Naturhouse Health, S.A. (Sole-Shareholder Company) and Subsidiaries

Consolidated Financial Statements
for the financial year
ending 31st December 2014,
prepared in accordance with the International
Financial Reporting Standards
adopted in the European Union (EU-IFRS)
and Consolidated Management Report

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Naturhouse Health, S.A. (Sole-Shareholder Company) and Subsidiaries

Explanatory Notes to the Consolidated
Financial Statements for the 2014 financial year

1. Nature and corporate purpose of the Group companies

Naturhouse Health, S.A. (Sole-Shareholder Company), formerly Housediet, S.L.U., (hereinafter, the "Company" or the "Parent Company"), was founded for an indefinite period in Barcelona on 29th July 1991. Its registered offices are at calle Botánica 57-61, L'Hospitalet de Llobregat, Barcelona and it has tax identification number A-01115286.

The Company's corporate purpose, in accordance with its 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"). 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 is wholly owned by Kiluva, S.A.; accordingly, it is a Sole-Shareholder Company.

On 17th June 2014, the Sole Shareholder of Housediet S.L.U., Kiluva, S.A., approved the transformation of Housediet, S.L.U. into a limited company and the change of its name to Naturhouse Health, S.A.U.

Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements for Naturhouse Health, S.A.U. 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 5th March 2015.

These consolidated financial statements for the financial year ending 31st December 2014 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, Spanish Corporate Law and other corporate legislation applicable. They have been prepared from the Parent Company's individual accounts and those of each of the consolidated companies (detailed in Annex I) and they accurately present the assets, financial position, results of the Group, changes in consolidated equity and consolidated cash flows under EU-IFRS and other regulatory financial reporting frameworks applicable. The consolidated financial statements for the financial years ending 31st December 2011, 2012 and 2013 were first prepared on 18th September 2014 according to the provisions of the International Financial Reporting Standards.

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 2014 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 19th July 2002. In Spain, the obligation to present consolidated financial statements under the IFRS adopted by the European Union was also regulated in Final Provision Eleven of Law 62/2003 of 30th December on fiscal and administrative measures and social order.

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

Standards and interpretations in the 2014 financial year

New accounting standards came into effect in the 2014 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 statements, without having had a significant impact on the presentation and breakdown thereof, except as stated in Note 10.2 in connection with the application of IFRS 11 - Joint Arrangements regarding breakdowns referring to:

New standards, amendments and interpretations:	**Contents:**	**Mandatory application for financial years from:**
IFRS 10 - Consolidated Financial Statements (published May 2011)	Replaces the consolidation requirements of IAS 27.	1st January 2014 (1)
IFRS 11 - Joint Arrangements (published in May 2011)	Replaces the consolidation requirements of IAS 31 on joint ventures.	1st January 2014 (1)
IFRS 12 - Breakdowns of Holdings in Other Entities (published in May 2011)	Single standard that establishes the breakdowns related to holdings in subsidiaries, associates, joint ventures and unconsolidated entities.	1st January 2014 (1)
IAS 27 (Revised) - Individual Financial Statements (published in May 2011)	The standard is revised, as after the issue of IFRS 10 it will now only cover an entity's separate financial statements.	1st January 2014 (1)
IAS 28 (Revised) - Investments in associates and joint ventures (published in May 2011)	Parallel revision in connection with the issue of IFRS 11 - Joint Arrangements.	1st January 2014 (1)
Transition rules: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of these standards' transition rules.	1st January 2014 (1)

Investment companies: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception in the consolidation for parent companies that meet the definition of an investment company.	1st January 2014
Amendments to IAS 32 - Financial instruments: Presentation - Offsetting Financial Assets with Financial Liabilities (published in May 2013)	Additional clarifications to the rules for offsetting financial assets and liabilities of IAS 32.	1st January 2014
Amendments to IAS 36 - Breakdown of the recoverable amount of non-financial assets (published in May 2013)	Clarifying when certain breakdowns are necessary and expanding those required when the recoverable value is based on the fair value less selling costs.	1st January 2014
Amendments to IAS 39 - Novation of derivatives and the continuation of hedge accounting (published in June 2013)	The amendments determine under what circumstances and with what criteria the novation of a derivative does not require suspension of hedge accounting.	1st January 2014

(1) The European Union delayed the date of mandatory application by a year. The original IASB date of application was 1st January 2013.

Accounting policies issued not in force for the 2014 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 standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
IFRS 21 Liens (published in May 2013)	Interpretation on when to recognise a liability for taxes or liens that are conditions for the participation of the entity in an activity at a specified date	17th June 2014 (1)
Not yet approved for use in the European Union on this document's date of publication		
New standards		
IFRS 9 Financial Instruments: Classification and valuation (published in November 2009 and October 2010) and subsequent amendments to IFRS 9 and IFRS 7 on effective date and transition breakdowns (published in December 2011) and hedge accounting and other amendments (published in November 2013)	Replacing the requirements for classification and valuation of financial assets and liabilities, derecognition and hedge accounting of IAS 39.	1st January 2018
IFRS 15 Revenue from contracts with customers (published in May 2014)	New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.	1st January 2017
IFRS 14 Deferred Regulated Activity Accounts	Standard requiring the presentation of debt or credit balances of the deferred regulated activity accounts and any asset (liability) by related deferred taxes and the net movement in these balances as separate items in the statement of financial position and the statement (or statements) of income for the period and other comprehensive income respectively.	1st January 2016

Amendments and interpretations		
Amendments to IAS 19 - Employee contributions to defined benefit plans (published in November 2013)	The amendment is issued to facilitate the ability to deduct these service cost contributions in the same period in which they are paid if certain requirements are met.	1st July 2014
Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013)	Minor amendments to a series of standards.	1st July 2014
Amendments to IAS 16 and IAS 38 - Acceptable methods of depreciation and amortization (published in May 2014)	Clarifying acceptable methods of depreciation and amortization of intangible and tangible fixed assets	1st January 2016
Amendments to IFRS 11 - Accounting for acquisitions of holdings in joint ventures (published in May 2014)	Specifying the accounting for the acquisition of a holding in a joint venture whose activities constitute a business.	1st January 2016
Improvements to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a series of standards.	1st January 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution between an investor and its associate/joint venture (published in September 2014)	Clarification regarding the income from these operations in the case of asset businesses.	1st January 2016
Amendments to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	The equity application of individual financial statements of an investor will be allowed.	1st January 2016
Amendments to IAS 16 and IAS 41: Producing plants (published in June 2014)	Producing plants shall be taken at cost, rather than fair value.	1st January 2016

(1) The European Union has endorsed IFRIC 21 (EU Bulletin 14th June 2014), amending the original date of entry into force established by IASB (1st January 2014) to 17th June 2014

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

Functional currency

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

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

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

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

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

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

- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (see Notes 5.h and 14).

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

- Assumptions used to calculate the fair value of financial investments available for sale or other financial instruments (see Note 5.e).

- Estimate of income tax expenses and recoverability of deferred tax assets (see Notes 5.k and 17).

e) Information comparison

The information contained in this consolidated report referring to the 2014 financial year is presented, for comparison purposes, with information from the 2013 financial year.

Moreover, the company S.A.S. Naturhouse was incorporated into the scope of Naturhouse Group during the 2014 financial year, as stated in Note 3.c This Note provides the relevant information, in an integrated way, to understand the scope of the incorporation of S.A.S. Naturhouse and its impact on the Group's financial position and income. It thus facilitates understanding of the Group's business development from 1st January 2014, the date of acquisition for accounting purposes, to 31st December 2014.

Regarding the progression of income from the Group's operations, references are presented to details of the Group's consolidated profit and loss account for the 2013 financial year that are considered necessary to facilitate comparison of the income from the Group's activities (see Note 3.c).

f) 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 2014 financial year.

3. Consolidation criteria

During the 2014 financial year, the accounting closing date of the individual financial statements for all the companies included within the scope of the consolidation is the same or has been temporarily standardised to match those 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 NIIF 10, control is understood as the power to direct an entity's financial and operating policies so as to obtain benefits from its activities. The most important information on these companies is provided in Annex I of these Notes.

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

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

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

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

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

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

Associates are accounted for by the equity method. These companies are those in which a significant influence is exercised over their management, understood as the power to intervene in decisions regarding the investee's financial and operating policies, but having neither control nor joint control. Significant influence over a company is presumed in companies in which the holding is equal to or greater than 20%.

The equity method consists of incorporating, in the consolidated balance line "Investments in associates - Holdings consolidated under the equity method", the value of the net assets and goodwill, if any, corresponding to the holding in the associate. The net result obtained each year corresponding to the l percentage of shares in these companies is reflected in the as consolidated income statement “Results of equity method associated companies”.

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

The business combinations of entities or businesses under common control are outside the scope of IFRS 3. A business combination between entities or businesses under common control is a business combination in which all the entities or businesses that are combined are controlled, ultimately, by the same party or parties, both before and after the business combination and that control is not transitory.

For business combinations which will be described below, for which there already was common control, the Group and its Sole Shareholder have established, as a general standard, to set the value of the assets and liabilities acquired, for which there is no specific guidance under IFRS, as the book value. Said book value has been obtained in accordance with the Standards for the Preparation of Consolidated Financial Statements) from the audited consolidated balance sheet of its sole shareholder, Kiluva, S.A and converted to IFRS. For these transactions under common control, as will be discussed below, there are no significant differences of such consolidated book value under the Standards for the Preparation of Consolidated Financial Statements and under IFRS.

2014 Financial year-

The main variations in the scope of the consolidation occurring in the 2014 financial year were as follows:

c.1. S.A.S. Non-cash contribution Naturhouse:

On June 5, 2014 the Parent Company, Naturhouse Health, S.A.U, made a capital increase with the consideration of shares through the non-monetary contribution of 100% of the shares of the company S.A.S Naturhouse (France). It is, therefore, a business combination of entities under common control, whose accounting treatment is not specifically stated in IFRS 3. Thus, the acquisition method has not been applied in these financial statements, but rather the pooling of interest - predecessor accounting - on the grounds that this is the most appropriate accounting policy to reflect this transaction.

This has meant that, from an accounting point of view, the non-cash contribution of S.A.S. Naturhouse has been registered since 1 January 2014. Therefore the process of consolidation has been carried out using the consolidated values of S.A.S. Naturhouse that existed before 1 January 2014 to the book values under the Spanish General Accounting Plan (PGC in Spanish) and under Standards for the Preparation of Consolidated Financial Statements of the state of its audited consolidated financial position of its sole shareholder, Kiluva, S.A. and converted to IFRS. There are no significant differences to said book values consolidated under the Standards for the Preparation of Consolidated Financial Statements and under IFRS. Additionally, S.A.S. Naturhouse's income during 2014 has been included in the consolidated profit and loss account from the start of the financial year since, as described, it has been considered that this subsidiary has been part of the Group since the start of the financial year.

Therefore, due to the difference between the book value of S.A.S. Naturhouse acquired at January 1, 2014, an amount of 6,649 thousand Euros and a registered capital amount of 100 thousand Euros, a difference has arisen amounting to 6,549 thousand euros, which is registered as a positive impact in the consolidated equity of the S.A.S Group. Naturhouse's assets and liabilities recognised in the accompanying consolidated statement of financial position at 1st January 2014 were as follows:

	Thousands of Euros
Intangible assets (*)	17
Tangible fixed assets	327
Non-current financial assets	1,082
Deferred tax assets (*)	77
Non-current assets	**1,503**
Stock	860
Customers receivables for sales and provision of services and other accounts receivable	2,832
Other current assets	695
Investments in related companies	4,306
Cash and other equivalent liquid assets	3,015
Current assets	**11,708**
Total assets	**13,211**
Non-current provisions	24
Non-current debts	1,779
Non-current liabilities	**1.083**
Current debts	1
Financial liabilities with related parties	1,383
Trade creditors and other accounts payable	3,375
Current liabilities	**4,759**
Total liabilities	**6,562**
Net assets acquired	**6,649**

Capital increase	**100**
Impact on reserves	**6,549**
Total	**6,649**

The detail is presented below of the Group's statement of financial position at 1st January 2014, the date for accounting purposes of the non-cash contribution discussed above, which includes the integration of S.A.S Naturhouse's assets and liabilities on such date:

	Naturhouse Health, S.A.U. and Subsidiaries	S.A.S Naturhouse and Subsidiaries	Consolidation eliminations	Other adjustments	TOTAL
NON-CURRENT ASSETS	**8,320**	**1,683**	**(852)**	**-**	**9,151**
Intangible assets	93	274	(257)	-	110
Tangible fixed assets	7,109	327	-	-	7,436
Non-current financial assets	584	1,082	(672)	-	994
Deferred tax assets	534	-	77	-	611
CURRENT ASSETS	**37,385**	**11,708**	**(482)**	**-**	**48,611**
Stock	2,694	860	-	-	3,554
Customers receivable for sales and provision of services	3,142	2,364		-	5,506
Customers, related companies	16	468	(482)	-	2
Current tax assets and other credits with public administrations	226	-	-	- -	226
Other current assets	278	339	-	-	617
Investments in related companies	25,659	4,306	-	-	29,965
Current financial assets	1,944	356	-	-	2,300
Cash and other equivalent liquid assets	3,426	3,015	-	-	6,441
Total assets	**45,705**	**13,391**	**(1,334)**	**-**	**57,762**
	Naturhouse Health, S.A.U. and Subsidiaries	**S.A.S Naturhouse and Subsidiaries**	**Consolidation eliminations**	**Other adjustments**	**TOTAL**
EQUITY	**12,606**	**6,600**	**(852)**	**229**	**18,583**
Equity attributable to the Parent Company's shareholders	11,731	6,600	(180)	229	18,380
Equity attributable to third-party shareholders	875	-	(672)	-	203
NON-CURRENT LIABILITIES	**7,010**	**2,032**	**-**	**(229)**	**8,813**
Non-current provisions	743	24	-	-	767
Non-current debts	5,865	2,008	-	(229)	7,644
Deferred tax liabilities	402	-	-	-	402
CURRENT LIABILITIES	**26,089**	**4,759**	**(482)**	**-**	**30,366**
Current debts	14,687	1	-	-	14,688
Financial liabilities with related parties	1,350	-		-	1,350
Trade creditors and other accounts payable	3,229	1,434	-	-	4,663
Suppliers, related companies	5,451	1,383	(482)	-	6,352
Current tax liabilities and other debts with public administrations	1,372	1,941	-	-	3,313
TOTAL NET EQUITY AND LIABILITIES	**45,705**	**13,391**	**(1,334)**	**-**	**57,762**

(*) These entries already include the effect of eliminating S.A.S. Naturhouse's master franchise in the consolidation, whose net book value to date amounts to 257 thousand euros, accounted for as intangible assets, as well as its tax effect.

Finally, the Group has elected not to restate the information from the 2013 financial year presented for comparative purposes. Therefore, the Group's consolidated profit and loss account for the financial year ending 31st December 2013 is voluntarily presented, for information only, reflecting a hypothetical situation regarding the income which Naturhouse Group would have obtained if the incorporation of S.A.S. Naturhouse had occurred on 1st January 2013:

	Naturhouse Health, S.A.U and Subsidiaries	S.A.S Naturhouse and Subsidiaries	Consolidation eliminations	TOTAL
Net amount of revenue	59,881	32,004	(2,117)	89,768
Supplies	(20,042)	(10,178)	1,007	(29,213)
Gross margin	**39,839**	**21,826**	**(1,110)**	**60,555**
Other operating income	1,658	34	(713)	979
Personnel costs	(13,705)	(3,416)	-	(17,121)
Other operating costs	(13,976)	(6,631)	1,823	(18,784)
Operating income before depreciation and amortization, impairment and other results	**13,816**	**11,813**	**-**	**25,629**
Amortization of fixed assets	(1,183)	(114)	43	(1,254)
Impairment losses and income from disposal of fixed assets	203	8	-	211
Operating income	**12,836**	**11,707**	**43**	**24,586**
Financial result	**176**	**6**	**-**	**182**
Results of equity method associated companies	-	(32)	32	-
Pre-tax income	**13,012**	**11,681**	**75**	**24,768**
Corporation Tax	(4,560)	(3,906)	(13)	(8,479)
Profit or loss for the financial year	**8,452**	**7,775**	**62**	**16,289**
Profit or loss attributable to third party shareholders	92	-	(32)	60
Net profit or loss for the financial year attributable to the Parent Company	**8,544**	**7,775**	**30**	**16,349**

As a result of this operation, S.A.S. Naturhouse's subsidiaries and associates have been incorporated into the scope:

a) Naturhouse Belgium S.P.R.L. (100% of the share capital),

b) Kiluva Portuguesa Nutriçao e Dietética, Lda. (29% of the share capital) and

c) Naturhouse, GmbH (44% of the share capital).

As of 31st December 2014, the Group therefore holds 100% of the share capital of Kiluva Portuguesa Nutriçao e Dietética, Lda. and Naturhouse, GmbH. These companies were already integrated by full integration into Naturhouse Group in previous financial years.

c.2. Acquisition of 24.9% of the company Ichem, Sp. zo.o:

On 19th February 2014, the Group, through the Parent Company Naturhouse Health, S.A.U. acquired through its Sole Shareholder, Kiluva, S.A., 99 shares of a total of 398 shares in the capital of the Polish company Ichem, Sp. zo.o, thus holding a 24.9% stake in said company, amounting to 2,275 thousand euros. The price of this transaction has been determined according to the cost at which the Sole Shareholder had accounted for such share in its consolidated balance sheet. Once this acquisition materialized, as established by IFRS 10, the Group still did not have control over this company as it lacks the majority of the voting rights in its Governing Body. However, as established by IFRS 11, it is considered that there is joint control over such company (joint venture) as the Group, with the voting rights it holds, can veto any significant decision, consequently, decisions on relevant activities require the unanimous consent of the parties sharing control. It should also be noted that, although the Group is one of its largest customers, the purchases made by the Group from Ichem, Sp. Zoo in the 2014 financial year represented less than 37% of the company's turnover. For the 2013 and earlier financial years, the same did not represent more than a third of this company's turnover. The remaining Ichem shareholders are the related company Zamodiet, S.A., with 24.9%, and Polish individuals or entities without any connection to Naturhouse, with 50.2%. All its product purchase transactions are performed at market prices (backed up by a study conducted by the tax advisers BDO Abogados y Asesores Tributarios, S.L. Note 19) and among the other activities that the company performs with other third parties, the sale of pharmaceutical products and other food products representing the major part of its activity stand out.

2013 Financial year- During 2013 financial year, the following variations occurred in the Group's scope of consolidation:

<u>Merger of Naturhouse Health, S.A.U. (previously, Housediet, S.L.U) and Kiluva Diet, S.L.U (Spain):</u>

On 29th July 2013, it was agreed to proceed with the merger of the Parent Company, Naturhouse Health, S.A.U., with Kiluva Diet, S.L.U., with the former absorbing the latter, with the extinction by dissolution without liquidation of the company being absorbed and full block transfer under universal title of all assets, rights and obligations making up its assets to the acquiring company. According to the merger plan approved by the Sole Shareholder of both companies on the date, Kiluva, S.A., all operations carried out by the company being absorbed were considered made for accounting purposes by the acquiring company from 1st January 2013.

As a result of this merger, the Parent Company's share capital was increased by 75 thousand euros through the issue of 200 shares of a nominal value of 375 euros each, with a share premium of 10.7 thousand euros per share, for a total of 2,149 thousand euros.

Additionally, as a result of the merger, the Group incorporated a 50% additional stake in the subsidiary Housediet, S.A.R.L., which held Kiluva Diet, S.L.U., into the scope of consolidation. Thus, at year-end 2013, the Group held 100% of the shares in Housediet, S.A.R.L. (Note 13). In the 2012 and 2011 financial years, Housediet, S.A.R.L. was already consolidated in the Group by full integration due to the Parent Company holding control over that company as of those dates.

The Group did not apply IFRS 3 because of it being a business combination of entities under the common control of Kiluva, S.A. Additionally, from the difference between the book value of the assets and liabilities acquired, amounting to 2,041 thousand euros and the price of the business combination agreed between the parties, amounting to 2,226 thousand euros, a difference arose amounting to 185 thousand euros which was recorded as a negative impact on the Group's consolidated equity. The assets and liabilities of Kiluva Diet S.L.U. recognised in the consolidated statement of financial position on the date of acquisition were as follows:

	Thousands of Euros
Intangible assets	4
Tangible fixed assets	1,228
Non-current financial assets	1,005
Deferred tax assets	26
Non-current assets	**2,263**
Stock	221
Customers receivables for sales and provision of services and other accounts receivable	181
Other current assets	27
Cash and other equivalent liquid assets	181
Current assets	**610**
Total assets	**2,873**
Non-current debts	150
Deferred tax liabilities	156
Non-current liabilities	**306**
Current debts	150
Suppliers, related companies	80
Trade creditors and other accounts payable	296
Current liabilities	**526**
Total liabilities	**832**
Net assets acquired	**2,041**
Combination price	**2,226**

As discussed above, this transaction, for which there was already common control, was valued at the predecessor's book value. This book value was obtained from the book value, under Spanish Generally Accepted Accounting Principles (Spanish GAAP), of the audited consolidated balance of its sole shareholder, Kiluva, S.A. and subsequently converted to IFRS.

4. Distribution of profit

On 30th September 2014, the Sole Shareholder decided to distribute dividends amounting to 14,500 thousand euros, of which 14,207 thousand euros have been recorded as an interim dividend for the financial year and 293 thousand euros charged to reserves (Note 13).

The accounting statement required by Article 277 of Spanish Corporate Law, formulated by the Administrative Body, in connection with the aforementioned interim dividend is as follows:

	Euros
	Provisional Accounting Statement Formulated on 30/09/2014
Profits from 01/01/2014	16,592
Estimated Corporate Tax	(1,207)
Allocation to statutory reserves	(525)
Maximum amount available for distribution	**14,860**
Liquid Assets and Short-Term Financial Investments (*)	19,886
Interim dividend	(14,207)
Remaining liquid assets	**5,679**
Receipts forecast to year end	4,500
Payments forecast to year end	(6,951)
Liquid assets forecast at year end	**3,228**

(*) Includes the amount corresponding to "Investments in related companies" as the interim dividend was paid to the Sole Shareholder by offsetting the balance that the Parent Company held with the same recorded under this heading.

The proposed distribution of profit drawn up by the Parent Company's Directors, subject to approval by the Sole Shareholder, is as follows:

	Thousands of Euros	
	2014	2013
Distribution basis:		
Profit for the financial year	16,488	4,69
	16,488	**4,69**
Distribution:		
To legal reserve	525	15
To interim dividend	14,207	-
To dividends	1,756	4,68
Total	**16,488**	**4,69**

On the other hand, the company S.A.S. Naturhouse distributed dividends to Kiluva, S.A., Sole Shareholder of the Parent Company, before the commercial formalization of its entering the scope, amounting to 6,500 thousand euros. This dividend has been considered in the distribution of dividends for the 2014 financial year to the Sole Shareholder.

Finally, in the 2013 financial year, the Parent Company distributed dividends against reserves amounting to 5,073 thousand euros.

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

	2014	2013
Dividends:		
Dividends distributed and paid (in thousands of euros)	25,682	7,00
Dividends agreed to be distributed (in thousands of euros)	22,756	9,75
Number of shares	60,000,00	1,00
Dividend per share distributed and paid (in thousands of euros)	0.43	7.0
Dividend per share agreed to be distributed (in thousands of euros)	0.38	9.8

5. Valuation standards

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

a) Intangible assets

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

Research and Development

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

The expenses recorded in the consolidated profit and loss account for the 2014 financial year amounted to 47 thousand euros.

Transfer Rights

Correspond to the amounts paid by way of transfer of premises in acquiring new shops. Amortized 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. At year end 2013 the Group had no significant patents or trademarks. However, during the 2014 financial year, brands were acquired as stated in Note 7. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at between 5 and 10 years.

Software

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

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

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

b) Tangible fixed assets

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

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

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

Financial expenses, incurred during the construction or production period prior to commissioning the assets, are capitalized, with both the sources of specific financing intended expressly for acquiring the fixed asset element, as well as the sources of generic financing in accordance with the guidelines established for qualifying assets in IAS 23. During the 2014 and 2013 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 furnishings	8.33 - 30
Information processing equipment	3 - 4
Transport elements	6.25 - 10

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

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

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

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

c) Impairment of non-financial assets

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

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

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

The Group annually evaluates the existence of impairment indicators (or in interim periods in the event of impairment indicators occurring), determining that on the date of these consolidated financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Group has not subjected them to impairment. In this regard, the Group has no significant intangible assets or any trade fund as of 31st December 2014, excepting the brands stated in Note 7; given their recent acquisition and in accordance with the gross margins obtained in their marketing, they have not been subjected to the impairment test as of 31st December 2014.

At year end 2013, the Group had updated appraisals prepared by independent third parties for the most significant tangible fixed assets, which corresponded to land and buildings, and backed up a realisable value greater than their book value. During the 2014 financial year, the Group disposed of the assets appraised as described in Note 8 and appraisals have not been performed for the other tangible assets as stated in the previous paragraph, due to not having observed impairment indicators.

d) Operating and financial leases

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

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

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

The rentals do not have grace periods or compensatory clauses that generate a future payment commitment, that may have a significant impact on these consolidated accounts.

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.

In the 2014 financial year, the Group applied the valuation standards listed below to its financial instruments:

Financial assets

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

- Loans and accounts receivable
- Financial assets available for sale

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

1. *Loans and accounts receivable*

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

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

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

The Group records the corresponding provisions for the difference between the amount to be recovered from the accounts receivable and the book value by which they are recorded.

2. *Financial assets available for sale*

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

All the financial assets available for sale held by the Group at year end 2014 mainly relate to shares in companies listed on the Stock Exchanges.

Initial valuation

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

Subsequent valuation

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

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

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

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

Financial liabilities

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

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

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

f) Stock

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

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

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

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

g) Cash and other equivalent liquid assets

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

h) Provisions and contingencies

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

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

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

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

Contingent liabilities are not recognised in the 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. (Note 14). The Group recognises as an expense or accrued income by way of long term benefits the net cost of the services provided during the financial year, as well as that corresponding to any reimbursements and the effect of any reduction or settlement of commitments assumed. The Group has considered the effect of updating such provision and the consequent financial impact on the consolidated equity and income to be insignificant.

k) Corporate tax and deferred taxes

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

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

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

In Spain, Naturhouse Health S.A.U. is in the special tax consolidation scheme, in accordance with Spanish Corporate Tax Law, with Kiluva, S.A. being the parent entity of the tax consolidation group identified by number 265/09 and composed of all the subsidiaries that meet the requirements provided by the regulations governing the taxation of consolidated profits of corporate groups in Spain.

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

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

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

l) Foreign currency

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

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

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

m) Recognition of income

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

Sale of goods

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

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

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

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 application of IAS 18, the Group recognises all the master franchise income when all the risks and rewards associated with the contract have been transferred, which generally occurs at the time of opening the first franchise under such master franchise contract.

Other operating income

Under this heading, the Group mainly records the rebilling of expenses to related companies and, to a lesser extent, income from the photovoltaic plants it owns (see Note 8).

Interest and dividend income

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

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

n) *Recognition of expenses*

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

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

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

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

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

ñ) *Transactions with related parties*

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

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

Non-commercial transactions with related parties not conducted at market prices are accounted for at their fair value (see Note 13.g).

Additionally, there are other specific transactions with related parties conducted at their book value (see Note 3.c).

o) *Environmental information*

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

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

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

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

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

p) *Segment information*

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

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

q) *Consolidated statement of cash flows*

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

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

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

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

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

r) Earnings per share

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

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

6. Risk Exposure

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 detail of impairment losses recognised under "Trade Receivables for Sales and Services" on the consolidated statement of financial position attached as of 31st December 2014 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Provision for bad debts	(221)	(212)

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

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

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

The average collection period varies depending on the country, between 30 and 60 days. Significant balances with third parties overdue for more than 365 days are fully provisioned.

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 financing and credit lines detailed in Note 15.

In the current market environment, which in recent financial years has been primarily marked by a major financial crisis that led to a widespread credit crunch, the Group has maintained a proactive policy with regard to managing liquidity risk, focusing primarily on preserving its liquidity.

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

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

The excess liquid assets the Group obtains are primarily used for the current account with the Parent Company's Sole Shareholder, Kiluva, S.A. (Note 19.1).

The schedule of future payments for financial liabilities is included in Note 15.

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

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

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of yearend 2014 and 2013, 100% of the borrowings were at variable interest rates.

From the net financial debt at year end 2014 and 2013, the financial cost implication that could have had a variation of a point in the average interest rate would be the following:

Year 2014

Interest rate variation	+1%	-1%
Financial cost variation (€ thousands)	2	(2)

2013 financial year

Interest rate variation	+1%	-1%
Financial cost variation (€ thousands)	171	(171)

However, the Group has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2014 and 2013 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.

Capital management

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

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

The net financial debt ratio to Operating Income before amortization, impairment and other income as of 31st December 2014 and 2013 is at 0.01 and 1.24 times, respectively. In calculating this ratio, the Company has considered the headings of the consolidated statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt.

7. Intangible fixed assets

The changes in this heading in the consolidated statement of financial position for the financial years 2014 and 2013 were as follows:

Cost	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31st December 2012	**13**	**54**	**86**	**62**	**215**
Variations in the scope	-	-	4	-	4
Additions	-	10	8	-	18
Withdrawals	-	(27)	(2)	-	(29)
Conversion differences	-	(16)	-	-	(16)
Balance at 31st December 2013	**13**	**21**	**96**	**62**	**192**
Variations in the scope	-	-	-	17	17
Additions	-	2,345	55	-	2,400
Withdrawals	(1)	(13)	(6)	(4)	(24)
Conversion differences	-	-	-	-	-
Balance at 31st December 2014	**12**	**2,353**	**145**	**75**	**2,585**

Accumulated amortization	Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31st December 2012	**(8)**	**(27)**	**(51)**	**(10)**	**(96)**
Allocations	(1)	(26)	(10)	(1)	(38)
Applications	-	18	1	-	19
Conversion differences	-	15	1	-	16
Balance at 31st December 2013	**(9)**	**(20)**	**(59)**	**(11)**	**(99)**
Allocations	-	(135)	(25)	(2)	(162)
Applications	-	13	6	-	19
Conversion differences	-	2	-	-	2
Balance at 31st December 2014	**(9)**	**(140)**	**(78)**	**(13)**	**(240)**

Net book value	Thousands of Euros	
	31/12/2014	31/12/2013
Transfer rights	3	4
Industrial property	2,213	1
Software	67	37
Other intangible assets	62	51
Total Intangible Assets	**2,345**	**93**

The variation in intangible assets in the 2014 financial year mainly relates to the Sole Shareholder's acquisition, on 20th June 2014, of brands amounting to 2,331 thousand euros. This sale was paid, together with the associated VAT, by offsetting the financial account held with the Sole Shareholder to date (Note 10.2).

Additionally, to value the transaction at its fair value, the Group obtained a report from an independent expert, J. Isern Patentes y Marcas, S.L., dated 17th June 2014 and, using as valuation methodology the future discount for 10 financial years (the brands' estimated useful life) of a royalty ranging between 4% and 6.5%, depending on the brand and product, using a discount rate of 6.65%. This report does not include safeguards or limitations. The breakdown of the main brands acquired is included in the Management Report attached.

The brands are, therefore, amortized by the straight-line method over a useful life of 10 years.

Given the recent acquisition thereof, and the margins obtained in marketing these brands' products, the Group has not subjected them to the impairment test as of 31st December 2014.

8. Tangible fixed assets

The movement during the 2014 and 2013 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

	Thousands of Euros						
Cost	Land and natural assets	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Assets in construction and advances	Total
Balance at 31st December 2012	**798**	**1,112**	**6,754**	**485**	**161**	**4**	**9,314**
Variations in the scope	52	12	1,144	15	5	-	1,228
Additions	-	2	369	9	12	10	402
Withdrawals	-	(64)	(299)	(27)	(15)	-	(405)
Conversion differences	-	(2)	(23)	(1)	(1)	-	(27)
Balance at 31st December 2013	**850**	**1,060**	**7,945**	**481**	**162**	**14**	**10,512**
Variations in the scope	-	-	307	10	10	-	327
Additions	-	-	550	23	89	-	662
Withdrawals	(589)	(305)	(2,779)	(96)	(41)	(9)	(3,819)
Conversion differences	-	-	18	-	-	-	18
Balance at 31st December 2014	**261**	**755**	**6,041**	**418**	**220**	**5**	**7,700**

	Thousands of Euros				
Accumulated amortization	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Total
Balance at 31st December 2012	**(86)**	**(1,737)**	**(128)**	**12**	**(1,939)**
Allocations	(38)	(893)	(167)	(47)	(1,145)
Applications	37	163	5	14	219
Conversion differences	1	9	-	1	11
Transfers	21	(64)	43	-	-
Balance at 31st December 2013	**(65)**	**(2,522)**	**(247)**	**(20)**	**(2,854)**
Allocations	(28)	(852)	(119)	(55)	(1,054)
Applications	24	1,601	90	23	1,738
Conversion differences	-	(8)	-	-	(8)
Balance at 31st December 2014	**(69)**	**(1,781)**	**(276)**	**(52)**	**(2,178)**

Impairment	Thousands of Euros		
	Land and natural assets	Buildings	Total
Balance at 31st December 2012	**(437)**	**(123)**	**(560)**
Applications	9	2	11
Balance at 31st December 2013	**(428)**	**(121)**	**(549)**
Applications	428	121	549
Balance at 31st December 2014	-	-	-

Net book value	Thousands of Euros	
	31/12/2014	31/12/2013
Land and natural assets	261	422
Buildings	686	874
Other facilities, tools and furnishings	4,260	5,423
Information processing equipment	142	234
Transport elements	168	142
Assets in construction and advances	5	14
Total Tangible Fixed Assets	**5,522**	**7,109**

During the 2014 financial year, further to the additions to the scope discussed in Note 3.c.1 above, there have been derecognitions of tangible fixed assets amounting to 1,036 and 310 thousand euros corresponding, firstly, to the sale of tangible fixed assets not affecting the Group's activity recorded under "Other facilities, tools and furnishings" and, secondly, to the sale of a commercial property that was owned and recorded under "Land and natural assets" and "Buildings". Both sales were made to a company related to the Sole Shareholder, Tartales, S.L.U., and have been made at the net book value at which the Group had such assets recorded at the time of the sale, consequently, there was no impact on the consolidated profit and loss account attached.

The variations in scope for the 2014 and 2013 financial years refer to S.A.S. Naturhouse entering the scope and the merger of Naturhouse Health, S.A.U. (previously, Housediet, S.L.U) and Kiluva Diet, S.L.U (Spain),

As of 31st December 2014 and 2013 under "Other facilities, tools and furnishings", photovoltaic panels and other fixed assets are included with a net book value amounting to 1,442 and 2,594 thousand euros respectively. These fixed assets are amortized by the straight-line method as with any of the Group's fixed assets, but they do not directly affect the Group's activities. As of 31st December 2014, such fixed assets did not meet the criteria set out by IFRS 5 for classification as "Non-current assets held for sale".

As of 31st December 2014 and 2013, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to 452 and 3,072 thousand euros respectively, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 9).

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2014, 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 31st December 2014 and 2013 are detailed below:

	Thousands of Euros	
	31/12/2014	31/12/2013
Cost:		
Land and structures	1,190	1,169
Other facilities, tools and furnishings	3,466	2,671
Information processing equipment	158	147
Transport elements	83	98
Total cost	**4,897**	**4,085**
Accumulated amortization	**(2,326)**	**(1,656)**
Total net value	**2,571**	**2,429**

The impairments recorded as of 31st December 2013 relate to certain assets being recorded at fair value (less than their book value), mainly regarding a property owned by the Group in Tenerife, impairment practised in accordance with appraisals conducted by independent third parties during the 2010 and 2013 financial years. In the 2014 financial year, this property was sold to a company related to the Sole Shareholder, as previously stated.

As of yearend 2014 and 2013, the Group had no significant firm commitments to purchase tangible assets.

9. Leases

Financial leases

At year-end 2014 and 2013 the Group, in its capacity as financial lessee, has recognised assets that are leased according to that detailed below (in thousands of Euros):

Year 2014

Concept	Contract length in months	Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	236	28	26	83
Transport elements	36-48	79	-	12	17	50
Total		**452**	**236**	**40**	**43**	**133**

Year 2013

Concept	Contract length in months	Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	120-144	1,363	961	103	61	238
Technical facilities	84	1,596	1,096	244	256	-
Transport elements	48	113	98	11	4	-
Total		**3,072**	**2,155**	**358**	**321**	**238**

(*) Both regarding fees paid and outstanding contributions, only the portion of the fee corresponding to the cost of the asset, excluding the amount of interest corresponding to the fee, is included.

The net book value of assets associated with leasing contracts at year-end 2014 and 2013 is as detailed below:

	Thousands of Euros	
	31/12/2014	31/12/2013
Land and structures	335	615
Technical facilities	-	1,517
Transport elements	76	-
Total	**411**	**2,132**

At year-end 2014 and 2013 the Group has contracted with lessors the following minimum lease payments (including, where appropriate, purchase options), according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments:

Financial leases	Thousands of Euros	
Minimum payments	31/12/2014	31/12/2013
Less than one year	43	321
Between one and six years	133	238
Total	**176**	**559**

At year end 2014, leases relate mainly to the premises located in Lisbon (Portugal). During the year 2014, they have won contracts leasing photovoltaic panels located in the provinces of Barcelona, Guadalajara and Las Palmas (Spain), and the Group has decided to exercise its option to purchase those technical facilities that are not affected directly by the activity.

Operating leases

At year-end 2014 and 2013 the Group has contracted with lessors the following minimum lease payments, according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments (in thousands of Euros):

	Thousands of Euros	
Minimum payments	31/12/2014	31/12/2013
Less than one year	2,579	2,443
Between one and six years	6,353	2,410
More than five years	2,076	231
Total	**11,008**	**5,084**

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

The cost of these leases are recorded under "Other operating expenses" in the accompanying consolidated income statement and amount to 2,870 and 3,253 thousand Euros in 2014 and 2013, respectively.

10. Financial assets

10.1 Non-current financial assets

At December 31, 2014 and 2013, the detail under this heading is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Equity instruments		
- Assets available for sale	42	42
- Other equity instruments	76	103
Other financial assets		
- Long term deposits and guarantees	639	439
Total	**757**	**584**

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

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

- Level 1: those tied to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: those referenced to other inputs (other than the quoted prices included in Level 1) observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from the prices).
- Level 3: are referenced to valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

On June 16, 2014, the Group sold the shares held in the two companies Twinat SRL and Twinat Sp. Zo.o. to its sole shareholder for the same amount for which was recorded in the accounts (103 thousand Euros), without any impact on the income statement of the group. These equity instruments were recorded under "Other equity instruments", valued at cost at year end 2013.

Incorporating SAS Naturhouse in the scope of consolidation has contributed to the Group's participation in Twinat SARL, which has been disposed by the same amount at which it was recorded in accounting (51 thousand Euros), with no impact on the account of the Group, as with the previous shares.

Assets available for sale

This section shows no transactions for the year 2014. Transactions during the year 2013 are as follows:

	Thousands of Euros				
	31/12/2012	Additions due to variation in scope (Note 3 c)	Additions	Disposals	31/12/2013
Assets available for sale	27,142	7,277	-	(29,784)	4,635
Deterioration of portfolio	(23,302)	(6,460)	(50)	25,219	(4,593)
Total	**3,840**	**817**	**(50)**	**(4,565)**	**42**

During the year 2013, the Group received dividends amounting to 31 thousand Euros from investments in equity (see Note 18.4). Disposals in 2013 corresponded to sales to third parties.

Deterioration of portfolio

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

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

During 2013 there was a fall which practically corresponded to a value of 40%, or more than the market value of said assets, therefore the Group recognized, under net income, for that period, accumulated losses previously recognized under equity.

The difference between the impairment of the registered portfolio and the value adjustments recognized in the statement of comprehensive income are gains or losses on the sale of shares.

10.2 Investments in associates and affiliates

Participation in equity-accounted companies

Participation in companies of the equity-accounted method corresponds to the input on the perimeter of the Group of the investee Ichem, Sp. Zo.o as described in Note 3.c and the results since its incorporation.

The breakdown of investment in equity-accounted companies at year end 2014 and the transactions during this period is as follows:

	Thousands of Euros				
	Initial Balance	Acquisitions	Participation in results from equity-accounted companies	Dividends	Closing Balance
Ichem Sp. Zo.o	-	2,275	680	(206)	2,749

Other information related to this investee is as follows (figures as of 31 December 2014 and in 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	20,257	11,040	35,694	3,157

(*) Sales and result from Ichem, Sp. Zo.o included that corresponding to the year ended December 31, 2014.

Current investments in affiliate companies

The balance recorded under "Investments in associates" in the years 2014 and 2013 amounting to 11,007 and 25,659 thousand Euros, respectively, corresponds to centralised treasury management which the Parent Company has with Kiluva, SA (Note 19.1). Since January 1, 2014, said current account accrues market interest rates of 3.5% on average in 2014. Furthermore, during the year 2013, said current account did not accrue market interest as agreed between the parties, which is why the Group recorded a financial accounting income corresponding to the market interest charged to consolidated equity.

The amount recorded as financial income for this concept has risen during the years 2014 and 2013 at 474 and 1,404 thousand Euros, respectively.

During 2014 said account receivable experienced a significant decrease, mainly as a result of transactions with sole shareholder from the distribution of dividends from the Parent Company amounting to 19,183 thousand Euros (Note 13), the acquisition of the holding in Ichem, Sp. zo.o amounting to 2,275 thousand Euros (Note 3.c), the acquisition of intangible assets (brands) amounting to 2,331 thousand Euros (Note 7) and the cancellation of a credit policy by way of subrogation of Kiluva, S.A in the position of the Group amounting to 3,980 thousand Euros. Moreover, it has been increased, basically, by the sale of shares held by the Group in the two companies

Twinat, S.R,L and Twinat Sp. Zo.o. amounting to 103 thousand Euros (Note 10.1), interest accrued previously described, the balance with Kiluva, S.A. by S.A.S Naturhouse, which entered the scope in the year 2014 (Note 3.c) which at year-end amounted to 3,500 thousand Euros, as well as the company's centralized treasury management.

The Directors of the Parent Company consider that this balance is fully recoverable and will be settled in full once the process of placement of shares mentioned in Note 23 is successfully complete.

10.3 Current financial assets

The breakdown of this category at the close of 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Bank deposits	-	1,902
Other short-term financial investments	42	42
Total	**42**	**1,944**

The amount recorded under "Bank Deposits" mainly corresponded to deposits made with financial institutions with less than one year and more than 3 months maturity and remunerated at a market interest rate. At year end 2014, the deposits have a maturity of less than three months (see Note 12).

The book value of the Group's financial assets does not differ materially from its fair value.

11. Inventory

The detail of "stock" in the consolidated statement of financial position attached, to December 31, 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Goods	3,925	2,694

During 2014, additions due to variations in the scope of consolidation under this heading amounted to 860 thousand Euros (see Note 3.c)

The Group does not consider it appropriate to make accumulated impairment losses since the net realizable value of stock is higher than their purchase price (or production cost).

12. Cash and cash equivalents

Almost all of the balances of this heading in the consolidated statement of financial position at December 31, 2014 and 2013 correspond to the amount deposited in current accounts and financial deposits for periods less than 3 months that the Group held on those dates with financial institutions, freely disposed and remunerated at market rates, with the amount of cash not being significant.

13. EQUITY

a) Share Capital

At 31 December 2013 the share capital of the Company was represented by 1,000 registered shares with a nominal value of 375 Euros each, fully subscribed and paid-up.

During 2013, the sole shareholder of the Parent Company approved the merger of Naturhouse Health, S.A.U with the Group company Kiluva Diet, S.L.U (see Note 3.c). As a result of this merger, the share capital of the Parent Company increased by 75 thousand Euros through the issuing of 200 shares of a nominal value of 375 Euros each, with a premium of 2,149 thousand Euros (10.7 thousand Euros per share).

On June 5, 2014 the Parent Company, Naturhouse Health, S.A.U, made a capital increase with the consideration of shares through the non-monetary contribution of 100% of the shares of the company S.A.S Naturhouse (Note 3.c.1). The company that made said contribution is Kiluva, SA, the sole shareholder of the Parent Company, with the non-cash assets to be contributed to 100% of the shares in the company S.A.S Naturhouse (France). The value of the capital increase through non-monetary contribution was registered at an amount of 100 thousand Euros.

Also, on June 17, 2014, the Parent Company performed a split of its shares and increased its capital amounting to 2,525 thousand Euros charged to reserves through issuing new shares, reflecting a total of 3 million Euros divided into 60 million shares with a nominal value of 0.05 Euros, fully subscribed and paid-up.

Finally, the company Kiluva, S.A. owns 100% of the shares of the Parent Company at year-end 2014 and 2013. The Group maintains and operates contracts with its sole shareholder as described in Note 19, and has met all requirements for information regarding their status as a Unipersonal Company.

b) Distribution of profit and dividends

On June 17, 2014, the sole shareholder approved the allocation of profit of the Parent Company for the year 2013, which amounted to 4,697 thousand Euros, to the legal reserve and dividends amounting to 15 thousand Euros and 4,682, respectively, having paid the dividend declared by offsetting financial account held with the sole shareholder (Note 10.2).

Additionally, on September 30, 2014, the Sole Shareholder decided to distribute dividends amounting to 21,000 thousand Euros, of which 14,207 thousand Euros were recorded as dividend for the year and 6,793 thousand Euros charged to reserves (6,500 thousand Euros in S.A.S Naturhouse and 293 thousand Euros in the Parent Company (Note 4)). The amount corresponding to the interim dividend has been paid by offsetting the financial account held with the sole shareholder (Note 10.2).

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.

At December 31, 2014 this reserve is not made in full and amounts to 75 thousand Euros.

d) d) Net equity attributable to minority interests

The detail of this heading in the consolidated statement of financial position attached, to December 31, 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Kiluva Portuguesa Nutriçao e Dietética, Lda.	-	547
Naturhouse, GmbH	-	126
Zamodiet México, S.A de C.V.	153	202
Total	**153**	**875**

Following the incorporation of S.A.S Naturhouse and its subsidiary corporations to the scope of consolidation, the Group now holds 100% interest in the share capital of Kiluva Portuguesa Nutriçao e Dietética, Lda. and Naturhouse, GmbH (Note 3.c.1).

The variations in the years 2014 and 2013 in this section of the consolidated statement of financial position is attached below:

	Thousands of Euros
Balance on 31 December 2012	**1,085**
Profit attributable to minority interests	(92)
Conversion differences	(10)
Variations in the scope	(108)
Balance on 31 December 2013	**875**
Profit attributable to minority interests	(66)
Conversion differences	16
Variations in the scope	(672)
Balance on 31 December 2014	**153**

e) e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, December 31, 2014 and 2013 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)
- Zamodiet Mexico, S.A. (Mexico)

f) Profit / (loss) 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 year-end 2014 and 2013, the profit or loss per share are as follows:

	2014	2013
Number of shares	60,000,000	1,000
Average number of shares	60,000,000	1,000
Consolidated Net Income of the Parent Company (Thousands of Euros)	22,560	8,544
Number of own shares	-	-
Number of shares outstanding	60,000,000	1,000
Profit /(loss) per share (in Euros per share)(*)		
- Basic	0.38	0.14
- Diluted	0.38	0.14

(*) The Group's earnings per share in accordance with IAS 33. In this sense, according to said standard, earnings per share for the year 2013 have been adjusted considering the effect of changes in the number of shares during 2014 that have not been accompanied by a shift in resources.

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

g) Other distributions to Sole Shareholders

The amounts reflected in "Other distributions to the sole shareholder" in the year 2013 are for the registration of certain transactions with the sole shareholder that had been treated at the level of individual financial statements at different market prices, since they are in the same fiscal consolidation group. Consequently, these transactions were reassessed in the consolidated income statement, recording them at market prices, also considering tax effect and considering a balancing of the "Other distributions to the Sole Shareholder" account. The most relevant re-evaluated transaction represents interest earned on the account receivable from the sole shareholder due to centralized treasury management. (see Note 10.2).

14. Provisions and contingencies

a) Non-current provisions

The balance of other non-current provisions refers basically to a commitment between the Group and certain employees of the Italian company Naturhouse S.R.L 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 January 1, 2007, with the regulatory change in Italy, the reserve constituted for TFR up until December 31, 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 221 and 186 thousand Euros for the years 2014 and 2013, respectively.

b) Contingencies

At year-end 2014 and 2013 the Group remained in dispute with the associate company Zamodiet, S.A. regarding a commercial debt amounting to 2.2 and 2.4 million Euros, respectively, with said liability being recorded under "Suppliers, Associate Companies". The Directors of the Parent Company, together with its legal advisers, believe that the resolution of that dispute will have no equity impact on the Naturhouse Group since said debt is secured by the Sole Shareholder of the Parent Company. Additionally, the Group has various other minor disputes that are currently pending whose maximum impact in any case would not be significant.

The Directors of the Parent Company do not believe therefore that there are any relevant liabilities arising as a result of the events described in the preceding paragraphs.

15. Financial debt

The breakdown of current and non-current financial debt of the Group at 31 December 2014 and 2013 is as follows:

Year 2014

	Thousands of Euros			
	Amount	Maturity		
	Initial or Limit	Non-	Current current	Total
Amounts owed to credit institutions:				
Loans	13,500	4,424	1,885	6,309
Financial leases (Note 9)	159	43	133	176
Subtotal of debts to credit institutions:	**13,659**	**4,467**	**2,018**	**6,485**
Other financial liabilities	-	58	2,345	2,403
TOTAL	**13,659**	**4,525**	**4,363**	**8,888**

Year 2013

	Thousands of Euros			
	Amount Initial or Limit	Maturity		Total
		Non-	Current current	
Amounts owed to credit institutions:				
Loans	34,800	8,626	5,614	14,240
Financial leases (Note 9)	3,262	321	238	559
Credit policies	7,000	5,485	-	5,485
Discounted bills	2,100	245	-	245
Subtotal of debts to credit institutions:	**47,162**	**14,677**	**5,852**	**20,529**
Other financial liabilities	-	10	13	23
TOTAL	**47,162**	**14,687**	**5,865**	**20,552**

<u>Loans</u>

The Group maintains several loans from different banks in which both the Sole Shareholder and companies associated to it, Finverki, S.L.U and Tartales, S.L.U act as guarantors. There are no additional guarantees in relation to such loans.

The breakdown by maturity of the loans held by the Group is, at face value, as follows:

	Thousands of Euros	
Maturity	31/12/2014	31/12/2013
2014	-	8,626
2015	4,424	3,729
2016	1,885	1,885
Total	**6,309**	**14,240**

Some of the loans listed above include certain maturity clauses and prepayment obligation ("covenants"). At year end 2013, some of these clauses had been breached, which is why the statement of financial position, attached, shows the consolidated debt associated with them, with contractual maturity in the long term, under current liabilities, amounting to 709 thousand Euros.

The financial institutions that sanctioned said loans have not exercised the maturity clause and prepayment obligation.

The decline in loans to December 31, 2014 relates basically to the payment of fees for the year 2014.

Credit policies

During 2014, the credit policy that the Group had taken out was cancelled. The amount drawn down against the policy at the end of December 31, 2013 amounted to 5,485 thousand Euros.

Average interest rate of loans and credit policies

The average interest rate on loans and credit policies for the years 2014 and 2013 was 3.85% and 4.34% per annum respectively.

The book value of the Group's financial debt does not differ materially from its fair value.

Financial leases

The reduction of financial leases during the year 2014 is explained by the transfer of the Tenerife site, which had an associated finance lease (Note 8) due to the expiry of contracts of photovoltaic panels, whose purchase option had been exercised by the Group, and shares paid during the year.

Other financial liabilities

Included under the heading "Other non-current financial liabilities" are the amounts given as surety by franchisees of S.A.S Naturhouse (France) to guarantee compliance with its contractual obligations. In the other Group companies such guarantees are obtained by bank guarantees. At December 31, 2014, these deposits are valued at amortized cost.

16. Trade creditors and other payables

The balances of this heading in the current liabilities of the consolidated statement of financial position at December 31, 2014 and 2013 have the following composition:

	Thousands of Euros	
	31/12/2014	31/12/2013
Suppliers	2,059	1,089
Various creditors	951	835
Staff (remuneration pending payment)	1,302	1,126
Advances from customers	14	-
Short-term accruals	295	179
Total	**4,621**	**3,229**

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.

Information on postponements of payments made to suppliers. Third additional provision. 'Duty of Reporting', of Act 15/2010, of 5th July

Set out below is the information required by the Third Additional Provision of Law 15/2010 of July 5:

	Payments made and payments outstanding at the close of the year (Thousands of Euros)			
	2014		2013	
	Amount	%	Amount	%
Paid within the maximum legal term	6,518	55%	5,673	42%
Other	5,421	45%	7,815	58%
Total payments in the year	**11,939**	**100%**	**13,488**	**100%**
Days due for payments	79		76	
Weighted average days past due for payments	19		16	
Deferred payments which on the closing date exceed the maximum legal term	965		74	

The figures set out in the above table on payments to suppliers refer to those of the Spanish companies of the consolidable Group which due to their nature are trade creditors, i.e., debts owed to suppliers of goods and services, such that they include data related to "Suppliers" and "Various Creditors" of current liability items on the consolidated financial statement attached.

The weighted average days past due for payments has been calculated as the quotient formed in the numerator by the sum of the products of each one of the payments to providers carried out in the year, and that have a postponement period greater than the legal payment period, and the number of postponement days exceeded; and in the denominator is calculated by the total amount of payments made in the year with a postponement greater than the legal payment period.

The maximum payment period applicable under Law 3/2004 of 29 December, which measures combating late payment in commercial transactions and in accordance with the transitional provisions of Law 15/2010, of July 5, is 85 days from the date of entry into force of the Act until 31 December 2011. As of January 1, 2012 and until December 31, 2012 it becomes 75 days. And from 1 January 2013 and until 31 December 2013, 60 days.

The Act has been amended by Law 11/2013 of July 26, established from the date of its application, a maximum of 30 days, unless there is an agreement between the parties with a maximum of 60 days.

17. Tax situation

17.1 Current balances with Public Administrations

The composition of current balances with Public Administrations at 31 December 2014 and 2013 is as follows:

Debit balances

	Thousands of Euros	
	31/12/2014	31/12/2013
VAT (refund) receivable	198	167
Other concepts (refund) receivable	-	-
Corporation tax (refund) receivable	74	59
All other credit with Public Administration bodies	**272**	**226**

Credit balances

	Thousands of Euros	
	31/12/2014	31/12/2013
VAT (refund) payable	222	133
VAT (refund) withholdings payable	628	349
Creditor Social Security Organisms	652	421
Corporation tax (refund) payable	1,650	415
Other concepts (refund) payable	49	54
All other debts with Public Administration bodies	**3,201**	**1,372**

17.2 The reconcilement between income and expenses for Corporation Tax

At December 31, 2014 and 2013, 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. However, the parent company of the group, Naturhouse Health S.A.U, is taxed under the tax consolidation regime, with Kiluva, S.A., sole shareholder, being head of the consolidated tax group.

The expense for income tax payments under the consolidated profit and loss account attached 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	
	2014	2013
Consolidated profit before tax	32,943	13,012
Permanent differences and consolidation adjustments	(561)	357
Adjusted profit	**32,382**	**13,369**
Tax rate	*30%*	*30%*
Profit adjusted according to tax rate	**9,714**	**4,011**
Differences according to tax rate	327	(379)
Other adjustments	408	928
Total tax expense	**10,449**	**4,560**

The other adjustments for the year 2014 include the effect of a changed tax rate in Spain which has been calculated by applying the appropriate amount of the tax rate applicable in the year in which the corresponding item arose, adjusted for the effect caused as a result of the change in the tax law that occurred in the year 2014. In this regard, Law 27/2014 of November 27, concerning Corporation Tax provides, inter alia, the reduction over two years of the general rate of income tax, which until 31 December 2014 stood at 30%, so that said rate is established at 28% and 25% for fiscal years beginning on or after January 1, 2015 and 2016, respectively. Therefore, in the year 2014 the Group has recalculated, taking into account the year in which foreseeable reverse will occur, the amount of deferred tax assets recognized in the balance sheet. Consequently, there has been a positive adjustment to income tax that is recorded under the heading of income tax expense in the accompanying consolidated income statement amounting to 64 thousand Euros.

The other adjustments for the year 2013 mainly correspond, for an amount of 505 thousand Euros, to the lower tax credits of the Portuguese subsidiary company.

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at year-end 2014 are as follows:

Country	Tax rate
Spain	30%
France	33.33%
Italy	31.4%
Poland	19%
Portugal	23%
Mexico	30%
United Kingdom	21%
Belgium	33.99%
Germany	30%

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

	Thousands of Euros	
	2014	2013
Expense/(income) deferred tax	130	555
Expense/(income) current tax	10,319	4,005
Total expense (income) due to tax	**10,449**	**4,560**

The difference between the expense / (income) due to current tax and deferred tax movement relates mainly to changes in the scope.

17.3 Recorded deferred tax assets

The details regarding the balance on this account at the close of the year 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Temporary differences (prepaid taxes):		
Impairment of tangible assets	-	227
Tax effect of the consolidation adjustments	274	215
70% depreciation limit	131	53
Book depreciation higher than the tax limit	11	26
Others	42	13
Total deferred tax assets	**458**	**534**

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.

Said deferred tax assets indicated above were recognized by applying the tax rate at which it is estimated they will be recovered, according to that indicated in Note 17.2. in the case of Spain.

17.4 Non-recorded deferred tax assets

The Group has not recognized in the attached consolidated financial statement certain deferred tax assets, in consideration that its future compensation does not meet the requirements of probability under the accounting standard.

The detail of these unrecorded assets is as follows:

	Thousands of Euros		Thousands of Euros	
	31/12/2014		31/12/2013	
	Base	Fee (*)	Base	Fee
Deductions generated in 2011	-	21	-	21
Deductions generated in 2012	-	11	-	11
Deductions generated in 2013	-	2	-	2
Tax-loss carryforwards 2012	2,006	502	2,006	602
Total non-recorded deferred tax assets		**536**		**636**

(*) The effect on the rate of tax losses for the year 2012 was calculated at a tax rate of 25% from 30% in the previous year.

The non-recorded deferred tax assets relate mainly to the Parent Company of the Group.

17.5 Deferred tax liabilities

The details regarding the balance on this account at the close of the year 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Temporary differences (deferred taxes):		
Financial leases	380	402
Others	76	-
Total deferred tax liabilities	**456**	**402**

17.6 Years pending approval and auditing actions

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

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

The companies comprising the Group do not en currently have tax audits related to taxes for the past five years.

However, during the years 2014 and 2013 they have completed the following inspections without significant liabilities thereof derived by the Group:

- VAT tax audit of the Parent Company for the years 2010-2012 having initiated assessments during the year 2013 amounting to 31 thousand Euros, signed and accounted for accordingly.

- Tax audit of all taxes for the years 2008-2010 of the Polish subsidiary, having initiated assessments during the year 2013 amounting to1,500 zlotys, signed and recorded accordingly, corresponding to 2009 and 2010 have been completed in 2014 without significant liabilities being derived thereof.

It is not expected that additional liabilities will be accrued for the Group as a result of the upcoming years pending tax inspections.

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

18. Income and expenses

18.1 Net amount of revenue

The breakdown of net revenues for the years of 2014 and 2013 of the Group is detailed below:

	Thousands of Euros	
	2014	2013
Sales	94,352	57,479
Provision of services	1,379	2,402
Total	**95,731**	**59,881**

18.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2014 and 2013 has the following composition:

	Thousands of Euros	
	2014	2013
Consumption of merchandise:		
Purchases	29,079	20,315
Variation in stock	(371)	(273)
Deterioration of merchandise	-	-
Total	**28,708**	**20,042**

The details of the purchases made by the Group during 2014 and 2013, by source, is as follows:

	Thousands of Euros	
	2014	2013
Spain	9,814	11,442
Europe	19,194	8,210
Others	71	663
Total purchases	**29,079**	**20,315**

18.3 Personnel costs

The breakdown of staff expenses accrued during 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Wages, salaries and similar expense	12,919	9,901
Social security contributions	3,954	3,006
Severance indemnities	530	798
Total	**17,403**	**13,705**

18.4 Financial income and expenses

The details of the financial result of the Group during the year 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Financial income	**551**	**1,545**
Holdings in equity instruments		
In third parties	-	31
Securities and other financial instruments		
In related companies (Note 19.2)	474	1,404
In third parties	77	110
Financial expenses	**(761)**	**(1,162)**
Debts with third parties	(761)	(1,162)
Exchange differences	**13**	**3**
Impairment losses and income from disposal of financial instruments	**(1)**	**(210)**
Financial result	**(198)**	**176**

During 2013, the Group received income from equity investments amounting to 31 thousand Euros, recorded under "Financial income from investments in equity instruments in third parties" of the accompanying consolidated income statement.

The heading "impairment and profits/losses on the disposal of financial instruments" includes the impairments recorded by the Group in relation to the impairment of financial investments, provided that the value thereof does not differ from their fair value at the end of each one of the years, or the capital gains and / or losses from the sale thereof.

18.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2014 and 2013 has the following composition:

	In Thousands of Euros	
	2014	2013
Leases	2,870	3,253
Repairs	371	302
Transportation	2,653	1,342
Supplies	893	646
Advertising	5,611	2,541
Services received from its sole shareholder for management fees and other services (Note 19.2)	685	2,802
Other external services	3,531	3,090
Total	**16,614**	**13,976**

9. Balances and transactions with related parties

The following are considered related parties:

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

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

19.1 Balances with affiliate companies

As of December 31 2014 and 2013, the Group had the following balances with affiliated companies:

	Thousands of Euros			
	Debit balances		Credit balances	
Company	2014	2013	2014	2013
Short-term financial balances				
Kiluva, SA	11,007	25,659	2,007	292
Related individuals	-	-	-	1,058
Total short-term financial balances	**11,007**	**25,659**	**2,007**	**1,350**
Short-term commercial balances				
Gartabo, SA	3	2	-	-
Girofibra, SL	-	-	267	86
House Health Sun, SL	22	-	-	-
Ichem Sp. Zo.o	7	-	3,288	1,742
Indusen, SA	-	-	561	482
Kiluva, SA	-	-	-	61
Abbot Laboratories, SLU	78	-	3	81
Tartales, SLU	-	-	5	-
SAS Naturhouse	-	14	-	468
Zamodiet, SA	-	-	2,245	2,531
Total short-term commercial balances	**110**	**16**	**6,369**	**5,451**
TOTAL	**11,117**	**25,675**	**8,376**	**6,801**

The Group has an account receivable due to central treasury management with the sole shareholder Kiluva, S.A. at year-end 2014 and 2013 (see Note 10.2). Since January 1, 2014, said current account accrues market interest rates of 3.5% on average in 2014. Furthermore, during the year 2013, said current account did not accrue market interest as agreed between the parties, which is why the Group recorded a financial accounting income corresponding to the market interest charged to consolidated equity. The Group recorded as current balances the debit or credit balances of a commercial nature with related companies.

19.2 Transactions with affiliate companies

During the years 2014 and 2013, the Group performed the following transactions with related companies:

Company	Thousands of Euros 2014	2013
Sales		
Gartabo, SA	56	101
House Health Sun, SL	45	-
Ichem Sp. Zo.o	86	-
Laboratorios Abad, S.L.U.	71	-
S.A.S Naturhouse	-	255
Services provided		
Gartabo, SA	-	1
Kiluva, SA	687	-
S.A.S Naturhouse	-	1,813
Zamodiet, SA	-	6
Total operating revenues	**945**	**2,176**
Purchases		
Girofibra, SL	1,149	782
House Health Sun, SL	51	-
Ichem Sp. Zo.o	16,450	8,872
Indusen, SA	3,345	2,425
Laboratorios Abad, S.L.U.	281	469
Laboratorios Oxyjeune, S.L.U.	-	4
S.A.S Naturhouse	-	752
Zamodiet, SA	1,254	3,663
Services received		
Ichem Sp. Zo.o	32	-
Heatlh House Sun, S.L.	19	-
Kiluva, SA	738	2,802
Laboratorios Abad, S.L.U.	-	122
Luair, S.L.U. (Directly and indirectly)	176	214
S.A.S Naturhouse	-	9
U.D. Logroñés, SAD	325	316
Related individuals	-	41
Leasing and Insurance		
Kiluva, SA	33	-
Tartales, SLU	488	1,225
Total operating expenses	**24,341**	**21,696**

Company	Thousands of Euros 2014	2013
Financial income		
Kiluva, SA	474	1,404
Total financial revenues	**474**	**1,404**

Services received from the Sole Shareholder correspond to various contractual agreements for management fees for strategic, operational and financial support and consultancy, as well as the granting of the use of certain brands. During the year 2014, Naturhouse Group and the sole shareholder have cancelled most of these existing contracts as part of a reorganization of the Group's activities.

Asset purchases made with the sole shareholder and affiliate companies indicated in Notes 3.c, 7, 8 and 10.2 and the distribution of dividends in indicated in Note 13.b must be taken into consideration

The Directors of the Parent Company and its tax advisers, BDO Abogados y Asesores Tributarios, S.L., 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.

Said report was prepared on September 25, 2014 and includes the main transactions that the Group has made with its affiliate companies:

- Royalties from the sale of brands
- Support services to the management (management fees) of Kiluva, S.A.
- Rental of buildings
- Sale of products
- Purchase of products
- Interest on current account Kiluva, S.A.

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:

- 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").
- In the absence of comparable examples, the cost plus method ("CPM") has been applied for pricing. Under this method, the service price is determined by the costs incurred by the provider of the services plus, where applicable, a certain market profit margin.

- 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.

Furthermore, in the specific case of the purchasing of products from affiliates, different analyses have been performed, such as comparing the gross margin on costs obtained in purchases from affiliate companies against that obtained by comparable independent companies; an analysis of the gross margin obtained in periods in which purchases have been made from various unrelated and suitable suppliers; and finally, comparing the profitability of individual companies considered competitors of the Group against that obtained by the Group itself. 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 the years 2010-2013. The directors consider that there have been no relevant or significant changes in transfer prices during the year 2014, except for the cancellation of certain contracts for management fees as a result of the reorganization of the activities of the aforementioned Group.

19.3 ***Compensation to Directors and Senior Management of the Parent Company***

During 2014 the current Directors of the Parent Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 48 thousand Euros. Additionally, they have received remuneration indicated in the following paragraph for the development of their executive positions. Furthermore, the Directors do not hold any advance or loan with the Group. Finally, there are no bank guarantees granted, or other commitments made, regarding pensions or life insurance policies with the Directors. The current Directors of the Parent Company have been appointed during the year 2014 as indicated in the accompanying Management Report dated October 2, 2014 and October 9, 2014. Meanwhile, during the year 2013, the sole Director of the Parent Company did not accrue compensation for their role as Sole Director and no advance or loan was held with the Group, except as indicated in Note 19.1. Furthermore, there were no guarantees granted or other commitments made regarding pensions or life insurance with the Sole Administrator at year end 2013.

The compensation received in the year 2014 by the senior executives of the Group amounted to 3,073 thousand Euros for salaries and wages (1,714 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. Remuneration paid to Senior Management of the Group in 2013 amounted to 1,270 thousand Euros.

At year-end 2014 and 2013 the body of the Senior Management of the Group consists of the following persons:

	2014		2013	
Categories	Men	Women	Men	Women
Senior Management	7	1	6	1

No advances or loans granted to senior management at year-end 2014 and 2013, no pension obligations or life insurance.

The Board of Directors consists of six men and two women at year end 2014 (one man at year-end 2013).

19.4 *Information relating to conflicts of interest by the Directors*

At year end 2014 neither the members of the Board of Naturhouse Health, S.A.U. (among which the former sole director of the Parent Company is included) nor persons related to them, as defined in the Corporations Act, have informed other members of the Board of Directors of any conflict, either direct or indirect, that they or persons related to them, as defined in the Corporations Act, may have with the interests of the Company.

20. Environmental information

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

21. Other information

21.1 Personnel

The average number of employees during the years 2014 and 2013, broken down by category, is as follows:

	Number of employees	
Categories	2014	2013
Senior Management	7	7
Rest of Senior Staff	26	15
Administrative and technical staff	48	42
Commercial, sales' staff and operators	347	288
Total	**428**	**352**

Likewise, the gender distribution of the Group at the end of the years 2014 and 2013, broken down by category, is as follows:

	2014		2013	
Categories	Men	Women	Men	Women
Senior Management	7	1	6	1
Rest of Senior Staff	15	10	11	5
Administrative and technical staff	15	34	31	24
Commercial, sales' staff and operators	41	314	50	258
Total	**78**	**359**	**98**	**288**

21.2 Audit fees

During 2014, the fees for audit services and other services provided by the auditor of the consolidated annual accounts of the Group, Deloitte, S.L. and companies belonging to the Deloitte network, as well as fees for services billed by the auditors of individual annual accounts of the companies included in the consolidation and by entities linked to same by control, common ownership or management, were as follows (in thousands of Euros):

Year 2014:

Description	**Services provided by the principal auditor**	**Services provided by other auditors**
Audit Services	93	22
Other verification services (*)	228	33
Total auditing and related services	**321**	**55**
Tax Advice Services	-	24
Other services	55	-
Total Professional Services	**376**	**79**

(*) The Other Verification Services mainly relate to the auditing of the consolidated financial statements for the years 2013, 2012 and 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as limited reviews performed by the auditor of the Group in interim periods of the year 2014, all within the potential placement process and admission to trading of the shares of the Parent Company in the Spanish primary market (Note 23).

During 2013 the fees for audit services and other services provided by the auditor of financial statements of the Parent Group, BDO Auditores, S.L., as well as by other auditors of some subsidiaries, were as follows (in thousands of Euros):

Year 2013:

Description	**Services provided by the principal auditor**	**Services provided by other auditors**
Audit Services	41	8
Other verification services	-	-
Total auditing and related services	**41**	**8**
	-	**-**
Tax Advice Services	24	-
Other services	-	-
Total Professional Services	**65**	**8**

22. Reporting itemized Information

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 2014 and 2013, detailed by Segment, is as follows:

	Thousands of Euros													
	Sectors													
	Spain		France		Italy		Poland		Other countries		Others and eliminat.		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External Sales	20,940	24,719	40,177	1,618	22,958	24,161	8,998	6,959	2,658	2,424	-	-	95,731	59,881
Sales between sectors	4,363	1,691	1,109	-	20	-	7	-	86	-	(5,585)	(1,691)	-	-
Other operating income	70	175	32	704	512	505	70	87	211	399	(199)	(212)	696	1,658
Total revenues	**25,373**	**26,585**	**41,318**	**2,322**	**23,490**	**24,666**	**9,075**	**7,046**	**2,953**	**2,823**	**(5,782)**	**(1,903)**	**96,427**	**61,539**
Supplies	(7,554)	(8,925)	(12,804)	(662)	(6,873)	(7,387)	(3,696)	(2,811)	(1,060)	(878)	3,279	621	(28,708)	(20,042)
Personnel	(5,628)	(6,025)	(4,906)	(1,043)	(4,969)	(5,016)	(1,061)	(913)	(839)	(708)	-	-	(17,403)	(13,705)
Amortization	(699)	(580)	(160)	(71)	(314)	(292)	(95)	(147)	(90)	(105)	142	12	(1,216)	(1,183)
Other operating costs	(4,710)	(6,709)	(7,141)	(513)	(4,940)	(5,645)	(1,499)	(1,345)	(829)	(747)	2,505	983	(16,614)	(13,976)
Impairment losses and income from disposal of fixed assets	(28)	(12)	20	32	-	157	(2)	26	(15)	-		-	(25)	203
Operating results	**6,754**	**4,334**	**16,327**	**65**	**6,394**	**6,483**	**2,722**	**1,856**	**122**	**385**	**142**	**(287)**	**32,461**	**12,836**
Financial income	-	-	-	-	-	-	-	-	-	-	551	1,548	551	1,548
Financial expenses	-	-	-	-	-	-	-	-	-	-	(749)	(1,372)	(749)	(1,372)
Financial result	-	-	-	-	-	-	-	-	-	-	**(198)**	**176**	**(198)**	**176**
Results of equity method associated companies	-	-	-	-	-	-	-	-	-	-	**680**	-	**680**	-
Profit / (loss) before tax	**6,754**	**4,334**	**16,327**	**65**	**6,394**	**6,483**	**2,722**	**1,856**	**122**	**385**	**624**	**(111)**	**32,943**	**13,012**

The segment "Other and 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 detail per segment of certain items of the consolidated statement of financial position, to December 31, 2014 and 2013 is as follows:

	Thousands of Euros													
	Sectors													
	Spain		France		Italy		Poland		Other countries		Others and eliminat.		**Total**	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	**31/12/2014**	**31/12/2013**
ASSETS														
Other intangible assets	2,251	3	12	12	58	63	1	-	23	15	-	-	**2,345**	**93**
Tangible fixed assets	2,949	4,678	652	422	627	755	64	42	1,230	1,212	-	-	**5,522**	**7,109**
Total Assets	**8,254**	**8,864**	**9,103**	**1,020**	**5,553**	**4,992**	**2,012**	**635**	**2,895**	**2,691**	**13.900**	**27,503**	**41,711**	**45,705**
Total Liabilities	**6,437**	**7,162**	**8,252**	**753**	**3,586**	**3,899**	**619**	**554**	**559**	**461**	**6,959**	**20,270**	**26,340**	**33,099**

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

Other segment information

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

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

	In Thousands of Euros					
	Spain	France	Italy	Poland	Other	**Total**
Additions 2013	216	31	119	49	5	**420**
Additions 2014	2,656	94	213	65	34	**3,062**

23. Subsequent events

The Directors of the Parent Company have various action plans related to a potential placement and admission process for the trading of shares of the Parent Company in the Spanish primary market. At December 31, 2014 no significant costs are incurred in relation to said process that have been registered, since for the most part they are assumed by the sole shareholder, nor are there remunerations of a variable nature subject to this process.

Finally, the Parent Company intends to distribute a dividend to the sole shareholder from the result for the year 2015 amounting to 8.5 million Euros which will be satisfied primarily by offsetting the balance held by the Group with same (Notes 10.2 and 19.1).

In Hospitalet de Llobregat, March 5, 2015

Board of Directors

Félix Revuelta Fernández

Vanesa Revuelta Rodríguez

Kilian Revuelta Rodríguez

Rafael Moreno Barquero

José María Castellanos

Isabel Tocino Biscarolasaga

Pedro Nueno Iniesta

Juan María Nin Génova

Management Report

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2014

31 December 2014

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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 year-end 2014 it had an active presence in 26 countries through a network of 1,954 centres, with France, Italy, Spain and Poland being its most important markets.

Naturhouse Health S.A.U. (formerly Housediet S.L.U) is the parent company of the Group, which owns 100% of its sole shareholder, Kiluva S.A. The companies included in full consolidation in the year 2014 are: Naturhouse Health S.A.U. (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, Ltd (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. of C.V. (Mexico).

The year 2014 is marked by the marketing effort aimed at consolidating existing markets, especially in Europe, and the opening of new international geographic markets.

On February 19, 2014 Naturhouse Health, S.A.U signed a purchase agreement with Kiluva S.A. under which the Company acquired the ownership of the shares of the sole shareholder, representing 24.9% of the share capital of Ichem Sp. Zo.o, is a Polish national company dedicated to the manufacture of food supplements. Thus, the Group has a presence in one of the manufacturing companies of the products that the Company sells.

In March 2014 Naturhouse Health S.A.U signs master franchise agreement for Tunisia and Switzerland.

On June 5, 2014, the sole shareholder of Naturhouse Health, S.A. (Kiluva S.A.) performed a capital increase in the Company, which was fully subscribed and paid-up by the Sole Shareholder through the non-monetary contribution of 100% of the share capital of S.A.S Naturhouse, until then fully owned by Kiluva, S.A.; S.A.S Naturhouse is in turn the owner of 100% of the shares of Naturhouse Belgium S.P.R.L With this operation, the business is concentrated on the exploitation of sales establishments of dietary and related products and their sale and distribution within the Naturhouse Group.

On June 16, 2014, holdings in Twinat in France, Italy and Poland (a company dedicated to the manufacture of perfume companies) owned by S.A.S were sold to the sole shareholder, Kiluva S.A, Naturhouse (French subsidiary), Naturhouse S.R.L (Italian subsidiary) and Naturhouse Sp zo.o (Polish subsidiary), respectively, the cost of which was recorded (51 thousand Euros each for the three units).

On June 17, 2014 a Naturhouse dividend was distributed for the year 2013 amounting to 4,682 thousands of Euros by means of offsetting the financial account held with the sole shareholder. Moreover, on this same date, the sole shareholder decided to split the number of shares of the Parent Company by reducing the nominal value and subsequent capital increase against voluntary reserves. Furthermore, on the same date it was agreed to transform the entity to a stock company and change the name from Housediet, S.L. to Naturhouse Health, S.A.U, and change the registered office in Hospitalet de Llobregat (Barcelona) in calle Botánica, transforming the company from a limited liability company to a stock company.

On June 20, 2014 Kiluva, S.A. transferred to Naturhouse Health, S.A.U the brands from its ownership, for an amount of 2,331 thousand Euros plus VAT, achieved by Kiluva, S.A. offsetting the debt to Naturhouse Health, S.A.U

On June 30, 2014, the Parent Company sold an affiliate company to its sole shareholder, for an amount of 1,036 thousand Euros, the fixed asset does not affect the activity of the Group, for the net book value that the Group had recorded for such assets.

On July 31, 2014 the Parent Company amortized the credit policy assumed against CaixaBank, S.A. for an amount of 3,980 thousand Euros (balance drawn from the policy at that time) with funds from Kiluva, S.A. as depreciation for the same amount of the outstanding debt of Kiluva, S.A. Naturhouse Health, S.A.U

On July 30, 2014, the Group sold to an entity affiliated to its sole shareholder, for an amount of 310 thousand Euros, the commercial site that was on lease, leading, in turn, to the reduction of the debt, to an amount of 172 thousand Euros.

On September 30, Naturhouse Health, S.A.U makes an early dividend distribution for the year 2014 to its sole shareholder, for an amount of 14,500 thousand Euros, of which 14,207 thousand Euros are charged to the accumulated result for the year 2014, and 293 thousand Euros are charged to voluntary reserves.

On October 2, 2014 the sole shareholder of Naturhouse Health, S.A.U adopts a series of decisions:

(I) Undertaking by Naturhouse Health, S.A.U of an offer to sell shares of the Company on behalf of its sole shareholder and power of attorney to the Board of Directors.
(Ii) Admission request to trade shares of the Company on the stock market and power of attorney to the Board of Directors.
(Iii) Modification of the system of representation of the shares in the company by converting physical securities to book entries.
(Iv) Approval of the revised Company Statutes.
(V) Acceptance of the resignation of the Sole Director, Félix Revuelta Fernández . Establishment of the number of Board members as four, and the appointment of Mr. Felix Revuelta Fernandez, Mr Kilian Revuelta Rodriguez, Ms. Vanesa Revuelta Rodríguez and Mr Rafael Moreno Barquero as Company Directors.
(Vi) Approval of the annual maximum aggregate amount of remuneration of the Board of Directors.
(Vii) Approval of the Regulations for the General Shareholders' Meeting.
(Viii) Approval of the Company's website as provided for in Article 11 bis of the Capital Company Act.
(Ix) Authorization to the Board of Directors so that subsequent to the date of admission to trade on the stock market, and within a maximum period of five years, and if deemed appropriate, the share capital many be increased to up to half of the current share capital.
(X) Authorization to the Board of Directors so that subsequent to the date of admission to trade on the stock market, and within a maximum period of five years, it may issue bonds, debentures and other fixed-income securities, non-convertible and convertible/exchangeable into shares, as well as warrants or similar securities that may give a right, either directly or indirectly, to subscribe or acquire shares.
(Xi) Authorization to the Board of Directors so that subsequent to the date of admission to trade on the stock market, and within a maximum period of five years, it may proceed to acquire treasury shares, either directly or through its subsidiaries, with maximum of 10% of the share capital, and its subsequent disposal.

On October 9, the number of members of the Board of Directors is fixed at 8 and the appointment of 4 independent directors is made.

On 19 October 2014 the option to buy 4 leases with Deutsche Bank for the photovoltaic panels is taken.

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

Consolidated Profit and Loss Account

(Thousands of Euros)	Year 2014	Year 2013
Net amount of revenue	95,731	59,881
Supplies	(28,708)	(20,042)
Gross Margin	**67,023**	**39,839**
Other operating income	696	1,658
Personnel costs	(17,403)	(13,705)
Other operating costs	(16,614)	(13,976)
Operating income before depreciation and amortization, impairment and other results	**33,702**	**13,816**
Depreciation and amortization	(1,216)	(1,183)
Impairment losses and income from disposal of fixed assets	(25)	203
OPERATING INCOME	**32,461**	**12,836**
Financial income	**551**	**1,545**
Income from holdings in equity instruments, third parties	-	31
Other financial income	551	1,514
Financial expenses	**(761)**	**(1,162)**
Debts with third parties	(761)	(1,162)
Impairment losses and income from disposal of financial instruments	**(1)**	**(210)**
Exchange differences	**13**	**3**
FINANCIAL RESULT	**(198)**	**176**
Results of equity method associated companies	**680**	**-**
CONSOLIDATED PROFIT BEFORE TAX	**32,943**	**13,012**
Corporation Tax	**(10,449)**	**(4,560)**
NET INCOME FROM CONTINUING OPERATIONS	**22,494**	**8,452**
CONSOLIDATED NET INCOME	**22,494**	**8,452**

	31-12-2014	31-12-2013
Average number of employees	429	352
Gross Margin without Sales	70%	67%
Operating Income without Sales	34%	21%
Net Income without Sales	24%	14%

- The net turnover is composed of two main aspects:

   1. Sale of goods. Corresponds to the sale of products through the Naturhouse channel (either through franchising, master franchising or centres of our property). Represents the bulk of revenues with 97.76% in 2014.

   2. Prevision of service; mainly corresponds to two concepts:
      a. €600 annual fee paid by each franchise to subsidiaries of the Group. Represents 1.15% of net revenues in 2014.
      b. Master franchise fee: corresponds to the entry fee that the Group bills to the masters franchisees for the operation of the business in an exclusively new country. This fee is charged in advance in the first year of operation of the business and entitles the exploitation of the Naturhouse channel for 7 years. The amount of the fee varies according to the estimated potential number of Naturhouse centres in that country. During the first half of 2014 two new master franchise agreements (Tunisia and Switzerland) were signed. Represents 0.29% of net revenues in 2014.
   3. Sale of product to herbalists and other establishments outside the Naturhouse channel. Represents 0.8% of net revenues in 2014. In December 2014 this activity ceased.

- The net turnover in 2014 amounted to 95,731 thousand Euros, representing an increase of 59.87% from the previous year. This variation mainly includes the following effects:
   - In France sales are 40,177 thousand Euros. In 2013 it was 1,228 million Euros, the incorporation of SAS Naturhouse into the Naturhouse Group in 2014 is the reason for this increase.
   - In Spain sales have fallen by 2,981 thousand Euros (-12.1%) due to the reduced number of Naturhouse centres open in the country. This reduction is the result of the macroeconomic situation and a process that is leading the company to resettle the market and strengthen the centres, with better locations and management.
   - In Italy sales have fallen by 1,203 thousand Euros (-5%), a decrease also derived from the macroeconomic environment in the country. Note that the last stagnant quarter has seen an increase in turnover and in the opening of centres compared to the same period last year.
   - Increased sales in Poland by an amount of 2,039 thousand Euros (+ 29.3%), derived from the good performance of Naturhouse in the countries of the East.

- The gross margin on the net amount of turnover has increased by 3 percentage points, from 67% to 70% as a result of the incorporation of a new product format, sachets, with higher gross margin for the Group.

- "Other operating income" corresponds to those revenues from outside the Naturhouse business activities, the drop of 55% compared to 2013 is primarily due to the cessation of billing for training services and the re-invoicing of staff costs between S.A.R.L Housediet (France) and S.A.S Naturhouse (France), which were 704 thousand Euros in 2013, as a result of the integration of S.A.S Naturhouse into the Naturhouse Group.

- In 2014 there is an average workforce of 429 employees in the Group, of which 80% 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 20% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.
  Personnel Expenses represents 18% of net revenues.

- Despite the incorporation of S.A.S Naturhouse within the Group (40% of the turnover of Naturhouse Group in 2014), the item "other operating expenses" has been increased by only 18.8% compared to 2013 mainly due to two reasons:
  - *Savings in rent as a result of:* (I) the organizational restructuring in December 2013 in Spain, which led to the transfer from the Barcelona offices and warehouse in Azuqueca de Henares (Madrid) to a single location in Hospitalet de Llobregat (Barcelona) and (ii) the disposal of Naturhouse centres that were leased in Spain.
  - *Cancellation of Management fees;* Services received by the sole shareholder (management fees) for various contractual agreements and strategic advice, as well as operational and financial support, and the cession of certain brands. During 2014 the Group and its sole shareholder have cancelled most of the existing management fee contracts as well as other services which it has maintained in recent years.

- Following the purchase of a 24.9% stake in Ichem Sp zo.o, in 2014, 680 thousand Euros is recorded under the heading "participation in equity-accounted companies" in the accompanying summarised income statement.

- In 2014, the Group recorded a financial income in related companies amounting to 466 thousand Euros, 63.84% lower than in 2013, corresponding to the market interest rate on the balance of "Investments in affiliates" for centralised treasury management of cash receipts and payments which the Parent Company has with Kiluva S.A. Due to the IPO, Naturhouse will cease the activity of centralised treasury management and the intention is that the remaining account receivable will be repaid with funds from the Offering.

- The net result on the amount of turnover is around 24% as a result of the business development explained above. The increase by 9 percentage points compared to 2013 is primarily due to the inclusion in the S.A.S scope Naturhouse and the purchase of 24.9% of Ichem, Sp zo.o, and the reduction in the headings of supplies, wages, rents and services (management fees).

3. Consolidated Statement of Financial Position

ASSET (Thousands of Euros)	31-12-2014	31-12-2013
NON-CURRENT ASSETS:		
Intangible fixed assets	2,345	93
Tangible fixed assets	5,522	7,109
Non-current financial assets	3,506	584
Deferred tax assets	458	534
Non-current assets	11,831	8,320
CURRENT ASSETS:		
Inventory	3,925	2,694
Customer receivables for sales and services	5,182	3,142
Customers, related companies	110	16
Current tax assets and other receivables with public administrations	272	226
Other current assets	683	278
Investments in affiliate companies	11,007	25,659
Current financial assets	42	1,944
Cash and cash equivalents	8,659	3,426
Total current assets	29,880	37,385
Total assets	41,711	45,705

LIABILITIES (Thousands of Euros)	31-12-2014	31-12-2013
NET EQUITY:		
Capital and reserves		
Subscribed capital	3,000	375
Issue premium	2,149	2,149
Premium	1,631	539
Conversion differences	85	124
Results of the year	22,560	8,544
Interim dividend	(14,207)	-
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**15,218**	**11,731**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**153**	**875**
Total net equity	**15,371**	**12,606**
NON-CURRENT LIABILITIES:		
Non-current provisions	**798**	**743**
Non-current liabilities	**4,363**	**5,865**
Deferred tax liabilities	**456**	**402**
Non-current liabilities	**5,617**	**7,010**
CURRENT LIABILITIES:		
Current liabilities	**4,525**	**14,687**
Financial liabilities with related parties	**2,083**	**1,350**
Trade creditors and other receivables	**4,545**	**3,229**
Suppliers, related companies	**6,369**	**5,451**
Current tax liabilities and other payables with public administrations	**3,201**	**1,372**
Total current liabilities	**20,723**	**26,089**
TOTAL NET EQUITY AND LIABILITIES	**41,711**	**45,705**

- The result of the reorganization of the Group during the year 2014 have been changes in non-current assets, mainly summarized as follows:
    - The increase in the item "Intangible assets" is due to the acquisition of brands from the sole shareholder, dated June 20, 2014, amounting to 2,331 thousand Euros.
    - The reduction of plant and equipment amounting to 1,587 thousand Euros, mainly due to the sale to the company related to its sole shareholder, Tartales, S.L.U, the fixed asset does not affect the activity of the Group, for an amount of 1,036 thousand Euros.
    - There has been a considerable increase in non-current financial assets due to the acquisition of 24.9% of the company Ichem, Sp zo.o, worth 2,275 Euros.

- During 2014 the Group has continued its policy of reducing investments in affiliate companies. The sole shareholder debt with the Group was reduced by 57% compared to year-end 2013, amounting to 11,007 at year-end 2014. The Group's intention is to pay this debt with the proceeds of the Offering, in the context of a potential placement and admission process for the trading of shares of the Parent Company in the Spanish primary market.

- The capital has increased to 3,000 thousand Euros for two transactions during the first half of 2014: (i) on 5 June 2014, Naturhouse made a capital increase with share consideration for shares in the French company S.A.S. Naturhouse, valued at 100,000 Euros (ii) on June 17, 2014, Naturhouse Health performed a split of its shares and increased its capital by an amount of 2,525 thousand Euros against voluntary reserves, issuing new shares.

- On September 30, 2014, Naturhouse Health, S.A. decided to distribute an amount on account of the dividend for 2014; (I) from the accumulated profit of the year of 14,207 thousand Euros, (ii) and make distributions by voluntary reserves amounting to 293 thousand Euros.

- In 2014, current and non-current financial debt of the Group was reduced to 8,888 thousand Euros (-57%). The Group has reduced its financial debt in recent years and will continue in this line. The Company does not anticipate significant investments that require significant funding to banks.

- The average payment period of the Spanish companies included in the Naturhouse Group has been 50 days. However, as detailed in Note 16, part thereof has been made later than the maximum period specified in the late payment regulations. The Group is reviewing the purchase and payment processes to reduce such breaches.

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. At December 31, 2014 100% of the borrowings was at a variable interest rate. 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. <u>Risk Factors</u>

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

Negative impact due to the difficult economic situation in Europe. The deep financial and consumer crisis has affected the opening of new franchises, the scarce funding provided by financial institutions, and final consumer purchases, inter alia, due to the difficult macroeconomic situation and high rates of unemployment.

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 Group .

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

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

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

The main supplier of the Group is the Polish company Ichem Sp. Zo.o, accounting for 54% of total purchases consolidated to December 31, 2014. In 2014 the Group acquired a 24.9% stake (see section on *Situation and Business Development).* The benefits sought with this holding are:

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

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

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., sole shareholder of Naturhouse Health, has stakes (Indusen, Girofibra, Laboratorios Abad and Zamodiet), which represent approximately 23% of total purchases in 2014, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 23% of total purchases in 2014.

In 2014 the Group has developed a new format of sachets to market some of their biggest brands (Levanat and Fluicir among others). The production of this new format will replace part of the Group sales generated with these brands in its vial format, they will be manufactured by Indusen, causing a slight weight reduction to the products supplied by Ichem, Sp zo.o to the benefit of Indusen. The reason for this new format is to achieve better margins for the Group and franchisees, while in turn achieving a more environmentally friendly outcome.

The detail of the main brands that the Group acquired from Kiluva S.A. on June 20, 2014 is shown below:

BRAND
CINAKI
VADESSA
BRONISAN
OXYJEUNE

7. Treasury Shares

At December 31, 2014 the Parent Company does not hold any ownership of shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

The Group has various action plans related to a potential placement and admission process for the trading of shares of Naturhouse Health, S.A.U. in the Spanish primary market.

9. Capital Structure

At December 31, 2014, 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.

At 31 December 2014 the share capital is represented by 60,000,000 registered shares with a nominal value of 0.05 Euros each. This increase is derived as explained under item *situation and market evolution.* The company Kiluva, S.A. owns 100% of the shares of the Parent Company.

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

On October 9, 2014 the Administrative Body of the Parent becomes a Board of Directors consisting of 8 members, Mr Félix Revuelta Fernández, Mr Kilian Revuelta Rodríguez, Ms Vanesa Revuelta Rodríguez, Mr Rafael Moreno Barquero, Mr José María Castellanos, Ms Isabel Tocino Biscarolasaga, Mr Pedro Nueno Iniesta and Mr Juan María Nin Génova.

12. Significant agreements

No significant agreements is 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.

In Hospitalet de Llobregat, March 5, 2015

Board of Directors

Félix Revuelta Fernández

Vanesa Revuelta Rodríguez

Kilian Revuelta Rodríguez

Rafael Moreno Barquero

José María Castellanos

Isabel Tocino Biscarolasaga

Pedro Nueno Iniesta

Juan María Nin Génova

ANNEX I
Companies included in the consolidation

At December 31, 2014 and 2013 the affiliate companies in full consolidation and the information relating to same is as follows:

Year 2014

Company	Activity	Holding %
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (España)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products 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)	Processing and marketing 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	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Nutrition Naturhouse Inc. Rue de la Gauchetière Ouest Montréal Québec (Canadá)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
SAS Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Marketing of products dietary	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Marketing of dietary products	51%

(*) Sole company integrated with the equity-accounted method, and the rest by full consolidation.

Year 2013

Company	Activity	Holding % Direct
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (España)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products 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)	Processing and marketing dietetic products	71%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	56%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Marketing of dietary products	51%