes with self-administered weight loss schemes and other commercial programmes from other competitors, along with other suppliers and food retailers that operate in this market. This competition and any future increases in same involving the development of pharmaceuticals and other technological and scientific advances in the field of weight loss could have a negative impact on the business, operating results and financial position of the Company.

6. R + D + i activities

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

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

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 55% of total consolidated purchases to 31 December 2021. Naturhouse Health, S.A. holds 49.8% 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 17.07% of total purchases in 2021, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 27% of total purchases in 2021.

7. Treasury Shares

As of 31 December 2021, the Parent Company holds a total of 50,520 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

There have been no relevant subsequent events.

9. Capital structure and significant shareholdings

As of 31 December 2021, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2021, 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 4.83%.

10. Shareholder agreements and restrictions on transferability and vote

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

11. Administrative 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. Doña Vanesa Revuelta Rodríguez, Mr. Rafael Moreno Barquero, Mr. José María Castellanos, Mr. Pedro Nueno Iniesta and Mr. Ignacio Bayón Marine.

12. Significant agreements

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

13. Annual Corporate Governance Report

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

14. Annual Directors Remuneration Report

The annual directors remuneration 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.

15. <u>Non Financial Information</u>

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

www.cnmv.es

www.naturhouse.com

Madrid, 28 February 2022

Board of Directors